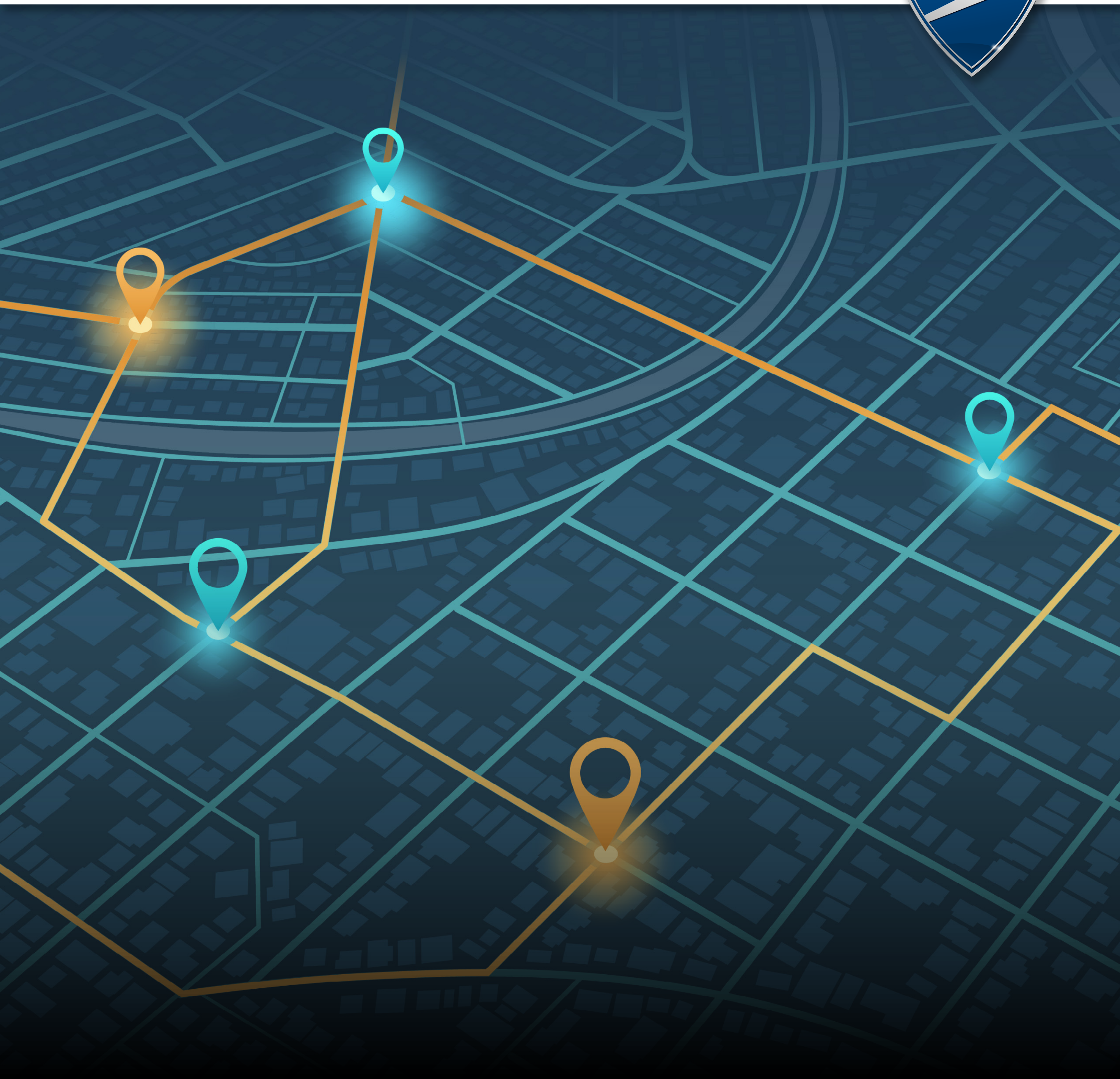
OFFICE OF INSPECTOR GENERAL | UNITED STATES POSTAL SERVICE

# Route Scheduling at Sorting and Delivery Centers

## AUDIT REPORT

Report Number 25-040-R26 | February 5, 2026



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# Highlights

## Background

As part of its $40 billion investment under the Delivering for America (DFA) plan, the U.S. Postal Service is transforming its infrastructure, including consolidating local delivery and sorting operations into centrally located sorting and delivery centers (S&DC). To determine if relocating operations to S&DCs is feasible and financially sound, the Postal Service conducts financial assessments. As such, it is crucial for the Postal Service to use reliable and accurate investment planning information to execute its network modernization strategies and support long-term financial stability.

## What We Did

Our objective was to determine if the Postal Service assessed route consolidation accurately and monitored associated costs at the S&DCs. For this audit, we reviewed route and investment data at 90 of the 101 S&DCs active during our evaluation.

## What We Found

We found that the Postal Service's assessment of route consolidations and monitoring of associated costs at the S&DCs could be improved. Specifically, 62 S&DCs (69 percent) underwent route adjustments, resulting in 450 total changes — about 5 percent of the estimated 8,992 consolidated routes. These included a net increase of 290 routes that were not accounted for in the original investment calculations. This occurred because management did not account for a growth factor in its estimates nor perform route inspections as part of its annual review prior to financial assessment and consolidation. In addition, the Postal Service did not always capture, reconcile, and report expenditures throughout the S&DC project lifecycle, nor update investment calculations when there were deviations from initial project plans. This occurred because it did not require sufficient oversight of route delivery operations' financial performance. Unreliable estimates increase the risk of mismanagement and hinder oversight, decreasing the ability to evaluate the effectiveness of the Postal Service's major investments in the DFA plan. As a result of adding 290 delivery routes, we estimated that the Postal Service incurred an additional $18,971,046 in delivery labor expenses. Incorporating the practices identified will be critical as the Postal Service anticipates activating an additional 251 S&DCs by calendar year 2030.

## Recommendations and Management's Comments

We made three recommendations to address the issues identified, and Postal Service management disagreed with all. We will pursue the disagreed recommendations through the audit resolution process. Postal Service management's comments and our evaluation are at the end of each finding and recommendation. See Appendix C for management's comments in their entirety.

# Transmittal Letter

OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

February 5, 2026

**MEMORANDUM FOR:** ELVIN MERCADO
CHIEF RETAIL & DELIVERY OFFICER & EXECUTIVE VICE PRESIDENT

Amanda H. Stafford

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

**SUBJECT:** Audit Report – Route Scheduling at Sorting and Delivery Centers (Report Number 25-040-R26)

This report presents the results of our audit of Route Scheduling at Sorting and Delivery Centers.

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 any questions or need additional information, please contact Joanna Gerhardt, Director, Contracting and Supply Management, 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 the Route Scheduling at Sorting and Delivery Centers (Project Number 25-040). Our objective was to determine if the Postal Service assessed route consolidation accurately and monitored associated costs at the Sorting and Delivery Centers (S&DC). See Appendix A for additional information about this audit.

## Background

### Postal Service Strategy

As part of its 10-year Delivering for America plan, the U.S. Postal Service is investing $40 billion in its people and infrastructure to transform the organization's network. According to the Postal Service, S&DCs will be a vital part of its network modernization, consolidating multiple delivery and package sortation operations from local post offices ("spokes") into one centrally located facility ("hub") in selected locations. By consolidating these operations, the Postal Service aims to significantly reduce transportation costs between processing centers and post offices and streamline mail and package handling. This is also intended to create a safer and healthier workplace for its employees and provide a faster and more reliable package delivery service over a greater geographic area.

On November 19, 2022, the first S&DC was opened, and as of November 12, 2025, the Postal Service had implemented a total of 149 S&DCs. It expects to open an additional 251 S&DCs nationwide by 2030.

### S&DC Investment Process

To consolidate delivery and post office operations from multiple facilities into each S&DC, the Chief Retail and Delivery Operations (CRDO) office must first obtain approval for investment projects through Headquarters Finance, under an updated annual budget and financial project plan called the Integrated Financial Plan.[1] The S&DC investment project may include dedicated funds for new building construction and relocating delivery vehicles, for example. Additionally, there are operating costs associated with routine day-to-day business of an S&DC that are generally included in the S&DC investment decision. Figure 1 summarizes the Postal Service's investment process for S&DCs.

**Figure 1. Postal Service S&DC Investment Process**


Source: OIG analysis of Postal Service documentation related to investment processes and discussions with Postal Service officials.

1 The Integrated Financial Plan is the budget and financial projects used for planning and prioritizing the investments necessary to optimally position the Postal Service for the future and to support its business goals.

### Data Gathering and Financial Rigor Tests

To initiate the process, the S&DC Implementation team within CRDO provides Finance's Capital Investments and Business Analysis (CIBA) group with key information about potential routes to be merged, such as average daily route mileage, geographic mapping, and building and space status. CIBA then uses this information to conduct a Finance Rigor Test (FRT), which evaluates the financial feasibility of relocating carriers from spoke offices to S&DCs.[2] Based on the FRT results, CIBA makes recommendations to the CRDO, who, as the investment sponsor,[3] decides whether to proceed with the S&DC project.

### Investment Request Development

If CRDO approves an S&DC project, it creates an Investment Request — required for $1 million or more — which must be approved by the postmaster general if over $5 million. The Investment Request outlines the opportunity and includes a 10-year investment projection.[4] CIBA uses information from the S&DC Implementation team to complete financial modeling and enter cost and monetary benefit plans into an investment performance tracking system.[5] The Investment Request then becomes part of the Integrated Financial Plan submitted to the Board of Governors for final approval.

### Investment Project Execution and Performance Monitoring

Once approved, the project scope, costs, and schedule estimates become the performance baseline for the S&DC project. CRDO program managers and CIBA together evaluate certain investment costs, such as facility and site development costs, at least monthly to ensure projects are implemented as approved and to assess the benefits achieved as identified in the business case until the S&DC is fully implemented. If there are changes during the project that impact the total investment costs, CRDO is required to submit an investment change request to modify the approved investment plan.[6]

### Investment Project Completion and Closeout

Once the S&DC is operational, the investment project is deemed substantially completed and is moved into the "Closing" phase. During this phase, the project teams ensure action items, such as documenting lessons learned and benchmarking cost and schedule performance, are completed or assigned for follow-up prior to closure in the investment performance tracking system.

## S&DC Operational Assessments

### Implementation Monitoring

Independent of the investment development and approval process, the Postal Service conducts performance monitoring of S&DC operations. Specifically, a team within CRDO, which supports S&DC openings, is on-site, upon implementation, for opening operations, and it remains for subsequent weeks to support local management. It helps local management identify opportunities to improve service performance and operational efficiency, as well as transition carriers and staff to their updated routes and roles.

As part of this monitoring process, the city carrier routes may be adjusted following the S&DC "go-live" date if it is found that those routes do not reflect an eight-hour work day. This adjustment process begins with a route inspection.[7] City routes that are consolidated from spoke offices into S&DCs have 30 days to undergo a route inspection and

2 The FRT evaluates the number of routes and average daily route mileage; revenue and savings associated with highway contract routes and delivery and customer service operations; operating costs associated with carrier drive time, vehicle fuel and maintenance, mail transportation, and mail processing maintenance; and the net change in operating variance — the difference between revenue/savings and cost.

3 The investment sponsor for the S&DC strategic re-alignment project is the Chief Retail and Delivery Officer. The responsibility of the investment sponsor includes proposing investment business objectives to the Capital Planning Committee and managing the implementation of the investment, in conformance with a business case and any subsequently approved investment change requests.

4 The 10-year investment calculation is a cash flow analysis that encompasses investment costs, operational costs, applicable future savings and revenues, and a return-on-investment.

5 A system that establishes Investment Requests as electronic records, automates workflows for the investment process, and tracks and monitors project performance throughout the investment lifecycle.

6 A change request is not required for operational cost variances.

7 Rural routes have no established policies requiring immediate inspections after moving into an S&DC.

adjustment.[8] This allows carriers time to familiarize themselves with their new or revised routes and lines of travel before making any adjustments to ensure a route length reflects eight hours of daily work. If Postal Service management determines that delivery routes are overburdened — routes that consistently take longer than the evaluated time for the route — it may provide immediate relief to carriers by assigning a portion of the workload to another route, providing auxiliary support, or adding new routes.

### Annual Route Reviews

Annual route reviews ensure that delivery routes are efficient and should reflect an appropriate workload[9] — consisting of close to eight hours of daily work. The process involves analyzing work hours, mail volumes, and other delivery data.[10] Based upon the results of the reviews, a formal mail count and route inspection would be conducted as needed, which may inform management decisions to adjust routes. The route data obtained from this process would help inform the number of routes in any given spoke.

## Findings Summary

We reviewed delivery route data and investment decisions for 90 active S&DCs provided by Postal Service management.[11] We found opportunities for the Postal Service to improve the assessment of route consolidations and monitoring of the associated costs at the S&DCs.

8 Memorandum of Understanding (MOU) between the Postal Service and the National Association of Letter Carriers, American Federation of Labor (AFL) – Congress of Industrial Organizations (CIO), M-02006, Re: Movement of City Letter Carrier Assignments from an Independent Installation to a Sorting and Delivery Center (M-01990), amended September 30, 2024.

9 Handbook M-39, *Management of Delivery Services,* Section 211, Selecting Period for Mail Counts and Route Inspections, dated June 2019.

10 As part of annual route reviews, management may conduct observations of street and office activities.

11 At the time of the OIG review, as of May 12, 2025, there were 101 active S&DCs. The OIG did not include 11 of these S&DCs — the Brooklyn, New York; Bridgeport, Connecticut; Columbia, South Carolina; Bend, Oregon; Medford, Oregon; Eugene, Oregon; Burbank, California; Henderson, Nevada; Sacramento, California; Santa Ana, California; and Surprise, Arizona — in our review because there was no route consolidations associated with these facilities. For example, some locations were selected for infrastructure modernization, such as bringing buildings up to current code, updating security, and upgrading delivery and sorting machinery, rather than the consolidation of routes.

# Finding #1: Inaccurate Assessment of Route Consolidations

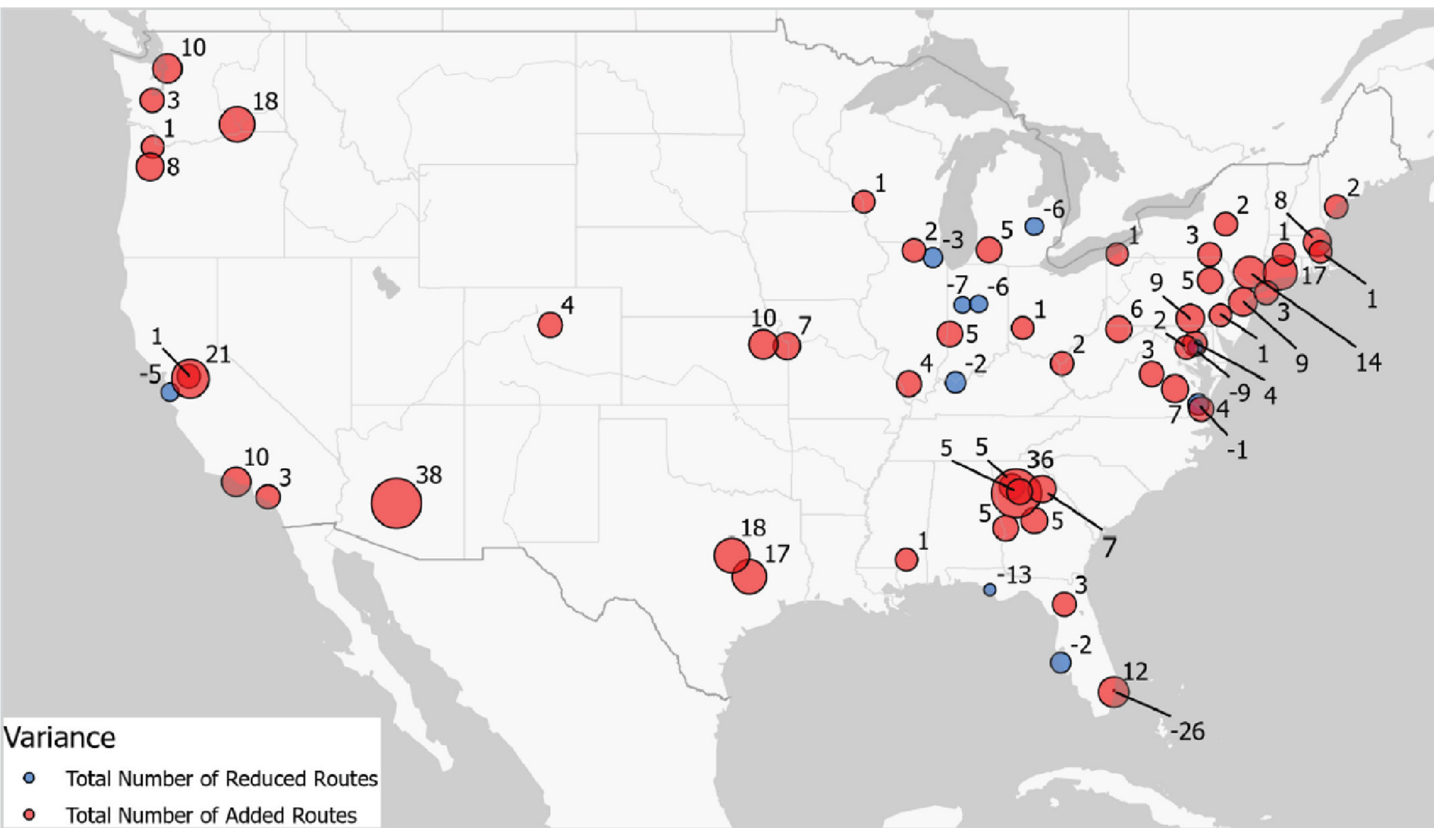
We found that the Postal Service did not assess route consolidations accurately at S&DCs and instead used incomplete or inaccurate route data to underpin management decisions on S&DC investments. Of the 90 S&DCs reviewed, management adjusted routes at 62 of these facilities (69 percent). Specifically:

- 51 S&DCs (57 percent) added a total of 370 routes;
- 11 S&DCs (12 percent) reduced a total of 80 routes; and
- 28 S&DCs (31 percent) had no change to route totals.

These adjustments resulted in a total of 450 route changes — approximately five percent of the estimated 8,992 consolidated routes across the reviewed facilities. In addition, they led to a net increase of 290 routes (203 city routes and 87 rural routes) that were not identified prior to the investment decision calculations to support its S&DC projects (see Figure 2). See Appendix B for route variances at individual S&DCs.

Postal Service policy states that the investment sponsor ensures that all costs of a prospective project, including recurring operating costs, such as city and rural carrier labor costs, are included in the Integrated Financial Plan. While the Postal Service captured the relevant carrier labor costs for the project, the assumptions used were not accurate as required by policy. Lastly, all investments must be financially validated for accuracy and integrity of assumptions, data, and performance tracking methods to support the project before final approval.[12]

**Figure 2. 62 S&DCs With Route Variances Following Implementation**



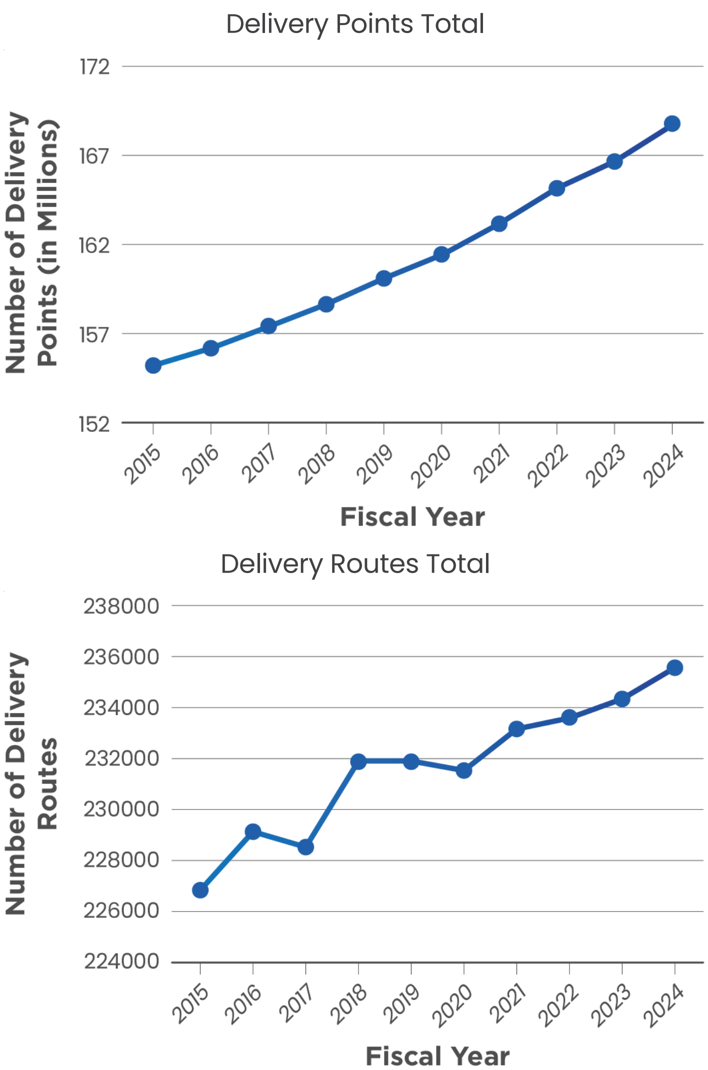

Source: OIG analysis based on data provided by Postal Service management.

12 Handbook F-66, *Finance and Strategy Policy*, Sections 2.2 and 2.6, issued July 2023; and CIBA Procedures & Processes, Section 3. Investment Documentation, *Economic Analysis and Investment Cash Flows*, March 2025, and Section 2. Investment Steps, *Validation*, January 2025.

Collectively, this condition occurred because Postal Service management did not:

- Account for a growth factor in its investment calculations. Between fiscal years 2015 and 2024, the Postal Service increased the number of delivery points by approximately 9 percent and the number of delivery routes by 4 percent (see Figure 3).

**Figure 3. Delivery Points and Routes Nationwide Increasing FYs 2015—2024**




Source: U.S. Postal Service data.

Postal Service management used a static estimate for route numbers resulting in an understatement of spending and benefits over S&DC investment calculations. While the OIG recognizes that not all S&DC locations will experience substantial population growth or loss driving fluctuations in the number of delivery points, incorporating these changes and trends may enhance forecasting to support more accurate investment decision-making. Particularly in areas experiencing rapid development, we identified opportunities to adjust for population growth. For example, we found the Phoenix Rio Salado, AZ, S&DC was activated June 1, 2024, with a total of 231 city and rural routes. However, 10 months later, the Postal Service had to add an additional 38 routes (16 percent) to the facility — the largest route variance in the nation. The city of Phoenix, AZ, was one of the top ten cities in the United States for increased growth that year, according to the United States Census Bureau. Further, a prior OIG report determined that Maricopa County, which includes the city of Phoenix, experienced a population growth of 52 percent between calendar years 2000 and 2024, compared to the nation's growth of 21 percent. Even though Arizona experienced this mass population growth, the post office footprint has not significantly changed to reflect this significant demographic shift.[13]

- Conduct formal route inspections, where needed, as part of the required annual review process to ensure the investment decision process includes complete, accurate route data. Specifically, management did not consistently perform route inspections as needed prior to estimating FRTs, which are used to justify S&DC investments. Of the 62 units where the number of routes changed after implementation, 61 had at least one route that did not receive the inspection as needed during the required review process within the year. For example, at the Waco, TX, S&DC, at least 50 of

13 *USPS OIG, The Evolution of the Post Office Network,* Report Number RISC-WP-25-006, September 26, 2025.

the 100 adjusted routes (50 percent) that moved into the facility did not receive a route inspection within a year prior to implementation. Following activation of the S&DC, the Postal Service added 18 additional routes (18 percent), illustrating how not performing route inspections as needed may influence subsequent route adjustments.

Recent route reviews identify issues and subsequent formal inspections are supposed to be performed to drive appropriate route adjustments where needed. Inspections would identify undetected, overburdened, or inefficient routes to inform realistic S&DC investment calculations. By not having recent route inspection data, management had no way of accounting for additional travel time, therefore creating overburdened routes and exacerbating workloads, which may have required the creation of additional routes to rebalance operations. Therefore, the Postal Service did not include the potential costs of uninspected or overburdened routes when making the initial investment decision.

Similar conditions and causes were identified in prior OIG reports. Specifically, our September 2024 audit found that the Postal Service did not address overburdened rural routes, with over half of the 25 reviewed S&DCs having overburdened routes. Drive times increased when some routes began at S&DCs instead of nearby delivery units, potentially creating new burdens or worsening existing ones. According to the Postal Service, these issues have persisted since S&DC implementation.[14] In addition, our June 2025 audit found that in October 2023, the South Atlanta S&DC had planned for 237 routes, prior to its February 2024 activation date, but added 36 routes in August 2024. This occurred because some routes had not been reviewed by management for several years, and as such, did not reflect local growth.[15]

Without performing necessary route inspections and accounting for growth, the data underpinning the estimates were unreliable and did not provide a sufficient foundation to inform the Postal Service's investment decisions. Projects should use accurate data to drive business decisions based on realistic expectations about costs, returns, timelines and risks. As a result of the net total of new delivery routes, we estimated that the Postal Service incurred an additional $18,971,046 in delivery labor costs[16] — an increase of 6.6 percent compared to the initial delivery labor cost estimate of $289,639,336.

**Recommendation #1:**

We recommend the **Chief Retail and Delivery Officer and Executive Vice President** apply population change factors, such as projected growth and trends of sorting and delivery center locations, as part of its Financial Rigor Tests for the investments.

**Recommendation #2:**

We recommend the **Chief Retail and Delivery Officer and Executive Vice President** perform inspections and complete route adjustments where needed as part of the required annual process within the year prior to estimating the Financial Rigor Tests related to sorting and delivery center investments.

### Postal Service Response

Management disagreed with finding 1 and recommendations 1 and 2. Regarding the finding, management stated that adjusting routes prior to delivery unit consolidations into S&DCs is cost prohibitive as multiple changes within one fiscal year would negatively impact service and operations. Management further stated that the charts in the report combining city and rural delivery data are misleading as the two entities should be separated and analyzed independently of each other. Specifically, management noted that rural delivery is gaining

14 USPS OIG, *Measuring Performance of Sorting and Delivery Centers*, Report Number 24-040-R24, September 25, 2024.
15 USPS OIG, *Fleet Modernization: Facility Preparedness for Electric Vehicles at the South Atlanta Sorting and Delivery Center*, Report Number 24-158-R25, June 12, 2025.
16 The Phoenix Rio Salado, AZ, S&DC — identified earlier in this report as having the largest post-activation route variance — accounts for approximately $2,475,738 of the estimated in additional delivery labor costs.

delivery points and delivery routes and already undergoes a semi-annual review.

Regarding recommendation 1, management stated that the Address Management System provides 20-year growth projections, but these cannot solely be used for route adjustments for unrealized developments. Management further stated that comparing trends across S&DCs is flawed unless facilities share identical attributes such as delivery type and demographics.

Regarding recommendation 2, management stated requiring adjustments to routes prior to the delivery unit consolidations would be cost prohibitive and negatively impact service and various aspects of operations. Management further stated that there is no requirement for annual route inspections, only "at least annual route and unit reviews" as cited in M-39 *Management of Delivery Services.*

### OIG Evaluation

Regarding management's disagreement with the finding, the OIG acknowledged in the report that the Postal Service has an annual requirement to review or inspect routes.[17] Therefore, it would not result in additional costs to complete. The required route reviews or inspections, when conducted timely, would help identify existing overburdened routes. The Postal Service should perform these at least annually to obtain current data for realistic S&DC investment decisions and follow through with the necessary adjustments required by policy. We also stated in the report that the chart data includes city and rural delivery points nationwide and not all S&DC locations will experience substantial population growth or loss. Consistent with management's acknowledgment of rural gain in delivery points, we maintain that static estimates provide an incomplete foundation for investment decisions.

Regarding management's disagreement with recommendations 1 and 2, we consider management's comments unresponsive. For recommendation 1, we maintain that population change factors are important to include in S&DC investment calculations as they influence the number of letters, flats, and packages, as well as future delivery points in a geographic area. In addition, we clarify that that the Postal Service should use an appropriate methodology to account for localized trends in its calculations to ensure realistic assumptions for consolidation, not as the sole factor. For recommendation 2, and based off reviews of Postal Service policies, as noted earlier in our evaluation, we maintain that management has a required annual process to perform route reviews or inspections. We will pursue these disagreements through the audit resolution process.

17 Handbook M-39, *Management of Delivery Services,* Section 211, Selecting Period for Mail Counts and Route Inspections, dated June 2019; and Handbook PO-603, *Rural Carrier Duties and Responsibilities*, Section 523, Frequency, dated September 2013.

# Finding #2: Insufficient Cost Monitoring and Updates After Approval

The Postal Service established and approved initial project estimates during the development phase of the investment process. However, it did not monitor changes in operational costs or reflect those changes by updating investment calculations after approving the Investment Request.

### Insufficient Monitoring of Route Consolidation Costs

While a prior OIG report determined that management monitors S&DC service performance and operational efficiency,[18] we found they do not consistently monitor operational costs — like those from adding or removing delivery routes. We identified two key groups under which management oversight of operational costs did not occur:

- **Headquarters S&DC Implementation:** When notified of potential cost overruns on a case-by-case basis, this team utilizes contracts, invoices, and other tools to determine additional budgetary needs and works with Finance to secure more funding. However, while this team tracks S&DC project costs on a case-by-case basis, the team has not developed a centralized tracking platform to oversee national S&DC consolidation related investment and operational costs.
- **S&DC Local Management:** Management stated that it does not conduct any monitoring or tracking of actual expenses to compare against investment estimates. Instead, its focus is managing the routes and staffing workload it has.[19]

This condition occurred because the Postal Service does not require the tracking, reconciling, and reporting of operational costs specifically throughout the S&DC lifecycle, and has not designated clear responsibility for the oversight of route delivery operations' financial performance for S&DC investment projects.

### Management Did Not Update Investment Calculations

When the Postal Service revised its route consolidation plans after Investment Request approval, it did not always update its investment calculations. For example, routes that were not approved in the Investment Requests were later moved into the S&DCs, and other approved routes were ultimately not moved due to space constraints. In both cases, the financial impact was not recalculated, resulting in either understated or overstated cost estimates.

This condition occurred because Postal Service policy does not require adjustments when there are significant changes in projected operating costs in S&DC investment projects. Specifically, Postal Service policy only requires adjustments due to changes in investment costs[20] like construction or equipment. Operating costs for adding or removing delivery routes for S&DCs are not subject to this requirement — even if they materially affect the investment's financial assumptions.

Multiple best practices identified by the U.S. Government Accountability Office and the Government Finance Officers Association state that cost estimates should be updated regularly to reflect significant changes in the program, such as changes in the schedule or requirements. Furthermore, any variances between estimated and actual costs should be documented, explained, and reviewed.[21]

Without reliable cost tracking and reporting processes, we were unable to determine whether the route costs were operating within the approved estimates. The lack of financial transparency also significantly increases the risk of waste, inefficiency, or potential mismanagement of resources. Further, without clear and timely visibility into project

18 USPS OIG, *Measuring Performance of Sorting and Delivery Centers*, Report Number 24-040-R24, September 25, 2024.
19 The OIG also confirmed that District Field Budget management does not specifically perform any financial performance reviews of the S&DC investment; however, it will review S&DCs when the facility shows outliers in meeting financial budgets, such as workhours, sick leave usage, and non-personnel expenses. Instead, the team is responsible for its budget allocations and reconciles budgeted amounts to the Integrated Financial Plan.
20 Those that exceed 10 percent of the total approved project cost, up to $5 million.
21 U.S. Government Accountability Office, *Cost Estimating and Assessment Guide*, GAO-20-195G, March 2020; and Government Finance Officers Association, *Capital Project Monitoring and Reporting Best Practice*, October 2017.

expenditures, it is difficult for the Postal Service to assess the success of these large-scale, multi-year investments.

**Recommendation #3:**

We recommend the **Chief Retail and Delivery Officer and Executive Vice President** require tracking, reconciling, and reporting of operating costs throughout the Sorting & Delivery Center project, with adjustments to investment calculations for significant changes; and delegate responsibility for the oversight of financial performance over routes related to the project.

### Postal Service Response

Management disagreed with finding 2 and recommendation 3. Regarding the finding and recommendation, management stated that the consolidation of delivery units into S&DCs is a one-time investment and any subsequent delivery route adjustment costs are incidental.

Further for recommendation 3, management stated that delivery route adjustment costs are made in accordance with multiple bargaining agreements that are not static and that the responsibility of financial oversight for performance of delivery routes at a S&DC is that of the Installation Head, who is the manager in charge of a facility.

### OIG Evaluation

Regarding management's disagreement with finding 2, the OIG acknowledged in the report that Postal Service policy does not require updates to investment calculations when there are significant changes in projected operating costs in S&DC investment projects and, as such, lacks sufficient means to track S&DC project route consolidation costs and determine whether the delivery unit costs were operating within the approved estimates.

Regarding management's disagreement with recommendation 3, we consider management's comments unresponsive. Management's characterization of route adjustment costs as "incidental" is unsupported without reliable cost tracking and reporting. Tracking costs is essential for accurate budgeting, informed investment decisions, and financial transparency to accurately assess the success of S&DC investments. Further, regarding management's statement about the Installation Head's financial oversight responsibility, we contend local facility management did not monitor or track actual expenses against investment estimates in practice, focusing instead on managing routes and staffing workloads. We will pursue this disagreement through the audit resolution process.

## Looking Forward

By improving its cost estimates, and tracking actual expenditures and impact over time, the Postal Service can strengthen its decision-making regarding modernization efforts, ensuring finite resources are wisely spent. With the activation of an additional 251 S&DCs by calendar year 2030, the recommendations outlined in this report can fuel prudent S&DC investment decisions as implementation continues.

# Appendices

# Appendix A: Additional Information

## Scope and Methodology

The scope of the audit included delivery route data and 10-year project cash flow, referred to as investment calculations in the report, for 90 active S&DCs as of May 12, 2025. To accomplish our objective, we:

- Interviewed Headquarters Retail and Delivery Operations, S&DC Implementation, Capital Investments and Business Analysis, Insights and Operational Excellence, Field Budget, and select S&DC management, to gain an understanding of the roles and responsibilities, processes, internal controls, and oversight associated with assessing route consolidations accurately and monitoring associated costs at the S&DCs.
- Reviewed Postal Service policies and procedures related to developing investment requests, reviewing and approving investments, and monitoring and evaluating investment performance.
- Obtained and analyzed data from the Delivery Operations Information System to identify city routes that had not had annual route inspections within a year of being consolidated into their respective S&DC.
- Reviewed the cash flow workbooks for 90 active S&DCs to identify:
  - Projected Function 2 employee labor costs,
  - Routes included in S&DC cash flows for consolidation, and
  - Retired finance numbers tied to spoke offices consolidated into S&DCs.
- Reviewed best practices for cost estimating, tracking, and reporting of investment projects, to calculate and evaluate financial performance against projections.

We conducted this performance audit from December 2024 through February 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 based on our audit objective.

In planning and conducting the audit, we obtained an understanding of the internal control structure around route consolidations at S&DCs to help determine the nature, timing, and extent of our audit procedures. We reviewed the management controls for overseeing the program and mitigating associated risks. Additionally, we assessed the internal control components and underlying principles, and we determined that the following four components were significant to our audit objective:

- Control Environment
- 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 control environment, control activities, 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 Delivery Operations Information System data by conducting logical tests for data completeness and reasonableness. We determined that the data were sufficiently reliable for the purposes of this report.

## Prior Audit Coverage

The OIG did not identify any prior audits or reviews related to the objective of this audit within the last five years. However, we did identify the following prior audits that discussed route scheduling within the last five years:

| Report Title | Objective | Report Number | Final Report Date | Monetary Impact |
|---|---|---|---|---|
| *Fleet Modernization: Facility Preparedness for Electric Vehicles at the South Atlanta Sorting and Delivery Center* | To assess whether the South Atlanta S&DC was prepared to use EVs in delivery operations and the functionality of the EV infrastructure and vehicles. | 24-158-R25 | June 12,2025 | $749,996 |
| *Measuring Performance of Sorting and Delivery Centers* | To evaluate whether the Postal Service established and met operational goals for the implementation of S&DCs. | 24-040-R24 | September 25, 2024 | $1,420,862 |
| *City Delivery Operations – Nationwide Route Management* | To evaluate the U.S. Postal Service's management of city letter carrier routes. | 21-127-R22 | February 17, 2022 | $541,175,238 |

# Appendix B: Variance of Route Totals at S&DCs

| S&DC | Activation Date | Pre-Activation Route Total | Post-Activation Route Total (As of April 23, 2025) | Variance |
|---|---|---|---|---|
| ACWORTH, GA, S&DC | 9/7/24 | 85 | 90 | +5 |
| ANNAPOLIS, MD, S&DC | 6/3/23 | 123 | 114 | -9 |
| ATHENS, GA, S&DC | 11/19/22 | 119 | 126 | +7 |
| BEAVERTON, OR, S&DC | 2/24/24 | 76 | 77 | +1 |
| BINGHAMTON, NY, S&DC | 2/24/24 | 125 | 128 | +3 |
| BOSTON, MA, S&DC | 6/1/24 | 103 | 104 | +1 |
| BRYAN, TX, S&DC | 2/25/23 | 125 | 142 | +17 |
| CARBONDALE, IL, S&DC | 9/7/24 | 49 | 53 | +4 |
| CHARLOTTESVILLE, VA, S&DC | 2/24/24 | 107 | 110 | +3 |
| COLUMBUS, GA, S&DC | 9/7/24 | 137 | 142 | +5 |
| ERIE, PA, S&DC | 2/24/24 | 113 | 114 | +1 |
| EVERETT, WA, S&DC | 2/24/24 | 180 | 190 | +10 |
| FLINT, MI, S&DC | 2/24/24 | 108 | 102 | -6 |
| FT LAUDERDALE, FL, S&DC | 6/1/24 | 308 | 320 | +12 |
| GAINESVILLE, FL, S&DC | 2/25/23 | 76 | 79 | +3 |
| GOLDEN, CO, S&DC | 6/3/23 | 82 | 86 | +4 |
| HAMPTON, VA, S&DC | 2/24/24 | 93 | 92 | -1 |
| HANOVER PARK, IL, S&DC | 6/3/23 | 109 | 106 | -3 |
| HATTIESBURG, MS, SDC | 2/24/24 | 57 | 58 | +1 |
| HUNTINGTON STATION, NY, S&DC | 9/9/23 | 83 | 86 | +3 |
| HUNTINGTON, WV, S&DC | 2/24/24 | 65 | 67 | +2 |
| IRVINE, CA, S&DC | 9/9/23 | 73 | 76 | +3 |
| KALAMAZOO, MI, S&DC | 6/1/24 | 98 | 103 | +5 |
| KILMER, NJ, S&DC | 6/1/24 | 227 | 236 | +9 |
| KOKOMO, IN, S&DC | 6/3/23 | 75 | 69 | -6 |
| LA CROSSE, WI, S&DC | 9/7/24 | 64 | 65 | +1 |
| LAFAYETTE, IN, S&DC | 2/24/24 | 131 | 124 | -7 |
| MACON, GA, S&DC | 2/24/24 | 55 | 60 | +5 |
| MORGANTOWN, WV, S&DC | 9/9/23 | 71 | 77 | +6 |
| NORFOLK, VA, S&DC | 2/24/24 | 94 | 98 | +4 |
| NORTH ATLANTA, GA, S&DC | 9/23/23 | 86 | 91 | +5 |
| OLYMPIA, WA, S&DC | 9/7/24 | 61 | 64 | +3 |
| OWENSBORO, KY, S&DC | 6/3/23 | 69 | 67 | -2 |
| OXNARD, CA, SDC | 2/24/24 | 117 | 127 | +10 |
| PALO ALTO, CA, S&DC | 9/9/23 | 118 | 113 | -5 |
| PANAMA CITY, FL, S&DC | 2/25/23 | 118 | 105 | -13 |
| PASCO, WA, S&DC | 6/3/23 | 146 | 164 | +18 |

| S&DC | Activation Date | Pre-Activation Route Total | Post-Activation Route Total (As of April 23, 2025) | Variance |
|---|---|---|---|---|
| PHOENIX, RIO, SALADO, AZ S&DC | 6/1/24 | 231 | 269 | +38 |
| POMPANO BEACH, FL, S&DC | 2/24/24 | 293 | 267 | -26 |
| PORTLAND, ME, S&DC | 2/24/24 | 127 | 129 | +2 |
| RICHMOND, VA, S&DC | 2/24/24 | 153 | 160 | +7 |
| ROCKFORD, IL, S&DC | 9/9/23 | 118 | 120 | +2 |
| SALEM, OR, S&DC | 2/24/24 | 103 | 111 | +8 |
| SARASOTA, FL, S&DC | 9/7/24 | 69 | 67 | -2 |
| SEVERNA PARK, MD, S&DC | 9/7/24 | 40 | 44 | +4 |
| SHAWNEE MISSION, KS, S&DC | 9/7/24 | 92 | 99 | +7 |
| SOUTH ATLANTA, GA, S&DC | 2/24/24 | 237 | 273 | +36 |
| SOUTHEASTERN PA S&DC | 2/24/24 | 239 | 240 | +1 |
| SOUTHERN MARYLAND S&DC | 6/1/24 | 108 | 110 | +2 |
| SPRINGFIELD, MA, S&DC | 6/1/24 | 82 | 83 | +1 |
| STEWART, NY, S&DC | 9/9/23 | 115 | 129 | +14 |
| STOCKTON AIRPORT, CA, S&DC | 6/1/24 | 135 | 156 | +21 |
| STOCKTON WEST LANE, CA, S&DC | 9/9/23 | 86 | 87 | +1 |
| TERRE HAUTE, IN, S&DC | 9/9/23 | 79 | 84 | +5 |
| TOPEKA, KS, S&DC | 6/3/23 | 106 | 116 | +10 |
| UTICA, NY, S&DC | 2/25/23 | 108 | 110 | +2 |
| WACO, TX, S&DC | 9/9/23 | 100 | 118 | +18 |
| WALLINGFORD, CT, S&DC | 9/7/24 | 168 | 185 | +17 |
| WASHINGTON TWP, OH, S&DC | 9/7/24 | 83 | 84 | +1 |
| WILKES BARRE, PA, S&DC | 9/7/24 | 121 | 126 | +5 |
| WOBURN, MA, S&DC | 2/25/23 | 183 | 191 | +8 |
| YORK EAST, PA, S&DC | 9/7/24 | 113 | 122 | +9 |
| **TOTAL** | | **7215** | **7505** | **+290** |

Source: OIG analysis based on data provided by Postal Service Headquarters management.

# Appendix C: Management's Comments

UNITED STATES POSTAL SERVICE

January 26, 2026

LAURA LOZON
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: *Route Scheduling at Sorting and Delivery Centers (25-040-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, *Route Scheduling at Sorting and Delivery Centers (25-040-DRAFT)*

**Address the Findings:**

Finding #1: Inaccurate Assessment of Route Consolidations
We found that the Postal Service did not assess route consolidations accurately at S&DCs and instead used incomplete or inaccurate route data to underpin management decisions on S&DC investments. Of the 90 S&DCs reviewed, management adjusted routes at 62 of these facilities (69 percent).

Management disagrees with this finding.

The Postal Service S&DCs were consolidations of delivery units not delivery routes. Adjusting the routes prior to the delivery unit consolidations would have been cost prohibitive. When the beginning and end points of a delivery route, the facility in which the delivery route resides, are changed it impacts the complete line of travel (LOT) of a route and every route in a facility. Making multiple changes to a delivery route's structure within one fiscal year will negatively impact service, workhours and operations due to the nature of contractually required bidding processes, training and changes in the overall sortation scheme.

Additionally, management contends that we review mileage, building space and parking and that route-level data is not factored in. We do not factor population, only total delivery points, into the time value of route.

Finally, management contends that that the charts are inclusive of both City and Rural Delivery, the latter of which is gaining delivery points and delivery routes, which the latter has a semi-annual review of all Rural Routes and does not require the work hours and resources required to review City Routes. Rural Routes prior to the Rural Route Evaluation Compensation System (RRECS) were in a significantly overburdened status that resulted in the addition of Rural Routes. Therefore, the chart is misleading, and the two entities should be separated and analyzed independently of each other.

Finding #2: Insufficient Cost Monitoring and Updates After Approval
The Postal Service established and approved initial project estimates during the development phase of the investment process. However, it did not monitor changes in operational costs or reflect those changes by updating investment calculations after approving the Investment Request.

Management **disagrees** with this finding.

The Postal Service contends that the investment to consolidate delivery units is a one-time investment and anything after concerning the adjustments of delivery routes is considered incidental. These adjustments are made in accordance with national collective bargaining agreements that are also not static. This can include multiple memoranda of understanding and uncontrolled variables such as fluctuation in volumes and unforeseen development outside of the Address Management Systems 20 Year (AMS20) projections.

Following are our comments on each of the three recommendations.

Recommendation 1: We recommend the **Chief Retail and Delivery Officer and Executive Vice President** apply population change factors, such as projected growth and trends of sorting and delivery center locations, as part of its Financial Rigor Tests for the investments.

Management Response/Action Plan:
Management **disagrees** with this recommendation.

Management contends that while Address Management Systems (AMS) provides twenty (20) year projections for growth (AMS20) those cannot be solely used to make delivery route adjustments for developments that are not already realized. Additionally comparing trends of other sorting and delivery center locations would be a flawed methodology unless the facilities matched identically in the attributes of their delivery territories. Such attributes would be delivery type, terrain, demographics, delivery mode and total service area.

Target Implementation Date: N/A

Responsible Official: N/A

Recommendation 2: We recommend the **Chief Retail and Delivery Officer and Executive Vice President** perform inspections and complete route adjustments where needed as part of the required annual process within the year prior to estimating the Financial Rigor Tests related to sorting and delivery center investments.

Management Response/Action Plan:
Management **disagrees** with this recommendation.

Management contends that requiring adjustments to the routes prior to the delivery unit consolidations would be cost prohibitive. When the beginning and end points of a delivery route, the facility in which the delivery route resides, are changed it impacts the complete line of travel (LOT) of a route and every route in a facility. Making multiple changes to a delivery route's structure within one fiscal year will negatively impact service, workhours and operations due to the nature of contractually required bidding processes, training and changes in the overall sortation scheme. All route adjustments have monetary and service impacts on Mail Processing, Customer Service and Delivery operations. Additionally, there is no requirement for annual route inspections, only *"at least annual route and unit reviews"* as cited in *M-39 Management of Delivery Services 211.1*. Finally, the Postal Service would like the OIG to further understand the difference between a formal inspection, which results in adjustments to routes, and the performance of a *PS Form 3999 - Inspection of Letter Carrier Route* which is a tool that may be used to adhere to *M-39 Management of Delivery Services 211.1* but is not required.

Target Implementation Date: N/A

Responsible Official: N/A

Recommendation 3: We recommend the **Chief Retail and Delivery Officer and Executive Vice President** require tracking, reconciling, and reporting of operating costs throughout the Sorting & Delivery Center project, with adjustments to investment calculations for significant changes; and delegate responsibility for the oversight of financial performance over routes related to the project.

Management Response/Action Plan:
Management **disagrees** with this recommendation.

Management contends that the investment request to consolidate delivery units is a one-time investment and anything after considering the adjustments of delivery routes is considered incidental. These adjustments are made in accordance with national collective bargaining agreements that are also not static. This can include multiple memoranda of understanding and uncontrolled variables such as fluctuation in volumes and unforeseen development outside of the Address Management Systems 20 Year projections (AMS20). The responsibility of financial oversight for performance of delivery routes at a Sorting & Delivery Centers is that of the Installation Head.

Target Implementation Date: N/A

Responsible Official: N/A

E-SIGNED by ELVIN MERCADO
on 2026-01-26 16:45:14 EST

Elvin Mercado
Chief Retail & Delivery Officer and EVP

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