

# Effectiveness of the New Regional Processing and Distribution Center in Portland, OR

## AUDIT REPORT

Report Number 24-071-R24 | September 19, 2024



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# Highlights

## Background

The U.S. Postal Service is redesigning its network with the goal of creating a best-in-class mail and package processing network as part of its 10-year strategic Delivering for America plan. The Postal Service plans to invest \$40 billion to create a modernized network based around Regional Processing and Distribution Centers (RPDC), Local Processing Centers, and Sorting and Delivery Centers. The Postal Service plans to create about 60 RPDCs to consolidate mail processing operations with fewer points in the processing and transportation networks. The Portland RPDC is one of the first RPDCs in the network.

## What We Did

Our objective was to assess the operational impacts related to the launch of the RPDC and identify successes, opportunities, and lessons learned. We conducted observations of the Portland RPDC and surrounding mail processing facilities from March through June 2024.

## What We Found

The Postal service implemented several lessons learned from a prior RPDC conversion, such as administering the conversion in phases, including personnel and stakeholders in planning and implementation, and ensuring adequate staffing for key positions. However, we also identified opportunities for the Postal Service to improve performance in the region and during implementation of future RPDCs. Specifically, (1) the Integrated Operating Plans (IOPs) did not align processing, logistics, and delivery operations; (2) management did not adhere to the planned layout after the RPDC implementation date; and (3) transportation schedules did not support local needs. Service performance was managed effectively throughout the implementation and generally only minimal negative service impacts were felt for most products. However, Express Mail remained consistently and significantly below target before and after implementation.

## Recommendations and Management's Comments

We made three recommendations to address the issues identified in the report, to include communicating and documenting the IOPs, documenting lessons learned regarding miscommunication of unplanned changes to the facility layout, and completing a review to align transportation schedules at the RPDC. Management agreed with all three recommendations, and its comments and our evaluation are at the end of each finding and recommendation. The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to the recommendations, and corrective actions should resolve the issues identified in the report. See [Appendix B](#) for management's comments in their entirety.

# Transmittal Letter



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

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September 19, 2024

**MEMORANDUM FOR:** DANE COLEMAN  
VICE PRESIDENT, PROCESSING AND MAINTENANCE OPERATIONS

ELVIN MERCADO  
VICE PRESIDENT, RETAIL AND POST OFFICE OPERATIONS

ROBERT CINTRON  
VICE PRESIDENT, LOGISTICS

BRIAN C. GAINES  
PACIFIC NORTHWEST DIVISION DIRECTOR, PROCESSING  
OPERATIONS

*Mary K. Lloyd*

**FROM:** Mary Lloyd  
Deputy Assistant Inspector General  
for Mission Operations

**SUBJECT:** Audit Report – The Effectiveness of the New Regional Processing and  
Distribution Center in Portland, OR (Report Number 24-071-R24)

This report presents the results of our audit of The Effectiveness of the New Regional Processing and Distribution Center in Portland, OR.

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, 2, and 3 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 courtesies provided by your staff. If you have any questions or need additional information, please contact Laura Roberts, Director, Transportation Directorate, or me at 703-248-2100.

Attachment

cc: Corporate Audit Response Management  
Postmaster General  
Secretary of the Board of Governors

# Results

## Introduction/Objective

This report presents the results of our self-initiated audit of the Effectiveness of the New Regional Processing and Distribution Center (RPDC) in Portland, OR (Project Number 24-071). Our objective was to assess the operational impacts related to the launch of the RPDC and identify successes, opportunities, and lessons learned. See [Appendix A](#) for additional information about this audit.

## Background

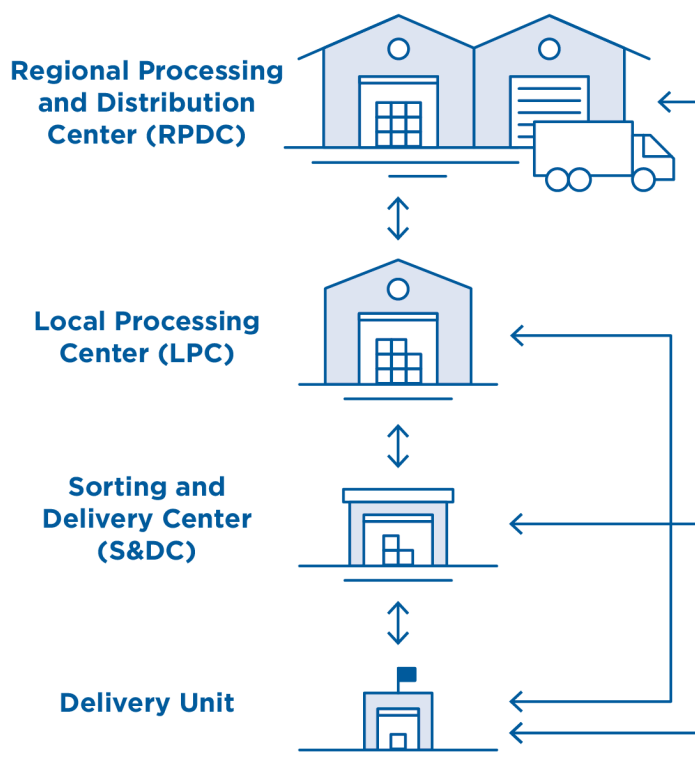
As part of its 10-year strategic Delivering for America plan, the U.S. Postal Service is redesigning its processing network with the goal of creating a best-in-class mail and package processing network. The Postal Service plans to invest \$40 billion to create a modernized network based around RPDCs, local processing centers (LPC),<sup>1</sup> and sorting and delivery centers (S&DC).<sup>2</sup> The Postal Service plans to create about 60 RPDCs to consolidate mail processing operations with fewer points in the processing and transportation networks. The Portland RPDC is one of the first RPDCs in the network.

“On July 11, 2023, the Postal Service approved about \$34.3 million to convert the 800,000 square foot Portland, OR, P&DC into one of the first RPDCs.”

RPDCs are multi-purpose distribution centers with common designs, layouts, and processing equipment. Each RPDC will process mail and packages originating in its service area and have one or more associated LPCs to sort letters and flats for mail carriers (see Figure 1). The goal of an RPDC is to

merge mail processing into a central facility within a region to reduce transportation costs and improve service reliability.

**Figure 1. Mail Flow of Future Network**



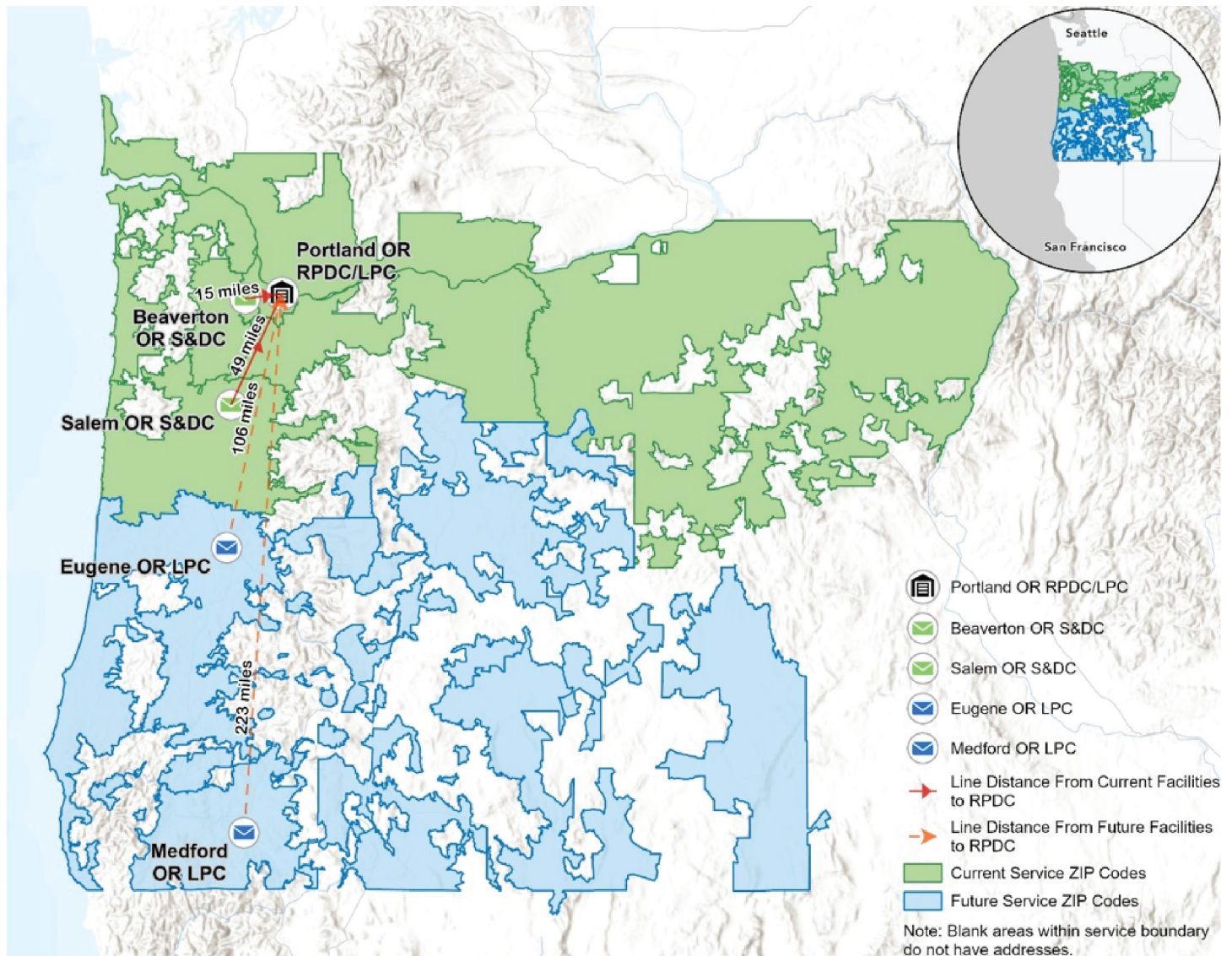
Source: U.S. Postal Service Delivering for America: Second-Year Progress Report, dated April 2023.

On July 11, 2023, the Postal Service approved about \$34.3 million to convert the 800,000 square foot Portland, OR, Processing and Distribution Center (P&DC) into one of the first RPDCs. The Portland RPDC entered the implementation planning stage in November 2023. Mail processing operations were moved from the Eugene and Medford P&DCs to the Portland RPDC on February 24, 2024. With these changes, the Eugene and Medford facilities became LPCs, while facilities in Salem and Beaverton were converted to S&DCs on February 24, 2024, and June 1, 2024, respectively (see [Figure 2](#)).

<sup>1</sup> LPCs consolidate mail originating in its region and send it to the RPDC for sorting.

<sup>2</sup> An S&DC consolidates multiple delivery units and package sortation operations into one centrally located facility.

**Figure 2. Service Areas Covered by the Portland RPDC**



Source: U.S. Postal Service Office of Inspector General (OIG) map based on USPS RPDC design documentation.

An LPC was also established at the Portland RPDC facility. In March 2024, additional changes were made to enhance processing capability and increase the amount of package sortation. Additionally, the contracted Terminal Handling Service<sup>3</sup> (THS) facility in Portland was consolidated into the Portland RPDC on June 24, 2024.

According to the Decision Analysis Report,<sup>4</sup> the conversion of the Portland P&DC to an RPDC, and

the Eugene and Medford P&DCs to LPCs, along with incorporation of operations currently performed at the THS facility, are expected to result in \$17.6 million in annual savings, including optimization of transportation costs and optimization of labor hours for maintenance and mail processing. These savings also include sort plan and operating plan changes, and activation of the Local Transportation Optimization<sup>5</sup> initiative in the Portland area.

<sup>3</sup> Providers that are responsible for the hand-off of mail between USPS and air carriers.

<sup>4</sup> Ensures Postal Service investments are properly documented and reviewed.

<sup>5</sup> The initiative is designed to reduce the overall number of transportation trips to and from select Post Offices and increase the amount of mail transported on each trip. In this new initiative, the Postal Service will no longer transport mail collected at select delivery units to the Portland RPDC the same day it is collected. Rather, the mail will remain at the unit until the next day, delaying its entry into sorting operations.



## Findings Summary

The Postal Service implemented several lessons learned and faced some challenges during the Portland RPDC conversion. Service performance was managed effectively throughout the implementation and generally only minimal negative service impacts were felt for most products. However, Express Mail remained consistently and significantly below target before and after implementation. We identified that the lack of updated Integrated Operating Plans (IOPs) contributed to delays in processing and transporting mail. In addition, Postal Service management did not adhere to the planned layout after the RPDC implementation date. Further, the Postal Service did not adequately plan and establish transportation schedules to support local needs and operations at the Portland RPDC.

# Finding #1: Lessons Learned from the Portland RPDC Launch

We conducted site visits at the Portland RPDC, the Eugene and Medford LPCs, and the Salem and Beaverton S&DCs in April and June 2024 and reviewed the first four months of operations after the launch, from February through June. During our site visits, we identified successfully implemented lessons learned and challenges to the initial rollout. We also interviewed Postal Service Headquarters management and obtained lessons learned identified by the Postal Service.

## Postal Service RPDC Launch

The Postal Service increased collaboration with internal and external stakeholders from the Richmond RPDC launch,<sup>6</sup> allowing for minimal impact to the local mailers' operations and fewer changes to the facility layout prior to launching the Portland RPDC. The following lessons learned from the Richmond RPDC launch were implemented:

### Staffing of Key Postal Service Positions

During our review of the Portland RPDC, we found staffing was sufficient to effectively perform mail processing and transportation operations. There was no significant turnover or reduction in workforce. Specifically, the mail processing and logistics management teams were adequately staffed. In addition, there were no career layoffs for the Eugene and Medford P&DCs.

### Conducting Mail Processing Facility Reviews (MPFR)

The Postal Service approved a Decision Analysis Report Business Case on May 23, 2023, to convert the Portland, OR, P&DC to an RPDC before proceeding with the MPFR for the Eugene and Medford P&DCs. An MPFR is conducted when all originating or destinating mail distribution operations are consolidated from

one facility to another.<sup>7</sup> An MPFR also reviews the service standard impacts for all classes of mail, considers issues that customers may encounter, identifies impacts to staffing, and analyzes the savings and costs associated with moving mail processing operations. As part of the MPFR process, the Postal Service must communicate these impacts to its stakeholders, hold a public input meeting, and allow submission of written comments. After the meeting, the Postal Service must take any resulting input into account before making a final decision.

The Decision Analysis Report proposed to update the mail processing and logistics environment and accommodate the increase in package growth. The Postal Service conducted two MPFRs, for the Eugene and Medford P&DCs, in accordance with Handbook PO-408 Mail Processing Facility Review. This provided public notice or request for input as required by law<sup>8</sup> before modernizing the Medford and Eugene P&DCs as LPCs with simplified processes and standardized layouts. Further, both facilities will remain open and there will be no changes to the service standards or collection box times.

The Salem Processing & Distribution Facility (P&DF) mail processing operations were moved to the Portland P&DC in July 2013, prior to the implementation of the MPFR process. The process at that time was to conduct an Area Mail Processing<sup>9</sup> (AMP) review and a six-month Post-Implementation Review. The Postal Service completed both, as required.<sup>10</sup> The Beaverton facility<sup>11</sup> was a carrier unit prior to becoming an S&DC; therefore, no processing operations were moved and an MPFR was not required. See [Table 1](#) for a summary of these processing changes.

<sup>6</sup> *Effectiveness of the New Regional Processing and Distribution Center in Richmond, VA*, Report Number 23-161-R24.

<sup>7</sup> Handbook PO-408, *Mail Processing Facility Review*, dated July 2023.

<sup>8</sup> Establishment of Modern Service Standards, Title 39 USC 3691.

<sup>9</sup> The AMP transferred originating and destinating mail to Portland P&DC in June 2013. The facility remained a transportation hub to support consolidation of collection and distribution mail.

<sup>10</sup> Handbook PO-408, *Area Mail Processing Guidelines*, dated March 2008.

<sup>11</sup> Previously known as Evergreen Detached Carrier Unit.



Table 1. Summary of Processing Facilities Consolidated into the Portland RPDC

Facility Name	Consolidated all Originating and/or Destinating Operations	Conducted MPFR/AMP	Future/Current Operations of Facility
Eugene P&DC	Yes	Yes	LPC
Medford P&DC	Yes	Yes	LPC
Salem P&DF	Yes	Yes	S&DC
Beaverton Carrier Unit	No	N/A	S&DC

Source: OIG analysis of processing changes in Portland region.

Phasing in Operations

Postal Service Headquarters authorized the RPDC management to implement the conversion in phases before the implementation date of February 24, 2024. For example, the RPDC began incorporating the Eugene LPC’s processing operations and mail volume in July 2023 – seven months before the official implementation date. The RPDC later incorporated the Medford LPC processing and mail volume at the implementation date. According to Portland management officials, this approach prevented RPDC personnel from being overwhelmed by the increased volume all at once.

Coordination With Local Mailers

RPDC management coordinated with local mailers to adjust to changes resulting from the RPDC implementation. Specifically, local mailers<sup>12</sup> stated that RPDC management gave notice of operational changes 30 days before implementation, which helped them adjust to new procedures. In addition, the Portland RPDC management allowed mailers to prepare and mail drop shipments at the previous drop location<sup>13</sup> until RPDC operations started at the new location on February 24, 2024. The mailers stated that as

“While the Postal Service had successes, management also identified several lessons learned.”

a result, there were no major problems in adjusting to the implementation.

Collaboration in Design Decisions

Local and division management had input in proposed design changes to the facility. Specifically, the initial floor plan included movement of numerous machines to different locations in the plant. However, experienced local personnel communicated that moving the equipment would also require the realignment of numerous wires and electrical parts. As a result, the final design reduced the movement of machines to different locations as much as possible. We observed the inbound and outbound mail effectively moving between processing machines and the dock, with the dispatch dock being mostly clear and orderly.

Postal Service Lessons Learned from RPDC Launch

While the Postal Service had successes, management also identified several lessons learned. Specifically, management completed a post implementation review 30 days after launch and identified the following as challenges when implementing the Portland RPDC:

- Management did not manage changes to non-machinable sortation and dispatch times.
- Management did not manage changes and updates to Mail Transport Equipment Labeler (MTEL)<sup>14</sup> placards and transportation schedules.
- Management did not effectively coordinate or communicate RPDC changes across Mail

<sup>12</sup> On April 23, 2024, OIG met with eight mailers to discuss their experience on the Portland RPDC conversion.  
<sup>13</sup> The previous drop shipment location for the Portland P&DC was the Portland Post Office at 715 NW Hoyt Street.  
<sup>14</sup> MTEL supports Surface Visibility, which gathers real-time information on the movement of USPS assets through the postal surface network by providing scannable barcodes for mail containers.

Processing, Logistics, and Delivery through cross-component meetings. Despite validating downstream relationships between post offices, changes in package sorting and delivery were not communicated to all post offices.

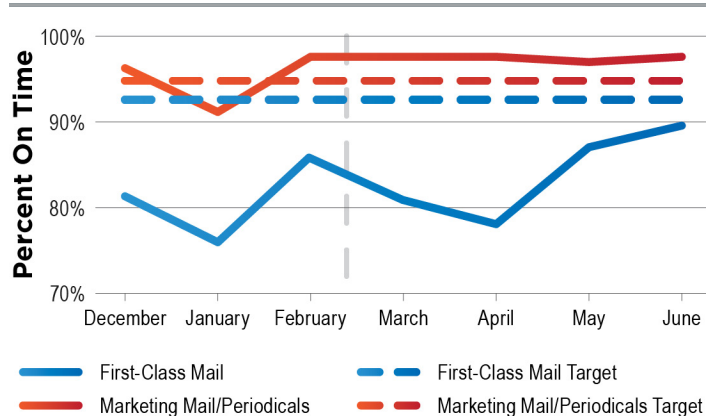
- Management did not plan transportation schedules well ahead of the RPDC launch.

While these challenges had been previously identified as lessons learned from the prior RPDC launch, management stated they developed plans to address these issues and will work to avoid a repeat of these challenges during the launch of future RPDCs.

### Initial Service Performance Impacts

Service was minimally impacted after launch of the RPDC for most classes and as of June 2024, service levels were at or near levels before implementation. Marketing Mail and Periodicals continued to exceed its target goal of 94.26 percent in the first few months of operations during conversion. First-Class Mail did not meet its target goal of 92.5 percent before implementation. This product declined slightly in the first few months after implementation before trending upward beginning in April 2024. See Figure 3 for market dominant<sup>15</sup> service performance for Portland RPDC.

**Figure 3. Percent of First-Class Mail, Marketing Mail, and Periodicals On Time for the Portland RPDC**



Source: OIG analysis of Informed Visibility data from December 2023 through June 2024.

<sup>15</sup> Consists of First-Class Mail service.

<sup>16</sup> Priority Mail Express service.

In contrast, the Express Mail remained consistently and significantly below target before and after implementation. While service improved to pre-implementation levels, results continued to stay below its target goal of [REDACTED]. See Figure 4 for competitive product<sup>16</sup> service performance, including Express Mail, Priority, and Ground Advantage package services.

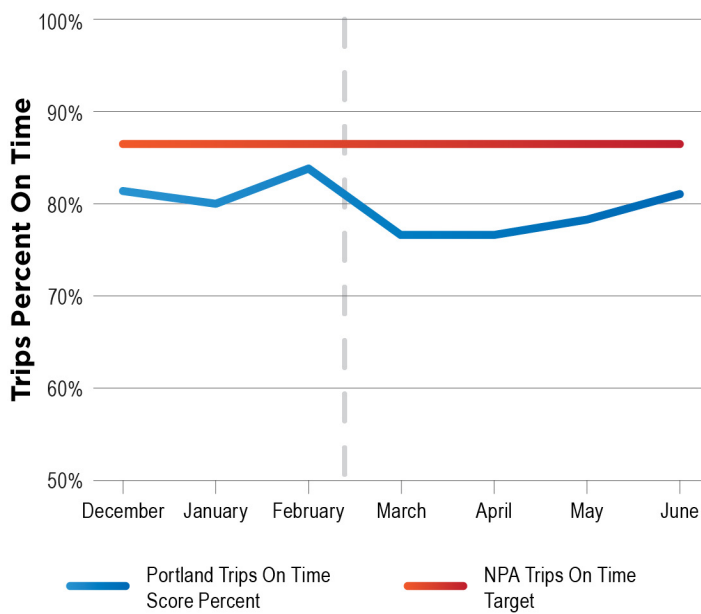
**Figure 4. Percent of Packages On Time for the Portland RPDC**



Source: OIG analysis of Informed Visibility data from December 2023 through June 2024.

With regard to transportation, trips leaving at their scheduled dispatch time from Portland decreased overall from December 2023 through April 2024 before rebounding, although they remained below the Postal Service's target of 86.47 percent post-implementation (see Figure 5).

**Figure 5. Trips On Time Originating From Portland RPDC**



Source: OIG Analysis of Surface Visibility data for December 2023 through June 2024.

#### Prior RPDC Launches and Assessments

We recently completed an audit of the new RPDC in Richmond, VA and similarly recommended that the Postal Service “continue to document the issues identified and actions taken to address issues in post implementation reviews of RPDC conversions, and

use the cumulative lessons learned when activating future RPDCs.” The Postal Service agreed with that recommendation and provided evidence that they are conducting this type of review after the launch of RPDCs. While the Portland RPDC management took steps to ease implementation, there is still room for improvement in building on lessons learned and applying corrective actions when activating future RPDCs. Management stated they developed plans to address these issues found in Portland and will work to avoid a repeat of these challenges during the launch of future RPDCs. Therefore, we are not making a recommendation but will continue to monitor the Postal Service’s network changes and implementation at future RPDCs.

#### Postal Service Response

Management agreed with finding 1 stating that the Postal Service plans to add additional lessons learned from the Portland RPDC launch and apply them to future RPDCs.

#### OIG Evaluation

The OIG considers management’s comments responsive to finding 1, and no actions need to be taken at this time.



## Finding #2: Lack of Updated Integrated Operating Plans

Supporting facilities were not aligned with processing operations. When mail from post offices or S&DCs arrive at or near the last scheduled dispatch time, that mail is processed but it does not make its departure time. During our April and June 2024 site visits, we also found 49 containers of delayed mail containing one-day service Priority Mail. See Figure 6. Some of this mail was for delivery units that are part of the Local Transportation Optimization<sup>17</sup> initiative. For example:

- During our April 2024 site visit, we observed 6 containers staged at the docks that included one day old mail. The mailpieces were left on the dock because they were not processed on time and were staged at the dock past the scheduled transportation, so it sat on the dock until it was transported the next day.
- On three consecutive occurrences during our June 2024 site visit, we observed 3 containers not staged at the docks. The mailpieces were still being processed while the drivers were waiting for these to be staged and loaded to the trailers. The drivers had already left when the mailpieces were finally staged at the docks. We also observed several drivers requesting guidance to depart on time without their scheduled cargo because the mailpieces had not been staged at the dock.

Prior to the RPDC implementation, headquarters and local management held a meeting to determine the scheduled arrival and departure times for every office within the Portland service area. However, not all key participants attended the meeting, such as the plant manager. Further, management could not provide evidence that the schedules were updated in the system of record for maintaining the IOP agreements. During our audit, local plant management was not aware of the IOP agreements and could not provide the OIG documented concurrence demonstrating an understanding and agreement with the changes to the schedules prior to the RPDC implementation. Headquarters management provided some agreements from the system of record; however, not all of them were signed and none were updated prior to the launch of the RPDC.

“During our April and June 2024 site visits, we also found 49 containers of delayed mail containing one-day service Priority Mail.”

Figure 6. Delayed Mail



Source: OIG pictures taken on April 9 and June 6, 2024.

<sup>17</sup> Local Transportation Optimization is designed to reduce the overall number of transportation trips to and from select Post Offices to once a day and increase the amount of mail transported on each trip.

Postal Service Policy<sup>18</sup> states that the IOP is a management-based process used to align mail processing, logistics, and delivery operations, and provides for stable levels of mail product and quality across all operations to successfully process, transport and deliver all mail. An IOP uses mail product, volume and dispatch arrival data to identify and agree on dispatch times and the necessary product levels; thereby ensuring carrier leave and return times, consistent collection mail prep, processing and dispatch. The RPDC management and staff continued to rely on Run Plan Generator<sup>19</sup> reports, which do not align processing operations and transportation schedules, specifically dispatch times.

When mail is not taken from processing areas to the docks in time for dispatch to delivery units, delays and service failures may occur. It may also adversely affect customers, harm the brand, send mailers to competitors, increase operating costs, and cause a loss of revenue. Additionally, Managers of Distribution Operations<sup>20</sup> stated that they consistently approved overtime for automation employees to get caught up with the mail that arrives near the last departure time. This resulted in an increase of approximately \$86,000 in overtime costs to manage late arriving mail from March to May 2024, compared to the same period last year. Further, late arriving mail causes delayed mail, negatively impacting customer satisfaction and efficiency.

### Recommendation #1

We recommend the **Vice President, Processing and Maintenance Operations**, in coordination with the **Vice President, Retail and Post Office Operations**, **Vice President, Logistics**, and the **Pacific Northwest Division Director, Processing Operations**, communicate the Integrated Operating Plans with key personnel at the Portland Regional Processing and Distribution Center and document concurrence in the system of record.

### Postal Service Response

Management disagreed with finding 2 but agreed with recommendation 1 stating that some mail identified as being processed after drivers left was not committed and was scheduled for next day processing. Management also noted that it held a 10-hour workshop review to ensure that each function had detailed and verified plans in place to ensure deliveries and collections were done timely.

Management stated it will ensure the system of record documents concurrence of current IOP agreements for the Portland RPDC and that these are communicated with key personnel. It provided a target implementation date of March 31, 2025.

### OIG Evaluation

Regarding management's disagreement with finding 2, we observed 49 containers of one-day-service-committed mailpieces at the facility that were not dispatched until the next day. Although headquarters and local management held a meeting to determine the scheduled arrival and departure times for every office within the Portland service area, some key participants, including the plant manager, did not attend the meeting. Even though there was disagreement to the finding, management's comments were responsive to recommendation 1, and corrective actions should resolve issues identified in the report.

<sup>18</sup> The Integrated Operating Plan is an executive-sponsored initiative aimed at improving coordination and communication between USPS processing and delivery unit facilities.

<sup>19</sup> The Run Plan Generator helps manage mail processing operations by combining site-specific mail processing machines, sort programs, maintenance requirements, mail volume, and the rate at which machines process mail to project daily machine run plans.

<sup>20</sup> Ensure that loop mail is processed and dispatched on the next available transportation in accordance with the operating plan for the appropriate operation.

## Finding #3: Challenges Managing the Facility Layout Changes

Postal Service management did not adhere to the planned layout<sup>21</sup> after the RPDC implementation date. Management expected the planned layout changes would improve transportation use and provide timely and efficient delivery of mail and packages. However, we identified issues with the layout that contributed to delayed mail at the facility. For example, the hazardous materials area relocation was to be completed by March 30, 2024. During our April 2024 site visit, we observed that a temporary storage location for hazardous materials was placed at the outgoing staging area, causing that area to be congested. This area is one of the biggest volume staging areas in the plant. The hazardous materials relocation also forced the Express Mail processing and staging area to be moved unexpectedly.

Because of the facility layout change, we observed at least 40 containers of mixed class mail that received delayed processing. Further, Express Mail was not processed timely and caused delayed mail from April 9 to April 10, 2024. Specifically, we observed:

- Drivers bringing the Express Mail to the original staging area because they did not know where the new staging was. As a result, the drivers placed mail in the wrong location.
- Workroom floor employees spending at least an hour to organize or rearrange the bullpen flow<sup>22</sup> while Express Mail was still coming in and piling up. The new location was also significantly smaller than the previous location causing bullpen constraints.

- Workroom floor employees were not scanning any of the Express Mail during the entire tour.

While planned facility changes were communicated in advance, these issues occurred because of inadequate coordination and communication with local management due to unplanned changes to the facility layout. For example, the Express Mail move was not communicated in advance to mail handlers and other workroom floor employees. The change was also not relayed to employees on all shifts or coordinated with the logistics personnel.

“The Express Mail move was not communicated in advance to mail handlers and other workroom floor employees.”

One critical factor to mail flow within a facility is staging. Facility management should adhere to approved workroom floor layouts because this is an essential part in achieving the service performance standard targets.<sup>23</sup> Further, a finalized facility layout accounts for all spaces necessary to support mail sortation processing effectively. Postal Service policy<sup>24</sup> states that management should continually gauge how well they are managing the mail flow and have managerial control over the workload, personnel, and equipment needed for a well-run operation. When mail is not properly staged for dispatch or properly located in the plant, the risk of delayed mail increases.

<sup>21</sup> An exact representation of the mail processing machines on the workroom floor and accounts for all spaces necessary to supporting letter, flat, and parcel sortation.

<sup>22</sup> Flow of mail to the dispatch area or breakdown area for missent mail.

<sup>23</sup> *Portland Book 3: Plant Modernization Engineering Standards Book, Overview*, dated March 8, 2024.

<sup>24</sup> *Handbook PO-413, Platform Operations*, Section 2-1.1.



## **Recommendation #2**

We recommend the **Vice President, Processing and Maintenance Operations**, document lessons learned regarding miscommunication of unplanned changes to the facility layout along with recommended improvements for future Regional Processing and Distribution Center activations.

## **Postal Service Response**

Management agreed with finding 3 and recommendation 2. Management stated that it will document lessons learned regarding communication of unplanned changes in the Portland RPDC post-launch materials. It provided a target implementation date of November 30, 2024.

## **OIG Evaluation**

Regarding recommendation 2, we consider management's comments responsive, and corrective actions should resolve issues identified.

## Finding #4: Inadequate Transportation Planning Affected Performance

We found the Postal Service did not adequately plan and establish new transportation schedules to support operations at the Portland RPDC. Specifically, the implementation team did not account for all local needs when it developed the transportation model. Further, inaccuracies with the model made implementation unrealistic, which required management to develop new schedules with limited resources.

Logistics management and the schedule examiner received the transportation model on November 17, 2023, and provided its feedback in December 2023. However, the model was not feasible and included several discrepancies. For example:

- 70 stations and/or customers in Portland were missing from the model.
- Many customers require a pickup, return, or delivery from a station, based on the size of the customer and the amount of mail that the post office receives from them. The model did not provide enough schedules to accomplish this.
- The model did not account for ground loading at post offices with modified docks where the mail is unloaded in the parking lot and moved into the facility, and it did not accurately account for mail volumes that stations receive, which results in the wrong size truck or not enough trips.

Because of the issues with the initial model, Postal Service Headquarters allowed local Logistics officials to rebuild the transportation model on December 7, 2023, during peak season. The schedule examiner continued to communicate with headquarters about the shortcomings of the plan until January 3, 2024; specifically, that the model was not feasible and included inaccurate calculations of travel distance and times to complete trips. However, Postal Service Headquarters and Division level management did not request an update until February 14, 2024, more than two months after the

schedule examiner's initial inquiry date. As a result, the transportation maps were not validated until February 16, 2024. Further, the S&DC Engineering Team contacted local logistics from November 20, 2023, through January 3, 2024, regarding the need for the model's output. The Engineering Team used the model for S&DC building layout and sort plan production. However, the delayed communication and progress did not provide local logistics enough time to rebuild the transportation model by the February 24, 2024, implementation date.

Since the launch of the regional changes, the Postal Service continued to revise transportation schedules and routes to accommodate changes in processing operations. The following are examples we observed of transportation not aligned to operations in the Portland region:

- A scheduled trip showed 30 minutes from Bingen to East Vancouver, although that trip takes about one hour and 40 minutes to travel the 65-mile distance.
- Another scheduled trip from the Portland RPDC to the McMinnville and Newberg delivery units ran late and the next trip to Oregon City was pivoted<sup>25</sup> every day for six weeks.<sup>26</sup>
- A scheduled trip from the Portland RPDC to the Longview delivery unit ran late or was modified daily. Rather than making necessary adjustments to the schedule permanently, management reacted to ongoing conditions daily.

These issues occurred because headquarters expected logistics management would be able to modify portions of the model and implement the proposed transportation. While the model was not feasible, management stated that they have since begun relying on a new transportation modeling process to develop the models prior to future RPDC implementations to mitigate concerns.

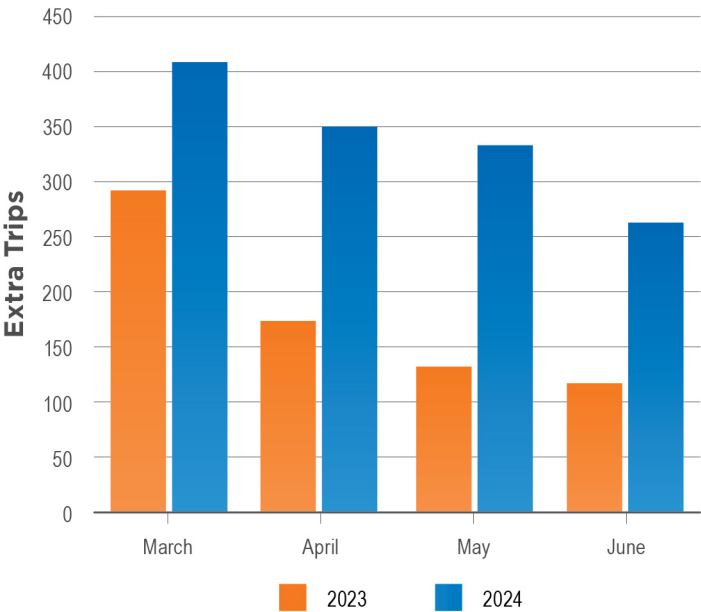
<sup>25</sup> A Pivot occurs when the Postal Service modifies an existing Postal Vehicle Service trip.

<sup>26</sup> Schedule frequency is daily except Saturdays, Sundays, and holidays.

The inadequate transportation planning and ongoing changes contributed to lower service performance and increased costs. The Postal Service used extra trips to help bridge the gap between scheduled routes and operational needs. See Figure 7 for a comparison of extra trips in the Portland region. As a result, some key performance indicators<sup>27</sup> that logistics management uses to evaluate transportation performance showed declines in performance. Specifically, when comparing the 18 weeks after launch of the Portland RPDC to the same period last year:<sup>28</sup>

- Extra trips<sup>29</sup> increased from 710 to 1,354 trips, or by about 91 percent.
- Late trips<sup>30</sup> increased from 7,881 to 10,451 trips, or by about 33 percent.

Figure 7. Extra Trips From March to June 2024, Compared to the Same Period Last Year



Source: OIG analysis of Surface Visibility data.

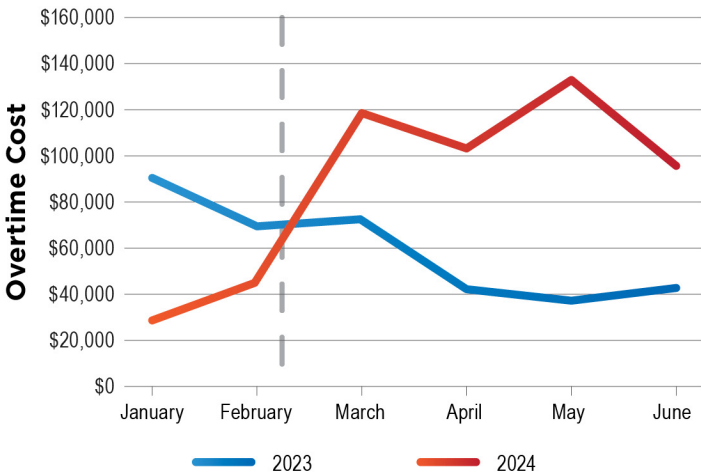
When there are late and extra trips, there is an increased risk the mail will not be delivered on time or the Postal Service will incur unnecessary costs, which can adversely affect Postal Service customers,

harm the brand, send mailers to competitors, increase operating costs, and cause the Postal Service to lose revenue.

Additionally, when schedules do not accurately reflect the needs of the operation, the plan and schedule will not have the necessary staffing to match the workload, resulting in additional transportation costs. Specifically, in March 2024 there were approximately \$119,000 in overtime costs (64 percent increase from last year), while in April 2024 there were approximately \$104,000 in overtime costs (146 percent increase from last year). Further, in May 2024 there were approximately \$134,000 in overtime costs (146 percent increase from last year) (see Figure 8).

“The inadequate transportation planning and ongoing changes contributed to lower service performance and increased costs.”

Figure 8. Overtime Costs from January to June 2024, Compared to the Same Period Last Year



Source: Enterprise Data Warehouse (EDW) data from January 2024 through June 2024.

27 The Surface Network have various key performance indicators management uses to evaluate transportation, Trips on Time, Canceled/Pivoted, Unrecorded, Trips Departed Not Arrived, and Extra Trips.  
28 This is for pay periods 22 through 39 in fiscal years 2023 and 2024.  
29 An unplanned additional truck transportation trip for an existing route, resulting in increased transportation costs.  
30 Transportation truck trips arriving or departing after scheduled time.



As part of the lessons learned from a prior RPDC implementation, the Postal Service developed an action plan that addresses process improvements. Included in the action plan is the guiding principle for plans to be locked and validated 45 days in advance of RPDC implementation.

Our Richmond RPDC report identified a similar issue and recommended that the Postal Service align transportation schedules to operations and validate with local management before launching RPDCs. The Postal Service agreed with the recommendation and stated that they will conduct this type of review after the launch of RPDCs. However, they did not build on lessons learned from the Richmond RPDC to address similar barriers to success when launching the Portland RPDC.

The Postal Service requested that recommendation be closed on May 31, 2024, stating that the robust pre-planning meetings occur with Operations and Delivery prior to RPDC implementation. However, we continue to see issues that impact implementation of RPDCs, and additional coordination is required to validate that proposed transportation models are aligned with local transportation needs. Management developed action plans to address these issues found in Portland and will work to avoid a repeat of these challenges during the launch of future RPDCs. Therefore, we are not making a recommendation around that issue but will continue to monitor the Postal Service's network changes and implementation, including alignment of transportation, at future RPDCs.

### Recommendation #3

We recommend, the **Vice President, Logistics**, in coordination with the **Vice President, Processing and Maintenance Operations**, complete a review to align transportation schedules at the Portland Regional Processing and Distribution Center.

### Postal Service Response

Management disagreed with finding 4 but agreed with recommendation 3, stating that the model results were not accurate, and the Postal Service Headquarters and local Logistics teams had to adjust and stray away from the model to create the new schedules. Management added that Portland was the last site they used this format for modeling, and all modeling is now being done by the Local Network Modeling team. Management further stated that it worked with all stakeholders as it created the schedules and received feedback from all, prior to implementation. Local Logistics will continue to modify routes and schedules, as necessary, per the normal policy.

Regarding recommendation 3, management stated that it will complete another review, and provided a target implementation date of January 31, 2025.

### OIG Evaluation

With management stating that all modeling is now being done at the local level, and with its agreement with recommendation 3, we consider management's comments responsive, and corrective actions should resolve issues identified in the report.

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**UNITED STATES  
POSTAL SERVICE**

*Portland District  
Portland P&DC*

# Appendix A: Additional Information

## Scope and Methodology

The team evaluated mail processing operations in the Portland, OR, region from March through June 2024.

To accomplish our objective, we:

- Reviewed policies, procedures, manuals, training materials, and the Delivering for America strategic plan to gain an understanding of how the Postal Service planned to operate, manage, monitor, and oversee operations in the Portland region.
- Interviewed Postal Service management to gain an understanding of management responsibilities, metrics for success, the internal control environment, and the establishment of the RPDC.
- Reviewed Decision Analysis Reports to understand the anticipated return on investment.
- Reviewed and compared operating plans including clearance, dispatch and departure times, processing performance, operating expenses, and trip schedules to identify changes after consolidating operations.
- Analyzed and reviewed staffing, workhours, and overtime from EDW data.
- Visited the Portland RPDC to observe collections, mail processing, and dispatch operations and THS operations. We observed facility conditions and interviewed processing facility personnel to identify successes and challenges from the launch of the RPDC.
- Judgmentally selected the Eugene and Medford LPCs, Salem, and Beaverton S&DCs, and three delivery units to observe how operations aligned with the Portland RPDC.
- Interviewed local management including plant managers; manager, distribution operations; managers, program support; supervisors, and logistics personnel to discuss changes to operations.

We conducted this performance audit from March through September 2024 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on August 21, 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 three components were significant to our audit objective:

- 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 activities, information and communication, and monitoring that were significant within the context of our objectives. Our recommendations, if implemented, should correct the weaknesses we identified.

We used data from the EDW, Informed Visibility, and Surface Visibility. We assessed the reliability of this data by performing site observations and interviews with Postal Service officials knowledgeable about the

data testing for completeness, 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 Atlanta, GA</i>	To assess the operational impacts related to the launch of the Regional Processing and Distribution Centers and identify successes, opportunities, and lessons learned.	<a href="#">24-074-R24</a>	August 28, 2024	\$0
<i>Impacts Associated with Local Transportation Optimization in Richmond, VA</i>	To determine impacts associated with the Postal Service's new Local Transportation Optimization initiative in Richmond, VA	<a href="#">23-161-1-R24</a>	April 12, 2024	\$0
<i>Effectiveness of the New Regional Processing and Distribution Center in Richmond, VA</i>	To assess the operational impacts related to the launch of the Regional Processing and Distribution Centers and identify successes, opportunities, and lessons learned.	<a href="#">23-161-R24</a>	March 28, 2024	\$8.1 million
<i>U.S. Postal Service: Better Incorporating Leading Practices for Project Management Could Benefit Strategic Plan Implementation</i>	To examine (1) the progress USPS has made toward meeting primary goals of improved service performance and financial sustainability established in its 2021 Strategic Plan (2) how USPS has implemented and monitored its 2021 Strategic Plan, and (3) the extent to which USPS policies for implementing the Strategic Plan incorporates leading practices for project management.	<a href="#">GAO-23-105297</a>	July 2023	\$0
<i>Transfer of Mail Processing from Selected Facilities</i>	To review the U.S. Postal Service's plan to transfer operations from 18 mail processing facilities and analyze its adherence to established policy as well as identify any associated risks and opportunities	<a href="#">21-240-R22</a>	May 4, 2022	\$0
<i>Efficiency of Operations at the Portland, OR Processing and Distribution Center</i>	To evaluate the efficiency of operations at the Portland Processing and Distribution Center	<a href="#">22-028-R22</a>	February 22, 2022	\$0
<i>Transportation Network Optimization and Service Performance</i>	To identify opportunities to optimize the USPS transportation network and its impact on service performance	<a href="#">20-144-R20</a>	June 5, 2020	\$199.6 million
<i>U.S. Postal Service Processing Network Optimization</i>	To evaluate trends and practices used to optimize the U.S. Postal Service's processing network	<a href="#">NO-AR-19-006</a>	September 9, 2019	\$0



# Appendix B: Management's Comments



September 6, 2024

JOHN CIHOTA  
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: Effectiveness of the New Regional Processing and Distribution Center in Portland, OR (24-071-DRAFT)

Thank you for providing the Postal Service an opportunity to review and comment on the findings contained in the draft audit report titled: Effectiveness of the New Regional Processing and Distribution Center in Portland, OR. This audit was conducted very early in the process and reflects the challenges expected as well as the action taken to mitigate those challenges.

Overall, we successfully applied lessons learned from other RPDC implementations which contributed to a successful activation. Key successes with the launch of Portland RPDC include a pre-launch townhall with both headquarters and local leadership welcoming employees and laying out planned changes, use of the Activation Readiness Packet detailing critical information for launch, an integrated 5-digit validation workshop to review processing, transportation and delivery plan for each ZIP code in the Portland service area, daily issue resolution meetings to resolve challenges in real-time, strong management presence at the Portland RPDC before, during and after launch, and additional support staff at subordinate site. As service performance charts show in the audit, there was minimal service regression during the transition period. We focused on continuous improvement as we implemented each step of the initiative and as we saw opportunities arise, we rapidly put plans in place to mitigate risks. We also continued to note opportunities and additional lessons learned, to ensure success in future RPDC launches as well.

## **Finding #1: Lessons Learned from the Portland RPDC Launch**

Management agrees with the finding that lessons learned from the Richmond RPDC launch were used to improve the likelihood of success in Portland. As the OIG noted, there was increased collaboration and communication with stakeholders, adequate staffing, coordination with mailers, collaboration in design decisions, and minimal service impacts. As always, each RPDC launch provides additional opportunities to learn and improve, and USPS plans to add additional lessons learned from the Portland RPDC launch and apply to future RPDCs.

## **Finding #2: Lack of Updated Integrated Operating Plans**

Management disagrees with the finding that a lack of updated integrated operating plans in the system of record led to delayed mail. Some mail identified as still being processed



after drivers left was not committed. It was scheduled for next day processing. Additionally, this was a major transformation. There will be instances where some volume misses schedule, or trucks bulk out and there is not transportation available until the next day. This demonstrated our ability to stay fluid, maintain FIFO, and provide service within an extra day during a massive transition effort. As the OIG noted, management coordinated a 5-Digit ZIP Code level review involving more than 10 hours of management time across Logistics, Processing & Distribution, Engineering, and Delivery to ensure that each function had detailed and verified plans in place that accounted for handoffs between the different functions to ensure deliveries and collections were done timely. The workshop also ensured that sortation plans were accurate and complete, dispatches for each 5D were aligned to correct transportation, and delivery units were aware of any processing changes. Post launch, local processing, logistics, and district IOP coordinators held a daily cadence to address any issues. A formal change request process was implemented, with minimal changes needed. In the end, as also noted by the OIG, there were minimal service impacts during the launch.

### **Finding #3: Challenges Managing the Facility Layout Changes**

Management agrees with the finding. Express Mail and Hazmat operations were not expected to be moved prior to the February launch. Those changes were planned to be made in conjunction with the installation of the ball decking for the THS in-sourcing but needed to be made earlier than planned, and last-minute decisions were made to adjust Express Mail and Hazmat to enable sufficient space for the THS in-sourcing.

### **Finding #4: Inadequate Transportation Planning Affected Performance**

Management disagrees with the statement that the Postal Service did not adequately plan and establish new transportation schedules to support operations at the Portland RPDC. Management agrees that the model results were not accurate, and the HQ and local Logistics teams had to adjust and stray away from the model to create the new schedules. This was the last site we used this format for modeling and all modeling is now being done by the Local Network Modeling team. Management worked with all stakeholders as they created the schedules and received feedback from all prior to implementation. Local Logistics will continue to modify routes and schedules as necessary as is the normal policy.

Following are our comments on each of the three recommendations:

#### Recommendation 1:

We recommend the **Vice President, Processing and Maintenance Operations**, in coordination with the **Vice President, Retail and Post Office Operations**, **Vice President, Logistics**, and the **Pacific Northwest Division Director, Processing Operations**, communicate the Integrated Operating Plans with key personnel at the Portland Regional Processing and Distribution Center and document concurrence in the system of record.

#### Management Response/Action Plan:

Management agrees with this recommendation. Management will ensure the system of record documents concurrence of current IOP agreements for the Portland RPDC and that these are communicated with key personnel.

Target Implementation Date: 3/30/2025

Responsible Official: Executive Regional Plant Manager, Portland and Manager,  
Integrated Operations Processing & Logistics

Recommendation 2: We recommend the **Vice President, Processing and Maintenance Operations**, document lessons learned regarding miscommunication of unplanned changes to the facility layout along with recommended improvements for future Regional Processing and Distribution Center activations.

Management Response/Action Plan:

Management agrees with this recommendation. Lessons learned regarding communication of unplanned changes will be documented in the Portland RPDC post-launch materials.

Target Implementation Date: 11/30/2024

Responsible Official: Sr Dir Network Transformation

Recommendation 3: We recommend, the **Vice President, Logistics**, in coordination with the **Vice President, Processing and Maintenance Operations**, complete a review to align transportation schedules at the Portland Regional Processing and Distribution Center.

Management Response/Action Plan:

Management agrees with this recommendation and will put the Portland RPDC thru another zero base.

Target Implementation Date: 01/31/2025

Responsible Official: Sr. Director Surface Logistics

E-SIGNED by JASON.R DE CHAMBEAU  
on 2024-09-06 14:15:35 EDT

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Jason DeChambeau for Dane Coleman  
Vice President, Processing Operations

E-SIGNED by ELVIN MERCADO  
on 2024-09-06 15:20:21 EDT

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Elvin Mercado  
Vice President, Retail & Post Office Operations

# OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE



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

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