



SEMIANNUAL REPORT TO CONGRESS

SPRING 2020 • OCTOBER 1, 2019 — MARCH 31, 2020





A MESSAGE FROM THE INSPECTOR GENERAL

Just one year ago, when we issued our Spring 2019 Semiannual Report to Congress (SARC), we were returning to work after the longest government shutdown in history. Now, as this SARC period was coming to a close,

we find ourselves amid an unprecedented global health crisis. Like all other federal agencies and businesses, the U.S. Postal Service and our office have had to adjust operations and look to technology to carry out our respective missions in response to the realities of the COVID-19 pandemic. And in uniquely fraught times like these, when people and even entire communities must isolate themselves for protection, the Postal Service's constitutional mandate "to bind the nation together" is never more important — or challenging.


This hasn't been easy for anyone. I am proud of my staff, as we are able to continue our mission of ensuring efficiency, accountability, and integrity in the Postal Service with minimal disruption, while also doing our very best to keep everyone safe.

Our audits during this reporting period continued to focus on operational issues, such as a nationwide assessment of customer service and delivery scanning. We also reviewed the Postal Service's information technology network performance and infrastructure, as well as its efforts to reduce turnover among non-career employees. We assessed management structure at the Postal Service, specifically regarding how districts are ranked and how operational manager and supervisor positions are allocated at the area, district, and facility levels. That's just a quick sampling of our audit work during this period, as you'll see in the following pages.

Our investigations reveal the extent to which illicit narcotics in the mail continues to be an issue. It's not uncommon for our investigators to work jointly with their counterparts at other agencies, such as the Drug Enforcement Administration, the U.S. Postal Inspection Service, and other IG offices, because the cases often cross multiple lines of jurisdiction, affecting many law enforcement organizations. And it's not just trafficking organizations shipping drugs to their networks via the mail. Traffickers are also recruiting Postal Service employees to facilitate shipments and delivery. In addition, our agents successfully closed cases involving mail theft as well as health care fraud by providers, claimants, or both.

This report, submitted pursuant to the Inspector General Act, outlines our work and activities for the six-month period ending March 31, 2020. During this period, we issued 66 audit reports, management advisories, and white papers, and the Postal Service accepted 93 percent of our recommendations. We completed 1,174 investigations that led to 401 arrests and more than \$405 million in fines, restitutions, and recoveries, more than \$77.7 million of which was turned over to the Postal Service.

I look forward to working with all stakeholders as we address the challenges ahead, as we maintain our focus amid an ongoing pandemic. As the crisis evolves and its impact on the financial condition of the Postal Service becomes clearer, I am confident the OIG will continue to play a key role in ensuring the integrity and accountability of America's Postal Service, its revenue and assets, and its employees.


Tammy L. Whitcomb
Inspector General

SUMMARY OF PERFORMANCE

Mission Statement

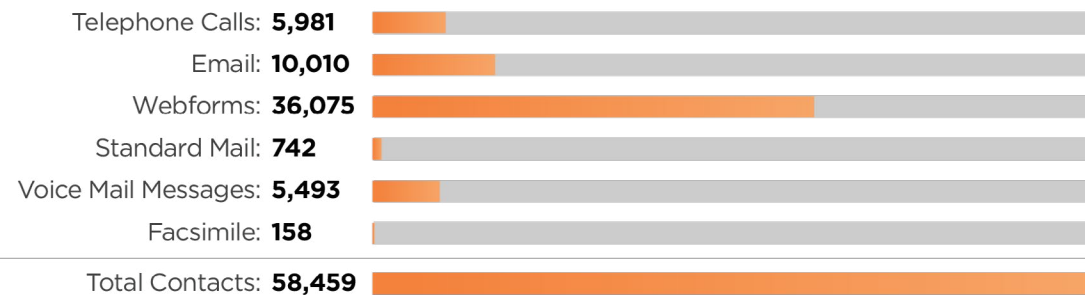
Ensuring efficiency, accountability, and integrity in the U.S. Postal Service.

For the Period October 1, 2019 — March 31, 2020

AUDITS and WHITEPAPERS



INVESTIGATIONS¹



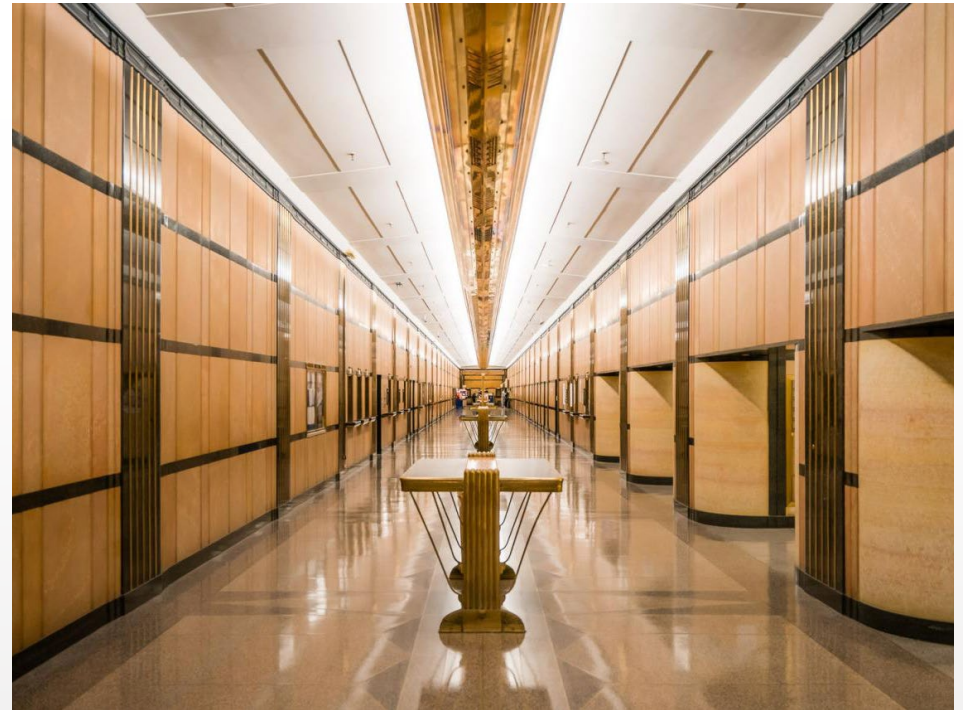
¹ Statistics include joint investigations with other law enforcement agencies.

² Amounts are totals to the USPS resulting from joint investigations with other OIG, federal, state, and local law enforcement entities.

³ Convictions reported in this period may be related to arrests in prior reporting periods.

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The Office of Audit (OA) and the Research and Insights Solution Center (RISC) adhere to professional standards and present their work to Postal Service management for comments prior to issuing a final report. Unless otherwise noted, management has agreed or partially agreed with our recommendations and is taking or has already taken corrective action to address the issues raised. OIG white papers explore strategic ideas for ways to enhance the viability and efficiency of the Postal Service.

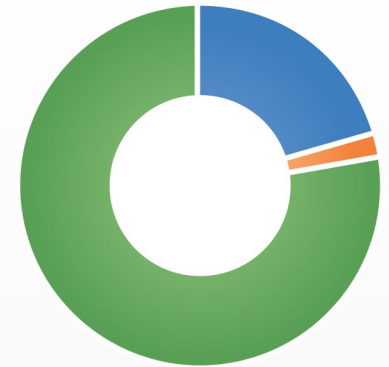
SUMMARY of PERFORMANCE

For the Period October 1, 2019 — March 31, 2020

Questioned Costs:
\$1,196,349,201

Revenue Impact:
\$92,009,799

Funds put to better use:
\$4,459,756,311



Total:
\$5,748,115,311

Reports Issued: **66**

Recommendations Issued: **151**

Total Reports with Financial Impact: **19**

Finance & Pricing

Automatic Indemnity Claim Payments

The Postal Service offers customers insurance coverage as protection against the loss or damage of packages. From fiscal year (FY) 2014 to FY 2019, the Postal Service paid a total of about \$194 million for approximately 2.3 million domestic indemnity claims. During that period, the number and dollar value of domestic indemnity claim payments per year more than doubled. From FY 2018 to FY 2019 alone, payouts jumped nearly 29 percent while shipping and package volume remained relatively the same.

We found the Postal Service's claims system permitted improper indemnity claim payments. This occurred because USPS did not have effective controls to detect and prevent some payments. For example, the Postal Service issued about \$14.3 million in improper indemnity claim payments during FYs 2018 and 2019. If the Postal Service does not strengthen controls, we estimate it will authorize about \$182.3 million in improper payments over the next five years (FY 2020 through FY 2024).

Management had referred some potentially fraudulent indemnity claim payments to our Office of Investigations. In November and December 2019 management had implemented some controls to help mitigate future improper payments.

We recommended management: 1) update certain requirements in indemnity claims systems; 2) evaluate and implement technology to reduce repetition in claims; 3) update the claims system to strengthen verification checks; 4) implement internal data analytic tools to identify and halt action on potentially improper claims, and also alert Postal Service officials; and 5) develop and disseminate clear procedures and guidance to headquarters and field personnel for submitting potentially improper indemnity claims to the OIG. Management disagreed with the monetary impact identified in the report.

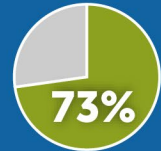
Options to Reduce Unfunded Retirement Liabilities

The Postal Service participates in three retirement plans: Civil Service Retirement System, Federal Employees Retirement System, and Retiree Health Benefits (RHB), all administered by the Office of Personnel Management (OPM). At the end of FY 2019, OPM estimated the total funding level for all three plans was only at 73 percent. Options to address the shortfall

The U.S. Postal Service participates in three retirement plans:

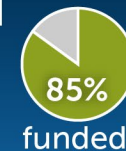
- CSRS** - Civil Service Retirement System
- FERS** - Federal Employees Retirement System
- RHB** - Postal Service Retiree Health Benefits

As of September 30, 2019, the OPM estimated the total funding level for all three Postal Service funds was

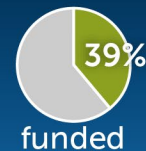


OPM Estimated

CSRS and FERS liabilities to be about



RHB liability to be only



Finance & Pricing

include implementing full participation of beneficiaries in Medicare Parts A, B, and D; calculating the RHB liability based on the number of employees currently eligible (vested); reducing required retirement liability funding levels below 100 percent; recalculating RHB liability based on potential changes in actuarial assumptions (for example, life expectancy); and generating higher returns on retirement assets. Our audit explored the last two options.

After a century of generally rapid mortality improvement, there has been virtually no improvement since 2010. Changing the mortality improvement assumption OPM uses to calculate RHB liability could reduce the unfunded liability by about \$4.2 billion. Additionally, by investing future employee and Postal Service retirement contributions in a diversified portfolio of stocks, bonds, and other assets offering better returns, funding levels for all three plans could increase.

We recommended management work with OPM to update the mortality improvement assumptions it uses to calculate RHB liability. We recognize that investing future employee and Postal Service retirement contributions in a diversified portfolio requires legislative change. Therefore, we continue to encourage management to work with Congress to address unfunded retirement liabilities. Management disagreed with the monetary impact identified in the report.

Inspection Service, Information Technology & Operations

Review of IT Network Performance

As the Postal Service invests in information technology infrastructure to meet the changing needs of its customers, an optimized network is the foundation for achieving strategic and future goals. But the USPS IT network is not fully optimized to meet future requirements. While the network handles current operational requirements, performance and system availability should be improved.

Enterprise-wide performance metrics and improvement targets were not established for optimal network performance and

operating efficiency. From 2017 to 2019, the Sacramento Processing and Distribution Center (P&DC) experienced 51 network connectivity issues, resulting in additional manual mail processing costs of over \$1.1 million. We also found bandwidth issues at three facilities, including circuits at the Kansas City P&DC, running above the Postal Service's recommended capacity for over a year. Furthermore, the IT network diagrams and inventory system were not sufficient to manage and operate the enterprise network efficiently.

We recommended management:
1) establish a strategy to include a process to continuously monitor the IT

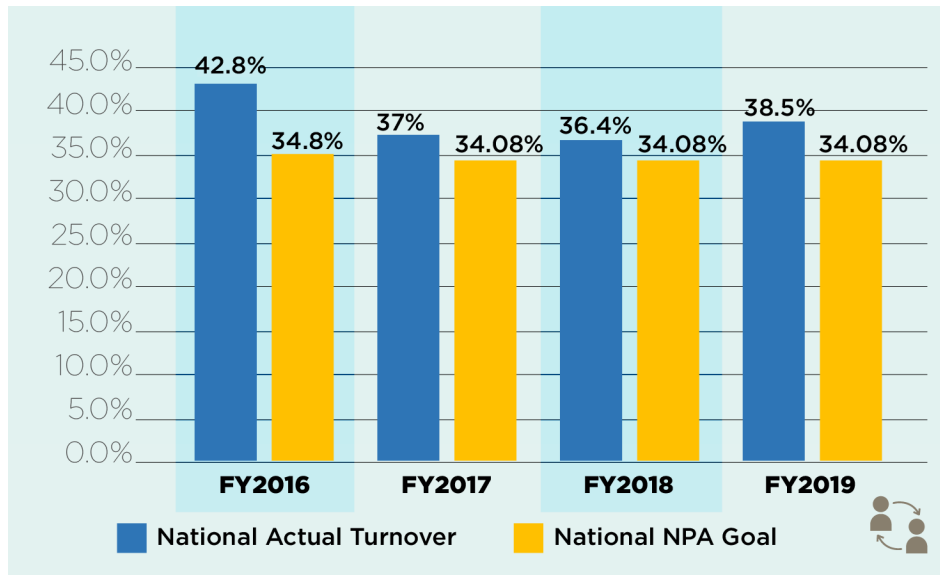
network and develop enterprise-wide performance metrics and improvement targets; 2) implement a solution to prevent network connectivity issues and adjust the configuration settings of network devices at the Sacramento P&DC; 3) develop an automated process to regularly review vendor bandwidth usage reports and upgrade bandwidth when it exceeds determined thresholds; 4) develop and maintain detailed Postal Service IT network diagrams; and 5) perform a manual review of the automated inventory process periodically and update inventory data accordingly. Management disagreed with the monetary impact identified in the report.

Inspection Service, Information Technology & Operations

Effectiveness of the Postal Service's Efforts to Reduce Non-Career Employee Turnover

The Postal Service hires non-career employees to supplement its regular workforce and reduce staffing costs. Non-career employees are temporary workers who do not receive the same employee benefits as career employees, are not always guaranteed a set schedule, and can work from one to seven days per week. In FY 2019, the Postal Service had about 136,000 non-career employees. The Postal Service establishes a non-career employee turnover goal as part of its annual National Performance Assessment (NPA). The goal is used to measure non-career employee turnover to help reduce the Postal Service's cost of training non-career employees. In FY 2019, the goal was 34.08 percent.

FY 2016 to 2019, Non-Career Employee Turnover



Source: Postal Service's Staffing and Scheduling Tool.

We found that over the last four years, Postal Service management took actions to reduce non-career employee turnover. However, turnover still exceeded NPA goals from FY 2016 to FY 2019. In FY 2019, the city carrier assistant positions had the highest turnover at 45.8 percent. By our calculations, had USPS met its turnover goals for FYs 2018 and 2019, it would have saved about \$13.7 million in costs for onboarding and training of new employees.

We recommended the Postal Service measure the cost savings associated with the NPA non-career employee turnover performance and develop a comprehensive non-career employee national turnover strategic plan and procedures to provide more effective management oversight. Management disagreed with the second recommendation.

U.S. Postal Inspection Service Handling of Suspected Marijuana Packages

The Postal Inspection Service Administrative Non-Mailability Protocol (ANP) is an administrative procedure used to detain, document, and process mail packages reasonably suspected of containing marijuana. The ANP program restricts postal inspectors from using the contents of abandoned packages containing illicit drugs as evidence, and about 2 percent of narcotics seized were illicit drugs other than marijuana, which indicates a more serious potential offense. In addition, packages sent to be processed were sometimes stored in an accessible container near a workroom floor, risking theft and possible illegal distribution or use. Also, Inspection Service personnel did not always ensure proper documentation of evidence bags.

We recommended management: 1) coordinate with relevant executive agencies to determine whether illicit drugs found in abandoned packages can be used as evidence in criminal investigations; 2) update program policy to require use of a

Inspection Service, Information Technology & Operations

more controlled mailing method; 3) use scent-proof packaging (to conceal the smell of marijuana) and remove identifying label information; 4) reinforce the Registered Mail hand-delivery requirement; 5) require daily activity documentation to support workhours; and 6) implement a periodic review to ensure

evidence bags are accurately documented and recorded. Management disagreed with recommendations 1, 2, 3, and the monetary impact identified in the report. Management partially disagreed with recommendation 6 to implement a periodic review process.

Mission Operations

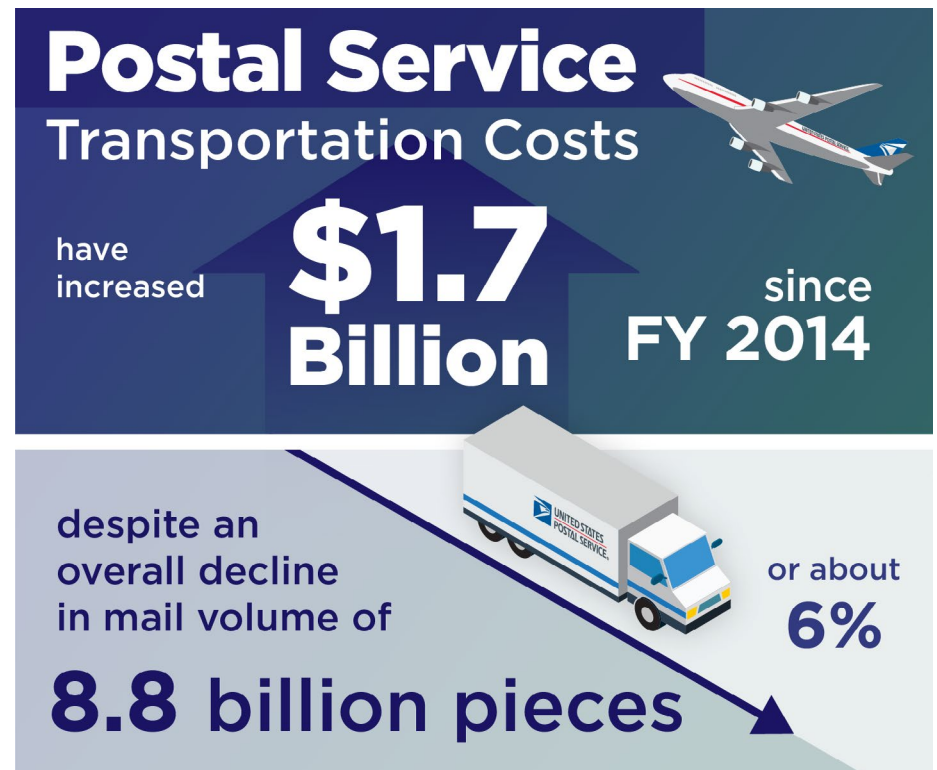
U.S. Postal Service Transportation Network Operations and Cost Optimization Practices

Transportation costs have increased 25 percent from FY 2014 to FY 2018, despite mail volume declining 6 percent. Surface transportation costs for the two largest components — highway contract routes (HCRs) and Postal Vehicle Service routes — increased about 20 percent in that time, from \$4.5 billion to \$5.3 billion. Surface transportation management uses six key performance indicators to monitor and manage the surface network. Our analysis of the six indicators for the period FY 2014 through FY 2018 determined exceptional service costs (e.g., costs for extra, late, and detoured trips) were not always allocated to appropriate general ledger accounts and were understated; data in the Surface Visibility (SV) dashboard was incomplete and inaccurate for extra and canceled trips; and canceled trips were not always removed from the HCR supplier payments, resulting in overpayments.

During the same period, air transportation costs for the three largest components — FedEx, United Parcel Service (UPS), and commercial air (CAIR) — increased about 42 percent, from \$1.8 billion to \$2.6 billion. We also found that contracts with FedEx, UPS, and CAIR to transport mail did not consistently meet service performance standards.

We recommended management: 1) reconcile extra trips against SV data and use only authorized account numbers

for exceptional service; 2) include consistent language in HCR contracts to ensure suppliers are not paid for canceled trips; 3) validate data in the SV system to ensure that extra and canceled trips are accurate and complete; and 4) explore opportunities to increase the use of commercial air transportation.



Mission Operations

Mail Excluded from Service Performance Measurement

While the number of full-service mailpieces excluded from service performance measurement decreased by 2 billion pieces, or 8.4 percent, from FY 2017 to 2018, more than 21.7 billion mailpieces — nearly 22 percent of all full-service mail — were excluded from service performance measurement in FY 2018. Additionally, through the first three quarters of FY 2019, more than 23 percent of all full-service mail was excluded from service performance measurement for several reasons: 1) no initial scans of the mailpiece, 2) no processing scans of the mailpiece, 3) mailer manifests did not always reflect the actual mailpieces entered into the network, or 4)

mailpieces were transported by the Postal Service from a mailer's facility to a postal facility in a different district. Mailers with mail excluded from measurement had not been notified by the Postal Service that their mail was not being measured.

We recommended management: 1) form a workgroup with mailers that have the largest amount of mail excluded from measurement to develop an action plan, with goals, timelines, and practical opportunities to address root causes of service performance exclusions; and 2) ensure area and district offices understand their roles and responsibilities regarding addressing causes of mail excluded from service performance measurement.

Retail, Delivery, and Marketing

National Operational Assessment — Customer Service and Delivery Operations

Our objective was to assess the Postal Service's Customer Service and Delivery Operations to identify opportunities for savings and streamlining operations. Customer Service and Delivery Operations generally had the capacity at their facilities to sort, distribute, and deliver mail to residential and business delivery points using available technology and vehicles. However, we determined delivery units did not track and receive alerts of late incoming mail. Additionally, we identified staffing challenges, which impacted the ability to efficiently sort, distribute, and deliver mail. Lastly, Mobile Delivery Device inventory data was inaccurate.

Overall, career and non-career staffing challenges increased labor costs, as delivery managers reassigned workload to other employees, which contributed to an increased use of overtime

hours. Managing daily mail operations and the associated labor costs to perform them in a declining mail environment is critical to ensuring appropriate management of labor costs. We estimated the increased overtime resulted in \$482 million annually in questioned costs for FYs 2017 and 2018.

We recommended management: 1) modernize the various mail condition reporting methods into one system to capture all mail delays from mail processing facilities; 2) identify a solution to be able to track and receive alerts for all late-arriving mail in delivery units; 3) coordinate with Labor Relations to identify cost effective alternatives and opportunities to address career clerk and carrier staffing issues; and 4) implement a policy to conduct a physical inventory of Mobile Delivery Devices and maintain inventory results. Management disagreed with the monetary impact identified in the report.

Retail, Delivery, and Marketing

Nationwide Delivery Scanning Issues

During fiscal year FY 2019, we reviewed package scanning procedures at 25 selected Postal Service delivery units and found that employees were not consistently following procedures at 21 of the 25 units. Some examples of improper scans included:

- One hundred ninety-one packages that were scanned “Delivered” to the addressee, but which were still at the unit. A “Delivered” scan is routinely made when a package is successfully left at the delivery address.
- One hundred thirteen packages that did not have a stop-the-clock (STC) scan indicating why they had not been delivered. All packages should receive a scan at the time of attempted delivery.

- Six packages that were scanned as “No Access” at points other than the delivery address. A “No Access” scan is routinely made at the delivery point.
- Five packages which had multiple “Arrival at Unit” scans on multiple days. Packages should receive an “Arrival at Unit” scan prior to, or not later than, the day after receipt at the delivery unit.

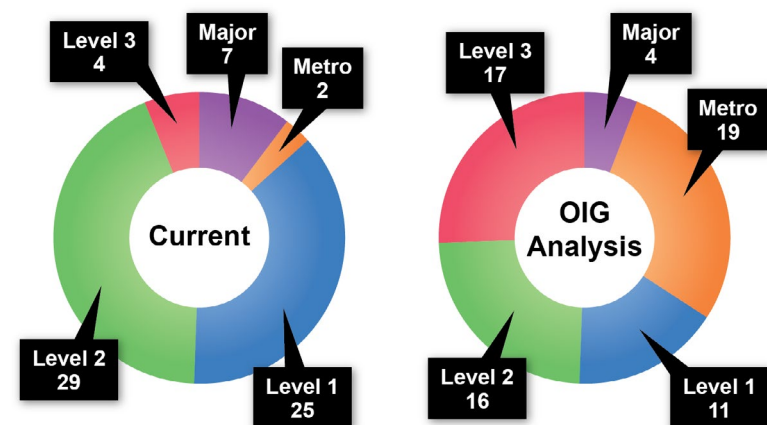
In addition, we analyzed geolocation data to identify units with STC scans that occurred at the delivery unit instead of at the intended delivery address. Looking at this data nationwide from January through November 2019, we found that of the 3.1 billion STC scans, about 16.5 million occurred at delivery units instead of the intended delivery address. We recommended management enhance ongoing strategies to improve scanning accuracy and enforce compliance.

Supply Management and Human Resources

Management Structure at the Postal Service

The Postal Service ranks each district into one of five size categories — Major, Metro, and Levels 1, 2, or 3 — with Major being the largest. The category determines the executive administrative schedule (EAS) pay level of the respective district’s functional managers. It also determines the number of support employees in each functional area, which can vary depending on district size. The Postal Service uses 14 workload models and/or specific defined criteria to determine the EAS pay level and/or number of authorized positions for operational managers and supervisors at the area, district, and facility levels.

Districts’ Current Ranking vs. OIG Analysis:



Source: Postal Service and OIG analysis.

Supply Management and Human Resources

We found that Postal Service districts have not been assessed or re-ranked since 2010, but the changes proposed at that time were not implemented. Additionally, we identified the Postal Service did not have the correct number of authorized first-line supervisors at 12 processing facilities, thus impacting spans of control. Lastly, we found that there is not a standardized

schedule to ensure that workload models, designated criteria for operational managers, and supervisors are reassessed regularly.

We recommended management: 1) implement an updated district ranking methodology and reassess district rankings based on the approved methodology; 2) formalize guidance

to address roles and responsibilities, frequency, and methodology for the district ranking process; 3) implement an oversight process to ensure district offices regularly monitor and maintain authorized first-line supervisor positions; and 4) formalize a regular review process of workload models and criteria for each operational manager and supervisor position.

Research and Insights Solution Center

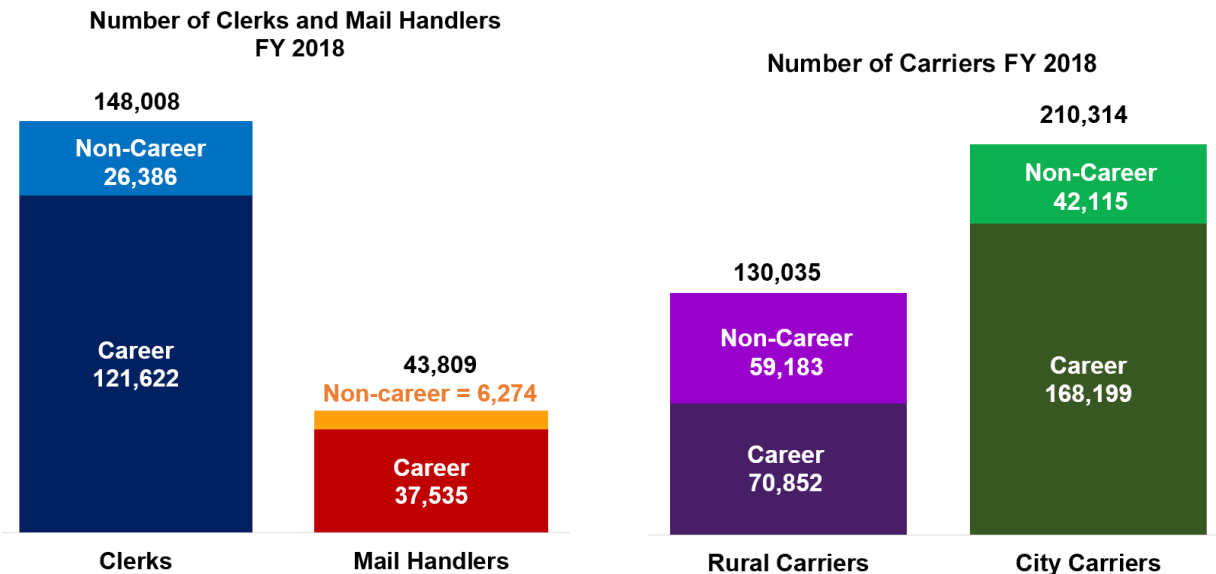
A Closer Look at Postal Labor Costs

The Postal Service continues to face financial challenges due to declines in letter mail volume. As declines persist, strategic cost control is one of the key factors that must be addressed. And clearly, labor costs will be a critical area, as it is the greatest component of postal costs — accounting for \$57 billion or 76 percent of total costs in fiscal year 2018. This white paper explored the sources of these significant costs and how they have changed in recent years.

The OIG found that over the past 10 years, the Postal Service was able to cut its inflation-adjusted labor costs by 14 percent in response to a 17 percent decline in mail volume. While overall

labor costs are falling, a few areas of concern remain, including the upward pressure on rural carrier costs due to the

increase in rural delivery points, and a steady increase in overtime over the past 10 years.



Research and Insights Solution Center

Maintaining Rural Retail Networks: Best Practices Abroad and their Implications for the U.S. Postal Service

The Postal Service must sustain thousands of its rural retail outlets that serve small populations. Many posts around the world face the same challenge. The OIG studied six of them — in Australia, Canada, France, Germany, Sweden and the United Kingdom — to learn what steps they had taken toward improving financial sustainability of their rural retail outlets. The steps taken generally fell into three categories: outsourcing and optimizing portions of their retail networks, diversifying services offered, and receiving subsidies from the government to fund rural retail units.

Outsourcing postal retail functions to local businesses is a common means of reducing costs in all the countries



we studied. In contrast, the United States maintains direct operational control over 90 percent of its retail outlets. Other posts have also tried other programs like replacing small post offices with mobile post office vans that travel between several rural communities.

Some posts leverage their large retail networks to diversify and bring in new forms of revenue. They may sell retail products, government services, digital identity verification, financial services/banking, and telecommunications services to rural customers.

Finally, the governments of France and the U.K. subsidize their large postal retail networks. Other governments do not. The Postal Service is permitted to request some subsidies for funding for its rural operations, but does not currently do so.

Same-Day Delivery: Implications for the U.S. Postal Service

In the past few years, crowdsourced delivery — platforms coordinating independent drivers — has transformed the same-day delivery landscape. Consumers can now place an online order for groceries, medicine, electronics, or other goods for delivery the same day the order is placed. The OIG conducted a nationwide quantitative survey of more than 2,500 consumers to understand their experiences with and perceptions of same-day delivery service.

The OIG found that while same-day is a rapidly growing segment (parcel volume grew by 50 percent annually between 2016 and 2018), it still only accounted for 2 percent of the total domestic parcels market. Many consumers are unwilling to pay for same-day delivery unless it is for urgent needs like medications or groceries. Customers may also prefer alternatives to same-day delivery such as in-store pick up or next-day delivery.

INVESTIGATIONS

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The Postal Service is consistently ranked by the Ponemon Institute as America’s “most trusted federal agency.” Among the reasons for this trust is the integrity of its employees. However, a few postal employees and contractors betray that trust and abuse the public’s confidence in the Postal Service. When that happens, the OIG’s Office of Investigations (OI) gets involved.

To protect the mail and to ensure the integrity of postal processes, finances, and personnel, the Postal Service relies on the investigative efforts of OI special agents, who are stationed in offices nationwide. Their charge is to investigate internal crimes and fraud committed by postal employees and contractors and also employee misconduct.

SUMMARY of PERFORMANCE

For the Period October 1, 2019 — March 31, 2020

Amount to the Postal Service:

\$77,766,663



Cost Avoidance:

\$70,536,596



Fines, Restitution, and Recovery:

\$405,128,443



Investigations Completed: **1,174**

Arrests: **401**

Indictments/Informations: **417**

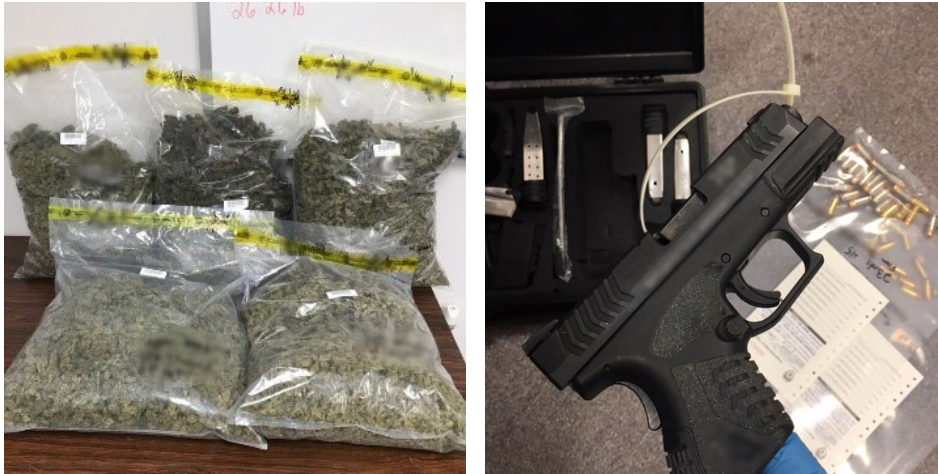
Convictions/Pretrial Diversions: **437**

Administrative Actions: **916**

In this section, we highlight work conducted by the OI during this reporting period that contributed to safeguarding the Postal Service’s revenue and assets and helped deter postal crimes, ultimately helping to maintain a stable and sound Postal Service.

Narcotics

In July 2018, a narcotics task force comprising investigators of the OIG, the U.S. Postal Inspection Service (USPIS), and the Drug Enforcement Administration (DEA) identified suspicious parcels addressed to a church and school in Crestwood, MO. Surveillance showed the carrier assigned to that route had scanned one parcel as delivered but had, in fact, not delivered it. Investigators seized additional suspicious parcels from the St. Louis Main Post Office, where the carrier worked, and discovered they contained more than \$16,000 in narcotics proceeds. After consent searches of his residence and cellular telephone, the carrier admitted he was receiving \$100 for each parcel from a drug trafficking organization that included two additional carriers.



Bags of marijuana and one of several weapons seized after execution of search warrant.

In August 2018, investigators executed search warrants at one of the trafficker's residence and storage lockers and found three pounds of marijuana, related paraphernalia, multiple weapons, and a USPS letter carrier uniform, among many other items.

Two carriers pleaded guilty to conspiracy to possess with intent to distribute marijuana, and in November 2019 were sentenced to five years of probation, three months of electronic monitoring, and 40 hours of community service. The third carrier entered a similar plea and was sentenced to three years of probation. The trafficker pleaded guilty to conspiracy to possess/distribute plus four counts involving assault and interfering with Postal Inspectors; in January 2020, he was sentenced to 34 months in prison and three years of supervised release.

A joint investigation involving the OIG, USPIS, DEA, and Chesterfield County Police determined that for over a year, a Postal Service city carrier used his work vehicle to deliver packages containing marijuana to drug traffickers in exchange for cash. Investigators learned the carrier allowed traffickers to access the rear of his vehicle and remove packages; they also observed him fail to scan packages, scan packages but not deliver them, or scan false information.



Pouches of marijuana and methamphetamine taken from parcels.

Narcotics

Several search warrants were executed on packages originating from San Diego, CA, for delivery to false addresses on the carrier's route, resulting in the discovery of parcels containing marijuana. On several occasions, surveillance video captured the carrier receiving cash bribes from an unknown non-employee. After being arrested, the carrier denied knowing

the packages had marijuana and claimed the bribery money he received from the traffickers was "lunch money."

In September 2019, the carrier pleaded guilty to one count of bribery, and in December he was sentenced to 13 months in federal prison followed by one year of supervised release.

Health Care Provider Fraud

The OIG identified a small 184-bed hospital in California as having the largest number of billings and payments for Postal Service claimants in the country. The ensuing joint investigation by the OIG, FBI, the IRS Criminal Investigation Division, and the California Department of Insurance identified an orthopedic surgeon from Manhattan Beach, CA, who received nearly \$5 million in kickbacks for performing hundreds of spinal surgeries.

The investigation determined more than \$580 million in fraudulent bills were submitted to California's workers' compensation system. Furthermore, an associated medical rehabilitation center was charged for fraudulently billing and receiving approximately \$100 million in payments for services provided to USPS employees receiving benefits from the Department of Labor's Office of Workers' Compensation Program (OWCP).

In November 2019, after pleading guilty, the orthopedic surgeon was sentenced to 30 months in federal prison followed by three years of supervised release. He was further ordered to forfeit \$5 million to the United States government and pay a \$500,000 fine.



Hospital in California that had the largest number of billings and payments for Postal Service clients in the country.

Health Care Provider Fraud

In April 2017, the OIG joined the FBI and DOL-OIG to investigate a home health care company in Chicago, IL, that was purportedly rendering services to a Postal Service employee and submitting fraudulent medical claims to OWCP. The investigation determined the company owner submitted medical claims stating company employees provided care to USPS patients 24 hours a day, seven days a week, for the last seven years. A federal search warrant executed at the company's office revealed evidence the claims were false. Both the company owner and one of her employees pleaded guilty to conspiring to commit health care fraud. They were sentenced in



Office of company submitting false medical claims to the Dept. of Labor's Office of Workers' Compensation Program.

November 2019 and ordered to jointly pay restitution of almost \$1.5 million.

An OIG investigation launched in 2013 revealed evidence of a scheme involving an attorney for an Austin, TX, medical treatment center specializing in injured state and federal worker's compensation patients, which included USPS employees. Working with his wife, his sister-in-law, and a co-conspirator in the OWCP, the attorney submitted bogus claims that defrauded OWCP of more than \$22 million. In 2015, search warrants eventually led to agents seizing at least \$900,000 in cash, bank accounts, and vehicles from all the conspirators. A grand jury indicted everyone involved.

After a lengthy trial, the attorney was sentenced in 2018 to 10 years in prison and ordered to pay jointly with his sister-in-law, who received one year in prison, more than \$26 million in restitution to OWCP. His wife was sentenced to one year in prison and ordered to pay restitution of more than \$800,000. In May 2019, the co-conspirator in OWCP was sentenced to two years of probation and ordered to pay restitution of \$265,000. Stopping this scheme resulted in savings to the Postal Service of more than \$41 million.

Health Care Claimant Fraud

A letter carrier submitted Duty Status Reports allegedly completed by her physician to Postal Service management indicating she was physically limited in performing her job. Records obtained from various dog agility competitions revealed the carrier and her dogs participating in over 1,300 events since 2012, and approximately 51 videos obtained showed the carrier sprinting around, bending forward at the waist, making extensive use of her arms to command dogs

through tunnels, and over jumps and ramps — all inconsistent with her claimed limited physical abilities. Simultaneously, the carrier was receiving workers' compensation benefits, which as of February 2019 totaled more than \$100,000. In October 2019, the carrier pleaded guilty to theft of government property, and on February 10, 2020, the carrier was sentenced to one year of probation and ordered to pay restitution of approximately \$108,500.

Contract Fraud

The OIG investigated a major air carrier servicing contracts for international mail delivery. Data mining and analysis conducted by the OIG indicated the airline was carrying out false virtual scans of parcels rather than physically scanning parcels as required by the contract. The virtual scans resulted in millions of dollars in fraudulently obtained payments from the

Postal Service to the airline. Additionally, late deliveries and failures to deliver resulted in liability to the Postal Service for liquidated damages and penalties. In October 2019, the airline settled with the Department of Justice and the Postal Service for more than \$22 million to resolve its liability under the False Claims Act.

Mail Theft

A joint investigation between the OIG and the Bureau of Alcohol, Tobacco, and Firearms determined a former Rural Carrier Associate and his girlfriend were smuggling semi-automatic rifles from the U.S. to Mexico for a known drug trafficker. During a search warrant executed at the carrier's residence in March 2018, more than 400 pieces of stolen mail were recovered along with remnants of burned mail. The carrier admitted he used heroin and purchased firearms on behalf of his heroin dealer for cash payments and drugs. In September 2019, the carrier was sentenced to 63 months in federal prison and 36 months of probation; his girlfriend received 60 months in prison for purchasing firearms, receiving cash payments, and making false statements.



Mail stolen and in some cases burned by a carrier working for a heroin dealer.

In December 2018, an OIG investigation revealed a Postal Service tractor-trailer operator and his two brothers stole approximately \$70,000 in USPS funds from another Postal Service tractor-trailer operator who was transporting cash in remittance bags.



Gloves and duct tape found in vehicle used in robbery of \$70,000 from a Postal Service tractor-trailer.

Video surveillance along the victim's route revealed he was followed by a pickup truck later discovered to belong to the tractor-trailer operator involved in the robbery. Wearing a mask and brandishing a handgun, a man approached his victim while at the USPS Distribution Center in Grand Island, NE. The masked man forced the victim into the passenger seat of his tractor-trailer at gunpoint, covered his head, and bound his hands. The thief then drove the tractor-trailer to a rest area,

Mail Theft

where his brothers further restrained the victim, removed the remittance bags from the trailer, and then fled the scene in the pick-up truck.

During his interview with OIG agents, the USPS tractor-trailer operator acknowledged he had previously served more than five years in prison for bank robbery. In October 2019, he was sentenced to 25 years in prison followed by eight years of supervised release. He was also ordered to pay \$59,000 in restitution. Both brothers pleaded guilty and were sentenced in January 2020, one to 20 years in prison, the other to more than 11 years in prison while also ordered to pay about \$60,000 jointly with his co-defendants in restitution.

A joint investigation involving OIG and USPIS uncovered a scheme led by two men who recruited at least a half-dozen letter carriers and other Postal Service employees to steal credit cards from the mail in exchange for cash bribes, typically \$100 per stolen card. The two men used the cards to purchase high-end electronics and clothing at various retail stores throughout New Jersey. In February 2018, investigators seized six laptops and a smartphone from the residence of the two men. All items had been purchased with the stolen credit cards.

Several postal employees involved in the scheme, including three carriers and one clerk, pleaded guilty to bribery and are awaiting sentencing. The two leaders of the scheme pleaded guilty to bribery, bank fraud, and aggravated identity theft, and in October 2019, they were sentenced to approximately five years in prison each, with an order to pay \$87,500 in restitution. Additionally, sentencing for both included five years of supervised release.



Left: One of two men who recruited USPS employees to steal credit cards from the mail; Right: high-end electronics bought with the stolen cards.

Senior Executive Investigations

During the reporting period, three instances of misconduct by two Postal Career Executive Service (PCES) employees were substantiated. The PCES grade is substantially similar to the Senior Executive Series (SES).

Substantiated allegations:

A. We investigated an allegation that a Postal Service manager sexually assaulted a subordinate employee while on official travel. In addition to notifying the OIG, the victim also reported the incident to local law enforcement. We did not

substantiate the allegation of sexual assault; however, we did find that the Postal Service manager engaged in an improper sexual encounter with the employee and, during that encounter, possessed an open container of alcohol

Senior Executive Investigations

while operating a motor vehicle. The manager also engaged in an on-going sexual relationship with another subordinate employee, failed to report that relationship to management, and served as a concurring official on that employee's promotion.

This matter was referred to state prosecutors and the manager was prosecuted for criminal sexual conduct. The OIG provided its Report of Investigation (ROI) to the Postal Service for appropriate action and the manager was subsequently removed from the Postal Service.

- B.** The OIG received three separate complaints regarding the same Postal Service manager. We investigated and substantiated the first allegation that the manager used a Postal Service vehicle for personal reasons, operated the vehicle after consuming alcohol, and did not properly document claims for travel expenses within the Postal Service's electronic travel system.

We investigated and substantiated the second allegation that the manager directed employees to use unauthorized and unlicensed software for re-creating barcodes on damaged parcels. The investigation further found that the manager failed to prevent the appearance of a conflict of interest between two subordinate employees in an unrelated matter.

Finally, we investigated but did not substantiate the third allegation that the manager failed to follow Postal Service policies related to undelivered mail. The investigation did reveal that there were inconsistencies in how relevant Postal Service policies were interpreted.

These investigations were not referred for prosecution. The OIG provided its ROIs to the Postal Service for appropriate action, and the manager subsequently accepted a non-competitive voluntary reassignment to a downgraded position.

Unsubstantiated allegations:

During the reporting period, four instances of alleged misconduct by PCES employees were unsubstantiated. One of those instances is described above. The other three instances include the following:

- A.** We investigated an allegation that a Postal Service manager violated nepotism regulations involving his children and their employment with the Postal Service. The allegation was not substantiated; however, we did find that local postal management failed to follow Postal Service policy related to selection and placement of candidates. The investigation was not referred for prosecution. The OIG provided a management referral to the Postal Service to address the policy violations that were identified.
- B.** We investigated an allegation based on witness accounts that a Postal Service manager committed time and attendance fraud. Our investigation did not disclose any information to substantiate the allegation.
- C.** We investigated an allegation that a Postal Service manager was aware of potential irregularities involving lease commissions for postal-leased properties but failed to act. Our investigation did not disclose any information to substantiate the allegation.

Internal Affairs

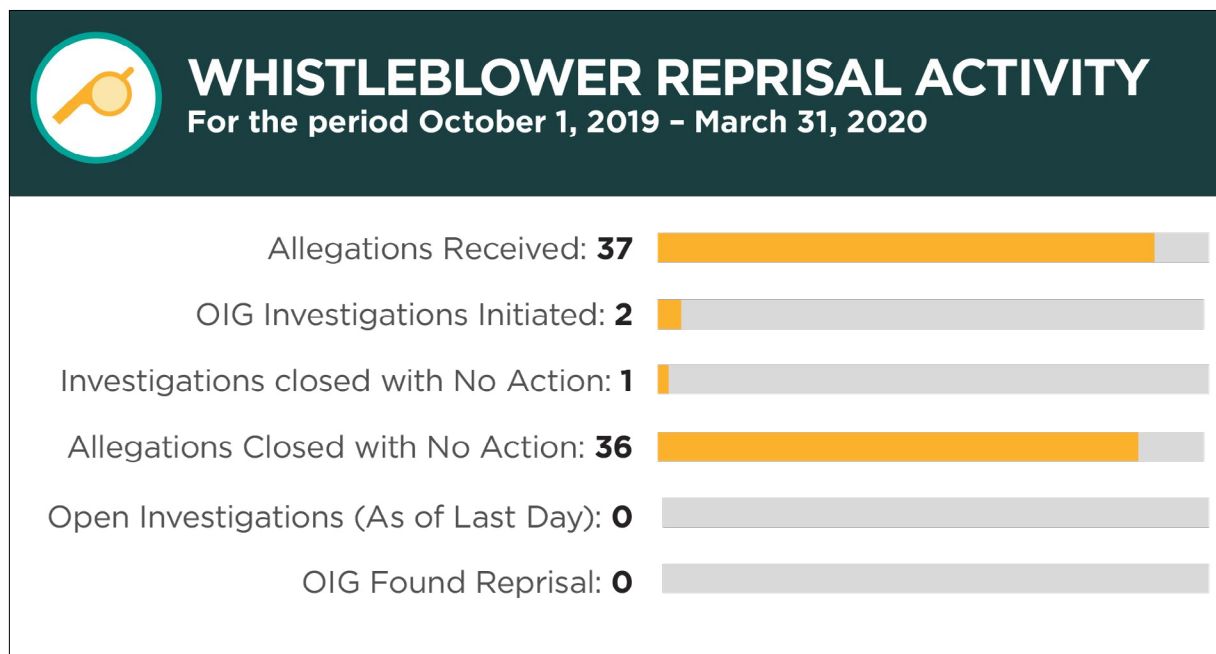
There were no investigations for the reporting period.

Council of the Inspectors General on Integrity and Efficiency (CIGIE)

The OIG completed an investigation relating to another OIG in support of CIGIE's Integrity Committee.

Whistleblower Reprisal Investigations

During the reporting period, there were no substantiated Whistleblower Reprisal (WbR) allegations.



APPENDICES

The Inspector General (IG) Act of 1978 requires semiannual reports on the immediately preceding six-month periods ending September 30 and March 31. These reports are sent to Congress and made available to the public.

This report summarizes OIG activities and illustrates significant problems, abuses, and deficiencies, along with recommendations and corrective actions related to the administration of U.S. Postal Service programs and operations during the reporting period.

The appendices on the following pages fulfill the requirements of the Act.



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Definitions

Questioned Costs. A cost that is unnecessary, unreasonable, unsupported, or an alleged violation of law, regulation, contract, and so forth.

Unsupported Costs. A cost that is not supported by adequate documentation. Unsupported costs are included with the amounts shown as Questioned Costs.

Funds Put to Better Use. Funds that could be used more efficiently by implementing recommended actions.

Revenue Impact. Amounts from revenue-generating functions such as retail sales, rent, leases, or fees that were underpaid or not

realized. In addition, this category includes increased revenue from existing functions and generating revenue from new sources.

Inspections/Evaluations. The Research Insights and Solution Center (RISC), using the inspections and evaluations standards, conducts in-depth research and analysis on postal issues to identify opportunities for revenue growth and increased operational efficiencies to enhance the viability and efficiency of the Postal Service. This work is generally issued in the form of white papers.

APPENDIX A: Reports Issued to Postal Service Management

Summary

For the period: October 1, 2019 — March 31, 2020

OIG audit teams conduct performance and financial audits, evaluations, and other reviews to address the business of the Postal Service. Each team issues audit reports, management alert reports, or white papers in accordance with the identified needs of the project.

Risk Categories	Number of Reports	Funds Put To Better Use	Questioned Costs	Unsupported Questioned Costs ¹	Revenue
Finance and Pricing	22	\$4,392,691,449	\$14,478,659	\$106,334	\$506,874
Inspection Service, Information Technology & Operations	6	\$1,194,166	\$13,981,884	\$253,613	—
Mission Operations	11	\$1,440,952	\$32,231,104	\$30,790,152	—
Retail, Delivery & Marketing	14	—	\$963,213,772	\$963,213,772	\$91,502,925
Supply Management & Human Resources	10	\$64,429,744	\$172,443,782	\$155,553,634	—
Sub-Total	63	\$4,459,756,311	\$1,196,349,201	\$1,149,917,505	\$92,009,799
RISC White Papers	3	—	—	—	—
Total	66	\$4,459,756,311	\$1,196,349,201	\$1,149,917,505	\$92,009,799

¹ Unsupported Questioned Costs is a subset of the total of Questioned Costs.

APPENDIX A: Reports Issued to Postal Service Management

Reports with Quantifiable Potential Monetary Benefits

For the period: October 1, 2019 — March 31, 2020

	Funds Put to Better Use	Questioned Costs	Unsupported Questioned Costs	Revenue Impact
Finance and Pricing				
Cost and Pricing				
Automatic Indemnity Claim Payments, 19-008-R20, 3/2/2020	\$182,278,532	\$14,341,129	—	—
Priority Mail Express Service Performance Costs in the Caribbean District, 19BG006CP000-R20, 10/17/2019	\$1,483,284	—	—	\$506,874
Finance				
Options to Reduce Unfunded Retirement Liabilities, 19BG010FT000-R20, 3/6/2020	\$4,208,914,264	—	—	—
Financial Controls				
Accountable Paper and Postal Funds – Pomona, CA, Main Post Office, 20-113-R20, 1/16/2020	—	\$3,551	—	—
Local Purchases and Payments: Miscellaneous Services – Exeter, NH, Post Office, 20-166-R20, 3/12/2020	—	\$5,929	\$5,929	—
Local Travel Reimbursement – Las Vegas, NV, Huntridge Station, FCS-FM-20-001, 10/1/2019	—	\$7,619	\$7,619	—
Local Travel Reimbursements – Louisville, KY, Galleria Finance Station, 20-147-R20, 3/12/2020	\$15,369	\$11,527	\$11,527	—
Meter Revenue Refunds – Coppell, TX, Main Office, 20-069-R20, 11/27/2019	—	\$27,645	—	—
Meter Revenue Refunds – Hazelwood, MO, Main Post Office, 19-019-R20, 10/31/2019	—	\$81,259	\$81,259	—
Inspection Service, Information Technology & Operations				
Information Technology				
Effectiveness of the Postal Service's Efforts to Reduce Non-Career Employee Turnover, 19POG001SAT000-R20, 2/12/2020	—	\$13,728,271	—	—
Review of IT Network Performance, 18TG005IT000-R20, 1/17/2020	\$1,194,166	—	—	—
US Postal Inspection Service				
U.S. Postal Inspection Service Handling of Suspected Marijuana Packages, 19-014-R20, 3/13/2020	—	\$253,613	\$253,613	—

APPENDIX A: Reports Issued to Postal Service Management

	Funds Put to Better Use	Questioned Costs	Unsupported Questioned Costs	Revenue Impact
Mission Operations				
Transportation				
U.S. Postal Service Transportation Network Operations and Cost Optimization Practices, 19XG002NL000-R20, 11/7/2019	—	\$30,790,152	\$30,790,152	—
U.S. Postal Service Transportation Cost of Mail Transport Equipment, 19XG007NL000-R20, 12/13/2019	\$1,440,952	\$1,440,952	—	—
Retail, Delivery & Marketing				
Delivery & Retail Operations				
National Operational Assessment – Customer Service and Delivery Operations, 19RG002DR000-R20, 12/12/2019	—	\$963,213,772	\$963,213,772	—
Sales, Marketing & International				
Management of Postal Zones, 19RG009MS000-R20, 3/25/2020	—	—	—	\$91,502,925
Supply Management & Human Resources				
Human Resources and Support				
Custodial Workhours, 19SMG006HR000-R20, 10/24/2019	\$64,429,744	\$16,890,148	—	—
U.S. Postal Service: First-Line Supervisors – Resources, 19SMG010HR000-R20, 3/18/2020	—	\$4,265,507	\$4,265,507	—
Supply Management & Facilities				
Expense Purchase Card Activity, 19SMG009SM000-R20, 3/23/2020	—	\$151,288,127	\$151,288,127	—
Total	\$4,459,756,311	\$1,196,349,201	\$1,149,917,505	\$92,009,799

APPENDIX A: Reports Issued to Postal Service Management

Report Listing

Complete listing of all OIG reports issued to Postal Service management. For the period: October 1, 2019 — March 31, 2020

Finance and Pricing

Cost and Pricing

Automatic Indemnity Claim Payments, 19-008-R20, 3/2/2020

Priority Mail Express Service Performance Costs in the Caribbean District, 19BG006CP000-R20, 10/17/2019

Finance

Compensation, Benefit, and Bonus Authority in Calendar Year 2018, 19BG009FT000-R20, 12/11/2019

Fiscal Year 2019 Review of Form 10-K (Quarter 4), 19-015-R20, 11/12/2019

Fiscal Year 2019 Selected Financial Activities and Accounting Records, 19BM004FT000-R20, 1/6/2020

Fiscal Year 2020 Review of Form 10-Q Quarter 1, 20-153-R20, 2/5/2020

Opinion on the U.S. Postal Service's Fiscal Year 2019 Reclassified Financial Statements, 19BM008FT000-R20, 11/19/2019

Options to Reduce Unfunded Retirement Liabilities, 19BG010FT000-R20, 3/6/2020

Partnership Agreement Compliance, 19BG004FT000-R20, 12/27/2019

Financial Controls

Accountable Paper and Postal Funds – Pomona, CA, Main Post Office, 20-113-R20, 1/16/2020

Local Purchases and Payments – Fuel and Oil – Tallahassee, FL, TLH Lake Jackson Station, 20-148-R20, 3/20/2020

Local Purchases and Payments: Miscellaneous Services – Ellensburg, WA, Main Post Office, 20-165-R20, 3/3/2020

Local Purchases and Payments: Miscellaneous Services – Exeter, NH, Post Office, 20-166-R20, 3/12/2020

Local Purchases and Payments: Miscellaneous Services – Far Rockaway, NY, Main Post Office and Park Station, 19-039-R20, 11/21/2019

Local Travel Payments – Louisville, KY, Galleria Finance Station, 20-147-R20, 3/12/2020

Local Travel Reimbursement – Las Vegas, NV, Huntridge Station, FCS-FM-20-001, 10/1/2019

Meter Revenue Refunds – Coppell, TX, Main Office, 20-069-R20, 11/27/2019

Meter Revenue Refunds – Hazelwood, MO, Main Post Office, 19-019-R20, 10/31/2019

Meter Revenue Refunds – Southgate, MI Post Office, 19-046-R20, 11/21/2019

Passport Revenue and Fees – Sioux Falls, SD, Meadows Retail Station, 20-068-R20, 12/16/2019

Postage and Fee Refunds – Rockville, MD, Post Office, 19-010-R20, 10/28/2019

Postage Validation Imprinter Voids and Nonsaleable Stock – Los Angeles, CA, LAX Airport Finance Station, 19-045-R20, 11/25/2019

Inspection Service, Information Technology & Operations

Information Technology

Effectiveness of the Postal Service's Efforts to Reduce Non-Career Employee Turnover, 19POG001SAT000-R20, 2/12/2020

Review of IT Network Performance, 18TG005IT000-R20, 1/17/2020

U.S. Postal Inspection Service

Fiscal Year 2019 Decision Analysis Report Summary, 20-101-R20, 2/21/2020

U.S. Postal Inspection Service Charlotte Division, 19TG013OV000-R20, 11/15/2019

U.S. Postal Inspection Service Forensic Laboratory Services, 19-004-R20, 3/30/2020

U.S. Postal Inspection Service Handling of Suspected Marijuana Packages, 19-014-R20, 3/13/2020

Mission Operations

Network Processing

Mail Excluded from Service Performance Measurement, 19XG009NO000-R20, 12/13/2019

Service Performance of Election and Political Mail During the 2018 Midterm and Special Elections, 19XG010NO000-R20, 11/4/2019

Plant Evaluation Team

Manual Flats Processing Operations at the Birmingham, AL, Processing and Distribution Center, 20-161-R20, 2/12/2020

Manual Flats Processing Operations at the Tucson, AZ, Processing & Distribution Center, 20-163-R20, 3/9/2020

APPENDIX A: Reports Issued to Postal Service Management

Manual Letter Processing Operations at the Industry, CA, Processing and Distribution Center, 20-098-R20, 12/23/2019

Manual Letter Processing Operations at the North Bay, CA, Processing and Distribution Center, 20-065-R20, 12/9/2019

Manual Parcel Processing Operations at the Brooklyn, NY, Processing and Distribution Center, 20-099-R20, 12/23/2019

Manual Parcel Processing Operations at the Harrisburg, PA, Processing and Distribution Center, 20-064-R20, 12/2/2019

Transportation

U.S. Postal Service Transportation Network Operations and Cost Optimization Practices, 19XG002NL000-R20, 11/7/2019

Accuracy of Surface Visibility Scans and Reporting, 19-024-R20, 3/5/2020

U.S. Postal Service Transportation Cost of Mail Transport Equipment, 19XG007NL000-R20, 12/13/2019

Retail, Delivery, and Marketing

Delivery and Retail Operations

National Operational Assessment – Customer Service and Delivery Operations, 19RG002DR000-R20, 12/12/2019

Customer Service, City Delivery, and Vehicle Operations – Workload and Workforce Performance Indicators, 19RG005DR000-R20, 10/24/2019

Delivery and Customer Service Issues – Greenpoint and Williamsburg Stations, Brooklyn, NY, 19-003-R20, 12/31/2019

Delivery Scanning Issues – La Vergne Post Office, La Vergne, TN, 20-077-R20, 12/9/2019

Mail Delivery & Customer Service Operations – Milam Dairy Annex, Miami, FL, 20-151-R20, 3/23/2020

Mail Delivery and Customer Service Operations – Allen Post Office, Allen, TX, 20-107-R20, 2/5/2020

Mail Delivery and Customer Service Operations – Chatsworth Post Office, Chatsworth, CA, 20-150-R20, 3/3/2020

Mail Delivery and Customer Service Operations – Hawthorne Post Office, Hawthorne, CA, 20-149-R20, 3/23/2020

Mail Delivery Issues – Brightwood Station, Indianapolis, IN, 19-020-R20, 10/25/2019

Mail Delivery Issues – Montbello Station, Denver, CO, 20-078-R20, 12/18/2019

Mail Delivery Issues – Vista Station, Sparks, NV, 19-043-R20, 12/4/2019

Nationwide Delivery Scanning Issues, 20-102-R20, 2/19/2020

Sales, Marketing and International

Management of Postal Zones, 19RG009MS000-R20, 3/25/2020

U.S. Postal Service Sales & Marketing Operational Key Performance Indicators, 19RG003MS000-R20, 10/17/2019

Supply Management & Human Resources

Facility Condition Review Team

Facility Condition Reviews – Belmar, Normandy Beach, and Spring Lake Post Offices, 20-160-R20, 3/20/2020

Facility Condition Reviews – Greenfield, Maxwell, and New Palestine Post Offices, 20-071-R20, 1/30/2020

Facility Condition Reviews – Waynesville, Lake Junaluska, and Clyde Post Offices, 20-070-R20, 1/30/2020

Human Resources and Support

Custodial Workhours, 19SMG006HR000-R20, 10/24/2019

Management Structure at the U.S. Postal Service, 19SMG011HR000-R20, 3/18/2020

First-Line Supervisors in the U.S. Postal Service, 19SMO005HR000-R20, 12/9/2019

First-Line Supervisor Resources, 19SMG010HR000-R20, 3/18/2020

Supply Management and Facilities

Audit of Electronic Consulting Services Incurred Costs, 19-034-R20, 2/6/2020

Controls Over Expense Purchase Card Activity, 19SMG009SM000-R20, 3/23/2020

Supply Management's Control Environment Over Contracting Officers, 18SMG023SM000-R20, 11/6/2019

APPENDIX A: Reports Issued to Postal Service Management

White Paper Listing

Complete listing of all OIG White Papers issued to Postal Service management. For the period: October 1, 2019 — March 31, 2020

Research and Insights Solution Center

A Closer Look at Postal Labor Costs, RISC-WP-20-001, 12/2/2019

Same-Day Delivery: Implications for the U.S. Postal Service, RISC-WP-20-002, 1/8/2020

Maintaining Rural Retail Networks: Best Practices Abroad and Implications for the U.S. Postal Service, RISC-WP-20-003, 3/25/2020

Reports/Memoranda Issued During the Period but Were Not Disclosed to the Public

The Inspector General Empowerment Act of 2016 requires that the OIG report on each inspection, evaluation, and audit conducted by the office that is closed during the reporting period and was not disclosed to the public. During the current reporting period, OIG had three reports that were closed but not disclosed to the public.

Office of Audit

Review of Form 10-Q

The following letters are not publicly available as they are provided to the Board of Governors to assist them in determining whether to release the financial statements and disclosures, with the accompanying opinion, to the public.

Fiscal Year 2019 Review of Form 10-K Quarter 4; 19-015-R20; 11/12/2019

Fiscal Year 2020 Review of Form 10-Q Quarter 1; 20-153-R20; 2/5/2020

Audits of Costs Incurred

The following reports are not publicly available due to USPS concerns with proprietary and commercially sensitive information that may be protected from disclosure under 39 USC 410(c)(2).

Audit of Electronic Consulting Services Incurred Costs, 19-034-R20; 2/6/2020

Review of Decision Analysis

The following reports are not publicly available due to USPS concerns with proprietary and commercially sensitive information that may be protected from disclosure under 39 USC 410(c)(2).

Fiscal Year 2019 Decision Analysis Report Summary, 20-101-R20; 2/21/2020

Referrals to Postal Management

Referrals made during the reporting period to USPS management for action that did not warrant the OIG to investigate or conduct an audit: **1,074**

APPENDIX B: Findings of Questioned Costs

For the period: October 1, 2019 — March 31, 2020

As required by the IG Act, the following pages show the total number of audit reports and the total dollar value of questioned costs therein.

Questioned Cost: A cost that is unnecessary, unreasonable, unsupported, or an alleged violation of law, regulation, or contract.

Description	Number of Reports	Questioned Costs	Unsupported Costs Included in Questioned Costs
Reports for which no management decision was made at the beginning of the reporting period	—	—	—
Reports issued during the reporting period	15	\$1,196,349,201	\$1,149,917,505
Totals	15	\$1,196,349,201	\$1,149,917,505
Reports for which a management decision was made during the reporting period (i+ii)	15	\$1,196,349,201	\$1,149,917,505
(i) Dollar Value of disallowed cost	8	\$46,069,260	\$30,896,486
(ii) Dollar Value of cost not disallowed	7	\$1,150,279,941	\$1,119,021,019
Reports for which no management decision was made by the end of the reporting period	—	—	—

[Note 1 — Reports for which no management decision was made within six months of issuance:](#)

None this report period.

[Note 2 — Reports for which no management decision was made within one year of issuance:](#)

None this report period.

APPENDIX C: Recommendations That Funds Be Put to Better Use

For the period: October 1, 2019 — March 31, 2020

As required by the IG Act, the following page shows the total number of audit reports and the total dollar value of recommendations for funds that can be put to better use by management.

Funds Put to Better Use: Funds that could be used more efficiently by implementing recommended actions.

Description	Number of Reports	Dollar Value
Reports for which no management decision was made at the beginning of the reporting period	—	—
Reports issued during the reporting period	7	\$4,459,756,310
Totals	7	\$4,459,756,310
Reports for which a management decision was made during the report period	7	\$4,459,756,310
(i) Dollar Value of recommendations agreed to by management	3	\$2,939,605
(ii) Dollar Value of recommendations that were not agreed to by management	4	\$4,456,816,706
Reports for which no management decision was made by the end of the reporting period	—	—

[Note 1 — Reports for which no management decision was made within six months of issuance:](#)

None this report period.

[Note 2 — Reports for which no management decision was made within one year of issuance:](#)

None this report period.

APPENDIX D: Other Impacts

For the period: October 1, 2019 — March 31, 2020

Overview

Many of our Audit Reports identify areas for improvements that result in non-monetary benefits to the Postal Service. These benefits include improvements to service, protection of assets, and reliability of data.

Description and Reports	Number of Recommendations
Assets or Accountable Items at Risk	
U.S. Postal Inspection Service Charlotte Division, 19TG013OV000-R20, 11/15/2019	1
Data Integrity	
U.S. Postal Service Transportation Network Operations and Cost Optimization Practices, 19XG002NL000-R20, 11/7/2019	4
Accuracy of Surface Visibility Scans and Reporting, 19-024-R20, 3/5/2020	1
Automatic Indemnity Claim Payments, 19-008-R20, 3/2/2020	2
Local Purchases and Payments: Miscellaneous Services – Ellensburg, WA, Main Post Office, 20-165-R20, 3/3/2020	1
Management of Postal Zones, 19RG009MS000-R20, 3/25/2020	3
Manual Flats Processing Operations at the Tucson, AZ, Processing & Distribution Center, 20-163-R20, 3/9/2020	1
Manual Letter Processing Operations at the Industry, CA, Processing and Distribution Center, 20-098-R20, 12/23/2019	1
Manual Letter Processing Operations at the North Bay, CA, Processing and Distribution Center , 20-065-R20, 12/9/2019	1
Manual Parcel Processing Operations at the Harrisburg, PA, Processing and Distribution Center, 20-064-R20, 12/2/2019	1
Partnership Agreement Compliance, 19BG004FT000-R20, 12/27/2019	2
U.S. Postal Service Transportation Cost of Mail Transport Equipment, 19XG007NL000-R20, 12/13/2019	1
Disbursements at Risk	
Local Purchases and Payments – Tallahassee, FL, TLH Lake Jackson Station, 20-148-R20, 3/20/2020	1
Local Purchases and Payments: Miscellaneous Services – Far Rockaway, NY, Main Post Office and Park Station, 19-039-R20, 11/21/2019	1
U.S. Postal Service: First-Line Supervisors – Resources, 19SMG010HR000-R20, 3/18/2020	1
Local Purchases and Payments: Miscellaneous Services – Ellensburg, WA, Main Post Office, 20-165-R20, 3/3/2020	1
Goodwill Branding	
Delivery and Customer Service Issues – Greenpoint and Williamsburg Stations, Brooklyn, NY, 19-003-R20, 12/31/2019	2
Delivery Scanning Issues – La Vergne Post Office, La Vergne, TN, 20-077-R20, 12/9/2019	1
Local Purchases and Payments: Miscellaneous Services – Exeter, NH, Post Office, 20-166-R20, 3/12/2020	1
Meter Revenue Refunds – Coppell, TX, Main Office, 20-069-R20, 11/27/2019	1
Priority Mail Express Service Performance Costs in the Caribbean District, 19BG006CP000-R20, 10/17/2019	1
Sales & Marketing Operational Key Performance Indicators, 19RG003MS000-R20, 10/17/2019	1

APPENDIX D: Other Impacts

Description and Reports	Number of Recommendations
Improved Services	
U.S. Postal Service Transportation Network Operations and Cost Optimization Practices, 19XG002NL000-R20, 11/7/2019	1
Delivery and Customer Service Issues – Greenpoint and Williamsburg Stations, Brooklyn, NY, 19-003-R20, 12/31/2019	4
Facility Condition Reviews – Greenfield, Maxwell, and New Palestine Post Offices, 20-071-R20, 1/30/2020	3
Local Purchases and Payments: Miscellaneous Services – Far Rockaway, NY, Main Post Office and Park Station, 19-039-R20, 11/21/2019	1
Mail Delivery & Customer Service Operations – Milam Dairy Annex, Miami, FL, 20-151-R20, 3/23/2020	1
Mail Delivery and Customer Service Operations – Allen Post Office, Allen, TX, 20-107-R20, 2/5/2020	3
Mail Delivery and Customer Service Operations – Chatsworth Post Office, Chatsworth, CA, 20-150-R20, 3/3/2020	1
Mail Delivery and Customer Service Operations – Hawthorne Post Office, Hawthorne, CA, 20-149-R20, 3/23/2020	2
Mail Delivery Issues – Brightwood Station, Indianapolis, IN, 19-020-R20, 10/25/2019	1
Mail Delivery Issues – Montbello Station, Denver, CO, 20-078-R20, 12/18/2019	6
Mail Delivery Issues – Vista Station, Sparks, NV, 19-043-R20, 12/4/2019	1
Mail Excluded from Service Performance Measurement, 19XG009NO000-R20, 12/13/2019	2
Manual Flats Processing Operations at the Birmingham, AL, Processing and Distribution Center, 20-161-R20, 2/12/2020	1
Manual Parcel Processing at the Brooklyn, NY, Processing and Distribution Center, 20-099-R20, 12/23/2019	1
National Operational Assessment – Customer Service and Delivery Operations, 19RG002DR000-R20, 12/12/2019	4
Nationwide Delivery Scanning Issues, 20-102-R20, 2/19/2020	1
Review of IT Network Performance, 18TG005IT000-R20, 1/17/2020	1
Service Performance of Election and Political Mail During the 2018 Midterm and Special Elections, 19XG010NO000-R20, 11/4/2019	3
U.S. Postal Service Transportation Cost of Mail Transport Equipment, 19XG007NL000-R20, 12/13/2019	1
Safety and Security	
Facility Condition Reviews – Belmar, Normandy Beach, and Spring Lake Post Offices, 20-160-R20, 3/20/2020	2
Facility Condition Reviews – Waynesville, Lake Junaluska, and Clyde Post Offices, 20-070-R20, 1/30/2020	1
Mail Delivery Issues – Brightwood Station, Indianapolis, IN, 19-020-R20, 10/25/2019	1
Mail Delivery Issues – Vista Station, Sparks, NV, 19-043-R20, 12/4/2019	1
U.S. Postal Inspection Service Forensic Laboratory Services, 19-004-R20, 3/30/2020	1

Management did not agree with the impact recommendations in the following reports:

Assets or Accountable Items at Risk – 19TG013OV000-R20

Disbursements at Risk – 19SMG010HR000-R20

Goodwill Branding – 19BG006CP000-R20

Safety and Security – 19-004-R20

APPENDIX E: Reports with Recommendations

Pending Corrective Actions

For the period: October 1, 2019 — March 31, 2020

As required by the IG Act, as amended, the following pages include a list of outstanding unimplemented recommendations and the monetary impact of those recommendations.

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number	Target Implementation Date
			Supervisor Workhours and Span of Control	
NO-MA-13-005	4/4/2013	\$11,955,046	R-2 — Fill vacant supervisor positions up to the appropriate span of control level and reduce supervisor replacement workhours accordingly.	June 2020
			Security Clearances for Postal Service Contract Drivers	
		—	R-1 — Establish formal procedures to track and monitor contract driver security clearances to ensure drivers have the appropriate clearance and are re-screened, as required. This should include a process to notify appropriate management officials when security clearances have not been renewed.	July 2020
HR-AR-15-001	11/20/2014	—	R-2 — Establish a formal centralized system that allows for the tracking and monitoring of contract driver security clearances.	July 2020
		—	R-3 — Establish mandatory and refresher training requirements for Postal Service officials responsible for security clearances to ensure they are aware of their roles and responsibilities regarding the security clearance process.	July 2020
		—	R-4 — Establish a formal oversight process for contracting officers to validate contract drivers have security clearances when renewing contracts.	July 2020
			Badges for Postal Service Contractors	
HR-AR-15-004	3/6/2015	—	R-1 — Revise national policy to ensure responsible personnel develop comprehensive and uniform standard operating procedures to manage contractor badges, including procedures for issuing, tracking, and monitoring badges.	April 2020
		—	R-2 — Provide formal training including periodic refresher training to responsible personnel to ensure they understand their roles and responsibilities for managing contractor badges.	April 2020
			Substantial Increase in Delayed Mail	
NO-MA-15-004	8/13/2015	—	R-4 — Establish criteria for determining if the network has stabilized and ensure the criteria are met prior to resuming the Phase II consolidations or conducting any other optimization efforts.	June 2020

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Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number	Target Implementation Date
HR-AR-15-007	9/15/2015	—	U.S. Postal Inspection Service Mail Covers Program Phase II R-2 — Establish formal procedures to monitor and track accountable mail cover documents for postal inspectors to ensure they are properly completed, submitted, and maintained at the Postal Inspection Service's Criminal Investigations Service Center (CISC). These procedures should include requiring inspectors to return all mail cover documents to the CISC within 60 days of the mail cover end date.	January 2020
			R-3 — Conduct a study to determine how using electronic media, including spreadsheets will impact the confidentiality and security of mail cover information. Based on study results, clarify policies and procedures regarding completing Postal Service Form 2009, Information Regarding Mail Matter, for each mailpiece related to interdiction mail covers and for mail covers that are automatically generated, approved, and closed."	January 2020
IT-AR-16-004	1/14/2016	—	Access Controls over Mail Imaging Systems R-2 — Require passwords for all mail imaging systems accounts in accordance with Handbook AS-805.	September 2020
			R-3 — Delete all accounts that have not been used in more than 365 days and all guest accounts on the mail imaging systems.	September 2020
			R-4 — Require users to change passwords for all administrative accounts at least every 30 days and for all non-administrative accounts at least every 90 days for the mail imaging systems.	September 2020
HR-AR-16-002	4/7/2016	—	Postal Service's Handling of Office of Workers Compensation Claim Forms R-1 — Develop a more comprehensive electronic claims process to ensure claims forms are completed accurately and timely.	March 2020
NO-AR-16-008	5/4/2016	\$93,101,614	New York Morgan Processing and Distribution Center Efficiency R-1 — Reduce 385,365 workhours over the next five years by evaluating operational efficiency and adjusting workhours to workload.	May 2021
NO-AR-16-009	9/2/2016	—	Mail Processing and Transportation Operational Changes R-2 — Develop and implement a strategy to improve mail processing productivity in the new operational window before any additional nationwide operational changes or consolidations are implemented.	June 2020
NO-AR-16-012	9/29/2016	\$465,165,928	Continuous Improvement of Mail Processing Operations R-1 — Reduce 11.5 million workhours from projected fiscal year 2016 levels where possible and when planning for 2017 projected workhours by evaluating operational efficiency, adjusting staffing levels/workhours to workload, and ensuring overtime workhours do not exceed budgeted levels.	June 2020
IT-AR-17-003	4/5/2017	—	Privileged Account Management R-2 — Develop and continuously maintain a complete and accurate listing of privileged accounts for Postal Service systems.	September 2020
			R-3 — Define business practices and responsibilities for monitoring privileged accounts and implement privileged access management tools.	September 2020

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Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number	Target Implementation Date
HR-AR-17-006	5/4/2017	—	Postal Inspection Service Consumer Fraud Fund R-1 — Develop a requirement to evaluate the effectiveness of Consumer Fraud Fund expenditures using measurable performance goals.	March 2020
		—	R-2 — Develop formal written procedures for management of Consumer Fraud Fund requests and for tracking, monitoring, and reconciling expenditures.	March 2020
IT-AR-17-007	9/18/2017	—	Insider Threat Program R-1 — Continue to develop and fully implement an insider threat program for national security information in accordance with National Insider Threat Policy minimum standards.	September 2020
		—	R-2 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.	September 2020
HR-AR-17-013	9/21/2017	—	Assessing Postal Service Employee Engagement Activities R-1 — Require managers and supervisors to create action plans to address Postal Pulse Survey results and implement a process to monitor and assess progress on the activities identified in action plans.	—
IT-AR-17-009	9/21/2017	—	Mobile System Review R-3 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.	January 2020
		—	R-4 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.	January 2020
		—	R-5 — Implement security standards for the mobile Point-of-Sale devices and application.	January 2020
DR-AR-18-001	10/27/2017	—	Package Delivery Scanning – Nationwide R-4 — Develop a Mobile Delivery Device warning message/alert to deter carriers from applying street delivery scan events at delivery units.	April 2020
HR-AR-18-003	3/1/2018	—	Postal Service’s Limited Duty and Rehabilitation Programs Return to Work Processes in the Southern and Pacific Areas R-2 — Assess if the staffing to caseload ratio aligns with requirements established by management	—
		—	R-4 — Assess the feasibility of implementing an automated or other solution to promote process efficiency and satisfy the special job bank requirement.	—
IT-AR-18-002	3/19/2018	—	Western Area Physical Security and Environmental Controls R-3 — Direct the senior plant manager to implement compensating controls for doors without a functioning card reader	August 2020
		—	R-6 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.	August 2020
NO-AR-18-004	3/30/2018	—	Mail Processing Facilities Staffing R-3 — Implement and document the Verification, Validation, and Accreditation process for the Function 1 Scheduler.	—

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Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number	Target Implementation Date
NO-AR-18-008	7/26/2018	—	Flats Sequencing System Performance in the Capital Metro Area R-2 — Determine the operational cost and savings Flats Sequencing System (FSS) currently provides to the Postal Service to fully understand the financial and operational impact of FSS on the Postal Service and customers.	March 2020
HR-AR-18-007	8/1/2018	—	Timecard Adjustments at U.S. Postal Service Facilities in the Greater Boston District R-3 — Assess the feasibility of using systems controls in the Time and Attendance Collection System (TACS) to ensure supervisors disallow time, delete clock rings, and extend lunch times in accordance with Postal Service policy. If management deems enhancing TACS controls unfeasible, we recommend designing mitigating controls to prevent supervisors from improperly adjusting timecards.	March 2020
MS-AR-18-005	8/24/2018	—	Change of Address Identity Verification Internal Controls R-2 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.	September 2020
IT-MT-18-001	9/5/2018	—	Access Issues Identified in the Mail Processing Environment R-1 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.	February 2020
		—	R-3 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.	February 2020
		—	R-4 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.	February 2020
		—	R-5 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.	February 2020
HR-AR-18-009	9/11/2018	—	Accuracy of Grievances in the Grievance Arbitration Tracking System – Houston District R-1 — Modify the Time and Attendance Collection System to leverage automation when processing After 5 payments, or revise the policy regarding the use of Grievance and Arbitration Tracking System to include processing and separately reporting non-grievance payments.	—
		—	R-2 — Limit user access in GATS to levels appropriate for user oversight responsibilities via automated controls, or compensating manual controls.	—
MS-AR-18-006	9/25/2018	—	Electronic Verification System Internal Controls R-4 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.	December 2020
FT-AR-18-009	9/28/2018	—	Export Controls for Outbound Mail at International Service Centers R-4 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.	—

APPENDIX E: Reports with Recommendations Pending Corrective Actions

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number	Target Implementation Date
SAT-AR-18-002	9/28/2018		Use of Postal Service Network to Facilitate Illicit Drug Distribution	
		—	R-1 — Work with Congress to develop legislative changes that would result in the Postal Inspection Service being authorized to open and inspect domestic packages suspected of containing illicit drugs.	—
		—	R-2 — Work with relevant executive agencies such as the Department of Justice and Congress to develop legislative changes that would establish separate and enhanced criminal penalties for using the U.S. mail system to distribute illicit drugs.	—
		—	R-3 — Designate an officer to consolidate existing efforts and lead the implementation of a unified, comprehensive organizational strategy to combat the role of the postal network in facilitating illicit drug distribution.	—
FT-AR-18-009	9/28/2018		Export Controls for Outbound Mail at International Service Centers	
		—	R-2 — Incorporate strategic activities into the Export Controls Program, including (a) developing an overall strategic plan and a written risk assessment; (b) conducting regular cost benefit analyses to assess effectiveness and value; and (c) proactively monitoring emerging issues and analyzing export compliance data collected from electronic and physical screenings.	April 2020
IT-AR-19-001	10/12/2018		Informed Visibility Vulnerability Assessment	
		—	R-6 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.	—
		—	R-2 — Review the controls identified in the Center for Internet Security benchmarks and consider them for inclusion into the published standard.	September 2020
NO-AR-19-001	10/15/2018		Operational Window Change Savings	
		—	R-1 — Develop and implement at a minimum annual tracking methodologies for any significant projected operational costs or savings and use a sensitivity analysis to account for such impacts as changes in mail volume and labor and transportation costs.	—
FT-AR-19-004	11/26/2018		No-Fee Post Office Boxes	
		—	R-2 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.	—
FT-AR-19-003	11/26/2018		Treasury Inflation-Protected Securities	
		—	R-1 — Determine a strategy regarding the allocation of the U.S. Postal Service Civil Service Retirement System, Federal Employees Retirement System and Retiree Health Benefits Fund investments in Treasury Inflation-Protected Securities.	June 2020
		\$2,781,473,463	R-2 — Request approval from the Secretary of Treasury and the U.S. Office of Personnel Management (OPM) to redeem fixed-rate Treasury securities in the U.S. Postal Service retirement funds and invest proceeds and other fund inflows in Treasury Inflation-Protected Securities.	June 2020

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Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number	Target Implementation Date
SM-AR-19-002	3/22/2019	—	Oversight of Highway Contract Routes – Insurance	
			R-5 — Revise Supplying Principles and Practices to require the use of Clause B-39: Indemnification in all Highway Contract Route contracts.	March 2020
CP-AR-19-001	4/3/2019	—	Management Operating Data System (MODS) Errors and Adjustments	
			R-2 — Establish controls in electronic badge reader (EBR) software to require entry of an operation number for each employee badge swipe and direct area Management Operating Data System coordinators to verify that all facilities have deactivated the base operation preset button on EBRs.	June 2020
			R-4 — Develop a mechanism for improved communications among headquarters, area, and local personnel on Management Operating Data System (MODS) requirements and updates, to include (a) a more centralized approach for information dissemination; (b) the development of a mandatory orientation program for new MODS coordinators; and (c) annual MODS training for all area and local coordinators as well as facility employees and supervisors.	June 2020
			R-5 — Establish an official closing period for the Management Operating Data System (MODS) and develop controls in MODS to prevent workhour adjustments after the closeout period without required approvals.	June 2020
HR-AR-19-002	4/19/2019	—	Review of Postal Inspection Service Criminal and Administrative Processes – Fort Worth Division	
			R-3 — Establish a requirement and formal process for divisions to periodically inventory and track ammunition.	March 2020
			R-1 — Provide refresher training to team leaders regarding investigative documentation requirements and proper case closure procedures.	September 2020
			R-2 — Enhance the Closed Case File checklist and the Compliance Self-Assessment and Domicile Review Program to reconcile with case management documentation requirements.	September 2020
			R-5 — Reiterate to team leaders in a formal communication Case Management Reporting Requirements, related to documenting claimed arrests made by other law enforcement personnel.	September 2020
SM-AR-19-003	5/6/2019	—	Facility Condition Reviews – Mail Processing Facilities	
			R-2 — Develop and implement an action plan to address structural recommendations at the Indianapolis Processing and Distribution Center, including a timeline for completing items.	May 2020
SAT-AR-19-002	6/6/2019	—	Impact of Prescribed Opioids on Postal Service Employees Under the Federal Workers' Compensation Program	
			R-1 — Develop a quarterly data analysis process to monitor opioid prescription data trends in the workers compensation program.	September 2020
			R-3 — Update the appropriate supervisory policy to provide clear guidelines for supervisors who are informed that an employee is taking prescription drugs that could impair their mental or physical abilities and develop related annual training for supervisors.	September 2020
			R-4 — Develop a comprehensive, ongoing drug abuse and addiction educational program based on Centers for Disease Control and Prevention and National Safety Council guidance with, at a minimum, annual distribution to all Postal Service employees.	September 2020

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Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number	Target Implementation Date
NO-AR-19-005	6/13/2019	—	Mail Processing Overtime R-3 — Establish appropriate performance incentives for managers to effectively manage overtime.	—
		\$358,305,479	R-1 — Evaluate and test the updated Function 1 Scheduler results on a periodic basis to ensure proper implementation of position bid assignments and accurate complement levels, and make adjustments as necessary.	June 2020
		—	R-2 — Issue supplemental guidance on management oversight to reduce unauthorized overtime, ensure compliance with overtime policy to reduce grievances, and increase employee availability.	June 2020
OV-AR-19-001	6/18/2019	—	National Security Clearance Program R-1 — Develop a process to ensure Position Designation Surveys are completed and maintained before initiating a national security clearance investigation.	June 2020
		\$318,031	R-2 — Complete Position Designation Surveys for personnel possessing national security clearances without a Position Designation Survey on file to determine if the position warrants a clearance.	June 2020
IT-MT-19-001	6/19/2019	—	Management Alert – [Redacted] R-3 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.	June 2020
DR-AR-19-006	6/24/2019	—	Nationwide Review of Voyager Fleet Card Personal Identification Numbers R-2 — Implement corrective action to: (a) deactivate PINs issued to vendors; (b) deactivate multiple PINs issued to employees or define policy for exception; (c) deactivate PINs without a valid employee name; (d) ensure authorized approval of requests for increasing PIN purchasing limits; and (e) track and monitor completion of semi-annual reviews.	September 2020
		\$46,316,039	R-3 — Develop and implement interim controls to prevent and detect the issues noted in this report until the Voyager Fleet Commander Online application is updated.	September 2020
		—	R-4 — Reinforce to site managers, VMF managers and their designees, follow the requirements in the Voyager Fleet Card Standard Operating Procedures for issuing PINs, requesting PIN limit increases, and conducting semi-annual reviews.	September 2020
		—	R-1 — Coordinate with U.S. Bank Voyager to implement automated controls in the Voyager Fleet Commander Online application to: (a) prevent assignment of PINs to vendors; (b) prevent assignment of multiple PINs to employees; (c) prevent assignment of PINs without valid employee names; and (d) ensure only authorized employees are allowed to request PIN limit changes.	August 2021
FT-AR-19-007	7/17/2019	—	Internal Controls Over No Sale Transactions R-1 — Coordinate with the Vice President, Delivery and Retail Operations, to develop a nationwide policy to monitor No Sale transactions, considering the existing available reports and best practices used by area and district personnel.	April 2020

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Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number	Target Implementation Date
MS-AR-19-003	7/31/2019	—	Military and Diplomatic Mail Service	April 2020
			R-4 — Work with military stakeholders to update Publication 38, Postal Agreement with the Department of Defense, and with military and diplomatic stakeholders to update the operating plan related to military and diplomatic mail at the Chicago International Military Service Center.	
IT-AR-19-004	8/15/2019	—	Physical and Environmental Controls Site Security Review – Summary Report	March 2020
			R-3 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.	April 2020
			R-1 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.	May 2020
CP-AR-19-002	8/20/2019	—	R-2 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.	January 2020
			Contract Delivery Service Costs	
FT-AR-19-008	8/20/2019	—	R-4 — Monitor extra trip costs to identify and correct overpayments.	March 2020
			Stamp Stock Accountability	March 2020
			R-1 — Periodically evaluate the effectiveness of the newly implemented procedures for excess and excludable stamp stock and implement additional changes, as necessary.	March 2020
			R-2 — Implement controls to require notifications and approvals for stamp stock orders that exceed authorized dollar and number limits.	March 2020
HR-AR-19-003	8/22/2019	—	R-3 — Establish a control to require management outside the unit's stock accountability process to monitor that stock shipments are verified with a witness.	March 2020
			R-4 — Monitor and determine reasonableness of units that conduct excessive stock counts and notify the Office of Inspector General, when appropriate, to investigate potential fraud, waste, and abuse.	March 2020
			Nationwide Employee Background Screening	March 2020
IT-MT-19-002	8/26/2019	—	R-2 — Incorporate controls to enhance visibility in tracking and monitoring of National Agency Check with Inquiries investigations.	March 2020
			R-5 — Establish a formal policy designating the authority to make final suitability determinations for employees with unfavorable National Agency Check with Inquiries results, that includes a requirement to document the decision.	May 2020
IT-MT-19-002	8/26/2019	—	R-4 — Implement a review process to ensure that district Human Resources officials are validating that Certificates of Completion are in employees' electronic Official Personnel Folders.	June 2020
			Management Alert – [Redacted]	
			R-1 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.	

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Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number	Target Implementation Date
OV-AR-19-003	9/3/2019	\$14,437,650	U.S. Postal Inspection Service Area Case Management R-1 — Ensure investigative documentation requirements are consistent throughout the policies and include periodic reviews of investigative documentation.	September 2020
		—	R-2 — Develop controls to ensure periodic reviews of investigative documentation are conducted.	September 2020
		—	R-3 — Provide refresher case management training to all team leaders and inspectors regarding investigative documentation requirements and proper case closure procedures, according to policies.	September 2020
IT-AR-19-005	9/6/2019	—	Review of Postal Service's Response [Redacted] R-1 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.	—
		—	R-3 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.	June 2020
NO-AR-19-006	9/9/2019	—	U.S. Postal Service Processing Network Optimization R-2 — Use lessons learned and best practices from the significant increase in parcel productivity to develop a plan to increase productivity for manual, flats, and letter processing.	March 2020
		—	R-3 — Revise and update AMP feasibility studies to determine whether cost savings could be realized, and consolidations should continue.	June 2020
CP-AR-19-003	9/11/2019	—	Competitive Products Pricing Best Practices R-1 — Evaluate available options to modernize the pricing management system.	December 2020
IT-AR-19-006	9/16/2019	—	Postal Service Management of End of Life Devices R-1 — Develop and implement an End-of-Life policy to manage all network devices.	July 2020
		—	R-2 — Complete the End-of-Life 2019 Telecom Strategy and device specific risk-based replacement plans.	July 2020
		—	R-3 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.	July 2020
CP-AR-19-004	9/17/2019	—	Costing Best Practices R-1 — Develop a plan with milestones to implement a modern costing system using enhanced technologies in an effort to incorporate real-time, granular data for product cost attribution.	July 2020
NO-AR-19-008	9/17/2019	—	Assessment of U.S. Postal Service's Service Performance and Costs R-1 — Conduct a cost-benefit analysis, including a sensitivity analysis, of current service performance targets. This analysis should include an evaluation of additional costs incurred for extra operational services performed to meet service performance targets, and opportunities that exist to limit extra services when they are not financially feasible.	March 2021

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Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number	Target Implementation Date
			Automated Package Verification (APV) Evaluation	
MS-AR-19-004	9/18/2019	—	R-1 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.	April 2020
		—	R-2 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.	October 2020
		—	R-3 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.	October 2021
			Oversight of the U.S. Postal Service's Uniform Program	
SM-AR-19-007	9/19/2019	—	R-4 — Implement a process to validate vendor compliance in selling uniform items to approved Postal Service employees, or require vendors to include employee names and form of payment on quarterly sales reports to identify ineligible purchases.	—
		\$278,923	R-1 — Implement a periodic reconciliation process of Citibank's vendor sales transactions to the approved licensed vendor list to identify transactions at non-licensed vendors.	November 2019
		—	R-2 — Implement a review process to ensure vendors adhere to quarterly report submission requirements. Determine appropriate actions, to include termination of agreement, for noncompliance.	April 2020
			U.S. Postal Inspection Service New York Division	
OV-AR-19-004	9/19/2019	—	R-4 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.	September 2020
		—	R-5 — Update policy to require undercover operation approvals be stored in the Case Management System.	September 2020
			Salary and Wage Rate Retention	
FT-AR-19-009	9/20/2019	\$33,974,772	R-1 — Develop policies and procedures, including assignment of responsibilities, for documenting and retaining salary and wage rate retention information and monitoring continued eligibility.	April 2020
		—	R-2 — Develop and implement a plan to periodically identify and address employees no longer eligible for salary and wage rate retention status.	April 2020
			Issues Identified in the Outbound International Mail Market	
CP-MT-19-001	9/23/2019	—	R-1 — We recommend the Acting Vice President, Sales, develop a plan to increase outbound international sales and strengthen competitiveness in the outbound international mail market.	July 2020
			Postal Service Dynamic Route Optimization and Cost Savings Initiative	
NL-AR-19-004	9/27/2019	—	R-5 — Develop an automated payment process to ensure suppliers are paid consistently, accurately, and timely.	October 2020
			Priority Mail Express Service Performance Costs in the Caribbean District	
19BG006CP000-R20	10/17/2019	\$1,990,158	R-1 — Coordinate with Northeast Area and Caribbean District management to evaluate the feasibility of current ground transportation schedules and, as necessary, adjust current Priority Mail Express schedules, operating times, or service commitments to reduce service failures and refunds.	November 2019

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Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number	Target Implementation Date
19RG003MS000-R20	10/17/2019	—	Sales & Marketing Operational Key Performance Indicators R-3 — Establish a process to validate contractor-generated Return on Advertising Spend.	March 2020
19SMG006HR000-R20	10/24/2019	\$81,319,892	Custodial Workhours R-1 — Develop and implement a strategy to address hiring and staffing challenges for custodial positions at facilities subject to the Memorandum of Understanding between the Postal Service and the American Postal Workers Union, re: Maintenance Series-47 Transmittal Letter-5 Implementation and Maintenance Craft Postal Support Employee Conversions, signed July 9, 2014.	—
19RG005DR000-R20	10/24/2019	—	Workload/Workforce Key Performance Indicators in Customer Service, Delivery, and Vehicle Operations R-1 — Develop a detailed action plan, including measurable targets, to better manage overtime and penalty overtime workhours in Customer Service, City Delivery, and Vehicle Operations.	September 2020
19XG002NL000-R20	11/7/2019	—	U.S. Postal Service Transportation Network Operations and Cost Optimization Practices R-5 — Explore opportunities to increase the use of commercial air carriers to transport packages currently restricted by federal regulations.	June 2020
		—	R-2 — Ensure authorized account numbers are used for exceptional service in the Service Change Request system.	July 2020
		\$2,017,531	R-3 — Evaluate Highway Contract Route contracts to include consistent language to omit payment when trips are canceled by the Postal Service and ensure they are omitted from supplier's payment per contract terms.	September 2020
		\$28,772,621	R-1 — Ensure extra trips are reconciled against Surface Visibility data when submitting payments in the Service Change Request system.	October 2020
—	—	R-4 — Perform data validation for the information in the Surface Visibility system to ensure the extra and canceled trips key performance indicators are accurate and complete.	October 2020	
18SMG023SM000-R20	11/7/2019	—	Supply Management's Control Environment Over Contracting Officers R-1 — Implement a formal portfolio review process to ensure that contracting officers obtain the required annual 21 hours of current purchasing-related training, including validation of training content and supporting documentation of attendance completion.	September 2020
		—	R-2 — Designate a central system for Supply Management to record, track, and manage contracting officers' training activities.	September 2020
		—	R-5 — Assess the feasibility of establishing commodity specific metrics or tools to provide for a consistent workload management process, to include a cost-benefit analysis.	December 2020
19TG013OV000-R20	11/15/2019	—	U.S. Postal Inspection Service Charlotte Division R-1 — Limit ammunition access to applicable personnel in the Charlotte Division.	—
		—	R-2 — Update policy requiring ammunition to be always secured and limit access to applicable personnel.	—
		—	R-3 — The Inspector-in-Charge, Charlotte Division, develop a formal review process to ensure training records are entered accurately in Threat Management Tracking System.	October 2020

APPENDIX E: Reports with Recommendations Pending Corrective Actions

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number	Target Implementation Date
19-043-R20	12/4/2019	—	Mail Delivery Issues – Vista Station, Sparks, NV R-1 — We recommend the Manager, Nevada-Sierra District, instruct district staff to complete the review of the route adjustments per the dispute resolution decision.	March 2020
19BG009FT000-R20	12/11/2019	—	Compensation, Benefit, and Bonus Authority in Calendar Year 2018 R-3 — To revise Postal Service policy and handbooks on executive awards and recognition to include clear descriptions of the revised bonus or reward programs certified by the U.S. Postal Service Board of Governors.	May 2020
		—	R-2 — Develop and submit for certification by the U.S. Postal Service Board of Governors an updated description of the bonus or reward program allowed under 39 U.S.C. § 3686(a). The description should specifically define all types of cash and non-cash awards, including spot awards, for which executives and officers are eligible.	December 2020
19RG002DR000-R20	12/12/2019	\$963,213,772	National Operational Assessment – Customer Service and Delivery Operations R-3 — Coordinate with Labor Relations to identify cost effective alternatives and opportunities to address career clerk and carrier staffing issues	March 2020
		—	R-4 — Implement a policy to conduct a physical inventory of Mobile Delivery Devices and maintain inventory results.	September 2020
		—	R-1 — Modernize the various mail condition reporting methods into one system to capture all mail delays from mail processing facilities.	October 2020
		—	R-2 — Enable management to track and receive alerts for late arriving mail in delivery units by expanding Informed Facility and Informed Mobility or identifying another solution	October 2020
19XG009NO000-R20	12/13/2019	—	Mail Excluded from Service Performance Measurement R-1 — In coordination with the Acting Vice President, Processing and Maintenance, form a workgroup with mailers that have the largest amount of mail excluded from measurement to develop an action plan, with goals, timelines and practical opportunities to address root causes of service performance exclusions.	February 2020
19XG007NL000-R20	12/13/2019	—	U.S. Postal Service Transportation Cost of Mail Transport Equipment R-3 — We recommend the Acting Vice President, Processing and Maintenance Operations, in coordination with the Vice President of Supply Management, track, monitor, and report suppliers' nonperformance for transporting equipment between mail transport equipment service centers and hold suppliers accountable when they do not meet contract terms.	March 2020
		\$1,440,952	R-1 — We recommend the Acting Vice President, Processing and Maintenance Operations, re-evaluate statement of work requirements, including standard performance times to notify intermodal suppliers.	May 2020

APPENDIX E: Reports with Recommendations Pending Corrective Actions

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number	Target Implementation Date
Mail Delivery Issues – Montbello Station, Denver, CO				
20-078-R20	12/18/2019	—	R-1 — Develop an action plan to ensure all mail is being delivered in a timely manner.	April 2020
		—	R-2 — Develop an action plan to fill carrier and clerk vacancies for the Montbello station and review the City Carrier Associate and Rural Carrier Associate complement and assign additional carriers if necessary to the station until vacancies can be filled.	April 2020
		—	R-3 — Review and adjust mail arrival times and mail mix for the Montbello Station and the Denver Processing and Distribution Center to ensure distribution up time is being met.	April 2020
Partnership Agreement Compliance				
19BG004FT000-R20	12/27/2019	—	R-3 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.	March 2020
		—	R-2 — Include in future Marketing and Service Offering Agreements measures that enforce compliance with agreement provisions.	July 2020
Review of IT Network Performance				
18TG005IT000-R20	1/17/2020	\$1,194,166	R-2 — In coordination with Vice President, Information Technology, and Vice President, Facilities, implement a solution, such as sitewide emergency generators, to prevent network connectivity issues and adjust the configuration settings of network devices at the Sacramento Processing and Distribution Center to prevent Hot Standby Router Protocol Instability.	June 2020
		—	R-5 — Perform a manual review of the automated inventory process on a periodic basis and update the inventory data accordingly.	June 2020
		—	R-1 — Establish a network strategy to include a process to continuously monitor the information technology network, and develop enterprise-wide performance metrics and improvement targets.	December 2020
		—	R-3 — Develop an automated process to regularly review vendor bandwidth utilization reports and upgrade bandwidth when it exceeds determined thresholds.	December 2020
		—	R-4 — Develop and maintain detailed Postal Service information technology network diagrams.	June 2021
Facility Condition Reviews – Greenfield, Maxwell, and New Palestine Post Offices				
20-071-R20	1/30/2020	—	R-1 — Address all building maintenance and safety issues identified at the Greenfield, Maxwell, and New Palestine Post Offices.	June 2020

APPENDIX E: Reports with Recommendations Pending Corrective Actions

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number	Target Implementation Date
19POG001SAT000-R20	2/12/2020	\$13,728,271	Effectiveness of the Postal Service's Efforts to Reduce Non-Career Employee Turnover R-2 — Develop a comprehensive non-career employee national turnover strategic plan and procedures to provide more effective management oversight. The plan and procedures should focus on achieving measurable results to reduce non-career employee turnover at the local level by developing action plans to address exit survey results and implement district best practices nationwide.	—
		—	R-1 — Measure the cost savings associated with the National Performance Assessment non-career employee turnover performance.	June 2020
20-161-R20	2/12/2020	—	Manual Flats Processing Operations at the Birmingham, AL, Processing and Distribution Center R-3 — Ensure the P&DC's operating plan is updated to reflect current mail processing operations.	February 2020
20-102-R20	2/19/2020	—	Nationwide Delivery Scanning Issues R-1 — Enhance ongoing strategies to improve scanning accuracy and enforce compliance.	October 2020
19-008-R20	3/2/2020	—	Automatic Indemnity Claim Payments R-5 — Develop and disseminate clear procedures and guidance to headquarters and field personnel for submitting potentially improper indemnity claims to the Office of Inspector General.	April 2020
		—	R-1 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.	December 2020
		—	R-2 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.	December 2020
		—	R-3 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.	December 2020
20-165-R20	3/3/2020	—	Local Purchases and Payments: Miscellaneous Services – Ellensburg, WA, Main Post Office R-1 — Reiterate to the postmaster the policy for using the preferred payment methods and the appropriate account identifier codes for those payments.	March 2020
		—	Accuracy of Surface Visibility Scans and Reporting R-1 — Issue supplemental guidance on manually editing arrival, departure, and scheduled trip times in Surface Visibility Web 2.0.	April 2020
19-024-R20	3/5/2020	—	R-3 — Implement controls to ensure only properly authorized personnel can make manual edits in Surface Visibility Web 2.0.	April 2020
		—	R-4 — Implement controls to ensure only appropriate manual edits are made in Surface Visibility Web 2.0.	September 2020
19BG010FT000-R20	3/6/2020	\$4,208,914,264	Options to Reduce Unfunded Retirement Liabilities R-1 — Work with the Office of Personnel Management to update the mortality improvement assumptions it uses to calculate the Postal Service's retiree health benefits liability.	May 2020

APPENDIX E: Reports with Recommendations Pending Corrective Actions

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number	Target Implementation Date
20-163-R20	3/9/2020	—	Manual Flats Processing Operations at the Tucson, AZ, Processing & Distribution Center	
			R-2 — Instruct Tucson Processing and Distribution Center (P&DC) management to ensure the P&DC's operating plan is updated to reflect current mail processing operations.	October 2020
19-014-R20	3/13/2020	—	U.S. Postal Inspection Service Handling of Suspected Marijuana Packages	
			R-2 — Update Administrative Non-Mailability Protocol program policy to require the use of a more controlled mailing method and communicate the requirement to all divisions.	—
			R-3 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.	—
			R-6 — Implement a periodic review process to ensure evidence bags contain proper dates and initials; and ensure drug weight is accurately recorded in the tracking system.	April 2020
			R-4 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.	June 2020
			R-1 — Coordinate with relevant executive agencies, such as the Department of Justice to determine whether the contents of abandoned packages, other than marijuana, can be used as evidence in criminal investigations and update the Administrative Non-Mailability Protocol program policy as need.	September 2020
19SMG010HR000-R20	3/18/2020	\$253,613	R-5 — Align Administrative Non-Mailability Protocol program policy with the Inspection Service Manual that requires daily activity documentation to support workhours.	September 2020
		U.S. Postal Service: First-Line Supervisors – Resources		
		\$4,265,507	R-2 — Update the Employee and Labor Relations Manual 47, Section 417 to require acting first-line supervisors receive higher-level pay for all work days documented on the Postal Service Form 1723.	—
		—	R-1 — Correct the fourteen instances in which acting first-line supervisors did not receive the correct higher-level pay and implement a control to ensure appropriate documentation (Postal Service Forms 1723) is completed, approved, and retained.	April 2020
		—	R-3 — Implement an oversight mechanism to ensure all permanent first-line supervisors take mandatory supervisory training within a designated period after being appointed.	April 2020
—	R-5 — Update the current first-line supervisor job responsibilities and qualifications and develop a review process to include frequencies for conducting periodic reviews and updates.	September 2020		
—	R-4 — Require supervisory training for all acting first-line supervisors who act over 30 consecutive days.	October 2020		

APPENDIX E: Reports with Recommendations Pending Corrective Actions

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number	Target Implementation Date
			Management Structure at Postal Service Facilities	
19SMG011HR000-R20	3/18/2020	—	R-2 — Formalize policy guidance to address a reassessment schedule and process for district rankings, including frequency, methodology, and roles and responsibilities.	April 2020
		—	R-4 — Formalize a regular review process of workload models and criteria, for each operational manager and supervisor position.	April 2020
		—	R-1 — Implement an updated district ranking methodology and reassess district rankings based on the approved methodology.	September 2020
		—	R-3 — Implement an oversight process to ensure district offices regularly monitor and maintain authorized first-line supervisor positions.	October 2020
			Facility Condition Reviews – Belmar, Normandy Beach, and Spring Lake Post Offices.	
20-160-R20	3/20/2020	—	R-1 — Address all building maintenance, safety, and security issues identified at the Belmar, Normandy Beach, and Spring Lake Post Offices.	March 2020
		—	R-2 — Perform housekeeping inspections and ensure fire extinguishers are inspected monthly and annually at the Belmar, Normandy Beach, and Spring Lake Post Offices.	July 2020
			Local Purchases and Payments – Tallahassee, FL, TLH Lake Jackson Station	
20-148-R20	3/20/2020	—	R-1 — Direct the Station Manager, TLH Lake Jackson, to reiterate and train applicable unit personnel at the Lake Jackson Station on the proper procedures and management of Voyager card transactions and local purchase and payments for fuel.	April 2020
			Mail Delivery & Customer Service Operations – Milam Dairy Annex, Miami, FL	
20-151-R20	3/23/2020	—	R-1 — Instruct the Milam Dairy Annex Manager to ensure that employees follow standard operating procedures for proper scanning and handling of all packages, periodically review and monitor scan data for compliance, and provide carriers with refresher training on scanning procedures.	April 2020
		—	R-2 — Instruct the Milam Dairy Annex Manager to reiterate Postal Service productivity goals to delivery personnel, continue to adjust carrier and clerk starting times as needed, and report late trips and residual mail as required. In addition, we recommend working with the Processing and Distribution Center managers to reduce the amount of residual mail that requires sortation at the unit.	April 2020
		—	R-3 — Instruct the Milam Dairy Annex Manager to safeguard and properly manage the security of delivery vehicles and reiterate the policy to carriers that vehicles should be locked and secured.	April 2020

APPENDIX E: Reports with Recommendations Pending Corrective Actions

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number	Target Implementation Date
20-149-R20	3/23/2020	—	Mail Delivery and Customer Service Operations – Hawthorne Post Office, Hawthorne, CA	
			R-1 — Instruct the Postmaster, Hawthorne Post Office, to develop an action plan to ensure standard operating procedures are followed for reporting delayed mail and enforce the use of color-coded placards for marketing mail.	June 2020
			R-2 — Instruct the Postmaster, Hawthorne Post Office, to ensure that employees follow standard operating procedures for scanning, including using firm sheets from the Passive Adaptive Scanning System, periodically review and monitor scan data for compliance, and provide carriers with refresher training on package handling and scanning procedures.	June 2020
			R-3 — Continue to fill carrier vacancies and review and adjust mail arrival times at the Hawthorne Post Office as appropriate to maximize carrier efficiency and ensure distribution up-times are met.	June 2020
			R-4 — Instruct the Postmaster, Hawthorne Post Office, to follow procedures to ensure arrow lock keys, voyager cards, and delivery vehicles are safeguarded and properly managed and report lost or missing assets as required.	June 2020
19SMG009SM000-R20	3/23/2020	—	Expense Purchase Card Activity	
			R-2 — Enhance the purchase card policy to require cardholders electronically retain purchase card documentation when possible.	December 2020
			R-3 — Explore the benefits of providing electronic documentation to credit card approving officials and update purchase card policy to require credit card approving officials review all purchases over established minimum thresholds and when merchant category codes are questionable.	December 2020
19RG009MS000-R20	3/25/2020	\$91,502,925	Management of Postal Zones	
			R-2 — Develop policies and procedures for periodically reviewing, updating, and monitoring Sectional Center Facilities coordinates used in zone pricing.	June 2020
			R-1 — Immediately correct the coordinates for Sectional Center Facilities used in zone price calculations and update the Zone Matrix and labeling list with applicable changes.	July 2020
			R-3 — In coordination with the Vice President, Pricing & Costing, evaluate alternative methodologies for determining the zone, which could include calculating distance between the originating five-digit ZIP Code to the designating five-digit ZIP Code, to more accurately reflect the distance the mailpieces travel.	October 2020
19-004-R20	3/30/2020	—	U.S. Postal Inspection Service Forensic Laboratory Services	
			R-3 — Create a plan to address staffing shortages.	
			R-1 — Ensure all visitor badges at the National Forensic Laboratory are secured and reinforce the Postal Service physical security control policy by providing periodic briefings to all staff.	March 2020
			R-2 — Direct the Forensic Laboratory Services Safety Officer to verify that all personnel complete required annual safety training.	October 2020
RARC-WP-19-005	6/1/2019	—	The Postal Service and the Evolution of PC Postage	
			R-4 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act	July 2020

APPENDIX E: Reports with Recommendations Pending Corrective Actions

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number	Target Implementation Date
RISC-WP-19-008	9/4/2019	—	From Home Office to Post Office: Improving Microbusiness Engagement with the U.S. Postal Service	March 2020
			R-4 — Acting VP of Sales document the complete workflow of lead follow-up for Employee Engagement Programs in a standard operating procedure, including contact information for key groups and individuals involved, and communicate this procedure with relevant employees	
RISC-WP-19-009	9/16/2019	—	Addressing the Diverse Needs and Wants of Rural American: Opportunities for the U.S. Postal Service	September 2020
			R-4 — VP, Delivery and Retail Operations, to develop actionable metrics to identify underutilized large PO boxes in rural areas and create a plan to convert some of those boxes into parcel lockers as appropriate	
			R-3 — VP, Delivery and Retail Operations, to identify a cost-effective means of tracking parcel locker utilization in rural areas	
			R-2 — VP, Marketing, should assess how to cost-effectively and proactively solicit rural customer preferences nationwide where retail survey data are currently unavailable	March 2020

Total Number of Reports: **97**

Total Number of Recommendations: **204**

Total Monetary Impact: **\$9,203,940,617**

APPENDIX F: Management Decisions in Audit Resolution

For the period: October 1, 2019 — March 31, 2020

As required by the IG Act, the following discusses information concerning any significant management decision with which the Inspector General disagrees and is currently in audit resolution

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation Number
HR-AR-17-013	9/21/2017	—	<p>Assessing Postal Service Employee Engagement Activities</p> <p>R-1 — Require managers and supervisors to create action plans to address Postal Pulse Survey results and implement a process to monitor and assess progress on the activities identified in action plans.</p>
HR-AR-18-003	3/1/2018	—	<p>Postal Service's Limited Duty and Rehabilitation Programs Return to Work Processes in the Southern and Pacific Areas</p> <p>R-2 — Assess if the staffing-to-caseload ratio aligns with requirements established by management.</p> <p>R-4 — Assess the feasibility of implementing an automated or other solution to promote process efficiency and satisfy the special job bank requirement.</p>
NO-AR-18-004	3/30/2018	—	<p>Mail Processing Facilities Staffing</p> <p>R-3 — Implement and document the Verification, Validation, and Accreditation process for the Function 1 Scheduler.</p>
HR-AR-18-009	9/11/2018	—	<p>Accuracy of Grievances in the Grievance Arbitration Tracking System – Houston District</p> <p>R-1 — Modify the Time and Attendance Collection System to leverage automation when processing After 5 payments, or revise the policy regarding the use of Grievance and Arbitration Tracking System to include processing and separately reporting non-grievance payments.</p> <p>R-2 — Limit user access in GATS to levels appropriate for user oversight responsibilities via automated controls, or compensating manual controls.</p>
FT-AR-18-009	9/28/2018	—	<p>Export Controls for Outbound Mail at International Service Centers</p> <p>R-4 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.</p>
SAT-AR-18-002	9/28/2018	—	<p>Use of Postal Service Network to Facilitate Illicit Drug Distribution</p> <p>R-1 — Work with Congress to develop legislative changes that would result in the Postal Inspection Service being authorized to open and inspect domestic packages suspected of containing illicit drugs.</p> <p>R-2 — Work with relevant executive agencies such as the Department of Justice and Congress to develop legislative changes that would establish separate and enhanced criminal penalties for using the U.S. mail system to distribute illicit drugs.</p> <p>R-3 — Designate an officer to consolidate existing efforts and lead the implementation of a unified, comprehensive organizational strategy to combat the role of the postal network in facilitating illicit drug distribution.</p>
IT-AR-19-001	10/12/2018	—	<p>Informed Visibility Vulnerability Assessment</p> <p>R-2 — Review the controls identified in the Center for Internet Security benchmarks and consider them for inclusion into the published standard.</p> <p>R-6 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.</p>
NO-AR-19-001	10/15/2018	—	<p>Operational Window Change Savings</p> <p>R-1 — Develop and implement, at a minimum, annual tracking methodologies for any significant projected operational costs or savings and use a sensitivity analysis to account for such impacts as changes in mail volume and labor and transportation costs.</p>

APPENDIX F: Management Decisions in Audit Resolution

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation Number
FT-AR-19-004	11/26/2018	—	No-Fee Post Office Boxes R-2 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act..
NO-AR-19-005	6/13/2019	—	Mail Processing Overtime R-3 — Establish appropriate performance incentives for managers to effectively manage overtime.
IT-AR-19-005	9/6/2019	—	Review of Postal Service's Response [Redacted] R-1 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.
19-014-R20	3/13/2020	—	U.S. Postal Inspection Service Handling of Suspected Marijuana Packages R-2 — Update Administrative Non-Mailability Protocol program policy to require the use of a more controlled mailing methods and communicate the requirement to all divisions. R-3 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.
19SMG010HR000-R20	3/18/2020	\$4,265,507	U.S. Postal Service: First-Line Supervisors – Resources R-2 — Update the Employee and Labor Relations Manual 47, Section 417 to require acting first-line supervisors receive higher-level pay for all work days documented on the Postal Service Form 1723.
19-004-R20	3/30/2020	—	U.S. Postal Inspection Service Forensic Laboratory Services R-3 — Create a plan to address staffing shortages.

Total Number of Reports: **14**

Total Number of Recommendations: **20**

Total Monetary Impact: **\$4,265,507**

APPENDIX G: Status of Peer Review Recommendations

For the period: October 1, 2019 — March 31, 2020

Federal audit organizations undergo an external quality control assessment by their peers every three years. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 requires an appendix reporting on 1) any Office of Inspector General peer reviews conducted on us during the semiannual period; 2) any peer reviews conducted by the Inspector General of another Office of the Inspector General during the reporting period; and 3) any recommendations from previous or current peer reviews that remain outstanding or have not been fully implemented.

Office of Audit

Peer Reviews Conducted on USPS OIG

None during the reporting period.

Peer Reviews Conducted by USPS OIG

None during the reporting period.

Office of Investigations

Peer Reviews Conducted on USPS OIG

None during the reporting period.

Peer Reviews Conducted by USPS OIG

We conducted a peer review of the Department of Labor Office of Inspector General and submitted the final report on December 31, 2019.

APPENDIX H: Investigative Statistics

The U.S. Postal Service Office of Inspector General currently uses a “Case Reporting Information Management and Evidence System,” also known as CRIMES.

Appendix H was pre-configured to present the following data:

- A) The total number of investigative reports issued during the reporting period;
- B) The total number of persons referred to the Department of Justice for criminal prosecution during the reporting period;
- C) The total number of persons referred to state and local prosecuting authorities for criminal prosecution during the reporting period and;
- D) The total number of indictments and criminal informations during the reporting period that resulted from any prior referral to prosecuting authorities.

For the period: October 1, 2019 — March 31, 2020

	Investigations Closed	Arrests	Indictments / Information / Complaints	Convictions — Criminal	Admin Actions Taken	Cost Avoidances	Fines / Restitution and Recoveries	Amount to Postal Service	To Mgmt. for Admin Action	To Mgmt. for Admin Action (FY)	Number of persons referred to DOJ for prosecution	Number of persons referred to state or local authorities for prosecution	Criminal Indictments / Information	Number of investigative reports issued	Convictions — Civil Settlements/Judgments
Computer Crimes	1	2	2	—	2	—	—	—	2	2	1	—	2	2	—
Contract Fraud	27	3	9	2	6	—	48,428,155	25,542,718	3	3	5	2	9	11	—
Financial Fraud	147	51	45	58	108	513,732	978,563	888,406	83	86	42	20	34	203	—
General Crimes	197	15	10	9	155	113,374	29,155	22,999	122	128	16	10	4	249	—
Health Care Claimant Fraud	70	5	9	16	22	39,390,475	890,010	867,130	12	12	21	8	8	60	—
Health Care Provider Fraud	18	20	25	18	1	30,519,015	318,443,489	49,847,424	—	—	6	—	22	6	1
Mail Theft	621	201	222	268	529	—	33,331,743	528,148	441	457	242	48	137	860	—
Narcotics	93	104	95	66	93	—	3,027,328	69,838	89	93	56	33	53	127	—
Total	1,174	401	417	437	916	70,536,596	405,128,443	77,766,663	752	782	389	121	269	1,518	1

APPENDIX I: Summary of U.S. Postal Inspection Service Actions Under 39 USC § 3005 and 3007

For the period: October 1, 2019 — March 31, 2020

Type of Scheme	Complaints Filed	Consent Agreements	FROs	C&D Orders
Advance Fee	—	—	—	—
Counterfeit Check	3	3	—	3
Facsimile Checks	—	—	—	—
Failure to Pay	2	2	—	2
Foreign Lottery	34	32	—	34
Invoice Schemes	1	1	—	1
Lottery	—	—	—	—
Other	4	4	—	4
Rebate and Refund	1	1	—	1
Reshipping Scheme	1	1	—	1
USPS Revenue Fraud	1	1	—	1
Identity Theft – Other	—	—	—	—
TOTAL	47	45	—	47

Other Administrative Actions

Temp. Restraining Orders Requested	—
Temp. Restraining Orders Imposed	—
Cases Using Direct Purchase Authority	—
Civil Penalties (Section 3012) Imposed	—
Test Purchases	—
Withholding Mail Orders Issued	13

Voluntary Discontinuances This area is not tracked by Office of Counsel

Administrative Subpoenas Requested by the Postal Inspection Service

There were none requested during this reporting period.

Financial Reporting on Investigative Activities for the Postal Inspection Service

Area	Type	Total
VP Chief Inspector	Total Personnel Comp	\$200,005,828
VP Chief Inspector	Total Nonpersonnel Expense	\$47,457,331
VP Chief Inspector	Total Operating Expense	\$247,463,160
VP Chief Inspector	Total Capital Commitments	\$6,149,639

APPENDIX J: Congressional/PMG/Board of Governors Inquiries

For the period: October 1, 2019 — March 31, 2020

The Office of Chief of Staff supports the OIG by responding to inquiries from Congress, the postmaster general, and the Board of Governors. Some inquiries lead to OIG audits or investigations. However, the OIG does not generally perform audits or investigations when an inquiry involves a non-systemic issue that may be resolved through existing administrative or judicial processes, such as the equal employment opportunity complaint process, contractual grievance-arbitration procedures, or appeals to the Merit Systems Protection Board. When systemic or criminal issues have been identified, the OIG may conduct independent audits or investigations to help ensure the economy, efficiency, and integrity of Postal Service programs and operations.

From October 1, 2019, through March 31, 2020, the OIG received 55 new inquiries. Out of the 55 inquiries, we referred 16 to the U.S. Postal Service Office of Government Relations and four to the Postal Inspection Service for review. We closed 65 inquiries during this reporting period. Out of the 65 inquiries, 43 were referred to our Office of Investigations and one was referred to our Office of Audit for further review.

Congressional Testimony

Since its inception, the OIG has testified before Congress on various matters. While the OIG did not provide written statements to Congress during this reporting period, the OIG has in the past provided testimony and statements highlighting significant work and identifying opportunities for the Postal Service to improve accountability and public trust. These testimonies and statements can be found in their entirety on the OIG's website at <https://www.uspsoig.gov>.

APPENDIX K: Attempt to Interfere with OIG Independence

Section 5(a)(21) of the Inspector General Empowerment Act, as amended, requires that OIG report attempts by an agency to interfere with inspector general independence, including through budget constraints, resistance to oversight, or delayed information access.

None to report.

Supplemental Information

Freedom of Information Act

The OIG Freedom of Information Act (FOIA) Office operates independently of, but frequently coordinates with, its counterparts at the Postal Service and the Postal Inspection Service. The FOIA Office receives requests for records from the public, the media, and postal employees. The FOIA, according to the Department of Justice, “generally provides that any person has a right, enforceable in court, to obtain access to federal agency records, except to the extent that such records (or portions of them) are protected from public disclosure by one of nine exemptions.”

Activities

For the period: October 1, 2019 — March 31, 2020

Requests	Number of Requests
Carryover from prior period	19
Received during period	326
Total on hand during period	345
Actions	Number of Requests
Processed during the period	337
Requests Denied in Full	23
Requests Granted in Full	7
Requests Denied in Part	79
Not a proper FOIA request for some other reason	2
No Records	56
Not an agency record	47
Requests Referred	104
Requests Withdrawn	18
Fee-Related Reasons	—
Records not reasonably described	—
Duplicate Request	1
Balance	Number of Requests
Balance at the end of the period (pending)	8
Processing Days	Number of Days
Median processing days to respond to a FOIA request	1

Workplace Environment

The Office of Investigations Workplace Environment unit reviews workplace environment and operational issues that may affect workplace climate in postal facilities throughout the country. Complaints usually come into the OIG Hotline, but occasionally members of Congress, the Governors, and postal management will raise concerns or forward complaints appropriate for review by the unit. Complaint topics range from sexual harassment and discrimination to workplace safety.

Workplace Environment reviews are designed to identify systemic rather than individual issues and foster postal management efforts toward providing employees a stress- and adversity-free work environment. The unit accepts complaints from any postal employee, including OIG and Postal Inspection Service staff. Reviews may result in fact-finding reports to management or referral for specific suggested action, such as climate assessments.

For the period: October 1, 2019 — March 31, 2020

Total complaints reviewed and closed: **738**

Whistleblower Reprisal Investigations

During the reporting period, there were no substantiated whistleblower reprisal investigations.

For the period: April 1 — September 30, 2019

Whistleblower Reprisal Activity	
Allegations Received	37
OIG Investigations Initiated	2
Investigations closed with no action	1
Allegations closed with no action	36
OIG found reprisal	—

Supplemental Information

Summary of Performance

For the period: October 1, 2019 — March 31, 2020

Audits	
Reports issued (Excluding RARC/RISC white papers)	63
Recommendations issued	151
Total reports with financial impact	19
Funds put to better use	\$4,459,756,311
Questioned costs	\$1,196,349,201
Revenue Impact	\$92,009,799
Total	\$5,748,115,311

RARC/RISC White Papers	
White Papers issued	3
Recommendations issued	0

Investigations¹	
Investigations Completed	1,174
Arrests	401
Indictments/Informations	417
Convictions/pretrial diversions ²	437
Administrative actions	916
Cost Avoidance	\$70,536,596
Fines, Restitution, and Recoveries	\$405,128,443
Amount to the Postal Service ³	\$77,766,663

OIG Hotline Contacts	
Telephone calls	5,981
E-Mail	10,010
Webforms	36,075
Standard Mail	742
Voice Mail Messages	5,493
Facsimile - FAX	158
Total Contacts	58,459

¹ Statistics include joint investigations with other law enforcement agencies.

² Convictions reported in this period may be related to arrests in prior reporting periods.

³ Amounts include case results of joint investigations with other OIG, federal, state, and local law enforcement entities.

Reporting Requirements

Act Section	Requirement	Page
5(a)(1)	Significant problems, abuses, and deficiencies	throughout
5(a)(2)	Recommendations with respect to significant problems, abuses, and deficiencies	throughout
5(a)(3)	Recommendations described in previous semiannual reports on which corrective action has not been completed	listed on pages 33-50
5(a)(4)	Matters referred to prosecutive authorities and the prosecutions and convictions that have resulted	54, 58
5(a)(5)	Summary reports made to the head of the establishment under section 6(b)(2) of instances where information was refused	n/a
5(a)(6)	w	3, 5, 14, 58
5(a)(7)	Summary of particularly significant reports	throughout
5(a)(8)	Statistical tables showing total number of audit, inspection, and evaluation reports containing questioned costs	23-28
5(a)(9)	Status of management decisions for audit and evaluation reports containing recommendations that funds be put to better use	30
5(a)(10)	Summary of audit and evaluation reports issued prior to the beginning of the reporting period for which (a) no management decision had been made; (b) no management comment was received within 60 days of issuing the draft report; and (c) there were any unimplemented recommendations, including the aggregate potential cost savings of those recommendations, at the end of the reporting period	29, 30
5(a)(11)	Description and explanation of the reasons for any significant revised management decisions	51-52
5(a)(12)	Information concerning any significant management decisions with which the Inspector General disagreed	51
5(a)(13)	Information under 804(b) Federal Financial Management Improvement Act of 1996	n/a
5(a)(14)	Results of any peer review conducted by another Office of the Inspector General during the reporting period, and if none, a statement of the date of the last peer review	53
5(a)(15)	List of outstanding recommendations from any peer review conducted by another Office of the Inspector General, including a statement describing the status of the implementation and why implementation is not complete	n/a
5(a)(16)	List of any outstanding recommendations made from any previous peer review that remain outstanding or have not been fully implemented	n/a
5(a)(17)	Statistical table showing the total number during the reporting period of (a) investigative reports issued, (b) persons referred to the Department of Justice for criminal prosecution, (c) persons referred to state and local prosecuting authorities for criminal prosecution, and (d) indictments and criminal information resulting from any prior referral to prosecuting authorities	14, 54
5(a)(18)	Description of the metrics used to develop the data in the statistical tables under Section 5(a)(17)	54
5(a)(19)	Report on investigations in which allegations of misconduct involving a senior government employee were substantiated including a detailed description of the facts and circumstances of the investigation, and the status and dispositions of the matter, including if the matter was referred to the DOJ, the date of the referral, and if the DOJ declined the referral, the date of the declination	19-20
5(a)(20)	Detailed description of any instances of whistleblower retaliation, including information about the official found to have engaged in retaliation, and what, if any, consequences the establishment imposed to hold the official accountable	21, 57
5(a)(21)	Detailed description of any attempts to interfere with the independence of the Office of the Inspector General including with budget constraints designed to limit the capabilities of the OIG, and incidents where the establishment has resisted or objected to oversight activities of the OIG or restricted or significantly delayed access to information, including the justification for such action	56
5(a)(22)	Detailed descriptions of the circumstances of each audit, inspection, or evaluation that was closed and not disclosed to the public and investigation conducted involving a senior government employee that was closed and not disclosed to the public	28

Acronym Guide

APPS: Automated Package Processing System	FEHB: Federal Employees Health Benefits	P&DF: processing and distribution facility
APWU: American Postal Workers Union	FSS: Flats Sequencing System	PAEA: Postal Accountability and Enhancement Act of 2006 (also known as the Postal Act of 2006)
C&A: certification and accreditation	GMU: George Mason University	PKI: Public Key Infrastructure
CSRS: Civil Service Retirement System	HCR: highway contract route	PRC: Postal Regulatory Commission
CSS: customer service supervisor	LLV: long-life vehicles	PVS: Postal Vehicle Services
DBCS: Delivery Barcode Sorter	MTE: mail transport equipment	RARC: Risk Analysis Research Center
DOL: U.S. Department of Labor	NALC: National Association of Letter Carriers	RISC: Research and Insights Solution Center
DEA: Drug Enforcement Administration	NCSC: National Customer Support Center	SBOC: Stations and Branches Optimization Consolidation
DWC: distribution window clerk	NDC: network distribution center	SSA: sales and services associate
eCBM: Electronic Conditional Based Maintenance	NPV: net present value	TACS: Time and Attendance Collection System
EDDI: Electronic Data Distribution Infrastructure	OA: Office of Audit	VMF: Vehicle Maintenance Facility
EDI: Electronic Data Interchange	OI: Office of Investigations	
EIR: Enterprise Information Repository	OWCP: Office of Workers' Compensation Programs	
FEGLI: Federal Employees' Group Life Insurance	P&DC: processing and distribution center	

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WHO DO I CONTACT — REPORT FRAUD WASTE ABUSE



The U.S. Postal Service has two law enforcement agencies with distinct areas of investigative responsibility to serve the needs of stakeholders, postal employees, and the American public.

Office of Inspector General

- Theft, delay, or destruction of mail by employees and contractors
- Workers' compensation fraud
- Embezzlements and financial crimes
- Contract Fraud
- Kickbacks
- Computer crimes
- Narcotics
- Employee misconduct
- Internal affairs and executive investigations
- Whistleblower reprisals

<https://www.uspsoig.gov/form/file-online-complaint>

Contact: 888-877-7644

Postal Inspection Service

- Security of employees, facilities, and equipment
- Revenue and postage fraud
- International mail security
- Violent crimes:
 - Threats and assaults of employees
 - Burglaries and robberies
- Mail theft by non-employees
- Dangerous mail and bombs
- Mail fraud
- Identity theft
- Narcotics in the mail
- Child pornography and obscenity

<https://www.uspis.gov/report/>

Contact: 877-876-2455



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

For media inquiries, contact Agapi Doulaveris
Telephone: 703-248-2286
adoulaveris@uspsoig.gov