

Network Changes - Progress on Improvements at Richmond, VA, Regional Processing and Distribution Center

AUDIT REPORT

Report Number 24-152-R25 | January 27, 2025



Table of Contents

Cover

Highlights.....1

Background1

What We Did1

What We Found1

Recommendations and Management's
Comments1

Transmittal Letter..... 2

Results..... 3

Introduction/Objective 3

Background 3

Findings Summary 3

Finding #1: Savings From the Richmond
RPDC Implementation 7

Finding #2: Leadership Challenges at the
Richmond RPDC..... 9

Recommendation #1 10

Postal Service Response..... 10

OIG Evaluation..... 10

Finding #3: Transportation Schedules Still
Not Fully Aligned..... 11

Recommendation #2 12

Postal Service Response..... 12

OIG Evaluation..... 12

Finding #4: Scanning of Trailer Loads Not
Conducted..... 14

Recommendation #3 14

Postal Service Response..... 15

OIG Evaluation..... 15

Finding #5: Continued Challenges

Integrating Operations 16

Recommendation #4..... 18

Recommendation #5 18

Postal Service Response..... 18

OIG Evaluation..... 18

Finding #6: Employee Availability

Challenges Continue 19

Recommendation #6 20

Postal Service Response..... 20

OIG Evaluation..... 20

Looking Forward..... 20

Appendices..... 21

Appendix A: Additional Information..... 22

Scope and Methodology 22

Prior Audit Coverage 23

Appendix B: Management's Comments 24

Contact Information 29

Highlights

Background

As part of its 10-year strategic Delivering for America plan, the U.S. Postal Service is redesigning its processing network and investing \$40 billion to create a modernized network based around regional processing and distribution centers (RPDC). The Postal Service launched its first RPDC in Richmond, VA, in July 2023, consolidating operations from multiple facilities in the Richmond metro and Norfolk, VA, areas into the Richmond RPDC. The Postal Service approved a \$25.4 million investment to launch the Richmond RPDC and expects to save more than \$185 million over 10 years by reducing mail processing labor and transportation costs, and by closing two leased annexes.

What We Did

Our objective was 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. We conducted observations of the Richmond RPDC from October through December 2024.

What We Found

The Postal Service has stabilized operations and service at the Richmond RPDC and achieved most of the expected savings for fiscal year 2024. However, the Postal Service continues to experience challenges with leadership instability, aligning transportation schedules, completing required trailer scans, integrating operations in the region, and low employee availability. These issues contributed to over \$2.3 million in questioned costs. If these issues were addressed, the Postal Service would further improve operations and service and reduce costs.

While the Postal Service has improved service performance in the region since January 2024, scores remain below targets. However, service for many classes of mail is in line with nationwide averages.

Recommendations and Management's Comments

We made six recommendations to address the issues identified in the report. Postal Service management agreed with five recommendations and disagreed with one. Management's comments and our evaluation are at the end of each finding and recommendation. The U.S. Postal Service Office of Inspector General considers management's comments responsive to recommendations 1, 4, 5, and 6, and partially responsive to recommendation 3, as corrective actions should resolve the issues identified in the report. Management disagreed with recommendation 2, and we will pursue the recommendation further through the formal audit resolution process. See [Appendix B](#) for management's comments in their entirety.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

January 27, 2025

MEMORANDUM FOR: TODD HAWKINS
VICE PRESIDENT, REGIONAL PROCESSING OPERATIONS,
EASTERN

ROBERT CINTRON
VICE PRESIDENT, LOGISTICS

RAJ SANGHERA
VICE PRESIDENT, RETAIL AND POST OFFICE OPERATIONS

Mary H. Lloyd

FROM: Mary Lloyd
Deputy Assistant Inspector General
for Mission Support

SUBJECT: Audit Report – Network Changes – Progress on Improvements at
Richmond, VA, Regional Processing and Distribution Center
(Report Number 24-152-R25)

This report presents the results of our audit of progress on improvements at Richmond, VA, Regional Processing and Distribution Center.

All recommendations require U.S. Postal Service Office of Inspector General (OIG) concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. Recommendations 1, 3, 4, 5 and 6 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 view the disagreement with recommendation 2 as unresolved and will work with management through the formal audit resolution process.

We appreciate the cooperation and courtesies 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 Network Changes – Progress on Improvements at Richmond, VA, Regional Processing and Distribution Center (RPDC) (Project Number 24-152). Our objective was to evaluate operations and service performance at the RPDC one year after becoming operational and follow up on corrective actions taken by the Postal Service resulting from our prior audit to improve performance. Additionally, we evaluated estimated versus actual savings at the RPDC for fiscal year (FY) 2024. See [Appendix A](#) for additional information about this audit.

Background

As part of its 10-year strategic Delivering for America (DFA) plan, the Postal Service is redesigning its processing network and investing \$40 billion to create a modernized network based around RPDCs,¹ local processing centers (LPC),² and sorting and delivery centers.³

The Postal Service launched its first RPDC in Richmond, VA, in July 2023, consolidating operations from package sortation annexes (PSA), processing and distribution centers (P&DC), processing and distribution facilities (P&DF), and terminal handling services in the Richmond metro and Norfolk, VA, areas into the Richmond RPDC.⁴ The Postal Service approved a \$25.4 million investment to launch the Richmond RPDC and expects to realize more than \$185 million in savings over 10 years by reducing mail processing labor and transportation costs, and by closing two leased PSAs. See [Figure 1](#) for an overview of the Richmond RPDC network transformation.

In a prior report, we audited the effectiveness of the Richmond RPDC between July and December 2023, and found while the Postal Service had some successes, it also faced many challenges that resulted in additional labor and transportation

costs and contributed to a decrease in service performance for the Richmond region.⁵ The challenges included staffing and leadership issues, inadequate transportation planning, and issues with integrating operations between facilities in the region. We made four recommendations to address the issues at Richmond and six recommendations for improving the implementation of future RPDCs. As of November 27, 2024, the Postal Service implemented the four recommendations to address issues at Richmond. Of the six recommendations for implementing future RPDCs, four are implemented; one recommendation to update Postal Service handbooks and definitions is expected to be completed by May 31, 2025; and the recommendation to communicate impacts to customers when permanently moving processing operations of a three-digit ZIP Code to another processing facility is in audit resolution due to the Postal Service's disagreement.

Findings Summary

In the year since launching the RPDC, the Postal Service has stabilized operations and service in the Richmond region. Further, the Postal Service achieved over \$21 million of savings in workhours and transportation costs. While management implemented corrective actions in response to our prior report, the actions taken have not fully remedied the deficiencies related to leadership and staffing instability, aligning transportation, and integrating operations. These challenges continue to persist but, if alleviated, could further improve service performance and operations and increase savings.

Service Performance

While the Postal Service has generally improved service performance in the region since our last audit, scores remain below targets. See [Table 1](#) for a comparison of service performance over the last three FYs.

¹ These large facilities process all originating mail and package volume in a region and serve as go-betweens for national and regional transportation.

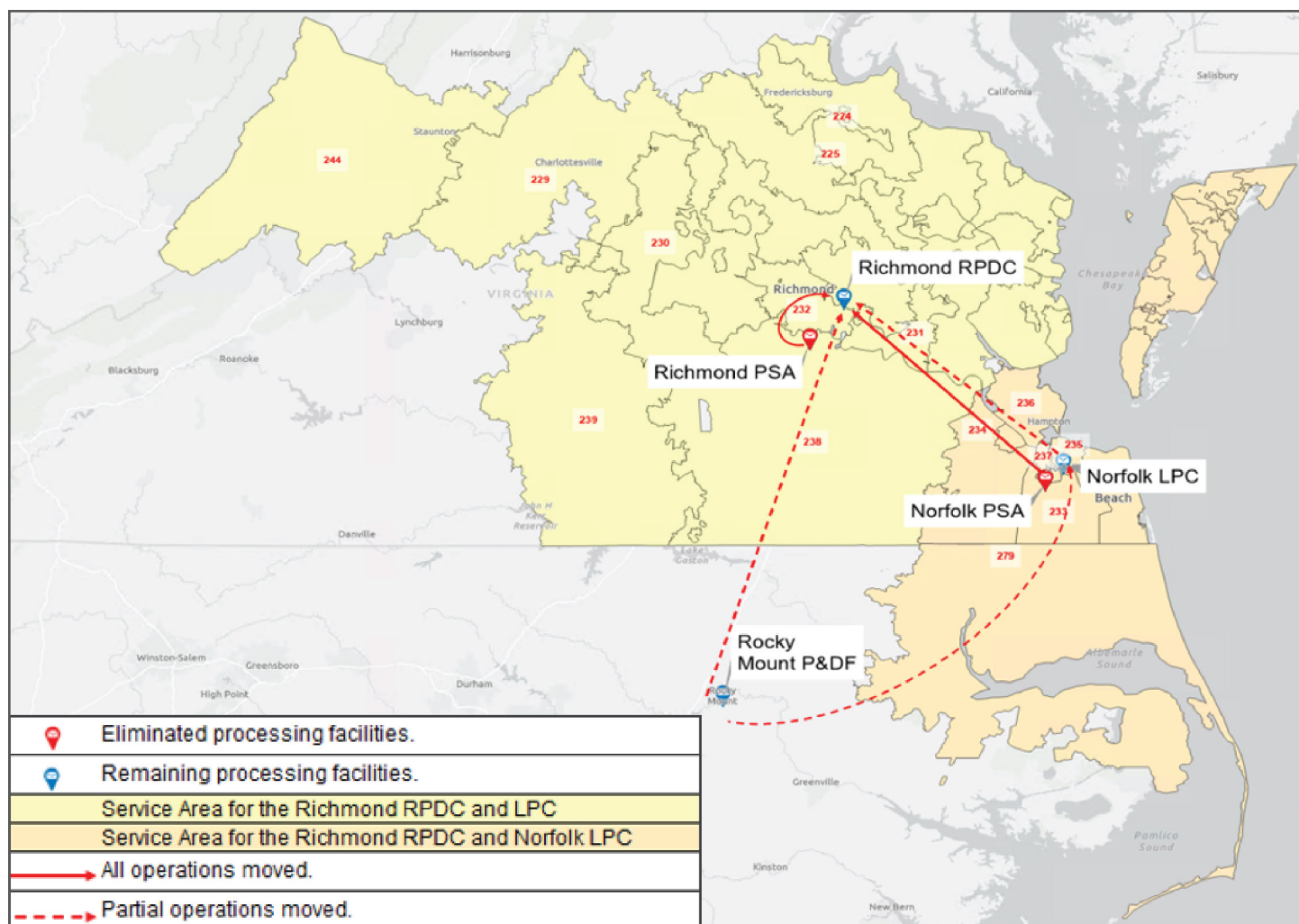
² These facilities process destination mail for their service area and transfer mail and packages for delivery.

³ This consolidates multiple delivery units and package sortation operations into one centrally located facility.

⁴ The Richmond region covers mail from ZIP Codes beginning with 224-225, 229-239, 244, and 279.

⁵ *Effectiveness of the New Regional Processing and Distribution Center in Richmond, VA* (Report Number 23-161-R24) dated March 28, 2024.

Figure 1. Richmond Regional Processing and Distribution Center Service Area



Source: U.S. Postal Service Office of Inspector General (OIG) analysis based on USPS Decision Analysis Report for the Richmond RPDC.

Table 1. Comparison of Quarter 4 Service Performance Over the Last Three FYs

Mail Product	Service Targets	Prior to Launch	Immediately After Launch	One Year After Launch
		Service Score Q4 FY 22	Service Score Q4 FY 23	Service Score Q4 FY 24
Priority Mail Express				
Priority Mail Packages				
Ground Advantage ⁶				
First-Class Mail	92.50%	91.34%	85.42%	84.88%
USPS Marketing Mail & Periodicals	94.36%	93.12%	87.92%	94.07%

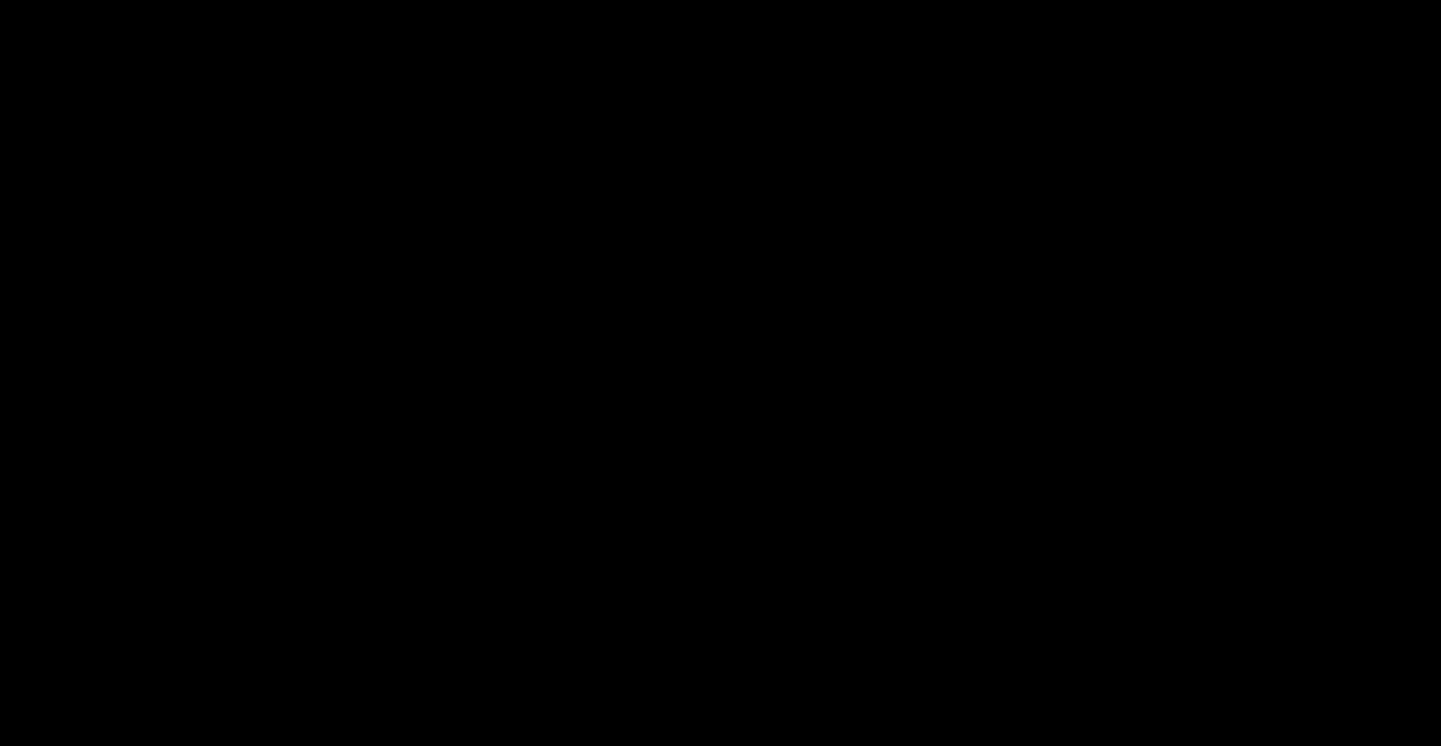
Source: USPS Informed Visibility.

⁶ Ground Advantage, introduced in July 2023, was previously three products, Retail Ground, Parcel Select Ground, and First-Class Package Service, with longer service standards.

Management stated that service performance in Richmond is in line with national scores. Management added that it expects scores to improve as more nationwide network changes and DFA initiatives are completed. Since our prior audit, Priority Mail Express bottomed to █ percent on time in January 2024 and has remained below █ percent on time.

This performance is below nationwide averages and significantly below levels prior to launch. We plan to conduct a nationwide audit on Priority Mail Express service performance to identify causes of low performance. See Figure 2 comparing Richmond RPDCs’ service scores for Priority Mail Express to national averages.

Figure 2. Priority Mail Express Service Scores, Richmond RPDC and National

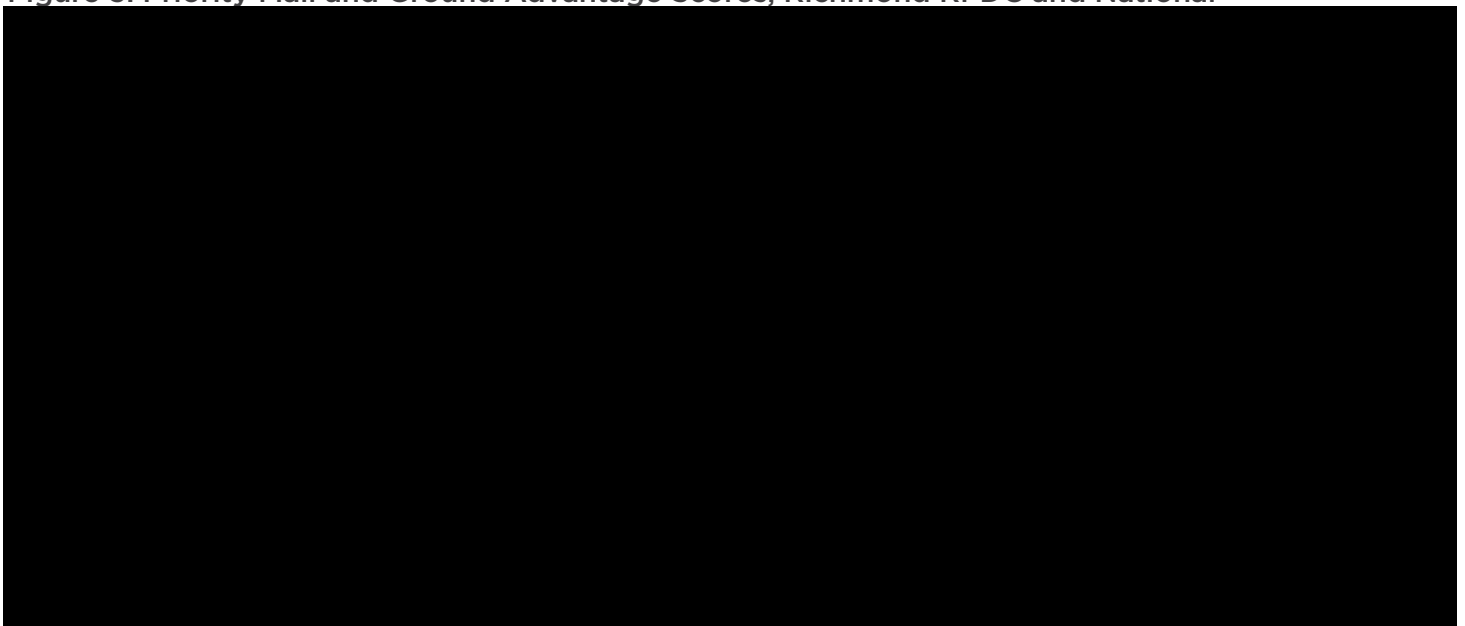


Source: USPS Informed Visibility, Mail Product Trend Report.

Since our prior audit, Priority Mail and Ground Advantage service scores for the Richmond RPDC began to stabilize in February 2024. Beginning in August 2024, the Richmond RPDC neared or exceeded

national averages for competitive products. See [Figure 3](#) comparing the Richmond RPDC’s service scores for Priority Mail and Ground Advantage packages to national averages.

Figure 3. Priority Mail and Ground Advantage Scores, Richmond RPDC and National



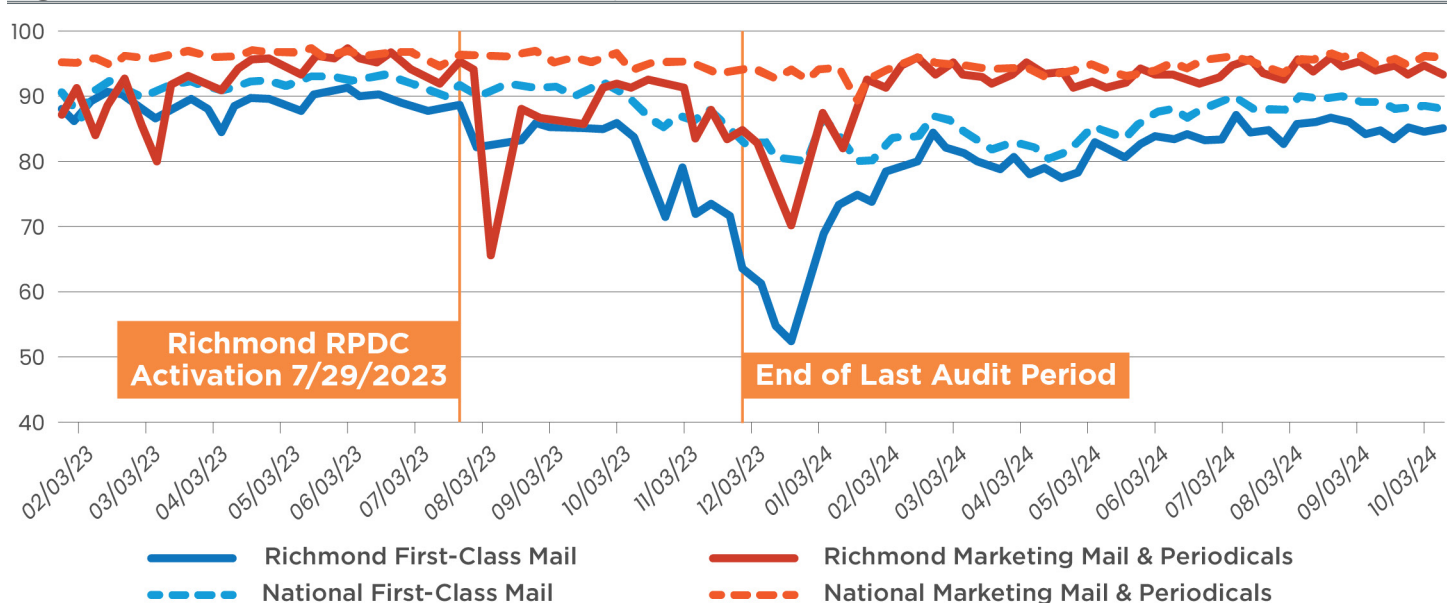
Source: USPS Informed Visibility, Mail Product Trend Report.

Note: Ground Advantage, introduced in July 2023, was previously three products, Retail Ground, Parcel Select Ground, and First-Class Package Service, with longer service standards. Therefore, Ground Advantage product scores started in July 2023.

Similarly, market dominant⁷ service scores for the Richmond RPDC stabilized in February 2024. Service performance for Marketing Mail and Periodicals often met or exceeded national averages since then; however, First-Class Mail service performance

remained below national scores. See Figure 4 comparing the Richmond RPDC's service scores for First-Class Mail and Marketing Mail and Periodicals to national averages.

Figure 4. Market Dominant Service Scores, Richmond RPDC and National



Source: USPS Informed Visibility, Mail Product Trend Report.

⁷ Market dominant products are products and services over which USPS exercises sufficient market power that it can effectively set its price with limited competition. This includes First-Class Mail and Periodicals.

Finding #1: Savings From the Richmond RPDC Implementation

While the Postal Service has not yet conducted a review of savings for the Richmond RPDC,⁸ we determined the Postal Service reached most financial targets in FY 2024 and is on track to meet most projected savings in FY 2025. As part of the investment justification for consolidating operations at the Richmond RPDC, the Postal Service expected

to save more than \$185 million over the next ten years. This included savings in mail processing and maintenance labor hours, elimination of transportation contracts, and the termination of two leased facilities. See Table 2 for a comparison of FY 2024 estimated versus actual savings.

Table 2. FY 2024 Estimated Versus Actual Savings

Savings Type	Expected Savings	Actual Savings	Difference
Mail Processing Labor	\$ 7,744,295	\$ 13,960,471	\$ 6,216,176
Maintenance Labor	\$ 2,022,411	\$ (1,723,776)	\$ (3,746,186)
Transportation Contract	\$ 5,177,437	\$ 9,247,570	\$ 4,070,133
Total	\$ 14,944,143	\$ 21,484,265	\$ 6,540,123

Source: OIG analysis of Accounting Data Mart (ADM) data. Note: Calculations may differ due to rounding.

Labor Workhours and Savings

The Postal Service expected to reduce over 239,000 workhours in the Richmond region, resulting in \$9.8 million in savings in FY 2024, with expected savings of \$113 million over 10 years. The Postal Service planned to achieve the savings by reducing both mail processing and maintenance workhours. We

determined the Postal Service exceeded its goal for reducing mail processing workhours, but did not meet its goal for maintenance workhours. Overall, the Postal Service saved nearly \$2.5 million more than estimated in labor hours in FY 2024. See Table 3 for a comparison of the FY 2024 estimated and actual mail processing and maintenance workhours and savings.

Table 3. Comparison of FY 2024 Estimated and Actual Savings

	FY 24 Estimated Decrease (Increase)	FY 24 Actual Decrease (Increase)	Difference Overage (Shortfall)
Mail Processing Workhours			
Richmond	(184,828)	(51,878)	132,950
Norfolk	348,631	313,786	(34,845)
Rocky Mount	41,975	19,894	(22,081)
Mail Processing Hours	205,778	281,802	76,024
Mail Processing Savings	\$ 7,744,295	\$ 13,960,471	\$ 6,216,176
Maintenance Workhours			
Richmond	28,560	(16,721)	45,281
Norfolk	5,365	(12,387)	17,752
Maintenance Hours	33,925	(29,108)	(63,033)
Maintenance Savings	\$ 2,022,411	\$ (1,723,776)	\$ (3,746,186)
Totals			
Total Hours	239,703	252,694	12,991
Total Savings	\$ 9,766,705	\$ 12,236,695	\$ 2,469,990

Source: OIG Analysis of ADM data. Note: Calculations may differ due to rounding.

8 The Postal Service conducts formal reviews for capital investment projects to determine if expected savings were met.

Transportation Contract Costs

In FY 2024, the Postal Service planned on eliminating 25 surface transportation trips,⁹ resulting in estimated savings of over \$5 million. The Postal Service eliminated these trips and achieved the savings for FY 2024 and will achieve the savings in future years if the trips are not added back. Further, other initiatives in the region, such as local transportation optimization¹⁰ and reduced reliance on contractor transportation, have resulted in additional transportation savings. Specifically, transportation costs in the Richmond region were \$9.2 million¹¹ or over 13 percent less than the previous year. However, we found additional opportunities exist to further reduce transportation costs by better aligning schedules with operations. Specifically, in FY 2024, the Postal Service incurred over \$2.3 million in questioned costs for additional unscheduled transportation such as extra, detour, and late trips that it refers to as exceptional service. We discuss this issue further in [Finding 3](#). See Table 4 for a comparison of transportation costs from the previous two FYs.

Leased Annexes

Before launching the RPDC, the Postal Service spent \$1.4 million annually leasing two facilities in the Richmond region for use as package sortation annexes. With the launch of the RPDC, the leases on these facilities were not planned to be renewed. This would result in a net savings of nearly \$14 million over the next 10 years. The first of these ended in October 2024, which was not renewed. The second one is set to expire in November 2026. By not renewing those leases, the Postal Service is likely to realize its estimated savings for these annexes.

As the Postal Service is realizing savings and reaching most of its financial targets resulting from its launch of the RPDC in the Richmond region, we are not making any recommendations associated with this finding.

“Specifically, transportation costs in the Richmond region were \$9.2 million or over 13 percent less than the previous year.”

Table 4. FY 2023 Versus FY 2024 Transportation Cost Comparison

Cost Description	FY 2023	FY2024	Difference	% Change
Highway Contract Route	\$ 51,111,885	\$ 32,340,043	\$ (18,771,842)	-37%
Postal Vehicle Service	\$ 17,856,447	\$ 27,380,720	\$ 9,524,272	53%
Total Surface Transportation Costs	\$ 68,968,332	\$ 59,720,762	\$ (9,247,570)	-13%

Source: OIG Analysis of ADM Data. Note: Calculations may differ due to rounding.

9 A trip moves mail over the highway from one facility to another.
10 This initiative reduced the number of transportation trips to and from select delivery units.
11 This amount includes the \$5 million in expected savings from the elimination of 25 surface transportation trips.

Finding #2: Leadership Challenges at the Richmond RPDC

While acting leaders have worked to stabilize operations since our last audit, the Postal Service has been unable to establish permanent leadership at the Richmond RPDC 14 months post launch as three of the four senior leadership positions remain vacant. Specifically, the RPDC did not have a permanent plant manager, manager of processing support, or maintenance manager. The Postal Service used several individuals to temporarily fill those positions in the last year, including four different people serving as the plant manager, three as the manager of processing support, and two as the maintenance manager.

“While acting leaders have worked to stabilize operations since our last audit, the Postal Service has been unable to establish permanent leadership at the Richmond RPDC 14 months post launch as three of the four senior leadership positions remain vacant.”

These positions are essential to effective operations, especially the plant manager, who is responsible for setting the operational tone and communicating expectations to staff. Although each plant manager operates within a framework mandated by the Postal Service, each brings unique expectations and leadership styles. It takes time for facility staff to adjust to these expectations and operate accordingly. The lack of consistency in filling these roles has not allowed staff to settle into an efficient

operating routine at the Richmond RPDC and instability in leadership has likely contributed to:

- Service performance standards not met.
- Employee availability rates significantly lower than Postal Service goals.
- Overtime use higher than planned.
- Labor costs higher than budgeted.
- Transportation routes not fully aligned to operations.

In our prior audit, we noted supervisors did not fully understand new operations and were not effectively leading and managing employees. We recommended the Postal Service train Richmond RPDC management on how to engage and lead team members and adequately supervise operations. The Postal Service took actions that included training supervisors on their roles and responsibilities and developing standard work instructions. However, these actions have not led to sustained success due to not having stable leadership to constantly reinforce these duties and expectations.

Management is responsible for assigning, developing, and retaining competent people in key senior management positions to improve accountability and achieve objectives.¹² Additionally, the Postal Service expects plant managers to ensure that all employees have stable expectations for their role and understand how their role fits into the broader operation of the plant, and recognize that minimizing disruption and uncertainty improves overall operational performance. Frequent changes in plant management prevents consistency and limits sustained operational improvement. Postal Service Headquarters management stated it has a plan and has taken action to fill these positions, expecting them to be filled by quarter 2 of FY 2025.

¹² GAO-14-704G, *Standards for Internal Control in the Federal Government*, United States Government Accountability Office, dated September 2014.

Without stable leadership, consistent communication of expectations may not occur between senior management and employees and supervisors, which would harm operations at the Richmond RPDC. Plant management instability at the Richmond RPDC resulted in a lack of employee engagement, inadequate supervision and guidance on operations, and contributed to the issues with aligning transportation schedules, scanning compliance, integrating operations between facilities, and employee availability.

Recommendation #1

We recommend that the **Vice President, Regional Processing Operations, Eastern**, execute the plan to permanently staff senior leadership positions.

Postal Service Response

Management agreed with this finding and recommendation 1, stating it is strategically working to staff the Richmond RPDC and have filled two leadership positions. Management added that the other position is scheduled to be reposted in January 2025. The target implementation date is March 30, 2025.

OIG Evaluation

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

Finding #3: Transportation Schedules Still Not Fully Aligned

The Postal Service has not successfully aligned transportation schedules with the Richmond RPDC operating plan. Approximately 14 months after the Richmond RPDC's activation, our analysis shows that transportation performance indicators have not improved but instead have declined significantly since our prior report. Specifically, the Richmond RPDC continues to experience an increase in canceled, extra, and late trips, suggesting that management needs to review and adjust schedules. See Table 5 for an analysis of the ongoing transportation challenges and inefficiencies at the Richmond RPDC, including an analysis of the same period last year (SPLY).

Almost 96 percent of canceled Postal Vehicle Service¹³ and contracted transportation trips were canceled by Postal Service management, indicating these trips were unnecessary. The Postal Service still incurs costs unless they notify the contractor four hours in advance of the cancellation. Additionally, the extra trips used by the Richmond RPDC resulted in over \$2.3 million in additional transportation expenses. For example, in FY 2024, the Richmond RPDC called for 1,027 extra trips on one highway contract route and 661 on another.¹⁴ Extra trips are intended to be infrequent to supplement regularly scheduled routes, yet their substantial rise points to inefficiencies in the transportation plan. Postal Service

“Approximately 14 months after the Richmond RPDC’s activation, our analysis shows that transportation performance indicators have not improved but instead have declined significantly since our prior report.”

management stated the extra trips were emergency contracts needed until it could permanently hire Postal Vehicle Service drivers. However, these contracts were in place about a year before the Postal Service ended them in June and August of 2024. Further, 68 percent of all late trips were due to trips arriving late at the RPDC. Of this amount, about 44 percent were late arriving at the RPDC from delivery units. Delivery units must ensure they dispatch their mail according to the trip schedules and perform proper mail separation so the mail can be inducted into the RPDC timely. Dispatching mail beyond its scheduled time affects the RPDC's ability to process the mail promptly and can impact service performance and costs.

Table 5. Transportation Key Performance Indicators

Indicator	FY 24 Goals	Prior Audit Period 7/29-12/1/23	Current Period 12/2/23-9/30/24	SPLY 12/2/22-9/30/23	Difference From Current Period to SPLY
Trips on Time	86.47%	70.21%	69.28%	73.18%	3.90%
Canceled Trips	N/A	11.45%	16.08%	9.36%	6.72%
Extra Trips	N/A	4.59%	5.61%	3.69%	1.92%
Trips Departed Not Arrived ¹⁵	N/A	0.14%	0.11%	0.13%	0.01%
Unrecorded/Incomplete Trips	N/A	2,942	33,495	1,639	31,856
Trailer Utilization	53.76%	54.51%	51.32%	54.65%	3.33%

Source: OIG analysis Surface Visibility data.
Note: Calculations may differ due to rounding.

13 These are Postal Service employees who operate motor vehicles and tractor trailers within a 50-mile radius of their assigned facility.
14 These were routes 230BT and 232AU.
15 These trips indicate the trip was recorded or scanned at the originating facility, but not recorded or scanned at the destinating facility.

In 2020, to improve focus and communication channels, the Postal Service modified its logistics and mail processing operations organizational and reporting structure. However, the reporting structure has introduced additional barriers to aligning operations between functions. The plant manager is responsible for managing sorting operations and working with other functional groups; and the logistics reporting structure is responsible for setting transportation schedules and managing transportation operations. We found Richmond plant leadership was unable to make needed changes to transportation schedules to improve when mail arrives at the facility. Late arriving inbound mail hinders mail processing from meeting clearance and dispatch times. Headquarters and division management provide oversight and monitoring of the transportation operations, but these groups have not taken sufficient steps to assist the Richmond RPDC and improve its transportation performance. The continued decline in transportation metrics highlights the need for more robust assistance and attention to the Richmond RPDC logistics.

“Personnel at the Richmond RPDC are not always completing required “unload” and “load” scans needed to support operational planning and mail tracking.”

In our previous report, we recommended that the Postal Service align transportation schedules with operations and validate them with local management before launching RPDCs. In March 2024, management extended the review and validation period for schedules prior to RPDC implementation; yet this measure did not address the ongoing issues faced by the Richmond RPDC post activation. Further, management’s efforts to support local logistics in aligning transportation schedules have not improved performance compared to the key performance indicators levels noted in our last audit.

When the Postal Service cannot align transportation, stakeholders will question the likelihood that these changes will realize the goals established in the DFA plan. Successful and timely transportation are crucial for the Richmond RPDC and for its other processing and delivery operations partners, which directly affect USPS customers.

Recommendation #2

We recommend that the **Vice President, Logistics**, in coordination with the **South Atlantic Logistics Division Director**, develop and execute a comprehensive plan to improve the transportation performance at the Richmond Regional Processing and Distribution Center and monitor progress.

Postal Service Response

Management disagreed with the finding and recommendation 2. Management stated that it has made extensive efforts to properly align transportation schedules, including adjusting routes, implementing a yard visibility system, and communicating daily processing and transportation updates to facilities in the Richmond region. Management also stated that the extra trips were used to cover routes until it could hire Postal Service drivers. Further, management noted that the high number of cancelled trips were set up in the information system until they were filled by Postal Service drivers.

Regarding recommendation 2, management stated a comprehensive plan already exists and transportation performance is within normal operational ranges.

OIG Evaluation

While we recognize management has worked to align transportation in the Richmond region, as we noted in the finding, transportation performance metrics have significantly declined since our prior report. For example, one of the key metrics, Trips on Time, is well below the Postal Service’s goal, as well as past performance in the Richmond region. Regarding the extra trips, these emergency contracts were in place

before management completed the staffing and transportation evaluation in December 2023. Further, the high number of cancelled trips included contracted transportation where the Postal Service potentially incurs a cost.

Regarding recommendation 2, management's efforts to date have not improved performance at the Richmond RPDC. Fourteen months after launch, transportation performance continues to decline, indicating the current plan needs improvement and enhanced monitoring. We view the disagreement as unresolved and will work to pursue the recommendation further through the formal audit resolution process.

Finding #4: Scanning of Trailer Loads Not Conducted

Personnel at the Richmond RPDC are not always completing required “unload” and “load” scans needed to support operational planning and mail tracking. Specifically, logistics personnel conducted only 83.39 percent of the required scans, a five-percentage point decline from SPLY, and almost 12 percentage points below goals.

Dock operations, which include logistic and processing employees, are responsible for performing the following four required logistic scans:¹⁶

- Arrive: Performed when the trailer arrives at a facility.
- Unload: Records the unloading of a container from a trailer.
- Load: Records the loading of a container onto a trailer and helps calculate trailer utilization.
- Depart: Performed when the trailer is ready to leave for its destination.

Postal vehicle service drivers were responsible for most of the missed scans. Additionally, there was not

sufficient oversight of employee scanning by logistics and processing management as local management did not consistently review daily scan data or address missed scans with employees. See Table 6 for an overview of scanning compliance.

The DFA plan emphasizes enhancing product tracking as a key strategy for financial sustainability and service excellence. The plan aims to leverage technology to improve near real-time visibility and tracking of mail and packages for the Postal Service, its customers, and mailers. However, when scans are not completed, the Postal Service and its customers lose mail visibility, and downstream facilities lack accurate data on incoming mail volumes.

Recommendation #3

We recommend the **Vice President, Regional Processing Operations, Eastern**, in coordination with the **Vice President, Logistics**, work directly with Richmond Regional Processing and Distribution Center processing and logistics managers to develop and execute a plan to improve scanning compliance and monitor progress.

Table 6. Richmond RPDC Scanning Compliance

Scan Description	Completed	Missed Scans	Completed	Missed Scans
	12/3/2022 – 10/6/2023		12/2/2023 – 10/4/2024	
Arrive	99%	1%	99%	1%
Unload	87%	13%	79%	21%
Load	87%	13%	83%	17%
Depart	99%	1%	99%	1%
Average of All Scans	89%	11%	83%	17%

Source: OIG analysis of Surface Visibility scanning compliance.

¹⁶ National Performance Assessment Scanning Visibility Scorecard indicator.

Postal Service Response

Management generally agreed with the finding and recommendation 3, stating it will continue to work to promote scanning improvement at the Richmond RPDC. Management provided a target implementation date of September 15, 2025.

OIG Evaluation

The OIG considers management's comments partially responsive to recommendation 3. Management stated it will continue to promote scanning improvement; however, it did not provide a plan on how it will improve and monitor scanning compliance. We will keep this recommendation open until management provides this information.

Finding #5: Continued Challenges Integrating Operations

The Richmond RPDC is still experiencing issues integrating operations among the facilities in the region. During site visits, we found many of the same issues persisted since the prior audit. Specifically, we found:

- Collection mail often arrived late after sorting operations were completed.
- Collection mail was not properly placarded or separated, resulting in additional handling at the RPDC.
- Mail was left at the RPDC because dock personnel did not consolidate containers to ensure mail fit on outgoing trailers.
- The RPDC did not always complete processing operations on time, which delayed the mail.

See Figure 5 and Figure 6 for examples of operational issues observed at the Richmond RPDC.

Figure 5. Examples of Problems With Collection Mail Arriving at the RPDC

Late Arriving Collection Mail



Source: OIG photograph taken at the Richmond RPDC on October 2, 2024.

Poorly Separated Mail



Source: OIG photograph taken at the Richmond RPDC on October 1, 2024.

Poorly Placarded Mail Showing Only Packages



Source: OIG photograph taken at the Richmond RPDC on October 1, 2024.

Figure 6. Examples of Incomplete Dock and Processing Operations

Unprocessed Mail After Operations Ended



Source: OIG photograph taken at the Richmond RPDC on October 2, 2024.

Mail Still on Dock After Trailer Left



Source: OIG photograph taken at the Richmond RPDC on October 3, 2024.

Many of these issues were noted in our prior report, and we recommended management train personnel within the Richmond region to understand and perform their roles and responsibilities. Management provided this training in May 2024. Despite these actions, we found supervisors in the region were not correcting mail arrival and quality issues reported by management at the Richmond RPDC. Specifically, when mail arrives at a facility late or is not properly prepared, supervisors must note the issues in the Mail Arrival Quality/Plant Arrival Quality (MAQ/PAQ) application.¹⁷ We reviewed data in MAQ/PAQ and found that many reported issues were not addressed by management at facilities in the Richmond region. Specifically, since December 2, 2023, 38 of 89 (about 43 percent) reported issues in PAQ were not addressed. The issues reported included mail improperly placarded and not properly separated, which caused mail processing delays at the RPDC.

Postal Service Headquarters management stated it conducts daily calls with management of all facilities in the region to discuss issues with mail quality and arrival. In addition, it conducts daily Integrated Operating Plan Gemba Walks¹⁸ at the Richmond RPDC and sends notifications to managers at other facilities of quality issues identified with arriving mail. However, the resolution of these issues is not effectively communicated to the frontline supervisors responsible for ensuring mail quality and preparation are completed correctly.

Additionally, the Richmond RPDC did not always complete mail sorting operations by scheduled end times. Specifically, in FY 2024, the RPDC only completed sorting operations by scheduled clearance times¹⁹ about 72 percent of the time, well short of the Postal Service's 81.54 percent goal. The acting plant manager stated that not meeting clearance times was mainly due to late mail arrival at the RPDC. When mail arrives late, and sorting operations are not completed on time, it increases the risk mail will be delayed and not delivered on

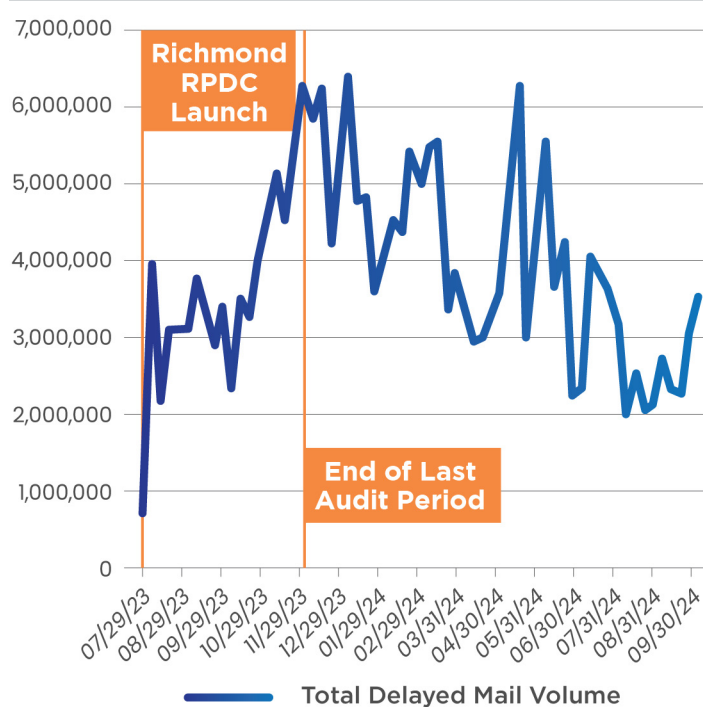
¹⁷ This is an online reporting tool for facilities to track, review, and address any issues with mail received from other facilities.

¹⁸ This is a lean management practice of assessing the current situation through direct observation and inquiry.

¹⁹ The latest time that a mail piece can pass through an operation to make the proper dispatch to the next operation or facility.

time. See Figure 7 for weekly delayed mail volume at the Richmond RPDC since launch.

Figure 7. Weekly Delayed Mail Volume Since RPDC Launch



Source: OIG analysis of delayed volume in Informed Visibility.

When facilities do not follow the integrated operating plan, it increases the risk that mail will be delayed. Failure to meet clearance times negatively impacts the consistent and timely dispatch of mail to the next operation or facility. Until facilities in the Richmond region follow the operating plan, the RPDC will continue to face challenges improving service performance.

Recommendation #4

We recommend the **Vice President, Regional Processing Operations, Eastern**, in coordination with the **Vice President, Retail and Post Office Operations**, improve communication of integrated operating plan deficiencies in the Richmond region to the frontline supervisors responsible for ensuring compliance.

Recommendation #5

We recommend the **Vice President, Retail and Post Office Operations**, direct the Virginia District Integrated Operation Plan Coordinator to monitor and act on issues not addressed in the Mail Arrival Quality/Plant Arrival Quality application.

Postal Service Response

Management generally agreed with the finding and recommendations 4 and 5.

Regarding recommendation 4, management stated the Virginia District Manager will continue daily meetings with the Richmond RPDC to discuss MAQ/PAQ cases. Further, management stated it will review PAQ cases daily with the Integrated Operating Plan team to ensure local management addresses them within 48 business hours. Management provided a target implementation date of April 25, 2025.

Regarding recommendation 5, management stated the Virginia District Integrated Operating Plan team will monitor other information systems to identify processing and transportation issues, compare them to the MAQ/PAQ application, and resolve any variances. Management provided a target implementation date of February 28, 2025.

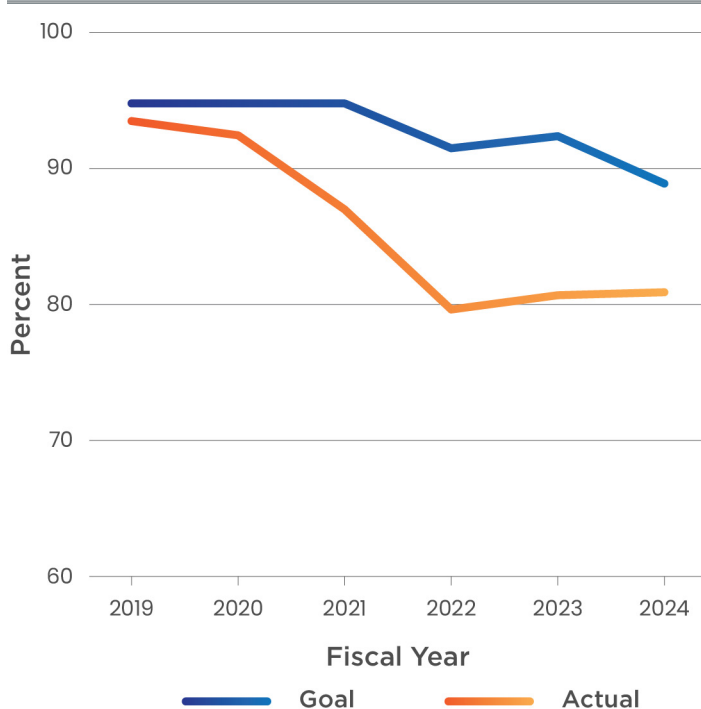
OIG Evaluation

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

Finding #6: Employee Availability Challenges Continue

The Richmond RPDC continues to experience issues with employee availability. On average about 19 percent of people scheduled to work, do not show up. This shortfall equates to about 123 career employee absences on any given day. For FY 2024, the Richmond facility was eight percentage points below the national goal and ranked in the bottom tenth percentile for processing plant employee availability nationwide (243 out of 264). Most of the unscheduled absenteeism was due to leave without pay,²⁰ absence without leave,²¹ and sick leave. See Figure 8 for a trend of employee availability at the Richmond RPDC.

Figure 8. Employee Availability



Source: OIG analysis of Time and Attendance Collection System data.

We noted employee availability was an issue in our prior audit. However, we did not make recommendations to address this, as several other reports²² provided recommendations on efforts

to increase employee availability and decrease unscheduled leave nationwide.

Employee availability was an issue at the facility before it was converted to an RPDC; therefore, we do not consider the conversion from a P&DC to an RPDC to be the underlying issue. Rather, local management attributes the low employee availability levels to a poor work culture and the lack of discipline enabled by plant management. Employees were not concerned about the consequences, as managers were not following policy in implementing actions for unscheduled absenteeism. Employee availability improved slightly during quarter 4 of FY 2024 when the current acting plant manager reiterated Postal Service disciplinary policy and held managers and supervisors accountable for the accurate recording of absences and discipline enforcement.

Low employee availability impacts operations and results in higher operational costs due to increased overtime needed to cover absent employees. Additionally, supervision is less effective as supervisors are forced to perform craft tasks rather than their own to meet operational demands. During our audit we found:

- Processing operations running without sufficient staff.
- Extensive use of overtime to staff operations.
- Supervisory personnel performing craft tasks to accomplish the mission.

We consider the recent actions by the acting plant manager to be a step in the right direction; however, the improvements are at risk without stable and consistent plant leadership as noted in [Finding 1](#).

²⁰ Leave without pay is an authorized absence from duty in a nonpay status, may be granted upon the employee's request, and covers only those hours that the employee would normally be paid.

²¹ Absence without leave is a nonpay status resulting from a determination that no kind of leave (including leave without pay) can be granted, either because the employee did not obtain advance authorization for the absence or the employee's request for leave was denied.

²² U.S. Postal Service's Processing Network Optimization and Service Impacts ([Report Number 19XG013NO000](#), dated June 16, 2020) and *Unscheduled Leave – Absence Without Leave (AWOL) Status* ([Report Number 21-140-R22](#), dated January 7, 2022).

Recommendation #6

We recommend the **Vice President, Regional Processing Operations, Eastern**, direct the Richmond Regional Processing and Distribution Center plant manager to enforce Postal Service attendance policy. In addition, monitor the progress and actions taken to address attendance.

Postal Service Response

Management generally agreed with the finding and recommendation 6, stating it had reissued instructions to the leadership team at the Richmond RPDC and will continue to monitor progress weekly. Management provided a target implementation date of September 15, 2025.

OIG Evaluation

The OIG considers management's comments responsive to recommendation 6, and corrective actions should resolve the issues identified in the report.

Looking Forward

While service performance scores have not returned to levels prior to launch, the Postal Service has stabilized operations and performance in the region is in line with nationwide averages. Management expects scores to improve as more nationwide network changes and DFA initiatives are completed. We are conducting a nationwide audit on First-Class and Priority Mail service performance to identify common causes for service failures.²³ As the Postal Service implements RPDCs, it will be important to create leadership stability and align transportation and operations to attain expected service performance and cost savings.

²³ *Delivering for America – First-Class and Priority Mail Service Performance Update* (Project Number 25-028).

Appendices

Appendix A: Additional Information	22
Scope and Methodology	22
Prior Audit Coverage	23
Appendix B: Management’s Comments	24

Appendix A: Additional Information

Scope and Methodology

The team evaluated mail processing operations in the Richmond, VA, region from December 2, 2023, through September 30, 2024.

To accomplish our objective, we:

- Reviewed policies, procedures, manuals, and training materials to gain an understanding of how the Postal Service planned to operate, manage, monitor, and oversee operations in the RPDC.
- Interviewed Postal Service management to gain an understanding of management responsibilities, metrics for success, and the internal control environment.
- Reviewed and analyzed staffing workhours and overtime from eFlash, Workforce, and the Time and Attendance Collection Systems.
- Reviewed and analyzed service performance data from Informed Visibility.
- Reviewed and compared savings forecast from the Decision Analysis Report with cost data from ADM in the Enterprise Data Warehouse.
- Visited the Richmond RPDC in October and December of 2024 to observe collections, processing, and dispatch operations; and interviewed processing facility management and personnel to discuss operations, service performance, and actions taken since our last report.

We conducted this performance audit from September 2024 through January 2025 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained

provides a reasonable basis for our findings and conclusions based on our audit objectives. We discussed our observations and conclusions with management on December 23, 2024, and included their comments where appropriate.

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

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

We developed audit work to ensure that we assessed these controls. Based on the work performed, we identified internal control deficiencies related to control environment, 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 ADM in the Enterprise Data Warehouse, Informed Visibility, Surface Visibility, Time and Attendance Collection System, Transportation Contracting Support System, Web End of Run and Workforce. We assessed the reliability of this data by interviewing Postal Service officials knowledgeable about the data and performing tests for completeness, reasonableness, accuracy, and validity. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
<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	3/28/2024	\$8,084,775
<i>Impacts Associated with Implementation of Local Transportation Optimization in Richmond, Virginia</i>	To determine impacts associated with the Postal Service's new Local Transportation Optimization initiative in Richmond, VA.	23-161-1-R24	4/12/2024	\$0
<i>Election Mail Readiness for the 2024 General Election</i>	To evaluate the Postal Service's readiness for the timely processing and delivery of Election and Political Mail for the 2024 general election.	24-016-R24	7/30/2024	\$0
<i>Service Performance During the FY 2024 Peak mailing Season</i>	To evaluate the Postal Service's performance during the fiscal year (FY) 2024 peak season and the implementation of its peak season preparedness plan.	24-050-R24	8/26/2024	\$0
<i>Late and Extra Trips at the Richmond, VA, Processing and Distribution Center</i>	To assess the causes for late and extra trips from the Richmond, VA, Processing & Distribution Center to delivery units.	21-029-R21	1/11/2021	\$0
<i>Improving Service Performance and Mail Processing Efficiencies at Historically Low Performing Facilities</i>	To evaluate service performance and processing efficiencies at 10 low performing mail processing facilities and determine potential areas for improvement.	21-243-R22	8/8/2022	\$82.4

Appendix B: Management's Comments



Date: January 14, 2025

JOHN CIHOTA
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: Network Changes – Progress on Improvements
at Richmond, VA Processing and Distribution Center (24-152-DRAFT)

Thank you for providing the Postal Service an opportunity to review and comment on the findings contained in the draft audit report titled: Network Changes – Progress on Improvements at Richmond, VA Processing and Distribution Center.

Included below are our comments regarding the findings:

Finding 1: Postal Service Management generally agrees with this finding. Management has achieved savings from labor workhours, transportation, and leased annexes. Overall, we are ahead of the total expected savings. Mail processing labor and transportation contract savings have exceeded the expected savings but maintenance has not reached its savings projection. Currently we are above authorized maintenance complement. We will reconcile the FY22 estimate and where we are currently to evaluate next steps.

Finding 2: Postal Service Management generally agrees with this finding. Management continues to work towards finalizing staffing for the permanent leadership team. Management remains committed to identifying the right team for the Richmond RPDC and has recently staffed a permanent plant manager. The report overattributes operational challenges to lack of permanent leadership. Having temporary leadership positions allows HQ leadership to identify the most qualified candidates for long-term operational success. At the same time, actions were taken to improve and sustain operations (e.g., appointed an experienced plant manager from another processing facility as a temporary assignment, established on-site support from HQ with additional resources and operational expertise focused on remediating First-Class Mail operations).

Finding 3: Postal Service Management disagrees with this finding. Extensive efforts have been made to properly align transportation schedules. Efforts include but are not limited to: Conducted office-by-office reviews of parent-child mapping to improve enterprise data accuracy on transportation setups and prevent mis-mapping. Implemented coordination calls between facilities in the Richmond region to communicate processing and transportation updates throughout the day. Adjusted transportation routes per feedback from the Integrated Operating Plan Team. Implemented a yard visibility system that was fully operational in August 2024. Ongoing daily meetings between Processing, Logistics, and Customer Service to discuss IOP issues. In reference to the 1,027 extra trips these were not extra trips. The SV system considers emergency contracts (230BT & 232AU) as extras however all these trips were scheduled to cover

routes while hiring to complement following a Zero Base in Dec 2023. In addition, the cancelled trips were the future Postal routes the emergency contractors were covering. In order follow the contractual commitment with the union to bid on the future routes the Postal trips had to be active in SV even though we were running the routes with the Emergency Contract thus the high cancellations. In summary, the SV system designates Emergency Contracts as extras however the routes were only run by Emergency Contracts (not true extras) and the cancel is a system issue when filling positions must be active however not running with Postal assets yet.

Finding 4: Postal Service Management generally agrees with this finding. The average Richmond scanning performance across all operations was 87.7% for the period from 09/14/2024 to 11/15/2024. Processing and Logistics are working to improve scanning accuracy and consistency (e.g., increasing expeditor supervision on the docks, issue raising on daily operational calls). Richmond is within ~4% of the national average (92%).

Finding 5: Postal Service Management generally agrees with this finding. Examples of ongoing efforts include but are not limited to: Processing Operations will continue to partner with logistics to identify and provide Customer Service/Delivery feedback on late arriving (Non-LTO) collection trips. Noncompliant offices will be notified via the MAQ/PAQ IOP tool and daily touchpoints will be used to communicate these discrepancies. Processing operation will review and audit collection RDC separations and provide feedback to delivery on non-compliance. Mail Processing and Logistics will continue to complete the daily joint all clear walk through of platform operations for both network and local dispatches. Division leadership will continue to ensure that the facility is meeting operating plan milestones daily and will review with plant leadership.

Finding 6: Postal Service Management generally agrees with this finding. Management has established a system for weekly attendance reviews to track employee attendance trends and identify absenteeism. These reviews help pinpoint critical staffing gaps and facilitate intervention. Disciplinary actions related to attendance are now reported weekly to the Division Director and Chief Processing and Distribution Officer. This increases accountability and transparency while aligning disciplinary measures with organizational policies.

The following are our comments to the recommendations:

Recommendation 1: We recommend that the Vice President, Regional Processing Operations, Eastern, execute the plan to permanently staff senior leadership positions.

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

Management is strategically working to staff the right team at the Richmond RPDC and has filled two of the leadership roles mentioned in the audit and the other position mentioned is scheduled to be re-posted this month.

Target Implementation Date: March 30, 2025

Responsible Official:

Sr. Division Director, South Atlantic Processing

Recommendation 2: We recommend that the Vice President, Logistics, in coordination with the South Atlantic Logistics Division Director, develop and execute a comprehensive plan to improve the transportation performance at the Richmond Regional Processing and Distribution Center and monitor progress.

Management Response/Action Plan:

Management **disagrees** with this recommendation. A comprehensive plan already exists. Transportation performance is within normal operational ranges and challenges are actively addressed.

Target Implementation Date: N/A

Responsible Official: N/A

Recommendation 3: We recommend the Vice President, Regional Processing Operations, Eastern, in coordination with the Vice President, Logistics, work directly with Richmond Regional Processing and Distribution Center processing and logistics managers to develop and execute a plan to improve scanning compliance and monitor progress.

Management Response/Action Plan:

Management **agrees** with this recommendation and will continue to work to promote scanning improvement at the Richmond Regional Processing and Distribution Center.

Target Implementation Date: September 15, 2025

Responsible Official:

South Atlantic Logistics Division Director & Sr. Division Director, South Atlantic Processing Division

Recommendation 4: We recommend the Vice President, Regional Processing Operations, Eastern, in coordination with the Vice President, Retail and Post Office Operations, improve communication of integrated operating plan deficiencies in the Richmond region to the frontline supervisors responsible for ensuring compliance.

Management Response/Action Plan:

Management agrees with this recommendation. The Virginia District Manager will ensure that the daily meetings with the Richmond RPDC & S&DC will continue and the open MAQ / PAQ cases are discussed daily. Working in partnership with the IOP team, there will be daily review of the PAQ cases to ensure that all are addressed by local management and closed within the 48 business hour timeframe.

Target Implementation Date: April 25, 2025

Responsible Official:

District Manager, Virginia District

Recommendation 5: We recommend the Vice President, Retail and Post Office Operations, direct the Virginia District Integrated Operation Plan Coordinator to monitor and act on issues not addressed in the Mail Arrival Quality/Plant Arrival Quality application.

Management Response/Action Plan:

Management **agrees** with this recommendation. HQ IOP will direct the Virginia District IOP to monitor WEBEOR/IV Program Data Bases and the SV Application to identify any processing issues and/or late trip instances and compare against the Mail Arrival Quality/Plant Arrival Quality application. Instructions will include direction to escalate variances to the appropriate Manager, Post Office Operations to ensure Mail Quality occurrences are resolved timely.

Target Implementation Date: 02/28/25

Responsible Official:

Director, Integrated Operations Processing & Logistics

Recommendation 6: We recommend the Vice President, Regional Processing Operations, Eastern, direct the Richmond Regional Processing and Distribution Center plant manager to enforce Postal Service attendance policy. In addition, monitor the progress and actions taken to address attendance.

Management Response/Action Plan:

Management **agrees** with this recommendation. Management has reissued instructions to the leadership team at the Richmond Regional Processing and Distribution Center and additionally will monitor progress weekly as we have been doing.

Target Implementation Date: September 15, 2025

Responsible Official:

Sr. Division Director, South Atlantic Processing



E-SIGNED by Todd.S Hawkins
on 2025-01-14 14:24:49 EST

Todd Hawkins
Vice President, Regional Processing Operations, Eastern



E-SIGNED by ROBERT CINTRON
on 2025-01-14 13:06:47 EST

Robert Cintron
Vice President, Logistics



E-SIGNED by RAJINDER SANGHERA
on 2025-01-14 15:59:26 EST

Raj Sanghera
Vice President, Retail and Post Office Operations

cc: Corporate Audit Response Management

OFFICE OF INSPECTOR GENERAL UNITED STATES POSTAL SERVICE



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