

Network Changes: Impacts in South Dakota

AUDIT REPORT

Report Number 26-038-R26 | September 23, 2026



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Highlights

Background

As part of its network modernization plan, the U.S. Postal Service launched nationwide efforts to streamline transportation and mail processing, including consolidating and centralizing processing operations into regional facilities. As part of these changes, mail previously sorted in South Dakota is now routed to processing facilities outside the state. Subsequently, numerous customers in South Dakota reported concerns with how long mail was taking to be delivered. Residents and local businesses depend heavily on the Postal Service for essential, time-sensitive items including medications, local newspapers, and small-business goods.

What We Did

Our objective was to evaluate the impacts of network changes on processing operations and service performance in South Dakota. We analyzed data related to mailflow, service performance, and service standards. Additionally, we conducted a mail test of 120 packages to evaluate intrastate mailflow and judgmentally selected three processing facilities and 16 post offices to conduct observations and interviews.

What We Found

Postal Service network modernization changes shifted mail processing to multiple out-of-state facilities, reducing intrastate connectivity and forcing South Dakota mail to travel long distances—often crossing multiple states—to be sorted. These extended routing distances, combined with limited intrastate transportation links and other transportation-related changes, reduced the timeliness and reliability of delivery across South Dakota. As a result, service performance declined across multiple mail classes and customers experienced longer delivery times, impacting rural communities who depend on the Postal Service for essential and time-sensitive items. At the same time, the Postal Service did not communicate impacts of the changes to affected communities. The Postal Service has taken actions to improve service performance for South Dakota by processing some intrastate mail in state but service performance for many classes of mail were still below nationwide averages.

Recommendations and Management's Comments

We made three recommendations to address intrastate connectivity, service standards, and communication of operational changes. Postal Service management agreed with all recommendations. Management's comments and our evaluation are at the end of each finding and recommendation. The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to recommendations 1, 2, and 3 as corrective actions should resolve the issues. See [Appendix C](#) for management's comments in their entirety.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

September 23, 2026

MEMORANDUM FOR: GREG WHITE
VICE PRESIDENT, NETWORK SOLUTIONS AND
PERFORMANCE EXCELLENCE

JASON DECHAMBEAU
VICE PRESIDENT, PROCESSING OPERATIONS

Mary K. Lloyd

FROM: Mary K. Lloyd
Deputy Assistant Inspector General
for Operations, Performance and Service

SUBJECT: Audit Report – Network Changes: Impacts in South Dakota (Report
Number 26-038-R26)

This report presents the results of our audit of the impacts of network changes in South Dakota.

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 Todd Watson, Director, Network Operations Team 1, or me at 703-248-2100.

Attachment

cc: Postmaster General
Corporate Audit Response Management

Results

Introduction/Objective

This report presents the results of our Network Changes: Impacts in South Dakota (Project Number 26-038) audit. The report responds to a request from a Congressional representative of South Dakota to determine the root causes of mail delays. Our objective was to evaluate impacts of network changes on processing operations and service performance in South Dakota. See [Appendix A](#) for additional information about this audit.

Background

As part of its network modernization plan, the U.S. Postal Service announced several initiatives with the goal of achieving financial sustainability and improved service reliability. This included strategies to modernize its processing and delivery network, reduce transportation expenses, and increase efficiency. To support these strategies, the Postal Service is consolidating and centralizing processing operations with the creation of regional processing and distribution centers (RPDC)¹ and reducing transportation with implementation of Regional Transportation Optimization (RTO). Under the RTO initiative, mail originating² at post offices farther than 50 miles from an RPDC is no longer picked up the same afternoon. Instead, it waits until the next morning, automatically adding an extra day before it is delivered.

To support these initiatives, the Postal Service revised service standards³ in April and July 2025, adding an additional day for mail collected from an RTO post office and for mail accepted on Saturdays.

In previous reports,⁴ we found these revisions could negatively affect service, particularly in rural communities that rely heavily on timely mail delivery.

Although the Postal Service plans to create 60 RPDCs nationwide, South Dakota will not have a regional facility or be located within 50 miles of one, resulting in all ZIP Codes eventually being subject to RTO. As part of the network modernization, the Postal Service conducted Mail Processing Facility Reviews (MPFR) at two of South Dakota's three processing facilities—Dakota Central in November 2023 and Sioux Falls Processing & Distribution Centers (P&DC) in January 2024—to evaluate potential operational changes, including transferring mail processing operations to out-of-state facilities.⁵

These MPFRs determined that originating mail operations would move out-of-state with the goal of achieving financial sustainability and improved service reliability. Under this plan, South Dakota originating mail would be processed at the Denver, CO; Fargo, ND; and Omaha, NE, P&DCs (see [Figure 1](#)).⁶ The Postal Service announced it would retain certain local originating operations at the Sioux Falls P&DC in November 2024 and the Dakota Central P&DC in February 2025. In January 2025, originating mail operations began moving out-of-state for the Dakota Central P&DC and Rapid City P&DF with Sioux Falls P&DC operations moving in March 2025.

¹ The goal of an RPDC is to merge mail processing into one central facility within a region to reduce transportation costs and improve service reliability.

² Originating mail refers to where mail first enters the mailstream for processing and delivery.

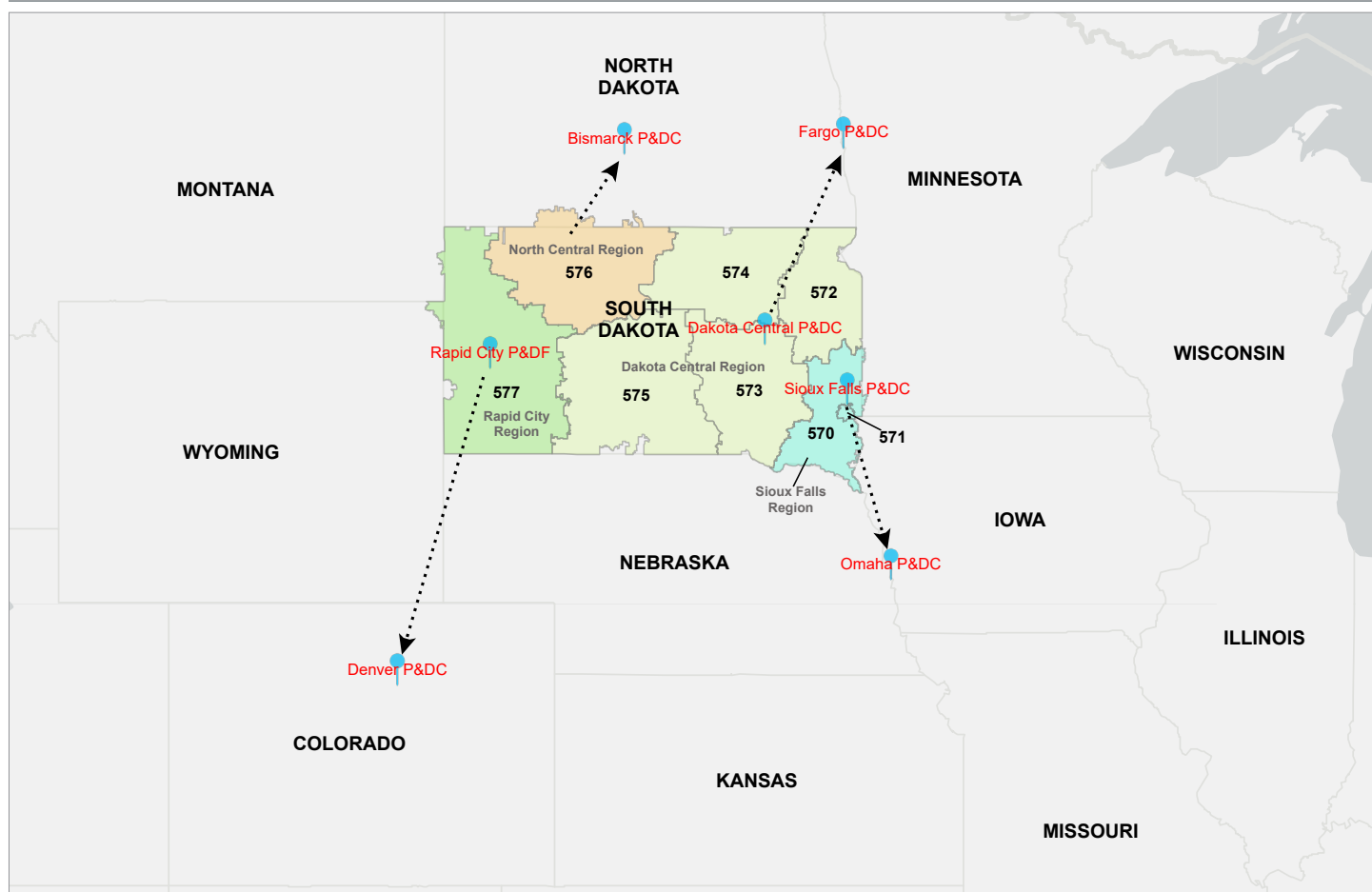
³ The expected number of days for delivery after a mail piece is accepted by the Postal Service. Standards are different for each type of mail and are one of the primary operational goals, or benchmarks, against which the Postal Service measures its performance.

⁴ *Network Changes: Local Transportation Optimization in the New Orleans Region* (Report Number 25-057-R25, dated September 9, 2025) and *Network Changes: Local Transportation Optimization* (Report Number 24-142-R25, dated December 18, 2024).

⁵ No MPFR was conducted at the Rapid City Processing & Distribution Facility (P&DF).

⁶ All three processing facilities sorting originating mail from South Dakota are planned for future conversion to RPDCs.

Figure 1. South Dakota Service Areas and Out-of-State Processing Facilities



Source: OIG analysis of Product Tracking and Reporting and Postal Service data.

On December 9, 2025, the OIG received a congressional request to examine the impacts of recent network changes in South Dakota and identify the underlying causes of mail delays. We spoke with stakeholders who expressed concerns about how long mail was now taking to be delivered in South Dakota and reported that delayed mail caused lost revenue, customer dissatisfaction, and operational disruptions—particularly for time-sensitive items like medications, newspapers, and small-business goods. Public feedback confirmed widespread concerns; from June 11 to July 29, 2026, the OIG received 509 comments related to mail issues, with nearly 368 (about 72 percent) reporting delayed or lost mail.⁷

To determine the impacts of network changes in South Dakota, we analyzed data related to mail processing operations, service performance, and

“Public feedback confirmed widespread concerns; from June 11 to July 29, 2026, the OIG received 509 comments related to mail issues, with nearly 368 reporting delayed or lost mail.”

service standards. Additionally, we judgmentally selected three processing facilities and 16 post offices to conduct observations and interview local Postal Service personnel.⁸ See [Appendix A](#) for additional information and the sites observed.

⁷ Utilizing our [Upcoming Audit Work](#) | Office of Inspector General OIG webpage the OIG solicited feedback on our audit report and any impacts to South Dakotans.

⁸ This includes conducting observations and interviews at one contract postal unit. In addition, we interviewed personnel at two facilities processing South Dakota mail out-of-state.

Findings Summary

The Postal Service's nationwide effort to optimize transportation and mail processing impacted service for South Dakota. Previously, mail sent within South Dakota was sorted in-state, but with the changes, mail is routed to multiple processing facilities outside the state causing intrastate⁹ mail to travel hundreds of miles across multiple states before returning to South Dakota. These multi-facility routings, combined with limited transportation between South Dakota processing facilities and implementation of RTO, reduced the timeliness and reliability of delivery across South Dakota's processing regions. The service challenges are particularly difficult for a state where rural communities depend heavily on the Postal Service for essential and time-sensitive items.

The Postal Service extended service standards to account for the longer route distances but even with the additional days added, the percent of mail delivered on-time to South Dakotans declined across all mail classes. Further, the Postal Service did not communicate customer and service impacts associated with the changes to affected communities.

The Postal Service has taken actions to improve service performance for South Dakota by processing some intrastate mail in state. However, service performance for many mail classes is still below national averages and opportunities exist to improve intrastate performance.

⁹ Mail that originates and is delivered within the borders of the same U.S. state.

Finding #1: Nationwide Efficiency Efforts Extended South Dakota Mail Routing

Network modernization changes implemented by the Postal Service shifted mail processing to out-of-state facilities, reducing intrastate connectivity and forcing South Dakota mail to travel long distances—often crossing multiple states—to be sorted. Specifically, the Postal Service’s drive to optimize nationwide transportation and mail processing led to the decision to move sorting operations to out-of-state facilities. This removed processing and transportation linking in-state facilities and routed intrastate mail out-of-state. As a result, intrastate mail that was previously processed within South Dakota must now travel hundreds of miles to up to seven states before re-entering the state (see Table 1).¹⁰

“Network modernization changes implemented by the Postal Service shifted mail processing to out-of-state facilities, reducing intrastate connectivity and forcing South Dakota mail to travel long distances—often crossing multiple states—to be sorted.”

Table 1. South Dakota Originating Processing Mailflow

3-Digit ZIP Code	Originating Processing Facility Flow	Distance
570 - 571	Sioux Falls P&DC to Omaha P&DC	186 mi
572 - 575	Dakota Central P&DC to Fargo P&DC	235 mi
577	Rapid City P&DF to Denver P&DC	387 mi

Source: OIG analysis of Product Tracking and Reporting and Postal Service data.
Note: North Central South Dakota 3-digit ZIP Code 576 was excluded as no changes occurred due to network modernization.

Sioux Falls Mailflow

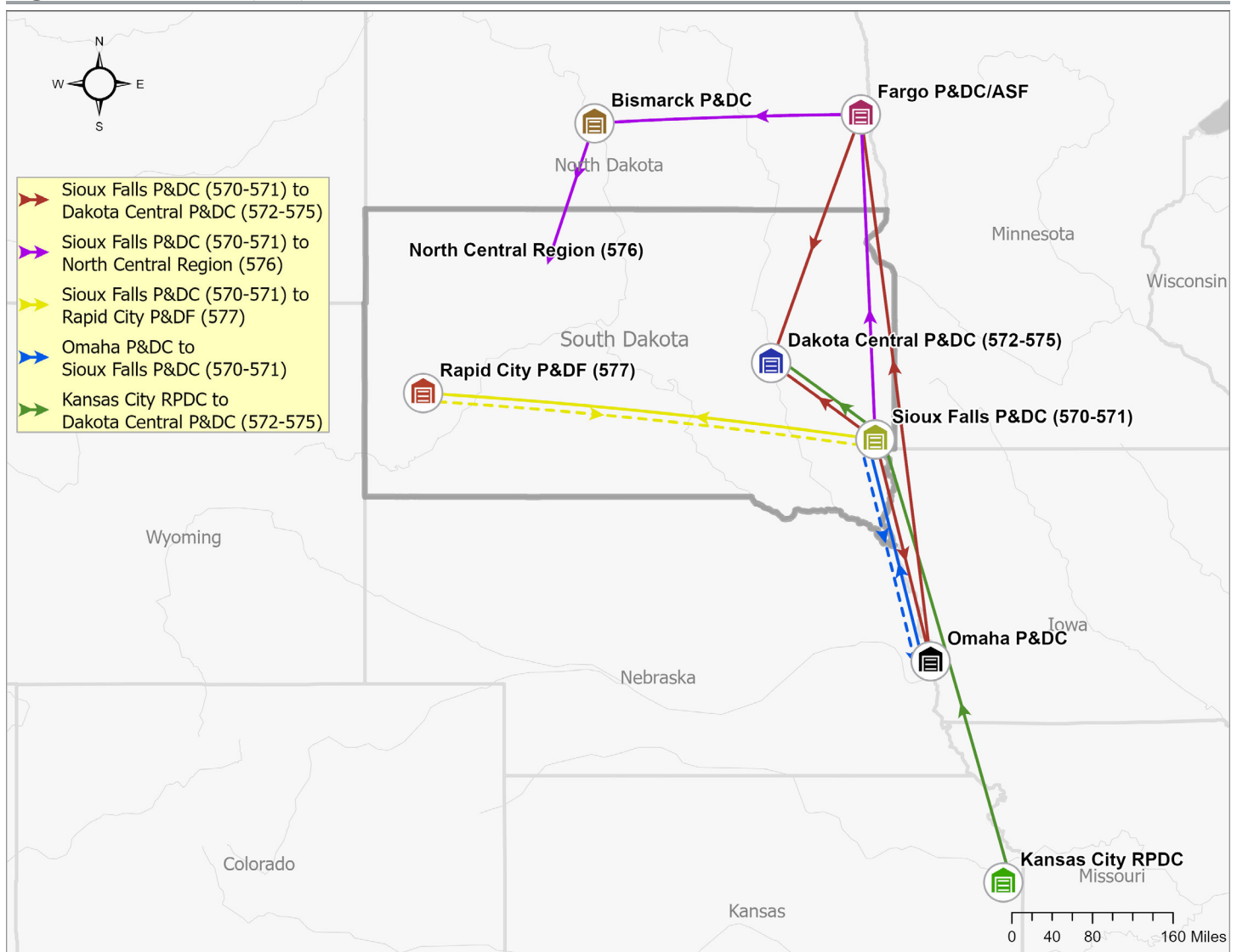
Beginning in March 2025, most originating Sioux Falls volume was routed to Omaha, NE, although the facility continued processing intrastate letters and packages. This intrastate mail was dispatched directly to the Rapid City P&DF but still traveled through multiple locations before finally reaching the Dakota Central P&DC. By February 2026, Sioux Falls began sending intrastate letters and packages

directly to Dakota Central P&DC. Additionally, in July 2026, the Sioux Falls P&DC replaced and upgraded its package sorting equipment, allowing more intrastate packages to remain within the state.

The facility also sorts flats for Sioux Falls and Rapid City but does not have a specific separation for Dakota Central, resulting in these flats being sent to Omaha for processing (see Figure 2).¹¹

¹⁰ These include only South Dakota 3-digit ZIP Codes 570-575, and 577. North Central South Dakota 3-digit ZIP Code 576 (covering multiple towns including Mobridge) was processed out-of-state in Bismarck, ND, before any network changes.
¹¹ Periodicals identified for Sioux Falls delivery will be kept at the processing facility. Any other Periodicals will be sent to Omaha for processing.

Figure 2. Sioux Falls, SD, Mailflow



Source: OIG analysis of Product Tracking and Reporting, Transportation Optimization Planning and Scheduling and Postal Service data.

Dakota Central Mailflow

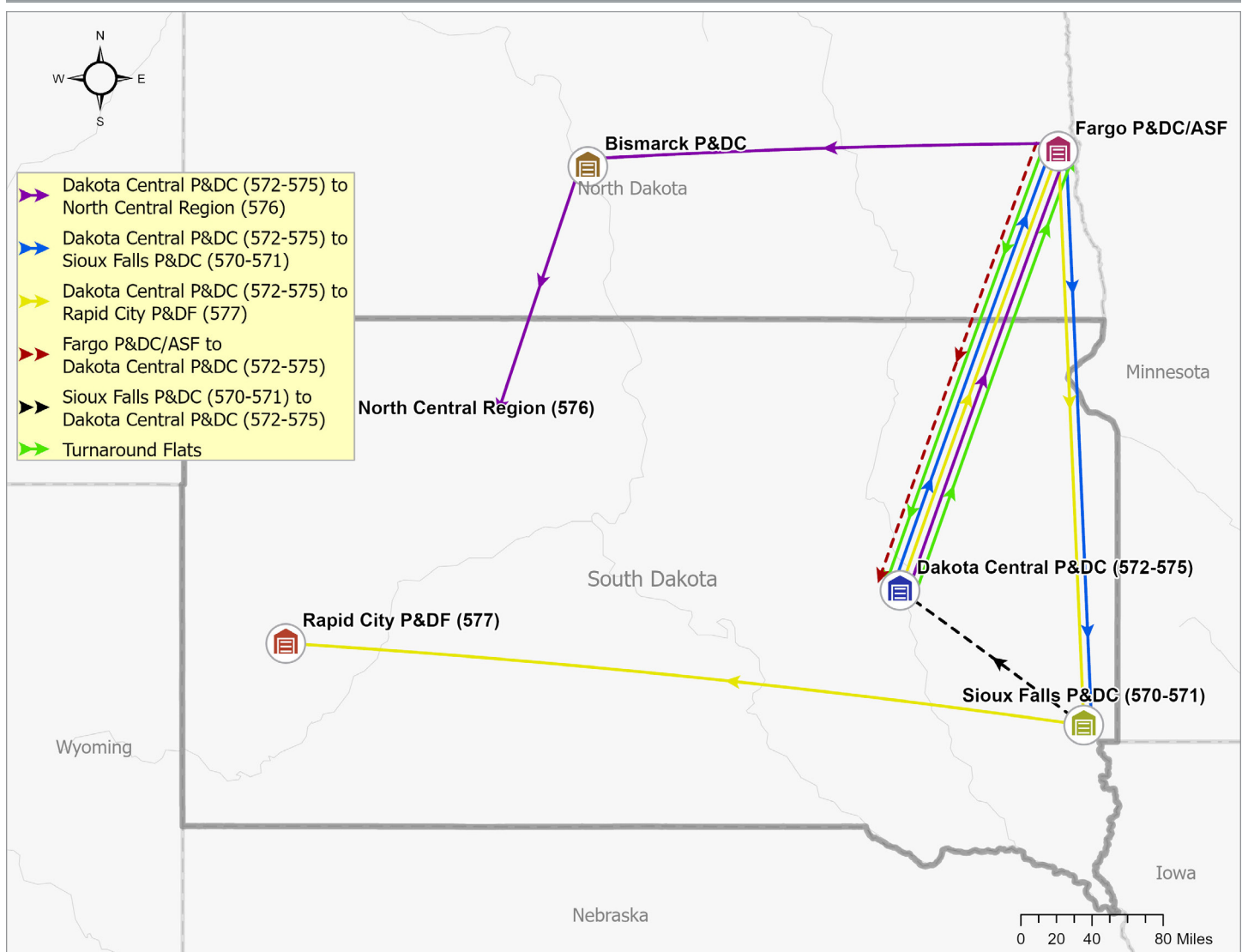
In January 2025, most Dakota Central volume began routing to Fargo. Following multiple routing changes to improve service, as of August 2025, the Dakota Central P&DC processes intrastate letters and packages, while all flats are sent to Fargo for processing.¹² The facility has no direct transportation to Sioux Falls or Rapid City, requiring all intrastate mail to travel out-of-state before returning to South Dakota.¹³

In August 2025, the RTO initiative was implemented in the Dakota Central region, leaving mail overnight and delaying its entry into sorting operations. As a result, mail traveling from farther away post offices often reaches the Dakota Central P&DC late in the day and is sent on the final trip to Fargo, arriving too late to be processed until the next morning—adding up to two extra days in mail processing operations (see Figure 3).

¹² Any Periodicals identified for Dakota Central delivery will be kept at the processing facility. Any other Periodicals will be sent to Fargo for processing. The facility does attempt to manually identify and separate Periodicals for intrastate delivery for processing ease.

¹³ While letters and packages are separated for Sioux Falls, it must still go to Fargo before traveling to Sioux Falls.

Figure 3. Dakota Central, SD, Mailflow



Source: OIG analysis of Product Tracking and Reporting, Transportation Optimization Planning and Scheduling and Postal Service data.

Rapid City Mailflow

In January 2025, most Rapid City volume began routing out-of-state. Following multiple routing adjustments, the Postal Service redirected Rapid City mail to Denver in July 2025.¹⁴ To maintain some in-state processing, the Postal Service further revised operations so that the Rapid City P&DF would process most intrastate letters and manually sort local packages by September 2025.¹⁵ Because the facility does not have package-sorting equipment, all package handling occurs manually, and during our

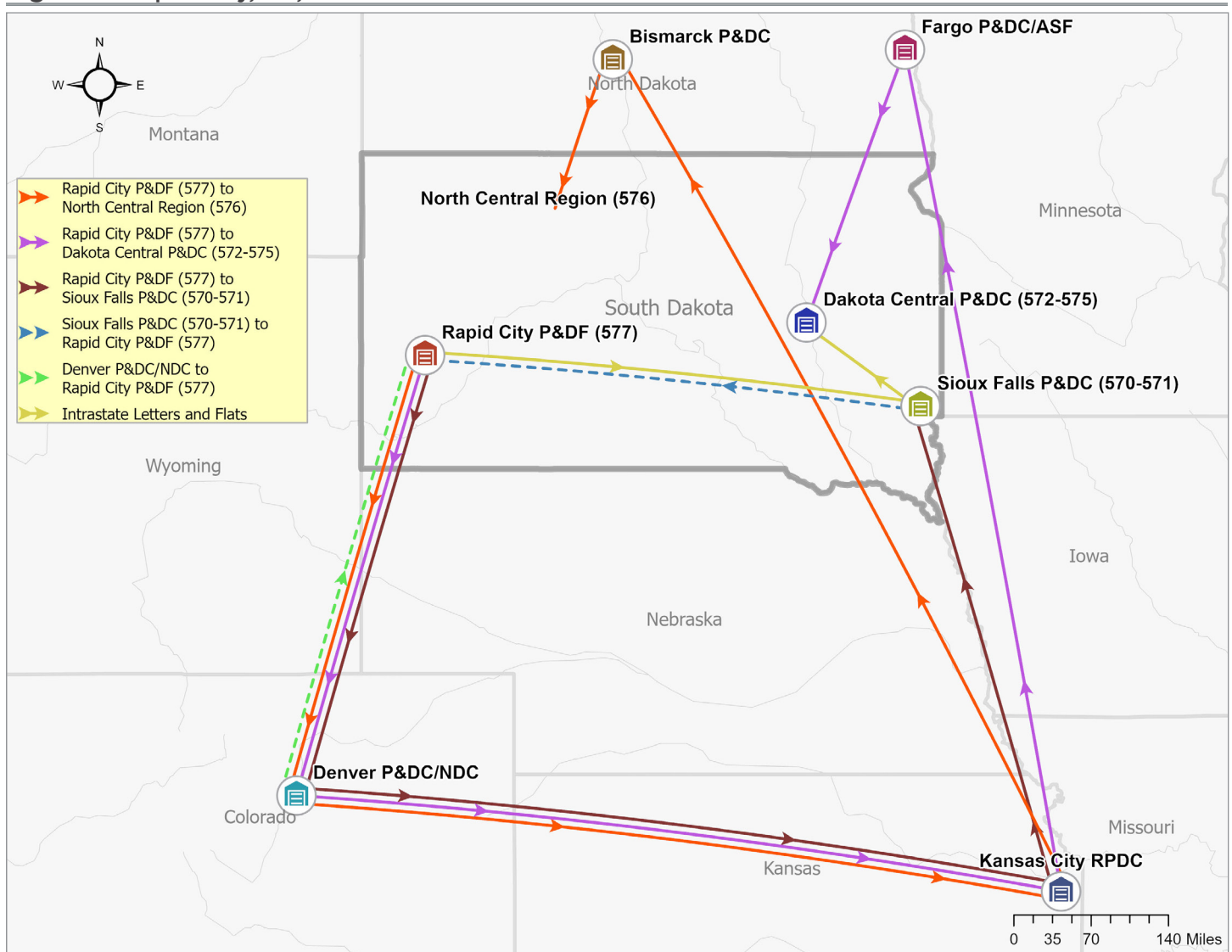
observations, we found some local packages were incorrectly being sent to Denver for processing.

The Rapid City P&DF sends letters destined for Sioux Falls and Dakota Central to the Sioux Falls P&DC, and the lack of a direct route between Rapid City and Dakota Central requires mail to travel through Sioux Falls or Denver for processing (see [Figure 4](#)).

¹⁴ Rapid City mail was first routed to the Billings, MT P&DC, but the facility could not handle the volume, resulting in another reroute.

¹⁵ Any Periodicals identified for Rapid City delivery will be kept at the processing facility. The facility does attempt to manually identify and separate Periodicals for intrastate delivery and transport it on the Sioux Falls transportation. Any other Periodicals will be sent to Denver for processing.

Figure 4. Rapid City, SD, Mailflow



Source: OIG analysis of Product Tracking and Reporting, Transportation Optimization Planning and Scheduling and Postal Service data.

Mail traveling out-of-state to and from South Dakota for delivery has also been impacted by Network Changes. For example, mail from South Dakota to Los Angeles may pass through four to five plants, while mail from Los Angeles to South Dakota typically moves through three to four facilities before delivery.

In our prior report,¹⁶ we found the Postal Services network modernization plan has reduced nationwide transportation expenses by about \$755 million, and reduced mail processing and delivery workhour costs by about \$2 billion. However, network changes have significantly impacted the timeliness of mail delivery

in South Dakota, especially for intrastate mail. The greater the distance the mail must travel within the network, and the more facilities it passes through, the longer it will take to be delivered. The Postal Service has taken action to keep some intrastate mail in-state for processing and improved service performance. However, a lack of transportation linking South Dakota processing facilities and limited flats and package sorting equipment at South Dakota processing facilities constrained the amount of intrastate mail that can be processed in state.

¹⁶ Assessment of Postal Service's Network Changes (Report Number 26-042-R26, dated September 8, 2026).

Extended Service Standards

The network changes implemented in South Dakota also caused service standards to be extended. We compared service standards from October 2023 with updated standards in January 2026 and found most ZIP Codes experienced extended service standards

“The network changes implemented in South Dakota also caused service standards to be extended.”

(see Table 2). Specifically, a Priority Mail¹⁷ package mailed from Sioux Falls to Sioux Falls increased from a one-day standard to a three-day standard. In addition, First-Class Mail sent between Pierre and Rapid City—two cities

only 172 miles apart—increased from a three-day standard to a five-day standard, matching the service standard for a letter traveling more than 2,500 miles from New York City to Los Angeles.

Table 2. Service Standards by Intrastate Originating and Destinating Pairs

Product	One to Two Days Faster	Same	One to Two Days Slower
First-Class Mail	24.2%	25.8%	50.0%
Periodicals ¹⁸	1.6%	23.4%	75.0%
Ground Advantage ¹⁹	0.0%	21.9%	78.1%
Priority Mail	0.0%	31.3%	68.8%

Source: OIG analysis of South Dakota ZIP Codes service standards from October 2023 to January 2026.

Service Performance

Even with additional days added to most service standards, the percent of mail delivered within those standards declined across all mail classes.²⁰

“Even with additional days added to most service standards, the percent of mail delivered within those standards declined across all mail classes.”

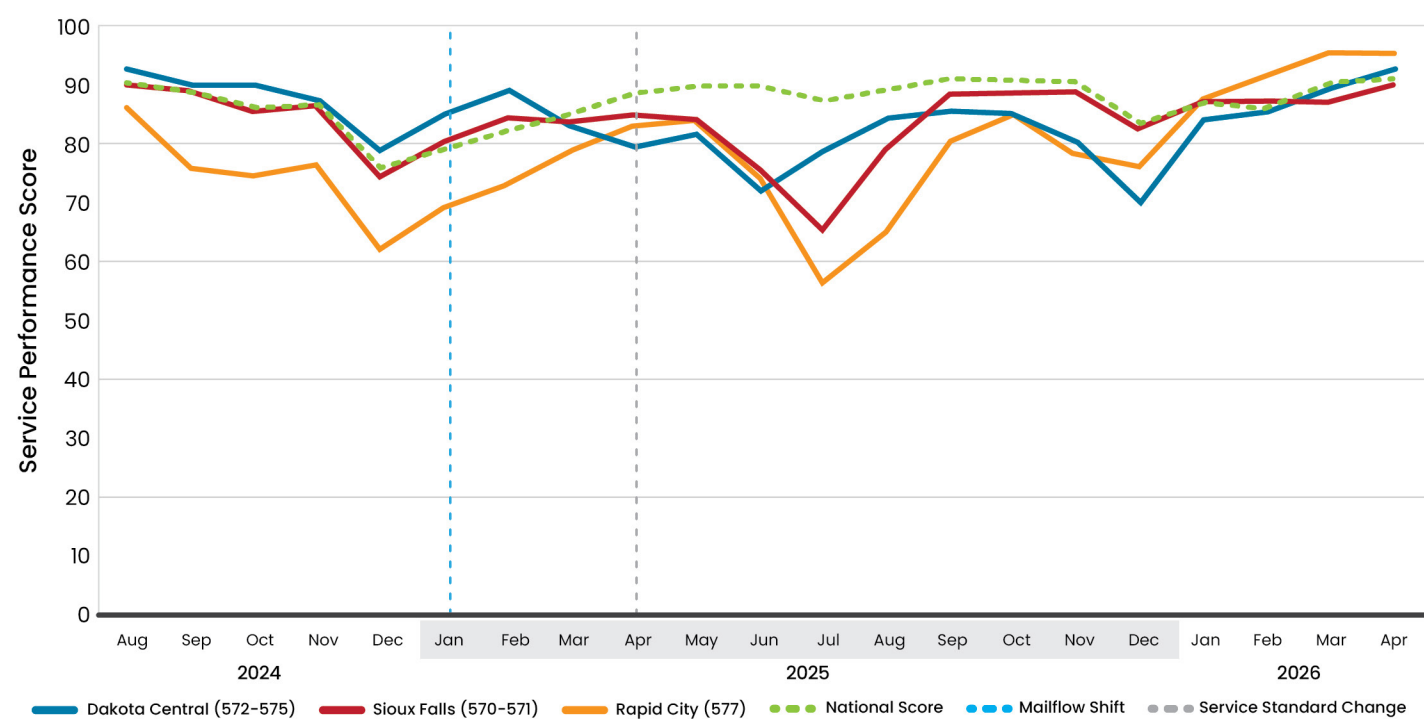
Specifically, originating First-Class Mail service performance saw declines in all three South Dakota regions reviewed.²¹ By April 2026, the Postal Service had adjusted routing for letters, trying to keep more intrastate mail from leaving South Dakota and as a result, service performance for Dakota Central and Rapid City improved and exceeded the national average (see Figure 5).

Periodical service performance varied greatly among the three regions both before and after network changes. From calendar year 2024 Q4 through 2026 Q1, Sioux Falls consistently outperformed the national average. In contrast, Dakota Central remained below the national average, with performance between 51 percent and 71 percent. Rapid City, which has the lowest volume, showed the greatest volatility, dropping to 54 percent in early 2025, before rebounding to nearly 90 percent by early 2026 (see Figure 6).

Periodical stakeholders expressed declining revenue, subscriber losses, and frustration among advertisers as delays increasingly affected time-sensitive advertising materials. To reduce these issues and improve on-time delivery of Periodicals, these companies described taking additional steps such as completing additional separations to the destinating city, removing Postal Service business and shifting delivery to local companies, and transporting Periodicals to another ZIP Code so the mail could be processed at a different South Dakota facility in an effort to keep the mail within the state.

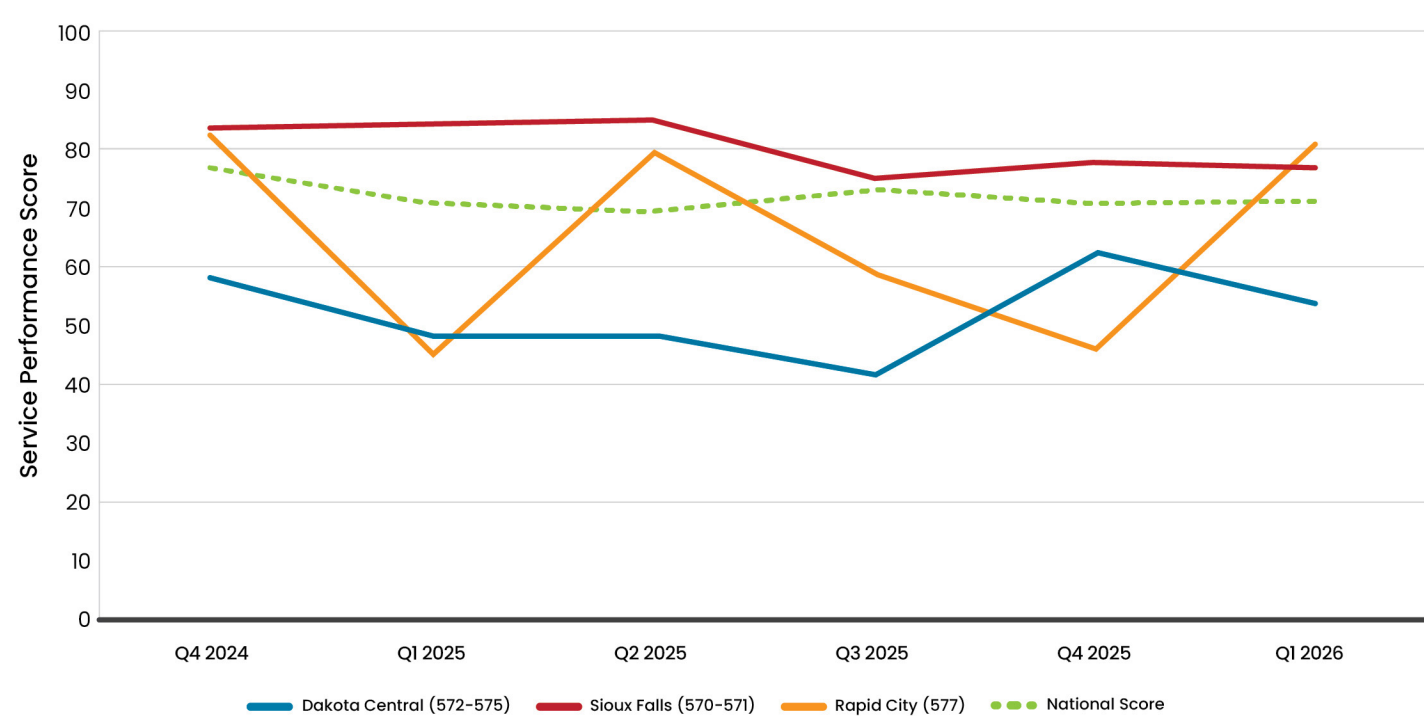
17 Priority Mail is an expedited service for shipping mail within two to three business days.
18 Periodicals include magazines, newspapers, or other publications that are issued at least four times a year.
19 Ground Advantage is an affordable way to send packages inside the United States within two to five days.
20 Title 39 U.S. Code § 101a requires the Postal Service to provide prompt, reliable, and efficient services to patrons in all areas and all communities.
21 We analyzed 3-digit ZIP Codes by the following regions: Sioux Falls (570-571), Dakota Central (572-575), and Rapid City (577).

Figure 5. Originating First-Class Mail Service Performance



Source: OIG analysis of Informed Visibility data.

Figure 6. Originating Periodicals Service Performance

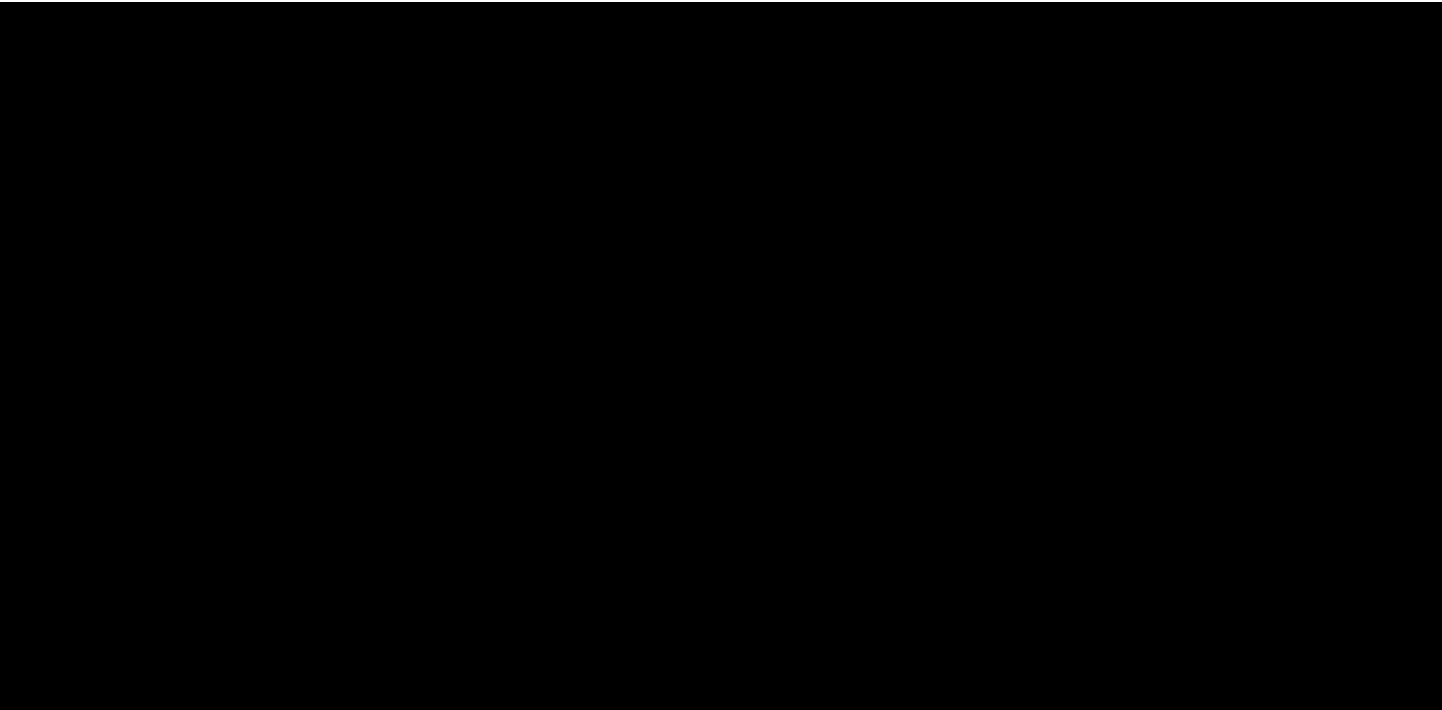


Source: OIG analysis of Informed Visibility data.

Additionally, after the initial mailflow shifts in January 2025, the percent of Priority Mail delivered on-time in all three regions was consistently below the national average and ranged between about █ percent to █ percent (see Figure 7). Service performance

declined further after RTO was implemented in August 2025 in the Dakota Central region, and continued underperforming compared to national averages and Sioux Falls and Rapid City regions' service performance.

Figure 7. Originating Priority Mail Service Performance

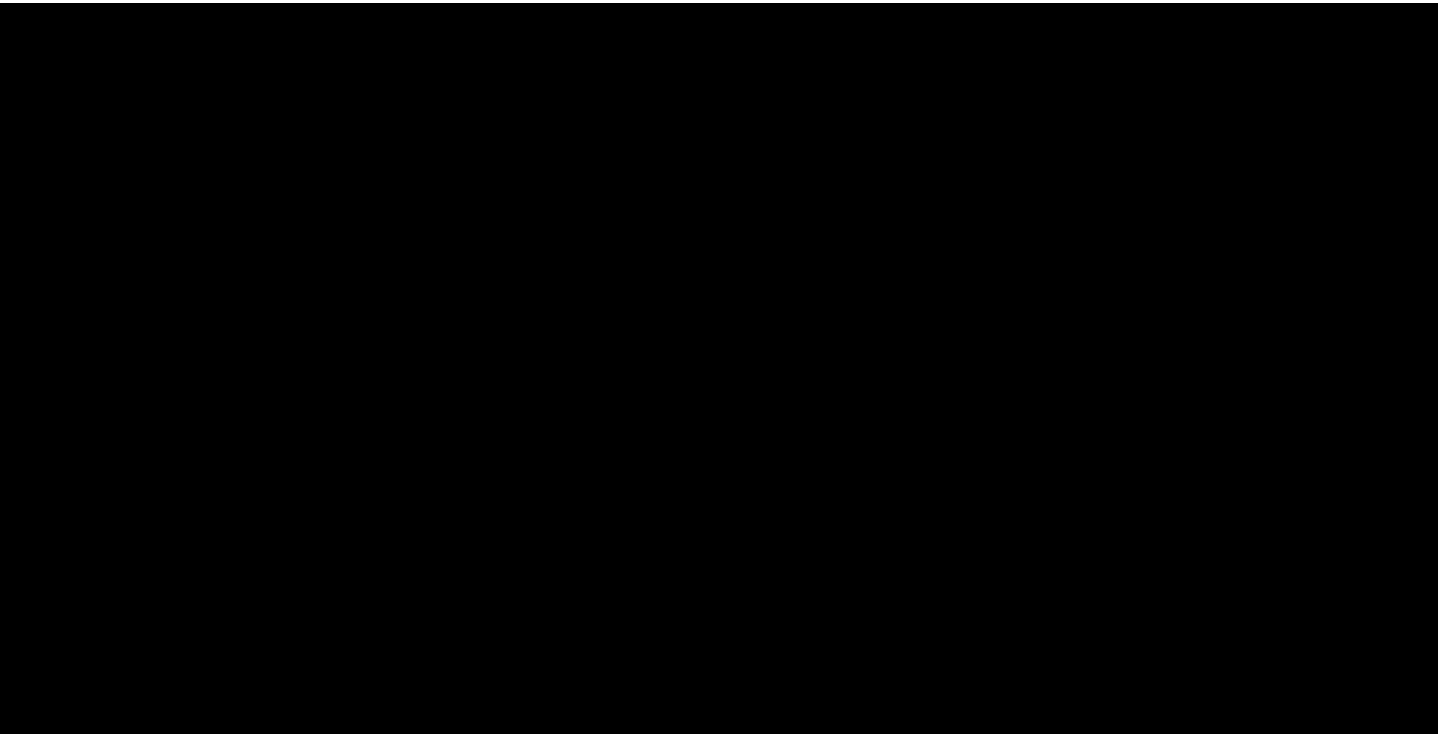


Source: OIG analysis of Product Tracking and Reporting data.

Ground Advantage service performance fluctuated across South Dakota and remained below the national average for most of the period. Performance reached its lowest point in March 2025, falling to about █ percent in Dakota Central and Rapid City and █ percent in Sioux Falls. Although service

performance improved following national service standard adjustments—which extended most packages by an additional day—Dakota Central continued to underperform compared to Sioux Falls, Rapid City, and the national average (see [Figure 8](#)).

Figure 8. Originating Ground Advantage Service Performance

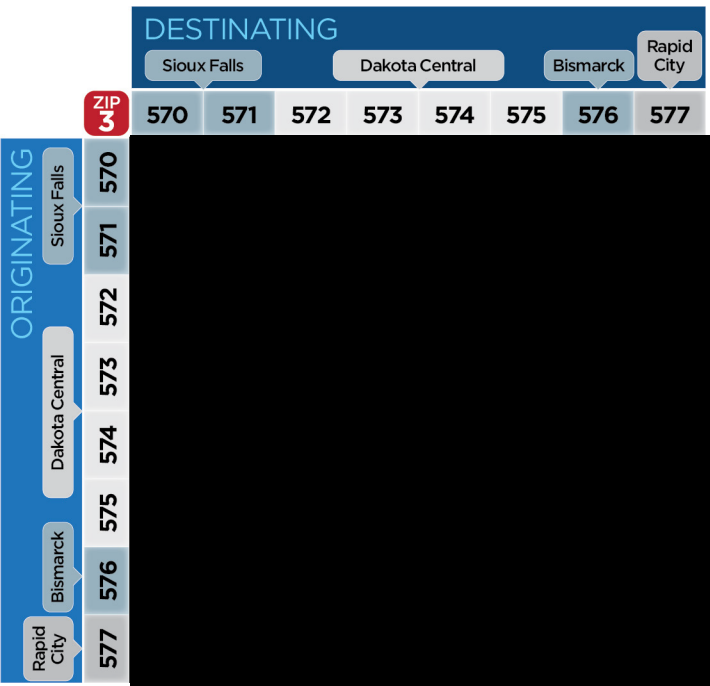


Source: OIG analysis of Product Tracking and Reporting data.

Inconsistent Intrastate Mail Performance

From August 2024 to April 2026, more than █ percent of local Priority Mail packages were delivered on-time in all three regions (see Figure 9). However, intrastate performance varies considerably based on mail direction. For example, Priority Mail packages sent from Sioux Falls to Rapid City had high service performance—over █ percent on time—while packages traveling in the opposite direction averaged below █ percent. Because there is no direct transportation from Rapid City to Dakota Central, mail traveling in this direction must route through multiple out-of-state facilities, which contributes to significantly lower on-time performance.

Figure 9. Priority Mail Intrastate Service Performance



Source: OIG analysis of Product Tracking and Reporting data.
Note: The chart shows originating and destinating service performance by 3-digit ZIP Code and primary processing facility (e.g., North Central South Dakota 3-digit ZIP Code 576 is processed in Bismarck, ND).

See [Appendix B](#) for additional information regarding service performance analysis.

Mail Test

We conducted a mail test of 120 Priority Mail packages to evaluate intrastate mailflow and service performance within South Dakota. While we recognize the limitations of a small and targeted mail test and understand these results are not statistically representative, we conducted this independent test to gain additional insights into South Dakota’s

intrastate mailflow and to support what we determined through customer feedback and service performance data.

During the weeks of April 7 and May 4, 2026, packages were mailed from Rapid City, Pierre, Sioux Falls, and Huron, SD.²² Packages were mailed from either one South Dakota city to another or locally from one city to the same city (see Table 3).

Table 3. Number of Mailpieces by Mail Test Locations

Mailing Location	Week Mailed	Mail Test Origin and Destination	Number of Packages
Pierre, SD	April 7, 2026	Pierre to Rapid City	20
		Pierre to Pierre	10
Rapid City, SD		Rapid City to Pierre	20
		Rapid City to Rapid City	10
Sioux Falls, SD	May 4, 2026	Sioux Falls to Huron	20
		Sioux Falls to Sioux Falls	10
Huron, SD		Huron to Sioux Falls	20
		Huron to Huron	10
Total Pieces			120

Source: OIG mail test locations and number of Priority Mail packages mailed.

Of the 120 Priority Mail packages mailed at local Post Offices and collection boxes,²³ one package did not have tracking information. Therefore, we analyzed our results based on 119 Priority Mail packages. Of the 119 Priority Mail packages, we found that 40 pieces (about 34 percent) were still routed out-of-state (see Table 4). Most of these packages were routed through the Denver and Des Moines, IA P&DCs, with one-piece missent to the Royal Palm, FL P&DC.

Table 4. Packages Traveling Out-of-State by Mail Test Locations

Mailing Location	Out-of-State Packages	Total Packages	Percentage Out of State
Rapid City/ Pierre	21	59	36%
Sioux Falls/ Huron	19	60	32%
Total	40	119	34%

Source: OIG analysis of data from Product Tracking and Reporting data.

²² Packages were mailed from the city identified and associating nearby towns. Our results were analyzed based on the primary city.
²³ A four-footed, free-standing blue-painted street box that is used by the public to deposit outgoing mail.

We also analyzed service performance and found [REDACTED] packages (about [REDACTED] percent) arrived early or on time to their applicable service standards (see Table 5). Service performance varied depending on the originating and destinating locations. All packages mailed through Sioux Falls and Huron were delivered on time, with [REDACTED] pieces (roughly [REDACTED] percent) arriving early. However, although most mail through Rapid City and Pierre was delivered on time, [REDACTED] packages (about [REDACTED] percent) were late. Of these, [REDACTED] packages ([REDACTED] percent) arrived three days late.

Table 5. Service Performance by Mail Test Locations

Mailing Location	Packages Early or On-Time	Packages Late Arriving	Percentage Early or On-Time	Percentage Late
Rapid City/Pierre	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Sioux Falls/Huron	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: OIG analysis of data from Product Tracking and Reporting data.

The results of our mail test highlight how local mailflow has been impacted by network changes. As intrastate mail continues to be processed at facilities outside South Dakota, it must travel farther through the network, making delivery times less predictable.

These challenges reflect broader network redesign decisions that shifted originating mail processing outside of South Dakota without a state-level strategy to maintain intrastate connectivity. The extended routing of South Dakota mail to different regional processing facilities forced customers to wait longer for items that once moved quickly within the state. Because mail now travels hundreds of miles and passes through multiple out-of-state facilities, residents and businesses experience slower, less predictable delivery. Service standards were extended due to network changes, yet on-time performance still fell for several products—resulting in missed delivery expectations, disruptions for rural communities that depend on mail for essential items, and declining confidence in the reliability of Postal Service operations.

Recommendation #1
We recommend the **Vice President Network Solutions and Performance Excellence**, determine the feasibility of centralizing processing and restoring transportation for intrastate connectivity as part of a South Dakota-specific processing plan that includes defined milestones, transition timelines, and facility operational responsibilities.

Recommendation #2
We recommend the **Vice President Network Solutions and Performance Excellence**, align intrastate service standards to appropriate delivery timeframes as mail is moved back in-state for processing.

Postal Service Response
Management agreed with the finding and with recommendations 1 and 2. Management stated the initial changes to network flow extended the intra-state routing of mail and packages in South Dakota. However, the Postal Service implemented changes and applied additional

focus on operational execution and improved both days-to-deliver and service performance. Management expects additional improvements with the implementation of the Sioux Falls RPDC.

Regarding recommendation 1, management stated it has decided to designate Sioux Falls as an RPDC, eliminating multistate processing across Denver and Fargo, and reducing reliance on Omaha. As a result, Sioux Falls will process most originating and destinating mail and packages for South Dakota. Management also stated that while this change is expected shortly after the turn of the calendar year, defined milestones, transportation schedules, and operating plan changes are being finalized and will be provided to the OIG upon completion. The target implementation date is June 30, 2027.

Regarding recommendation 2, management stated the Sioux Falls RPDC designation would change service standards, enabling faster service standards within the state. Management also stated that it identified a cost-effective way to implement these intrastate connections, given the financial difficulties the Postal Service currently faces. The target implementation date is June 30, 2027.

OIG Evaluation

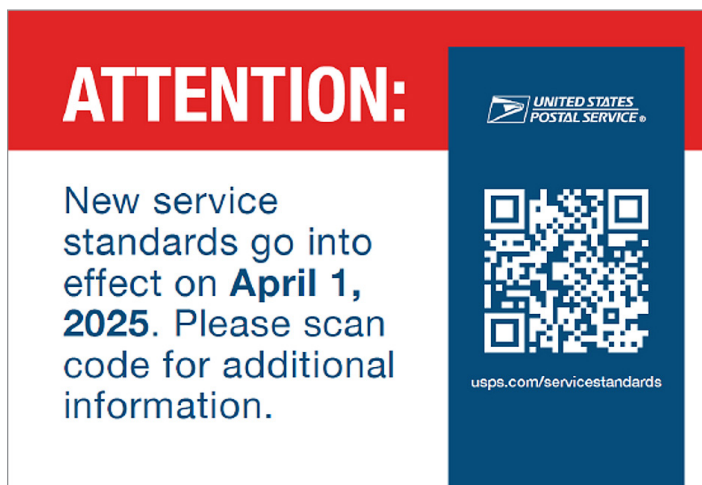
The OIG considers management's comments responsive to recommendations 1 and 2, as the corrective actions should resolve the issues identified in the report.

Finding #2: Communication of Network Changes

The Postal Service's drive to modernize its network has resulted in frequent changes to how South Dakota mail is routed and processed. These adjustments introduced significant disruptions to mailflow, delivery times, and service performance but not all service changes were communicated to customers.

The Postal Service did conduct MPFRs at Dakota Central and Sioux Falls in November 2023 and January 2024, respectively, for planned network changes and as a way to inform customers of proposed changes. These reviews projected no service standard downgrades and anticipated improvements across 3,454 ZIP Code pairs. However, as a result of the proposed changes and adjustments of service standards in April 2025, most ZIP Code pairs saw service standards extended. The Postal Service communicated about these updates nationally, and a QR code linking to the revised standards was posted in South Dakota post offices (see Figure 10).

Figure 10. South Dakota Service Standard Signage



Source: Postal Service provided service standard signage.

Despite the national signage, there was no communication specific to South Dakota about the updated service standards or the plan to move certain three-digit ZIP Code processing operations to other facilities. We spoke with stakeholders who were not aware of these changes until mail delays led to lost revenue, customer dissatisfaction, and operational disruptions—particularly for time-sensitive items like medications, newspapers, and small-business goods. Additionally, despite the significance of these changes, seven of the 16 (44 percent) post offices we visited reported receiving little or no notice before changes occurred.

A prior OIG audit²⁴ recommended the Postal Service communicate any impact to customers when permanently moving processing operations of a three-digit ZIP Code to another processing facility. The Postal Service agreed with the recommendation and communicated to customers subsequent movement of three-digit ZIP Codes related to the implementation of the Atlanta, Charlotte, Indianapolis, and Portland RPDCs. However, the Postal Service did not communicate impacts associated with moving the processing of South Dakota three-digit ZIP Codes out-of-state.

When operational changes of this scale are not clearly communicated, especially when they increase routing distances and introduce new risks to timely delivery, customer trust can decline. Even if changes do not meet the threshold requiring an MPFR, the continued implementation of network changes in South Dakota and its impact on mailflow highlights the need for proactive communication to customers.

²⁴ Effectiveness of the New Regional Processing and Distribution Center in Richmond (Report Number 23-161-R24, dated March 28, 2024).

Recommendation #3

We recommend the **Vice President Network Solutions and Performance Excellence** in coordination with the **Vice President Processing Operations**, establish a required process to publicly communicate any impacts to mailers and residential customers, prior to implementation, when moving processing operations of a three-digit ZIP Code to another processing facility.

Postal Service Response

Management agreed with the finding and with recommendation 3.

Regarding recommendation 3, management stated that it believes existing communication pathways are adequate for larger shippers and mailers; however, management acknowledged feedback from local customers indicating that these pathways are not effectively reaching them. As a result, management will explore options to more effectively communicate with local customers about three-digit ZIP Code changes that may have temporary or long-term impacts on service standards and delivery expectations. The target implementation date is August 31, 2027.

OIG Evaluation

The OIG considers management's comments responsive to recommendation 3, as the corrective action should resolve the issues identified in the report.

Looking Forward

As the Postal Service continues implementing its nationwide network redesign, South Dakota will remain one of the most uniquely affected states. Network modernization efforts have already routed intrastate mail hundreds of miles through multiple out-of-state facilities and removed the direct processing and transportation links that once kept mailflow within South Dakota.

To address these challenges, Postal Service management stated it intends to designate the Sioux Falls P&DC as a future RPDC. Under this plan, Sioux Falls would process most of the originating and destinating mail and packages for the state, reducing reliance on multiple out-of-state facilities and restoring centralized in-state processing. The Postal Service is working to establish formal implementation timelines and identify efficient intrastate transportation routes to reestablish connectivity across South Dakota.

Looking ahead, it will be essential for the Postal Service to evaluate modernization impacts not only at a national scale but in states—like South Dakota—where geography, distance, and the absence of a centralized processing facility introduce operational risks. Restoring intrastate connectivity will improve service reliability, especially in rural communities that depend heavily on the Postal Service for essential and time-sensitive items.

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Appendix A: Additional Information

Scope and Methodology

Our objective was to evaluate impacts of network changes on processing operations and service performance in South Dakota.

To accomplish our objective, we:

- Obtained service standards for each mail class from October 2023 to January 2026 to determine the impact of network changes.
- Analyzed service performance (originating and intrastate) and days-to-deliver data from August 2024 to April 2026 to determine the impact of network changes on service.
- Conducted stakeholder interviews and analyzed customer feedback to better understand impacts on South Dakotans.
- Obtained and analyzed mailpiece tracking information, processing operations, and transportation schedules to determine the mailflow for intrastate and originating South Dakota mail.
- Conducted an OIG mail test of 120 packages from Sioux Falls, Pierre, Rapid City, and Dakota Central locations to evaluate intrastate mailflow and service performance.
- Interviewed Postal Service Headquarters officials to gain insights into the MPFRs conducted at Dakota Central and Sioux Falls and ongoing and future implementation of network changes.
- Conducted observations at all three South Dakota mail processing facilities and 16 judgmentally selected post offices within South Dakota to gain field-level insights on the impacts of network changes on processing operations and service performance. In addition, we subsequently conducted interviews at two out-of-state

processing facilities that process South Dakota mail. See [Table 6](#) for the mail processing facilities visited and the dates of observations.

We conducted this performance audit from March through September 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. We discussed our observations and conclusions with management on August 28, 2026, and included their comments where appropriate.

In planning and conducting the audit, we obtained an understanding of the mail processing, transportation, delivery and service performance internal control structure for South Dakota 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 components were significant to our audit objective: Control Environment, Risk Assessment, Information and Communication, and Monitoring. We developed audit work to ensure that we assessed these controls. Based on the work performed, we identified internal control deficiencies related to Information and Communication, and Monitoring that were significant within the context of our objectives. Our recommendations, if implemented, should correct the weaknesses we identified.

Table 6. Site Visit Locations

Mail Processing Facility Name	Date Visited	Associated Post Office	Dates Visited
Sioux Falls P&DC	May 5, 2026	Sioux Falls Sorting & Distribution Center Downtown Post Office (PO)	May 5, 2026
		Brandon PO	
		Southwest Annex	May 6, 2026
		Meadows PO	
Dakota Central P&DC	May 6, 2026	Fort Pierre PO	April 8, 2026
		Eagle Butte PO	
		Pierre PO	April 8 to 9, 2026
		Huron PO	May 6, 2026
Rapid City P&DF	May 20, 2026	Custer PO	April 8, 2026
		Rapid City Contract Postal Unit	
		Box Elder PO	
		Hill City PO	
		Hot Springs PO	April 9, 2026
		Spearfish PO	
		Sturgis PO	
		Rapid City PO	May 20, 2026
Fargo P&DC	May 7, 2026	N/A	N/A
Denver P&DC	June 18, 2026	N/A	N/A

Source: OIG judgmental site selections.

We assessed the reliability of, Customer 360, Census 2020, Facilities Database, Informed Visibility, Postal Pro, Product Tracking and Reporting, Surface Visibility, Transportation Optimization Planning and Scheduling, and Workforce data by interviewing

Postal Service officials and testing for completeness, reasonableness, accuracy, and validity. We determined that the data was sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact (in Millions)
<i>Assessment of Postal Service's Network Changes</i>	To determine the impacts that network change initiatives have had on the Postal Service and its stakeholders.	26-042-R26	September 8, 2026	\$0
<i>Iowa-Nebraska-South Dakota District: Delivery Operations</i>	To evaluate mail delivery operations in the IA-NE-SD District of the Central Area.	25-115-R26	December 30, 2025	\$0
<i>Network Changes: Local Transportation Optimization in the New Orleans Region</i>	To determine the impacts associated with the Postal Service's LTO initiative in the New Orleans region.	25-057-R25	September 9, 2025	\$0
<i>Delivering for America: First-Class Mail and Priority Mail Service Performance Update</i>	To assess the Postal Service's First-Class Mail and Priority Mail service performance.	25-028-R25	May 7, 2025	\$17.7
<i>Network Changes: Local Transportation Optimization</i>	To determine the impacts to service performance, customer service, mail security, and expected cost savings from implementation of the Local Transportation Optimization initiative.	24-142-R25	December 18, 2024	\$0
<i>Impacts Associated with Local Transportation Optimization in Richmond, Virginia</i>	To determine impacts associated with the Postal Service's new Local Transportation Optimization initiative in Richmond, VA.	23-161-R24	April 12, 2024	\$0
<i>Effectiveness of the New Regional Processing and Distribution Center in Richmond, VA</i>	To assess the operational impacts related to the launch of the RPDC and identify successes, lessons learned, and opportunities.	23-161-R24	March 28, 2024	\$8.0

Appendix B: Service Performance

The Postal Service revised service standards in April and July 2025 to add additional delivery days under its network modernization efforts. To assess the impact on South Dakota, we compared

service standards from October 2023 with updated standards in January 2026 and found that every mail class experienced extended service standards (see Table 7).

Table 7. Service Standards by Originating and Destinating Pairs

Product	One to Three Days Faster	Same	One to Two Days Slower
Composite First-Class Mail	11.1%	57.0%	31.9%
Single Piece First-Class Mail ²⁵	4.4%	34.5%	61.2%
Presort First-Class Mail	17.7%	79.5%	2.7%
Periodicals	16.3%	51.4%	32.3%
Ground Advantage	3.9%	31.1%	65.1%
Priority Mail	0.8%	36.3%	63.0%

Source: OIG analysis of PostalPro 3-digit ZIP Code service standards from October 2023 to January 2026.

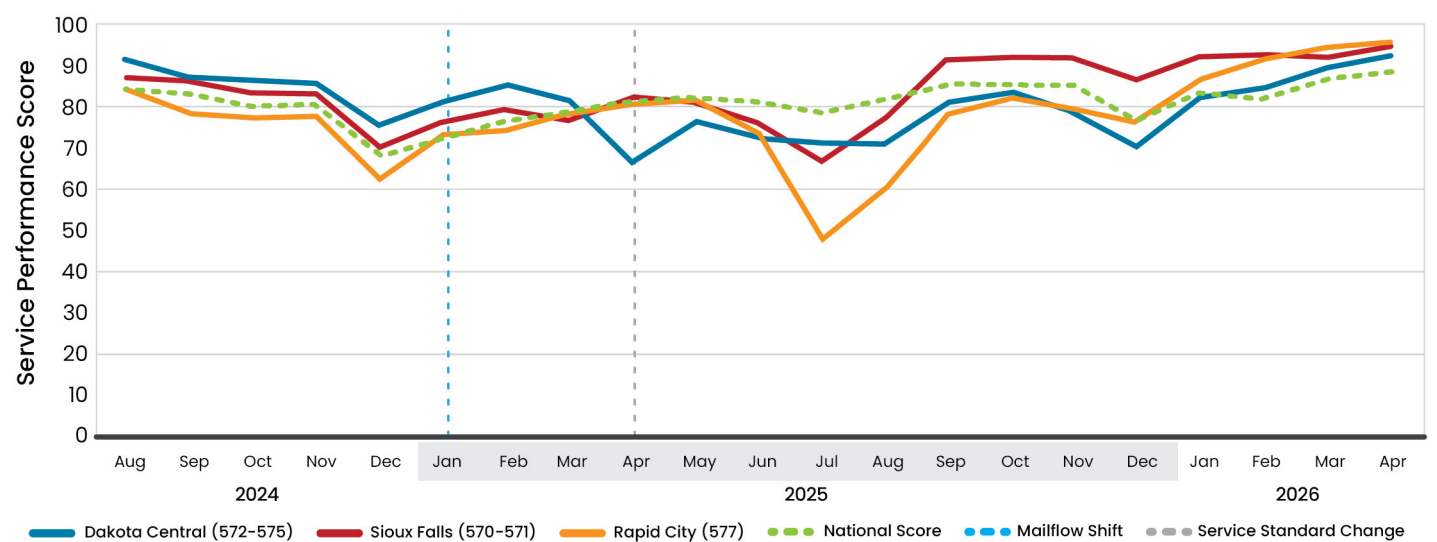
Although service standards were extended, service performance in South Dakota declined across multiple mail classes, particularly in ZIP Codes impacted by RTO and reliant on out-of-state processing.

Letter Service Performance

Since the implementation of network changes, originating Single-Piece First-Class Mail service

performance fluctuated in all three South Dakota regions reviewed. After the April 2025 service standard revisions, Dakota Central and Rapid City briefly improved before all regions declined in June 2025. However, beginning in February 2026, all three regions exceeded the national average service performance (see Figure 11).

Figure 11. Originating Single Piece First-Class Mail Service Performance



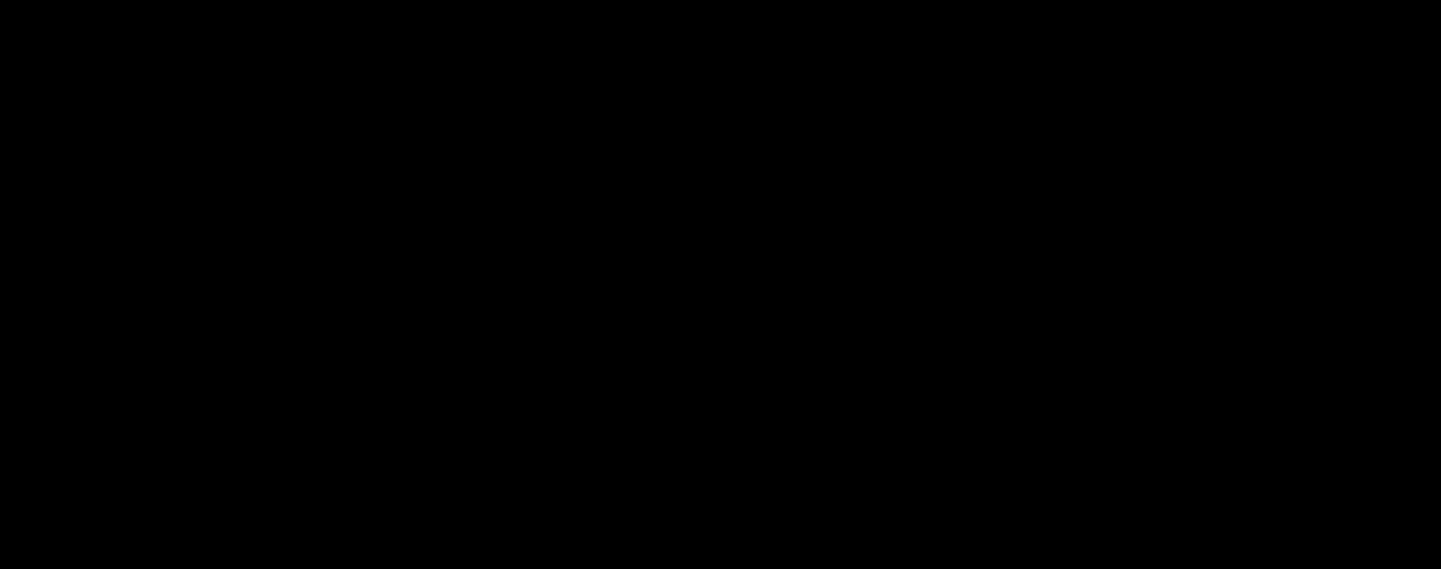
Source: OIG analysis of Informed Visibility data.

²⁵ Single Piece First-Class Mail is mostly used by households and small businesses for personal and business correspondence and transactions such as bill payments.

Packages

Network changes also increased the average amount of time a package takes to be delivered. Specifically, the average delivery time for Ground Advantage packages increased from about [redacted] hours in August 2024 to about [redacted] hours in August 2025, while Priority Mail delivery times rose from roughly [redacted] hours to about [redacted] hours over the same period (see Figure 12).

Figure 12. Average Delivery Time for Packages Originating in South Dakota



Source: OIG analysis of Product Tracking and Reporting data.

From August 2024 to April 2026, Ground Advantage package local service performance had been at or above [redacted] percent statewide (see Figure 13). However, intrastate service performance revealed substantial differences depending on the mailpiece direction of travel. For example, Ground Advantage packages sent from Sioux Falls to Rapid City had high service performance—over [redacted] percent on time—while packages traveling in the opposite direction averaged below [redacted] percent.

Figure 13. Ground Advantage Intrastate Service Performance



Source: OIG analysis of Product Tracking and Reporting data.
Note: The chart shows originating and destinating service performance by 3-digit ZIP Code and primary processing facility (e.g., North Central South Dakota 3-digit ZIP Code 576 is processed in Bismarck, ND).

Appendix C: Management's Comments



September 17, 2026

LAURA LOZON
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: **Network Changes: Impacts in South Dakota (26-038-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: Impacts in South Dakota*.

Finding #1: Nationwide Efficiency Efforts Extended South Dakota Mail Routing

Management agrees with findings. The initial changes to network flow extended the intra-state routing of mail and packages in South Dakota to three separate states for processing. However, as noted in the OIG findings, the Postal Service mitigated impacts to service performance and days-to-deliver by implementing processing and transportation changes. Since implementing the changes and applying additional focus on operational execution, both days-to-deliver and service performance have rebounded in many cases to pre-network change levels. Additional improvements are expected with the implementation of the Sioux Falls RPDC network flows which are planned to be implemented early in calendar year 2027.

Finding #2: Communication of Network Changes

Management agrees with findings.

The following are our comments on the three recommendations:

Recommendation 1:

We recommend the **Vice President Network Solutions and Performance Excellence**, determine the feasibility of centralizing processing and restoring transportation for intrastate connectivity as part of a South Dakota-specific processing plan that includes defined milestones, transition timelines, and facility operational responsibilities.

Management Response/Action Plan:

Management **agrees** with this recommendation.

Following the Mail Processing Facility Review (MPFR) process, and significant thorough review thereafter, we have determined our plans for improvement in South Dakota. As stated in the report, the largest challenge was pointing South Dakota volumes to three different processing locations in three different states.

After our year-long review, site visits, stakeholder discussions, transportation analysis, and upgraded machine installation, management has decided to make Sioux Falls a Regional Processing and Distribution Center (RPDC).

This means that Sioux Falls will process most of the originating and destinating mail and packages for South Dakota. This also enables the majority of the Destinating Marketing Mail and Periodicals for South Dakota to be entered and processed in Sioux Falls.

Postal products from Huron and Rapid City will route to Sioux Falls for processing. This will eliminate multistate processing across Denver, Colorado and Fargo, North Dakota. A small portion of South Dakota has long been serviced by Bismarck (prior to any MPFR changes), and that would remain in Bismarck. The Sioux Falls designation will also reduce reliance on Nebraska as the Omaha building is still requiring upgrades itself to function as an RPDC.

This change will occur shortly after the turn of the calendar year. Defined milestones, transportation schedules, and operating plan changes are being finalized and will be provided to the OIG upon completion.

Target Implementation Date: 06/30/2027

Responsible Official:

Vice President Network Solutions and Performance Excellence

Recommendation 2:

We recommend the **Vice President Network Solutions and Performance Excellence**, align intrastate service standards to appropriate delivery timeframes as mail is moved back in-state for processing.

Management Response/Action Plan:

Management **agrees** with this recommendation.

With the RPDC designation, leg 2 service standards would change, and Regional Transportation Optimization ZIP Codes would be applied to Sioux Falls. This will enable faster service standards within the state.

We have identified a way to implement these intrastate connections cost effectively, which is always something that needs to be considered given the financial difficulties currently looming over the Postal Service.

Target Implementation Date: 06/30/2027

Responsible Official:

Vice President Network Solutions and Performance Excellence

Recommendation 3:

We recommend the **Vice President Network Solutions and Performance Excellence** in coordination with the **Vice President Processing Operations**, establish a required process to publicly communicate any impacts to mailers and residential customers, prior to implementation, when moving processing operations of a three-digit ZIP Code to another processing facility.

Management Response/Action Plan:

Management **agrees** with this recommendation.

Management will re-evaluate the current process for communicating with mailers and residential customers. Management has communicated service standard changes via advisory committee meetings, customer presentations, label list publications, retail signage, and the MPFR process. Management also has pathways to communicate service performance challenges through usps.com banners, service alerts, industry alerts, and messaging through the Integrated Voice Recognition system.

While management believes these pathways are adequate for larger shippers and mailers, stakeholder feedback from local customers reflects that these channels are not reaching them.

Management will explore options to more effectively communicate with local customers on three-digit changes that may have a long-term impact to service standards and delivery expectations.

There are many temporary three-digit changes that occur as a result of weather contingencies, machine installations, or holiday season mitigations. Communication during these events will be evaluated.

Target Implementation Date: 08/31/2027

Responsible Official:

Vice President Network Solutions and Performance Excellence
Vice President Processing Operations

E-SIGNED by GREGORY.T WHITE
on 2026-09-17 15:41:56 EDT

Greg White
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E-SIGNED by JASON.R DE CHAMBEAU
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Vice President, Processing Operations

cc: Corporate Audit & Response Management

OFFICE OF INSPECTOR GENERAL UNITED STATES POSTAL SERVICE



This document contains sensitive information that has been redacted for public release. These redactions were coordinated with USPS and agreed to by the OIG.

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