Network Changes: Regional Transfer Hubs

AUDIT REPORT
Report Number 25-061-R25 | September 24, 2025

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Highlights

Background

The U.S. Postal Service implemented the Regional Transfer Hubs (RTH) initiative nationwide as part of its efforts to streamline and modernize its network. The initiative reduces origin separations and moves mail across the country to RTH operations where it is then sorted for destinating facilities. The Postal Service expects this initiative to reduce the overall number of trips needed and transportation costs. As of March 2025, the Postal Service had 18 active RTHs located throughout the country with plans to activate more.

What We Did

Our objective was to evaluate the implementation and effectiveness of the Postal Service's RTH initiative. We reviewed and analyzed transportation and service performance data from October 2023 through March 2025. Additionally, we conducted site observations and interviewed Postal Service personnel at five RTH facilities during April and May 2025.

What We Found

While the Postal Service had some successes during implementation, we identified opportunities for the Postal Service to better evaluate RTH operations and measure success. Specifically, the Postal Service did not establish unique targets and effective monitoring to evaluate whether RTH performance contributed to identified transportation savings or if impacts to service outweighed the cost. While the initiative aims to reduce trips and transportation costs, the Postal Service did not track actual savings from the initiative and service performance for the highest volume products sent through RTHs were lower than the national average for these products. Additionally, the Postal Service did not establish a unique goal to measure progress towards maximizing utilization, a primary objective of the RTH initiative. Also, the Postal Service did not always conduct required scanning and enforce corrective actions for late departing contracted transportation trips.

Recommendations and Management's Comments

We made five recommendations to address the issues identified in the report. Postal Service management agreed with two recommendations and disagreed with three. 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 recommendations two and three, as corrective actions will resolve the identified issues. We will work with management on the remaining recommendations during the audit resolution process. See Appendix B for management's comments in their entirety.

Transcittal Letter

September 24, 2025

MEMORANDUM FOR: PETE ROUTSOLIAS
SENIOR VICE PRESIDENT, LOGISTICS

ROBERT CINTRON
VICE PRESIDENT, LOGISTICS

DANE COLEMAN
VICE PRESIDENT, PROCESSING OPERATIONS

Mary K. Lloyd

FROM: Mary Lloyd
Deputy Assistant Inspector General
for Operations, Performance & Service

SUBJECT: Audit Report – Network Changes: Regional
Transfer Hubs (Report Number 25-061-R25)

This report presents the results of our audit of Network Changes: Regional Transfer Hubs.

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. Recommendations one through five 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 Team 2, or me at 703-248-2100.

Attachment

cc: Postmaster General
Corporate Audit Response Management

Results

Introduction/Objective

This report presents the results of our self-initiated audit of Network Changes: Regional Transfer Hubs (Project Number 25-061). Our objective was to evaluate the implementation and effectiveness of the U.S. Postal Service's Regional Transfer Hub (RTH) initiative. See Appendix A for additional information about this audit.

Background

The Postal Service implemented the RTH initiative nationwide as part of its efforts to streamline and modernize its network. According to Postal Service officials, RTHs accelerate the benefits of the Regional Processing and Distribution Center (RPDC) network. The initiative's goal is to decrease the number of trips needed to move mail across the country, thereby reducing transportation costs. In its Fiscal Year 2024 Annual Report to Congress, the Postal Service reported a decrease in transportation costs of $1 billion from fiscal year (FY) 2023, and a plan of an additional $0.6 billion decrease for FY 2025.

Mailflow

Mail volume intended for the RTH network, including packages, letters, and flats, is sent from originating mail processing facilities to a hub where this combined volume is sorted for destinating mail processing facilities and dispatched to a downstream processing facility in that region of the country. See Figure 1 and Figure 2 for mailflow from originating processing facilities through the RTH network.
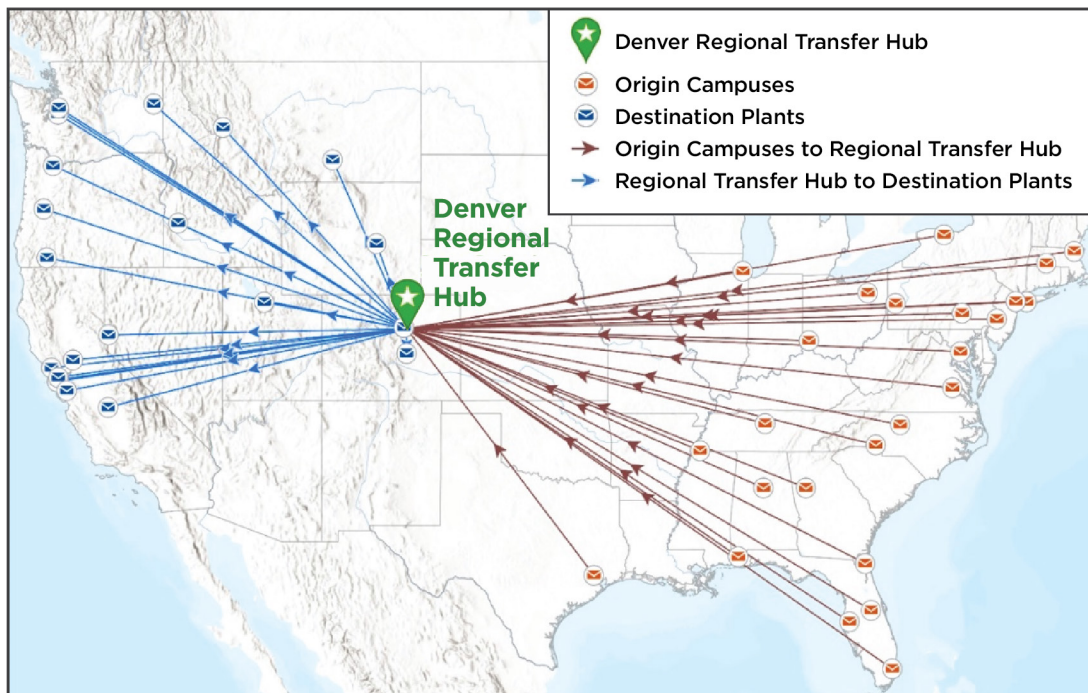
Figure 1. Mailflow Through the RTH Network
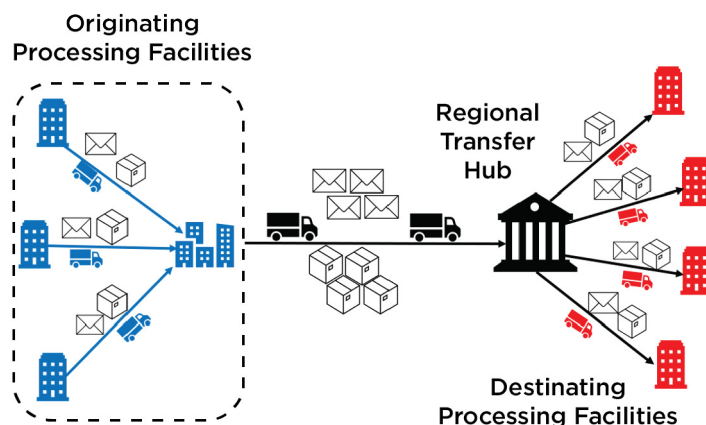
Source: U.S. Postal Service Office of Inspector General (OIG) analysis

Figure 2. Mailflow Through an Example Regional Transfer Hub

Source: OIG analysis of the Postal Service Activation Plan data, as of March 7, 2025.

Figure 3. Regional Transfer Hubs as of March 2025

Source: OIG analysis of the Postal Service Activation Plan data, as of March 7, 2025

Implementation Progress

As of March 2025, the Postal Service activated 18 facilities with RTH operations located throughout the country. Three of the 18 facilities perform only RTH operations and are located in Denver, CO, Dallas, TX, and Phoenix, AZ, while the others are co-located with existing processing facilities. The Denver, CO, RTH is the only facility operated entirely by contractors.[1] The Postal Service plans to activate additional hubs as it expands the RTH network to include more volume eligible for RTH optimization. See Figure 3 for a map of RTHs active as of March 2025.

Performance Measurement

The Postal Service evaluates RTH facilities based on two performance measures: trailer utilization and trips on time. Trailer utilization measures the percentage of trailer space used per trip. Trips on time measures the percentage of trips departed as scheduled. Further, the Postal Service evaluates service performance of First-Class Mail and Ground Advantage packages between two 3-digit ZIP Codes, as those are the highest volume products sent through RTHs.

We reviewed and analyzed transportation data from Surface Visibility (SV)[2] and service performance data

from Informed Visibility (IV)[3] for First-Class Mail and Ground Advantage packages covering October 2023 through March 2025. Additionally, we conducted site observations and interviewed Postal Service personnel at five[4] RTHs during April and May 2025.

Finding Summary

Postal Service senior management communicated well with site management at RTH facilities, RTH facilities had the capacity and space to implement operations, and the Postal Service may have achieved significant savings by implementing RTHs. However, we identified opportunities to better evaluate RTH operations effectiveness and measure success. Specifically, we found that the Postal Service did not establish quantifiable key performance indicators, measure cost savings realized from the RTH initiative and service performance for mail volume going through RTHs was 11.5 and ███ percentage points below the national average for First Class Mail and Ground Advantage, respectively. Also, required scanning was not always performed, a unique RTH utilization goal was not created, trailer utilization was not accurately measured, RTH trips did not always depart on time, and transportation suppliers with late trips were not always addressed.

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1   During our site visits, we found mail security issues and evidence of mail theft at the contractor operated Denver, CO, RTH facility. These issues were addressed in our *Management Alert, Mail Security at Denver Regional Transfer Hub* (Report Number 25-061-1-R25, issued on July 15, 2025).

2   An electronic system that provides real time data entry of moves, utilizing hand-held computers, carried by dock clerks and expediters. Reports focus on volumes by class, containerization, and load/unload times.

3   Informed Visibility provides a full digital reflection of the physical movement of mail and packages in near real time.

4   The five sites were Denver RTH Denver, CO; Pennwood Network Distribution Center (NDC), Warrendale, PA; Pittsburgh Processing and Distribution Center (P&DC), Warrendale, PA; Seminole P&DC Orlando, FL; and Memphis Mail Processing Annex (MPA), Memphis, TN.

Finding #1: Opportunities Exist to Better Evaluate the Regional Transfer Hub Initiative and Measure Success

Although aspects of RTH implementation went well and there may be significant savings, the Postal Service did not establish quantifiable key performance indicators to measure success. As a result, we could not determine whether the impacts on cost, customer service, or trailer utilization are effectively meeting RTH objectives. We interviewed personnel at five RTH facilities and found that, generally, senior management communicated effectively before and during implementation. Site management reported receiving critical information by email communications and through weekly meetings, such as mail volume estimates and transportation plans. Additionally, in most cases, the facility's operations did not change but mail volumes increased, and the facilities had sufficient processing capacity and space to handle the volume. Post-implementation, headquarters personnel continually assessed volumes, and utilization and service performance of the RTH transportation plan and adjusted the transportation plans as needed. Therefore, we are not making a recommendation on improving these aspects of RTH implementation

> **"Aspects of RTH implementation went well and there may be significant savings."**

but will continue to monitor the Postal Service's network changes and implementation at future RTHs.

Despite these successes, the Postal Service did not establish targets and effective monitoring to evaluate whether RTH performance contributed to identified transportation savings or if impacts to service outweighed the

cost. While the initiative aims to reduce trips and transportation costs, the Postal Service did not track actual savings from the initiative and service performance for First-Class Mail and Ground Advantage, the highest volume products sent through RTHs, were lower than the national average for these products. Additionally, the Postal Service did not establish a unique goal to measure progress towards maximizing utilization, a primary objective of the RTH initiative, did not always perform required scanning, and had late departing contracted transportation trips. Without established quantifiable performance indicators or targets, the Postal Service is limited in its ability to evaluate the effectiveness of the RTH initiative and its impact on network modernization efforts.

Cost Savings Not Tracked

While the Postal Service reported significant transportation-related cost savings during FY 2024, it did not calculate, record, or track savings specific to the RTH initiative. Overall, the Postal Service decreased transportation expenses by 10 percent from FY 2023 to FY 2024 driven by a reduction in highway and air contract expenses (see Figure 4). As discussed in a prior report,[5] management stated they developed a new model for managing transportation optimization and estimating cost savings. However, during our audit, management did not provide any data showing how much of the savings came from RTH compared to other initiatives.

Management stated the overlap of the multiple initiatives, coupled with ongoing changes to trips, would make tracking RTH savings too intricate to track. As such, management only tracks overall transportation savings for all initiatives.

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[5]   OIG issued audit report, *Network Changes: Local Transportation Optimization*, (Report Number 24-142-R25, dated December 18, 2024).

Figure 4. Transportation Expense from FY 2023 to FY 2025
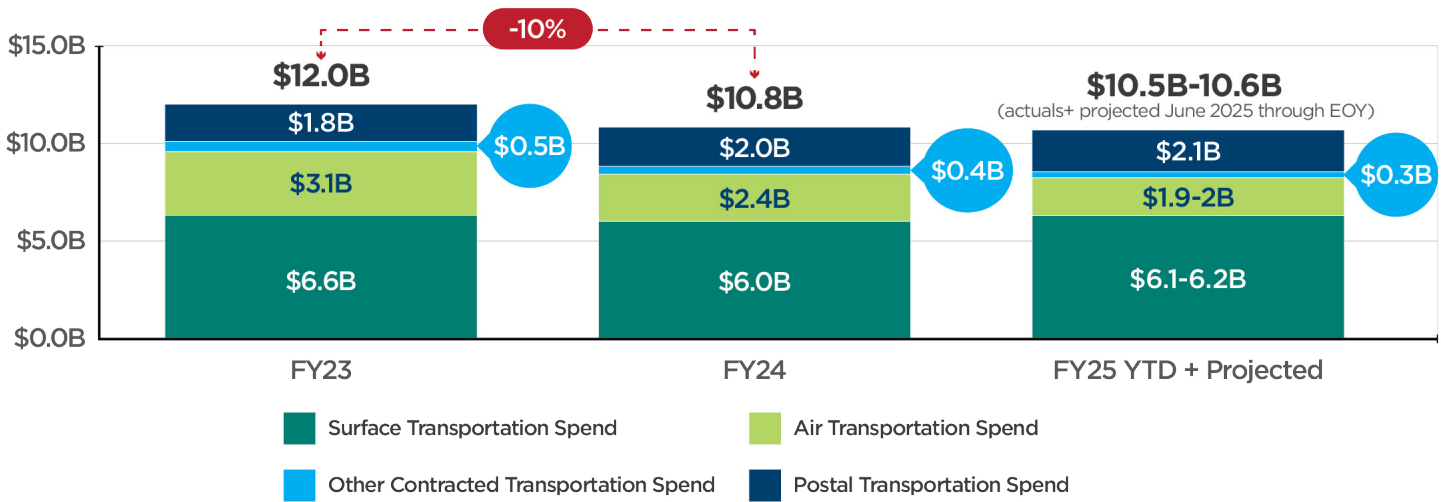
Source: Transportation Spend and RTH Overview dated July 1, 2025, provided by the Postal Service.

Service Performance Impacts

While the initiative aims to decrease the number of initial mail processing separations at originating facilities and number of trips needed to move mail across the country, it also creates additional touch points and handling once it reaches the RTH facility, which increases the time it takes for mail and packages to be processed and delivered.

The Postal Service's processing service performance scores for mail going through RTH sites were below the national average. We found on average

72.9 percent of First-Class Mail and ▮ percent of Ground Advantage packages were processed on-time at RTH facilities from FY 2024 through Quarter 2 (Q2) of FY 2025. This was 11.5 and ▮ percentage points below the nationwide averages, respectively, and 17.1 and ▮ percent below goals. The percentage of Ground Advantage packages processed on time for the 18 RTHs ranged between ▮ and ▮, with 14 of 18 facilities below the nationwide average for Ground Advantage packages processed on-time (see Figure 5).

Figure 5. Ground Advantage Average Processing Scores for RTHs
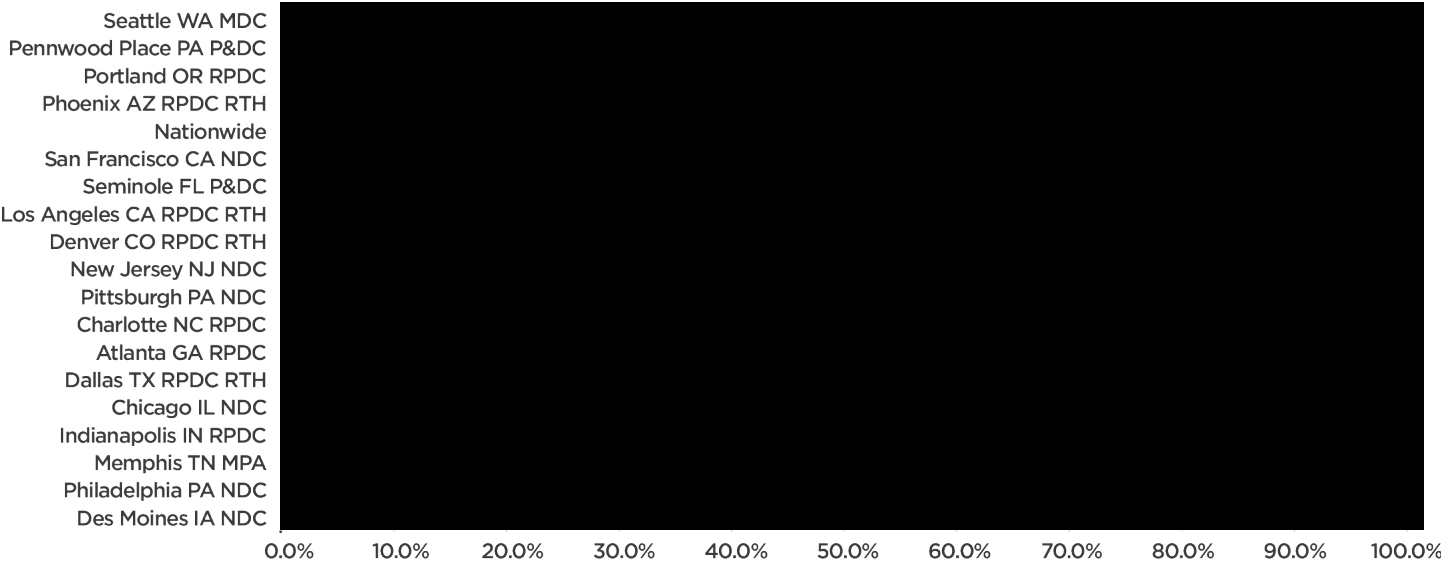
Source: OIG analysis of processing service performance data provided by the Postal Service.

In a prior report,[6] we found once a package passes through more than two processing facilities, the chances of meeting on-time performance standards decrease substantially. In response to this, in July 2025, management provided documentation showing it had started reviewing mailflows to identify opportunities to improve service performance.

Additionally, service performance data for the RTH facilities may not be accurate. We found employees at the RTH facilities did not always perform the required scans to track packages. This occurred because management did not always provide sufficient oversight over scanning compliance. Because the scans were not always performed, the Postal Service cannot determine how long some packages were in these facilities or their impact to service performance. During our site visits, we sampled 800 packages and found 492 (or 61.5 percent) of these packages were missing either the arrival or departure scans (see Table 1). These packages are not normally scanned individually but are nested to a container that is scanned allowing the tracking of the packages. Of the 308 packages that received arrival and departure scans, 27 (or 8.8 percent) were in the plant for longer than 24 hours. While we recognize this represents a small sample of the total packages processed at RTH facilities, our site observations indicated room for improvement in consistent scanning for reliable mail visibility.

During our site visits to the five RTH facilities, we also observed 14 of 65 (or 21.5 percent) departing trips were late. Additionally, we analyzed SV data for FY 2024 to Q2 of FY 2025 and determined 80,823 of 451,564 (or 17.9 percent) of departing RTH trips were not on time. Of the 17.9 percent late trips, 42.8 percent were caused by the Postal Service, and 46.6 percent were caused by suppliers (see Figure 6). The Postal Service's goal is to have 95 percent of its trips depart on time.[7] In addition, suppliers are expected to operate at or above 93 percent on time pick-up performance.[8]

Management stated they routinely monitor contractor performance and act as needed to hold the contractors accountable. Additionally, management stated that while trips may depart the facility late, there may be instances where service performance was met. While this may be true, we identified an opportunity to reduce the risk of mail being delivered late by taking actions to address contractor performance.

Management also provided evidence that they held weekly cadences in August 2025 to discuss service performance and that actions were taken to improve service as needed; therefore, we are not making a recommendation to monitor service performance. The weekly cadences also identified the reason some trips were late, including identifying specific contractors with performance issues. However, management did not provide evidence that action was taken to address these performance issues.

Figure 6. Causes of Late Departing Trips by Percentage
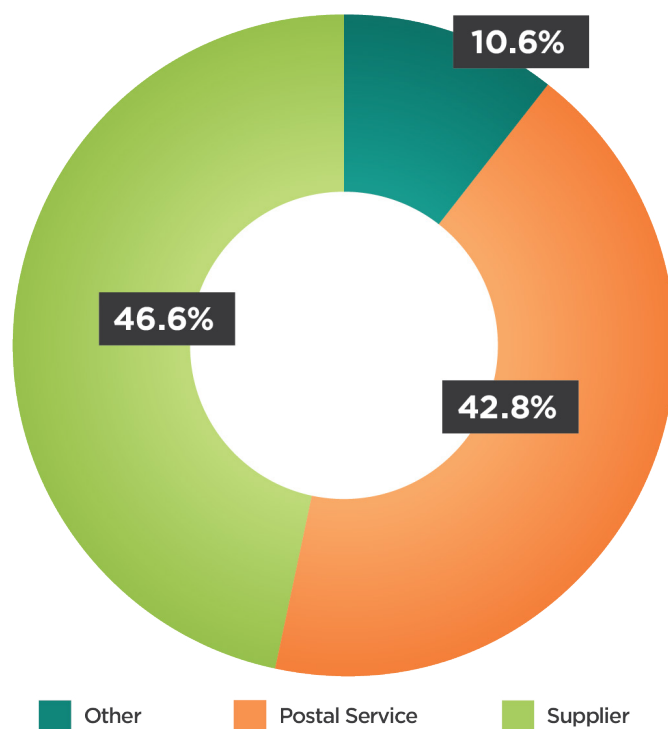
Source: OIG analysis of the SV data for FY 2024 - FY 2025 Q2.

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6   _Delivering for America: First-Class Mail and Priority Mail Service Performance Update_ (Report Number 25-028-R25, dated May 7, 2025).
7   _USPS Plant Manager Handbook_ dated July 2024.
8   _Surface Transportation Statement of Work and Terms and Conditions._

Table 1. Missing Arrival and/or Depart Scans for Sampled Packages

Sites	Missing Scans	Scans Completed	Total	Percent (%) Missing Scans
Denver (CO) RTH	115	85	200	57.5
Memphis (TN) MPA	132	68	200	66.0
Pennwood Place (PA) P&DC	56	44	100	56.0
Pittsburgh (PA) NDC	58	42	100	58.0
Seminole (FL) P&DC	131	69	200	65.5
Grand Total	**492**	**308**	**800**	**61.5**

Source: OIG analysis of sample packages and service performance data.

Without an ability to determine whether the cost savings outweigh the impacts to service, management is limited in its ability to make informed decisions regarding the RTH initiative.

Trailer Utilization Goal and Utilization Not Accurately Measured

The Postal Service did not have a unique RTH trailer utilization goal. Management stated the target for RTHs is 65 percent, documented in M–22, *Dispatch and Routing Procedure* that was published in March 2025. However, this is the minimum expectation for all trips. Without a unique goal for RTH trips that are expected to have higher utilization than other trips, the Postal Service cannot measure progress towards maximizing utilization of RTH trips, a primary objective of the initiative.

We analyzed SV data for FY 2024 to FY 2025 as of Q2 and determined the average trailer utilization for inbound RTH trips was about 87.9 percent and departing RTH trips was about 71.4 percent (see Table 2). However, there were wide variances in trailer utilization, which ranged from 49.3 percent to 94 percent.

In addition, reported trailer utilization in SV may be overstated and may not represent the actual utilization. Specifically, we judgmentally observed 65 trips during our site visits and found trailer utilization for 34 trips (52.3 percent) were not calculated correctly in SV compared to our visual observations. Of those 34 trailers that were not reported accurately, on average, reported utilization was 27.9 percent higher than what we observed. For example, we observed one trailer that was reported in SV as being 87 percent full but was only 50 percent full (see Figure 7). This issue was also reported in our prior report[9] and management updated SV in July 2025 to more accurately account for trailer utilization. Because management took action in response to our prior report, we are not making a recommendation to address this issue.

> **"**Without an ability to determine whether the cost savings outweigh the impacts to service, management is limited in its ability to make informed decisions regarding the RTH initiative.**"**

9   OIG issued audit report, *Evaluation of Freight Auction*, (Report Number 23-162-R24 dated August 6, 2024).

Table 2. Trailer Utilization of RTH Inbound and Outbound Trips

RTH Site Name	Origin to Hub		Hub to Destination	
	Number of Trips	Average Percent Trailer Utilization	Number of Trips	Average Percent Trailer Utilization
Los Angeles (CA) NDC	698	58.7	20,571	49.3
Chicago (IL) NDC	673	66.2	28,284	80.3
Pittsburgh (PA) NDC	236	77.6	4,734	65.6
Philadelphia (PA) NDC	672	79.3	43,967	62.4
Seminole (FL) P&DC	1,698	85.5	8,174	69.4
Atlanta (GA) RPDC	7,347	85.5	48,154	78.8
Pennwood Place (PA) P&DC	1,853	86.5	57,789	70.6
New Jersey (NJ) NDC	6,994	86.8	49,277	76.5
Charlotte (NC) RPDC	7,985	87.5	41,996	61.9
Indianapolis (IN) RPDC	15,549	88.3	33,311	66.9
Denver (CO) RPDC RTH	4,276	88.8	6,935	93.9
Dallas (TX) RPDC RTH	4,328	89.4	7,402	83.0
Phoenix (AZ) RPDC RTH	7,374	89.5	7,674	92.6
San Francisco (CA) NDC	2,059	89.8	16,287	76.5
Des Moines (IA) NDC	1,437	90.9	18,664	65.8
Portland (OR) RPDC	1,275	91.4	23,934	73.8
Seattle (WA) NDC	1,715	92.1	12,357	74.6
Memphis (TN) MPA	4,015	94.0	22,054	70.0
Total	**70,184**	**87.9**	**451,564**	**71.4**

Source: OIG analysis of the SV data for FY 2024 - FY 2025 Q2.

Figure 7. Picture of Inaccurately Reported Trailer Utilization

Source: OIG photo taken on April 9, 2025, during a site visit.

During the audit, the Postal Service provided a list of performance measurement categories for RTHs that included transportation cost, service performance, trips on time, and utilization. However, this list did not include quantifiable targets for those categories, and therefore, cannot be measured against. Management stated that they believe their current monitoring and evaluation of the performance measurement categories are sufficient.

By not tracking specific RTH trip reductions and the savings generated by sending volume through RTHs, or the service impacts to customers of mail and packages sent through RTH facilities, the Postal Service was unable to measure the overall benefit of the initiative as compared to the cost. Therefore, the Postal Service risks impacting public

trust without a clear understanding of the cost savings achieved by the initiative.

Additionally, by not measuring progress towards maximizing trailer utilization, the Postal Service is unable to determine whether the initiative is achieving a stated goal of increasing utilization.

Recommendation #1

We recommend the **Vice President, Logistics,** conduct a feasibility study of capturing cost savings resulting from the Regional Transfer Hub initiative and, based on the results, implement tracking of costs related to the initiative

Recommendation #2

We recommend the **Vice President, Logistics,** in coordination with the **Vice President, Processing Operations**, implement controls to enforce all required scanning at Regional Transfer Hubs.

Recommendation #3

We recommend the **Senior Vice President, Logistics,** enforce corrective actions for contracted transportation with late departing transportation.

Recommendation #4

We recommend the **Vice President, Logistics**, in coordination with the **Vice President, Processing Operations,** establish quantifiable key performance indicators, including acceptable impacts to service and a trailer utilization target, specific to the Regional Transfer Hub initiative.

Recommendation #5

We recommend the **Vice President, Logistics,** in coordination with the **Vice President, Processing Operations,** once key performance indicators are established, monitor performance of the Regional Transfer Hubs against established goals.

Postal Service Response

While management did not state whether it agreed or disagreed with the finding, it disagreed that it did not have a target for RTH utilization,

noting it was 65 percent for all transportation trips and that RTH trips were performing higher than this national target. Management also disagreed with recommendations 1, 4, and 5, but agreed with recommendations 2 and 3.

Regarding recommendation 1, management stated that transportation savings are measured at a macro level and with many transportation initiatives implemented at the same time, measuring savings for individual initiatives would be difficult.

Regarding recommendation 2, management stated it has had meetings and implemented corrective actions to resolve scanning performance issues. Management further stated it provided evidence of meetings and action items around scanning performance and requested closure of this recommendation upon issuance of the final report. Management also provided a target implementation date of November 20, 2025.

Regarding recommendation 3, management stated it will provide evidence of actions taken to resolve issues with contractor performance at RTH sites. The target implementation date is January 31, 2026.

Regarding recommendations 4 and 5, management reiterated that the utilization goal for RTH trips is 65 percent and that it measures performance against this utilization goal along with on time percentages and late reason codes.

OIG Evaluation

The OIG considers management's comments responsive to recommendations 2 and 3, and corrective actions should resolve the issue identified in the report.

Regarding recommendation 1, while it may be difficult to measure the actual savings created by the RTH initiative, without doing so the Postal Service is unable to determine whether the savings outweigh the costs of the initiative and has limited ability to make informed decisions.

The OIG considers management's disagreement with recommendation 1 as unresponsive and will work with the Postal Service through the formal audit resolution process.

Regarding recommendation 2, management provided evidence of meetings held to discuss service performance and that actions were taken to improve service as needed. However, the meetings only discussed a technical issue related to scanning and did not provide evidence that scanning compliance was reviewed at each RTH facility. We will work with management to obtain additional evidence that documents how it will enforce scanning compliance at RTHs.

Regarding recommendations 4 and 5, since the RTH initiative was created with one of its primary goals to increase utilization, it should have a higher utilization target to measure against, not the same target as all transportation. Also, while the Postal Service has provided evidence that it is evaluating utilization, on time trips, and late reason codes, it has not shown that it is able to effectively measure the benefit of the RTH initiative against costs, including impacts to service performance. The OIG considers management's comments on recommendations 4 and 5 as unresponsive and will work with the Postal Service through the formal audit resolution process.

Looking Forward

While the Postal Service's transportation initiatives have generated cost savings, it is crucial for the Postal Service to monitor each initiative individually to effectively allocate resources to those that have the most substantial impact. Additionally, the Postal Service must balance these savings with the need for prompt and efficient mail delivery.

Appendices

Appendix A: Additional Information

Scope and Methodology

We reviewed transportation and processing operations in RTHs implemented as of March 7, 2025.

To accomplish our objective, we:

- Interviewed Postal Service Headquarters officials regarding the RTH implementation requirements and processes.

- Judgmentally selected five RTH sites to visit based on the data analyzed from SV. At each site, we interviewed local personnel and observed dock operations and trailer utilization for RTH trips.

- Reviewed and determined if Key Performance Indicators were established for RTHs and if the goals for each performance indicator were being achieved.

- Obtained and analyzed SV data for all of FY 2024 through FY 2025 Q2 related to trailer utilization, late trips and extra trips, and container scans.

- Obtained and analyzed IV data for FY 2024 to FY 2025 Q2 related to service performance and processing operations.

- Reviewed and determined if the Postal Service achieved cost savings for the RTH initiative.

We conducted this performance audit from February 2025 through September 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 August 22, 2025, and included its comments where appropriate.

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

- Control Environment

- Risk Assessment

- Control Activities

- Information and Communication

- Monitoring

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, control activities, information and communication, and monitoring 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 analyzing late trips and trailer utilization using SV data. We also reviewed service performance using IV data. We assessed the reliability of the data by interviewing Postal Service officials and testing selected data fields by applying logical tests to electronic data files. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
Mail Security at Denver Regional Transfer Hub	The objective was to provide immediate notification of issues related to mail security at the Denver Regional Transfer Hub	25-061-1-R25	July 15, 2025	$0
Network Changes: Progress on Improvements at Atlanta, GA, Regional Processing and Distribution Center	The objective was to evaluate operations and service performance at the Atlanta RPDC and follow up on corrective actions taken by the U.S. Postal Service to improve performance.	25-039-R25	July 8, 2025	$16.1
Effectiveness of the New Regional Processing and Distribution Center in Atlanta, GA.	The objective was to assess the operational impacts related to the launch of the RPDC and identify successes, lessons learned, and opportunities.	24-074-R24	August 28, 2024	$0

Appendix B: Management's Comments

UNITED STATES POSTAL SERVICE

09/15/2025

LAURA LOZON
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: *Network Changes: Regional Transfer Hubs (25-061-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, *Network Changes: Regional Transfer Hubs (25-061-DRAFT)*

In the findings, management disagrees where the OIG states there is no target for RTH utilization. Our target is 65% utilization for all transportation, as reported by OIG the RTH trips are performing higher than our national target. That's also stated in our response on rec 4.

Following are our comments on each of the five recommendations.

Recommendation 1: We recommend the **Vice President, Logistics**, conduct a feasibility study of capturing cost savings resulting from the Regional Transfer Hub initiative and based on the results, implement tracking of costs related to the initiative

Management Response/Action Plan:
Management **disagrees** with this recommendation. Transportation savings is reviewed at a macro level. Many initiatives are implemented at the same time, which makes it extremely difficult to provide accurate savings per initiative.

Target Implementation Date: N/A

Responsible Official: N/A

Recommendation 2: We recommend the **Vice President, Logistics**, in coordination with the **Vice President, Processing Operations**, implement controls to enforce all required scanning at Regional Transfer Hubs.

Management Response/Action Plan:
Management **agrees** with this recommendation as they have stated to the OIG and provided examples of the many meetings and action items revolving around scanning performance. Documentation was provided to the OIG at their request prior to the meeting. We request closure at issuance.

Target Implementation Date: 11/30/25

Responsible Official: Vice President, Logistics

Recommendation 3: We recommend the **Senior Vice President, Logistics**, enforce corrective actions for contracted transportation with late departing transportation.

Management Response/Action Plan:
Management **agrees** with this recommendation. Management will provide evidence from the STAF application of the 5500L process being followed at RTH sites referenced in the OIG's findings, per existing contractor performance policies.

Target Implementation Date: 01/31/2026

Responsible Official: Sr Director Surface Logistics

Recommendation 4: We recommend the **Vice President, Logistics**, in coordination with the **Vice President, Processing Operations**, establish quantifiable key performance indicators, including acceptable impacts to service and a trailer utilization target, specific to the Regional Transfer Hub initiative.

Management Response/Action Plan:
Management **disagrees** with this recommendation. Our target for utilization for Network trips is defined in the M22 policy for Dispatch and Routing. The target in the policy is set at a minimum of 65% utilization.

Target Implementation Date: N/A

Responsible Official: N/A

Recommendation 5: We recommend the **Vice President, Logistics**, in coordination with the **Vice President, Processing Operations**, once key performance indicators are established, monitor performance of the Regional Transfer Hubs against established goals.

Management Response/Action Plan:
Management **disagrees** with this recommendation. Management provided examples of tracking for each RTH trip inbound to the RTH Hubs that included on time percentages, utilization and late reason codes.

Target Implementation Date: N/A

Responsible Official: N/A

E-SIGNED by PETER ROUTSOLIAS
on 2025-09-15 11:20:08 EDT

Peter Routsolias
Senior VP, Logistics

E-SIGNED by ROBERT CINTRON
on 2025-09-15 08:53:19 EDT

Robert Cintron
VP, Logistics

E-SIGNED by DANE.A COLEMAN
on 2025-09-15 15:21:23 EDT

Dane Coleman
VP, Processing Operations

cc: *Corporate Audit & Response Management*

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

1735 North Lynn Street, Arlington, VA 22209-2020
(703) 248-2100

For media inquiries, please email press@uspsoig.gov or call (703) 248-2100

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