



# U.S. Postal Service Office of Inspector General

## CONGRESSIONAL JUSTIFICATION

Fiscal Year 2014

# **U.S. Postal Service Office of Inspector General**

## **Fiscal Year 2014 Budget Plan Outline**

### **Preface**

In keeping with the President's agenda for restoring fiscal sustainability and achieving better performance with existing resources, the Office of Inspector General's (OIG) budget request of \$241 million reflects sustained funding from the Fiscal Year (FY) 2012 enacted level. This budget will allow the OIG to maintain our current level of support to help the Postal Service address its financial and operational challenges. Even with significant reductions in the Postal Service workforce, our full-time equivalent complement remains at only 0.2 percent of the Postal Service workforce – making us the smallest OIG relative to our parent agency.

The OIG's workload for the Office of Audit (OA) and the Office of Investigations (OI) drives our budgetary requirements. Consistent with our mission, we strive to operate efficiently and our work focuses on results that return value to the Postal Service. We are able to do this by developing audit and investigative work plans concentrating on areas that present a high risk to the Postal Service. While our budget and staffing have remained relatively stable, the OIG is being asked by the Congress, the Board of Governors, and Postal Service management to do more and increasingly complex work to help the Postal Service respond to its financial challenges.

Even with our growing workload, we have a strong record of identifying potential monetary savings and impact in support of the Postal Service. In this regard, we have consistently increased the return on dollars invested in the OIG since 2008 – growing from \$7 to over \$75 in FY 2011 and \$51 in FY 2012. The OIG has identified over \$40 billion in potential monetary benefits for the Postal Service between FY 2008 and FY 2012.

Our performance management program is designed to achieve well-defined outcome goals that support the Postal Service's mission and strategic priorities. We have established program performance metrics to ensure that the right data are measured and to inform our stakeholders on our progress.

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## Section 1 – Purpose

### A. Mission and Vision

The mission of the U.S. Postal Service Office of Inspector General is to promote integrity and accountability by delivering optimal value to the Postal Service. The OIG ensures its stakeholders, the Board of Governors, Congress, and Postal Service management, are informed of areas of improvement, fraud, waste, deficiencies, and provide recommendations that enhance operational efficiencies.

The Postal Service focuses on four main business initiatives – strengthening the business to consumer channel, improving the customer experience, competing for package business, and becoming a leaner, faster, and smarter organization.

To help the Postal Service with its initiatives and efforts to address its challenges, the OIG has invested in a diverse, highly productive work force guided by sound principles. They are:

- *Achieve Results* – Sustain the OIG performance culture with increasingly challenging and satisfying work that adds value to the Postal Service;
- *Develop and Retain Knowledge* – Create an environment that supports gathering, sharing, and retaining knowledge with interactive networks and tools;
- *Encourage Innovation* – Promote creativity in executing the OIG mission;
- *Operate with Integrity* – Be a model of ethical behavior; and
- *Respect and Develop People* – Treat people in a fair and respectful manner, ensure professional growth, and support diversity.

The OIG sets challenging goals that add value by identifying cost reduction opportunities and operations improvements supporting Postal Service efforts to become a leaner, faster, and smarter organization with the goal of returning to financial stability and profitability. The OIG also seeks ways to improve operational integrity and reduce the risk of revenue loss by detecting and preventing potential fraud, waste, and abuse activities. Detection and prevention are accomplished by conducting independent, timely, high-quality audits, and investigating allegations of fraud, theft, violations of criminal and civil statutes, and administrative misconduct.

## Strategic Goals and Implementation Strategies

**Goal 1:** Help the Postal Service Focus on Customer Needs by helping them leverage their strength and improve operations

### Implementation Strategies:

- Support Postal Service efforts to generate revenue and cut costs by identifying \$70 billion in new revenue and cost reduction opportunities (FY 2011 – FY 2015)
- Leverage innovative and cutting edge technologies including data mining and risk assessment models to increase operational efficiency and effectiveness
- Evaluate the Postal Service's efforts to reduce overall operating costs, including elimination of energy waste through recycling
- Inform the debate among stakeholders and Congress on the future of the Postal Service business model, including areas such as service requirements, financial obligations and pricing of products

**Goal 2:** Preserve the Integrity and the Security of the Postal Service

### Implementation Strategies:

- Develop analytical tools including data mining to proactively identify vulnerabilities, propose countermeasures, and measure the effectiveness of such countermeasures
- Recommend ways to strengthen internal controls on postal systems
- Conduct objective, independent, timely, and high-quality investigations of misconduct and fraud that will recover at least \$1.2 billion in fines, restitutions, recoveries, settlements, and cost avoidance (FY 2011 – FY 2015)
- Conduct audits of the Postal Service, investigative services, and security programs and make recommendations that will improve the safety and security of the nation's mail systems and its employees

### **Goal 3: Continuously Improve OIG Products and Services**

#### **Implementation Strategies:**

- Expand products and services, and add capabilities to continually meet the evolving mission of the OIG and related needs of the Postal Service
- Develop and implement new knowledge-based tools and processes, and streamline existing ones to improve OIG productivity
- Continuously improve the responsiveness and value of products and services to internal (OIG) and external stakeholders
- Leverage innovative and cutting edge technologies to increase operational efficiencies and improve the effectiveness of OIG operations

### **Goal 4: Pursue a Highly Satisfying, Performance-based Culture within the OIG**

#### **Implementation Strategies:**

- Collectively achieve and maintain the organizational competencies necessary to deliver products and services required by our mission and needed by stakeholders in a high quality and timely manner
- Measure and improve employee and customer satisfaction
- Increase employee performance by enhancing the performance management system and continue to link performance goals to each component and employee
- Implement our new succession-planning program, throughout all levels of the OIG

## B. Budget Summary

In accordance with the requirements of Public Law 110-409, Inspector General Reform Act of 2008 (as amended), the U.S. Postal Service Office of Inspector General submits the following information related to its requested budget for FY 2014:

- The aggregate budget request for the operations of OIG is \$241,468,000
- The portion of this amount needed for OIG training is \$1,881,978

The amount requested for training satisfies all OIG training needs for FY 2014.

## C. Appropriations Table

The OIG FY 2014 budget plan is based on a level of effort for the two mission programs – Office of Audit (OA) and Office of Investigations (OI). The table below shows the budget by program area for appropriation fiscal years 2012, 2013, and 2014.

Resources Available for Obligation	FY 2012 Enacted		FY 2013 Proposed		FY 2014 Request	
	FTE	Amount (000's)	FTE	Amount (000's)	FTE	Amount (000's)
Appropriated Resources:						
<b>Audit</b>	451	\$79,495	424	\$75,196	424	\$75,196
<b>Investigations</b>	743	\$161,973	712	\$166,272	712	\$166,272
<b>Total: Appropriated Resources</b>	<b>1,194</b>	<b>\$241,468</b>	<b>1,136</b>	<b>\$241,468</b>	<b>1,136</b>	<b>\$241,468</b>

## Section 2 – Budget Adjustments and Appropriation Language

### A. Budget Adjustments Table

Office of Inspector General	FY 2012 Enacted Level	FY 2013 Proposed Level	FY 2014 Requested Level
<b>FTE</b>	<b>1,194</b>	<b>1,136</b>	<b>1,136</b>
<b>Object Classification:</b>			
11.1 Full-time Permanent Positions	\$136,952	\$140,116	\$141,158
11.3 Other than Full-time Permanent	\$740	\$567	\$771
11.5 Other Personnel Compensation	\$2,108	\$2,108	\$2,023
<b>11.9 Total Personnel Compensation</b>	<b>\$139,799</b>	<b>\$142,791</b>	\$143,952
12.0 Personnel Benefits	\$47,192	\$44,200	\$50,918
21.0 Travel	\$6,149	\$6,149	\$6,221
22.0 Transportation of Things	\$1,015	\$1,015	\$1,012
23.2 Rent Payments to Others	\$7,536	\$7,536	\$6,953
23.3 Communications, Utilities, & Misc.	\$2,843	\$2,843	\$2,831
24.0 Printing and Reproduction	\$107	\$107	\$105
25.1 Advisory & Assistance Services	\$22,477	\$22,390	\$17,258
25.2 Other Services (Goods / Services)	\$396	\$397	\$338
25.3 Government Agencies	\$279	\$279	\$227
25.4 Operation & Maintenance of Facilities	\$369	\$455	\$355
25.6 Medical	\$424	\$424	\$360
25.7 Operation and Maintenance of Equipment	\$574	\$574	\$627
26.0 Supplies and Materials	\$2,107	\$2,107	\$2,114
31.0 Equipment	\$6,549	\$6,549	\$6,621
32.0 Lands and Structures	\$3,652	\$3,652	\$1,576
<b>Total Budget Authority</b>	<b>\$241,468</b>	<b>\$241,468</b>	<b>\$241,468</b>

**B. Budget Increases and Decreases Description**

<b>Chart of significant budget changes</b>	<b>FY 2012 Actual (000's)</b>	<b>FY 2013 Proposed (000's)</b>	<b>FY 2014 Request (000's)</b>	<b>Net Change</b>
<b>11.0 and 12.0 Personnel Compensation and Benefits</b>	\$139,799	\$142,791	\$143,952	0.8% Increase \$1,161

Salaries and Benefits include costs for 1,136 FTEs. There is no change in FTE complement from the prior year. The modest 0.8% increase in base is due to within band increases, 0.5% projected COLA increase and increases in health benefits cost.

<b>25.1 Advisory and Assistance Services</b>	\$22,477	\$22,390	\$17,258	-22.9% Decrease -\$5,132
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Advisory and Assistance Services decreased due to renegotiation of contract terms and types. The OIG will continue to utilize more performance-based contracts and IDIQ / Task Order contract vehicles to contain contract cost.

<b>23.2 Rent Payments to Others</b>	\$7,536	\$7,536	\$6,953	-7.7% Decrease -\$583
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Rent decreased due to lease cancelations as the OIG continues plans to consolidate and migrate field operations to Postal-owned facilities.

<b>31.0 Equipment</b>	\$6,549	\$6,549	\$5,894	-10.0% Decrease -\$655
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Equipment decrease due to efficiencies gained from new technology and reduction in hardware cost.

<b>32.0 Lands and Structures</b>	\$3,652	\$3,652	\$1,576	-56.8% Decrease -\$2,076
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Land and structure decrease due to lower build-out cost and consolidation of field operations to Postal-owned facilities.

**C. Reimbursable Authority**

In FY 2014, reimbursable authority work to be performed is estimated at \$500,000. The primary mission for the OIG reimbursable program is to develop partnerships with other government agencies to provide unique value added support to the Postal Service. The OIG intends to leverage its resources with these groups in order to share knowledge while meeting stated work requirements.

<b>Other Resources: Offsetting Collections</b>	<b>FY 2012 Actual (000's)</b>	<b>FY 2013 Proposed (000's)</b>	<b>FY 2014 Request (000's)</b>
Offsetting Collections:			
Reimbursable Authority	\$1,000	\$500	\$500
<b>Total: Offsetting Collections</b>	<b>\$1,000</b>	<b>\$500</b>	<b>\$500</b>

**D. Appropriation Language**

<b>Appropriation Language</b>
<p>Office of Inspector General</p> <p><b>SALARIES AND EXPENSES</b></p> <p>(Including Transfer of Funds)</p> <p>For necessary expenses of the Office of Inspector General in carrying out the provisions of the Inspector General Act of 1978, \$241,468,000 to be derived by transfer from the Postal Service Fund and expended as authorized by section 603(b) (3) of the Postal Accountability and Enhancement Act (Public Law 109-435): <i>Provided that unobligated balances remaining in this account on October 1, 2014 shall be transferred back to the Postal Service Fund.</i></p>

## Section 3 – Budget and Performance Plan

### A. Audit Budget and Performance Plan

The Office of Audit (OA) focuses on reviews that provide the Postal Service with information to address emerging strategic issues, major risks, and management challenges they are facing. OA prioritizes their audit work to address risk factors in three risk categories – Strategic, Financial, and Operational. The following chart shows how OA would allocate its FY 2014 program budget of \$75 million to the three risk areas. In FY 2011, OA identified \$17.9 billion in monetary benefits – a return on investment of \$233. In FY 2012, OA identified \$4.5 billion in monetary benefits – a return on investment of \$60.

**Audit Resource Allocation**



■ Strategic, \$8,271,560   ■ Financial, \$33,086,240   ■ Operational, \$33,838,200

The FY 2011 and FY 2012 monetary benefits mentioned above do not include over \$66 billion identified for Civil Service Retirement System (CSRS) Pension Funds allocation projects. If included, the return on investment would have been \$1,011 in FY 2011 and \$161 in FY 2012.

**STRATEGIC RISK: \$8,271,560 Funds Requested**

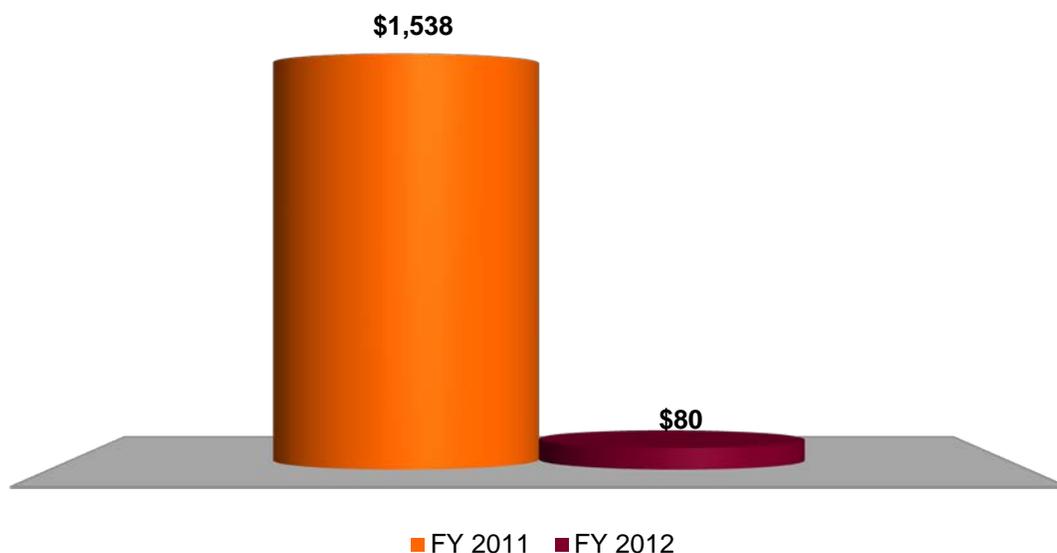
The Strategic Risk category includes issues that impact the Postal Service's overarching strategic direction. Strategic risk factors are those that may impede the Postal Service's ability to be effective and efficient or ensure that its products and services are self-sustaining and balance legal considerations and stakeholder views. Several key cost saving initiatives involve using automation to reduce manual processing, optimizing the facility network, and increasing flexibility in transportation.

Audit work that addresses Strategic Risk issues include:

- Benchmark the Postal Service's innovation process to selected major corporations
- Determine whether the Postal Service uses best practices to gather market intelligence to make informed business decisions
- Assess the value of volume-based national service agreements
- Assess the opportunities for network streamlining
- Analyze the Postal Service's Enterprise Architecture
- Identify risks, benefits, and opportunities related to Voting by Mail
- Evaluate the controls over processes the Postal Service uses to develop the Annual Compliance Report

The Strategic Risk Area provided a monetary benefit of \$9.5 billion in FY 2011 and \$673 million for FY 2012. The following chart displays the Strategic Risk program's Return on Investment for FY 2011 and FY 2012.

**Strategic Risk Area Return on Investment**



**FINANCIAL RISK: \$33,838,200 Funds Requested**

The Financial Risk category pertains to issues that have a clear financial impact, particularly those related to cost control and revenue generation. The greatest opportunities to reduce financial risks are in the areas of maximizing the cost-effectiveness of advertising / marketing contracts, and improving internal controls in financial systems, processes, and benefit programs. Factors exacerbating financial risk include the weak economy, increases in energy costs, significant declines in mail volume, mandated annual payments to pre-fund retiree health benefits, and overfunded CSRS and Federal Employees Retirement System (FERS) pension funds. Anticipated further declines in mail volume means the Postal Service still faces major challenges to cut costs and increase revenues.

Audit work that addresses Financial Risk issues include:

- Evaluate ways to reduce the Postal Service’s Workers’ Compensation Program cost
- Evaluate whether there are cost-effective alternatives to the current Cost Revenue Analysis data collection procedures
- Determine ways to reduce the Postal Service’s financial fraud vulnerability
- Assess the Postal Service’s management of pricing simplification
- Assist the Postal Service in cost effectively meeting its various legislative mandates
- Audit cost and pricing data systems and processes

The Financial Risk Area provided a monetary benefit of \$4.6 billion in FY 2011 and \$7.8 billion for FY 2012. The following chart displays the Financial Risk program’s Return on Investment for FY 2011 and FY 2012.



**OPERATIONAL RISK: \$33,086,240 Funds Requested**

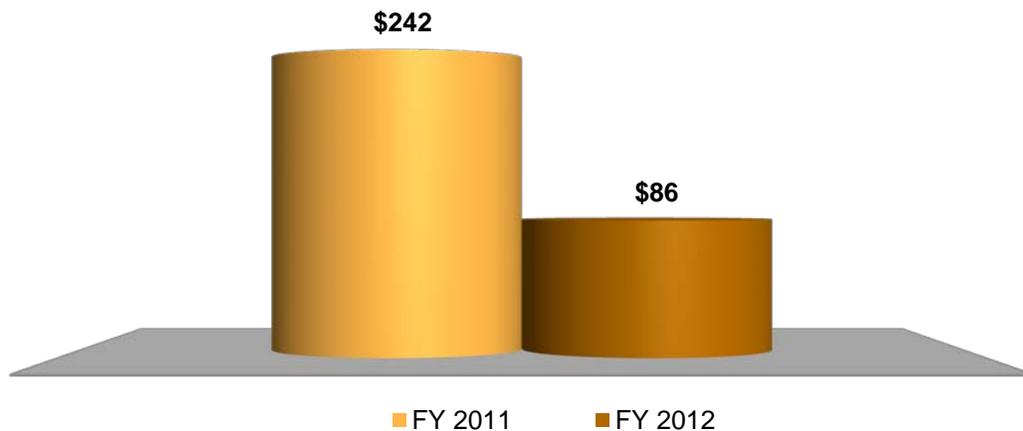
The Operational Risk category focuses on issues related to daily postal operations. These risk factors potentially affect the Postal Service's ability to provide timely, reliable delivery and customer service across all access points. Operational risk factors pertain to the quality of postal services and the end-to-end service performance of all mail as well as the assurance that postal products and services meet customer expectations by being responsive, consistent, and easy to use. Great opportunities to reduce costs exist in the areas of optimizing the network to control processing and delivery costs and increasing efficiencies in transportation and technology investments.

Audit work that addresses Operational Risk issues include:

- Assess the overall efficiency of the processing and distribution network
- Determine cost effective opportunities for First-Class Mail on air transportation
- Identify opportunities to reduce operating costs for city delivery operations
- Assess Postal Service contract management data availability and validity
- Assess the state of security in the Postal Service by evaluating Postal Service security controls and processes
- Assess the Postal Service's processes to ensure compliance with Occupational Safety and Health Administration (OSHA) regulations to ensure safety of employees and to avoid OSHA penalties
- Identify opportunities for the Postal Service to optimize excess space

The Operational Risk Area provided a monetary benefit of \$3.8 billion in FY 2011 and \$3.6 billion for FY 2012. The following chart displays the Operational Risk program's Return on Investment for FY 2011 and FY 2012.

**Operational Risk Area Return on Investment**



In FY 2014, OA will continue to concentrate on areas that present a high risk to the Postal Service, specifically in those areas that can assist in identifying cost savings or increased revenue. Below is an illustration of OA's efforts to meet the OIG's four overarching goals.

<b>AUDIT BUDGET ACTIVITY</b>				
<b>Resource Level</b>	\$000s	\$000s	\$000s	\$000s
	<b>FY 2011 Enacted</b>	<b>FY 2012 Enacted</b>	<b>FY 2013 Proposed</b>	<b>FY 2014 Request</b>
Appropriated Resources	\$97,759	\$79,495	\$75,196	\$75,196
FTE	479.0	451	424.0	424.0
<b>Performance Measure</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
	<b>Actual</b>	<b>Actual</b>	<b>Projected</b>	<b>Projected</b>
<b>Goal 1 - Help the Postal Service Focus on Customer Needs by Leveraging its Strengths and Improving its Weaknesses</b>				
Total OA monetary benefits including revenue protection	\$77,801,000	\$12,072,831	\$2,900,000	\$3,000,000
Percent of significant recommendations accepted by USPS	95%	93%	*	*
<b>Goal 2 - Preserve the Integrity and Security of the Postal Service</b>				
Dollar value of assets safeguarded	\$10,999,000	\$2,798,348	\$1,800,000	\$2,000,000
<b>Goal 3 - Continuously Improve OIG Products and Services</b>				
Percent of performance audits on time as calculated in ABE	59%	81%	66%	67%
Percent of financial audits on time as calculated in ABE	88%	95%	86%	87%
Number of final performance reports	192.0	213.0	217.0	220.0
Number of final field financial reports	163.0	21.0	18.0	19.0
<b>Goal 4 - Pursue a Highly Satisfying, Performance-Based Culture within the OIG</b>				
Assignment Based Evaluation Score	94.0	101.0	96.0	97.0

\*Results are available after the start of the fiscal year

## **Legislative Mandates**

At a cost of over \$10.5 million, about 40 percent of OIG audit work is legislatively mandated by Congress or directed to assist the Postal Service in meeting its legislative mandates. As indicated in the table below, the OIG spends \$778,291 to oversee activities of the Postal Inspection Service and \$1,535,628 to audit the data collection systems and procedures the Postal Service utilizes to prepare reports related to costs, revenues, rates, and quality of service for all products. The OIG also spends over \$8.2 million to assist the Postal Service in meeting its legislative mandates by performing work such as audits related to the public accountant's opinion on the Postal Service financial statements and compliance with Sarbanes-Oxley Act (SOX) and Securities and Exchange Commission (SEC) financial reporting requirements.

<b>Legislative Mandates - Dollar Value by Identified Mandates</b>		
<b>Public Law Reference</b>	<b>Mandate Description</b>	<b>Cost*</b>
5 U.S.C. App. 3 § 8G(f)(2)	Oversight of the Postal Inspection Service	\$778,291
39 U.S.C. § 3652	Audits of Postal Service Data Collection Systems	\$1,535,628
Various	Audits in Support of Postal Service Mandates**	\$8,228,586
<b>Total Dollar Value</b>		<b>\$10,542,505</b>

\* Based on FY 2012 audit work

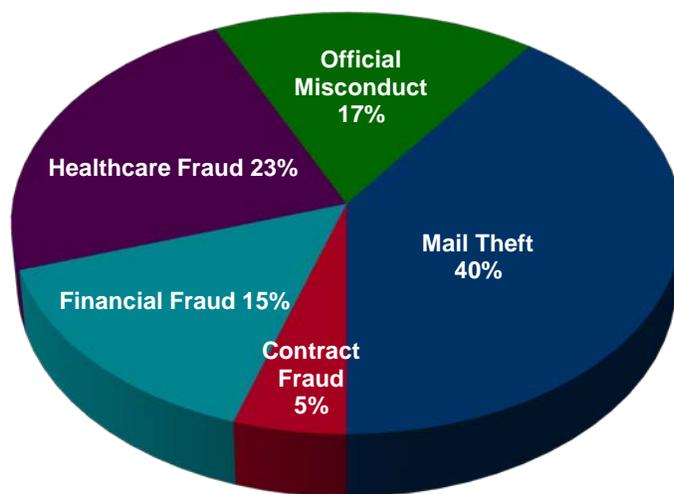
\*\* Although not legislatively mandated for the OIG, these financial and information technology-related audits assist the Postal Service in meeting its various mandates

## B. Investigations Budget and Performance Plan

The Office of Investigations (OI) performs work to protect the mail and to ensure the integrity of postal processes, finances, and personnel. OI deploys its personnel resources in the field and headquarters based on the number of Postal employees, the need for specialized investigations, and Postal Service requested support. To facilitate planning and managing investigative work, OI Field Offices are aligned with Postal Area Offices allowing OI to focus efforts where there is the greatest potential for economic recovery. This alignment also enhances OI's responsiveness to the needs of the Postal Service.

To provide support for these investigations, OI organizes its work into five major investigative programs – Contract Fraud, Financial Fraud, Healthcare Fraud, Official Misconduct, and Internal Mail Theft. In addition to investigating the potential internal crimes and frauds listed above, special agents also investigate bribery, kickbacks, extortion, conflicts of interest, and allegations against postal executives. Furthermore, OI combats fraud and theft through crime prevention efforts. The following chart shows how OI would allocate its FY 2014 program budget of \$166 million to the five investigative programs\*. OI's return on investment was \$1.51 for FY 2011 and \$1.57 for FY 2012.

### Investigative Program Area Allocation



■ Contract Fraud, \$8,313,600	■ Financial Fraud, \$24,940,800
■ Healthcare Fraud, \$38,242,560	■ Official Misconduct, \$28,266,240
■ Mail Theft, \$66,508,800	

\*The OI program allocations reflect FY 2012 program actuals.

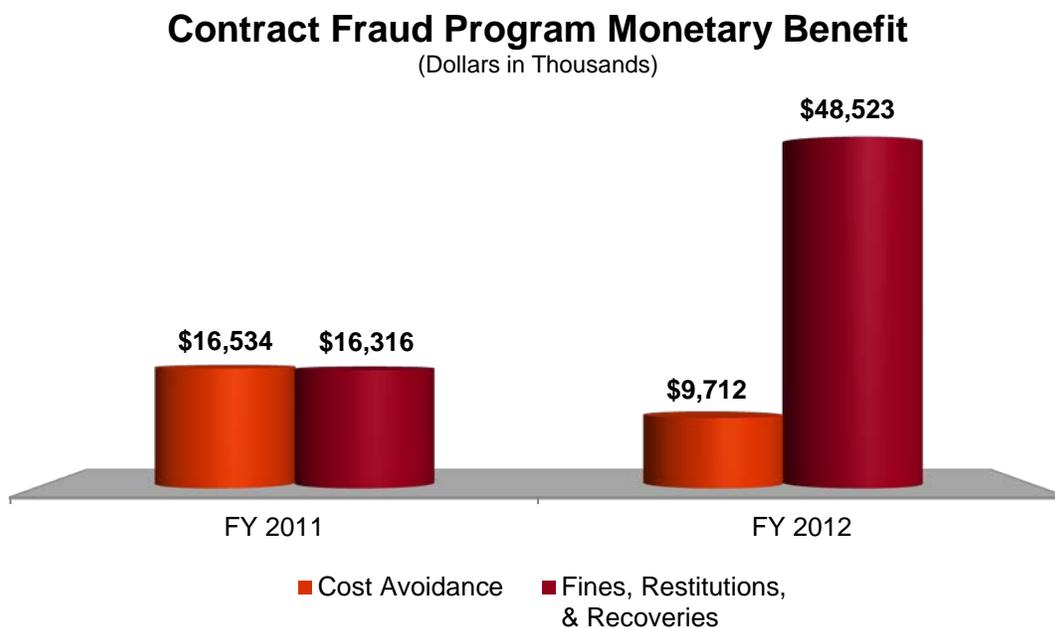
## **CONTRACT FRAUD: \$8,313,600 Funds Requested**

The Contract Fraud program aids the Postal Service by investigating allegations of contract fraud, waste, and misconduct. The Postal Service manages contracts, ranging from multimillion-dollar national contracts for services such as transportation networks and IT infrastructures to local contracts for supplies and services at individual postal facilities.

Investigative work that addresses Contract Fraud includes:

- Assessing risk of Postal Service acquisitions and contracts
- Investigating allegations of contract improprieties
- Documenting and presenting evidence for criminal and civil prosecution and administrative remedies

The Contract Fraud program provided a return on investment of \$2.49 in FY 2011 and \$2.55 in FY 2012. The following chart displays the Contract Fraud program's monetary benefit for FY 2011 and FY 2012.



\* This chart depicts the Fines, Restitutions, & Recoveries returned directly to the Postal Service and does not reflect the total monetary benefit from the OIG's investigations.

Total Fines, Restitutions, & Recoveries in FY 2011 = \$418,843,980

Total Fines, Restitutions, & Recoveries in FY 2012 = \$64,497,673

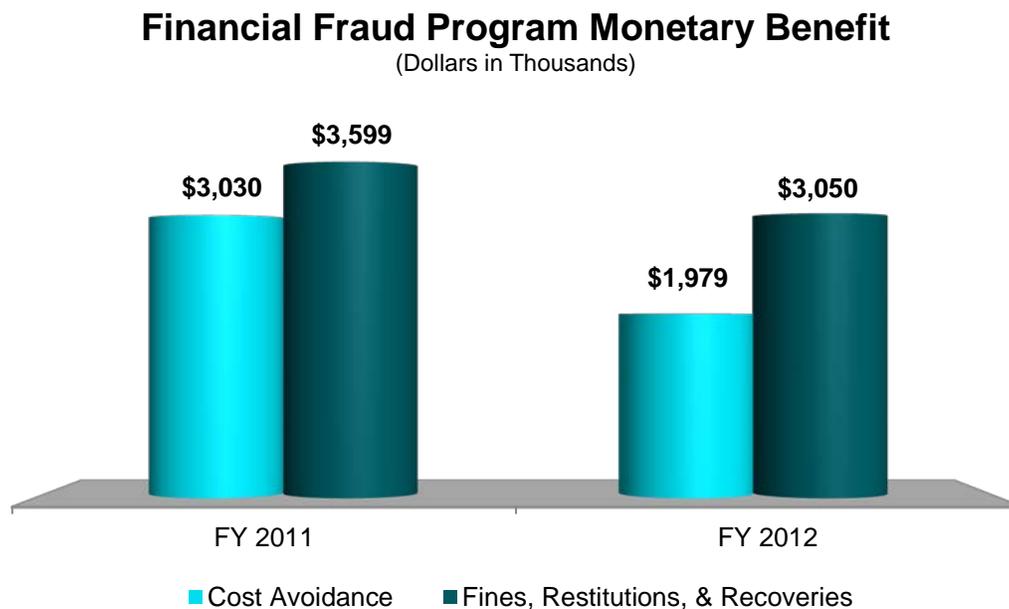
**FINANCIAL FRAUD: \$24,940,800 Funds Requested**

The Financial Fraud program conducts two main types of investigations: embezzlement investigations and disbursement card investigations. A large portion of the \$65 billion in revenue generated by the Postal Service in FY 2012 is handled at the 32,000 postal retail locations. Employees who allegedly embezzle funds, kite or otherwise misuse money orders, or steal and misuse postal-issued credit cards receive investigative attention from our special agents.

Investigative work that addresses Financial Fraud includes:

- Investigating theft and misuse of Postal Service money and property
- Reviewing internal controls and identifying problems and solutions to prevent the loss of Postal revenues and assets
- Investigating and initiating administrative, civil, or criminal actions against individuals and firms responsible for the theft or misuse of Postal revenue and assets

The Financial Fraud program provided a return on investment of \$0.21 in FY 2011 and \$0.23 in FY 2012. The following chart displays the Financial Fraud program's monetary benefit for FY 2011 and FY 2012.



\* This chart depicts the Fines, Restitutions, & Recoveries returned directly to the Postal Service and does not reflect the total monetary benefit from the OIG's investigations.

Total Fines, Restitutions, & Recoveries in FY 2011 = \$3,829,188

Total Fines, Restitutions, & Recoveries in FY 2012 = \$3,158,613

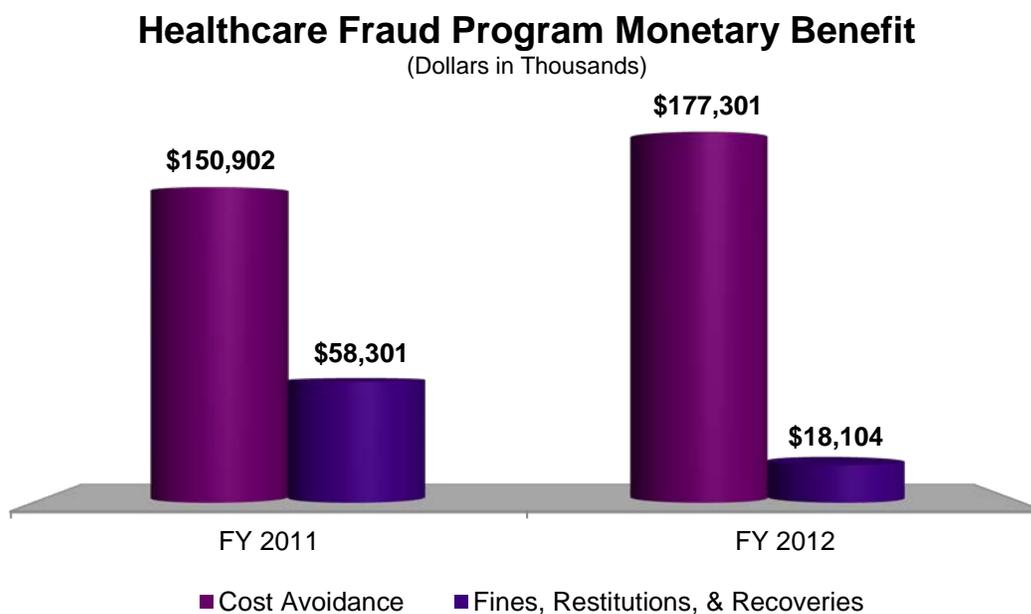
## **HEALTHCARE FRAUD: \$38,242,560 Funds Requested**

The Healthcare Fraud program conducts investigations for two main types of fraud: claimant fraud and medical provider fraud. The monetary and medical benefits paid by the Postal Service to workers' compensation claimants (employees who sustained job-related injuries) in FY 2011 totaled more than \$1.2 billion. Administered by the U.S. Department of Labor (DOL), the Office of Workers' Compensation Programs (OWCP) provides direct compensation to providers, claimants, and beneficiaries. The Postal Service later reimburses the OWCP in a process known as "charge-back billings." Investigative efforts during this reporting period resulted in more than \$56 million in cost savings or avoidances, 19 arrests, and 60 administrative personnel actions, including removals and suspensions and termination of benefits.

Investigative work that addresses Healthcare Fraud includes:

- Detecting and investigating allegations of fraudulent claims by individuals
- Detecting and investigating allegations of submitting false bills, colluding with claimants to extend benefits, and falsifying claim documents by medical providers

The Healthcare Fraud program provided a return on investment of \$5.07 in FY 2011 and \$3.99 in FY 2012. The following chart displays the Healthcare Fraud program's monetary benefit for FY 2011 and FY 2012.



\* This chart depicts the Fines, Restitutions, & Recoveries returned directly to the Postal Service and does not reflect the total monetary benefit from the OIG's investigations.

Total Fines, Restitutions, & Recoveries in FY 2011 = \$299,332,338

Total Fines, Restitutions, & Recoveries in FY 2012 = \$2,185,398,988

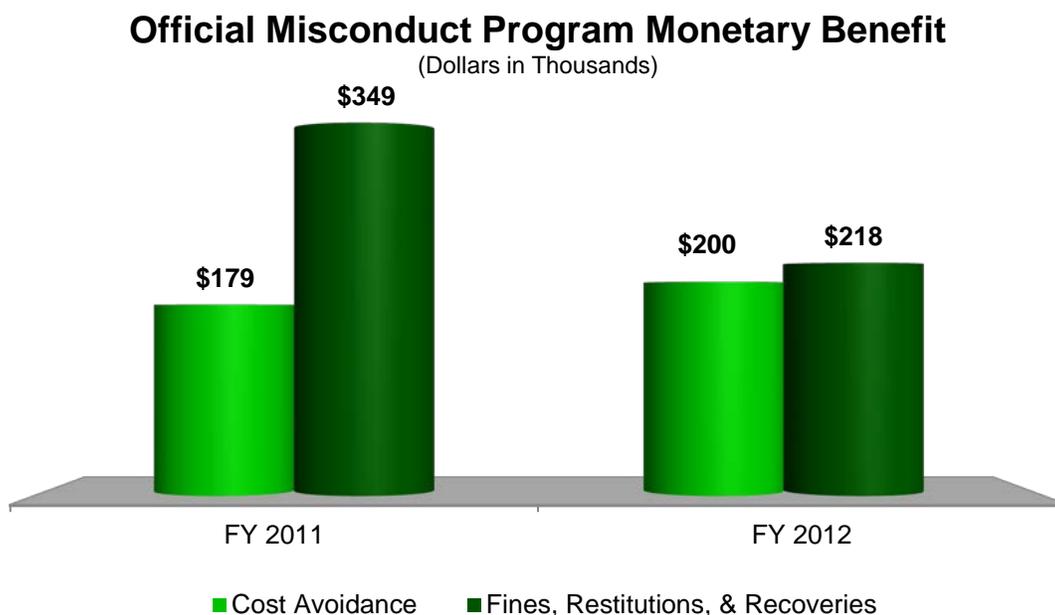
**OFFICIAL MISCONDUCT: \$28,266,240 Funds Requested**

The Official Misconduct program is responsible for investigating misconduct by all postal employees and postal contractors. The OIG takes seriously any conduct by postal employees that deteriorates the public's trust and reflects negatively on the Postal Service. The Official Misconduct program investigates Postal employee misconduct including misuse of Postal Service computers, destruction or theft of Postal Service property, falsifying official documents, forgery, theft of funds, abuse of authority, sabotage of operations, and narcotics and alcohol abuse.

Investigative work that addresses Official Misconduct includes:

- Protecting the Postal Service and its customers from crimes and misconduct by postal employees and contractors
- Identifying and investigating general crimes and employee misconduct
- Assisting in prosecuting those responsible for official misconduct

The Official Misconduct program provided a return on investment of \$0.02 in FY 2011 and \$0.03 in FY 2012. The following chart displays the Official Misconduct program's monetary benefit for FY 2011 and FY 2012.



This chart depicts the Fines, Restitutions, & Recoveries returned directly to the Postal Service and does not reflect the total monetary benefit from the OIG's investigations.

Total Fines, Restitutions, & Recoveries in FY 2011 = \$5,528,805

Total Fines, Restitutions, & Recoveries in FY 2012 = \$970,339

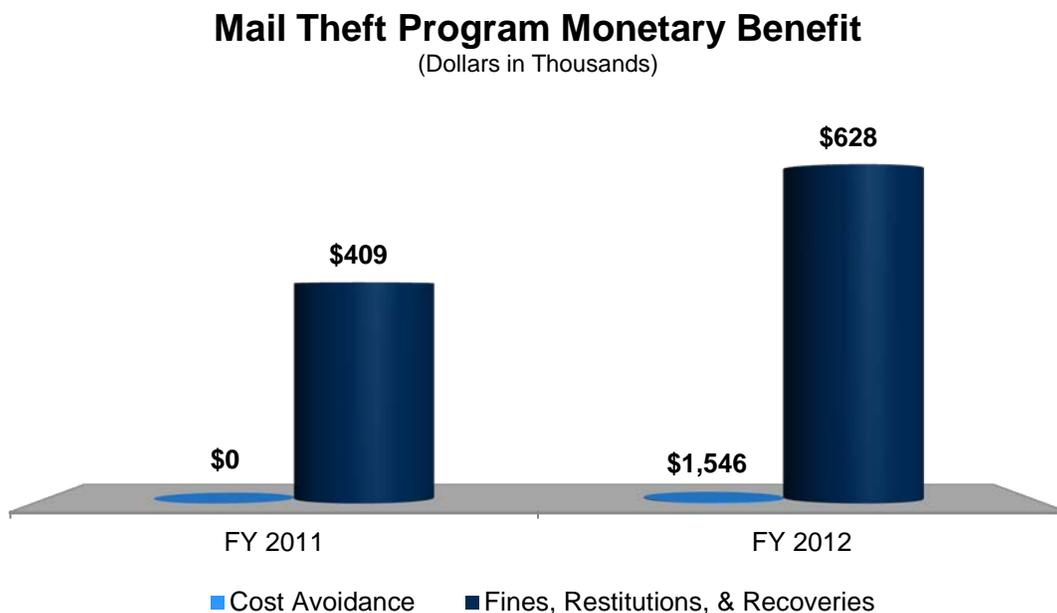
**MAIL THEFT: \$66,508,800 Funds Requested**

The Mail Theft program investigates mail theft by postal employees and postal contractors. OI is responsible for investigating internal mail theft. The Postal Service depends on the public's confidence in the sanctity of the mail. The Postal Service and the public expect and demand a certain level of investigative service in this area.

Investigative work that addresses Mail Theft includes:

- Protecting the Postal Service and its customers from mail delay, destruction, and theft
- Identifying and investigating allegations for theft, rifling, destruction, mistreatment, and obstruction of the mail
- Arresting and prosecuting those responsible for mail theft

The Mail Theft program provided a return on investment of \$0.01 in FY 2011 and \$0.01 in FY 2012. The following chart displays the Mail Theft program's monetary benefit for FY 2011 and FY 2012.



This chart depicts the Fines, Restitutions, & Recoveries returned directly to the Postal Service and does not reflect the total monetary benefit from the OIG's investigations.

Total Fines, Restitutions, & Recoveries in FY 2011 = \$1,124,017  
Total Fines, Restitutions, & Recoveries in FY 2012 = \$27,251,688

OI is aligned with appropriate Postal Service components in order to conduct high impact, high quality investigations of alleged fraud, waste, and abuse affecting Postal Service programs, operations, and personnel. In FY 2013, OI expects its current FY 2012 volume of work to remain stable and will continue to focus its resources on allegations with the most potential impact to the Postal Service. In addition, the OIG plans to increase its focus on investigating healthcare disability fraud and contract fraud allegations.

Based on FY 2012 volume of work, in FY 2014 OI plans to retain its focus on its five program areas and achieve financial results approximating \$250 million. These program areas show a large return on investment by identifying savings, which will assist the Postal Service in meeting future financial responsibilities.

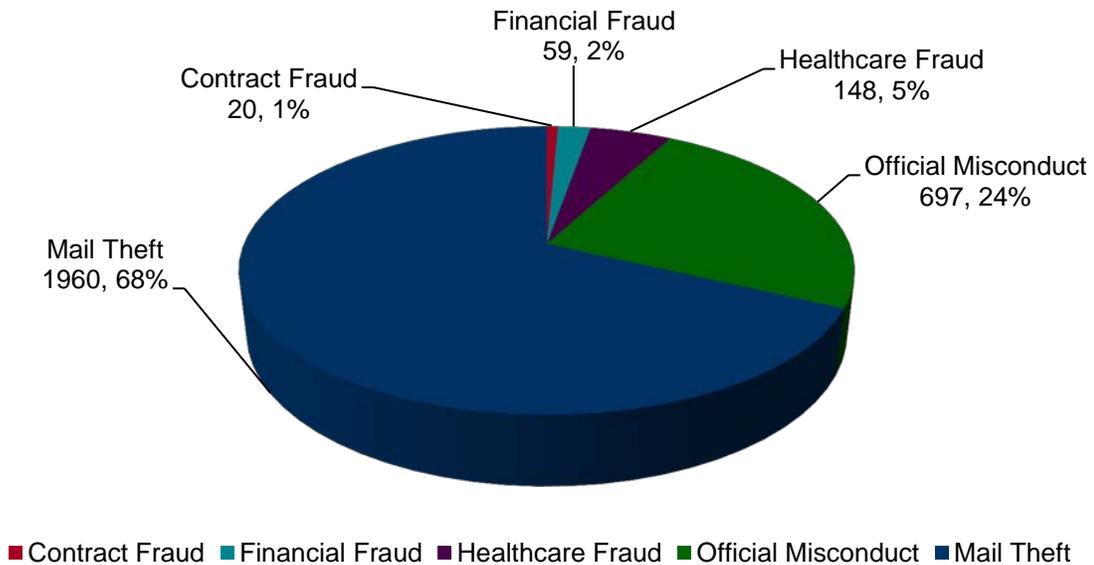
OI's most important goal is finding high quality cases and maximizing OI's potential impact to the Postal Service. OI establishes performance measures to set the direction for each program area. Below is an illustration of OI's efforts to meet the OIG's four overarching goals.

<b>INVESTIGATIONS BUDGET ACTIVITY</b>				
<b>Resource Level</b>	\$000s	\$000s	\$000s	\$000s
	<b>FY 2011 Enacted</b>	<b>FY 2012 Enacted</b>	<b>FY 2013 Proposed</b>	<b>FY 2014 Request</b>
Appropriated Resources	\$146,638	\$161,973	\$166,272	\$166,272
FTE	715.0	743	712.0	712.0
<b>Performance Measure</b>	<b>FY 2011 Actual</b>	<b>FY 2012 Actual</b>	<b>FY 2013 Projected</b>	<b>FY 2014 Projected</b>
<b>Goal 1 - Help the Postal Service Focus on Customer Needs by Leveraging its Strengths and Improving its Weaknesses</b>				
Percentage of High Complex Cases	35%	40%	18%	18%
<b>Goal 2 - Preserve the Integrity and Security of the Postal Service</b>				
Amount of Financial Recoveries	\$249,619	\$259,716	\$238,885	\$238,885
<b>Goal 3 - Continuously Improve OIG Products and Services</b>				
Achieve compliant status on all QAR review items	100%	99%	100%	100%
<b>Goal 4 - Pursue a Highly Satisfying, Performance-Based Culture within the OIG</b>				
Number of Resolved Investigations	1,915	1,825	2,000	2,000

## HOTLINE CONTACTS

As of September 30, 2012, there were 2,884 contacts for OI's five strategic program areas passed through the OIG hotline, making it an effective source of viable information to identify problem areas. As a result, investigations associated with these hotline contacts, the OIG has identified cost avoidance, fines, restitutions, and settlements.

### **FY 2012 Hotline Files Referred to OI Program Areas**



## Section 4 – Supporting Materials

### A. Human Capital Strategy Description

Description	FY 2012 Enacted	FY 2013 Proposed	FY 2014 Request
FTEs	1,194	1,136	1,136
Net Change from prior start of year to budget end of year	0	-58	0

Maintaining our current staffing level is paramount to achieving our mission. Due to the specialized work provided by the OIG community, it is important to maintain a highly knowledge based talent pool. Our organization continues to lose experienced workers due to natural attrition and the competitive demands in the government workplace. Although, we have bolstered all available recruitment efforts and hiring flexibilities to attract and keep top talent, maintaining an optimal, committed workforce is critical to the OIG's overall performance and ability to achieve desired outcomes.

We routinely examine the skills and knowledge needed by our entire professional staff and develop individual training plans to address identified skill gaps. Based on our leadership and succession plans, our mission requires training funds to build and maintain the analytical and technical skills of our workforce to address future performance outcomes, management goals, and leadership requirements. The number of experienced personnel the OIG can devote to these activities directly affects the length of time it takes to conduct complex audits, investigations, and reviews.

To compensate for personnel shortages, the OIG has turned toward hiring contractors to fulfill much of the IT support work, investigate workers' compensation issues, and to provide subject matter expertise. This necessary practice has allowed the OIG to keep pace with the IT community and meet users' needs for information technology, increase positive investigative results concerning workers' compensation fraud and ensure current/best practices expertise in auditing Postal Services programs and operations.

## B. Information Technology Resources

Information technology investment is critical to the OIG. It enables us to make significant progress in providing up to date technology that allows our auditors and investigators to keep pace with and adapt to technological advancements in the areas of auditing, computer forensics, and IT security. The Office of Chief Technology Officer (OCTO) and Office of Chief Information Officer (OCIO) collaboratively design and/or adapt information technology that is flexible and allows for rapid response to the constantly changing IT environment. The OCTO and the OCIO develop and deliver purpose-built solutions that leverage technology to accelerate the agency's innovation through increased technology capability and efficiency.

The OCTO and OCIO provide state-of-the-art capabilities to the core mission functions of auditing and investigating regardless of geographical location. Funding for information technology solutions enables the innovation required for research, development, and deployment of improved technology to expand mission capabilities. Examples include:

- Continuous improvements to organizational communication conduits, including data, voice, and video
- Exploring hybrid cloud solutions technologies
- Strengthening the agency's cyber-security posture
- Enhancing a versatile and sophisticated application development capability
- Focused and deliberate improvements in customer service for all products and value-added services
- A project portfolio describing current and future information technology projects and dependencies on one another

Maintaining our IT infrastructure and IT security program at an acceptable level requires on-going upgrades of tools and technologies. IT funding provided to these program areas strengthens our IT security, with hardware and software designed for anti-virus detection/protection, anti-spam detection, anti-spy detection, intrusion detection/prevention, monitoring and patch management, and disaster recovery. This ensures that our infrastructure operates in a secure manner and that the information collected during audits and investigations of the Postal operations and resources are not susceptible to cyber-attacks or other computer corruption.

In the past year, the OIG has realized savings through many cost cutting and cost savings efforts through strategic IT investments. In keeping with the administration's FY 2014 budget guidance, the OIG has continued to look for ways to reduce spending and to use our IT investment dollars more efficiently. The OCTO and OCIO have undertaken many initiatives aimed at cost reduction and promoting a greener IT footprint. We have reduced the cost of our data center hardware, software and operations and we have replaced outdated hardware and software technology with more efficient computing platforms that will leverage IT performance across our infrastructure, i.e., virtualization, cloud environment, energy efficient servers, monitors, laptops, reduced data circuits and telecommunications cost.

To strengthen the IT program oversight, OCTO and OCIO have revamped the IT governance process to include greater integration with the Financial Investment Review Board, the procurement process and the performance-based budgeting process. The governance process will enlist the services of an ongoing advisory service that will assist with researching industry best practices, allowing the OIG to adopt proven technologies, conduct more efficient and effective IT audits and investigations, and make cohesive investments that fit in our IT portfolio. This strategy uses innovative technology to improve internal operations and integration with Postal Service systems to enhance operational efficiencies.

<b>Information Technology Investments</b>					
<b>IT Investments / Funds Source (000's)</b>	<b>FY 2012 Enacted</b>	<b>FY 2013 Proposed</b>	<b>% Change from FY2012 to FY2013</b>	<b>FY 2014 Request</b>	<b>% Change from FY2013 to FY2014</b>
<b>Major IT Investments</b>	\$-	\$-	\$-	\$-	\$-
<b>Non-Major IT Investments</b>	\$14,186	\$14,471	2.0%	\$13,628	-5.8%
<b>Infrastructure Investments</b>	\$-	\$-	\$-	\$-	\$-
<b>Enterprise Architecture</b>	\$-	\$-	\$-	\$-	\$-
<b>Total IT Investments</b>	<b>\$14,186</b>	<b>\$14,471</b>	<b>2.0%</b>	<b>\$13,628</b>	<b>-5.8%</b>

Additionally, OCTO and OCIO have cultivated the ability to maintain information technology capabilities at a high proficiency level by employing a combination of federal employees and short-term contractors. This combination provides the OIG with a unique ability to adjust quickly when necessary, adding expertise when funding is available or reducing contractor personnel if funding is limited.