SEMIANNUAL REPORT TO CONGRESS

FALL 2019 • APRIL 1 — SEPTEMBER 30, 2019

OFFICE OF
INSPECTOR
GENERAL
UNITED STATES POSTAL SERVICE

A MESSAGE FROM THE INSPECTOR GENERAL

I am pleased to present this report covering the period April 1 through September 30, 2019. During this period, we continued our efforts to grow the use of data and analytics both in the audit and investigative components. To support that effort, we recently consolidated our research and analytics organizations under a newly titled Research and Insights Solution Center and are beginning to realize the benefits of the synergy that results from having researchers and analysts together in a single component.

One impact of a greater maturity in data analytics is the ability to support the dedication of a segment of our resources towards quickly identifying and launching targeted local audit projects at post offices that are challenged in delivery service, retail, and financial operations. These projects have been very successful in increasing our presence in post offices across the country, and more importantly, have allowed us to better serve members of Congress when concerns come up in their communities. We look forward to expanding the scope of this work to look at post office facility conditions and plant efficiencies in fiscal year 2020.

Several of our projects in this report cover issues that the U.S. Postal Service has been facing for some years, including pressures to reduce costs, improve service, and better align its resources with a declining workload. For example, projects featured in this report look at the mail processing network from two perspectives – overtime and network optimization – to explore why planned cost reductions have not been realized. Other projects focused on the cost to the Postal Service of meeting its service performance goals, and the investment practices of foreign posts to see how the Postal Service compared. We also reviewed the

Postal Service's ability to help facilitate high-quality mail service for members of the military and diplomatic corps.

The use of the mail system to ship illicit narcotics continues to demand our attention both in our audit work and our investigations. While narcotics allegations are rapidly becoming our greatest investigative area of focus, our special agents cover a wide swath of areas: health care fraud (claimant and provider); mail theft; contract fraud; and financial fraud. In this report you will find highlights of the high-impact cases we investigated in all focus areas.

We submit this report pursuant to the Inspector General Act for the six-month period ending September 30, 2019. During this period, we issued 103 audit reports, management advisories, and white papers, and the Postal Service accepted almost 93 percent of our recommendations. We completed 1,362 investigations that led to 436 arrests and nearly $1.48 billion in fines, restitutions, and recoveries, more than $77 million of which was returned to the Postal Service.

It is also important to note that during this period, three more Governors were approved by the Senate and sworn in at the close of the fiscal year. The Board of Governors now has a quorum for the first time in five years.

I look forward to working with all stakeholders as we address the challenges ahead. With the support of the Board of Governors, postal management, and Congress, the OIG will continue to play a key role in maintaining the integrity and accountability of America's Postal Service, its revenue and assets, and its employees.

SUMMARY OF PERFORMANCE

Mission Statement

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

For the Period April 1 — September 30, 2019

AUDITS and WHITEPAPERS

Questioned Costs:
$549,733,435

Revenue Impact:
$662,299,820

Funds put to better use:
$177,801,928

Total:
$1,389,835,183

Reports Issued: **103**
Recommendations Issued: **227**
Total Reports with Financial Impact: **28**

INVESTIGATIONS[1]

Amount to the Postal Service[2]:
$77,482,164

Cost Avoidance:
$145,082,496

Fines, Restitution, and Recovery:
$1,479,586,424

Investigations Completed: **1,362**
Arrests: **436**
Indictments/Informations: **462**
Convictions/Pretrial Diversions[3]: **509**
Administrative Actions: **975**
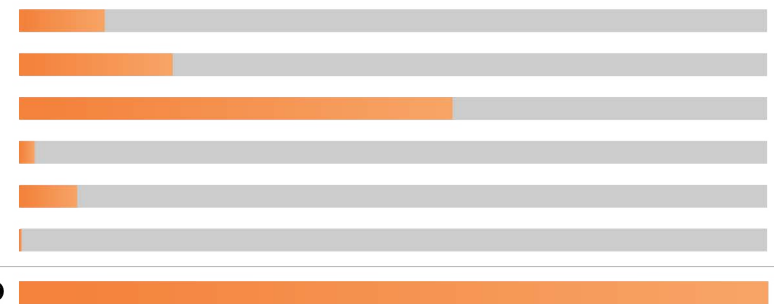
Telephone Calls: **5,209**
Email: **9,331**
Webforms: **26,301**
Standard Mail: **954**
Voice Mail Messages: **3,529**
Facsimile: **156**

Total Contacts: **45,480**

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.

CONTENTS

AUDITS AND WHITEPAPERS

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.
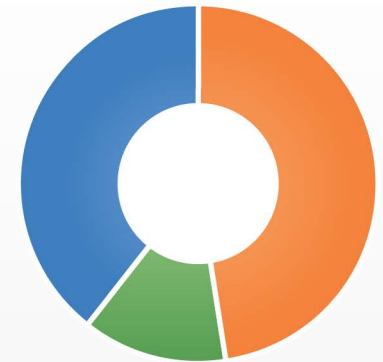
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Mission Operations

Mail Processing Overtime

The Postal Service exceeded its planned mail processing overtime and penalty overtime workhours in fiscal year (FY) 2018, which resulted in additional costs of over $358 million. This occurred in part because the Postal Service used a base week of data (week 41) for its Function 1 (F1) Scheduler that was not representative of mail processing operations for all facilities. (The F1 Scheduler is a mail processing modeling tool used to optimize employee schedules and set a USPS-wide standard for establishing complement levels.)

In addition, lack of management oversight of unauthorized overtime, grievances, and employee availability contributed to the increase in overtime. Finally, no performance incentives were in place to effectively manage overtime.

We recommended management:
1) evaluate and test the updated F1 Scheduler results on a periodic basis to ensure proper implementation of position bid assignments and accurate complement levels and make adjustments as necessary; 2) issue supplemental guidance on management oversight to reduce unauthorized overtime, ensure compliance with overtime policy to reduce grievances, and increase employee availability; and 3) establish appropriate performance incentives for managers to effectively manage overtime. Management disagreed with the third recommendation and the monetary impact identified in the report.

U.S. Postal Service Processing Network Optimization

From FYs 2014 to 2018, mail processing costs have not decreased at a rate consistent with the decline in mail volume. Further, mail processing workhours have not decreased, while overtime and penalty overtime workhours have increased. As a result, productivity for letters, flats, and manual processing has decreased. However, productivity for parcels processing has increased with the investment in additional parcel processing machines. Reducing mail processing costs and workhours is critical when volume is declining.

We recommended management:
1) develop a plan to reduce costs and improve the number of managers at plants achieving their total operating expense goal; 2) utilize 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; and 3) revise and update Area Mail Processing feasibility studies to determine whether cost savings could be realized and consolidations should continue.

## Assessment of U.S. Postal Service's Service Performance and Costs

Although infrastructure costs have been increasing and volumes are declining, the Postal Service has not met the majority of service performance targets over the past five years. Even so, 80 percent of respondents to the Postal Service's FY 2018 Delivery Survey were satisfied with their mail and package delivery. This satisfaction rate is significant and may suggest that service performance targets are not always aligned with customer expectations.

Further, the Postal Service does not know how much it would actually cost to meet its current service performance targets or the financial and customer service impacts of reducing the targets. Yet costs associated with processing, transporting, and delivering mail are already outpacing revenue.

When Postal Service processes are not completed as designed or when delays occur, management can take actions outside the normal process to keep the mail moving, such as using overtime to process and deliver mail, and delaying transportation until mail processing is

completed, among others. However, these actions result in additional costs. Postal Service field managers whom we surveyed indicated they prioritize service significantly higher than the organization's financial health. This could explain why costs continue to rise as managers attempt to meet service performance targets.

We recommended management 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 to limit extra services when they are not financially feasible.
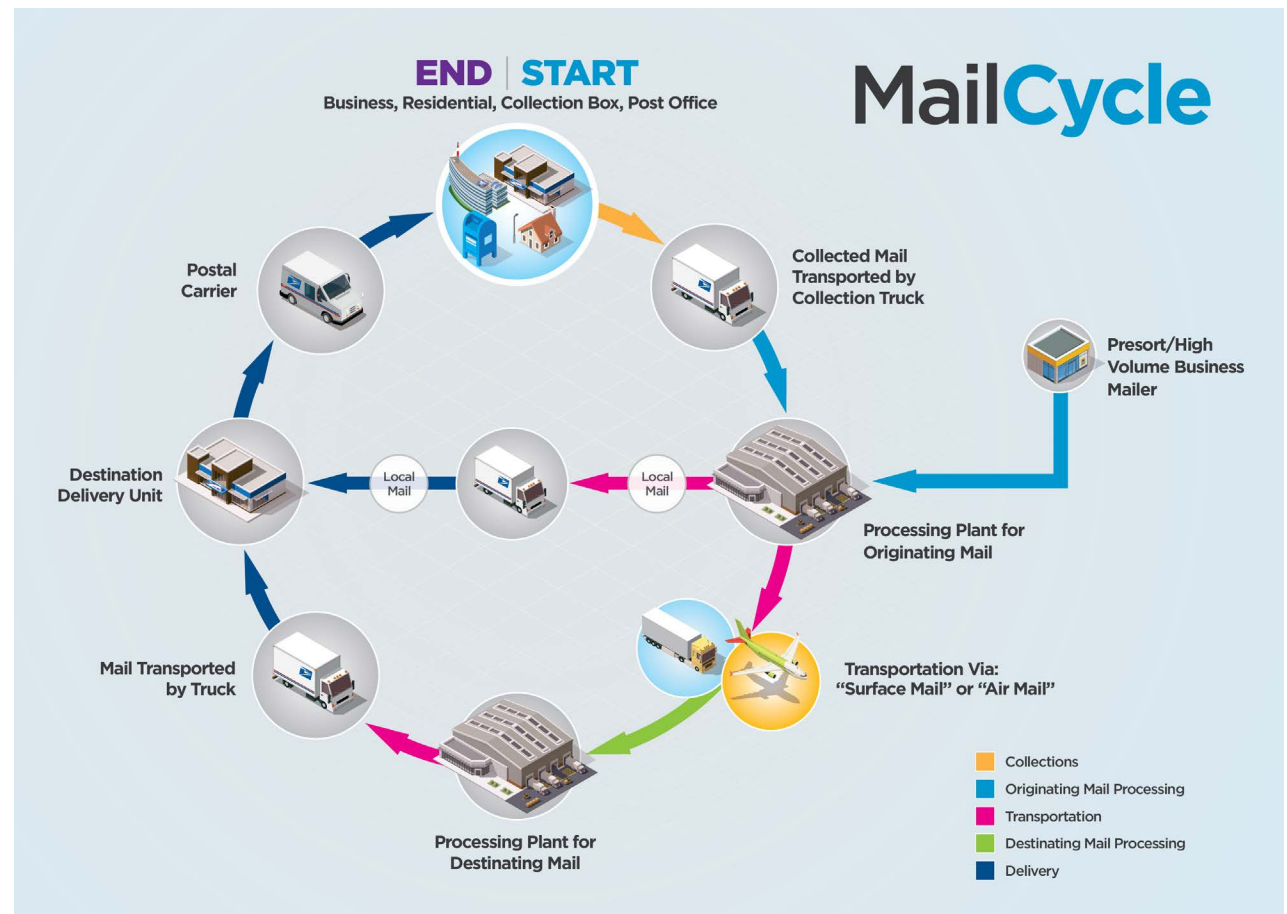
Finance and Pricing

Competitive Products Costing and Pricing Best Practices

We reviewed industry best practices to identify greater opportunities for increased efficiencies in Postal Service cost and pricing systems and methodologies. The Postal Service's current accounting systems generally does not provide the product-specific cost information required for reporting purposes; therefore, the Postal Service uses six statistical sampling systems and several special studies to generate required regulatory reports. Also, although there are specific regulations governing USPS pricing of market-dominant products, it has more freedom to price competitive products. The Postal Regulatory Commission (PRC) reviews USPS product costs and rate changes to ensure compliance with applicable regulations and provisions.

We found the Postal Service should enhance its current competitive product costing and pricing processes. Methodologies currently in place have historically relied on statistically sampled data and systems more than 20 years old. The Postal Service has acquired many new technologies since 2014; however, USPS has not fully leveraged the technologies to identify and attribute more granular census product cost data or develop an integrated pricing system to more dynamically evaluate pricing changes and strategies.

We recommended management: 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, and 2) evaluate available options to modernize the price management system. Management disagreed with the first recommendation.

Planning and Operations

Impact of Prescribed Opioids on Postal Service Employees Under the Federal Workers' Compensation Program

Based on our previous report, Use of Postal Service Network to Facilitate Illicit Drug Distribution (SAT-AR-18-002; September 28, 2018), we recognized the need to determine the impact of opioids prescribed to Postal Service employees through the U.S. Department of Labor's (DOL) Federal Employees' Compensation Act (FECA) program.

We identified concerns with the level of opioid prescriptions for postal employees compared with the rest of government and nationally. For example, from 2016 to 2018, the Postal Service's rate of decline for the cost of FECA program opioid prescriptions was only about 70 percent of the rate for other federal agencies. In addition, we found the Postal Service's Human Resources Headquarters office does not use available FECA program data to monitor trends in workforce opioid prescriptions. It is critical that management do so because DOL guidelines limiting the duration of an opioid prescription to 60 days are less restrictive than those of the Centers for Disease Control and Prevention and 25 states, which limit duration to seven days or

Planning and Operations

less. Finally, the Postal Service has not developed a comprehensive prescription drug policy and drug abuse educational program for its employees.

We recommended management: 1) develop a quarterly data analysis process to monitor opioid prescription data trends; 2) request DOL reduce the opioid prescription length; and 3) develop a comprehensive prescription drug policy and drug abuse educational program for employees.

Retail, Delivery, and Marketing

Advance Electronic Data Holds and Reliability

A key part of international inbound mail operations is the availability and use of advance electronic data (AED) that foreign posts provide to the Postal Service. The Postal Service routes AED to Customs and Border Protection (CBP), which analyzes it to identify mailpieces the Postal Service is to "hold" for CBP inspection. Our audit found the Postal Service missed a segment of the holds CBP requested in 2018. Furthermore, the Postal Service did not identify reasons for a portion of these missed holds, as the "comment" fields for recording reasons were blank.

We also tested the reliability of AED the USPS received from 64 foreign posts between October 2017 and January 2019. Data in nearly 171 million fields failed our tests. We also tested a one-week subset to assess how closely the recipient address information matched Postal Service and third-party information: 57 percent matched at the full address level.

We recommended management develop and implement a control for requiring information to be entered in the "comment" field for tracking missed AED-based holds.

Military and Diplomatic Mail Service

The Postal Service's ability to help facilitate high-quality mail service is crucial for supporting military and diplomatic operations and for upholding the USPS brand. In 2018 and 2019, outbound military and diplomatic mail experienced occasional delays in transport to the Chicago International Military Service Center (CIMSC) and also in acceptance and processing. In addition, some mail was sent to the wrong delivery destination. Delays were collectively caused by ineffective operational oversight and exacerbated by limited performance measures to monitor progress toward goals. We also found that parcels were damaged due in part to limited oversight of sorting and equipment at the CIMSC.
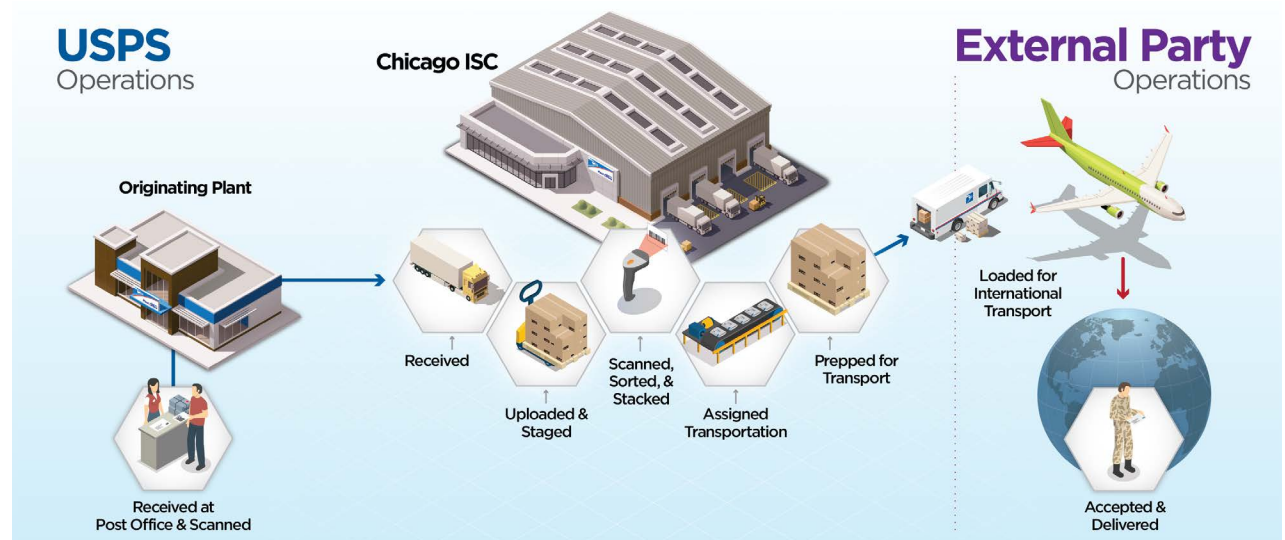
Retail, Delivery, and Marketing

Further, we found that key administrative documents related to military and diplomatic mail operations were outdated and limited.

We recommended management:
1) periodically evaluate operations to provide effective management oversight over the timeliness of military and diplomatic mail; 2) evaluate a process for measuring the time between military/diplomatic mail being scanned as accepted to when it is assigned outbound transportation and prepared for departure; 3) periodically evaluate operations to provide effective oversight of the processing of military and diplomatic mail to reduce damaged mail; and 4) work with military stakeholders to update Publication 38 and with military and diplomatic stakeholders to update the related operating plan at the CIMSC.

Supply Management and Human Resources

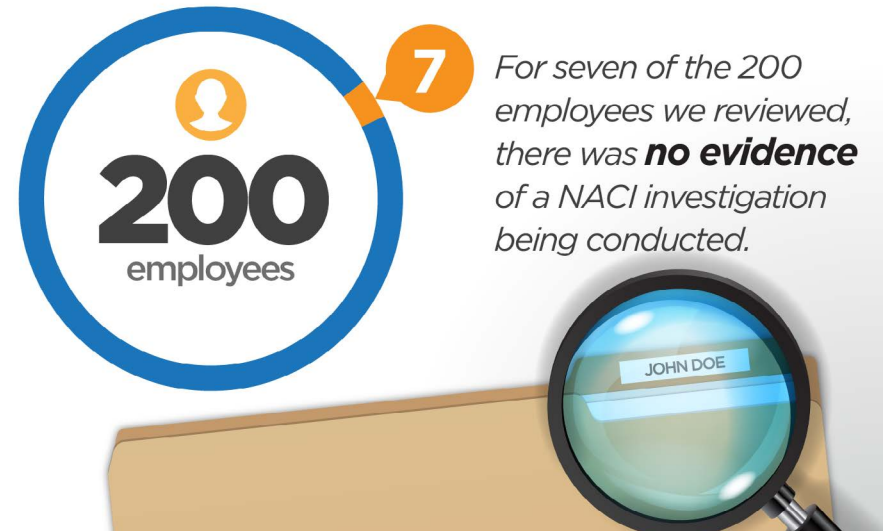## Nationwide Employee Background Screening

The Postal Service hired 165,543 employees nationwide during fiscal years 2017 and 2018. Applicants must complete the initial pre-screening process, which is the first step in determining suitability for an initial job offer. In-depth National Agency Check with Inquiries (NACI) investigations are then conducted for all newly hired employees as part of the post-hiring process. Based on NACI results, the Postal Service makes a final suitability determination on whether the employee is retained.

We found that 21 percent of the employees we sampled had no evidence of the required hiring approval certification, and four percent had no evidence of the required NACI investigation being conducted — two individuals, in fact, were still employed by the Postal Service. We also identified 34 percent of the employees sampled did not have a NACI Certificate of Completion maintained in their electronic Official Personnel Folder (eOPF), as required. Additionally, there were inconsistent practices related to making final suitability determinations and maintaining adequate justification documentation.

200 employees

7

*For seven of the 200 employees we reviewed, there was **no evidence** of a NACI investigation being conducted.*

We recommended management:
1) incorporate a review process to ensure compliance with prescribed requirements; 2) incorporate procedures to enhance visibility in tracking and monitoring of NACI investigations; 3) conduct NACI investigations for the two active employees wit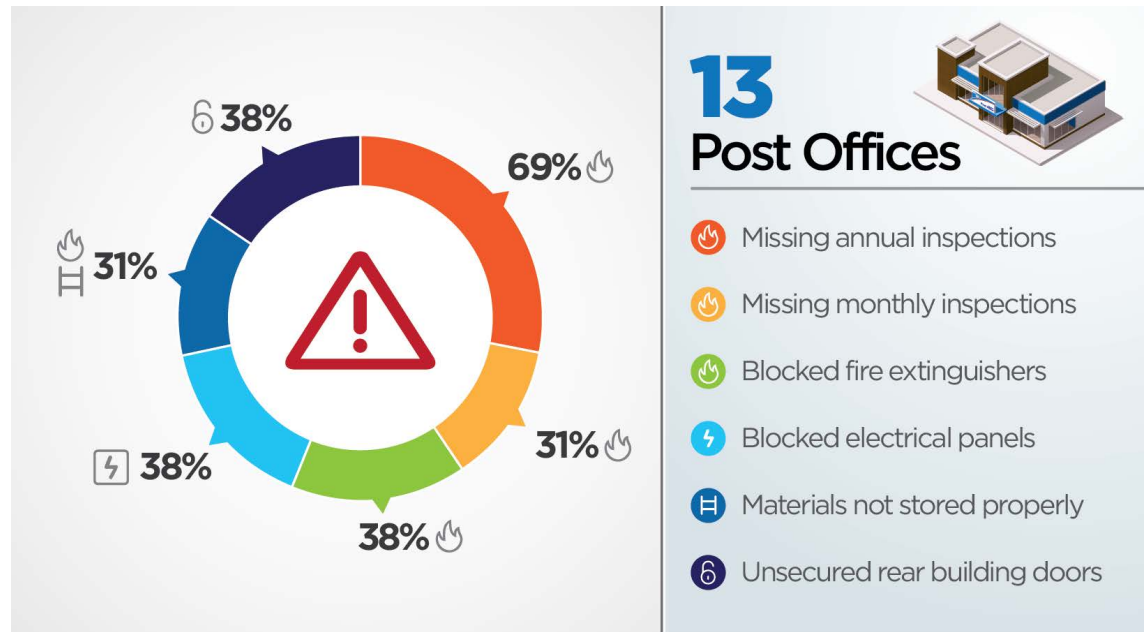hout evidence of the investigation on file; 4) implement a review process to ensure validation that NACI Certificates of Completion are in employees' eOPFs; and 5) establish a formal policy designating the authority to make final suitability determinations for employees who receive unfavorable NACI results.

Supply Management and Human Resources

Facility Condition Reviews — Mail Processing Facilities

In this audit, we identified 282 building safety, maintenance, or security deficiencies at the 32 mail processing facilities we reviewed nationwide:

- One hundred forty-five (51 percent) deficiencies at 27 facilities related to safety, including blocked fire extinguishers and/or blocked fire alarm pull stations;

- Sixty-eight (24 percent) deficiencies at 24 facilities related to maintenance, including severely damaged roofing, ceilings, and infrastructure;

- Sixty-nine (25 percent) deficiencies at 27 facilities related to security, to include unsecure vehicles, non-functioning security cameras, and unsecure perimeter fences; and

- At one facility, we observed severely damaged roofing, ceilings, and other infrastructure which had the potential risk for falling debris.

13 Post Offices

- Missing annual inspections — 69%
- Missing monthly inspections — 31%
- Blocked fire extinguishers — 38%
- Blocked electrical panels — 38%
- Materials not stored properly — 31%
- Unsecured rear building doors — 38%

We recommended management: 1) develop and implement an action plan to address deficiencies identified during our audit, to include a timeline for completing items, and 2) hire additional maintenance staff at locations where appropriate.

Facility Conditions, Delayed Mail, and Staffing Levels in Albuquerque, NM

This audit responded to a request from Senator Tom Udall and former Representative Michelle Lujan Grisham asking the OIG to assess allegations of unsafe facility conditions, delayed mail, and understaffing at Albuquerque post offices (POs).

We found that Albuquerque POs did not consistently meet prescribed building maintenance, safety, and security standards. Although management had implemented some corrective actions, we identified deficiencies at 13 facilities visited during the audit. Examples include:

- Six POs had excessively stained ceiling tiles resulting from water leaks, including repeated roof leaks at the Five Points Station;

- Six POs did not maintain their facilities consistent with appropriate sanitary conditions; and

- The Albuquerque Main PO had visible structural cracks in walls and floors.

Furthermore, we identified that Albuquerque POs did not consistently meet prescribed scan requirements for distributing

Supply Management and Human Resources

mail to carriers and PO Box sections by their designated times. In addition, while changes to authorized staffing levels were generally not the cause of poor facility conditions, the Postal Service's goal should be filling vacant positions to meet the authorized complement.

We recommended management: 1) address roof issues at the Five Points Station and structural crack issues at the Albuquerque Main PO; 2) develop and implement an action plan to address deficiencies identified during our audit; 3) monitor and record all instances of delayed mail daily; and 4) hire additional staff to reach authorized staffing levels.

Research and Insights Solution Center

Assessing the Effectiveness of Domestic Competitive Negotiated Service Agreements

Negotiated Service Agreements (NSAs) are customized contracts with individual shippers for discounted postage or special terms of service. The Postal Service uses NSAs to better meet customer needs in the highly competitive parcel shipping market. The number of NSAs has grown from several dozen in 2012 to more than 1,000 as of 2018.

These agreements must be approved by the Postal Regulatory Commission (PRC), though the regulatory bar is relatively low. The agreements must generate enough revenue to cover the costs directly tied to fulfilling the product or service. The PRC has approved all of the more than 1,400 domestic package NSA product agreements submitted for review since the program's inception.

Most NSAs are for Priority Mail, which accounted for nearly three-times as many NSAs in FY 2018 as all other domestic package products combined. Other package products are First-Class Package Service, Priority Mail Express, Parcel Return Service, and Parcel Select — the Postal Service's "last-mile" delivery product. Overall, NSAs are solidly profitable for the Postal Service, though profitability varies significantly across agreements. In FY 2017, only five contracts failed to cover their attributable costs, down from 14 the previous year.

Geographic Variation in Productivity

As a follow-up to our previous work examining mail volume trends by geographic region, we analyzed variation in Postal Service productivity across Origin and Destination Information System (ODIS) areas. The measure of productivity we studied was the Postal Service's "total factor productivity." Analysis at this level allowed us to examine the effects that weather, cost of living, and terrain ruggedness have on productivity, which we found varies significantly around the country.

Research and Insights Solution Center

The most important external determinant of productivity we studied is weather. Places with more extreme weather conditions, other things being equal, exhibit lower productivity. In addition, we found that given the Postal Service's nationally uniform pay scale, regional differences in cost of living affect real wages, and higher real wages are associated with higher productivity and vice-versa. We also found some evidence that places with the greatest difference between the highest and lowest points of elevation (ruggedness) are associated with lower productivity levels. Altogether, these three factors explain about 23 percent of total observed variation in productivity.
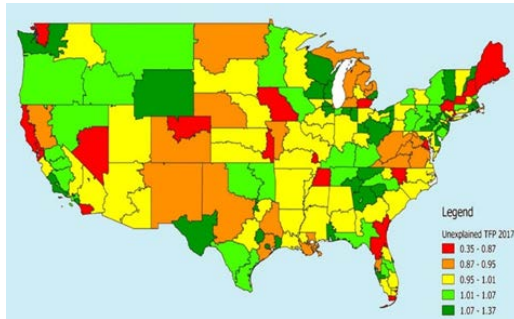
The map illustrates the unexplained variation that remains once we remove the effect of the three factors quantified — weather, cost of living, and ruggedness — with areas in green indicating higher productivity and those in red lower. The identification and further study of these unknown factors could enable the Postal Service to address them, providing it with additional tools to improve productivity.

Addressing the Diverse Needs and Wants of Rural America: Opportunities for the U.S. Postal Service

We analyzed what rural customers across the country need and want from the Postal Service. Rural customers have a unique need for a postal retail presence. They have distinct engagement with the Postal Service, including how they interact with mail and parcels. Also, the Postal Service has important "social" value for rural customers. In fact, rural customers are more likely to view USPS as valuable to their community.
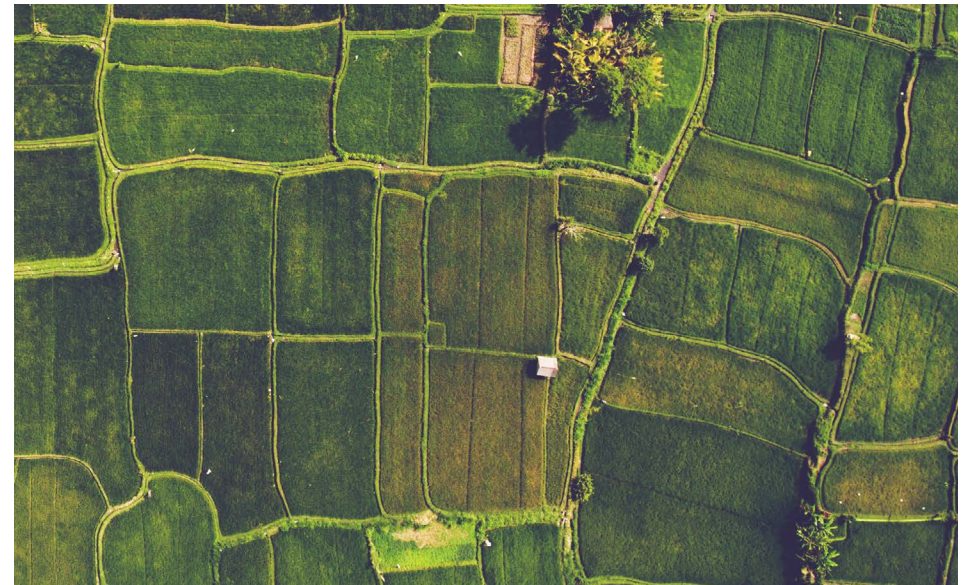
To help the Postal Service better respond to the needs and wants of rural citizens, we made four recommendations. First, the Postal Service could assess the feasibility of partnering with state and local governments to offer rural customers improved access to hunting and fishing licenses. Second, the Postal Service should assess how to cost-effectively and proactively solicit rural customer preferences nationwide where retail survey data are currently unavailable. Third, USPS should identify a cost-effective means of tracking use of parcel lockers in rural areas. Finally, the Postal Service should develop actionable metrics to identify underutilized large PO Boxes in rural areas and create a plan to convert some of them into parcel lockers as appropriate.

While postal officials agreed that recommendation one could be an opportunity, they asserted legislative change is necessary before USPS can partner with state and local governments for hunting and fishing licenses. We noted that the Postal Service could submit a formal case before the PRC, which is the organization responsible for evaluating the legality of such proposals.

INVESTIGATIONS

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.

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Arrests:	**436**
Indictments/Informations:	**462**
Convictions/Pretrial Diversions:	**509**
Administrative Actions:	**975**

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.

Contract Fraud

An OIG investigation determined the owner and operator of numerous auto repair and maintenance companies in New York had bribed multiple Postal Service Vehicle Maintenance Facility (VMF) managers with cash, lavish meals, gifts, and trips in exchange for lucrative auto repair and maintenance jobs on Postal Service vehicles. In addition, from 2012 to 2016, the contractor conspired with others to evade paying hundreds of thousands of dollars in federal income taxes by falsely reporting personal and corporate income and expenses to the Internal Revenue Service (IRS).

In December 2018, a federal jury in the Southern District of New York found the company owner guilty on seven of eight counts in a superseding indictment – specifically, guilty on one count each of bribery, conspiracy, corporate tax fraud, and four counts of personal tax fraud. In June 2019, the owner was sentenced to five years in prison, three years of supervised release; he was further ordered to pay restitution of approximately $557,000 to the IRS. One of the VMF managers who accepted a cash bribe was sentenced to three years' supervised release.

Financial Fraud

The OIG initiated a case in January 2017 based on more than 600 suspicious claims filed for allegedly damaged parcels, which caused the Postal Service to pay out a total of more than $188,000 in insurance. The investigation determined the claims, all filed by a company operating in Colorado, were ultimately fraudulent for several reasons:

- The claims were filed shortly after parcels were mailed and before they were delivered;

- Claims were filed under 11 similar name variations with exact dollar amounts;

- The same exact images were submitted as evidence of damage for all parcels, and the images were discovered to be stock photos from various websites; and

- Most of the claims listed destination addresses that differed from the addresses on parcels.

The company's owner was identified as filing the largest number of claims; in November 2018, she pleaded guilty to mail fraud. On May 7, 2019, she was sentenced to 15 months in prison followed

Before items are even delivered, company makes multiple false claims for alleged damage, submitting same photos for different claims.

by three years of probation, and further ordered to pay restitution of $188,575.

Healthcare Claimant Fraud

After receiving a tip about a letter carrier engaged in activities inconsistent with a work-related injury, the OIG investigated his claim for compensation. A physician had ordered the carrier not to lift weights, walk, climb, kneel, bend, stoop, operate machinery, drive, or stand for more than an hour.

OIG agents observed him loading trailers, carrying equipment, and moving metal tanks. The carrier also admitted to participating in 35 motorcycle races and one car race at various tracks in Ohio and Indiana from 2011 through 2013.

His doctor ordered: "Don't stoop, bend, or drive!"

In December 2018, the carrier pleaded guilty to making false statements on a claim form. On April 26, 2019, he was ordered to serve four years' probation and pay $20,000 in restitution.

The OIG opened an investigation after receiving an allegation that a Postal Service motor vehicle operator had concealed outside employment while collecting federal workers' compensation disability benefits for a neck and back injury he claimed rendered him unable to operate vehicles. However, agents determined that he ran various flea markets and was also driving vehicles throughout the New York metropolitan area for four years. Furthermore, he failed to report the outside earnings to the Department of Labor. In March 2019, the employee pleaded guilty to making false statements to receive federal employees' compensation, and in August 2019, he was sentenced to three years' probation and mandated to pay $160,000 in restitution.

Employee says he can't work because of neck and back injury, but has no problem running his own business for four years.

A joint investigation by the OIG, the Department of Defense's criminal investigation unit, the U.S. Food and Drug Administration, and other agencies disrupted a kickback scheme involving a Georgia podiatrist and co-conspirators, which included a marketing company known as PGRX.

The podiatrist received kickbacks for prescribing compound medications, which PGRX would have filled by a pharmacy that was also part of the scheme.

In June 2019, the podiatrist was sentenced for fraud to three years in prison and three years of supervised release in addition to being ordered to pay $55,300 restitution. Per a plea deal, the owner of PGRX was sentenced to five years in prison followed by three years of probation. The sentencing followed a federal grand jury's return of three guilty verdicts back in January on a single conspiracy count and two counts of receiving kickbacks.

Mail Theft

During an interview with OIG agents, a mail carrier in Anchorage, AK, confessed to dumping, deserting, and destroying at least 49 tubs of undelivered mail from his route between November 2015 and August 2017. Review of the recovered mail identified over 1,550 pieces of First-Class and Periodicals Mail dating back to 2015, affecting approximately 467 victims.

In October 2017, the carrier was removed from the Postal Service, and in February 2019, the former mail carrier was charged with one count of desertion of mail. On July 1, the former carrier was sentenced to three years' probation, including 300 hours of community service, and was assessed a $1,000 fine.

Mail carrier dumps, deserts, and destroys over 1,500 pieces of mail in Alaska.

A joint investigation by the OIG and the U.S. Postal Inspection Service (USPIS) revealed that a mail carrier in Kansas City, MO, had stolen drivers' licenses, credit/debit cards, rebate cards, checks, and other items intended for residents on her delivery route. The carrier used the stolen drivers' licenses, credit cards, and checks to buy goods and also create counterfeit checks.

The case began in February 2017, when state and local authorities informed the OIG they had arrested the mail carrier as a suspect in a separate narcotics investigation, and a search of her vehicle resulted in the discovery of stolen mail along with a small amount of methamphetamine. Three months later, she was arrested again, this time for leaving the scene of a motor vehicle accident, and was found to be in possession of distribution-level quantities of methamphetamine.

Meanwhile, the OIG and USPIS sent questionnaires to all identifiable victims on the mail carrier's postal route and received 54 victim impact responses.

The mail carrier pleaded guilty in January 2019 to one count of mail theft and one count of possessing methamphetamine with intent to distribute. On July 2, the former carrier was sentenced to six years in prison, and also three years of supervised release. She was further ordered to pay restitution of almost $4,000.

Police find gun on mail carrier arrested for leaving the scene of an accident.

Mail Carrier uses a mini scale to weigh narcotics intended for distribution.

Mail Theft

The OIG received information in August 2018 from PayPal's Global Fraud Investigations Team concerning the alleged online sale of stolen U.S. postage stamps. The alleged seller was identified as a post office station manager in North Kenner, LA.

The ensuing OIG investigation determined that the station manager stole more than $630,000 in stamps to sell on eBay.

During a post-arrest interview, the manager claimed he began selling the stamps in 2015 and used the money to support his gambling addiction. On May 30, 2019, the former station manager was sentenced to 30 months in prison, three years of supervised release, and further ordered to pay restitution of nearly $857,000.

Narcotics

In February 2016, the OIG received information from the FBI alleging that a city carrier in Atlanta, GA, and his girlfriend, a Sales Service/Distribution Associate, were facilitating the shipment of parcels containing narcotics. As the joint OIG-FBI investigation developed, 14 additional letter carriers were implicated in a conspiracy to intercept and deliver narcotics parcels in exchange for cash payments. A total of 16 Postal Service employees accepted payments multiple times.

In August 2017, all 16 employees were arrested for conspiracy to distribute cocaine as well as bribery of a public official. The investigation resulted in federal prison terms ranging from 37 to 108 months among the employees; administrative job terminations and resignations were finalized in April 2019.

In October 2017, USPIS officials in Mobile, AL, alerted the OIG to possible theft and distribution of mail parcels containing marijuana. A city carrier at Midtown Station had been observed suspiciously wandering around, searching for parcels not yet scanned as arrived and destined for routes not assigned to him. The OIG's investigation found that, after locating parcels he wanted, the carrier would deliver them to vacant residences. Surveillance video also captured the carrier opening parcels in his work vehicle.

Ultimately, the investigation revealed the carrier worked with a supplier in California and subsequently used his position to control, divert, and distribute parcels of marijuana to non-Postal Service co-conspirators in exchange for cash.

Three additional employees – another city carrier and two carrier technicians – plus a non-employee were also identified and implicated in the conspiracy.

In October 2018, all four employees were removed from the Postal Service.

The original city carrier pleaded guilty to possession of firearms during a drug trafficking crime and received a prison term of five years, followed by five years of supervised release. The three additional employees pleaded guilty to mail theft and received one year of probation each. The last co-conspirator, having pleaded guilty to possession with intent and distribution of a controlled substance, was sentenced to one year in prison followed by three years of supervised release.

U.S. Customs and Border Protection assists with air surveillance of drug traffickers.

Senior Executive Investigations

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

Substantiated allegations:

1. We investigated an allegation that a Postal Service manager sexually harassed interns and misused his position by requiring employees to purchase, read, and rate a book he authored. While the investigation did not substantiate the sexual harassment allegation, the investigation substantiated the allegation concerning the manager's misuse of his position. The investigation also found the manger misused his position to gain access to an exclusive event where he provided a copy of his book to a celebrity. Additionally, the investigation uncovered additional misconduct related to the manager's misuse of a government travel card and Postal Service information technology equipment. The manager also failed to report outside employment and financial liabilities on his Office of Government Ethics financial disclosure filings.

   The investigation was referred for prosecution, but not accepted. The OIG provided its Report of Investigation (ROI) to the Postal Service for appropriate action. The manager was removed from the Postal Service.

2. We investigated an allegation that a Postal Service manager engaged in an improper personal relationship with a Postal Service contractor. While the investigation was not referred for prosecution, the OIG provided its ROI to the Postal Service for appropriate action. After the Postal Service proposed the manager's removal, the manager resigned.

3. We investigated an allegation that a Postal Service manager engaged in an extramarital affair with a subordinate employee. Additionally, the investigation revealed the manager used a Postal Service cellular phone to exchange sexually-oriented messages with the employee and other subordinates. While the investigation was not referred for prosecution, the OIG provided its ROI to the Postal Service for appropriate action. The manager entered into an agreement with the Postal Service to voluntarily downgrade to a non-supervisory position.

Unsubstantiated allegations:

During the reporting period, two instances of alleged misconduct by a PCES employee were not substantiated.

1. We investigated an anonymous allegation that a Postal Service manager abused his authority by transferring an employee, with whom he reportedly had a romantic relationship, to a facility within his area of responsibility.

   Our investigative steps included interviews of Postal Service employees and a review of human resources actions related to the transferred employee. We found the proper Postal Service policies for requesting and conducting transfers were followed, and our review did not yield any information to substantiate the allegation that the manager and employee were in a romantic relationship.

2. We investigated an allegation that a Postal Service manager failed to properly report delayed mail. Our investigative steps included interviews of Postal Service employees and reviews of employee emails and cellular phone data. Our review did not disclose any information to substantiate the allegation.

Internal Affairs

There are no investigations to report in this category for this reporting period.

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

The OIG conducted 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.

WHISTLEBLOWER REPRISAL ACTIVITY
For the period April 1 – September 30, 2019

Allegations Received: **31**
OIG Investigations Initiated: **0**
Investigations closed with No Action: **0**
Allegations Closed with No Action: **29**
OIG Found Reprisal: **0**
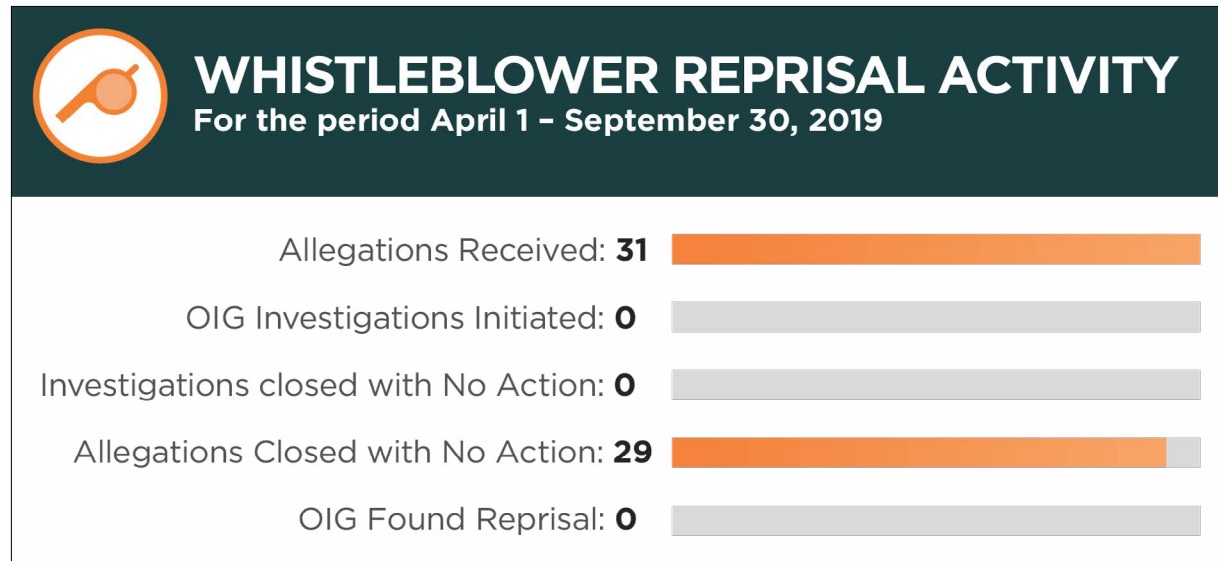
POSTAL SERVICE MANAGEMENT CHALLENGES

The role of a federal Inspector General includes evaluating the challenges facing its specific agency. The Postal Service Office of Inspector General has therefore independently identified the following as the most critical challenges currently confronting USPS management:

- Financial Challenges and Business Constraints
- Workplace Relations and Culture
- Changing Customer Demands and New Competition
- Inherent Tension Between Business and Government
- Infrastructure Modernization
- Service Performance
- IT Modernization and Capacity
- Confronting Narcotics in the Mail

Financial Challenges and Business Constraints

The Postal Service's financial situation is serious. The organization recorded a net loss of $3.9 billion in Fiscal Year 2018, following net losses of $18.9 billion in fiscal years 2014 through 2017, much of which is related to failure to prefund future retiree health benefits. However, the Postal Service continues to deliver mail and parcels across the country nearly every day. So far, it has survived both the erosion in demand for its most profitable product, First-Class Mail, and a serious recession with a slow recovery. Massive liabilities remain, including nearly $34 billion in payments to prefund its retiree health care from FY 2012 through FY 2016, plus an additional $8.7 billion to fund its pension and health care costs

in FYs 2017 and 2018. Even though liquidity has hit historic highs, the Postal Service has elected not to make the required retirement payments to retain liquidity.

The Postal Service continues to be threatened by changes in consumer and business behavior, increasing competition from electronic alternatives and new market entrants, growing costs, and mailing and shipping market uncertainty. Legislation has been proposed to provide relief regarding pricing, retirement payments, and product diversification, but it has not yet been passed.

Workplace Relations and Culture

The Postal Service has almost 500,000 career employees, who are represented by various unions and management associations. At times, relationships between labor and management can be tense. The various union contracts and local agreements can limit the ability of management to make efficient day-to-day operational decisions. Currently the Postal Service is in the negotiation process with several unions in national agreements – at different stages from engaging in collective bargaining to arbitration. From an employee engagement perspective, again in its FY 2019 Postal Pulse survey, Postal Service scores continue to rank in the bottom 1 percent of scores for all organizations Gallup surveyed.

Changing Customer Demands and New Competition

The Postal Service competes for customers every day, in every product line, in a dynamic and changing environment. Ecommerce is driving alternative package delivery methods, increased delivery speed and lower prices. Digital advertising, electronic bill pay, and email correspondence have negatively impacted letter mail, resulting in a 40 and 24 percent decline of First-Class

and Marketing Mail volume, respectively, since 2006. To compete effectively, the Postal Service must respond with more timely innovations that address customer demands, with increasing reliance on data to drive internal decision-making and identify opportunities for growth.

Inherent Tension between Business and Government

The Postal Service is an independent establishment of the executive branch of the federal government but is mandated to operate as a business; there is natural tension between these two requirements. The Postal Service has several oversight bodies and very active stakeholders, all of which often have competing priorities, affecting USPS's ability to efficiently and effectively implement changes to operate and compete in a fast paced, competitive environment. The Postal Service is developing a 10-year business plan to provide the organization with a long-term financially sustainable business model. A key to the Postal Service's success as a business is its strong partnerships with other entities. The Postal Service must balance providing efficient and effective alliances that can help grow the business with safeguarding government assets and ensuring fairness among all partners.

Infrastructure Modernization

The Postal Service has a nationwide mail processing, retail, and delivery network, with more than 34,000 facilities and 232,000 vehicles. However, due to its financial condition, the Postal Service's capital investments have not kept pace to maintain and fully modernize its infrastructure. Recent and upcoming investments in newer delivery vehicles to modernize the delivery fleet will allow the Postal Service to better meet the increasing demands of the delivery market. These new vehicles will need to be flexible enough to accommodate advances in delivery technologies and changing market demands.

Service Performance

The Postal Service has not met the majority of service performance targets over the past five years. In reaction to declining mail volumes, the Postal Service has implemented several cost-cutting initiatives, such as operational window changes at processing plants and dynamic route optimization designed to reduce transportation costs. However, critical operational challenges such as accurate data, staffing, and transportation, continue to impact its ability to meet its commitments to an ever-expanding network of 159 million delivery points, increasing by about 1 million delivery points a year.

IT Modernization and Cybersecurity

A modern information technology network with sufficient capacity is critical to the success of the Postal Service. Customers and businesses demand timely, relevant, and accurate information and data as part of their digital experience. The network must have the ability to meet these demands as well as the flexibility to continually adjust to the ever-changing business and regulatory environment. As information technology and the cyber threat landscape evolves, security continues to be an ongoing challenge.

Confronting Narcotics in the Mail

The Postal Service processes billions of packages each year for both domestic customers and international posts. This vast postal distribution infrastructure can be abused by drug traffickers to facilitate illegal distribution of narcotics. Some of these narcotics are very dangerous, and handling packages that contain them can pose a potential safety hazard for the employees. Additionally, facilitating the distribution of drugs can ultimately contribute to the growing crisis in our country and undermine trust in the Postal Service. The Inspection Service serves a role in addressing narcotics as well as other criminal activity. Criminal investigations and data analytics are beginning to shine a light on the growing problem of narcotics in the mail.

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.

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: April 1 — September 30, 2019

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 (AR), management advisory (MA) reports, or management alert (MT) reports 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 Impact
Finance and Pricing	39	$19,675,246	$19,865,056	$189,810	$435,057,177
Mission Operations	9	$2,149,343	$443,889,293	$32,726,931	—
Planning and Operations	1	—	—	—	—
Retail, Delivery, and Marketing	30	$155,977,339	$53,343,851	$46,316,039	$227,230,076
Supply Management and Human Resources	7	—	$17,723,824	$266,356	$12,567
Technology	10	—	$14,911,411	$14,911,411	—
Sub-Total	**96**	**$177,801,928**	**$549,733,435**	**$94,410,547**	**$662,299,820**
RARC/RISC White Papers	**7**	**—**	**—**	**—**	**—**
Total	**103**	**$177,801,928**	**$549,733,435**	**$94,410,547**	**$662,299,820**

For the Period October 1, 2018 — September 30, 2019

Product Type	Number of Reports	Funds Put To Better Use	Questioned Costs	Unsupported Questioned Costs	Revenue Impact
Issued Reports	130	$177,801,928	$1,167,370,086	$708,465,226	$3,443,773,283
RARC/RISC White Papers	9	—	—	—	—
Total	**139**	**$177,801,928**	**$1,167,370,086**	**$708,465,226**	**$3,443,773,283[2]**

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1 Unsupported Questioned Costs is a subset of the total of Questioned Costs.
2 This total does not include amounts that were not publicly released due to concerns about information protected under the Freedom of Information Act.

APPENDIX A: Reports Issued to Postal Service Management

Reports with Quantifiable Potential Monetary Benefits.

For the period: April 1 — September 30, 2019

	Funds Put to Better Use	Questioned Costs	Unsupported Questioned Costs	Revenue Impact
Finance and Pricing				
Cost and Pricing				
Contract Delivery Service Costs, CP-AR-19-002, 08/20/2019	2,687,860	2,687,860	—	—
Issues Identified in the Outbound International Mail Market, CP-MT-19-001, 09/23/2019	—	—	—	434,857,599
Finance				
Salary and Wage Rate Retention, FT-AR-19-009, 09/20/2019	16,987,386	16,987,386	—	—
Financial Controls				
Local Purchases and Payments: Miscellaneous Services – Dickinson, ND, Main Post Office, FCS-FM-19-023, 08/23/2019	—	6,373	6,373	—
Local Travel Reimbursements – Concord, CA, Main Post Office, FCS-FM-19-013, 07/02/2019	—	19,932	19,932	—
Meter Revenue Refunds – Daphne, AL, Post Office, FCS-FM-19-029, 09/13/2019	—	60,161	60,161	—
Meter Revenue Refunds – St. Paul, MN, New Brighton Branch, FCS-FM-19-022, 08/22/2019	—	1,459	1,459	—
Meter Revenue Refunds – W.T. Harris Station, Charlotte, NC, FCS-FM-19-020, 08/21/2019	—	78,316	78,316	—
Postage and Fee Refunds – Bellmawr, NJ, Main Window, FCS-FM-19-016, 08/06/2019	—	—	—	50,656
Postage and Fee Refunds – Newport, KY, Post Office, FCS-FM-19-031, 09/18/2019	—	—	—	39,490
Postage Refunds – North Topeka, KS, Post Office, FCS-FM-19-024, 08/23/2019	—	—	—	109,432
Postage, Fees, and Meter Revenue Refunds – Houston, TX, Park Place Station, FCS-FM-19-008, 06/05/2019	—	23,569	23,569	—
Mission Operations				
Network Processing				
Mail Processing Overtime, NO-AR-19-005, 06/13/2019	—	358,305,479	—	—
Performance of the HTPS at the Queens, NY, P&DC, NO-AR-19-004, 05/23/2019	2,149,343	2,149,343	—	—
Transportation				
Postal Service Dynamic Route Optimization and Cost Savings Initiative, NL-AR-19-004, 09/27/2019	—	32,726,931	32,726,931	—
Postal Vehicle Service (PVS) Zero Base Reviews, NL-AR-19-005, 09/27/2019	—	50,707,540	—	—

APPENDIX A: Reports Issued to Postal Service Management

	Funds Put to Better Use	Questioned Costs	Unsupported Questioned Costs	Revenue Impact
Retail, Delivery, and Marketing				
Delivery and Retail Response Team				
Delivery Scanning Issues – Hayward Main Post Office, Hayward, CA, DRT-AR-19-004, 06/19/2019	—	—	—	1,320
Delivery Scanning Issues – South Station, Newark, NJ, DRT-AR-19-003, 06/11/2019	—	—	—	688
Mail Delivery Issues – Graceland Annex, Chicago District, DRT-AR-19-001, 05/13/2019	—	7,986	—	—
Mail Delivery Issues – Pleasant Hill Station, Des Moines, IA, DRT-AR-19-013, 07/31/2019	—	1,210	—	—
Delivery and Retail Operations				
Delivery Delays – Richmond District, DR-AR-19-005, 04/12/2019	3,649,486	3,649,486	—	—
Mail Delivery Issues – Ohio Valley District, DR-AR-19-007, 08/27/2019	—	3,369,130	—	—
Nationwide Review of Voyager Fleet Card Personal Identification Numbers, DR-AR-19-006, 06/24/2019	—	46,316,039	46,316,039	—
Sales, Marketing and International				
Automated Package Verification (APV) Evaluation, MS-AR-19-004, 09/18/2019	152,327,853	—	—	227,228,068
Supply Management and Human Resources				
Supply Management and Facilities				
Oversight of the U.S. Postal Service Uniform Program, SM-AR-19-007, 09/19/2019	—	266,356	266,356	12,567
U.S. Postal Service Technical Services Contracts, SM-CAR-19-002, 05/08/2019	—	17,457,468	—	—
Technology				
U.S. Postal Inspection Service				
National Security Clearance Program, OV-AR-19-001, 06/18/2019	—	473,761	473,761	—
U.S. Postal Inspection Service Area Case Management, OV-AR-19-003, 09/03/2019	—	14,437,650	14,437,650	—
Total	**177,801,928**	**549,733,435**	**94,410,547**	**662,299,820**

APPENDIX A: Reports Issued to Postal Service Management

Report Listing

Complete listing of all OIG reports issued to Postal Service management. For the period: April 1 — September 30, 2019

Finance and Pricing

Cost and Pricing

Issues Identified in the Outbound International Mail Market; CP-MT-19-001; 9/23/2019

Management Operating Data System (MODS) Errors and Adjustments; CP-AR-19-001; 4/3/2019

Contract Delivery Service Costs; CP-AR-19-002; 8/20/2019

Competitive Products Pricing Best Practices; CP-AR-19-003; 9/11/2019

Costing Best Practices; CP-AR-19-004; 9/17/2019

Finance

Fiscal Year 2019 Review of Form 10-Q Quarter 2; FT-FQ-19-003; 5/8/2019

Fiscal Year 2019 Review of Form 10-Q Quarter 3; FT-FQ-19-004; 8/7/2019

Foreign Posts' Retirement Asset Investments; FT-WP-19-001; 5/21/2019

Independent Report on Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the U.S. Office of Personnel Management; FT-AT-19-001; 9/10/2019

Internal Controls Over No Sale Transactions; FT-AR-19-007; 7/17/2019

Stamp Stock Accountability; FT-AR-19-008; 8/20/2019

Salary and Wage Rate Retention; FT-AR-19-009; 9/20/2019

Financial Controls

Postage and Fee Refunds – Boston, MA, Fort Point Station; FCS-FM-19-006; 4/1/2019

Voyager Card Transactions – Roseburg, OR, Post Office; FCS-FM-19-007; 4/11/2019

Postage, Fees, and Meter Revenue Refunds – Houston, TX, Park Place Station; FCS-FM-19-008; 6/5/2019

Postage and Fee Refunds – Flint, MI, Main Post Office; FCS-FM-19-009; 6/6/2019

Local Purchases and Payments: Miscellaneous Services – Houston, TX, Roy Royall Station; FCS-FM-19-010; 6/20/2019

Meter Revenue Refunds – Fredericksburg, VA, Post Office; FCS-FM-19-011; 6/20/2019

Local Purchases and Payments: Miscellaneous Services – Perth Amboy, NJ, Post Office; FCS-FM-19-012; 6/21/2019

Local Travel Reimbursements – Concord, CA, Main Post Office; FCS-FM-19-013; 7/2/2019

Meter Revenue Refunds – Westerville, OH, WES-McCorkle Branch; FCS-FM-19-014; 7/10/2019

Customer Service Meeting Expenses – Freedom Station, Charlotte, NC; FCS-FM-19-015; 7/25/2019

Postage and Fee Refunds – Bellmawr, NJ, Main Window; FCS-FM-19-016; 8/6/2019

Local Purchases and Payments – Miscellaneous Services – Denver, CO, General Mail Facility Station; FCS-FM-19-017; 8/8/2019

Local Purchases and Payments: Miscellaneous Services – Garland, TX, Main Post Office and North Garland, TX, Station; FCS-FM-19-018; 8/16/2019

Local Purchases and Payments: Miscellaneous Services – Sturgeon Bay, WI, Post Office; FCS-FM-19-019; 8/21/2019

Meter Revenue Refunds – W.T. Harris Station, Charlotte, NC; FCS-FM-19-020; 8/21/2019

Miscellaneous Non-Postal Revenue Refunds – South Hackensack, NJ, Annex; FCS-FM-19-021; 8/21/2019

Meter Revenue Refunds – St. Paul, MN, New Brighton Branch; FCS-FM-19-022; 8/22/2019

Local Purchases and Payments: Miscellaneous Services – Dickinson, ND, Main Post Office; FCS-FM-19-023; 8/23/2019

Postage Refunds – North Topeka, KS, Post Office; FCS-FM-19-024; 8/23/2019

Voided Postage Validation Imprinter Label Refunds – Houston, TX, Broadway Finance Station; FCS-FM-19-025; 8/30/2019

Miscellaneous Non-Postal Revenue Refunds – Golden, IL, Post Office; FCS-FM-19-026; 8/30/2019

Financial Differences – Nashville, TN, Main Office Window; FCS-FM-19-027; 9/4/2019

Miscellaneous Non-Postal Revenue Refunds – West Sacramento, CA, Processing and Distribution Center; FCS-FM-19-028; 9/11/2019

Meter Revenue Refunds – Daphne, AL, Post Office; -FCS-FM-19-029; 9/13/2019

Refund Permit Postage – Memphis, TN, Main Office Window Service; FCS-FM-19-030; 9/17/2019

Postage and Fee Refunds – Newport, KY, Post Office; FCS-FM-19-031; 9/18/2019

Local Purchases and Payments: Miscellaneous Services – Kearny, NJ, Main Post Office; FCS-FM-19-032; 9/19/2019

APPENDIX A: Reports Issued to Postal Service Management

Mission Operations

Network Processing

Performance of the HTPS at the Queens, NY, P&DC; NO-AR-19-004; 5/23/2019

Mail Processing Overtime; NO-AR-19-005; 6/13/2019

U.S. Postal Service Processing Network Optimization; NO-AR-19-006; 9/9/2019

Deposit by Mail Controls at Selected Mail Processing Facilities; NO-AR-19-007; 9/12/2019

Assessment of U.S. Postal Service's Service Performance and Costs; NO-AR-19-008; 9/17/2019

Transportation

Commercial Air (CAIR) Contractor Scanning; NL-MT-19-001; 7/19/2019

Management Alert – Charter Flights; NL-MT-19-002; 9/5/2019

Postal Service Dynamic Route Optimization and Cost Savings Initiative; NL-AR-19-004; 9/27/2019

Postal Vehicle Service (PVS) Zero Base Reviews; NL-AR-19-005; 9/27/2019

Planning and Operations

Strategic Assessment

Impact of Prescribed Opioids on Postal Service Employees Under the Federal Workers' Compensation Program; SAT-AR-19-002; 6/6/2019

Retail, Delivery, and Marketing

Delivery and Retail Response Team

Mail Delivery Issues – Graceland Annex, Chicago District; DRT-AR-19-001; 5/13/2019

Delivery and Customer Service Issues – Silverado Station, Las Vegas NV; DRT-AR-19-002; 6/11/2019

Delivery Scanning Issues – South Station – Newark, NJ; DRT-AR-19-003; 6/11/2019

Delivery Scanning Issues – Hayward Main Post Office, Hayward, CA; DRT-AR-19-004; 6/19/2019

Delivery Scanning Issues –Townsend Carrier Annex, San Francisco, CA; DRT-AR-19-005; 6/19/2019

Delivery Scanning Issues – Carmel Valley Carrier Annex; DRT-AR-19-006; 6/21/2019

Delivery and Customer Service Issues – College Station, New York, NY; DRT-AR-19-007; 7/3/2019

Delivery Scanning Issues – Franklin Park Post Office, Franklin Park, IL; DRT-AR-19-008; 7/9/2019

Mail Delivery Issues – Bear Valley Station, Denver, CO; DRT-AR-19-009; 7/12/2019

Delivery Issues – Westside Station, Tallahassee, FL; DRT-AR-19-010; 7/12/2019

Mail Delivery Issues – Cedar Elm, San Antonio, TX; DRT-AR-19-011; 7/19/2019

Delivery Scanning Issues – Surprise Branch, Surprise, AZ; DRT-AR-19-012; 7/25/2019

Mail Delivery Issues – Pleasant Hill Station, Des Moines, IA; DRT-AR-19-013; 7/31/2019

Mail Delivery Issues – Broadview Station - Atlanta, GA; DRT-AR-19-014; 8/6/2019

Mail Delivery Service – West Park Station, Philadelphia, PA; DRT-AR-19-015; 8/12/2019

Delivery Scanning Issues – Lakeview Station, Chicago, IL; DRT-AR-19-016; 9/4/2019

Delivery Scanning Issues – Gardena Post Office, Gardena, CA; DRT-AR-19-017; 9/5/2019

Delivery Scanning Issues – Gracie Station, New York, NY; DRT-AR-19-018; 9/5/2019

Mail Delivery and Retail Services – [Redacted], MD; DRT-AR-19-019; 9/10/2019

Mail Delivery Issues – Ypsilanti Main Post Office, Ypsilanti MI; DRT-AR-19-020; 9/11/2019

Mail Delivery Issues – Minuet Carrier Annex, Charlotte, NC; DRT-AR-19-021; 9/19/2019

Delivery Scanning Issues – Stafford Post Office, Stafford, TX; DRT-AR-19-022; 9/20/2019

Delivery Scanning Issues – East Vancouver Carrier Unit, Vancouver, WA; DRT-AR-19-023; 9/27/2019

Delivery and Retail Operations

Delivery Delays – Richmond District; DR-AR-19-005; 4/12/2019

Nationwide Review of Voyager Fleet Card Personal Identification Numbers; DR-AR-19-006; 6/24/2019

Mail Delivery Issues – Ohio Valley District; DR-AR-19-007; 8/27/2019

Sales, Marketing and International

Zone Pricing for Mail Processed at the Palatine Sectional Center Facility; MS-MT-19-002; 6/24/2019

Advance Electronic Data Holds and Reliability; MS-AR-19-002; 7/12/2019

Military and Diplomatic Mail Service; MS-AR-19-003; 7/31/2019

Automated Package Verification (APV) Evaluation; MS-AR-19-004; 9/18/2019

APPENDIX A: Reports Issued to Postal Service Management

Supply Management and Human Resources

Human Resources and Support

Review of Postal Inspection Service Criminal and Administrative Processes – Fort Worth Division; HR-AR-19-002; 4/19/2019

Nationwide Employee Background Screening; HR-AR-19-003; 8/22/2019

Supply Management and Facilities

U.S. Postal Service Technical Services Contracts; SM-CAR-19-002; 5/8/2019

Facility Condition Reviews – Mail Processing Facilities; SM-AR-19-003; 5/6/2019

Facility Conditions, Delayed Mail, and Staffing Levels in Albuquerque, NM; SM-AR-19-005; 5/29/2019

Postal Service's Heating, Ventilation, and Air Conditioning Preventive Maintenance Process; SM-AR-19-006; 8/22/2019

Oversight of the U.S. Postal Service Uniform Program; SM-AR-19-007; 9/19/2019

Technology

Information Technology

Management Alert – [Redacted]; IT-MT-19-001; 6/19/2019

Management Alert – [Redacted]; IT-MT-19-002; 8/26/2019

Virtual Private Network Access; IT-MA-19-001; 8/19/2019

Physical and Environmental Controls Site Security Review; IT-AR-19-004; 8/15/2019

Review of Postal Service's Response [Redacted]; IT-AR-19-005; 9/6/2019

Postal Service Management of End of Life Devices; IT-AR-19-006; 9/16/2019

US Postal Inspection Service

National Security Clearance Program; OV-AR-19-001; 6/18/2019

U.S. Postal Inspection Service Asset Forfeiture Fund; OV-AR-19-002; 7/3/2019

U.S. Postal Inspection Service Area Case Management; OV-AR-19-003; 9/3/2019

U.S. Postal Inspection Service New York Division; OV-AR-19-004; 9/19/2019

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: For the period: April 1 — September 30, 2019

Research and Insights Solution Center

Advertising Mail: Mail Mix Matters, RARC-WP-19-003, 4/15/2019

Assessing the Effectiveness of Domestic Competitive Negotiated Service Agreements, RARC-WP-19-004, 5/3/2019

The Postal Service and the Evolution of PC Postage, RARC-WP-19-005, 6/1/2019

Geographic Variations in Productivity, RISC-WP-19-006, 8/19/2019

Rural and Urban Origins of the U.S. Postal Service, RISC-WP-19-007, 8/26/2019

From Home Office to Post Office: Improving Microbusiness Engagement with the U.S. Postal Service, RISC-WP-19-008, 9/4/2019

Addressing the Diverse Needs and Wants of Rural American: Opportunities for the U.S. Postal Service, RISC-WP-19-009, 9/16/2019

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 four 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-Q Quarter 2; FT-FQ-19-003; 5/8/2019

Fiscal Year 2019 Review of Form 10-Q Quarter 3; FT-FQ-19-004; 8/7/2019

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).

U.S. Postal Service Technical Services Contracts; SM-CAR-19-002; 5/8/2019

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: **783**

APPENDIX B: Findings of Questioned Costs

For the Period: April 1 — September 30, 2019

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	21	$549,733,435	$94,410,547
Totals	**21**	**$549,733,435**	**$94,410,547**
Reports for which a management decision was made during the reporting period (i+ii)	21	$549,733,435	$94,410,547
(i) Dollar Value of disallowed cost	12	$224,751,001	$32,841,398
(ii) Dollar Value of cost not disallowed	12	$324,982,434	$61,569,149
Reports for which no management decision was made by the end of the reporting period	—	—	—
Reports for which no management decision was made within one year of issuance	—	—	—

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: April 1 — September 30, 2019

As required by the IG Act, the following pages show 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	5	$177,801,928
Totals	**5**	**$177,801,928**
Reports for which a management decision was made during the report period	5	$177,801,928
(i) Dollar Value of recommendations agreed to by management	—	—
(ii) Dollar Value of recommendations that were not agreed to by management	5	$177,801,928
Reports for which no management decision was made by the end of the reporting period	—	—
Reports for which no management decision was made within one year of issuance	—	—

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: April 1 — September 30, 2019

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	
Mail Delivery Issues – Ypsilanti Main Post Office, Ypsilanti MI, DRT-AR-19-020, 09/11/2019	1
Nationwide Review of Voyager Fleet Card Personal Identification Numbers, DR-AR-19-006, 06/24/2019	1
Stamp Stock Accountability, FT-AR-19-008, 08/20/2019	1
U.S. Postal Inspection Service New York Division, OV-AR-19-004, 09/19/2019	1
Improved Service	
Assessment of U.S. Postal Service's Service Performance and Costs, NO-AR-19-008, 09/17/2019	1
Costing Best Practices, CP-AR-19-004, 09/17/2019	1
Delivery and Customer Service Issues – College Station, New York, NY, DRT-AR-19-007, 07/03/2019	1
Delivery and Customer Service Issues – Silverado Station, Las Vegas NV, DRT-AR-19-002, 06/11/2019	3
Delivery Delays – Richmond District, DR-AR-19-005, 04/12/2019	2
Delivery Scanning Issues – Carmel Valley Carrier Annex, DRT-AR-19-006, 06/21/2019	1
Delivery Scanning Issues – Franklin Park Post Office, Franklin Park, IL, DRT-AR-19-008, 07/09/2019	1
Delivery Scanning Issues – Gardena Post Office, Gardena, CA, DRT-AR-19-017, 09/05/2019	1
Delivery Scanning Issues – Gracie Station, New York, NY, DRT-AR-19-018, 09/05/2019	1
Delivery Scanning Issues – Hayward Main Post Office, Hayward, CA, DRT-AR-19-004, 06/19/2019	1
Delivery Scanning Issues – Lakeview Station, Chicago, IL, DRT-AR-19-016, 09/04/2019	1
Delivery Scanning Issues – Stafford Post Office, Stafford, TX, DRT-AR-19-022, 09/20/2019	1
Delivery Scanning Issues – Surprise Branch, Surprise, AZ, DRT-AR-19-012, 07/25/2019	2
Delivery Scanning Issues – Townsend Carrier Annex, San Francisco, CA, DRT-AR-19-005, 06/19/2019	1
Issues Identified in the Outbound International Mail Market, CP-MT-19-001, 09/23/2019	1
Local Purchases and Payments: Miscellaneous Services – Sturgeon Bay, WI, Post Office, FCS-FM-19-019, 08/21/2019	1
Mail Delivery and Retail Services – [Redacted], MD, DRT-AR-19-019, 09/10/2019	1
Mail Delivery Issues – Bear Valley Station, Denver, CO, DRT-AR-19-009, 07/12/2019	2
Mail Delivery Issues – Cedar Elm, San Antonio, TX, DRT-AR-19-011, 07/19/2019	2
Mail Delivery Issues – Graceland Annex, Chicago District, DRT-AR-19-001, 05/13/2019	1
Mail Delivery Issues – Minuet Carrier Annex, Charlotte, NC, DRT-AR-19-021, 09/19/2019	1

APPENDIX D: Other Impacts

Description and Reports	Number of Recommendations
Mail Delivery Issues – Ohio Valley District, DR-AR-19-007, 08/27/2019	4
Mail Delivery Issues – Pleasant Hill Station, Des Moines, IA, DRT-AR-19-013, 07/31/2019	1
Mail Delivery Issues – Ypsilanti Main Post Office, Ypsilanti MI, DRT-AR-19-020, 09/11/2019	2
Military and Diplomatic Mail Service, MS-AR-19-003, 07/31/2019	4
National Security Clearance Program, OV-AR-19-001, 06/18/2019	1
Oversight of the U.S. Postal Service Uniform Program, SM-AR-19-007, 09/19/2019	5
Physical Safety and Security	
Advance Electronic Data Holds and Reliability, MS-AR-19-002, 07/12/2019	1
Delivery and Customer Service Issues – Silverado Station, Las Vegas NV, DRT-AR-19-002, 06/11/2019	1
Delivery Scanning Issues – Gardena Post Office, Gardena, CA, DRT-AR-19-017, 09/05/2019	1
Deposit by Mail Controls at Selected Mail Processing Facilities, NO-AR-19-007, 09/12/2019	2
Facility Condition Reviews – Mail Processing Facilities, SM-AR-19-003, 05/06/2019	3
Facility Conditions, Delayed Mail, and Staffing Levels in Albuquerque, NM, SM-AR-19-005, 05/29/2019	3
National Security Clearance Program, OV-AR-19-001, 06/18/2019	1
Oversight of the U.S. Postal Service Uniform Program, SM-AR-19-007, 09/19/2019	1
Physical and Environmental Controls Site Security Review, IT-AR-19-004, 08/15/2019	4
Postal Service Management of End of Life Devices, IT-AR-19-006, 09/16/2019	3
Postal Service's Heating, Ventilation, and Air Conditioning Preventive Maintenance Process, SM-AR-19-006, 08/22/2019	3
U.S. Postal Inspection Service New York Division, OV-AR-19-004, 09/19/2019	1
Disbursements at Risk	
Local Purchases and Payments: Miscellaneous Services – Houston, TX, Roy Royall Station, FCS-FM-19-010, 06/20/2019	1
Meter Revenue Refunds – Westerville, OH, WES-McCorkle Branch, FCS-FM-19-014, 07/10/2019	1
Postage and Fee Refunds – Boston, MA, Fort Point Station, FCS-FM-19-006, 04/01/2019	1
Postage, Fees, and Meter Revenue Refunds – Houston, TX, Park Place Station, FCS-FM-19-008, 06/05/2019	1
Refund Permit Postage – Memphis, TN, Main Office Window Service, FCS-FM-19-030, 09/17/2019	1
Voyager Card Transactions – Roseburg, OR, Post Office, FCS-FM-19-007, 04/11/2019	1
Data Integrity	
Management Operating Data System (MODS) Errors and Adjustments, CP-AR-19-001, 04/03/2019	1
Postal Vehicle Service (PVS) Zero Base Reviews, NL-AR-19-005, 09/27/2019	1

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

Improved Service: Report Numbers CP-AR-19-004; DR-AR-19-005; SM-AR-19-007

Physical Safety and Security: Report Number SM-AR-19-007

APPENDIX E: Reports with Recommendations
Pending Corrective Actions

For the period: April 1 — September 30, 2019

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 TID = Target Implementation Date
NL-AR-12-010	09/28/2012	—	**First-Class Mail on Air Transportation — Assignment by Weight** R-1 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: December 2020
NO-MA-13-005	04/04/2013	$11,955,046	**Supervisor Workhours and Span of Control** R-2 — Fill vacant supervisor positions up to the appropriate span of control level and reduce supervisor replacement workhours accordingly. TID: July 2019
NO-AR-14-009	08/28/2014	—	**Consolidation of the Toledo, OH, Processing and Distribution Center** R-1 — Re-evaluate cost savings to include additional transportation costs and update data as necessary and adjust the Area Mail Processing proposal based on the post-implementation review. TID: December 2019
HR-AR-15-001	11/20/2014	— — — 	**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. TID: December 2019 R-2 — Establish a formal centralized system that allows for the tracking and monitoring of contract driver security clearances. TID: December 2019 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. TID: December 2019 R-4 — Establish a formal oversight process for contracting officers to validate contract drivers have security clearances when renewing contracts. TID: December 2019
HR-AR-15-004	03/06/2015	— — — 	**Badges for Postal Service Contractors** 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. TID: October 2019 R-2 — Provide formal training including periodic refresher training to responsible personnel to ensure they understand their roles and responsibilities for managing contractor badges. TID: October 2019 R-3 — Establish an oversight process to strengthen controls and accountability of the contractor badge program to ensure it is effectively managed. TID: October 2019

APPENDIX E: Reports with Recommendations Pending Corrective Actions

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
NO-AR-15-007	06/05/2015	—	**Area Mail Processing Consolidations** R-1 — Include guidelines for determining a timeframe for implementing an area mail processing consolidation once a feasibility study is approved. TID: March 2019
		—	R-2 — Define "substantive change" with respect to changes that warrant revisions to area mail processing feasibility studies and specify timeframes for evaluating a feasibility study to determine whether substantive change(s) occurred. TID: March 2019
NO-MA-15-004	08/13/2015	—	**Substantial Increase in Delayed Mail** 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. TID: March 2019
HR-AR-15-007	09/15/2015	—	**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. TID: 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 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. TID: January 2020
SM-AR-16-004	12/29/2015	—	**Address Management Licensing Agreements** R-2 — Periodically evaluate licensing agreement templates to determine whether provisions are consistent, up-to-date, and adequately protect the Postal Service's best interests. TID: October 2019
IT-AR-16-004	01/14/2016	—	**Access Controls over Mail Imaging Systems** R-2 — Require passwords for all mail imaging systems accounts in accordance with Handbook AS-805. TID: November 2019
		—	R-3 — Delete all accounts that have not been used in more than 365 days and all guest accounts on the mail imaging systems. TID: November 2019
		—	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. TID: November 2019
HR-AR-16-002	04/07/2016	—	**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. TID: December 2019
NO-AR-16-008	05/04/2016	$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. TID: May 2021
IT-AR-16-010	08/10/2016	—	**PostalOne!-Business Customer Support System Availability** R-6 — Develop a plan to calculate PostalOne!-Business Customer Support System availability in accordance with best practices and include blackout maintenance hours on the daily chief information officer scorecards reported to the Postal Service Executive Leadership Team. TID: December 2019

APPENDIX E: Reports with Recommendations Pending Corrective Actions

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
NO-AR-16-009	09/02/2016	—	**Mail Processing and Transportation Operational Changes** R-1 — Re-evaluate and update the projected operational and transportation financial impacts associated with the operational window change. TID: December 2016
		—	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. TID: March 2019
CP-AR-16-010	09/08/2016	—	**Postmaster Cost Segment** R-3 — Communicate to the Postal Regulatory Commission the status of the Post Office Structure Plan and develop a timeline and approach for updating the postmaster variability study. TID: October 2019
NO-AR-16-012	09/29/2016	$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. TID: September 2019
IT-AR-17-003	04/05/2017	—	**Privileged Account Management** R-2 — Develop and continuously maintain a complete and accurate listing of privileged accounts for Postal Service systems. TID: September 2020
		—	R-3 — Define business practices and responsibilities for monitoring privileged accounts and implement privileged access management tools. TID: September 2020
HR-AR-17-006	05/04/2017	—	**Postal Inspection Service Consumer Fraud Fund** R-1 — Develop a requirement to evaluate the effectiveness of Consumer Fraud Fund expenditures using measurable performance goals. TID: November 2019
		—	R-2 — Develop formal written procedures for management of Consumer Fraud Fund requests and for tracking, monitoring, and reconciling expenditures. TID: November 2019
MS-AR-17-008	07/18/2017	—	**Prohibited Inbound International Mailings** R-3 — Conduct a formal cost analysis comparing various disposal options for the Postal Service's handling of prohibited mailings and determine which is the most cost-effective. TID: None
MS-AR-17-009	09/07/2017	—	**Delayed Inbound International Mail** R-2 — Develop a mechanism for incorporating available data into its inbound mail monitoring and reporting processes. TID: None
IT-AR-17-007	09/18/2017	—	**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. TID: October 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. TID: September 2020

APPENDIX E: Reports with Recommendations Pending Corrective Actions

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
HR-AR-17-013	09/21/2017	—	**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. TID: None
IT-AR-17-009	09/21/2017	— — —	**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. TID: November 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. TID: November 2019 R-5 — Implement security standards for the mobile Point-of-Sale devices and application. TID: November 2019
IT-AR-17-008	09/25/2017	—	**Software License Management** R-1 — Complete implementation of the centrally managed software license program that complies with Postal Service policy and best practices. TID: March 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. TID: November 2019
HR-AR-18-002	02/22/2018	—	**National Recycling Program** R-2 — Reassess and adjust National Recycling Program goals as necessary, based on delays in the execution plan to appropriately set program expectations at district levels. TID: September 2019
HR-AR-18-003	03/01/2018	— —	**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. TID: None R-4 — Assess the feasibility of implementing an automated or other solution to promote process efficiency and satisfy the special job bank requirement. TID: None
IT-AR-18-002	03/19/2018	— — —	**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. TID: October 2019 R-4 — Direct the senior plant manager to communicate access procedures to the resource management personnel to ensure employees without a Postal Service badge do not gain access to the facility west entrance. TID: August 2019 R-6 — Direct the senior plant manager to implement security controls for the facility parking lots and repair surveillance security cameras. TID: October 2019

APPENDIX E: Reports with Recommendations Pending Corrective Actions

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
SM-AR-18-001	03/20/2018		**Oversight of Contract Extensions**
		—	R-1 — Revise policy to establish restrictions on the number of option years included after contract award. TID: None
		$4,536,971	R-2 — Revise policy to clarify the use of contract clauses when exercising option years, and revise the current review and approval process to ensure appropriate clauses are used when extending contracts. TID: August 2019
		—	R-3 — Reiterate through formal communication the requirements for renewal clauses, and revise the current review and approval process to ensure renewals are used appropriately. TID: August 2019
		—	R-4 — Reiterate through formal communication the proper inclusion of required clauses in contract language, and revise the current review and approval process to ensure mandatory clauses are included in contracts. TID: August 2019
		—	R-5 — Reconcile existing policy and clause language to clarify written notification requirements for Clause 2-19: Option to Extend. TID: August 2019
SM-AR-18-002	03/26/2018	$98,482,250	**Controls Over Time and Materials and Labor Hour Contracts** R-1 — Revise policy to better define ceiling price and the requirement to document the ceiling price in the schedule; reiterate requirement to contracting officers when executing Time and Materials and Labor Hour contracts. TID: August 2019
NO-AR-18-004	03/30/2018		**Mail Processing Facilities Staffing**
		—	R-1 — Establish nationwide criteria for using Function 1 Scheduler results. TID: None
		—	R-3 — Implement and document the Verification, Validation, and Accreditation process for the Function 1 Scheduler. TID: None
FT-AR-18-007	04/02/2018	$1,152,177	**Credit for Disputed Voyager Card Transactions** R-1 — Implement a process to reconcile, at least quarterly, all disputed transactions nationwide. TID: March 2020
NL-AR-18-006	04/12/2018		**Surface Visibility Scanning – Capital Metro Area and Capping Report**
		—	R-2 — Require Processing and Distribution Center managers to ensure that Mail Transport Equipment Labeler (MTEL) plastic sleeves are always used for mail containers with MTEL placards. TID: None
		—	R-3 — Develop procedures to ensure mail container visibility during MTEL system trip updates. TID: None
		—	R-4 — Update MTEL software to resolve the 24-hour system trip update delay. TID: None
		—	R-5 — Ensure through training and monitoring that Processing and Distribution Center managers provide adequate oversight of scanning operations to ensure MTEL placards are attached and all mail is scanned as required. TID: None
DR-AR-18-004	05/08/2018	$97,409	**Tort Claims Management – Western Area** R-1 — Issue a directive instructing districts to ensure tort claim payments and related supporting documentation are reviewed periodically. TID: September 2019
		—	R-5 — Require the Central Plains, Dakotas, Hawkeye, and Portland Districts to establish a second level approval of tort claim payments authorized by the Tort Claim Coordinator. TID: None
NO-AR-18-006	05/22/2018	—	**First-Class Mail Service Performance Measurement – Northeast Area** R-3 — Evaluate and determine the relevance of current First-Class Mail service performance goals considering the service pairs that do not meet goals. TID: None

APPENDIX E: Reports with Recommendations Pending Corrective Actions

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
SM-AR-18-004	06/07/2018	$41,921,741	**Domestic Preference in Vehicle Contracts** R-1 — Revise Supplying Principles and Practices Section 2-36 to include Provision 1-2: Domestic Source Certificate – Supplies (March 2006), and Clause 1-9: Preference for Domestic Supplies (March 2006), and reiterate the prescription for including Clause 4-2, Contract Terms and Conditions Required to Implement Policies, Statutes, or Executive Orders in renewed contracts. TID: None
		—	R-2 — Revise the domestic preference certification process for proposals to make the supplier certification more explicit in affirming end products are domestic, and ensure deviation letters are developed for identified exceptions. TID: August 2019
NO-AR-18-008	07/26/2018	—	**Flats Sequencing System Performance in the Capital Metro Area** R-1 — Track and address the causes of flats leakage and, where possible, implement operational changes to ensure flats leakage mail is processed on the Flats Sequencing System. TID: September 2019
		—	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. TID: December 2019
		—	R-3 — Monitor and ensure that supervisors are reviewing staff Flats Sequencing System labor code selections daily for correctness. TID: None
		—	R-4 — Establish a process to ensure the electronic Mail Improvement Reporting system is being used to report all flats mail problems and these problems are resolved within 30 days of reporting. TID: None
NL-AR-18-009	07/27/2018	—	**Terminal Handling Services – Southern Area** R-1 — Ensure all Southern Area mail processing facilities follow their respective volume arrival profiles. TID: None
HR-AR-18-007	08/01/2018	—	**Timecard Adjustments at 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. TID: December 2019
MS-AR-18-005	08/24/2018	—	**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. TID: September 2020
IT-MT-18-001	09/05/2018	—	**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. TID: October 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. TID: October 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. TID: October 2019
		—	R-5 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: October 2019

APPENDIX E: Reports with Recommendations Pending Corrective Actions

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
HR-AR-18-009	09/11/2018	—	**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. TID: None
		—	R-2 — Limit user access in GATS to levels appropriate for user oversight responsibilities via automated controls, or compensating manual controls. TID: None
IT-AR-18-004	09/11/2018	—	**Review of Availability of Tier 1 Business Critical Services** R-2 — Should establish and document availability targets and acceptable hours for planned and unplanned downtime for each application or service considered to be a Tier 1 business critical service. TID: September 2019
HR-AR-18-010	09/17/2018	—	**Postal Service Accident Safety Policies and Procedures – Great Lakes Area** R-4 — Should assess the available Occupational Safety and Health Administration safety and health training available regarding safety recordkeeping practices and provide applicable refresher training to facility managers in the Great Lakes Area. TID: None
CP-AR-18-007	09/25/2018	—	**Use of Intelligent Mail Barcodes for First-Class Mail Letters' Processing Costs** R-1 — Should develop a strategic plan to assess how Intelligent Mail barcode and Informed Visibility technologies can be enhanced to support costing and, based on that assessment, determine how and when the technologies can be leveraged to improve costing. TID: September 2019
		—	R-3 — Should use Intelligent Mail barcode and Informed Visibility technologies to evaluate the impact of unexpected or nonstandard mail flows on First-Class Mail letter cost model estimates and, based on the evaluation, consider filing a petition with the Postal Regulatory Commission to use Intelligent Mail barcode and Informed Visibility data to update the model. TID: September 2019
MS-AR-18-006	09/25/2018	—	**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. TID: December 2020
FT-AR-18-009	09/28/2018	—	**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. TID: None
		—	R-4 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: None
SAT-AR-18-001	09/28/2018	—	**Customer Retail Experience** R-3 — Develop and provide annual customer service training for all retail associates emphasizing their role in the customer experience. TID: October 2019

APPENDIX E: Reports with Recommendations Pending Corrective Actions

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
SAT-AR-18-002	09/28/2018		**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. TID: None
		—	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. TID: None
		—	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. TID: None
		—	R-7 — Institute a comprehensive Commercial Mail Receiving Agencies (CMRA) program to increase adherence to existing CMRA procedures and improve existing policies. Specifically, the program should be centralized and automated to ensure postal employees are following CMRA documentation requirements and conducting oversight of CMRAs. TID: October 2019
IT-AR-19-001	10/12/2018		**Informed Visibility Vulnerability Assessment**
		—	R-2 — Review the controls identified in the Center for Internet Security benchmarks and consider them for inclusion into the published standard. TID: None
		—	R-5 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: March 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. TID: None
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. TID: None
MS-AR-19-001	11/02/2018		**U.S. Postal Service's Customer Service to Non-English Speaking Customers**
		—	R-2 — Develop proactive policies and procedures, including the use of demographic data, to create and display non-English signs, posters, and product displays. TID: September 2019
		—	R-3 — Develop a plan to integrate translations among the web links that revert to English to ensure consistency and continued oversight. TID: September 2019
		—	R-5 — Coordinate with the appropriate Postal Service groups to utilize industry best practices for automated self-service machines to expand the available kiosk language content and ensure all included product information is available in Spanish. TID: None
FT-AR-19-001	11/06/2018	—	**A Broader Perspective for the Postal Service Ethics Program**
			R-2 — Adopt an approach for assessing the effectiveness of the ethics program by (a) identifying ethics program areas that are priorities for the organization; (b) designing the goals for each ethics program priority area to support the mission and organization-wide goals; and (c) identifying the desired maturity level for each ethics program priority area. TID: March 2019
IT-AR-19-002	11/19/2018		**CyberSecurity Decision Analysis Reports Review**
		—	R-1 — Create and execute a program/administrative budget to adequately plan and administer an ongoing cybersecurity program. TID: March 2020

APPENDIX E: Reports with Recommendations Pending Corrective Actions

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
FT-AR-19-003	11/26/2018	— $2,781,473,463	**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. TID: December 2019 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. TID: December 2019
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. TID: None
SM-AR-19-002	03/22/2019	—	**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. TID: March 2020
CP-AR-19-001	04/03/2019	— — —	**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 MODS coordinators to verify that all facilities have deactivated the base operation preset button on EBRs. TID: September 2019 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. TID: December 2019 R-5 — Establish an official closing period for the MODS and develop controls in MODS to prevent workhour adjustments after the closeout period without required approvals. TID: December 2019
HR-AR-19-002	04/19/2019	— — — — — —	**Review of Postal Inspection Service Criminal and Administrative Processes – Fort Worth Division** R-1 — Provide refresher training to team leaders regarding investigative documentation requirements and proper case closure procedures. TID: 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. TID: September 2020 R-3 — Establish a requirement and formal process for divisions to periodically inventory and track ammunition. TID: March 2020 R-4 — Establish an oversight mechanism to ensure inventory and tracking of O keys is conducted by responsible personnel as required. TID: September 2019 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. TID: September 2020 R-6 — Instruct the inspector-in-charge, Fort Worth Division, to conduct the required analysis for long-term home-to-work vehicle requests and ensure approvals are sufficiently justified. TID: December 2019

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Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
SM-AR-19-003	05/06/2019	—	**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. TID: May 2020
SM-CAR-19-002	05/08/2019	— —	**U.S. Postal Service Technical Services Contracts** R-1 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: January 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. TID: January 2020
SAT-AR-19-002	06/06/2019	— — —	**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. TID: May 2019 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. TID: 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. TID: September 2020
NO-AR-19-005	06/13/2019	$358,305,479 — —	**Mail Processing Overtime** 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. TID: September 2019 R-2 — Issue supplemental guidance on management oversight to reduce unauthorized overtime, ensure compliance with overtime policy to reduce grievances, and increase employee availability. TID: September 2019 R-3 — Establish appropriate performance incentives for managers to effectively manage overtime. TID: None
OV-AR-19-001	06/18/2019	— $318,031 —	**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. TID: March 2020 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. TID: March 2020 R-4 — Ensure the Security Investigations Service Center manager coordinates with the Corporate Information Security Office, to complete security reviews for the contractors and ensure updated reviews are conducted every two years. TID: November 2019
IT-MT-19-001	06/19/2019	—	**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. TID: September 2019

APPENDIX E: Reports with Recommendations Pending Corrective Actions

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
DR-AR-19-006	06/24/2019		**Nationwide Review of Voyager Fleet Card Personal Identification Numbers**
		—	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. TID: February 2020
		—	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. TID: 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.TID: 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. TID: September 2020
MS-MT-19-002	06/24/2019		**Zone Pricing for Mail Processed at the Palatine Sectional Center Facility**
		—	R-1 — Correct the coordinates used for the Palatine SCF and update the Zone Matrix, as appropriate. TID: January 2020
		—	R-2 — Evaluate coordinates for all SCFs and correct inaccuracies, as identified. TID: January 2020
FT-AR-19-007	07/17/2019		**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. TID: January 2020
NL-MT-19-001	07/19/2019		**Management Alert — Commercial Air Contractor Scanning**
		—	R-1 — Establish processes to train ramp and mail clerks on contract provisions concerning when and where Delta Air Lines employees are required to scan the mail. TID: August 2019
		—	R-3 — Ensure that Delta Air Lines has enough mail transportation equipment to separate the mail according to the contract. TID: August 2019
		—	R-4 — Ensure mail clerks monitor Delta Global Service employees sort mail into the correct mail transport equipment. TID: August 2019
		—	R-6 — Ensure districts update Postal Vehicle Service routes in the Vehicle Information Transportation Analysis Logistics system timely. TID: August 2019
MS-AR-19-003	07/31/2019		**Military and Diplomatic Mail Service**
		—	R-2 — Evaluate a process for scanning individual pieces to larger containers and for using this scan data to measure the time between military and diplomatic mail being scanned as accepted and being assigned outbound transportation and prepared for departure. TID: October 2019
		—	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. TID: April 2020
DRT-AR-19-014	08/06/2019		**Mail Delivery Issues – Broadview Station – Atlanta, GA**
		—	R-1 — Instruct the unit management and the Atlanta Processing and Distribution to follow or update the Integrated Operating Plan/Mail Arriving Profile to address the late mail arrival and mail mix. TID: September 2019

APPENDIX E: Reports with Recommendations Pending Corrective Actions

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
IT-AR-19-004	08/15/2019		**Physical and Environmental Controls Site Security Review**
		—	R-1 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: March 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. TID: May 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. TID: 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. TID: April 2020
IT-MA-19-001	08/19/2019		**Virtual Private Network Access**
		—	R-1 — Periodically analyze Postal Service contractors with authorized VPN Access to USPS - 2FA access to ensure that they are issued a Postal Service device and make changes as appropriate. TID: None
		—	R-2 — Analyze Postal Service bargaining employees with authorized Virtual Private Network access and coordinate with their supervisors to make appropriate changes. TID: October 2019
CP-AR-19-002	08/20/2019		**Contract Delivery Service Costs**
		—	R-2 — Direct the Manager, Transportation Contracts, Contract Delivery Services, to include the 120 cubic feet minimum vehicle requirement in contracts or, as appropriate, identify reasonable exceptions to the 120 cubic feet minimum vehicle requirement and document those exceptions in applicable contracts. TID: None
		—	R-4 — Monitor extra trip costs to identify and correct overpayments. TID: January 2020
		—	R-6 — Enhance communication channels and training that help AOs (a) address contract delivery service issues and challenges, and (b) provide contract delivery service supplier performance feedback. TID: January 2020
FT-AR-19-008	08/20/2019		**Stamp Stock Accountability**
		—	R-1 — Periodically evaluate the effectiveness of the newly implemented procedures for excess and excludable stamp stock and implement additional changes, as necessary. TID: March 2020
		—	R-2 — Implement controls to require notifications and approvals for stamp stock orders that exceed authorized dollar and number limits. TID: March 2020
		—	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. TID: March 2020
		—	R-4 — Monitor and determine reasonableness of units that conduct excessive stock counts and notify the U.S. Postal Service Office of Inspector General, when appropriate, to investigate potential fraud, waste, and abuse. TID: March 2020
		—	R-5 — Define in Handbook F-101, Field Accounting Procedures, how retail employees are held accountable for password sharing, and communicate it to all employees with retail responsibilities. TID: November 2019

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Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
FCS-FM-19-020	08/21/2019	$78,316	**Meter Revenue Refunds – W.T. Harris Station, Charlotte, NC** R-1 — Reiterate policies regarding the verification of disbursements and destruction of meter stamps refunded; or consider developing alternative guidance for destruction to prevent duplicate, unauthorized, or incorrect refunds. TID: September 2019
HR-AR-19-003	08/22/2019	— — — —	**Nationwide Employee Background Screening** R-1 — Incorporate a review process at the Human Resources Shared Service Center to ensure that all candidates with criminal hits have supporting approval certifications prior to moving them to the next step in the hiring process. TID: August 2019 R-2 — Incorporate controls to enhance visibility in tracking and monitoring of National Agency Check with Inquiries investigations. TID: March 2020 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. TID: December 2019 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. TID: March 2020
SM-AR-19-006	08/22/2019	— —	**Postal Service's Heating, Ventilation, and Air Conditioning Preventive Maintenance Process** R-2 — Create Standard Work Instructions to provide maintenance management detailed operating procedures and job aids related to their Heating, Ventilation, and Air Conditioning preventive maintenance responsibilities. TID: October 2019 R-3 — Implement a process to reduce the use of code 0, the automatic system-generated bypasses code in the electronic Maintenance Activity Reporting and Scheduling system. TID: October 2019
IT-MT-19-002	08/26/2019	—	**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. TID: March 2020
DR-AR-19-007	08/27/2019	— — $3,369,130	**Mail Delivery Issues – Ohio Valley District** R-1 — Reinforce requirements to delivery unit supervisors to follow city delivery policies and standard operating procedures for setting expectations with carriers to deliver committed mail daily. TID: September 2019 R-2 — Instruct delivery unit supervisors to properly report occurrences of delayed mail in the Customer Service Daily Reporting System. TID: September 2019 R-3 — Direct the Columbus Processing and Distribution Center Manager and Manager, Operation Program Support to coordinate mail arrival times in Integrated Operating Plans to improve mail flow between the plant and delivery units to achieve daily operational performance. TID: September 2019
OV-AR-19-003	09/03/2019	$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. TID: September 2020 R-2 — Develop controls to ensure periodic reviews of investigative documentation are conducted. TID: March 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. TID: September 2020

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Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
FCS-FM-19-027	09/04/2019	—	**Financial Differences – Nashville, TN, Main Office Window** R-1 — To reiterate to all personnel responsible for resolving financial differences at the Nashville Main Office Window how to properly research and resolve financial differences timely and file supporting documents in one central location at the unit. TID: September 2019
DRT-AR-19-017	09/05/2019	— —	**Delivery Scanning Issues – Gardena Post Office, Gardena, CA** R-1 — Instruct the Gardena Postmaster to follow delivery standard operating procedures for scanning packages and to include the use of firm sheets. TID: November 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. TID: November 2019
NL-MT-19-002	09/05/2019	— —	**Management Alert – Charter Flights** R-1 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: November 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. TID: None
IT-AR-19-005	09/06/2019	— [Redacted] [Redacted] [Redacted] [Redacted] [Redacted]	**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. TID: None R-2 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: October 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. TID: September 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. TID: October 2019 R-5 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: June 2019 R-6 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: June 2019
NO-AR-19-006	09/09/2019	— — —	**U.S. Postal Service Processing Network Optimization** R-1 — Develop a plan to reduce costs and increase the number of plant managers meeting their total operating expense goal. TID: September 2019 R-2 — Utilize 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. TID: September 2019 R-3 — Revise and update AMP feasibility studies to determine whether cost savings could be realized, and consolidations should continue. TID: March 2020

APPENDIX E: Reports with Recommendations Pending Corrective Actions

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
CP-AR-19-003	09/11/2019	—	**Competitive Products Pricing Best Practices** R-1 — Evaluate available options to modernize the pricing management system. TID: December 2020
DRT-AR-19-020	09/11/2019	—	**Mail Delivery Issues – Ypsilanti Main Post Office, Ypsilanti MI** R-2 — Coordinate with building owners or managers to comply with Postal Service access and mail receptacle policies. TID: September 2019
NO-AR-19-007	09/12/2019	— —	**Deposit by Mail Controls at Selected Mail Processing Facilities** R-1 — Establish standard operating procedures for the Deposit by Mail service to include security cameras, secured doors, staged mail, and adequate rewrap procedures. TID: November 2019 R-2 — Instruct plant management to properly address security deficiencies identified by the Postal Inspection Service, in a timely manner. TID: November 2019
IT-AR-19-006	09/16/2019	— — —	**Postal Service Management of End of Life Devices** R-1 — Develop and implement an End-of-Life policy to manage all network devices. TID: July 2020 R-2 — Complete the End-of-Life 2019 Telecom Strategy and device specific risk-based replacement plans. TID: 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. TID: July 2020
CP-AR-19-004	09/17/2019	—	**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. TID: None
NO-AR-19-008	09/17/2019	—	**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. TID: March 2021
MS-AR-19-004	09/18/2019	$227,228,068 — $152,327,853	**Automated Package Verification (APV) Evaluation** R-1 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: None R-2 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: 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. TID: October 2021

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Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
DRT-AR-19-021	09/19/2019		**Mail Delivery Issues – Minuet Carrier Annex, Charlotte, NC**
		—	R-1 — Update the Integrated Operating Plan and Mail Arrival Profile for the Minuet Carrier Annex and the Charlotte and Mid-Carolinas Processing and Distribution Centers to reflect accurate mail arrival times and mail mix. TID: November 2019
		—	R-2 — Instruct unit management to review and conduct annual route inspections and adjust city routes as needed for service improvement. TID: November 2019
		—	R-4 — Instruct unit management to update the arrow lock key inventory log and follow policy for properly securing arrow lock keys. TID: September 2019
OV-AR-19-004	09/19/2019		**U.S. Postal Inspection Service New York Division**
		—	R-1 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: None
		—	R-2 — Reiterate the policy related to high-value evidence to postal inspectors. TID: September 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. TID: October 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. TID: September 2020
		—	R-5 — Update policy to require undercover operation approvals be stored in the Case Management System. TID: September 2020
SM-AR-19-007	09/19/2019		**Oversight of the U.S. Postal Service Uniform Program**
		$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. TID: 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. TID: April 2020
		—	R-3 — Implement a periodic validation process of vendor quarterly reports and vendor sales invoices to ensure accuracy and compliance. TID: January 2020
		—	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. TID: None
		—	R-5 — Identify a centralized location, physical or electronic, to store all license agreements accessible by the Uniform Program office. TID: December 2019
FT-AR-19-009	09/20/2019		**Salary and Wage Rate Retention**
		$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. TID: December 2019
		—	R-2 — Develop and implement a plan to periodically identify and address employees no longer eligible for salary and wage rate retention status. TID: December 2019
CP-MT-19-001	09/23/2019		**Issues Identified in the Outbound International Mail Market**
		$434,857,599	R-1 — Develop a plan to increase outbound international sales and strengthen competitiveness in the outbound international mail market. TID: July 2020

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Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
			Postal Service Dynamic Route Optimization and Cost Savings Initiative
		$16,363,466	R-1 — Identify and resolve Dynamic Route Optimization program issues before continuing implementation and the national rollout. TID: December 2019
		—	R-2 — Provide management oversight and certify the site personnel have updated guidance, procedures, and training on the program. TID: December 2019
NL-AR-19-004	09/27/2019	—	R-3 — Evaluate the data accuracy in the Transportation Management System and Shipment File Web applications and test the functionality of both systems to ensure it meets the Postal Service's program requirements and the accuracy of the dynamic manifest. TID: December 2019
		—	R-4 — Continue defining clear and timely communication protocols with stakeholders to ensure concerns with manifests and supplier payments are addressed and resolved. TID: December 2019
		—	R-5 — Develop an automated payment process to ensure suppliers are paid consistently, accurately, and timely. TID: October 2020
		$16,363,465	R-6 — Establish a method for calculating Key Performance Indicators to ensure the accurate measure of program performance. TID: December 2019
		—	R-7 — Evaluate the program savings calculation for rate per mile and fuel inflationary factors to ensure accurate calculation of initiative savings. TID: None
			Postal Vehicle Service (PVS) Zero Base Reviews
NL-AR-19-005	09/27/2019	$50,707,540	R-1 — Ensure the standard operating procedures provide a consistent approach to allocating time for work assignments within Postal Vehicle Service schedules in order to optimize operations. TID: December 2020
		—	R-2 — Ensure Area Postal Vehicle Service analysts track and monitor Zero Base review recommendations. TID: January 2020
			Postal Partnerships: The Complex Role of Middlemen and Discounts in the USPS Package Business
		—	R-1 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: None
RARC-WP-18-010	07/23/2018	—	R-2 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: 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. TID: None
		—	R-4 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: None
			Improving the Customer Experience with USPS Customer Care Centers
RARC-WP-18-012	8/20/2018	—	R-1 — The Vice President, Marketing evaluate whether efforts to make package tracking messages more customer friendly are reducing unnecessary calls to the Customer Care Centers. TID: December 2019
			Assessing the Effectiveness of Domestic Competitive Negotiated Service Agreements
RARC-WP-19-004	5/3/2019	—	R-2 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: November 2019

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Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
			The Postal Service and the Evolution of PC Postage
		—	R-1 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: November 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. TID: November 2019
RARC-WP-19-005	6/1/2019	—	R-3 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: None
		—	R-4 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: November 2019
		—	R-5 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: November 2019
			From Home Office to Post Office: Improving Microbusiness Engagement with the U.S. Postal Service
		—	R-1 — Acting VP of Sales distribute and make available marketing materials to employees to share with businesses during lead generation activities. TID: October 2019
		—	R-2 — Acting VP of Sales implement a formal mechanism for communication and coordination between the Customer Retention Team and Business Development Specialists to ensure there is a timely and effective response to business leads, such as minimizing premature closure of leads. TID: October 2019
RISC-WP-19-008	9/4/2019	—	R-3 — Acting VP of Sales implement controls to ensure there is an effective process for timely communication of lead outcomes with the employee who generated the lead. TID: October 2019
		—	R-5 — Acting VP of Sales identify and execute best practices nationwide to increase participation in Employee Engagement Programs to meet internal participation goals, including exploring how to implement new employee incentives. TID: October 2019
			Addressing the Diverse Needs and Wants of Rural American: Opportunities for the U.S. Postal Service
		—	R-2 — VP, Marketing, should assess how to cost-effectively and proactively solicit rural customer preferences nationwide where retail survey data are currently unavailable. TID: February 2020
RISC-WP-19-009	9/16/2019	—	R-3 — VP, Delivery and Retail Operations, to identify a cost-effective means of tracking parcel locker utilization in rural areas. TID: June 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. TID: September 2020

Total Number of Reports: **106**

Total Number of Recommendations: **235**

Total Monetary Impact: **$4,852,812,930**

APPENDIX F: Management Decisions in Audit Resolution

For the period: April 1 — September 30, 2019

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
MS-AR-17-008	07/18/2017	—	**Prohibited Inbound International Mailings** R-3 — Conduct a formal cost analysis comparing various disposal options for the Postal Service's handling of prohibited mailings and determine which is the most cost effective.
MS-AR-17-009	09/07/2017	—	**Delayed Inbound International Mail** R-2 — Develop a mechanism for incorporating available data into its inbound mail monitoring and reporting processes.
HR-AR-17-013	09/21/2017	—	**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.
HR-AR-18-003	03/01/2018	—	**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.
SM-AR-18-001	03/20/2018	—	**Oversight of Contract Extensions** R-1 — Revise policy to establish restrictions on the number of option years included after contract award.
NO-AR-18-004	03/30/2018	—	**Mail Processing Facilities Staffing** R-1 — Establish nationwide criteria for using Function 1 Scheduler results. R-3 — Implement and document the Verification, Validation, and Accreditation process for the Function 1 Scheduler.
NL-AR-18-006	04/12/2018	—	**Surface Visibility Scanning – Capital Metro Area and Capping Report** R-2 — Require Processing and Distribution Center managers to ensure that Mail Transport Equipment Labeler (MTEL) plastic sleeves are always used for mail containers with MTEL placards. R-3 — Develop procedures to ensure mail container visibility during Mail Transport Equipment Labeler system trip updates. R-4 — Update Mail Transport Equipment Labeler software to resolve the 24-hour system trip update delay. R-5 — Ensure through training and monitoring that Processing and Distribution Center managers provide adequate oversight of scanning operations to ensure Mail Transport Equipment Labeler placards are attached and all mail is scanned as required.
DR-AR-18-004	05/08/2018	—	**Tort Claims Management – Western Area** R-5 — Require the Central Plains, Dakotas, Hawkeye, and Portland Districts to establish a second level approval of tort claim payments authorized by the Tort Claim Coordinator.
NO-AR-18-006	05/22/2018	—	**First-Class Mail Service Performance Measurement – Northeast Area** R-3 — Evaluate and determine the relevance of current First-Class Mail service performance goals considering the service pairs that do not meet goals.

APPENDIX F: Management Decisions in Audit Resolution

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation Number
NO-AR-18-008	07/26/2018	—	**Flats Sequencing System Performance in the Capital Metro Area** R-3 — Monitor and ensure that supervisors are reviewing staff Flats Sequencing System labor code selections daily for correctness. R-4 — Establish a process to ensure the electronic Mail Improvement Reporting system is being used to report all flats mail problems and these problems are resolved within 30 days of reporting.
NL-AR-18-009	07/27/2018	—	**Terminal Handling Services – Southern Area** R-1 — Ensure all Southern Area mail processing facilities follow their respective volume arrival profiles.
HR-AR-18-009	09/11/2018	—	**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.
HR-AR-18-010	09/17/2018	—	**Postal Service Accident Safety Policies and Procedures – Great Lakes Area** R-4 — Should assess the available Occupational Safety and Health Administration safety and health training available regarding safety recordkeeping practices and provide applicable refresher training to facility managers in the Great Lakes Area.
FT-AR-18-009	09/28/2018	—	**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. R-4 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.
SAT-AR-18-002	09/28/2018	—	**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.
IT-AR-19-001	10/12/2018	—	**Informed Visibility Vulnerability Assessment** R-2 — Review the controls identified in the Center for Internet Security benchmarks and consider them for inclusion into the published standard. R-6 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.
NO-AR-19-001	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.

APPENDIX F: Management Decisions in Audit Resolution

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation Number
MS-AR-19-001	11/02/2018	—	**U.S. Postal Service's Customer Service to Non-English Speaking Customers** R-5 — Coordinate with the appropriate Postal Service groups to utilize industry best practices for automated self-service machines to expand the available kiosk language content and ensure all included product information is available in Spanish.
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	06/13/2019	—	**Mail Processing Overtime** R-3 — Establish appropriate performance incentives for managers to effectively manage overtime.
IT-MA-19-001	08/19/2019	—	**Virtual Private Network Access** R-1 — Periodically analyze Postal Service contractors with authorized VPN Access to USPS - 2FA access to ensure that they are issued a Postal Service device and make changes as appropriate.
IT-AR-19-005	09/06/2019	—	**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.
CP-AR-19-004	09/17/2019	—	**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.
NL-AR-19-004	09/27/2019	—	**Postal Service Dynamic Route Optimization and Cost Savings Initiative** R-7 — Evaluate the program savings calculation for rate per mile and fuel inflationary factors to ensure accurate calculation of initiative savings.
RARC-WP-19-005	6/1/2019	—	**The Postal Service and the Evolution of PC Postage** R-3 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.
RARC-WP-18-010	07/23/2018	—	**Postal Partnerships: The Complex Role of Middlemen and Discounts in the USPS Package Business** 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. R-4 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.

Total Number of Reports: **26**

Total Number of Recommendations: **39**

Total Monetary Impact: **0**

APPENDIX G: Status of Peer Review Recommendations

For the period: April 1 — September 30, 2019

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

The latest review conducted on us was completed on March 29, 2019, by the U.S. Department of Homeland Security Office of Inspector General. We received a rating of pass.

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

None during the reporting period.

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 April 1 — September 30, 2019

	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	9	—	3	4	2	—	—	—	1	3	—	1	2	3	—
Contract Fraud	30	1	5	7	3	2,697,194	34,883,000	22,885,218	5	10	19	2	5	12	—
Financial Fraud	173	60	60	64	129	819,254	1,492,234	1,084,696	96	232	57	18	45	236	1
General Crimes	251	18	16	12	201	—	312,444	94,484	143	286	13	20	12	293	—
Health Care Claimant Fraud	94	14	14	14	14	45,598,546	1,909,483	1,373,224	8	11	23	6	12	80	—
Health Care Provider Fraud	25	23	24	24	16	95,967,502	1,438,052,054	51,724,201	—	—	6	—	23	8	5
Mail Theft	679	226	253	315	514	—	2,132,489	219,248	421	873	205	48	174	828	—
Narcotics	101	94	87	69	96	—	804,720	101,093	77	142	47	53	41	120	—
Total	**1,362**	**436**	**462**	**509**	**975**	**145,082,496**	**1,479,586,424**	**77,482,164**	**751**	**1,557**	**370**	**148**	**314**	**1,580**	**6**

APPENDIX H: Investigative Statistics

For the period October 1, 2018 — September 30, 2019

	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	16	1	5	4	7	—	15,000	—	3	3	4	1	3	5	—
Contract Fraud	50	5	15	11	11	99,502,914	49,711,734	33,389,913	10	10	26	2	11	27	3
Financial Fraud	339	115	120	124	274	3,421,754	4,191,877	3,771,839	232	232	109	47	92	442	2
General Crimes	477	30	27	31	365	4,169	351,242	123,142	286	286	27	33	17	500	—
Health Care Claimant Fraud	192	29	31	30	22	70,406,999	2,347,710	1,687,762	11	11	41	18	24	140	—
Health Care Provider Fraud	47	32	38	34	18	97,169,885	1,484,120,656	64,070,201	—	—	28	—	37	11	8
Mail Theft	1,264	440	495	584	1,057	—	3,447,399	439,676	873	873	469	112	339	1,497	—
Narcotics	170	179	152	108	168	—	1,869,421	114,479	142	142	95	89	78	190	—
Total	**2,555**	**831**	**883**	**926**	**1,922**	**270,505,721**	**1,546,055,039**	**103,597,012**	**1,557**	**1,533**	**807**	**302**	**601**	**2,812**	**13**

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

For the period: April 1 — September 30, 2019

Type of Scheme	Complaints Filed	Consent Agreements	FROs	C&D Orders
Advance Fee	1	1	—	1
Counterfeit Check	3	3	—	3
Facsimile Checks	1	1	—	1
Failure to Pay	2	2	—	2
Foreign Lottery	47	47	—	47
Invoice Schemes	2	2	—	2
Lottery	—	—	—	—
Other	5	5	—	5
Reshipping Scheme	1	1	—	1
USPS Revenue Fraud	—	—	—	—
Identity Theft - Other	—	—	—	—
TOTAL	**62**	**62**	**0**	**62**

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	**1**
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

Type	Total
Total Personnel Comp	$195,388,903
Total Nonpersonnel Expense	$49,213,018
Total Operating Expense	$244,601,921
Total Capital Commitments	$6,208,831

APPENDIX J: Congressional/PMG/Board of Governors Inquiries

For the period April 1 — September 30, 2019

The Office of Chief of Staff supports the OIG by responding to inquiries from Congress, the Postmaster General, and the Board of Governors. The OIG responds to some of these inquiries by conducting 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 April 1 through September 30, 2019, the OIG received 68 new inquiries. Of these, we referred 17 to the Postal Service Government Relations Office for review. We closed 60 inquiries during this reporting period, 40 of which were referred to our Office of Investigations and two 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 during this period.

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 April 1 — September 30, 2019

Requests	Number of Requests
Carryover from prior period	7
Received during period	360
Total on hand during period	**367**

Actions	Number of Requests
Processed during the period	348
Requests Denied in Full	23
Requests Granted in Full	9
Requests Denied in Part	65
Not a proper FOIA request for some other reason	1
No Records	57
Not an agency record	90
Requests Referred	85
Requests Withdrawn	18
Fee-Related Reasons	—
Records not reasonably described	—
Duplicate Request	—

Balance	Number of Requests
Balance at the end of the period (pending)	19

Processing Days	Number of Days
Median processing days to respond to a FOIA request	2

Workplace Environment

The OI Workplace Environment unit reviews operational issues that may affect workplace climate in postal facilities throughout the country. The OIG Hotline is the usual source for complaints, 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 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: April 1 — September 30, 2019

Total complaints reviewed and closed: **622**

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	31
OIG Investigations Initiated	—
Investigations closed with no action	—
Allegations closed with no action	29
OIG found reprisal	—

Supplemental Information

Summary of Performance

For the period April 1 — September 30, 2019

Audits	
Reports issued (Excluding RARC/RISC white papers)	96
Recommendations issued	227
Total reports with financial impact	28
Funds put to better use	$177,801,928
Questioned costs	$549,733,435
Revenue Impact	$662,299,820
Total	**$1,389,835,183**

RARC/RISC White Papers	
White Papers issued	7
Recommendations issued	16

Investigations[1]	
Investigations Completed	1,362
Arrests	436
Indictments/Informations	462
Convictions/pretrial diversions[2]	509
Administrative actions	975
Cost Avoidance	$145,082,496
Fines, Restitution, and Recoveries	$1,479,586,424
Amount to the Postal Service[3]	$77,482,164

OIG Hotline Contacts	
Telephone calls	5,209
E-Mail	9,331
Webforms	26,301
Standard Mail	954
Voice Mail Messages	3,529
Facsimile - FAX	156
Total Contacts	**45,480**

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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 35-52
5(a)(4)	Matters referred to prosecutive authorities and the prosecutions and convictions that have resulted	57, 62
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)	Listing of audit, inspection, and evaluation reports and, if applicable, the total dollar value of questioned costs and recommendations that funds be put to better use	3, 5, 14, 62
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	24-30
5(a)(9)	Status of management decisions for audit and evaluation reports containing recommendations that funds be put to better use	32
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	31, 32
5(a)(11)	Description and explanation of the reasons for any significant revised management decisions	53-55
5(a)(12)	Information concerning any significant management decisions with which the Inspector General disagreed	53
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	56
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, 57
5(a)(18)	Description of the metrics used to develop the data in the statistical tables under Section 5(a)(17)	57
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	n/a
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	20, 61
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	60
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	30

Acronym Guide

APPS: Automated Package Processing System

APWU: American Postal Workers Union

C&A: certification and accreditation

CSRS: Civil Service Retirement System

CSS: customer service supervisor

DBCS: Delivery Barcode Sorter

DOL: U.S. Department of Labor

DEA: Drug Enforcement Administration

DWC: distribution window clerk

eCBM: Electronic Conditional
Based Maintenance

EDDI: Electronic Data Distribution Infrastructure

EDI: Electronic Data Interchange

EIR: Enterprise Information Repository

FEGLI: Federal Employees' Group Life Insurance

FEHB: Federal Employees Health Benefits

FSS: Flats Sequencing System

GMU: George Mason University

HCR: highway contract route

LLV: long-life vehicles

MTE: mail transport equipment

NALC: National Association of Letter Carriers

NCSC: National Customer Support Center

NDC: network distribution center

NPV: net present value

OA: Office of Audit

OI: Office of Investigations

OWCP: Office of Workers'
Compensation Programs

P&DC: processing and distribution center

P&DF: processing and distribution facility

PAEA: Postal Accountability and Enhancement Act of 2006
(also known as the Postal Act of 2006)

PKI: Public Key Infrastructure

PRC: Postal Regulatory Commission

PVS: Postal Vehicle Services

RARC: Risk Analysis Research Center

RISC: Research and Insights Solution Center

SBOC: Stations and Branches Optimization Consolidation

SSA: sales and services associate

TACS: Time and Attendance Collection System

VMF: Vehicle Maintenance Facility

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

OFFICE OF
INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

Contact us via our Hotline and FOIA forms.
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