

Mail Security at the Denver Regional Transfer Hub

MANAGEMENT ALERT

Report Number 25-061-1-R25 | July 15, 2025



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Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

July 15, 2025

MEMORANDUM FOR: DANE COLEMAN, VICE PRESIDENT,
PROCESSING OPERATIONS

PETER ROUTSOLIAS
SENIOR VICE PRESIDENT, LOGISTICS

Mary H. Lloyd

FROM: Mary Lloyd
Deputy Assistant Inspector General
for Mission Operations

SUBJECT: Management Alert – Mail Security at Denver Regional Transfer Hub
(Report Number 25-061-1-R25)

This management alert presents issues identified during our ongoing audit of Network Changes: Regional Transfer Hubs (Project Number 25-061-1). The objective of this management alert is 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 action is completed. Recommendation 1 should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendation can be closed.

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

Attachment

cc: Postmaster General
Corporate Audit Response Management

Results

Introduction

This alert presents issues identified by the U.S. Postal Service Office of Inspector General (OIG) during the Network Changes: Regional Transfer Hub (RTH) audit (Project Number 25-061). Our objective is to provide immediate notification of issues related to mail security at the Denver Regional Transfer Hub. See [Appendix A](#) for additional information about this audit.

Background

Prior to the launch of the Delivering for America plan, the U.S. Postal Service used Surface Transfer Centers to distribute, consolidate, dispatch, and transfer all mail classes within the surface network. They also served as a concentration point for consolidating mail from under-utilized surface trips. In September 2024, the Postal Service transitioned to the use of RTHs. RTHs are intended to decrease the number of mail separations and fill containers quickly during processing to expedite getting mail onto trucks and out for delivery to customers.

As of March 2025, 18 RTHs were active nationwide. While the Postal Service indicated that work handled at RTHs would be insourced, some RTHs, such as the Denver RTH, continue to be operated by contractors rather than Postal Service employees.

To support the RTH initiative, the Postal Service converted the Denver Peak Annex¹ into the Denver RTH, which began operations in October 2024. The Postal Service modified its existing contract with the contractor responsible for managing the peak annex to facilitate this transition. The updated contract incorporated provisions that aligned the facility's operations with RTH standards. Several contractual modifications were made to support the facility's transformation, which included new responsibilities for the contractor to aid in RTH operations and language specifying that the Postal Service would insource the work before the end of 2025.

¹ Strategically located facility used to augment space shortages at existing Postal Service facilities.

Finding #1: Mail Security

During our site visits from April 8 to April 10, 2025, we identified deficiencies that put mail at risk of theft and unauthorized handling. Specifically, we observed improperly removed tags from Priority Mail Open and Distribute (PMOD) containers in the mail repair station; damaged mailpieces that were improperly secured; and insufficient controls over Registered Mail.

Removed Tags

We found that PMOD tags were being removed from their assigned containers before reaching their final destination. PMOD shipments expedite the movement of any class or subclass of mail (except Express Mail) between the acceptance unit and domestic Postal Service

facilities. The shipments receive Priority Mail service from the origin unit to the destination facility.² While in transit, PMOD containers may move through

en-route facilities or cross-dock facilities before arriving at the final destination. The PMOD standard operating procedure (SOP) states that these facilities should recognize PMOD containers, identified by the green or pink tags, and scan the tags as “enroute” (see Figures 1 and 2). Even though the tags state “open and distribute,” these containers should be scanned but remain unopened

as they travel through the Denver RTH because it is a transfer facility not the final destination. No tags should have been found having been removed at the Denver RTH.

“We identified deficiencies that put mail at risk of theft and unauthorized handling.”

Figure 1. Green PMOD Tag — Processing Plant PMOD Containers



Source: USPS Priority Mail Open and Distribute™ Operational Guide and PMOD Training Webinar 2018.

² PMOD Operational Guide, dated June 2018.

Figure 2. Pink PMOD Tag — Delivery Unit PMOD Containers



Source: USPS *Priority Mail Open and Distribute™ Operational Guide* and PMOD Training Webinar 2018.

According to Postal Service facility management, multiple PMOD tags were found hidden on the workroom floor, inside mail transport equipment, and in the inbound dock area since January 2025. Postal Service management expressed concern that contract employees were opening PMOD sacks to pilfer select medications. Since January 2025, the Postal Service manager at the Denver RTH had been collecting loose PMOD tags found throughout the facility (see Figures 3 and 4).

“Postal Service management expressed concern that contract employees were opening PMOD sacks to pilfer select medications.”

Figure 3. PMOD Tags Removed from PMOD Containers



Source: OIG photos taken during our site visit at the Denver RTH on April 10, 2025.

Figure 4. PMOD Tags Removed from PMOD Containers



Source: OIG photos taken during our site visit at the Denver RTH on April 10, 2025.

Damaged Mail

We also found that the mail repair station was not always staffed overnight and on weekends. Postal Service management at the facility stated that packages had disappeared overnight from the

“Packages had disappeared overnight from the repair station.”

repair station, and they suspected this was happening when the area was not staffed. We observed vulnerable items such as loose medication in this area during our April 2025 site visit (see Figure 5).

Figure 5. Damaged and Loose Mail Area



Source: OIG photos taken during our site visit at the Denver RTH on April 10, 2025.

Postal Service management at the facility also noted observing damaged parcels across all processing operations, which they believed were caused by contractor staff rather than mail processing machines (see Figures 6 and 7). Management

believed the Denver RTH had significantly more damaged mail than there should be, especially when compared to the nearby Denver Processing and Distribution Center.

Figure 6. Examples of Damaged Mail with Contents Missing



Source: OIG photos taken during our site visit at the Denver RTH on April 10, 2025.

Figure 7. Sack Cut Open with Contents Missing



Source: OIG photo taken during our site visit at the Denver RTH on April 10, 2025.

Contractor staff reported that they would turn in valuable items like cash found in damaged parcels to the contractor's Human Resources officer who, in

turn, is supposed to turn them over to Postal Service management on-site. However, Postal Service management stated it was not aware of any valuable items from damaged parcels that had been turned in.

The SOP for damaged mail states that staff are not to open secure parcels under any circumstances.³ These procedures further state that no one is allowed to rifle through damaged or loose mail for security reasons. In addition to the SOP, the contract's statement of work requires the contractor to isolate all non-transferable pieces, including, but not limited to, damaged mail and/or mail without routing information, and notify a Postal Service representative.

³ Processing Operations Management Order 006-18, issued July 16, 2018.

Registered Mail

Finally, we found that the Denver RTH did not have a sufficient process in place to ensure the security of Registered Mail. Specifically, there was no clearly established procedure for the acceptance, dispatch, and transfer of Registered Mail both entering and leaving the facility. Additionally, no registry cage existed for the holding of Registry Mail. The facility did have two lockable all-purpose containers (APC) secured to a beam that were being used for Registry Mail (see Figure 8). However, only one of the

“We found that the Denver RTH did not have a sufficient process in place to ensure the security of Registered Mail.”

containers was secured with a lock. Postal Service management stated that the facility security guard controlled the key, and that Postal Service employees did not know how many keys were in circulation.

Figure 8. Lockable Registry Cages (APC Style)



Source: OIG photos taken during our site visit at the Denver RTH on April 10, 2025.

According to Handbook DM-901 section 4-1, all transfers of Registered Mail must be documented using the appropriate Postal Service form, with hand-to-hand exchange required in most cases.⁴ Transfers are recorded on Form 3854,⁵ completed in triplicate, and signed by the designated recipient at each transfer point. Registered Mail must not remain at the

platform or receiving unit for more than 30 minutes. If the scheduled outbound departure exceeds this timeframe, it must be secured in a security cage to await transportation.

Since the audit team's visit, management installed a registry cage at the Denver RTH (see Figure 9).

⁴ The following items are excluded from hand-to-hand exchanges: vestibule exchanges; transfer of accountability at retail offices not operating more than 24 hours, 7 days a week; area responsibility; and Inbound International Registered Mail being submitted to the First-Class Mail stream.

⁵ *Manifold Registry Dispatch Book* (PS Form 3854) is used to record transfer of Registered Mail.

Figure 9. Newly Installed Registry Cage at the Denver RTH



Source: Photo provided by Postal Service management on June 5, 2025.

The lack of management oversight and Postal Service staffing at the Denver RTH has created significant vulnerabilities in mail security and handling. The Postal Service did not implement adequate controls to prevent theft and unauthorized access, which could lead to contractors tampering with the mail. A contributing factor was the contract's statement of work, which did not outline specific requirements for handling Registered Mail, leaving critical security gaps unaddressed. Additionally, Postal Service officials assigned to the Denver RTH did not provide necessary oversight, opening the door for misconduct by the contracted employees. The absence of functional security measures, including non-operational cameras until April 2025, facilitated unchecked handling and allowed for the persistence of potential mail-related misconduct. The Postal Service has stated it plans to insource operations, but did not provide an estimated completion date.

“The lack of management oversight and Postal Service staffing at the Denver RTH has created significant vulnerabilities in mail security and handling.”

An OIG investigation in February 2025 led to the termination of three contract employees at the Denver RTH for theft or knowledge of the theft. However, evidence of ongoing issues was found during our site visits in April 2025. Addressing these shortcomings is crucial to maintaining the integrity of the mail. When contracts do not account for the management of all mail types, SOPs are neglected, and security requirements are overlooked, the risk of mail theft increases significantly. Further, without clear guidelines and enforcement measures, control gaps in the system allow for unauthorized access, misplaced accountability, vulnerabilities that can be exploited, or an increased risk to the safety and welfare of customers. For example, improper handling of medications could result in missed doses or expired medication, posing a health risk to customers.

As a result of our immediate reporting to Postal Service management about these issues, steps were taken to install additional security cameras and replace the contractor's plant manager. In addition, Postal Service management provided an updated staffing plan to ensure coverage during all work tours, seven days a week. Therefore, we will not be making a recommendation to address management oversight at the Denver RTH. However, increased focus on insourcing operations could help to further mitigate the risks at this facility.

Recommendation #1

We recommend the **Vice President, Processing Operations**, in coordination with the **Senior Vice President, Logistics**, prioritize the insourcing of Denver Regional Transfer Hub operations.

Postal Service Response

Management agreed with the finding and recommendation. Regarding recommendation 1, management stated they will prioritize the insourcing of the Denver RTH as soon as feasible. Management provided a target implementation date of August 30, 2026.

See [Appendix B](#) for management comments in their entirety.

OIG Evaluation

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

Appendix A: Additional Information

Scope and Methodology

The scope of this management alert focused on mail security within the Denver RTH. To accomplish our objective, we:

- Conducted a site visit to the Denver RTH.
- Interviewed local management in the Denver area, including management at the Denver RTH as well as at the Denver Processing and Distribution Center.
- Reviewed OIG reports of past theft incidents that occurred at the Denver RTH.

We conducted this management alert from May 2025 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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

On May 28, 2025, we notified management of the identified issues prior to providing the draft of this management alert. We discussed our observations and conclusions with management on June 27, 2025, and included its comments where appropriate.

In planning and conducting the audit, we obtained an understanding of the Denver RTH 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 two components were significant to our audit objective:

- Control Environment
- Risk Assessment

We developed audit work to ensure that we assessed these controls. Based on the work performed, we did identify internal control deficiencies that were significant within the context of our objectives.

We did not use any computer-generated data; therefore, we did not assess the reliability of any computer-generated data 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.

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: Management's Comments



July 9, 2025

VICTORIA SMITH
ACTING DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: *Management Alert – Mail Security at Denver Regional Transfer Hub 25-061-1*

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, *Management Alert – Mail Security at Denver Regional Transfer Hub*. Management generally agrees with the findings. Thank you for the acknowledgement of the corrective action taken.

The following are our comments on the single recommendation:

Recommendation 1:

We recommend the **Vice President, Processing Operations**, in coordination with the **Senior Vice President, Logistics**, prioritize the insourcing of Denver Regional Transfer Hub operations.

Management Response/Action Plan:

Management agrees with this recommendation. We agree to prioritize the insourcing of the Denver Regional Transfer Hub operations as soon as feasible.

Target Implementation Date: 8/30/26

Responsible Official: Sr. Director Network Transformation, Sr. VP Logistics

E-SIGNED by DANE A COLEMAN
on 2025-07-10 09:28:09 EDT

Dane A. Coleman
Vice President, Processing Operations

E-SIGNED by PETER ROUTSOLIAS
on 2025-07-09 17:31:18 EDT

Peter Routsolias
Senior Vice President, Logistics

cc: *Corporate Audit & Response Management*

OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE



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