

U.S. Postal Service Office of Inspector General

CONGRESSIONAL BUDGET JUSTIFICATION

Fiscal Year 2016

U.S. Postal Service Office of Inspector General

Fiscal Year 2016 Budget Submission Outline

Preface

In keeping with the President's agenda for growth and opportunity and reduce spending on lower priority programs, the Office of Inspector General's (OIG) budget request of \$250.7 million reflects a 2.8 percent increase from the Fiscal Year (FY) 2015 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.

To provide some historical information, in March 2006, responsibility for internal crimes investigations was transferred from the Postal Inspection Service to the OIG. The total number of Postal Service FTEs devoted to that mission was 732. We added only 345 FTEs to accomplish this work. Reducing 377 FTEs was consistent with the OIG's commitment to operating a lean yet highly productive organization and it created a savings opportunity of \$60 million in salary and benefits for the Postal Service.

In addition to reducing 377 positions during the transition of jurisdiction for all internal crimes from the Postal Inspection Service, over the past 5 years our budgets have been flat or reduced every year requiring us to prioritize and shift resources. Therefore, the expansion of the Healthcare and Disability Fraud initiative will require new funding.

The Postal Service is the largest single contributor to both the Department of Labor's (DOL) Office of Worker's Compensation Program (OWCP) and the Office of Personnel Management's (OPM) Federal Employee Health Benefits Program (FEHBP). In 2014, the Postal Service will pay nearly \$7.5 billion in FEHBP premiums to support over one million current and former employees. In the same year, the Postal Service paid \$1.4 billion in OWCP disability benefits for injured employees and reported a future liability of over \$17.2 billion. Healthcare and disability frauds are some of the largest financial crimes directed against the government in general and the U.S. Postal Service specifically.

The Healthcare and Disability Fraud Program at the Postal Service has consistently been a major focus for the OIG and has produced strong results. In FY 2013, our healthcare investigations resulted in more than \$226 million in reductions of future claims and over \$48 million in fines and restitutions paid directly to the Postal Service. This amounts to more than the entire FY 2013 Postal OIG budget.

In FY 2014, the Postal Service requested that we increase our fraud detection and recovery efforts to address rising healthcare costs. In response to their request, we

shifted \$2 million from lower immediate return investigative efforts such as mail thefts and contracts fraud to support 12 agents to focus on healthcare and disability fraud. The results have been dramatic. We are on track to increase detection, prosecution, and recoveries for the Postal Service by 30 percent in FY 2014 over FY 2013. In FY 2016, the OIG will need an additional \$2 million to continue support for the 12 agents.

Table of Contents

Preface	1
Section 1 – Purpose	
A. Mission Statement, Vision, and Values	4
B. Budget Summary	6
C. 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	22
Section 4 – Supporting Materials	
A. Human Capital Strategy Description	29
B. Information Technology Resources	31
C. Predictive Analytics	33
Appendix	
A. Five Year Strategic Plan	35

Section 1 – Purpose

A. Mission Statement, Vision, and Values

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.

In April 2013, the Postal Service published its five-year business plan, which articulated five key restructuring objectives:

- Preserve the ability to provide and finance secure, reliable and affordable universal delivery service
- Further economic growth and enhance commerce
- Implement comprehensive transformation for a sustainable financial future
- Protect U.S. taxpayers (avoid Federal funding and appropriations)
- Maintain fairness to employees and customers

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 a shared vision and sound values.

Our Vision:

- Performance to deliver value
- Passion for our mission
- Pride in our employees

Our Values:

- Results
- Innovation
- Leadership and Professionalism
- Knowledge
- Flexibility

The OIG sets challenging goals that add value by identifying cost reduction opportunities and operations improvements, which support Postal Service efforts to become a leaner, smarter, and more agile organization with the goal of returning to financial stability and profitability. The OIG also seeks ways to improve operational integrity and to 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 by investigating allegations of fraud, theft, violations of criminal and civil statutes, and administrative misconduct.

The OIG has aligned mission resources to promote economy, efficiency, and effectiveness and concentrates on areas that are high risk for the Postal Service. Our Office of Audit will continue to focus on impactful operational recommendations, identifying cost savings, and increasing Postal revenue opportunities. Our Office of Investigations will continue to deter and prevent fraud and protect Postal assets by identifying and investigating high quality cases to minimize loss and maximizing recoveries for the Postal Service. Our updated five year Strategic Plan is attached in Appendix A.

B. Budget Summary

In accordance with the requirements of Public Law 110-409, the 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 2016:

- The aggregate budget request for the operations of OIG is \$250,729,000;
- The portion of the budget needed for OIG training is \$1,621,534; and
- The portion of the budget needed to support the Council of the Inspectors General on Integrity and Efficiency (CIGIE) is \$676,968, which is 0.27 percent of the total budget request.

The amount requested for training satisfies all OIG training needs for FY 2016.

C. Appropriations Table

The OIG FY 2016 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 FY 2014, 2015, and 2016.

Resources Available for Obligation	FY 2014 Enacted		FY 2015 Enacted		FY 2016 Request	
	FTE	Amount (000's)	FTE	Amount (000's)	FTE	Amount (000's)
Appropriated Resources:						
Audit	424	\$75,196	424	\$75,947	424	\$77,584
Investigations	724	\$166,272	724	\$167,936	736	\$173,145
Total: Appropriated Resources	1,148	\$241,468	1,148	\$243,883	1,160	\$250,729

Section 2 – Budget Adjustments and Appropriation Language

A. Budget Adjustments Table

Office of Inspector General	FY 2014 Enacted Level	FY 2015 Enacted Level	FY 2016 Requested Level
FTE:	1,148	1,148	1,160
Object Classification:			
11.1 Full-time Permanent Positions	\$141,158	\$142,486	\$147,601
11.3 Other than Full-time Permanent	\$771	\$779	\$779
11.5 Other Personnel Compensation	\$2,023	\$2,400	\$2,400
11.9 Total Personnel Compensation	\$143,952	\$145,665	\$150,780
12.0 Personnel Benefits	\$50,918	\$51,405	\$53,136
21.0 Travel	\$6,221	\$6,116	\$6,116
22.0 Transportation of Things	\$1,012	\$1,015	\$1,015
23.2 Rent Payments to Others	\$6,953	\$6,220	\$6,220
23.3 Communications, Utilities, & Misc.	\$2,831	\$2,555	\$2,555
24.0 Printing and Reproduction	\$105	\$29	\$29
25.1 Advisory & Assistance Services	\$17,258	\$18,236	\$18,236
25.2 Other Services (Goods / Services)	\$338	\$178	\$178
25.3 Government Agencies	\$227	\$231	\$231
25.4 Operation & Maintenance of Facilities	\$355	\$214	\$214
25.6 Medical	\$360	\$276	\$276
25.7 Operation and Maintenance of Equipment	\$627	\$632	\$632
26.0 Supplies and Materials	\$2,114	\$2,162	\$2,162
31.0 Equipment	\$6,621	\$6,274	\$6,274
32.0 Lands and Structures	\$1,576	\$2,675	\$2,675
Total Budget Authority	\$241,468	\$243,883	\$250,729

The dollar values in the document are represented in \$000's unless otherwise stated.

B. Budget Increases and Decreases Description

Chart of Significant Budget Changes	FY 2014 Enacted Level (000's)	FY 2015 Enacted Level (000's)	FY 2016 Requested Level (000's)	Net Change
11.0 and 12.0 Personnel Compensation and Benefits	\$194,870	\$197,070	\$203,916	3.5% Increase \$6,846

The Personnel Compensation and Benefits increase accounts for \$4.8 million for the anticipated increases for health benefits, salaries, and COLA for 1148 FTEs and \$2 million for the additional 12 FTEs.

C. Reimbursable Authority

In FY 2016, 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 2014 Enacted (000's)	FY 2015 Enacted (000's)	FY 2016 Requested (000's)
Offsetting Collections:			
Reimbursable Authority	\$500	\$500	\$500
Total: Offsetting Collections	\$500	\$500	\$500

D. Appropriation Language

Appropriation Language
<p style="text-align: center;">Office of Inspector General</p> <p style="text-align: center;">SALARIES AND EXPENSES</p> <p style="text-align: center;">(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, \$250,729,000 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, 2016 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 its emerging strategic issues, major risks, and management challenges. OA organizes its audit work to address risk factors in four functional audit areas – Mission Operations, Finance and Supply Management, Information Technology and Data Analysis, and Revenue and Resources.

OA's 14 data analytic risk models are critical in developing audit work and assessing operations and risks for the Postal Service. The models use risk factors and performance goals to gauge a program's performance, level of customer service, legal compliance, and internal controls. OA prepares and analyzes the data analytic risk models quarterly and shares the results with Postal Service stakeholders. This allows management and our audit staff to focus on specific program areas requiring further attention. In FY 2014, as of August 15th, these models have had a financial impact of over \$5.6 million. Further, OA uses dynamic reporting to prepare and issue its audit reports. Today, stakeholders are extremely busy, often do not have time to read entire documents, and expect information to be conveyed to them in interactive and highly visual ways.

The following chart shows how OA would allocate its FY 2016 program budget of \$78 million to the four functional audit areas. In FY 2013, OA identified \$14.2 billion in monetary benefits – a return on investment (ROI) of \$184 for each dollar spent.

Audit Resource Allocation

Dollars in 000's



■ Mission Operations, \$23,275

■ Information Technology & Data Analysis, \$14,741

■ Finance & Supply Management, \$19,396

■ Revenue & Resources, \$20,172

MISSION OPERATIONS: \$23,275 Funds Requested

The Mission Operations audit area reviews the U.S. Postal Service's largest cost center functions — Network Processing, Transportation, Delivery, and Post Office Operations. The Postal Service delivered over 158 billion mailpieces in FY 2013 using its massive infrastructure, which includes over 491,000 full-time employees, 320 processing facilities, and 35,434 retail and delivery units. In FY 2013, the Postal Service delivered mail to over 152 million residences and businesses each day.

Risk factors in these core functional areas are those that may impede the Postal Service's abilities to be effective and efficient in moving mail and to ensure service is maintained. Audit work that addresses Mission Operations audit area's objectives includes:

- Assessing overall efficiency of the processing and distribution networks
- Determining cost-effective opportunities for using air and rail transportation to move First-Class Mail
- Identifying opportunities to reduce operating costs for city delivery operations
- Benchmarking the Postal Service's operational processes against those of selected major corporations
- Assessing opportunities to streamline the retail network
- Developing optimization models to provide options for consolidating space in the Postal Service's delivery network and retail locations

In FY 2013, Mission Operations performed 33 reviews and provided monetary benefits of over \$788 million. Review highlights over the past two years included:

- Delivery operations reviews covering Post Office efficiency, carriers returning after 5 p.m., vehicle fleet replacement, additional carrier services, rural mail counts and timekeeping, parcel readiness, and vehicle parts inventory management
- Mail processing operations reviews covering plant consolidations, delayed mail, an assessment of overall plant efficiency, and parcel readiness
- Post Office operations reviews covering non-career, part-time employees, self-service kiosks, and parcel readiness
- Technology reviews covering parcel lockers, same day delivery, scanning, and the address management system
- Transportation operations reviews covering container weights on planes, transportation efficiency, postal vehicle services, surface visibility, mail transportation equipment service centers, highway contract route (HCR) efficiency, and capital property disposal

To best serve the Postal Service, Mission Operations will continue providing value-added audit reports and other products that focus on improving operations. This work will flow directly from several strategic focus areas the OIG has been focused on, such as cutting costs, meeting emerging needs, improving customer service, and optimization and modernization.

The requested budget will allow us to:

- Perform audits focusing on cutting costs in areas that include, but are not limited to, efficiency, consolidation, carrier workforce, retail, transportation, and vehicle reviews
- Conduct in-depth audits of the rural delivery program area costing over \$6.6 billion annually and the HCR program costing over \$3 billion annually
- Perform audits that will bring the Postal Service in line with private industry on parcel handling and delivery, including upgrading package visibility technology
- Conduct studies of Postal Service modernization, including considering outsourcing functions not associated with the core functional areas
- Identify best uses of advantage of network assets (retail, logistics, and delivery networks)
- Use data to channel our limited resources to areas with the most at risk areas and address emerging themes using data modeling and predictive analytics
- Focus on the emerging theme of modernization, with emphasis on updating the processing and delivery infrastructure, including carrier, vehicle, and parcel sorting equipment
- Inform the debate on major mission issues, including the closure of post offices and plants, service-level mandates (such as 6-day delivery), modes of delivery, and retail optimization

Furthermore, Mission Operations will increase the use of its data analytics risk models in audit planning and fieldwork. Mission Operations has developed various risk models and continues to refresh them and add new key risk indicators. The Network Processing and Transportation data analytics risk model measures and ranks mail processing operations and transportation activities by district. Also, included are specific indicators regarding surface and air transportation. The City Delivery Efficiency data analytics risk model measures and ranks delivery operations, including service and program operations factors. In FY 2014, a new Vehicle data analytics risk model was developed to address vehicle maintenance facility operational issues and a Retail data analytics risk model is under development. As the models evolve over time, they will begin to show cause and effect relationships across Postal Service operations, allowing OA to tackle larger problems and fix broad systemic issues.

FINANCE AND SUPPLY MANAGEMENT: \$19,396 Funds Requested

The Finance and Supply Management audit area focuses on issues related to finance, contracting, and facilities management. These areas have a clear financial impact and support daily postal operations to optimize the supply chain and facilities operations and to help ensure accurate, accessible financial data and reporting. Cost control has been a primary (and critical) focus in these areas for the OIG and the Postal Service. Audit work that addresses Finance and Supply Management issues includes:

- Assessing financial reporting controls and reports
- Monitoring key financial activities and identifying cost saving opportunities to help ensure continued operations
- Evaluating the effectiveness of the facilities management and contracting strategies
- Reviewing supply chain and facilities costs to ensure they are adequately controlled by current policies, initiatives, and best practices

The Finance and Supply Management audit area provided monetary benefits of over \$11.5 billion in FY 2013. In addition to these monetary benefits, Finance and Supply Management also provided the following outcomes:

- Performed financial statement audits to assist the independent public accounting (IPA) firm in rendering opinions on the Postal Service's financial statements and internal controls over financial reporting
- Assessed the Postal Service's improper payments program
- Assessed the impact of assumptions used to determine significant Postal Service liabilities
- Identified potential revenue opportunities from ancillary mailing services
- Analyzed the process for preserving and disposing of historic Postal Service properties
- Observed Postal Service spending on facility repairs was well below the industry average
- Assessed contracting practices related to vehicle maintenance facilities, real estate properties, and cloud computing
- Utilized our Lease Renewal data analytics risk model to identify 52 percent of facility lease renewals that could potentially realize cost savings and 39 percent of leases that were for significantly underused facilities

In order to best serve the Postal Service, the Finance and Supply Management audit area will continue to provide value-added audit reports and other products that focus on improving the financial control environment and address cost controls and savings. This work flows directly into OIG's strategic focus areas related to cutting costs and recovering improper payments. Specifically, we will continue to work with Postal Service officials to identify risks and trends through the use of data analytics, financial control deficiencies, and supply chain best practices. This work will yield proactive recommendations that will help the Postal Service reduce its debt and costs, improve its liquidity, and implement processes that protect it.

The requested budget will allow Finance and Supply Management to:

- Continue our annual support of the IPA's financial statement and internal controls opinions
- Provide opportunities and options to help the Postal Service improve its liquidity and assets and reduce its future liabilities
- Continue evaluating contracting practices associated with significant individual or Postal Service-wide contracts to ensure best practices are incorporated into Postal Service policies and processes
- Analyze Postal Service facilities to ensure they are adequately maintained, fully utilized and, as appropriate, disposed of in a manner that protects the interest of not only the Postal Service, but also U.S. citizens
- Upgrade our data analytics risk models to address some of the key financial (improper) payment, lease, and contracting risks
- Continue to assess the Postal Service's efforts to generate revenue and reduce costs through facility optimization and opportunities to sell and lease properties

Data analytics risk modeling is essential to the success of Finance and Supply Management. The Finance and Supply Management audit area prepares and analyzes multiple data analytics risk models results and shares them with Postal Service stakeholders. These models are critical in developing audit work and assessing operations and risk for the Postal Service.

Examples of these models include:

- The Real Estate data analytics risk model detects emerging risk that could affect facilities' ability to provide quality real estate and facilities' management services. The objective of the model is to identify emerging inefficiencies and underused facility space.
- The Supplier Solvency data analytics risk model measures a supplier's probability of financial crisis and the impact on the Postal Service in the event of business failure.
- The Cost and Controls data analytics risk model assesses districts currently "at risk" from a financial standpoint (for example, local purchases, employee related items, revenue, and refunds) for potential audit and investigative attention.
- The Bank Secrecy Act data analytics risk model assesses the financial, operational, and geographical risks from not properly reporting potential money laundering activities.

Information Technology and Data Analysis: \$14,741 Funds Requested

The Information Technology and Data Analysis audit area focuses on issues related to financial and information systems. This area reviews the Postal Service's ability to use technology to manage operations, maximize return on investment, and secure and protect existing technology. As a data rich organization, the Postal Service must continue to appropriately harness its data and use it to manage organizational performance.

Audit work that addresses Information Technology and Data Analysis issues includes:

- Best practices for using data to manage operations
- Processes for measuring and tracking performance of strategic initiatives and investments
- Evaluation of security and protection of sensitive data
- Vulnerability assessments to identify issues that may negatively impact the confidentiality, availability, and integrity of systems
- Identification of controls to mitigate the risk of fraud

As technology is rapidly changing and the Postal Service has limited resources, the Information Technology and Data Analysis audit area evaluates governance, investment management, and protection of information resources and data used to support Postal Service operations. The Information Technology and Data Analysis audit area provided monetary benefits of \$155 million in FY 2013.

Highlights include:

- Ensuring accountability in Delivering Results, Innovation, Value, and Efficiency (DRIVE) initiatives via an audit and controls process for each project at the program manager level
- Recommended management establish a formal, enterprise-wide data governance program
- Reviewed decision analysis reports to ensure prudent capital investment
- Recommended management enhance the Postal Service Light Blue application to protect employee personnel records and payroll data
- Performed vulnerabilities assessments in the South Florida and Capital districts to identify missing configurations and patches necessary for continued system operations

Within this audit area, success is defined in terms of providing timely and relevant evaluation of Postal Service technology and use of data to stakeholders.

The requested budget will allow Information Technology and Data Analysis to:

- Capitalize on existing expertise to provide even greater value to the Postal Service and identify more opportunities to improve Postal Service investments and performance so its operations are managed more efficiently and effectively
- Provide value-added audit reports and other products that focus on emerging technology and solutions, optimizing information technology programs, improving system performance and controls, and protecting data security
- Assist the Postal Service in maintaining awareness of emerging technology and data needs
- Evaluate information technology strategies and governance programs
- Evaluate operation and system control effectiveness
- Identify potential security weaknesses

During FY 2014, the Information Technology and Data Analysis audit area developed the Project Management data analytics risk model. This model measures three basic indicators – program risk, program health, and program budget – to identify system development activity that may be at risk. In addition, the Information Technology Security data analytics risk model measures security events that have occurred on Postal Service computers throughout the nation. These events can indicate whether a user is engaging in activity such as inappropriate web browsing, file exchanging, or email viewing – the three main conduits used to infect a network and disrupt system operations.

Revenue and Resources: \$20,172 Funds Requested

The Revenue and Resources audit area focuses on issues related to Postal Service sales and marketing operations and human resource management, security, and emergency preparedness. Audit work in this area includes:

- Assessing the Postal Service's revenue generation and revenue protection strategies and processes
- Assisting the Postal Service in cost-effectively meeting its various legislative mandates
- Assessing the value of volume-based national service agreements
- Evaluating ways to reduce the Postal Service's Workers' Compensation Program cost
- Assessing the Postal Service's processes to ensure compliance with Occupational Safety and Health Administration (OSHA) regulations to protect employees and avoid OSHA penalties
- Evaluating the effectiveness of mail program testing and safeguards and Postal Service emergency preparedness programs

The Revenue and Resources audit area conducts a wide range of meaningful audit work promoting economy, efficiency, cost savings, revenue generation, accountability, and innovation at the Postal Service. We continuously solicit input from Postal management to determine their concerns and have built professional networks both within the Postal Service and the audit community to enhance our value and work. Going forward, we will continue to build on our knowledge base and assess the Postal Service's opportunities to generate revenue in the areas of new products and innovation. We will also continue to evaluate risks in the areas of revenue protection, human resources, security, emergency preparedness, and environmental sustainability. The Revenue and Resources audit area provided a monetary benefit of \$1.8 billion in FY 2013.

Over the past two years, audits in this area have concluded that the Postal Service could:

- Reduce and recover “Undeliverable as Addressed” mail costs
- Improve administration of workers' compensation claims
- Increase the effectiveness of the Business Service Network
- Improve support for e-commerce efforts
- Improve electronic parcel payment systems
- Implement a strategy to place a priority on generating small business revenue
- Leverage the relationship postmasters have with local small businesses
- Improve the collaboration between postmasters and sales staff and develop clear communication paths to support postmasters
- Improve the availability and use of quality sales-related tools, data, and training

The Revenue and Resources audit area hosted a roundtable discussion to obtain participants' views regarding virtual post office (PO) boxes. Participants were generally receptive to the ideas, features, and concepts of the virtual PO Box. Discussion focused on the role of the Postal Service and implementation challenges of the virtual PO Box. Participants included representatives from:

- The Postal Service and stakeholders
- Postal Regulatory Commission
- Labor Unions
- Management Associations
- Academic personnel with business and digital expertise

As the Postal Service moves forward, it will continue to face many challenges, such as the public's increasing use of electronic communications and the lower cost advertising options available to mailers as they reach out to their customers. In addition, competition from the private sector for package shipping business will apply additional pressure on the Postal Service's sales, marketing, and consumer groups.

In order to best serve the Postal Service, the Revenue and Resources audit area will continue to provide value-added audit reports and other products that are forward-thinking and data driven. We will work with the Postal Service to identify trends and make proactive recommendations that will help the Postal Service generate revenue and satisfy customers. As technologies and systems are developed, we will advance our knowledge and skill sets with data analytics, and the Postal Service will benefit from these improvements. The requested budget will provide opportunities for Revenue and Resources to cover broader areas and continue to conduct audits that will be nationwide in scope.

The Revenue and Resources audit area work addresses all five OIG strategic focus areas. Our work emphasizes revenue generation through enhanced sales and marketing efforts and improved customer service. We also help the Postal Service meet emerging needs and optimize and modernize its postal culture through seamless and e-commerce initiatives and increased partnering. In addition, we address cost control within the Postal Service and review of the appropriateness of payments to employees for areas including grievances and workers' compensation.

Data analytics risk models are essential to the success of the Revenue and Resources audit area. Our models are critical in developing audit work and assessing operations and risk for the Postal Service. Specifically,

- The Revenue Generation and Assurance data analytics risk model compares quarterly revenue to same period last year for commercial and retail channels at the national and district levels. Additionally, it incorporates data to measure revenue protection for both commercial and retail channels.
- The Mail Security data analytics risk model provides an analysis of suspicious and fraudulent activities concerning dangerous mail.

Legislative Mandates

Over \$8 million of our Audit budget 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 over \$1 million to oversee activities of the Postal Inspection Service and \$380,204 to audit the data collection systems and procedures the Postal Service uses to prepare reports related to costs, revenues, rates, and quality of service for all products. The OIG also spends over \$6.2 million to assist the Postal Service in meeting its legislative mandates by performing work such as audits supporting 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	\$6,246,221
39 U.S.C. § 3652	Audits of Postal Service Data Collection Systems	\$380,204
5 U.S.C. App. 3 § 8G(f)(2)	Oversight of the Postal Inspection Service	\$1,029,517
Various	Audits in Support of Postal Service Mandates**	\$407,937
Total Dollar Value		\$8,063,879

*Based on FY 2014 audit work through June 30, 2014.

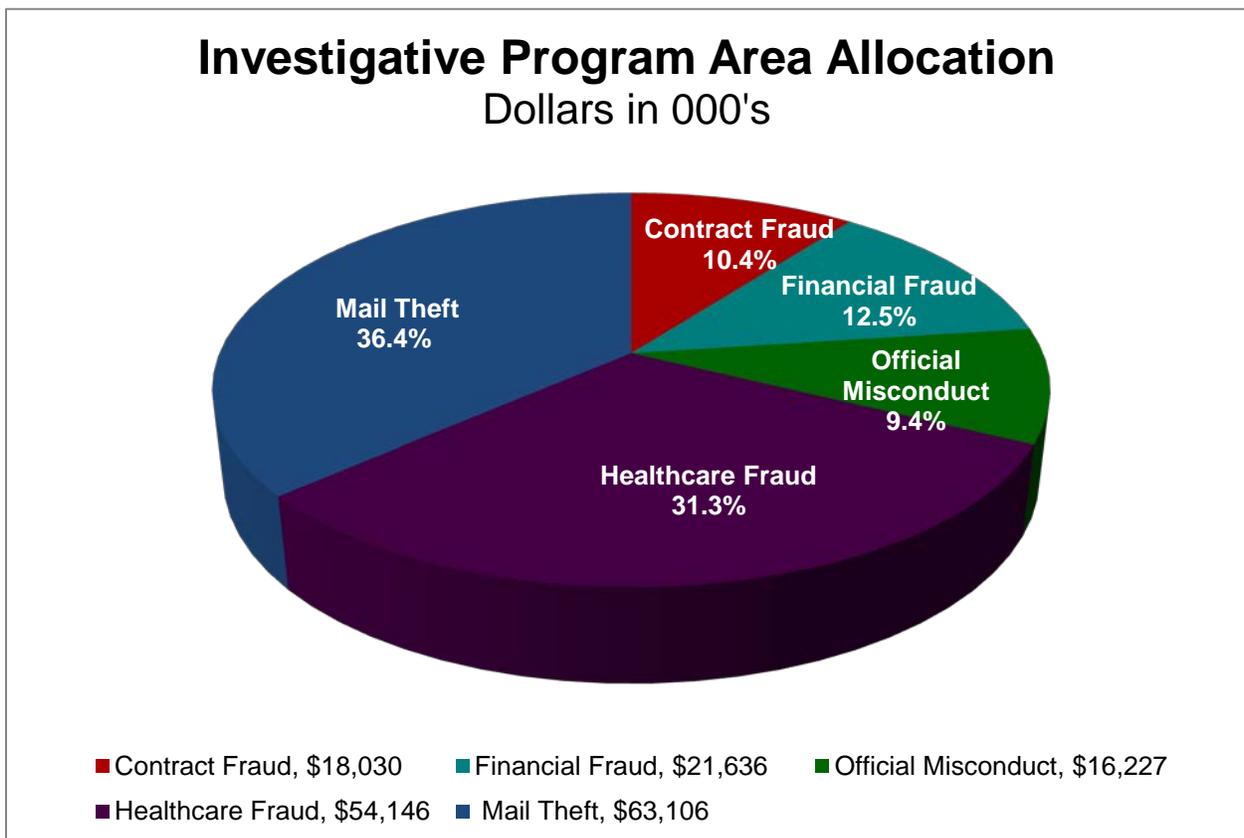
** Although not legislatively mandated for the OIG, these information technology-related audits support legislative mandates for the Postal Service.

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 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 2016 program budget of \$173 million to the five investigative programs.



CONTRACT FRAUD: *\$18,030 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

In FY 2013, the Contract Fraud Program's monetary benefit to the Postal Service was \$231 million.

FINANCIAL FRAUD: *\$21,636 Funds Requested*

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.

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

In FY 2013, the Financial Fraud Program's monetary benefit to the Postal Service was \$11 million.

HEALTHCARE FRAUD: \$54,146 Funds Requested

The Healthcare Fraud program conducts investigations for two main types of fraud: claimant fraud and medical provider fraud. 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

Healthcare frauds may be conducted entirely by federal employees, employees in collusion with health care providers, or by providers committing these frauds independently, without the knowledge of the employees. In many healthcare/disability frauds, the healthcare providers work across multiple government departments and their crimes involve private parties as well as federal, state and local government employees.

Increasingly, OIGs are using data analytics to develop evidence of such crimes and the Data Act is expected to greatly enable larger and more sophisticated efforts to identify these crimes across the government. Our agency has remained a leader in this area and we have developed a number of data analytics model tools to more quickly identify fraud. A number of agencies are using our tools as models for their own efforts and the Department of Labor recently contracted to duplicate our healthcare data analytics model in its own infrastructure.

The Healthcare Claimant Risk Analysis data analytics risk model is a predictive statistical model developed to identify Office of Workers' Compensation Programs (OWCP) claimants with a high probability of fraud based on historical OIG OWCP claimant investigations. This tool was designed to assist investigators with case selection and development. In FY 2014 alone, the Healthcare Claimant data analysis risk model has identified numerous leads resulting in over 120 investigations opened by our investigators. Over the past two years, such leads have resulted in nearly \$40 million in cost savings.

The Healthcare Fraud Program has consistently represented a large effort with strong results. As a result of our success, in FY 2014, the Postal Service requested that we increase our fraud detection and recovery efforts to address rising healthcare costs. In response to their request, we shifted \$2 million from lower immediate return investigative efforts such as mail thefts and contracts fraud to support 12 agents to focus on healthcare and disability fraud. The results have been dramatic. We are on track to increase detection, prosecution, and recoveries for the Postal Service by 30 percent in FY 2014 over FY 2013.

OFFICIAL MISCONDUCT: \$16,227 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

In FY 2013, the Official Misconduct Program's monetary benefit to the Postal Service was \$0.416 million.

MAIL THEFT: \$63,106 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

Like the Official Misconduct program, the investigations in this program are designed to protect the public trust in the Postal Service.

In FY 2013, the Mail Theft Program's monetary benefit to the Postal Service was \$0.350 million.

OI expects its current volume of work to remain stable in all investigative areas, while increasing in healthcare fraud work. OI will continue to focus its resources on allegations with the most significant risk and potential impact to the Postal Service.

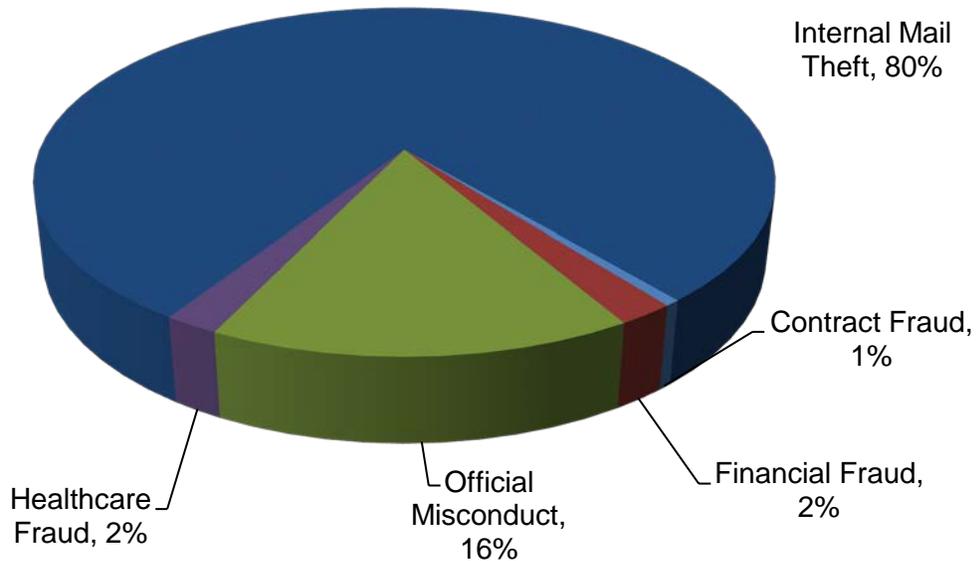
In FY 2016, OI plans to retain its focus on its five program areas and achieve financial results approximating \$350 million, an increase of \$85 million over the previous year's goals. These program areas show a large return on investment by identifying savings, which will assist the Postal Service in meeting future financial responsibilities.

OI seeks high quality cases to maximize the potential financial impact to the Postal Service. OI establishes performance measures to set the direction for each program area.

HOTLINE CONTACTS

In FY 2014, 20,323 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 2014 Hotline Files Referred to OI Program Areas



The following chart shows the hotline volume by program area for FY 2014.

Program Area	FY 2014 Contacts
Contract Fraud	114
Financial Fraud	428
Official Misconduct	3,167
Healthcare Fraud	412
Internal Mail Theft	16,202
Total Annual Contacts	20,323
Other OIG Departments	1,117
Non-OIG Contacts	11,554
Total Annual Contacts	32,994

Section 4 – Supporting Materials

A. Human Capital Strategy Description

Description	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Request
FTEs	1,148	1,148	1,160
Net Change from prior start of year to budget end of year	0	0	+12

Due to the complexity of work within the OIG community, it is important to retain a highly specialized talent pool. 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:

- Align workforce with the strategic priorities of the OIG
- Workforce planning capabilities, skills analysis, and other analysis tools that keeps pace with our talent management strategy
- Continue to identify OIG mission critical occupations and the core competencies associated with those occupations
- Employee mastery paths to include expert knowledge of:
 - Assignment
 - Profession
 - OIG operations
- 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
- 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 the OIG roadmap and path forward. With years of shrinking resources and the poor financial climate of the Postal Service, the OIG has turned toward hiring contractors to fulfill some 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 and 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 our own personnel to develop a bench of talent that have the capacity and bandwidth to contribute to the future successes as Postal Service continues to undergo and experience significant change.

B. 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 accessibility and security for mobile workforce via virtual desktop
- Focused, deliberate improvements in customer service for all products and value-added services
- Supporting rapidly evolving efforts in data analytics

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 support the data analytic efforts designed to enhance the effectiveness of investigators and auditors in a diverse and mobile environment. The funding also strengthens the security of our infrastructure, ensuring the information collected during audits and investigations of Postal Service operations and resources are not susceptible to cyber-attacks or other computer corruption.

During the past year, the OIG achieved its cost savings efforts through strategic IT investments. In keeping with the administration’s FY 2016 budget guidance, the OIG continues 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 leveraged the cost of our 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 2014 Enacted	FY 2015 Proposed	% Change from FY2014 to FY2015	FY 2016 Requested	% Change from FY2015 to FY2016
Major IT Investments	\$-	\$-	\$-	\$-	\$-
Non-Major IT Investments	\$11,863	\$12,107	2%	\$12,349	2%
Infrastructure Investments	\$-	\$-	\$-	\$-	\$-
Enterprise Architecture	\$-	\$-	\$-	\$-	\$-
Total IT Investments	\$11,863	\$12,107	2%	\$12,349	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 flex necessary IT expertise when needed.

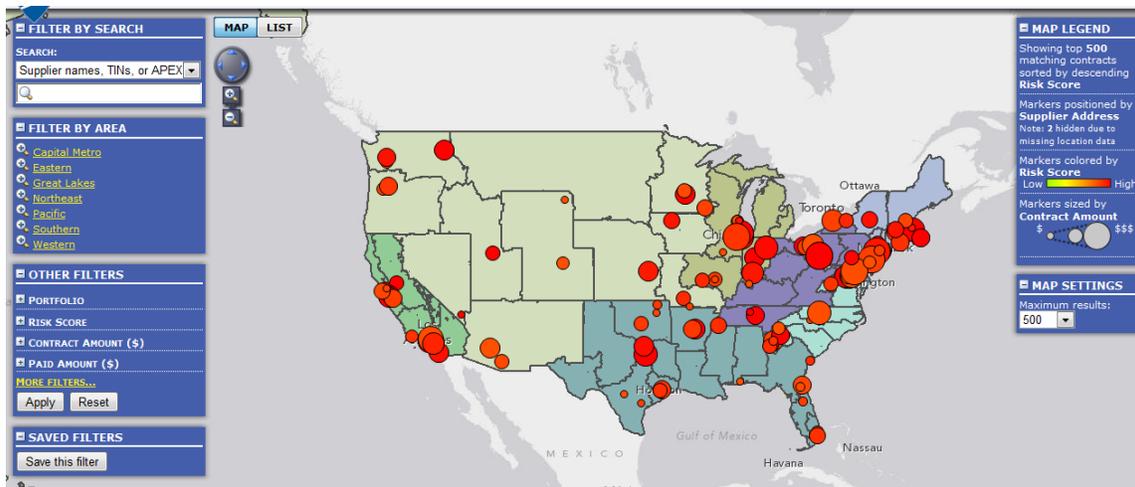
C. Predictive Analytics

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 of data and the rapid changes in data analytics capabilities.

The OIG continues to rely upon and invest in data analytics 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 risk and data analytics models provide results that are 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 2016 is to invest in additional tools that support both our investigative and audit work.

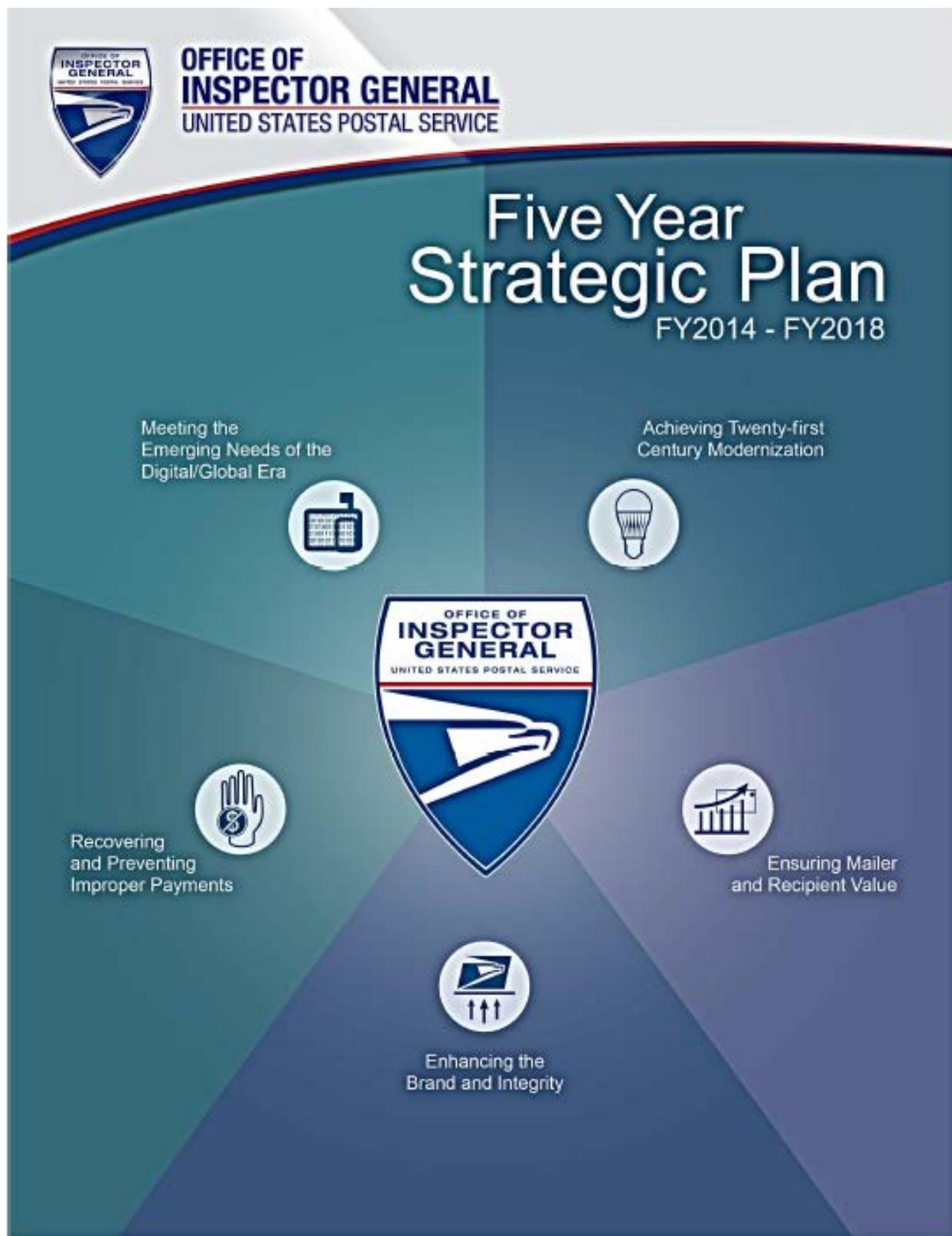
The OIG has deployed more than 20 models and tools that support investigations, audits, and the Postal Service. We have focused our attention on high-risk fraud and have shortened the investigative lifecycle. Combining disparate data sets and information into one place has assisted in improving efficiency. 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 needed 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.

APPENDIX A

OIG 5-YEAR STRATEGIC PLAN



Message from the Inspector General

For almost 240 years, the United States Postal Service has provided the nation with a secure, universally accessible platform for commerce and communications. The Postal Service has built a brand that customers, suppliers, and employees trust to protect the privacy and security of their information, whether it is their mail or electronically stored data maintained in a computer database. In 2013 the Postal Service ranked as the nation's fifth most trusted company and the most trusted government agency.

The Postal Service is an enormous, complex operation, currently handling 40 percent of the world's mail volume. However, that world is rapidly changing, as electronic communication poses both threats and opportunities to the postal enterprise. The \$1.5 trillion e-commerce market has not reached its full potential; participants are still working to improve trust and enhance associated logistics, return services, payment, and security.

The Postal Service has responded by improving existing products and services, experimenting with new services, and streamlining its operations. But continued innovation and optimization in such times of rapid change is critical to ensure the Postal Service's long-term financial stability. It sells postage on line and through self-serve kiosks, and offers flat rate Priority Mail pricing and simplified mailing services such as Every Door Direct Mail, which allows businesses to reach customers without the need for names or addresses. Over 170,000 Intelligent Mail devices enable real-time package tracking for customers. If its experiment as the provider of the digital Federal Cloud Credential Exchange platform succeeds, the public will be able to securely access online government services at multiple agencies without the need for digital identification for each service. To reduce costs, the Postal Service has reduced hours in post offices, consolidated processing facilities and reduced delivery routes, despite the growth in delivery points.

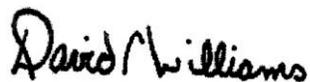
The U. S. Postal Service Office of Inspector General has, and will continue, to identify opportunities for cost savings as well as innovation. A January 2014 OIG study suggesting the Postal Service offer non-bank financial services to some 68 million financially underserved Americans has received unprecedented attention in policy circles and in the popular media. Over the past five years OIG auditors have identified billions of dollars in potential monetary savings and our investigators identified \$1.5 billion in cost avoidance, fines, restitutions, and recoveries as defined by the Inspector General Act and reported to the Office of Management and Budget. We issued over 1,500 audit reports containing more than 1,100 significant recommendations for improving Postal Service operations and financial processes. We completed more than 20,000 investigations that resulted in over 6,000 arrests, indictments or informations, 3,800 convictions or pretrial diversions, and 10,600 administrative actions taken by the Postal Service. Preserving the integrity and security of the Postal Service has been, and continues to be, a top OIG priority.

In this Five-Year Strategic Plan for 2014–2018, we present our strategic focus areas and implementation strategies. Our strategic focus areas align with the Postal Service's strategic goals – preserving reliable and affordable universal service and implementing comprehensive transformation for a long-term sustainable future – articulated in the Postal Service's April 2013 Five-Year Business Plan. Our plan is focused on supporting the Postal Service and Congress as they confront fundamental questions on the future of the Postal Service.

The next five years, we will continue use of digital analytics to improve the efficiency and value of our investigations and audits. We will apply increasingly complex predictive analytics to scrutinize the large volume of information on Postal Service operations. This approach will further enhance our proven ability to identify investigative and audit leads with a high likelihood of fraud detection, prevention and monetary savings.

We will continue to focus on our knowledge centered work environment and professional network collaboration to enhance the value of each of our professionals. Our executives, managers and staff meet regularly with stakeholders, and we have enhanced our collaborative environment using social media tools. We have held discussion forums on such topics as big data, eGovernment, and enhancing the value of mail. These efforts ensure that knowledge we gain about the Postal Service is retained regardless of changes in our workforce and that we are in tune with the needs and interests of our customers and stakeholders.

We will provide even more value than we have in the past, leveraging our resources with technology and effective knowledge transfer programs. We also recognize that continuous hiring, retention and development of high quality employees, and keeping our employees fully engaged with challenging work, is essential to our success. Operating by our values, I am confident we can continue to deliver optimal value to the Postal Service and our stakeholders.

A handwritten signature in black ink that reads "David Williams". The signature is written in a cursive, slightly slanted style.

David C. Williams

Five-Year Strategic Plan FY 2014- FY 2018

Contents

Overview of the Office of Inspector General Strategic Plan, FY 2014 – FY 2018

OIG Mission, Vision, and Values

OIG Strategic Focus Areas and Implementation Strategies

Appendices

1. Strategic Alignment and Planning

2. Statutory Responsibilities

Overview of Office of Inspector General Strategic Plan, FY 2014 – FY 2018

Mission

Promote Integrity and Accountability

Vision

Performance to Deliver Value
Passion for Our Mission
Pride in Our Employees

Values

Results

Innovation

Leadership and
Professionalism

Knowledge

Flexibility

Strategic Focus Areas For OIG Oversight

①

Meeting the
Emerging
Needs of the
Digital/Global
Era

②

Achieving
Twenty-first
Century
Modernization

③

Ensuring
Mailer and
Recipient
Value

④

Enhancing
the Brand
and Integrity

⑤

Recovering
and
Preventing
Improper
Payments

Mission

Promote integrity and accountability

Vision

Performance to deliver value

Passion for our mission

Pride in our employees

Values

- Results
 - Demonstrates critical thinking ability
 - Demonstrates good judgment and business acumen
 - Demonstrates effective oral and written communication skills
 - Assignment-Based Evaluation Performance
- Innovation
 - Identifies need for, and finds, new ways to achieve results
 - Introduces new ideas and inspires others
 - Demonstrates the effective use of current and emerging technology and social media
- Leadership and Professionalism
 - Demonstrates leadership
 - Develops self and others
 - Treats others as one likes to be treated
 - Collaborates and promotes teamwork in getting things done
 - Demonstrates positive interpersonal skills
- Knowledge
 - Furthers institutional knowledge by contributing to Communities of Practice, Employee Engagement & Empowerment (e3), and the Knowledge Centered Environment
 - Incorporates organizational knowledge in projects and assignments
 - Builds and maintains knowledge networks
 - Shares knowledge and mentors others
 - Continuously expand one's own knowledge
- Flexibility
 - Embraces, champions and is an agent of change
 - Contributes to change through ideas and leadership
 - Exhibits flexibility, adaptability and resilience

Strategic Focus Areas and Implementation Strategies

In keeping with the Government Performance and Results Act and the Inspector General Act, our strategic focus areas and implementation strategies form the foundation of this strategic plan and are designed to guide us in performing work that will improve our operational efficiency and effectiveness and the value of our products and services. We developed these strategic focus areas and implementation strategies to ensure continued alignment with Postal Service and stakeholder strategies. Following are the OIG's strategic focus areas and implementation strategies that will guide our work during this strategic planning period.

Strategic Focus Area 1 **Meeting the Emerging Needs of the Digital/Global Era**

Inform and connect the postal enterprise, stakeholders, and the OIG through the use of innovative technology

Implementation Strategies

- 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
- Monitor continuously trends affecting the Postal Service and mailers, to identify opportunities for innovation in the types of products and services the Postal Service offers
- Continue to improve the OIG knowledge-centered environment and communities of practice, in order to better share, among OIG executives, managers and staff, knowledge of trends affecting postal operations, awareness of risks to postal operations, and opportunities to improve postal operations and the Postal Service's financial condition
- Better integrate information technologies to equip OIG staff with responsive, mobile tools, enabling them to work on a variety of devices anywhere, anytime, thereby increasing operational efficiencies and improving the effectiveness of OIG operations
- Improve our computer intrusion infrastructure to facilitate working collaboratively with the Postal Inspection Service and the Postal Service

Summary Measurement Indicators:

The percentage of customer service, sustainability, and cost, pricing and rates recommendations accepted resulting from audits of the Postal Service; and OIG budget execution.

Strategic Focus Areas and Implementation Strategies

Strategic Focus Area 2 Achieving Twenty-first Century Modernization

Make recommendations that enhance service to customers by improving operational economy efficiency and effectiveness

Implementation Strategies

- Leverage innovative and cutting edge technologies, such as cloud-based virtual desktops teamed with mobile infrastructure, to provide auditors and investigators with the information they need, anytime, anywhere
- Further modernize OIG's capability to synthesize data and information on postal operations and turn it into useable knowledge and insight to identify the root causes and solutions for weaknesses in postal operations
- Focus strategically, with “just-in-time” work that addresses both risks to the Postal Service, and opportunities for the Postal Service to increase revenue, optimize operations, and better position itself in the marketplace
- Recruit, retain and develop a highly skilled and diverse workforce to perform audits and investigations, using individual development plans, our Learning Management System, and Knowledge Centered Environment
- Collectively achieve and maintain the organizational competencies necessary to deliver products and services needed by stakeholders and required by our mission in a high quality and timely manner. We will achieve this by providing OIG staff with paths to mastery of knowledge of the OIG, knowledge of the profession, and knowledge of the assignment. We will also work to improve organizational alignment and replace bureaucracy with flexibility



Summary Measurement Indicators:

Timeliness, quality, and cost of audits and investigations; and customer survey results.

Strategic Focus Areas and Implementation Strategies

Strategic Focus Area 3 Ensuring Mailer and Recipient Value

Explore emerging opportunities in integrated delivery, micro logistics, and managed delivery

Implementation Strategies

- Track social, technological and industry trends capturing patterns of human interaction, how businesses are organized and how transactions take place
- Facilitate interaction among global posts to gather best practices and anticipate postal market innovations
- Propose new products and services
- Support Postal Service efforts to generate revenue and cut costs by identifying \$75 billion in new revenue and cost reduction opportunities

Summary Measurement Indicators:

Revenue impact, monetary benefits, interactions with external stakeholders and opinion leaders.

Strategic Focus Areas and Implementation Strategies

Strategic Focus Area 4 Enhancing the Brand and Integrity

Conduct investigations and audits that enhance the integrity and security of Postal Service products, services and people.

Implementation Strategies

- Expand products and services, and add capabilities to continually meet the needs of the Postal Service and other stakeholders
- Help the Postal Service to self-police employee misconduct by sharing insights from employee misconduct cases
- Deploy Dynamic Reporting, a process by which we will enhance or replace current OIG reports and white papers to include video and graphics
- 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
- Continue to measure and take actions to improve employee and customer satisfaction during the next 5 years

Summary Measurement Indicators:

Actual cost avoidance, fines, recoveries, settlements and judgments; closed investigations; and administrative actions taken.

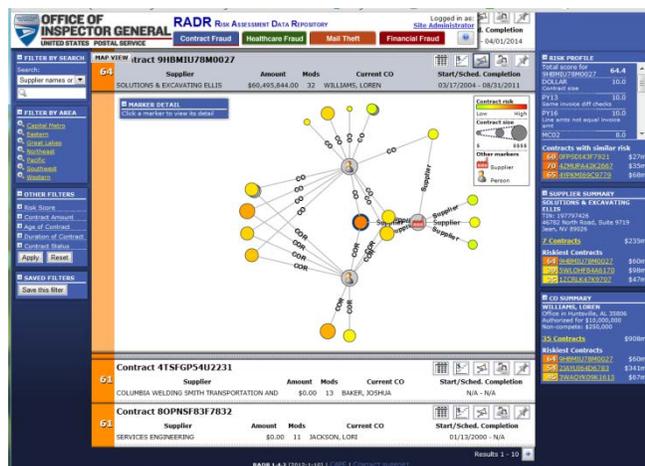
Strategic Focus Areas and Implementation Strategies

Strategic Focus Area 5 Recovering and Preventing Improper Payments

Proactively address vulnerabilities and accelerate recovery of improper payments

Implementation Strategies

- Recommend ways to strengthen internal controls on postal systems
- Proactively analyze and assign risk rankings for all contract, health care, and other financial transactions
- Deploy investigative assets based on risk rankings
- Expand the OIG's successful use of data analytics and predictive data modeling tools to proactively identify vulnerabilities, propose countermeasures, and measure the effectiveness of such countermeasures
- Conduct objective, independent, timely, and high-quality investigations of misconduct and fraud that over the next 5 years will recover \$2 billion in fines, restitutions, recoveries, settlements, and cost avoidance



Summary Measurement Indicators:

Financial impact, improved investigative targeting, timeliness of case resolution.

Strategic Alignment and Planning

Our Offices of Audit (OA) and Investigations (OI) work to help the Postal Service manage its major risks.

Audit

OA's focus is on those projects that provide Postal Service management with information to address the emerging strategic issues and major risks and management challenges they are facing. During FY 2011, Postal Service management recognized that the scope, scale, and pace of necessary organizational change required significant improvement in their management of strategic projects. To improve business strategy development and execution against major goals, the Executive Leadership Team adopted an original list of 36 strategic initiatives, referred to as DRIVE (Delivering Results, Innovation, Value and Efficiency). The list of initiatives changes over time; In FY 2013, the Postal Service focused on a portfolio of 24 strategic initiatives. For FY 2014 the Postal Service is focusing on 20 initiatives.

In April 2013, the Postal Service published its five-year business plan, which articulated five key restructuring objectives:

- Preserve the ability to provide and finance secure, reliable and affordable universal delivery service
- Further economic growth and enhance commerce
- Implement comprehensive transformation for a long-term sustainable financial future
- Protect U.S. taxpayers (avoid Federal funding and appropriations)
- Maintain fairness to employees and customers

Over the past several years there have been some significant shifts in the postal industry. The strategy of revenue diversification, away from the traditional mail product, has gained some success over more traditional paths. Posts are working to build business units in the new diverse areas that are as effective and performance driven as their legacy businesses. Technology continues to play a significant role in the future of Postal organizations. eCommerce is producing a fresh stream of revenue from parcel volumes. As Posts are realizing they can become a part of the broader eCommerce ecosystem, a new breed of digital postal business is born – with the potential to be the first in line for the next wave of revenues.

OA's planning process ensures that our audit work addresses key risks and restructuring objectives. OA uses an Enterprise Risk Management approach to identify both risks to the Postal Service, and opportunities for innovation. OA executives update their annual assessments of key risk factors and discuss the assessments with all OIG executives. OA executives keep abreast of strategies in the postal industry, focusing reviews on relevant best practices and successful strategies. OA executives and directors also maintain professional relationships and outreach with Postal Service executives and other stakeholders to ensure open communication and full coverage of issues and challenges facing the Postal Service. In quarterly meetings OA executives and directors discuss strategic focus areas that emerge from the risk discussions, and based on risks, opportunities and stakeholder concerns, develop "just-in-time" audit projects for the next calendar quarter. These processes allow OA to also focus on future strategies to help the Postal Service be a successful enterprise in the 21st century.

OA will continue to enhance its Performance and Results Information Systems (PARIS) models with predictive modeling elements and improved data visualization techniques. These models identify

operational and financial risks, and enable OA staff to analyze and conduct reviews of Postal Service functions on a nationwide basis, while also identifying areas of emerging risk. OA shares PARIS model results and underlying data with the Office of Investigations, the Governors, Postal Service officials, and other key stakeholders. Postal Service management uses PARIS information to help identify risks within their districts. OA meets its statutory responsibility by conducting audits and evaluations in the following areas:

- Network Processing and Transportation
- Delivery and Post Office Operations
- Finance
- Supply Management and Facilities
- Human Resources and Support
- Sales and Marketing
- Information Technology
- Data Analysis and Performance

Investigations

OI relies in part on the OIG's Countermeasures and Performance Evaluations (CAPE) data analytics function. CAPE uses data mining and predictive modeling to extract non-obvious patterns and relationships within data to better target the work of special agents (and auditors).

OI's structure and ongoing resource redeployment are designed to cover postal program vulnerabilities and are aligned geographically to the postal workforce with specialized units in Headquarters, including the Computer Crimes Unit and Cyber & Technical Operations Unit. With approximately 600 Special Agents stationed in more than 108 offices nationwide, OI meets its statutory responsibility by investigating internal postal crimes involving:

- Health Care Fraud
- Contract Fraud
- Financial Fraud
- Internal Mail Theft
- Official Misconduct

For each postal area, Special Agents in Charge develop domain awareness, including risk awareness based on the profile of vulnerabilities in the area. OI tracks the nature of criminal activity in order to direct its resources to anticipate the scope of investigative work.

Statutory Responsibilities

The Postal Service OIG was established pursuant to provisions of the Omnibus Consolidated Appropriations Act of 1997, Public Law 104-208, on September 30, 1996. General OIG authority is derived from the Inspector General Act of 1978, as amended, codified at 5 U.S.C. Appendix 3, §§ 1-13, which provides statutory responsibility to protect the integrity of Postal Service programs and operations, and to ensure that the mail service is administered with maximum economy and efficiency.

As prescribed by the IG Act, we will:

- Maintain our independence and objectivity to conduct and supervise audits and investigations relating to the programs and operations of the Postal Service;
- Recommend policies and practices to promote economy, efficiency, and effectiveness in the administration of Postal Service programs;
- Take appropriate action to prevent and detect fraud, waste and abuse in the Postal Service's programs and operations;
- Oversee all activities of the U. S. Postal Inspection Service, including any internal investigation performed by them;
- Keep the Governors and Congress fully informed about problems and deficiencies and the necessity for and progress of corrective action;
- Receive and, as appropriate, investigate complaints from any person or entity, including Congress;
- Report violations of law to the U.S. Attorney General;
- Review existing and proposed legislation and regulations;
- Protect the identity of whistleblowers; and
- Prepare and submit semiannual reports to the Governors and Congress.

The Postal Accountability and Enhancement Act of 2006 requires the OIG to regularly audit the data collection systems and procedures the Postal Service uses in collecting information used for its report to the Postal Regulatory Commission.