

Assessment of Postal Service's Network Changes

AUDIT REPORT

Report Number 26-042-R26 | September 8, 2026



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Highlights

Background

In March 2021, the U.S. Postal Service released its 10-year strategic Delivering for America (DFA) plan to achieve financial sustainability and improve service. Since that time, the Postal Service has implemented significant changes in its transportation, package processing, and delivery network. This involved reducing operational costs by consolidating operations and moving mail from air networks to ground transportation, eliminating duplicate and unneeded routes. Additionally, the Postal Service implemented several service standard changes to enable network changes and improve on-time delivery.

What We Did

Our objective was to determine the impacts that network change initiatives have had on the Postal Service and its stakeholders. For this audit, we focused on cost, savings, and service performance impacts of the Postal Service's network processing, transportation, and delivery initiatives from fiscal year (FY) 2016 through FY 2026, quarter 2.

What We Found

The Postal Service has made significant changes to its network in the first five years of the DFA plan reducing mail processing, transportation, and delivery costs. However, the financial position of the Postal Service has not improved, and the operational changes have coincided with service performance declines, with rural communities experiencing the most noticeable impacts. Additionally, the Postal Service does not have a long-term cost savings target nor does it track the financial impact of network change initiatives. Instead, it manages initiatives on an annual basis but does not have an overall program schedule and timeline to track and report long-term progress. We also found issues with network changes that could have been identified through better planning and modeling.

Finally, the organization is missing an opportunity to better standardize the network of facilities envisioned at the outset of the DFA plan. As a result, the Postal Service continues to operate a fragmented system that hampers nationwide decision-making, limits expected efficiencies, and complicates efforts to measure performance.

Recommendations and Management's Comments

We made five recommendations to address the issues identified in the report, and management agreed with all five recommendations. We consider management's comments responsive as corrective actions should resolve the issues identified in the report. Management's comments and our evaluation are at the end of each finding and recommendation, and management's comments can be viewed in their entirety in [Appendix B](#).

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

September 8, 2026

MEMORANDUM FOR:

ISAAC CRONKHITE
CHIEF PROCESSING AND DISTRIBUTION OFFICER AND EXECUTIVE
VICE PRESIDENT

PETER ROUTSOLIAS
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VICE PRESIDENT, NETWORK SOLUTIONS AND PERFORMANCE
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STEVEN A. DARRAGH
VICE PRESIDENT, FINANCE AND PLANNING

LINDA MALONE
VICE PRESIDENT, APPLIED ENGINEERING

ANGELA LAWSON
VICE PRESIDENT, TECHNOLOGY APPLICATIONS

Mary B. Lloyd

FROM:

Mary Lloyd
Deputy Assistant General for Operations, Performance and Service

SUBJECT:

Audit Report – Assessment of Postal Service's Network Changes (Report
Number 26-042-R26)

This report presents the results of our assessment of the U.S. Postal Service's Network Changes.

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 Processing, 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 Assessment of Postal Service's Network Changes (Project Number 26-042). Our objective was to determine the impacts that network change initiatives have had on the U.S. Postal Service and its stakeholders. See [Appendix A](#) for additional information about this audit.

Background

While the Postal Service has strived for service excellence in delivering mail to its customers, it has encountered significant financial difficulties for the last 20 years. The Postal Service attributes its difficulties and financial strains to a combination of factors, including declining mail volume, inefficient operational practices, unattainable service standards, unfunded pension liabilities, and mandates such as mail delivery to every address in the United States six days a week at uniform and affordable rates. Additionally, the Postal Service was operating on a legacy processing network designed for high volumes of letter mail, which has since decreased drastically.

To combat many of these issues, in 2021 the Postal Service issued the Delivering for America (DFA) 10-year plan outlining its blueprint to streamline its network and cut costs to become fiscally sustainable and achieve service excellence. The DFA plan has two primary goals: (1) to provide world-class service reliability at an affordable cost, and (2) to ensure the financial stability of the Postal Service through the execution of 13 key strategies. The Postal Service also planned to invest \$40 billion across its operations that included modernizing the processing network, optimizing the air and surface transportation network, and revising service performance standards.

Since launching the DFA plan, the Postal Service has implemented significant changes in its effort to create a best-in-class mail and package processing and delivery network. This involved

upgrading facilities and processing equipment as well as consolidating operations based around regional processing and distribution centers (RPDC), local processing centers (LPC), and sorting and delivery centers (S&DC).¹ U.S. Postal Service Office of Inspector General (OIG) audits have found that the Postal Service faced many hurdles as it carried out these network changes. Challenges included problems with launching new facilities and operations, staffing shortages and management oversight, transportation and logistics issues, space constraints, and impacts to customers and on-time mail delivery.

The Postal Service has also changed its transportation network to reduce operational costs and improve service. This included optimizing its surface logistics network by moving more First-Class Mail volume from air networks to ground transportation, eliminating duplicate and unneeded routes, and upgrading its logistics management systems for improved oversight. Additionally, the Postal Service established regional transfer hubs (RTH), decreasing the number of trips needed to move mail across the country; and implemented the Regional Transportation Optimization (RTO) initiative, reducing the number of trips to and from select post offices over 50 miles from a mail processing facility. Mail originating from these facilities is no longer transported to enter processing operations the same day it is collected.

The Postal Service has service standards that establish timeframes for delivering mail after receiving it from the customer. These are different for each mail type and are one of the primary operational goals, or benchmarks, against which the Postal Service measures its performance. Service standards are based on distance; the further a mailpiece travels the longer the standard will be to deliver. Historically, the Postal Service revised service standards infrequently, with the last change occurring in 2015, six years prior to the issuance

¹ The mail processing network also includes processing and distribution centers (P&DC), and processing and distribution facilities (P&DF).

of the DFA plan. Since DFA, it has implemented two service standard changes to enable network changes and improve on-time delivery scores. In fiscal year (FY) 2022, the Postal Service extended the First-Class mail and package delivery window from 1-3 days to up to 5 days. In FY 2025, the Postal Service adjusted standards and added one more day for RTO offices and improved mail travel time between processing facilities.

The DFA plan was presented to Postal Service stakeholders as an opportunity to standardize operations, reduce costs, revise service performance standards, and increase revenue and market dominance. Further, the Postal Service expected the network modernization plan, combined with legislative and regulatory changes and organizational restructuring, to result in financial stability, improved service performance, and positive net income by FY 2024. However, challenges remain and overall goals have not yet been achieved.

Findings Summary

Through five years of implementing the DFA plan, the Postal Service has made meaningful progress in modernizing its network — reducing mail processing, transportation, and delivery costs; consolidating operations; and improving certain processing and logistics functions. While these changes have reduced operating costs during a period of increased inflation, they have not improved the overall financial position of the Postal Service and have created inequitable service impacts and risks to operations.

Further, the Postal Service has adjusted market dominant and competitive product service standards

to enable network changes and improve reliability. Network changes, particularly the RTO initiative, reduced costs but also contributed to nationwide service standard and performance declines, with rural communities experiencing the most significant reductions.

At the same time, the Postal Service has not established long-term savings targets, financial tracking, or modeling discipline necessary to effectively guide and assess such a complex transformation. Inaccurate assumptions and insufficient planning contributed to operational bottlenecks, delays, and avoidable costs.

Additionally, the organization is missing an opportunity to standardize the network of facilities and equipment envisioned at the outset of DFA. As a result, the Postal Service continues to operate a fragmented system that hampers nationwide decision-making, limits expected efficiencies and complicates efforts to measure performance.

Together, these issues place the Postal Service at risk of falling short of DFA's intended goals: improved service reliability, enhanced operational efficiency, and long-term financial sustainability.

“While network changes have reduced operating costs, they have created inequitable service impacts and risks to operations.”

Finding #1: Successes and Impacts From Network Modernization

Over the past five years, the Postal Service has worked diligently to modernize its network and meet its goals of optimizing its surface and air transportation and creating best-in-class mail and package processing and delivery operations. The Postal Service has successfully implemented several network modernization initiatives, and has some that are still in process, that have reduced costs, improved efficiency, and reorganized operations. Specifically, since the start of the plan, the Postal Service has reduced overall transportation expenses by about \$755 million, and reduced mail processing and delivery workhour costs by about \$2 billion.² However, despite the cost-reduction efforts, the Postal Service's overall financial position has not materially improved compared to when these initiatives began. Management maintains that while the financial position of the Postal Service has not improved, it would be even worse had they not implemented the changes.

Optimizing Surface and Air Transportation

The Postal Service implemented many significant changes to how it transports mail:

- Reduced the amount of mail and packages transported by air.
- Reduced the number of transportation trips between processing facilities.
- Established RTHs to consolidate mail and increase the amount of mail transported on each trip.
- Implemented the RTO initiative to reduce the number of trips to and from select post offices over 50 miles from a mail processing facility.

- Reduced reliance on contracted transportation services through insourcing.
- Created a Ground Advantage product designed to be transported via trucks.

Regarding the insourcing of contracted transportation services, the Postal Service has decreased associated contract expenses by \$1.2 billion from FY 2021 to FY 2025. However, transportation related workhours have increased by about 14 percent, equating to \$504 million in labor costs. We plan to complete additional work on the impacts of insourcing these transportation services.³

“The Postal Service has reduced overall transportation expense by about \$755 million, and reduced mail processing and delivery workhour costs by about \$2 billion.”

Overall, the initiatives helped the Postal Service reduce its total transportation expenses over the last five years from over \$11.3 billion in FY 2021 to just over \$10.5 billion in FY 2025, representing savings of nearly \$755 million. When adjusted for inflation, real savings were even greater, equating to \$3 billion. See [Table 1](#) for a comparison of transportation costs over the past ten years.

² When adjusting costs for inflation, transportation real savings from FY 2021 to FY 2025 are about \$3 billion.

³ *Network Changes: Insourcing* (Project Number 26-015).

Table 1. Transportation Costs (in millions)

Fiscal Year	Highway	Air	International	Other	Subtotal	Transportation Workhour Expense	Total	Total Adjusted for Inflation
2016	\$ 3,827	\$ 2,469	\$ 642	\$ 54	\$ 6,992	\$ 1,317	\$ 8,309	\$ 11,134
2017	\$ 4,070	\$ 2,481	\$ 631	\$ 56	\$ 7,238	\$ 1,379	\$ 8,617	\$ 11,374
2018	\$ 4,319	\$ 2,892	\$ 611	\$ 39	\$ 7,861	\$ 1,436	\$ 9,297	\$ 11,993
2019	\$ 4,517	\$ 3,070	\$ 556	\$ 41	\$ 8,184	\$ 1,485	\$ 9,669	\$ 12,280
2020	\$ 4,753	\$ 3,461	\$ 555	\$ 45	\$ 8,814	\$ 1,562	\$ 10,376	\$ 12,970
2021	\$ 5,427	\$ 3,613	\$ 563	\$ 49	\$ 9,652	\$ 1,617	\$ 11,269	\$ 13,523
2022	\$ 6,123	\$ 3,673	\$ 437	\$ 48	\$ 10,281	\$ 1,692	\$ 11,973	\$ 13,290
2023	\$ 6,555	\$ 3,073	\$ 443	\$ 40	\$ 10,111	\$ 1,857	\$ 11,968	\$ 12,806
2024	\$ 6,020	\$ 2,433	\$ 324	\$ 38	\$ 8,815	\$ 1,957	\$ 10,772	\$ 11,095
2025	\$ 6,073	\$ 1,998	\$ 254	\$ 68	\$ 8,393	\$ 2,121	\$ 10,514	\$ 10,514

Source: OIG analysis of United States Postal Service Annual Reports and Labor Utilization Reports.

Note: Shaded row represents the start of the DFA plan.

However, the initiatives have not impacted many key transportation performance indicators – such as measuring whether trips were on time and reducing extra trips – as they have remained within plus or minus one percentage point over the last five years.

Notable exceptions are the canceled trip percentage, which decreased by 2.2 percentage points and trailer utilization, which increased by 7.5 percentage points. See Table 2 for six key transportation indicators and their performance from FY 2016 through FY 2025.

Table 2. Key Transportation Performance Indicators

Fiscal Year	Key Performance Indicator Score Percentages					
	Trips on Time	Canceled Trips	Extra Trips	Trips Departed Not Arrived	Unrecorded/ Incomplete Trips	Trailer Utilization
2016	62.2	7.3	0.0	8.6	16.2	42.8
2017	68.6	8.1	0.9	1.7	4.2	32.4
2018	68.0	9.8	2.7	1.5	3.9	32.7
2019	71.2	8.6	2.9	1.4	3.2	33.5
2020	78.8	8.9	2.9	1.3	3.3	35.2
2021	76.2	10.8	2.2	1.5	4.1	36.4
2022	75.3	11.6	2.3	1.6	3.3	39.1
2023	78.2	8.2	1.9	1.3	3.3	38.7
2024	77.1	8.2	1.9	1.1	3.4	41.8
2025	76.2	8.6	2.7	1.2	3.2	43.9

Source: OIG analysis of Surface Visibility data.

Note: Shaded row represents the start of the DFA plan.

Creating Best-In-Class Mail and Package Processing

The Postal Service implemented many significant changes to how it sorts mail and packages:

- Deployed new package sorting machines.
- Consolidated mail processing facilities and operations and reduced overall facility count by 75.
- Created RPDCs and LPCs.
- Created new sort plans for packages that allow facilities to sort originating and destinating packages simultaneously.⁴
- Adjusted operating times to better align with transportation and delivery schedules.

The Postal Service is still in the process of modernizing its mail processing network and creating RPDCs and LPCs. As of March 2026, the Postal Service launched 14 of 60 planned RPDCs (about 23 percent) and 73 of a planned 190 LPCs (about 38 percent). Through these network modernization initiatives, the Postal Service reduced the overall number of processing facilities.⁵ See Table 3 for the number of mail processing facilities over the last six years.

**Table 3. Mail Processing Facility Inventory
FY 2020 – FY 2025**

Facility Type	Fiscal Year					
	2020	2021	2022	2023	2024	2025
Plant	254	254	255	258	261	259
Annex	98	150	133	117	94	79
Surface Transfer Center	13	13	13	13	11	4
Total	365	417	401	388	366	342

Source: Postal Service Facility Databases, Contract Files, and historical records.

Note: The Postal Service increased its inventory of annexes due to the COVID pandemic spike. Shaded cells represent the start of the DFA plan.

When FY 2025 is compared to FY 2021, these initiatives, along with declining First Class mail and package volumes of 17 percent and 10 percent, respectively,

have lowered processing work hours by 19.8 million or nine percent, resulting in over \$1 billion in reduced labor costs. Management stated that much of the package volume decline was mail that bypassed the processing network and was deposited directly at delivery units. However, even excluding that mail, overall package volume is down three percent since FY 2021.

The Postal Service achieved the biggest efficiency gains, when FY 2025 is measured against FY 2021, in package and manual processing operations, while efficiencies in other operations have remained steady or decreased. See Table 4 for a breakdown of mail processing productivity (pieces processed per workhour) by Labor Distribution Code (LDC).

“The Postal Service implemented many significant changes to how it sorts mail and packages.”

⁴ Originating Mail is mail that enter the mailstream within that facility's service boundary that needs to be sorted for routing to its next location. Destinating mail is mail that will be delivered to an address within that facility's service area.

⁵ The Postal Service provided documentation detailing facility count by year; however, we were unable to validate the data due to system limitations.

Table 4. Mail Processing Productivity (Pieces per Workhour) by LDC

LDC Category	Fiscal Year										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Percent Change 2021 to 2025
Automated Distribution – Letters/Flats	6,597	6,658	6,510	6,347	6,217	5,871	5,682	5,884	6,074	5,819	-1%
Mechanized Distribution – Letters/Flats	1,992	1,866	1,774	1,774	1,697	1,564	1,520	1,530	1,586	1,433	-8%
Parcel Processing	■	■	■	■	■	■	■	■	■	■	23%
Manual Distribution	479	401	385	375	343	315	322	319	346	349	11%
Remote Barcode System	747	796	688	695	715	727	696	711	795	785	8%
Fixed Mechanization	N/A	61	56	53	50	46	44	44	46	45	-2%
Other Direct Operations	1,376	1,309	1,240	1,222	1,107	1,080	1,142	1,060	931	860	-20%
Indirect/ Related	112	150	192	193	136	125	100	129	112	69	-45%

Source: OIG analysis of USPS Corporate Information System Data.
Note: Shaded cells represent the start of the DFA plan.

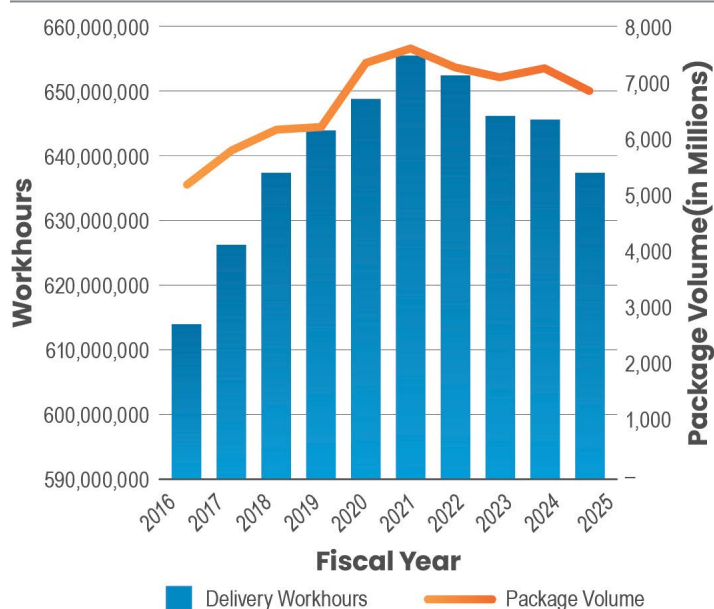
Creating Best-In-Class Delivery Operations

The Postal Service implemented changes to improve delivery operations:

- Modernized delivery route structures.
- Deployed package sorting machines to delivery units.
- Consolidated delivery units and, as of March 2026, launched 154 of a planned 400 (about 38 percent) S&DCs nationwide.

When FY 2025 is compared to FY 2021, these initiatives, along with declining mail and package volumes, reduced delivery workhours by about 18.6 million or almost 3 percent resulting in over \$945 million in cost savings. See Figure 1 for a comparison of delivery workhours to package volume over the past 10 years.

Figure 1. Delivery Workhours and Packages



Source: OIG analysis of USPS Enterprise Data Warehouse (EDW) Labor Utilization Reports and Form 10-K Annual Reports.

New Risks to Operations

While these initiatives resulted in benefits for the Postal Service, they have also created new risks which may contribute to the uncertainty of its package market growth. Mail originating from RTO ZIP Codes may increase the delivery time for some customers. Mail transported through the RTH network may also encounter delays as it is routed through additional facilities. Management stated that changes to the network have improved the time it takes for mail to travel between processing facilities. However, customers are now subject to longer delivery standards for most mail classes than previously. Also, depending on how far a customer lives from a processing facility, an extra day may be required for their mail to be processed. See [Finding 2](#) for detailed information on service impacts related to network modernization initiatives.

Additionally, the Postal Service has been constrained by union agreements and administrative processes while implementing its network modernization initiatives. Requirements governing employee movement have limited the organization's ability to rapidly stand up operations and properly staff facilities. As a result, some regions experienced imbalanced staffing, leaving certain facilities overstaffed and others understaffed. We also observed work-culture challenges in recently modernized facilities that negatively affected mailflow and contributed to delays. In several instances, operations were impacted by inconsistent employee engagement and adherence to performance standards. Because labor represents about 77 percent of the Postal Service's \$89.8 billion in

annual expenses, a reliable and motivated workforce is essential to the success of modernization and improvement efforts.

“Customers are now subject to longer delivery standards for most mail classes than previously.”

Additionally, optimizing transportation routes has increased the number of processing facilities that mail can be routed through before reaching its destination. Similar to commercial airlines, rather than sending mostly empty loads from one location directly to their destination, the Postal Service routes trips through centralized hubs to maximize capacity, enabling it to serve more locations with fewer direct routes. While this method allows the Postal Service to decrease transportation expenses, it also increases the risk of mail delays as volume travels through more stops along the route.

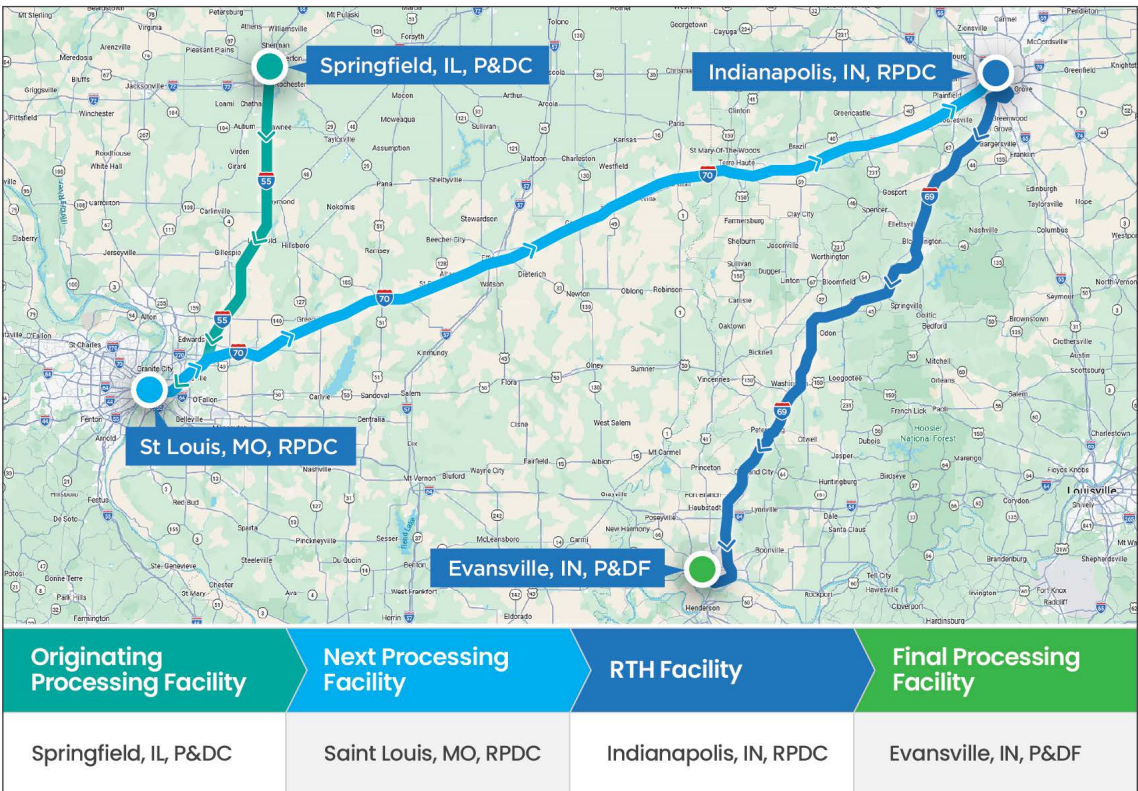
For example, pieces mailed in Providence, RI, for delivery in Akron, OH, would stop at North Reading, MA (Middlesex-Essex P&DC), and Indianapolis, IN, before arriving in Akron, OH, for final sortation. See [Figure 2](#) for an example of the route mailpieces with a 3-day delivery standard take from locations in Rhode Island before reaching their final delivery post office in Ohio.

Similarly, mail to Evansville, IN, from Springfield, IL, must travel through Saint Louis, MO, and Indianapolis, IN, before arriving in Evansville for final sortation (see [Figure 3](#)).

Figure 2. Mail Processing From Providence, RI, to Akron, OH
 Source: OIG analysis.

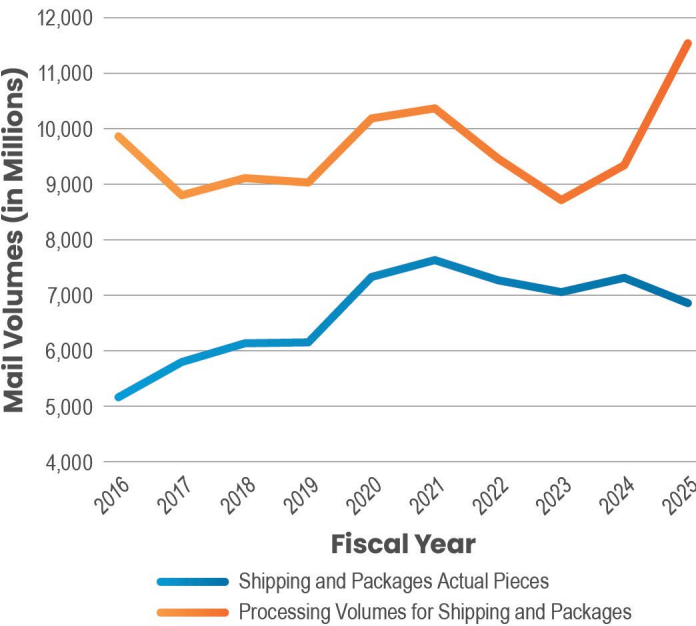


Figure 3. Mail Processing From Springfield, IL, to Evansville, IN
 Source: OIG analysis.



Some of the mail routed through these hubs can simply be unloaded and transferred to another truck, but some mail requires re-sortation to get it ready for its next stop, increasing the processing workload. Consequently, despite a 10 percent drop in shipping and package volumes since FY 2021, overall package handling and processing grew by 11 percent. Because a piece of mail may be handled more than once, the processing volume will always be greater than the actual volume, but the gap has started widening since 2024. While the Postal Service achieved greater operational efficiency per hour, this handling gap poses a future risk to sustained cost savings. See Figure 4 for our analysis of shipping and package volume.

Figure 4. Actual vs. Processed Package Volumes



Source: OIG analysis of USPS Form 10-K Annual Reports, and Total Pieces Handled in Mail Processing Operations from Web Management Operating Data System.

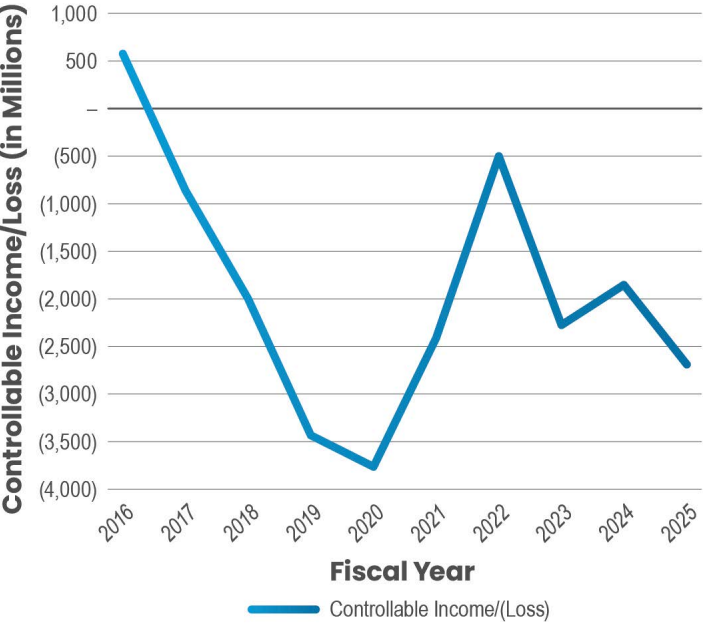
While the Postal Service structured its new network to sort packages efficiently and effectively and capture a greater market share, package volume has decreased in recent years. If the downward trend continues, it will limit the operational and financial benefits the Postal Service could realize from its network modernization initiatives.

6 This is a non-generally accepted accounting principle that the Postal Service uses to focus on costs, such as salaries and transportation, that it can manage in normal business operations.

Financial Changes and Impacts

Despite cutting costs and increasing efficiencies, the changes have done little to improve the financial stability of the Postal Service. Since the start of the DFA plan, the Postal Service’s annual net loss has remained largely unchanged, shifting from \$9.18 billion in FY 2020 to \$8.98 billion in FY 2025. Further, from FYs 2021 to 2025, the Postal Service sustained a controllable loss each year, which increased to \$2.75 billion in FY 2025.⁶ See Figure 5 for our analysis of Postal Service controllable income/(loss).

Figure 5. Postal Service Controllable Income/(Loss)



Source: Postal Service Form 10-K Annual Reports.

“Despite cutting costs and increasing efficiencies, the changes have done little to improve the financial stability of the Postal Service.”

The Postal Service's significant investments and broad modernization efforts have not resulted in improvements to its financial stability or operational performance. Cost savings and efficiency gains have been offset by rising expenses, new operational risks, and declining package volumes, limiting the organization's ability to achieve the intended benefits of its redesigned network.

To address these issues, we make specific recommendations in the findings below concerning service performance, program management, modeling, and facility standardization.

Postal Service Response

Management agreed with the finding but stated that Figure 1 inaccurately represents network package volume, as it includes all packages, even those bypassing the processing network. They also stated that measuring trends from 2021 overlooks recent improvements in FY 2025, such as increased volume, reduced workhours, and better productivity.

OIG Evaluation

The OIG considers management's comments

responsive to the finding. As noted, the Postal Service made significant network changes since launching the DFA plan that have reduced costs and improved efficiencies. Management stated that the OIG conclusions around trends and productivity are incorrect because they include packages that bypassed the processing network. During the timeframe evaluated, the percentage of package volume that was processed through the network versus bypassing the network varied significantly. However, our review included a look at all changes over the past five years, including broadly describing the corresponding decrease in overall package volume as reported by management in its financial statements. To avoid any possible misrepresentation, we removed Figure 1 and renumbered the remaining figures in the report.

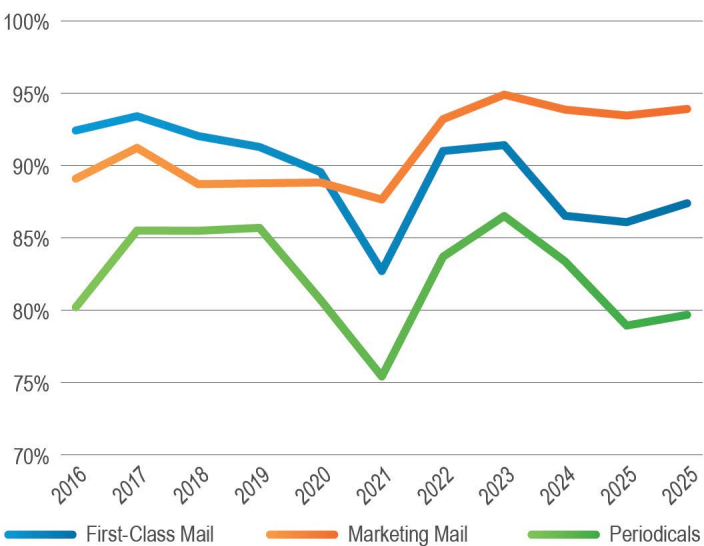
Finding #2: Network Changes Impact Service

The Postal Service has not met its on-time goals, even after adjusting service standards and realigning its network. The DFA plan intended to improve on-time service performance by redesigning the processing and transportation network, with the expectation that it would dramatically improve reliability and deliver 95 percent of mail and packages on time. Despite the changes to service standards and its processing network, customers and stakeholders have yet to see improved delivery times and reliability. Additionally, network modernization has affected some communities more than others.

Service Performance

Even before the DFA plan, the Postal Service struggled to meet on-time service performance goals, with scores declining to a low in FY 2021. Although service improved immediately after the Postal Service began implementing network and service standard changes, performance declined again across all mail classes in FY 2024. This downward trend continued through FY 2025 before starting to show improvements in the first six months of FY 2026. See Figure 6 and Figure 7 for our analysis of national service performance.

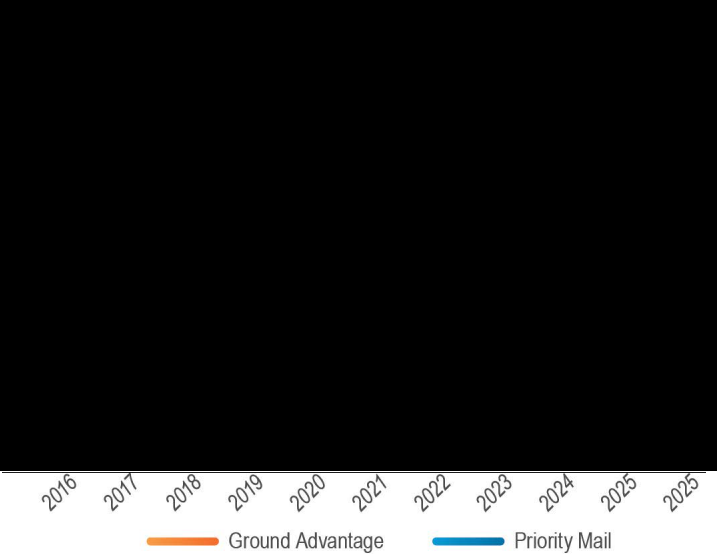
Figure 6. Market Dominant National Service Performance, FY 2016 to FY 2026 Quarter 2



Source: OIG analysis of USPS Informed Visibility data.

7 Market dominant products are postal products and services over which the Postal Service can effectively set its price with limited competition. Competitive products are postal products and services for which similar products and services are offered by private sector carriers.

Figure 7. Competitive Product National Service Performance, FY 2016 to FY 2026 Quarter 2



Source: OIG analysis of USPS EDW Product Performance Reporting. Note: The Postal Service introduced Ground Advantage in FY 2023.

“The Postal Service has not met its on-time goals, even after adjusting service standards and realigning its network.”

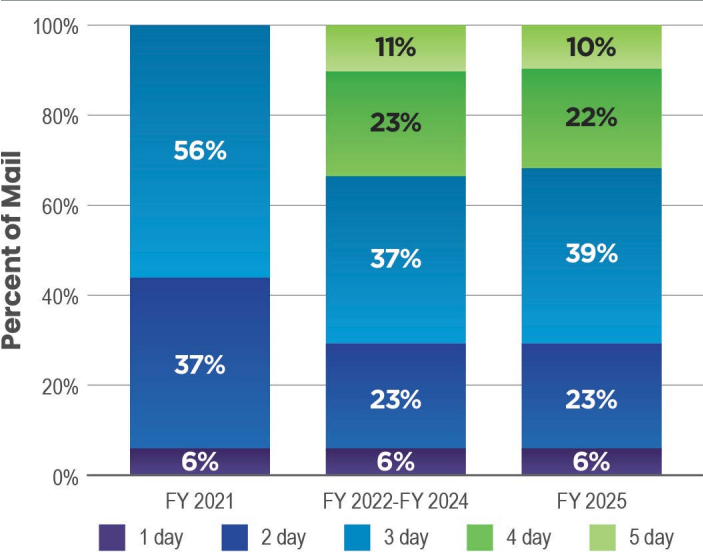
Changing Service Standard

Since the launch of the DFA plan, the Postal Service has adjusted market dominant and competitive product service standards to enable network changes and improve reliability.⁷ Specifically,

- In FY 2022, the Postal Service extended its First-Class Mail service standards to allow up to an additional two days for delivery of some mail within the contiguous United States by introducing 4-day and 5-day delivery time frames.
- In FY 2025, the Postal Service set service standards based on 5-digit ZIP Codes and their distance to the nearest processing facility. This change included adding or subtracting days to the standard, including those locations impacted by the RTO initiative.

As a result of these changes, the Postal Service has increased the service standard timeframes for over 30 percent of mail, providing the organization with additional time to meet performance targets. See Figure 8 for the impact of service standard changes by percent of First-Class Mail.

Figure 8. First-Class Mail Service Standards Changes



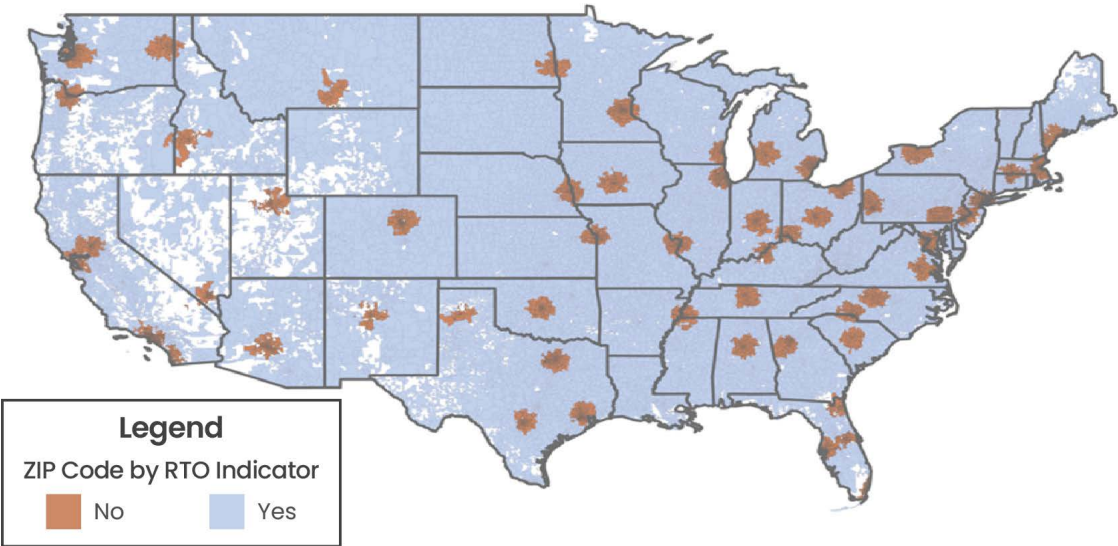
Source: DFA and Postal Service filings with the Postal Regulatory Commission.
Note: Figures in the charts above are rounded, and therefore, may not add up to 100 percent.

Regional Transportation Optimization

The Postal Service implemented RTO to reduce the number of trips and mail collections at facilities

Figure 9. RTO and non-RTO ZIP Codes in the Contiguous United States

Source: OIG-created map.
Note: White shaded areas are uninhabited regions such as deserts, national forests and parks.



located over 50 miles from select processing centers. While this change reduces transportation costs, it adds an extra day for mail originating from the affected ZIP Codes to reach a processing facility. The Postal Service expects RTO to affect approximately 72 percent (about 27,700 of 38,300) of ZIP Codes in the contiguous United States. As of May 2026, the Postal Service had implemented RTO in roughly 64 percent (about 17,600 of 27,700) of these planned ZIP Codes. See Figure 9 for RTO and non-RTO ZIP Codes in the contiguous United States.

Through the RTO initiative and service standard revisions, the Postal Service extended Priority Mail and Ground Advantage standards affecting mail originating from about 70 percent of ZIP Codes. See Table 5 for service impacts by mail class.

“The Postal Service has increased the service standard timeframes for over 30 percent of mail, providing the organization with additional time to meet performance targets.”

Table 5. Impacts From FY 2025 Service Standard Changes

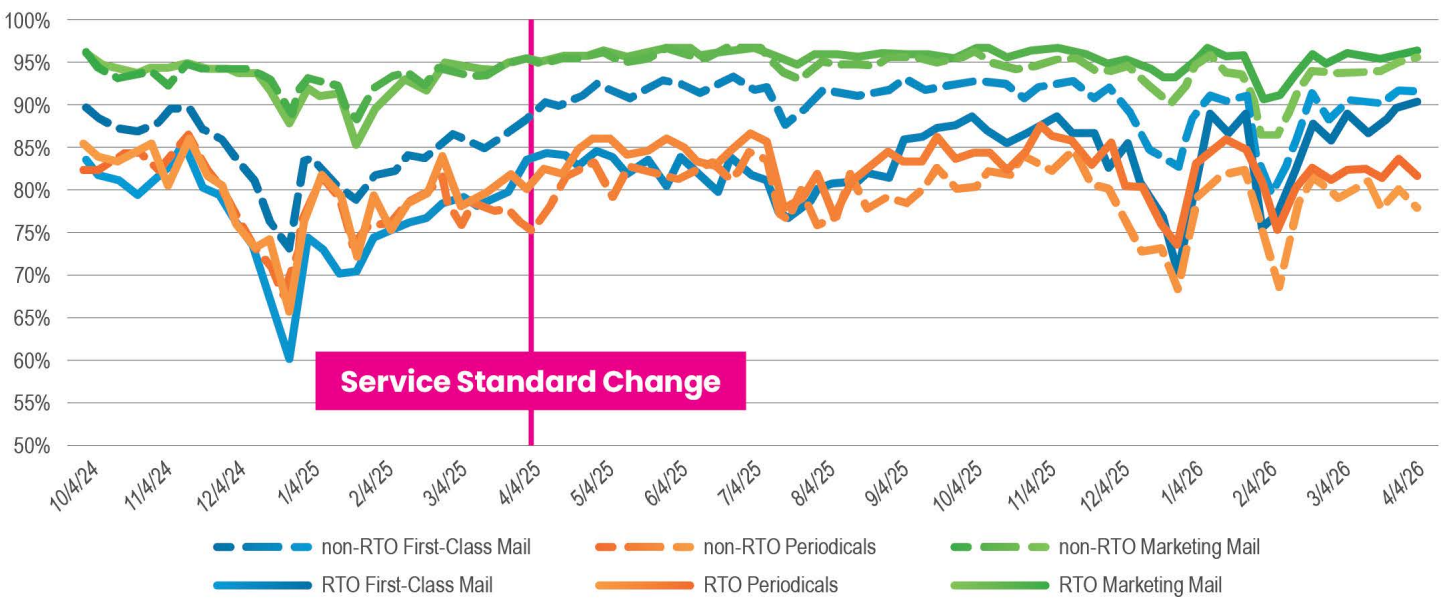
Product	RTO ZIP Codes			Non-RTO ZIP Codes		
	Faster	Same	Slower	Faster	Same	Slower
Single-Piece FCM	0%	19.6%	80.4%	14.9%	83.3%	1.8%
Presort FCM	17.5%	80.7%	1.8%	15.6%	82.9%	1.5%
Marketing Mail	10.5%	42.5%	47.0%	92.0%	7.2%	0.8%
Periodicals	2.5%	15.6%	81.9%	33.0%	65.4%	1.5%
Package Services	1.6%	21.2%	77.2%	53.3%	41.5%	5.2%
Priority Mail	█	█	█	█	█	█
Ground Advantage Light	█	█	█	█	█	█
Ground Advantage Heavy	█	█	█	█	█	█

Source: OIG analysis of USPS Service Standards.
Note: Figures in the table above are rounded, and therefore, may not add up to 100 percent.

We reviewed data provided by the Postal Service and found there are noticeable differences in on-time First-Class Mail delivery between the ZIP Codes where the Postal Service implemented RTO and those where it did not. Following implementation, initial service performance for First-Class Mail RTO ZIP Codes averaged nearly 8 percentage points lower than for non-RTO ZIP Codes. Even after the service standard revisions in FY 2025, the gap widened.⁸ Management stated that volume originating from

RTO ZIP Codes is predominately single piece mail that travels across the entire network. In comparison, service performance for non-RTO ZIP Codes reflects overall First Class composite scores and includes mainly commercial mail. Conversely, service performance for Periodicals and Marketing Mail was not significantly different between RTO and non-RTO ZIP Codes. See Figure 10 for a comparison of RTO and non-RTO market dominant service performance.⁹

Figure 10. RTO and non-RTO Market Dominant Service Performance October 2024 to April 2026



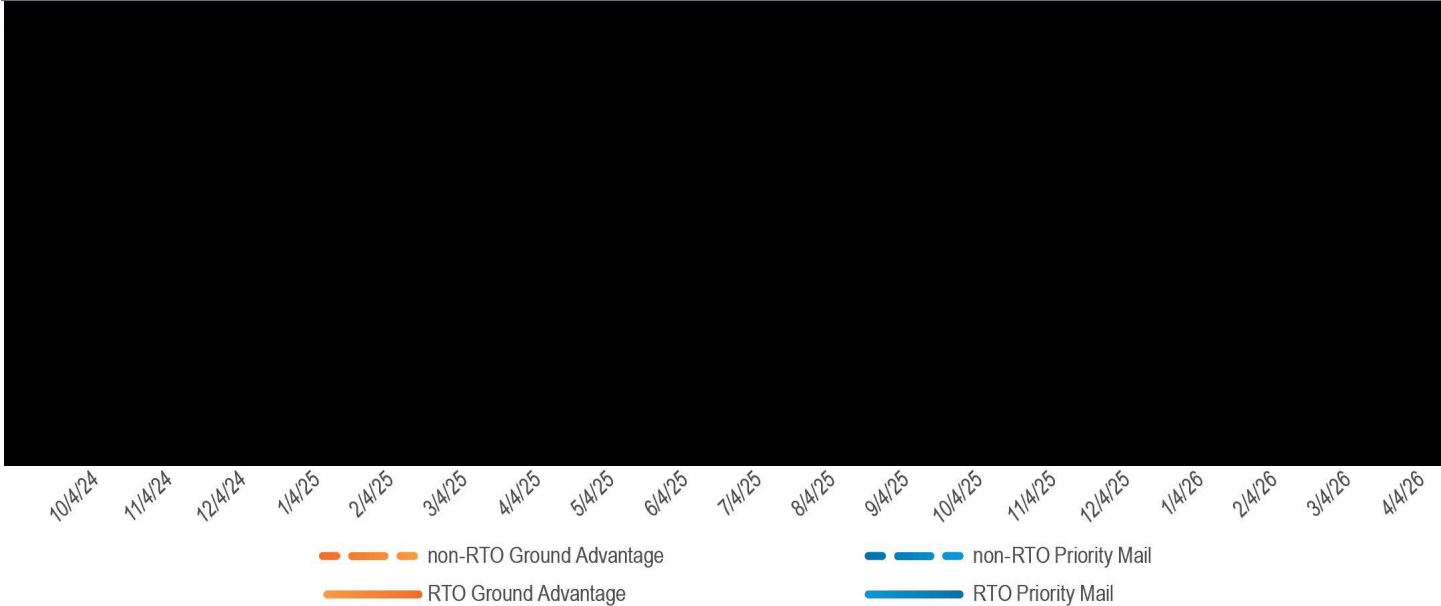
Source: OIG analysis of USPS Informed Visibility data.

⁸ Service performance for RTO and non-RTO does not compare actual delivery times, as mail in RTO ZIP Codes gets an extra day before entering the processing stream.
⁹ Winter Storm Fern in late January 2026 contributed to the significant drop in service performance before rebounding in March 2026.

Similarly, on-time delivery for competitive products averaged about [REDACTED] percentage points lower for RTO than for non-RTO ZIP Codes. After the service standard revisions in FY 2025, the gap between on-time delivery for Priority Mail for RTO ZIP Codes versus

non-RTO ZIP Codes increased. Conversely, on-time delivery for Ground Advantage at RTO ZIP Codes neared or slightly exceeded non-RTO ZIP Codes.¹⁰ See Figure 11 for a comparison of RTO and non-RTO competitive product service performance.

Figure 11. RTO and non-RTO Competitive Product Service Performance October 2024 to April 2026



Source: OIG analysis of USPS Informed Visibility data.

Diminished Localized Service

The Postal Service’s network modernization focuses on nationwide cost savings rather than localized service. As a result, for a small portion of ZIP Codes, service standards increased by more than one day. For example, First-Class Mail service standards in Vermont were extended from two to four days to send mail from one corner of the state to another, despite the state only being 157 miles long and 90 miles wide. In South Dakota, First-Class Mail sent between Pierre and Rapid City increased from a 3-day to a 5-day standard, even though they are about 172 miles apart. When fully implemented, over 72 percent of ZIP Codes will be subject to RTO, including 100 percent of all ZIP Codes in five states: Louisiana, South Dakota, Vermont, West Virginia, and Wyoming.

Postal Service management attributed the performance declines in recent years to the extensive changes the organization is undergoing, as well as

several unexpected disruptions within the network. While the Postal Service has teams and functions in place to quickly identify, assess, and address large network-wide challenges associated with the DFA plan, the network is likely to remain in a transitional state for an undetermined number of years. As noted in [Finding 1](#), the Postal Service is still in the process of launching RPDCs, LPCs, S&DCs, and RTHs and deploying package sorting equipment. We discuss further in [Finding 3](#) how the Postal Service does not have a definitive end date for modernizing the network.

“The Postal Service’s network modernization focuses on nationwide cost savings rather than localized service.”

10 For RTO ZIP Codes, the Ground Advantage to Priority Mail volume ratio was 6:1 and for non-RTO volume it was 10:1 as of February 6, 2026.

When fully implemented, the RTO initiative will affect 72 percent of ZIP Codes in the contiguous U.S., covering 48 percent of the population and 29 percent of outgoing package volume. Rural areas will be impacted the most, with 86 percent of rural populations affected compared to 45 percent of urban populations.

The Postal Service expected its DFA plan to improve performance, but it has not yet achieved this goal as network realignments continue. While the Postal Service implemented RTO to reduce transportation costs, the initiative disproportionately impacted rural customers. Specifically, those customers living near RPDCs experience faster service compared to those residing in RTO areas. Because of this disparity, the Postal Service risks losing customers who perceive the service as inequitable, which could harm its brand and reputation, and adversely affect revenue.

Recommendation #1:

We recommend the **Chief Processing and Distribution Officer and Executive Vice President**, in coordination with **Chief Logistics Officer and Executive Vice President**, and **Chief Retail & Delivery Officer and Executive Vice President**, evaluate locations most impacted by network changes and identify opportunities to improve timely delivery.

Postal Service Response

Management generally agreed with the finding and agreed with this recommendation. Regarding recommendation 1, management stated that it is already actively evaluating locations and will provide evidence of actions taken. The target implementation date is November 30, 2026.

OIG Evaluation

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

Finding #3: Program Management and Modeling Issues

The Postal Service lacks comprehensive oversight of network transformation, as it does not maintain an overarching timeline nor updated financial plans for achieving its strategic goals. While the Postal Service manages initiatives on an annual basis, it lacks an overall program schedule and timeline to track and report long-term progress and results. The initial DFA plan outlined investments of \$40 billion over 10 years across its operations that included modernizing the processing network and achieving \$22 billion to \$31 billion in savings through specific initiatives. However, the Postal Service updated the plan in FY 2024, removing mention of budget goals and estimated savings. Instead, it focuses on annual budgets developed as part of its Integrated Financial Plan. Additionally, we found the Postal Service relied on flawed models when implementing major network changes, which caused misalignment between functions, excess delays, and increased costs.

Program Management

The Postal Service does not have centralized program management for the implementation and achievement of its network transformation. In lieu of a centralized approach, the Postal Service relies on various groups to manage network processing, transportation, and delivery modernization efforts. Additionally, the Strategic Management Office oversees the monitoring of specific initiatives through a previously established process. This oversight includes providing project management guidance for managing initiatives and facilitating coordination between organizational functions. However, these initiatives can be narrow in scope, with only certain elements being tracked, and no overarching timeline, limiting insight into the impact and progress toward long-term DFA goals. With no overarching plan, the Postal Service cannot track how network modernization is progressing

or how long it will take to complete the DFA plan. While it has a process to monitor key initiatives, there is no mechanism to track and report on the Postal Service's implementation of DFA network changes to date.

Postal Service management stated it moved away from long-term goals due to constant changes and prefers to view the DFA plan as a strategic direction instead of a structured 10-year plan. However, five years after the launch of the DFA plan, the Postal Service has completed less than 50 percent of the planned modernization of its mail processing network. Without detailed and managed plans, the Postal Service does not know how much it will cost to modernize the network, how long it will take, and if the initiatives are achieving the goals of the plan.

Financial Tracking

The Postal Service has not established updated long-term savings targets, nor does it track cost and savings impacts of modernization initiatives. In its original DFA plan, the Postal Service expected its network modernization to reduce operational expenses by \$22 billion to \$31 billion. However, these

estimates are no longer valid as Postal Service management stated they are outdated due to major changes since the DFA plan started.

The Postal Service develops an annual financial plan to fund operations against which it monitors performance. Management stated it has not established multi-year financial plans due to its financial position, since it is unsure how much it can allocate year over year to the DFA plan. However, without detailed plans, it cannot determine how much it will actually need

to spend on network modernization. Management informed the OIG that the initial investment and savings estimates are no longer valid, but it has not updated them and has acknowledged that expenses

“Five years after the launch of the DFA plan, the Postal Service has completed less than 50 percent of the planned modernization of its mail processing network.”

could ultimately exceed \$40 billion. Further, the Postal Service does not track or monitor cost savings by initiative, making it difficult to measure and verify the actual success and return on investment for DFA strategic initiative areas.¹¹

In a prior audit, we evaluated the implementation and effectiveness of the RTH initiative and found opportunities for the Postal Service to better evaluate and monitor success. We recommended that the Postal Service conduct a feasibility study to capture cost savings and establish key performance indicators for the RTH initiative. Management disagreed with the recommendations, which remain in the resolution process.¹²

In another prior audit, we evaluated the financial performance of the Postal Service in relation to its DFA plan projections and found that the projections were outdated.¹³ We recommended the Postal Service update its financial projections and develop a plan to track, measure, and communicate progress on initiatives. Management also disagreed with these recommendations, which remain in the resolution process; therefore, we are not making additional recommendations in this report.

Strategic Modeling

In modeling the network changes needed, the Postal Service did not always consider all the critical variables, which at times caused immediate disruptions to operations, misalignment between functions, excessive delays, and increased overtime costs. The models often focused solely on mail and package volumes, failing to consider other critical operational factors or how processing, transportation, and delivery operations work interdependently.

For example, the designs of the Atlanta and Richmond RPDCs were based on volume estimates that were too low and did not account for other variables such as number of trailers, load and unload times, and available dock space.¹⁴ This resulted

in more mail trailers arriving at the facilities than could be unloaded, drivers waiting up to 13 hours to unload, and subsequent delays moving mail into the processing stream. The Postal Service continually worked to improve operations at these locations and was able to align operations in those regions months after launch.

In another instance, the Postal Service did not properly forecast declining package volumes or impacts of subsequent network changes when establishing the volume requirements of its new air cargo contract.¹⁵ The Postal Service was not able to meet the minimum volume requirements with packages alone and decided to divert a larger volume of First-Class Mail to air transport. This decision directly contradicted previous strategic decisions to extend delivery standards to allow more mail to move by surface transport, simply to meet contractual minimums and avoid even higher expenses.

Additionally, once the Postal Service realized it could not quickly and effectively launch 60 RPDCs, management pivoted to its RTH initiative, which uses a hub-and-spoke design for efficiently transporting mail over long distances.¹⁶ Management noted RTHs accelerate the benefits of its network modernization without requiring the immediate completion of all 60 RPDCs. Had the Postal Service used more complete modeling when redesigning the network, it may have recognized the potential benefits of RTHs and prioritized their deployment before other facilities.

The Postal Service is assessing new technologies, such as digital twin software, that create dynamic virtual replicas of physical environments or processes. These platforms allow companies to monitor performance, simulate "what-if" scenarios, and predict outcomes without disrupting real-world operations. Better modeling could have identified the unforeseen barriers to implementation, lessened

¹¹ Return on Investment is used to evaluate whether the benefits gained justify the associated cost.

¹² The OIG will meet with Postal Service management to discuss the disagreement and, if possible, reach a resolution.

¹³ *State of the U.S. Postal Service Financial Condition*, (Report Number 23-167-R24), dated June 21, 2024.

¹⁴ *Network Changes Progress on Improvements at Atlanta, GA, Regional Processing and Distribution Center*, (Report Number 25-039-R25) dated July 8, 2025; *Network Changes - Progress on Improvements at Richmond, VA, Regional Processing and Distribution Center*, (Report Number 24-152-R25), dated January 27, 2025.

¹⁵ *Effectiveness of Mail Transported by Air*, (Report Number 26-033-R26), dated July 1, 2026.

¹⁶ *Network Changes: Regional Transfer Hubs*, (Report Number 25-061-R25), dated September 24, 2025.

impacts to customers, and avoided continuous adjustments to the network over a prolonged trial and error period.

Recommendation #2:

We recommend the **Vice President, Network Solutions and Performance Excellence**, in coordination with the **Vice President, Finance and Planning**, establish an overall program schedule for network modernization initiatives with timelines and measurable cost saving and service targets and track and monitor progress.

Recommendation #3:

We recommend the **Vice President, Chief Data and Analytics Officer**, in coordination with the **Vice President, Logistics**, and **Vice President, Network Solutions and Performance Excellence**, adopt improved modeling strategies that consider multiple variables to enhance planning and initiative implementation.

Postal Service Response

While management did not comment on the lack of comprehensive oversight of network transformation, it agreed that modeling should continue to evolve to support network planning and implementation. Management also agreed with recommendations 2 and 3.

Specifically, management stated that strategic models were sufficient for long-range network direction, and it has refined planning and implementation practices and continues to incorporate lessons learned into subsequent deployment decisions. Management stated that

these practices are currently in place and in use.

Regarding recommendation 2, management stated that it will set a five-year program schedule for significant network modernization initiatives such as RPDC activations. These schedules will be tracked and updated on a quarterly basis. Additionally, it will document expected cost savings through a new process comparing hour usage based on productivity versus baseline. The target implementation date is June 30, 2027.

Management stated that recommendation 3 aligns with current and enhanced operating practices and does not require new corrective action beyond ongoing execution, governance, and continuous improvement. In subsequent conversations, management informed the OIG the target implementation date is November 30, 2026.

OIG Evaluation

The OIG considers management's comments responsive to recommendation 2, as corrective actions should resolve the issues identified in the report, and partially responsive to recommendation 3.

Regarding recommendation 3, management will need to provide evidence of models currently in use and how they have improved to address network planning and implementation. We will keep this recommendation open until the Postal Service provides additional support.

Finding #4: Opportunities Remain to Improve Network Standardization and Technology

While the Postal Service has taken steps to standardize its facilities as part of its modernization efforts, it has not fully achieved its goals. It now risks relying on one-off site-specific solutions, similar to its legacy network, to maintain operations. Additionally, opportunities exist to improve technology used in operations and align it more closely with industry standards. Standardization is pivotal to evaluating and driving productivity; without it, the Postal Service is limited in its ability to evaluate performance and realize expected efficiencies.

Standardization

The modernization plan created a new processing structure centered around RPDCs, LPCs, and S&DCs to standardize and consolidate facilities throughout the network. The goal was to standardize mail processing locations to enable consistent decision-making across the network, rather than relying on custom solutions tailored to each site. RPDCs were intended to centralize all originating processing operations into a single building and serve as package powerhouses, with LPCs sorting letter and flat mail for delivery.

However, as the Postal Service launched these facilities, it made location-specific decisions for each site resulting in facilities that are not comparable and consistent across the network. For instance, numerous RPDCs do not sort all originating mail for their regions, and some LPCs continue to sort originating mail and packages. For example, the

Postal Service spent over \$700 million to launch two new, purpose-built RPDCs in Atlanta, GA, and Indianapolis, IN, but they have drastically different operations and mailflow. Specifically, the Atlanta RPDC consolidates all local mail collections, cancels all regional mail, and performs express mail operations while in Indianapolis, these operations occur at three separate facilities.

As of March 2026, the Postal Service implemented operations at 14 of 60 planned RPDCs and four stand-alone RTHs.

We found operations differ between facilities. For example operations such as cancellations, Express Mail processing, and destinating package sorting are not performed at all RPDCs. In some regions, the LPC operations are co-located within the same facility as the RPDC. See [Table 6](#) for the comparison across RPDCs.

“While the Postal Service has taken steps to standardize its facilities as part of its modernization efforts, it has not fully achieved its goals.”

Table 6. RPDC Comparison of Machines and Operations

RPDC	Mail Processing Machine Count	Facility Package Capacity	Primary Package Machine ¹⁷	RTH (Yes/No)	Co-Located LPC Operations	Cancellation Operations (Yes/No)
Boise	13	██████	APBS	No	Yes	Yes
Portland	17	██████	EPPS	No	Yes	Yes
Greensboro	6	██████	EPSM	Yes	No	No
Richmond	16	██████	HOPS	No	No	Yes
N Houston	14	██████	HOPS	No	Yes	Yes
Charlotte	5	██████	HOPS	No	No	No
Atlanta	14	██████	MaRS	No	No	Yes
Chicago	8	██████	MaRS	No	No	No
Indianapolis	8	██████	MaRS	Yes	No	No
Jersey City	8	██████	MaRS	Yes	No	No
Memphis	2	██████	PILS	Yes	No	No
Birmingham	3	██████	PILS	No	No	No
St. Louis	4	██████	PILS	Yes	No	No
Jacksonville	12	██████	APPS	No	No	Yes

Source: OIG analysis of Postal Service data.

As mentioned in [Finding 3](#), the Postal Service established RTHs — which were not part of the initial network design — that are now considered essential components to accelerate the benefits of the modernized network. However, the integration of RTHs has made it difficult to standardize facilities. Additionally, while some facilities have similar processes, they utilize a mix of legacy and new equipment with varying operational requirements and performance metrics, which complicates efficiency comparisons between locations.

Management stated as the Postal Service implemented the network redesign and the challenges arose, they realized they needed to alter the plan of what operations would be in RPDCs versus LPCs and made changes at subsequent deployments including some LPCs sorting all destinating volume. Management added they are striving for standardization when modernizing remaining facilities. Five years into the DFA plan,

the Postal Service continues to focus on achieving consistent operations among facilities rather than identical physical layouts.

Without standardization across facilities, the Postal Service cannot reliably measure or compare efficiency or expected yield across its network. This hinders the Postal Service’s ability to identify performance gaps, evaluate the impact of modernization efforts, or ensure consistent service performance.

Technological Improvements

The Postal Service continuously struggles with scanning operations throughout its mail processing network. Across five reports evaluating operations at modernized facilities, we noted that scanning problems emerged as a key operational challenge affecting service performance, tracking visibility, and workflow efficiency. We found issues with inconsistent and inaccurate scanning, training and process

¹⁷ This equipment includes the Automated Parcel and Bundle Sorter (APBS), Automated Package Processing System (APPS), Enhanced Package Processing System (EPPS), Enhanced Package Sorting Machine (EPSM), High Output Package Sorter (HOPS), Matrix Regional Sorter (MaRS), and Parallel Induction Linear Sorter (PILS).

breakdowns, and limitations due to inadequate or missing devices.¹⁸

The scanning process is performed manually by employees through the different phases of mail processing, introducing risks for human error and operational breakdowns. Opportunities exist to leverage advanced industry technology to automate and improve these processes, mitigating previously noted pain points, increasing data reliability, and improving customer visibility, similar to competitors and industry standards.

Without standardized operations and advanced technology, the Postal Service may not effectively measure efficiencies across the network, resulting in a lack of flexibility for future operational changes and opportunities to reduce operational costs.

Recommendation #4:

We recommend the **Vice President, Network Solutions and Performance Excellence**, implement a standardized methodology of evaluating efficiencies across facilities.

Recommendation #5:

We recommend the **Vice President, Applied Engineering**, in coordination with the **Vice President, Technology Applications**, evaluate fully automated solutions for scanning to provide better visibility and customer confidence.

Postal Service Response

Management agreed with the finding and recommendations, noting that there are opportunities for improvement in network standardization and technology. Management stated that technology evolves rapidly and that the Postal Service will continue to pursue advancements for greater visibility and competitiveness. Further, while standardization remains a goal, legacy infrastructure and varying regional demands present ongoing challenges, making complete standardization impractical. Management stated that it continuously reviews past implementations and applies lessons learned to future operations.

Regarding recommendation 4, management intends to utilize site-specific productivity targets based on equipment sets within given buildings to evaluate productivity by shape and enable a standard way of evaluating efficiency at a national level. The target implementation date is March 31, 2027.

Regarding recommendation 5, management stated that multiple initiatives are underway to address passive visibility and tracking solutions for GPS visibility to automate trip arrivals and departures. The target implementation date is July 31, 2027.

OIG Evaluation

The OIG considers management's comments responsive to recommendations 4 and 5, as the corrective actions should resolve the issues identified in the report.

¹⁸ *Network Changes – Progress on Improvements at Richmond, VA Regional Processing and Distribution Center* (Report Number 24-152-R25), dated January 27, 2025; *Sorting and Delivery Center Impacts in the Florida 1 District* (Project Number 23-171-R24), dated May 28, 2025; *Efficiency of Operations at the Charlotte Regional Processing and Distribution Center, Gastonia, NC* (Report Number 25-079-R25), dated June 17, 2025; *Network Changes: Progress on Improvements at Atlanta, GA, Regional Processing and Distribution Center* (Report Number 25-039-R25), dated July 8, 2025; and *Network Changes: Effectiveness of the New Regional Processing and Distribution Center in Indianapolis, IN* (Report Number 25-093-R26), dated February 2, 2026.

Looking Forward

The Postal Service is approaching a critical juncture. Despite its investments in modernization and achieving measurable efficiency gains, the organization's financial position has continued to deteriorate. Annual losses remain largely unchanged, controllable net losses have grown, and management has acknowledged that total modernization costs may ultimately exceed initial estimates.

Without long-term financial plans, reliable financial tracking, or updated cost models, the Postal Service lacks the analytical foundation needed to steer a transformation of this scale. The Postal Service must adopt disciplined financial planning, strengthen enterprise-level oversight of modernization initiatives, and reassess the assumptions underpinning its network design. Without decisive action, the agency may be unable to fund future phases of its transformation, potentially risking its ability to meet service obligations and maintain nationwide operations.

“The Postal Service must adopt disciplined financial planning, strengthen enterprise-level oversight of modernization initiatives, and reassess the assumptions underpinning its network design.”

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Appendix A: Additional Information

Scope and Methodology

Our objective was to determine the impacts that network change initiatives have had on the Postal Service and its stakeholders. To accomplish our objective, we focused on cost savings and service performance impacts of the Postal Service's network processing, transportation, and delivery initiatives from FY 2021 through FY 2026 quarter 2, including those outlined in its DFA plan issued in March of 2021.

To accomplish our objective, we:

- Reviewed policies, procedures, manuals, and training materials to gain an understanding of how the Postal Service continues to operate, manage, monitor, and oversee network changes nationwide.
- Reviewed capital investments, revenue and expenses, financial performance report data, workhours, labor utilization, operational salaries and benefits, total pieces, and package processing efficiency.
- Reviewed and analyzed RPDC and RTH facility package capacity, machines, size, and operations.
- Reviewed 3-digit ZIP Code service standards and compared base service standards for competitive products and market dominant products and assessed impacts of service standard changes.
- Reviewed RTO impacts by population and ZIP Codes.
- Reviewed and analyzed service performance data from Informed Visibility.
- Reviewed National Performance Assessment target information.
- Reviewed processing, transportation, and delivery program initiatives.

We conducted this performance audit from January 2026 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 objectives. 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 12, 2026, and included its comments where appropriate.

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

- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring

We developed audit work to ensure that we assessed these controls. Based on the work performed, we identified internal control deficiencies related to risk assessment, 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 used data from the Enterprise Data Warehouse, Informed Visibility, Service Standards Management Platform, Surface Visibility and Web Management Operating Data System. We assessed the reliability of the data by interviewing Postal Service officials

knowledgeable about it and conducted performance tests 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
Network Changes: Effectiveness of the New Regional Processing and Distribution Center in Indianapolis, IN	To assess the operational impacts related to the launch of the RPDC and identify successes, opportunities, and lessons learned.	25-093-R26	2/2/2026	\$20.0M
Network Changes: Regional Transfer Hubs	To evaluate the implementation and effectiveness of the U.S. Postal Service's RTH initiative.	25-061-R25	9/24/2025	\$0
Network Changes: Progress on Improvements at Atlanta, GA, Regional Processing and Distribution Center	To evaluate operations and service performance at the Atlanta RPDC and follow up on corrective actions taken by the U.S. Postal Service to improve performance.	25-039-R25	7/8/2025	\$16.1M
Assessment of Changes to Air Transportation Contract	To evaluate the U.S. Postal Service's air transportation network changes under its new air agreement.	25-022-R25	6/23/2025	\$0
Delivering for America: First-Class Mail and Priority Mail Service Performance Update	To assess the Postal Service's First-Class Mail and Priority Mail service performance since FY 2022.	25-028-R25	5/7/2025	\$0
Network Changes – Progress on Improvements at Richmond, VA Regional Processing and Distribution Center	To evaluate operations and service performance at the Richmond RPDC and follow-up on corrective actions taken by the U.S. Postal Service resulting from our prior audit to improve performance.	24-152-R25	1/27/2025	\$2.3M
Network Changes: Local Transportation Optimization	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	12/18/2024	\$0
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	9/25/2024	\$1.4M
Effectiveness of the New Regional Processing and Distribution Center in Atlanta, GA	To assess the operational impacts related to the launch of the RPDC and identify successes, opportunities, and lessons learned.	24-074-R24	8/28/2024	\$0
State of U.S. Postal Service Financial Condition	To evaluate the financial performance of the Postal Service in relation to its DFA plan financial projections.	23-167-R24	6/21/2024	\$0
Effectiveness of the New Regional Processing and Distribution Center in Richmond, VA	To assess the operational impacts related to the launch of the RPDC and identify successes, lessons learned, and opportunities.	23-161-R24	3/28/2024	\$8.1M

Appendix B: Management's Comments



August 31, 2026

Laura Lozon
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: Assessment of Postal Service's Network Changes (26-042-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, *Assessment of Postal Service's Network Changes*.

Finding #1: Successes and Impacts from Network Modernization and Finding #2: Network Changes Impact Service

We generally agree with the findings. However, management would like to emphasize that Figure 1 does not reflect the accurate network package volume but instead represents all package volume, including package volume that bypasses the processing network. Additionally, calculating the trend from 2021 masks the recent improvements. In FY 2025, volume increased, workhours decreased and productivity improved. By including volume that bypasses the network, the conclusions around trends and productivity are incorrect.

Finding #3: Program Management and Modeling Issues

The Postal Service agrees that modeling should continue to evolve to support network planning and implementation. The Postal Service's modeling approach is intentionally staged for different decision horizons. At the strategic stage, models are designed to identify the network configuration the organization should strive toward over time, and therefore, during the planning stages, are intentionally relaxed due to certain site-specific facility constraints. This approach helps prevent current location or footprint limitations from becoming self-fulfilling constraints that could limit long-term progress or force significant capital investment.

Management's position is that the strategic models were sufficient for long-range network direction, while acknowledging that some operational effects are inherently difficult to fully anticipate in advance at enterprise scale. At the design and execution stages, the Postal Service applies additional operational, facility and financial constraints to implementation decisions, including dock capacity, trailer flow, labor availability, equipment layout, and launch sequencing. Based on experience from early deployments, including Atlanta, the Postal Service has refined planning and implementation practices and continues to incorporate lessons learned into subsequent deployment decisions.

Management also recognizes that full digital twin simulation capabilities may, in some contexts, provide deeper cause-and-effect insight. However, enterprise-grade digital twin implementations that are sufficiently granular, validated, and continuously maintained can require significant data integration, model governance, computational infrastructure, and ongoing operating expense. The Postal Service's approach is to apply fit-for-purpose modeling methods that balance analytical value, implementation timeliness, and prudent return on investment.

The Postal Service also recognizes that the network should not be treated as a fully fixed configuration. As systemic conditions change and implementation scenarios are identified, plans are expected to be updated. This reflects an overarching strategy that is enterprise-wide, deliberate, and iterative over time.

The above approach is also reflective of supply chain management best practices. To operate an end-to-end multi-product network, multiple factors are considered in making decisions on optimum product flow. This includes volume density by origin / destination pair, cost of additional processing (handles), hiring availability, transportation mode cost by region and lane, speed vs. density tradeoffs, and market conditions such as fuel

rates. While a model may determine network direction, each of the variables above should be considered while designing and managing the network.

Management's position is that these practices are currently in place and being executed today by CDAO in coordination with Logistics and Network Solutions and Performance Excellence.

In addition, models are being enhanced to refine expected volumes to include expected non-machinable /non-standard volumes, expected truckloads, expected cross-dock vs. working volume. The above considerations have been utilized during our peak planning exercises this year.

Accordingly, this recommendation aligns with current and enhanced operating practices and does not require new corrective action beyond ongoing execution, governance, and continuous improvement.

Finding #4: Opportunities Remain to Improve Network Standardization and Technology

Management agrees that there are opportunities to improve network standardization and technology. Technology moves quickly; there will always be opportunities to improve technology. The Postal Service will continue to evaluate and/or develop leading edge technologies to keep the organization modern, relevant, and competitive, including technologies that enhance container and piece level visibility, as outlined in recommendation 5.

As relates to standardization, the Postal Service just celebrated 250 years of serving the nation. With that history, comes legacy infrastructure including legacy buildings from different time periods. This includes something as simple as different column widths and dock designs that impact our ability to standardize layouts and equipment sets.

With this history and vast coverage, also comes variation in population coverage and customer demand. The OIG cites different package capacity as an example of a lack of standardization. The equipment characteristics and functionality (such as systems and capacity) may be different from site to site. The Postal Service will never be able to standardize something such as package capacities, as the package demand is incredibly different in Boise than it is in Atlanta, two of the regions cited in Finding 4, Table 6. To standardize that would be to either underserve Atlanta or to invest incredible capital that is unnecessary to properly serve Boise.

Additionally, in the audit Report Number **23-161-R24**, published on **March 28, 2024**, the OIG provided the following recommendation: "We recommend the Vice President, Processing and Maintenance Operations, continue to document the issues identified and actions taken to address issues in post implementation reviews of Regional Processing and Distribution Center (RP&DC) conversions, and use the cumulative lessons learned when activating future RP&DCs." The Postal Service has done just that – reviewed previous implementations and made adjustments for future implementations. The application of lessons learned means the previous implementations won't look exactly the same as future implementations.

While standardization is a goal, the Postal Service recognizes challenges with precise standardization, such as needing to build around historic infrastructure while striving to live in an operating environment where we can be smarter today than we were yesterday and smarter tomorrow than we are today.

Following are our comments on each of the five recommendations.

Recommendation 1:

We recommend the Chief Processing and Distribution Officer and Executive Vice President, in coordination with Chief Logistics Officer and Executive Vice President, and Chief Retail & Delivery Officer and Executive Vice President, evaluate locations most impacted by network changes and identify opportunities to improve timely delivery.

Management Response/Action Plan:

Management agrees with this recommendation. Management is already actively evaluating said locations and will provide evidence for closure upon issuance.

Target Implementation Date: 11/30/2026

Responsible Officials:

Chief Processing and Distribution Officer and Executive Vice President
Chief Logistics Officer and Executive Vice President
Chief Retail & Delivery Officer and Executive Vice President

Recommendation 2:

We recommend the Vice President, Network Solutions and Performance Excellence, in coordination with the Vice President, Finance and Planning, establish an overall program schedule for network modernization initiatives with timelines and measurable cost saving and service targets and track and monitor progress.

Management Response/Action Plan:

Management agrees with this recommendation.

Management will set a 5-year program schedule for significant network modernization initiatives such as RPDC activations. These schedules will be tracked and updated on a quarterly basis.

Many network modernization initiatives such as Regional Transportation Optimization (RTO) already have a schedule, while others such as Surface Transfer Center (STC) insourcing will be complete by the end of the calendar year.

Management will document expected cost savings in the Finance Investment Navigator (FIN) system through a new process comparing hour usage based on productivity vs. baseline.

Service targets will be in line with documented targets for each product category, published on an annual basis.

Target Implementation Date: 06/30/2027

Responsible Officials:

Vice President, Network Solutions and Performance Excellence
Vice President, Finance and Planning

Recommendation 3:

We recommend the Vice President, Chief Data and Analytics Officer, in coordination with the Vice President, Logistics, and Vice President, Network Solutions and Performance Excellence, adopt improved modeling strategies that consider multiple variables to enhance planning and initiative implementation.

Management Response/Action Plan:

Management agrees with the recommendation.

Target Implementation Date:

This recommendation aligns with current and enhanced operating practices and does not require new corrective action beyond ongoing execution, governance, and continuous improvement.

Responsible Officials:

Vice President, Chief Data and Analytics Officer
Vice President, Logistics
Vice President, Network Solutions and Performance Excellence

Recommendation 4:

We recommend the Vice President, Network Solutions and Performance Excellence, implement a standardized methodology of evaluating efficiencies across facilities.

Management Response/Action Plan:

Management agrees with this recommendation.

Management intends to utilize site-specific productivity targets based on equipment sets within given buildings to evaluate productivity by shape. These targets will be shaped by CTO, CSSO, and CPDO and enable a standard way of evaluating efficiency at a national level, while still being specific to each facility.

Target Implementation Date: 03/31/2027

Responsible Official:

Vice President, Network Solutions and Performance Excellence

Recommendation 5:

We recommend the Vice President, Applied Engineering, in coordination with the Vice President, Technology Applications, evaluate fully automated solutions for scanning to provide better visibility and customer confidence.

Management Response/Action Plan:

Management agrees with this recommendation.

Achieving true end-to-end visibility requires the assignment and closure of containers—a process fundamental for nesting packages within packages, loading and unloading containers onto trucks to ensure real-time insight into package movement, and the arrival and departure tracking necessary to inform trip status. Multiple initiatives are underway to address passive visibility. Integrated On-Demand Placarding, for example, automates the assignment and closure of containers as processing begins and concludes. GPS tracking solutions are being implemented for GPS visibility, when fully deployed, it will automate trip arrivals and departures. Additionally, Bluetooth Low Energy (BLE) technology is being deployed across eleven plants during peak periods to automate load and unload scans.

Target Implementation Date: 7/31/2027

Responsible Officials:

Vice President, Technology Applications
Vice President, Applied Engineering

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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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