



U.S. Postal Service Office of Inspector General

CONGRESSIONAL BUDGET JUSTIFICATION

Fiscal Year 2015

U.S. Postal Service Office of Inspector General

Fiscal Year 2015 Budget Submission 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 \$243.9 million reflects a 1 percent increase from the Fiscal Year (FY) 2014 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 achieved an average return on investment (ROI) of \$39 since 2008. Through our audit and investigative efforts, we identified over \$58 billion in potential monetary benefits for the Postal Service between FY 2008 through FY 2013.

Our performance management programs are designed to achieve well-defined outcome goals that support the Postal Service's mission and strategic priorities. Through data modeling, we challenge assumptions, focus on the right questions, measure the right data performance metrics, better plan our program audits, and concentrate our audit and investigative efforts to identify and mitigate at risk Postal operations and assets. Our strategy focuses on innovative processes to keep pace with the future transformation of Postal operations.

Table of Contents

Preface	1
Section 1 – Purpose	
A. Mission Statement	3
B. Strategic Goals and Implementation Strategies	4
C. Budget Summary	6
D. Appropriations Table	6
Section 2 – Budget Adjustments and Appropriation Language	
A. Budget Adjustments Table	7
B. Budget Increases and Decreases Descriptions	8
C. Reimbursable Authority	9
D. Appropriation Language	9
Section 3 – Budget and Performance Plan	
A. Audits Budget and Performance Plan	10
B. Investigations Budget and Performance Plan	17
Section 4 – Supporting Materials	
A. Human Capital Strategy Description	25
B. Information Technology Resources	27
C. Predictive Analytics	29

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 Congress, Board of Governors, and Postal Service management, are informed of areas of improvement, fraud, waste, and deficiencies, and are provided 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, smarter, and agile 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 Leveraging its Strengths and Improving its 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 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 2015:

- The aggregate budget request for the operations of OIG is \$243,883,000;
- The portion of this amount needed for OIG training is \$1,574,305; and
- In addition, the portion of this amount needed to support the Council of the Inspectors General on Integrity and Efficiency (CIGIE) is \$595,562, which is 0.2442 percent of the total budget.

The amount requested for training satisfies all OIG training needs for FY 2015.

C. Appropriations Table

The OIG FY 2015 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 2013, 2014, and 2015.

Resources Available for Obligation	FY 2013 Enacted		FY 2014 Enacted		FY 2015 Requested	
	FTE	Amount (000's)	FTE	Amount (000's)	FTE	Amount (000's)
Appropriated Resources:						
Audit	424	\$75,196	424	\$75,196	424	\$75,947
Investigations	712	\$166,272	724	\$166,272	724	\$167,936
Total: Appropriated Resources	1,136	\$241,468	1,148	\$241,468	1,148	\$243,883

Section 2 – Budget Adjustments and Appropriation Language

A. Budget Adjustments Table

Office of Inspector General	FY 2013 Enacted Level	FY 2014 Enacted Level	FY 2015 Requested Level
FTE	1,136	1,148	1,148
Object Classification:			
11.1 Full-time Permanent Positions	\$140,116	\$141,158	\$142,486
11.3 Other than Full-time Permanent	\$567	\$771	\$779
11.5 Other Personnel Compensation	\$2,108	\$2,023	\$2,400
11.9 Total Personnel Compensation	\$142,791	\$143,952	\$145,665
12.0 Personnel Benefits	\$44,200	\$50,918	\$51,405
21.0 Travel	\$6,149	\$6,221	\$6,116
23.2 Rent Payments to Others	\$7,536	\$6,953	\$6,220
23.3 Communications, Utilities, & Misc.	\$2,843	\$2,831	\$3,569
24.0 Printing and Reproduction	\$107	\$105	\$29
25.1 Advisory & Assistance Services	\$22,390	\$17,258	\$18,237
25.2 Other Services (Goods / Services)	\$397	\$338	\$408
25.4 Operation & Maintenance of Facilities	\$455	\$355	\$214
25.6 Medical	\$424	\$360	\$276
25.7 Operation and Maintenance of Equipment	\$574	\$627	\$632
26.0 Supplies and Materials	\$2,107	\$2,114	\$2,162
31.0 Equipment	\$6,549	\$6,621	\$6,274
32.0 Lands and Structures	\$3,652	\$1,576	\$2,675
Total Budget Authority	\$241,468	\$241,468	\$243,883

B. Budget Increases and Decreases Description

Chart of significant budget changes	FY 2013 Enacted (000's)	FY 2014 Proposed (000's)	FY 2015 Requested (000's)	Net Change
11.0 and 12.0 Personnel Compensation and Benefits	\$186,991	\$194,870	\$197,070	1% Increase \$2,200

Salaries and Benefits include costs for 1,148 FTEs. This is a small change in FTE complement from the prior year. The modest 1% increase in base is due to within band increases, 1% projected COLA increase and increases in health benefits cost.

25.1 Advisory and Assistance Services	\$22,390	\$17,258	\$18,237	6% Increase \$2,095
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Advisory and Assistance Services increased to allow the OIG the ability to adjust quickly and add subject matter expertise for short and long-term projects.

23.2 Rent Payments to Others	\$7,536	\$6,953	\$6,220	-11% Decrease -\$733
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Rent Payments to Others decreased due to lease cancelations as the OIG continues plans to consolidate and co-locate field operations to Postal-owned facilities. OIG Arlington Headquarters will have a 3% annual rent increase until FY 2020.

31.0 Equipment	\$6,549	\$6,621	\$6,274	-5% Decrease -\$347
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Equipment decrease due to efficiencies gained from new technology and reduction in hardware cost.

32.0 Lands and Structures	\$3,652	\$1,576	\$2,675	70% Increase -\$1,099
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Land and structure increase due to continued efforts to consolidate the OIG footprint and operations by merging with Postal-owned facilities.

C. Reimbursable Authority

In FY 2015, 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.

Other Resources: Offsetting Collections	FY 2013 Actual (000's)	FY 2014 Proposed (000's)	FY 2015 Requested (000's)
Offsetting Collections:			
Reimbursable Authority	\$500	\$500	\$500
Total: Offsetting Collections	\$500	\$500	\$500

D. Appropriation Language

Appropriation Language
<p>Office of Inspector General</p> <p>SALARIES AND EXPENSES</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, \$243,883,000 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, 2015 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 four risk categories – Mission Operations, Support Operations, Financial and Systems Accountability, and Revenue and Performance. The following chart shows how OA would allocate its FY 2015 program budget of \$75 million to the four risk areas. .

Audit Resource Allocation

Dollars in 000's



■ Mission Operations, \$18,238

■ Support Operations, \$21,417

■ Financial & Systems Accountability, \$18,531

■ Revenue & Performance, \$16,571

MISSION OPERATIONS: \$18,538 Funds Requested¹

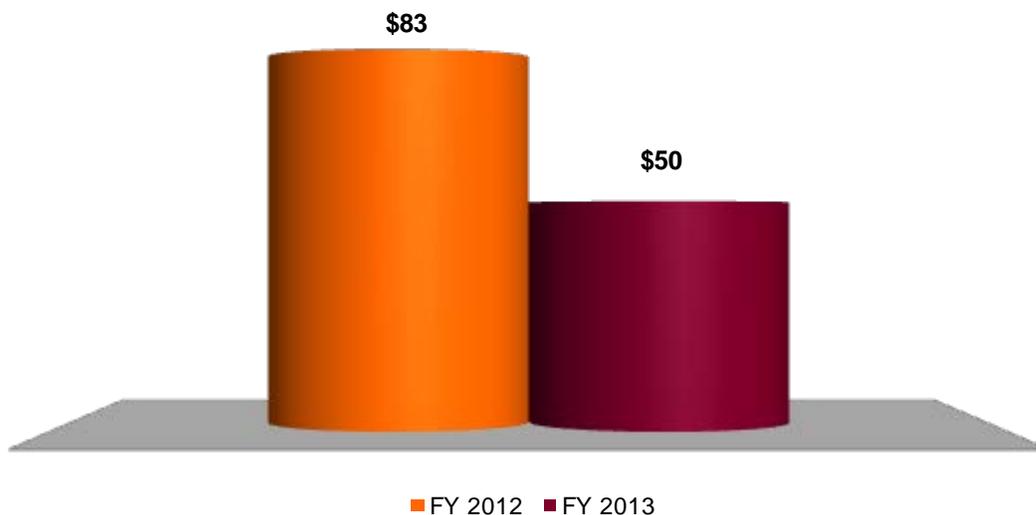
The Mission Operations risk category includes issues that impact the Postal Service’s network operations, delivery, post office, and transportation functions. Risk factors are those that may impede the Postal Service’s ability to be effective and efficient or ensure that its products and services are 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 Mission Operations 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
- Benchmark the Postal Service’s innovation process to selected major corporations
- Assess the opportunities for network streamlining

The Mission Operations risk area provided a monetary benefit of \$1.6 billion in FY 2012 and \$771 million in FY 2013. The following chart displays the Mission Operations program’s ROI for FY 2012 and FY 2013.

Mission Operations Return on Investment



¹ Dollar values are represented in \$000's

SUPPORT OPERATIONS: \$21,417 Funds Requested²

The Support Operations risk category pertains to issues that have an impact on the programs that support the Postal Service infrastructure. This includes human resource management, security and emergency preparedness, contracting, and facilities management. Cost control in these areas is critical for the Postal Service.

Audit work that addresses Support Operations issues include:

- Evaluate ways to reduce the Postal Service's Workers' Compensation Program cost
- 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
- Evaluate the effectiveness of mail program testing and safeguards and Postal Service emergency preparedness programs

The Support Operations risk area provided a monetary benefit of \$2.1 billion in FY 2012 and \$1 billion in FY 2013. The following chart displays the Support Operations program's ROI for FY 2012 and FY 2013.



² Dollar values are represented in \$000's

FINANCIAL AND SYSTEMS ACCOUNTABILITY: \$18,531 Funds Requested³

The Financial and Systems Accountability risk category focuses on issues related to financial and information systems supporting daily postal operations and have a clear financial impact, particularly those related to cost control and revenue generation. Accurate, accessible financial and operational data and reporting are critical to successful Postal Service operations. Financial and Systems Accountability risk factors pertain to the reporting and accuracy of financial information and the availability and security surrounding financial and operational systems.

Audit work that addresses Financial and Systems Accountability issues include:

- Assessing financial reporting controls and reports
- Analyzing information system security
- Identifying risks, benefits, and opportunities associated with financial and information systems operations
- Evaluating availability of information systems for both internal and external customers

The Financial and Systems Accountability risk area provided a monetary benefit of \$7.7 billion in FY 2012 and \$10.8 billion in FY 2013. The following chart displays the Financial and Systems Accountability program's ROI for FY 2012 and FY 2013.



³ Dollar values are represented in \$000's

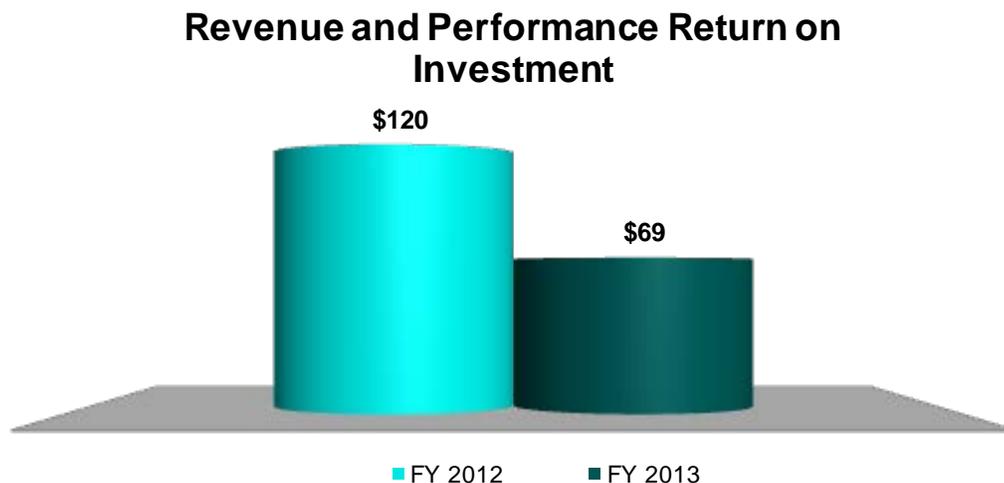
REVENUE AND PERFORMANCE: \$16,571 Funds Requested⁴

The Revenue and Performance risk category focuses on issues related to Postal Service sales and marketing operations and the analysis the Postal Service performs on its costs, rates, and revenue data. These risk factors affect Postal Service revenue streams and marketing decisions.

Audit work that addresses Revenue and Performance issues include:

- Assess the Postal Service's management of pricing simplification
- Assist the Postal Service in cost-effectively meeting its various legislative mandates
- Assess the value of volume-based national service agreements
- Audit cost and pricing data systems and processes

The Revenue and Performance risk area provided a monetary benefit of \$1.2 billion in FY 2012 and \$1.6 billion in FY 2013. The following chart displays the Revenue and Performance program's ROI for FY 2012 and FY 2013.



⁴ Dollar values are represented in \$000's

In FY 2015, 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.

AUDIT BUDGET ACTIVITY			
Resource Level	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Request
Appropriated Resources	\$75,046	\$75,196	\$75,059
FTE	424	424	424
Performance Measure	FY 2013 Actual	FY 2014 Enacted	FY 2015 Projected
Goal 1 - Help the Postal Service Focus on Customer Needs by Leveraging its Strengths and Improving its Weaknesses			
Total OA monetary benefits including revenue protection	14,238,062	3,200,000	\$3,300,000
Percent of significant recommendations accepted by USPS	91%	92%	92%
Goal 2 - Preserve the Integrity and Security of the Postal Service			
Dollar value of assets safeguarded	4,878,225	1,400,000	\$1,500,000
Goal 3 - Continuously Improve OIG Products and Services			
Percent of performance audits on time as calculated in ABE	70%	77%	80%
Number of final performance reports	162	150	155
Goal 4 - Pursue a Highly Satisfying, Performance-Based Culture within the OIG			
Assignment Based Evaluation Score	97	101	102

*Dollar values are represented in \$000's

Legislative Mandates

Over \$9.9 million of OIG audit work is either 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 \$24,465 to oversee activities of the Postal Inspection Service and \$527,043 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 \$9.4 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.

Legislative Mandates - Dollar Value by Identified Mandates		
Public Law Reference	Mandate Description	Cost*
PL 109-435	Financial Statement/SOX Audit or Quarterly 10Q	\$7,914,863
39 U.S.C. § 3652	Audits of Postal Service Data Collection Systems	\$527,043
5 U.S.C. App. 3 § 8G(f)(2)	Oversight of the Postal Inspection Service	\$24,465
Various	Audits in Support of Postal Service Mandates**	\$1,490,170
Total Dollar Value		\$9,019,772

* Based on FY 2013 audit work.

** Although not legislatively mandated for the OIG, these information technology-related audits support legislative mandates for the Postal Service.

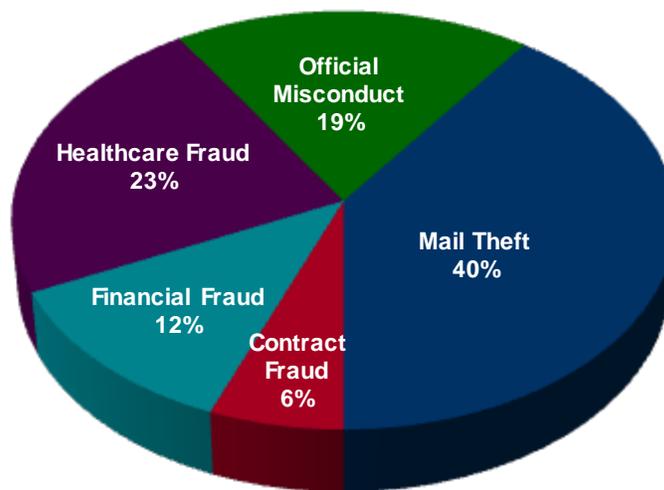
B. Investigations Budget and Performance Plan

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 2015 program budget of \$169 million to the five investigative programs*.

*The OI program allocations reflect program FY 2013 actuals.

Investigative Program Area Allocation
Dollars in 000's



■ Contract Fraud, \$10,129	■ Financial Fraud, \$20,259
■ Healthcare Fraud, \$38,829	■ Official Misconduct, \$32,077
■ Mail Theft, \$67,529	

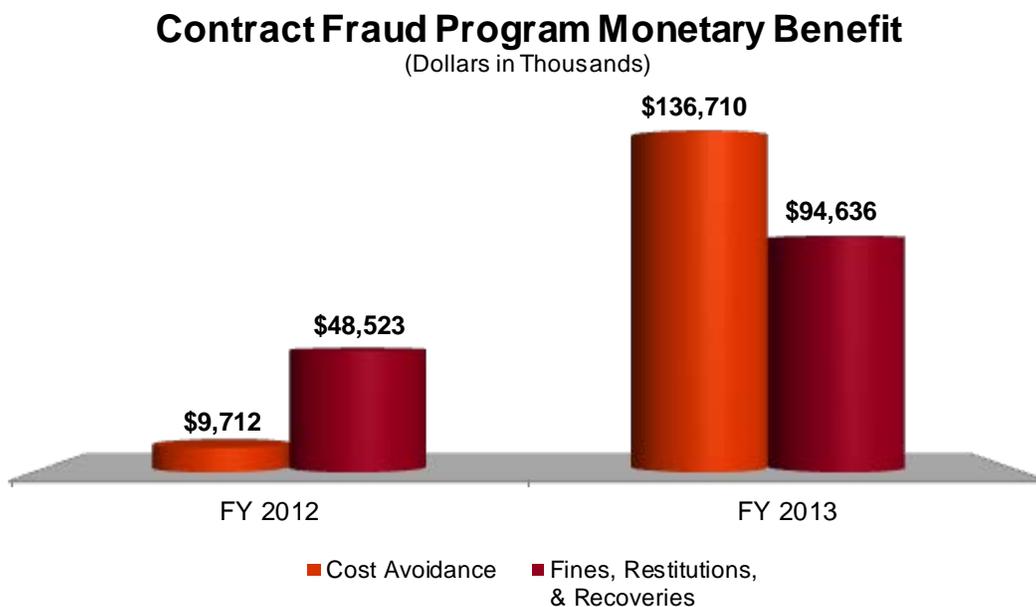
CONTRACT FRAUD: \$10,129 Funds Requested⁵

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 following chart displays the Contract Fraud program's monetary benefit for FY 2012 and FY 2013.



*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 2012 = \$64,497,673

Total Fines, Restitutions, & Recoveries in FY 2013 = \$200,467,901

⁵ Dollar values are represented in \$000's

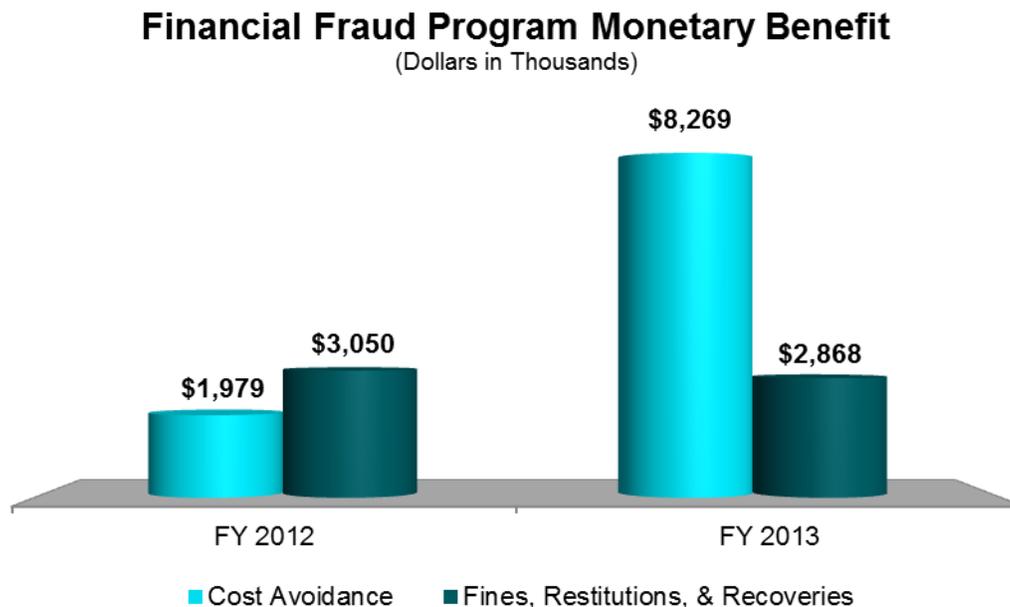
FINANCIAL FRAUD: \$20,259 Funds Requested⁶

The Financial Fraud program conducts two main types of investigations: embezzlement investigations and disbursement card investigations. A large portion of the revenue generated by the Postal Service is handled at the 31,000 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 following chart displays the Financial Fraud program's monetary benefit for FY 2012 and FY 2013.



* 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 2012 = \$3,158,613

Total Fines, Restitutions, & Recoveries in FY 2013 = \$2,990,196

⁶ Dollar values are represented in \$000's

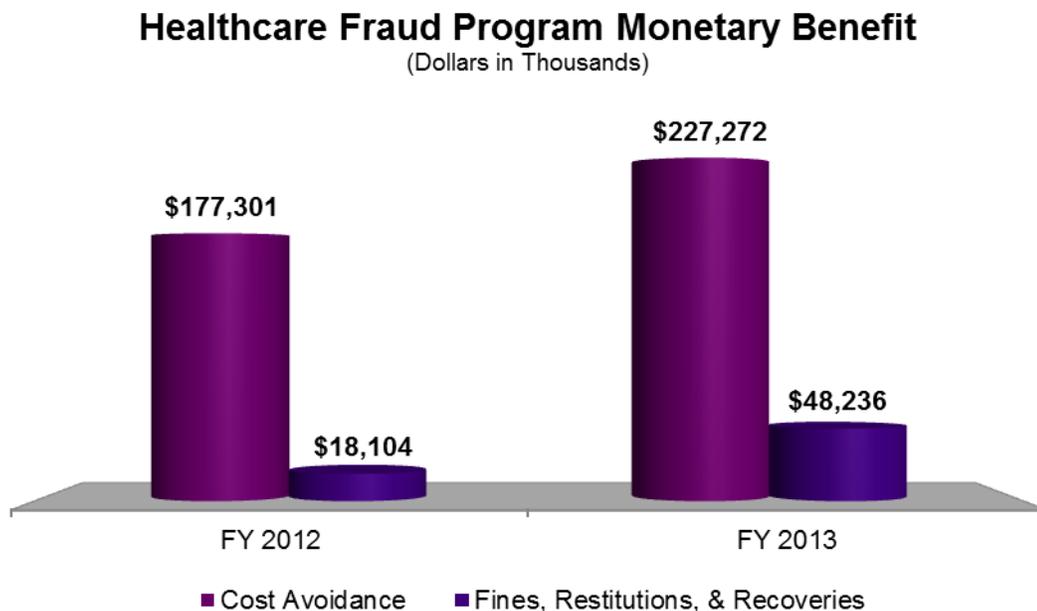
HEALTHCARE FRAUD: \$38,829 Funds Requested⁷

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 in FY 2012 totaled more than \$1.3 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 work that addresses Healthcare Fraud includes:

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

The following chart displays the Healthcare Fraud program's monetary benefit for FY 2012 and FY 2013.



* 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 2012 = \$2,185,398,988

Total Fines, Restitutions, & Recoveries in FY 2013 = \$1,884,606,581

⁷ Dollar values are represented in \$000's

OFFICIAL MISCONDUCT: \$32,077 Funds Requested⁸

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.

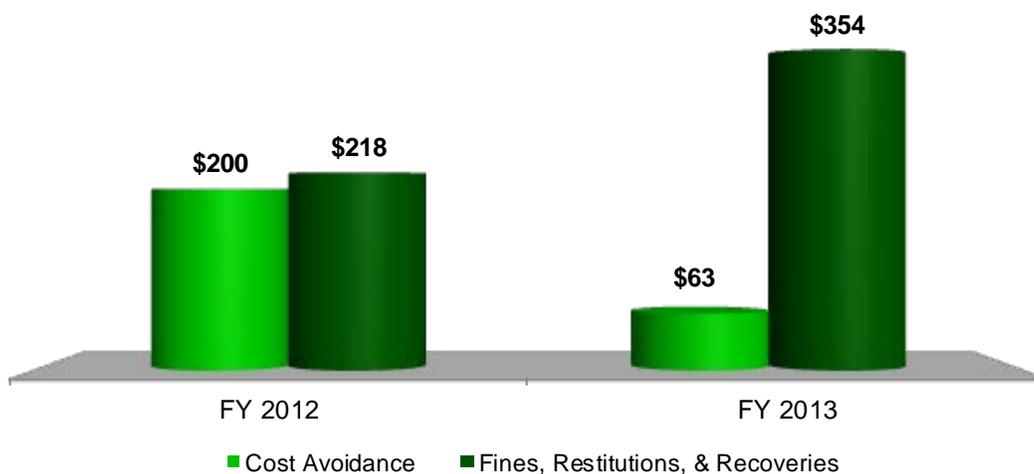
Investigative work that addresses Official Misconduct includes:

- 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 investigations in this program are designed to protect the public trust in the Postal Service. The following chart displays the Official Misconduct program's monetary benefit for FY 2012 and FY 2013.

Official Misconduct Program Monetary Benefit

(Dollars in Thousands)



*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 2012 = \$970,339

Total Fines, Restitutions, & Recoveries in FY 2013 = \$563,217

⁸ Dollar values are represented in \$000's

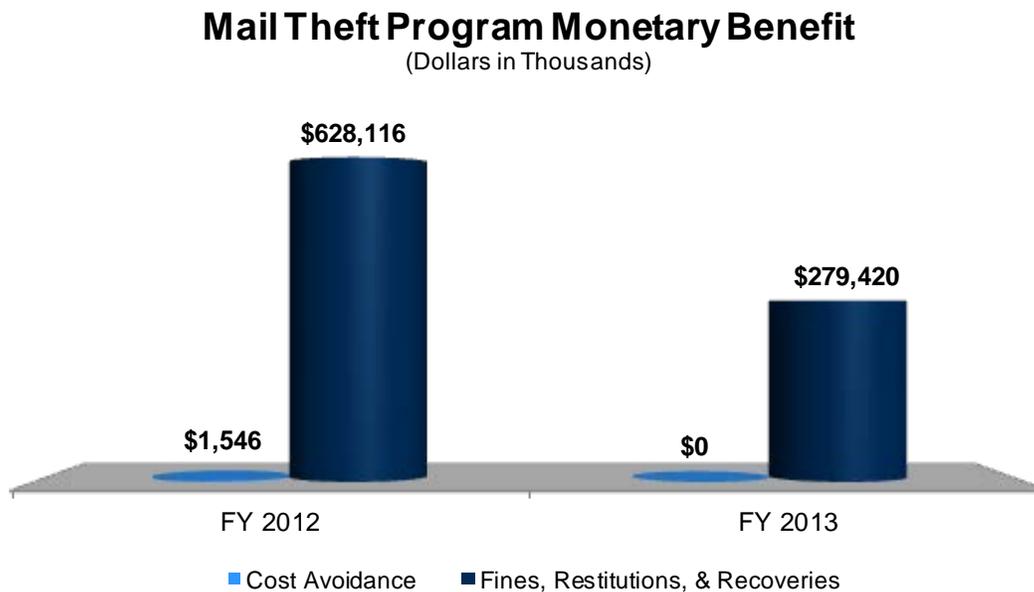
MAIL THEFT: \$67,529 Funds Requested⁹

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

Like the Official Misconduct program, the investigations in this program are designed to protect the public trust in the Postal Service. The following chart displays the Mail Theft program's monetary benefit for FY 2012 and FY 2013.



*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 2012 = \$27,251,688

Total Fines, Restitutions, & Recoveries in FY 2013 = \$7,980,098

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 2014 and 2015, OI expects its

⁹ Dollar values are represented in \$000's

current FY 2013 volume of work to remain stable. They will continue to focus its resources on allegations with the most significant risk and potential impact to the Postal Service. In addition, the OIG plans to continue to increase its focus on investigating healthcare disability fraud and contract fraud allegations.

Based on FY 2013 volume of work, in FY 2015 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.

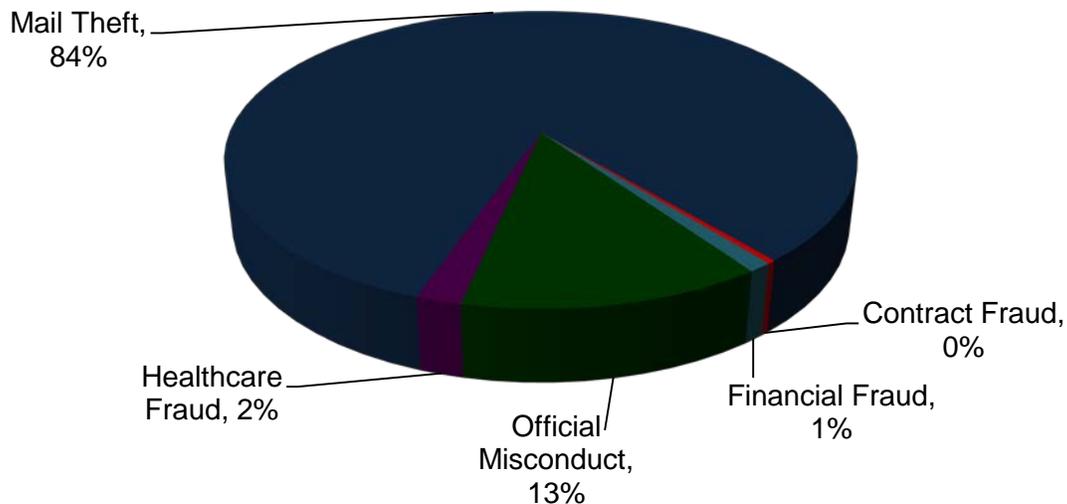
INVESTIGATIONS BUDGET ACTIVITY			
Resource Level	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Request
Appropriated Resources	\$165,939	\$166,272	\$168,824
FTE	712	724	724
Performance Measure	FY 2013 Actuals	FY 2014 Enacted	FY 2015 Projected
Goal 1 - Help the Postal Service Focus on Customer Needs by Leveraging its Strengths and Improving its Weaknesses			
Percentage of High Complex Cases	37%	25%	25%
Goal 2 - Preserve the Integrity and Security of the Postal Service			
Amount of Financial Recoveries	\$518,759	\$265,000	\$265,000
Goal 3 - Continuously Improve OIG Products and Services			
Achieve compliant status on all QAR review items	97%	100%	100%
Goal 4 - Pursue a Highly Satisfying, Performance-Based Culture within the OIG			
Number of Resolved Investigations	3,791	2,000	2,000

*Dollar values are represented in \$000's

HOTLINE CONTACTS

In FY 2013, there were 21,981 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 of investigations associated with these hotline contacts, the OIG has identified cost avoidance, fines, restitutions, and settlements.

FY 2013 Hotline Files Referred to OI Program Areas



The volume of hotline contacts continues to increase each fiscal year. The OIG has successfully met the increased volume and demand through additional contractor support.

	FY 2011 Contacts	FY 2012 Contacts	FY 2013 Contacts
Contract Fraud	76	96	76
Financial Fraud	292	272	230
Official Misconduct	2,674	3,030	2,879
Healthcare Fraud	472	447	429
Internal Mail Theft	7,282	8,790	18,367
Total Annual Contacts	10,796	12,635	21,981
OI Program Percent Increase		17%	74%
Other OIG Departments	1,249	1,066	1,294
Non-OIG Contacts	9,948	11,908	9,723
Total Annual Contacts	21,993	25,609	32,998
Total Contacts Percent Increase		16%	29%

Section 4 – Supporting Materials

A. Human Capital Strategy Description

Description	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Request
FTEs	1,136	1,148	1,148
Net Change from prior start of year to budget end of year	0	+12	0

Maintaining our current staffing level is paramount to achieving our mission. Due to the complexity of work within the OIG community, it is important to maintain a highly specialized talent pool. Our organization continues to lose experienced knowledge 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 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 that end, the OIG has undertaken a number of Human Capital initiatives to maintain our competitive edge. It is our commitment to build and maintain a highly engaged and talented workforce to achieve mission success, both now and in the future. We recognize that, without a strong human capital strategy, we cannot succeed as an organization unless we manage and invest in our workforce talent.

Our strategic human capital vision includes:

- Better align workforce with the strategic priorities of the OIG
- Develop workforce planning capabilities, skills analysis, and analysis tools that keeps pace with our talent management strategy
- Identify OIG mission critical occupations and the core competencies associated with those occupations
- Develop employee mastery paths to include expert knowledge of:
 - Assignment
 - Profession
 - OIG operations
- Establish an active, professional recruitment outreach function in order to effectively market the OIG to potential candidates
- Enhance the diversity of OIG's workforce by establishing partnerships with minority-serving organizations to help increase the pipeline of highly qualified minority applicants for OIG positions
- Create a continuous learning culture at all levels of the OIG, by developing communities of practices, instructor led training and eLearning
- Develop future leaders through structured management and leadership development programs; and leverage technology to support how we recruit, develop, and retain employees

Developing a strong Human Capital Strategy is vital to OIG roadmap and path forward. With years of shrinking resources and the financial climate of the Postal Service, the OIG has turned toward hiring contractors to fulfill much of the Information Technology (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 IT, increase positive investigative results concerning workers' compensation fraud and ensure current/best practices expertise in auditing Postal Services programs and operations. However, with the specialized nature of our OIG operations and an aging workforce, it is essential we invest in recruiting and retaining personnel to develop a bench of talent that have the capacity and bandwidth to contribute to the future successes as Postal Service enters this time of seismic change.

Information Technology Resources

Information Technology (IT) investment is critical to the OIG. It enables us to provide up-to-date technology that assures our auditors and investigators keep pace with and adapt to technological advancements in auditing, computer forensics, and IT security. The Office of Chief Information Officer (OCIO) integrates IT solutions that both allow for rapid response to the needs of the OIG and are adaptable to the constantly changing worldwide IT environment. The OCIO delivers purposeful solutions that leverage technology to accelerate the agency's innovation, capability, and efficiency.

The OCIO provides state-of-the-art capabilities to the core mission functions of auditing and investigating, regardless of geographical location. Funding for IT solutions enables the innovation required to research, develop, and deploy improved technology, to enhance mission capabilities.

Examples include:

- Continuous improvements to organizational communication conduits, including data, voice, and video
- Integrating mobility solutions for broader OIG information accessibility
- Exploring hybrid cloud solutions technologies
- Strengthening the agency's cyber-security posture
- Providing and enhancing versatile and sophisticated applications
- Improving printer support via managed print services
- Focused, deliberate improvements in customer service for all products and value-added services

Maintaining our IT infrastructure and IT security program at an acceptable level requires continual upgrades to tools and technologies. IT funding provided to these program areas protects and strengthens our infrastructure and 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 our infrastructure is secure, the information collected during audits, and investigations of the Postal operations and resources are not susceptible to cyber-attacks or other computer corruption.

During the past year, the OIG achieved many cost cutting and cost savings efforts through strategic IT investments. In keeping with the administration's FY 2015 budget guidance, the OIG continued to look for ways to reduce spending and to use our IT investment dollars more efficiently. The OCIO undertook many initiatives aimed at cost reduction and promoting a greener IT footprint. We reduced the cost of our data center hardware, software and operations. We also replaced outdated hardware and software technology with more efficient and effective computing platforms, to improve IT accessibility and performance across our infrastructure: i.e., virtualization; cloud environment; energy efficient servers, monitors, and laptops; reduced data circuits; and lower telecommunications costs.

To strengthen the IT program oversight, the OCIO continues to utilize the IT governance process to achieve greater integration with the Financial Investment Review Board. This strategy uses innovative technology to improve internal operations and integration with Postal Service systems to enhance operational efficiencies.

Information Technology Investments					
IT Investments / Funds Source (000's)	FY 2013 Enacted	FY 2014 Enacted	% Change from FY2013 to FY2014	FY 2015 Requested	% Change from FY2014 to FY2015
Major IT Investments	\$-	\$-	\$-	\$-	\$-
Non-Major IT Investments	\$12,149	\$11,863	-2%	\$12,107	2%
Infrastructure Investments	\$-	\$-	\$-	\$-	\$-
Enterprise Architecture	\$-	\$-	\$-	\$-	\$-
Total IT Investments	\$12,149	\$11,863	-2%	\$12,107	2%

Additionally, the OCIO ensured highly proficient, yet flexible IT capabilities for the OIG by employing a combined workforce of both federal employees and short-term contractors. This workforce combination enables the OIG to quickly add necessary IT expertise when funding is available or reduce contractor personnel if funding is limited.

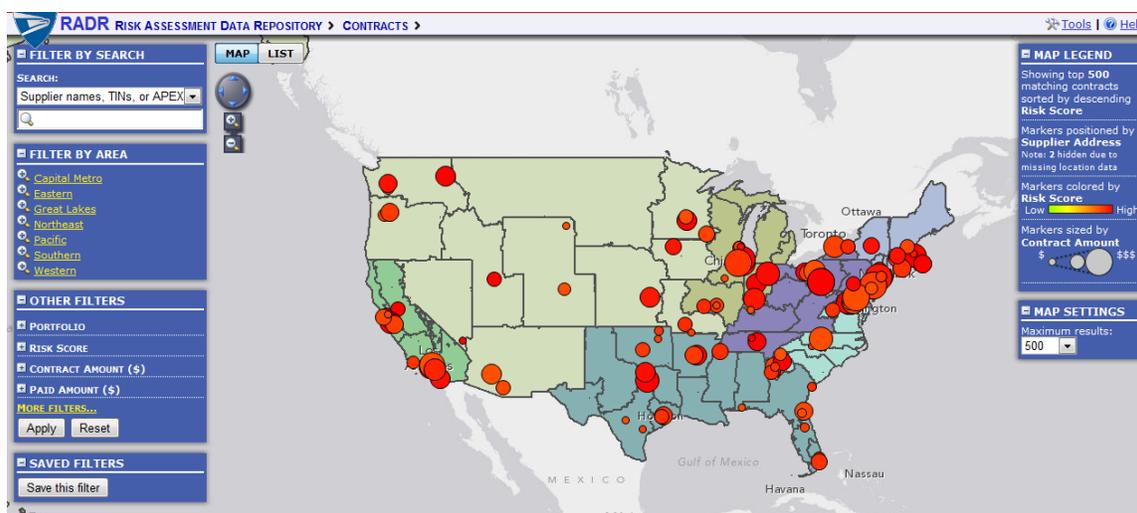
B. Predictive Analytics

Utilizing existing resources, the OIG has developed outcome-based strategies that will have a direct financial benefit to the Postal Services as described below.

Data Mining: As the technology used to transform raw data into meaningful and useful insights evolves, the use of data mining and predictive analytics has become a necessary input into the OIG strategic goals and decision-making process. We are adopting new ways of conducting audits and investigations in order to keep pace with the expanding amount data and the rapid changes in data analytics capabilities.

The OIG continues to rely upon and invest in data modeling tools to focus our efforts on high-risk areas of the Postal Service and produce valuable work. More specifically, investments in innovative technology and tools such as text mining, which turns unstructured data into a more useful format and geospatial information system (GIS), which allows the ability to view, interpret, and visualize data to reveal relationships and patterns in the form of maps have supported our mission. Implementing cutting-edge technology has assisted us with expanding capabilities to proactively analyze data, uncover trends, and decipher patterns to minimize financial risk, improve operational deficiencies, and prevent fraud exposure.

We have created and deployed risk assessment models in the areas of mail theft, healthcare fraud, contract fraud and financial fraud that generate leads for our investigators. Our users access these tools through our Risk Analysis Data Repository (RADR). RADR is the user interface that displays risk model results that is both intuitive as well as interactive allowing users the ability to drill down and export data.



Data mining has also helped us find the root causes of weaknesses in postal operations, and to offer solutions. In addition to having access to the fraud models, our auditors have access to other risk models that provide insight on postal financial management as well as building and land leases. Our focus moving forward into FY 2015 is to invest in additional tools that support our audit work.

We have been successful. We have deployed nine models and tools that support investigations, audits, and the Postal Service. We have focused our attention on high-risk fraud and have shortened the investigative lifecycle. Combining disparate data sets and information into one place has assisted in improving efficiency.

Moving forward we are creating an Analytics Lab that will provide the ability to encourage collaboration between multi-disciplinary teams to enhance and create data mining tools that will take our analytics initiatives and capabilities to the next level. The goal is to promote capabilities that leverage technology and collaboration and offer a place where our end-users can work with the appropriate teams to see analytics real-time.

The OIG will continue to incorporate the use of predictive analytics and data mining as increasingly important tools for both detection and prevention of crimes to allocate resources to support our mission.

Enhance Computer Forensics: The OIG recognizes the potential for misconduct and fraud against the Postal Service using computer technology. In FY 2013, OI dedicated resources to upgrade our computer forensic laboratory with equipment, training, and software that investigators need to combat, detect, and prevent fraud. This technology investment allows OI investigators to process potential evidence faster, and identify relational case data more quickly and efficiently, thereby improving time spent per case, decreasing travel expenses, and reducing other administrative costs.