



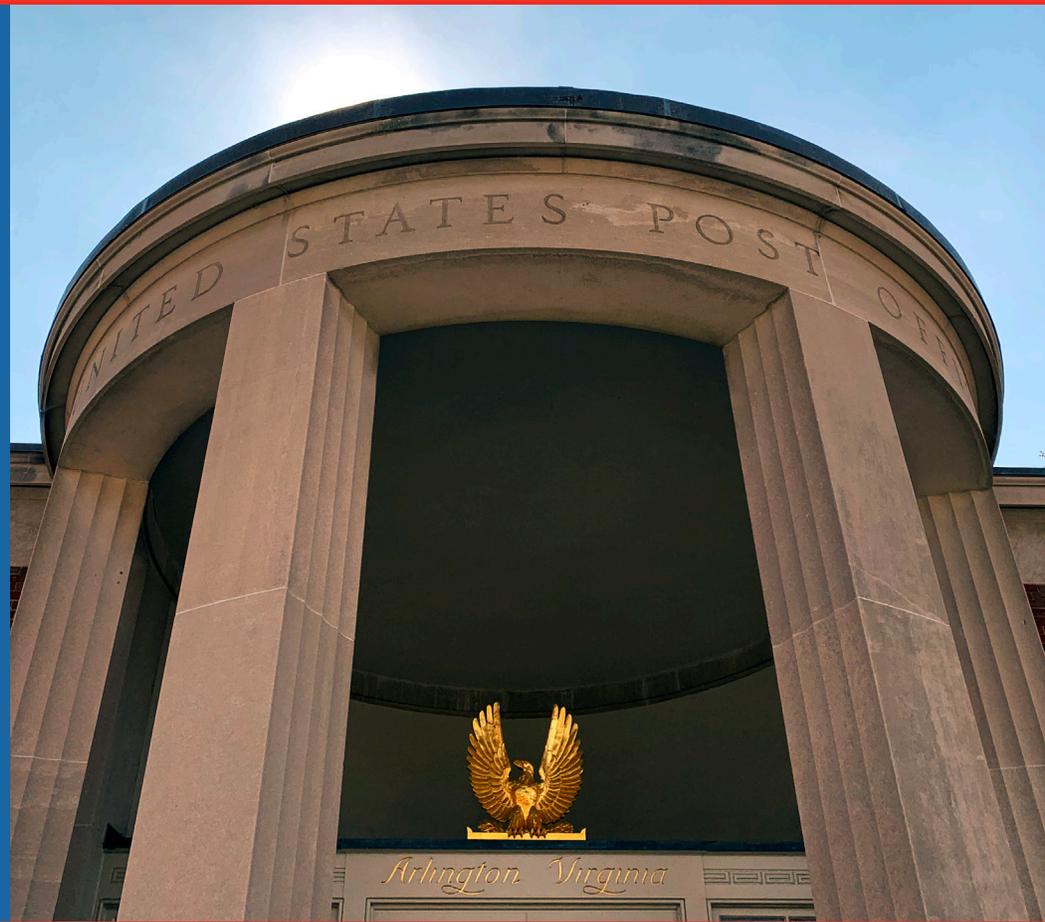
SPRING 2019 FACT SHEET

Semiannual Report to Congress

For the Period October 1, 2018 – March 31, 2019

Through audits and investigations, the Office of Inspector General plays a key role in maintaining the integrity and accountability of the nation's Postal Service, its revenue and assets, and its employees.

To view our entire Semiannual Report to Congress go to www.uspsoig.gov.



36

Reports Issued

1,199

Investigations Completed

396

Arrests

\$3.4 Billion

Total Monetary Impact



A Word from the Inspector General

Once again, this SARC period contained some significant opportunities and challenges. During this period, we, along with various other parts of the federal government, experienced the longest shutdown in history. The impact on our office was significant and was most concentrated in the audit, research, and support areas, as our investigators continued to work in an excepted status. Some of our audit work was especially topical, such as the audit in response to congressional requests to review Postal Service controls over the release of personnel information. Our investigations continued to illustrate the growing challenge of illicit drugs in the mail and mail theft generally. 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.



OFFICE OF AUDIT

The Office of Audit's mission is to protect postal assets and revenue, ensure efficient and economical mail delivery and operations, and safeguard the integrity of the postal system. Postal Service executives often work closely with their OIG counterparts to identify problems and collaborate on solutions. These efforts have resulted in significant savings opportunities.

Treasury Inflation-Protected Securities

The Postal Service participates in three retirement plans: The Civil Service Retirement System, the Federal Employees Retirement System, and the Postal Service Retiree Health Benefits. The Office of Personnel Management (OPM) administers these plans and, in conjunction with the Department of Treasury, manages retirement investments. Investments are restricted to safe, fixed-rate Treasury securities. However, the cost of this safety is a low rate of return unlikely to generate enough income to meet future obligations, especially when considering inflation.

Returns on retirement investments have declined in recent years, and current investments offer limited protection against inflation. But Treasury Inflation-Protected Securities (TIPS) investments increase with inflation, countering its effects. By investing in TIPS, the Postal Service could effectively reduce the inflation risk and increase returns on retirement funds. We estimated that retirement funds could earn about \$2.8 billion over the next two years by exchanging a portion of their fixed-rate Treasury securities for TIPS.

We recommended management determine an allocation strategy that includes TIPS investments and then request approval from the Secretary of Treasury and OPM to redeem fixed-rate Treasury securities and invest the proceeds in TIPS. Management agreed and is working with Treasury and OPM to better understand the existing investment process and possible strategies that could increase returns on retirement investments.

Questioned Costs:
\$617,636,651

Revenue Impact:
\$2,781,473,463

Funds put to better use:
\$0

Total:
\$3,399,110,114





OFFICE OF INVESTIGATIONS

The OIG Office of Investigations fulfills its traditional role of rooting out fraud, waste, and misconduct to protect the Postal Service's bottom line and maintain confidence in the mail. The OIG's dedication to integrity, accountability, and transparency means that no person in the organization is above the law or immune from the ethical standards set by the Postal Service.

Narcotics

A year-long joint investigation by the OIG, South Florida High Intensity Drug Trafficking Area Task Force, the U.S. Postal Inspection Service, Immigration and Customs Enforcement's Homeland Security Investigations, and Customs and Border Protection determined that a Miami-Dade resident ordered multiple kilograms of fentanyl and Pentylone analogues from China via the dark web.



Working for a drug trafficking organization, the Miami-Dade resident enlisted a rural carrier and a rural carrier associate to divert drug packages from the mail stream for illicit sale and distribution. During a post-arrest interview, the rural carrier told federal agents he agreed to receive and deliver narcotics for cash payments, sometimes as much as \$1,000 per package. On days he was not working, the rural carrier associate diverted the packages.

In October 2018, the Miami-Dade resident pleaded guilty to conspiracy to import a controlled substance analogue and was sentenced to more than six years in prison. The former rural carrier pleaded guilty to conspiracy to possess with intent to distribute a controlled substance analogue and was sentenced to four years in prison. The rural carrier associate pleaded guilty to mail theft and was sentenced to probation.



Cost Avoidance:
\$127,586,066



Fines, Restitution, and Recovery:
\$66,938,765



Amount to the Postal Service:
\$26,584,996

1,199

Investigations Completed

396

Arrests

424

Indictments/Informations

508

Convictions/Pretrial Diversions

948

Administrative Actions



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Mission Statement

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

Let Us Hear From You!

The OIG sponsors a blog and Audit Asks forum to collect feedback and ideas from our stakeholders and the general public. We encourage you to share your ideas, concerns, and comments at:

- Pushing the Envelope Blog: www.uspsoig.gov/blog
- Audit Asks: www.uspsoig.gov/audit-asks

To report fraud, waste, or misconduct involving postal employees or contractors contact us:

www.uspsoig.gov
888-877-7644

Advertising Effectiveness and Age

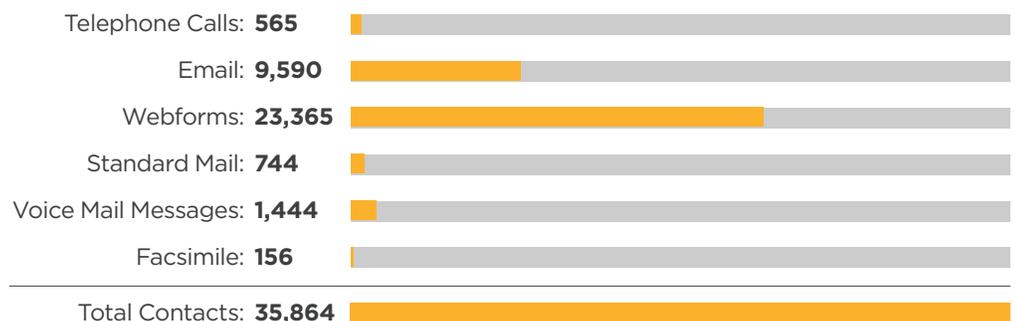
To stay competitive, companies need to segment customers and tailor their advertising accordingly. One key measure is age, since even products and services with broad appeal might require different marketing strategies for distinct age groups. With the rise of digital media, companies must assess if and how their advertising efforts resonate with younger, digital-native consumers. At the same time, baby boomers account for over a third of U.S. consumer expenditures, and it is crucial to know how best to reach them. The OIG conducted a neuromarketing study with Temple University to compare physical and digital advertising’s effectiveness with consumers ranging in ages 18 to 68. The objective included assessing the effectiveness of different ad design categories — functional, emotional, or metaphorical — across age groups.

Similar to prior OIG neuromarketing studies, we found that physical advertising leaves a lasting impression on both younger and older participants. The new study also revealed interesting differences regarding the effectiveness of an ad’s category across age groups. For younger participants, the ads designed to elicit an emotional response were generally more effective than those that focused on describing a product’s function. Yet, this was not the case for older adults, for whom the functional appeals were more effective, especially when presented in print format. Ads that used metaphors were consistently effective across all ages.

Because ad mail is a crucial source of revenue for the Postal Service — \$20 billion in fiscal year 2017 — it is important that USPS research and identify how, when, and with whom mail is an effective advertising medium. This research can help the Postal Service better understand mail’s enduring value, and can inform future advertising effectiveness research.

OIG Hotline Contact Overview

October 1, 2018 – March 31, 2019



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