



Office of Inspector General Semiannual Fact Sheet

Fall 2014

The Office of Inspector General plays a key role in maintaining the integrity and accountability of the nation's Postal Service, its revenue and assets, and its employees through our audit and investigative work.

The U.S. Postal Service's mission – to bind the nation together and enable commerce – has remained essentially the same despite major changes in the way we communicate and share information. Some have argued that these rapid changes make the Postal Service's role as a reliable, secure, and trusted delivery provider more important than ever.

Likewise, the U.S. Postal Service Office of Inspector General's (OIG) commitment to integrity, accountability, and transparency remains steady even as the tools we use to achieve our goals

continually evolve. Collaboration, data analytics, and modeling have enhanced our work, helping us to focus on high-risk, high-value work. We are now able to proactively pursue risks and work cases

faster. We are collaborating with the Postal Service to model data across program areas for more timely, relevant, and actionable products.

The OIG's goal is to deliver the best possible value to stakeholders through independent audits, investigations, and research. This fact sheet provides a snapshot of key findings from our Fall 2014 Semiannual Report to Congress.



Retaining and Growing Business Mail

Commercial customers are vital to the Postal Service's long-term viability, comprising 71 percent (\$46 billion) of Postal Service revenue in FY 2013. Revenue losses from reduced commercial customer spending have exceeded new revenue in 2 of the past 3 years.

The Postal Service has tried to retain customers, including changing its sales force, operating customer retention call centers, and enhancing its ability to predict which customers it risks losing. At the same time, the Postal Service provides a single point of contact for some commercial mailers through its Business Service Network (BSN). The 300-employee BSN supports nearly 23,000 large customers — who generated \$37.6 billion in revenue in FY 2013 — for service issues, information, and other requests.

We discovered that enhancements to customer retention strategies and the BSN could mitigate revenue loss and, potentially, grow revenue from the important commercial customer segment.

Business Service Network

We found the average resolution time for BSN service requests was 5 days — which is 2 days longer than BSN guidance requires — because BSN staff depends on input from operational staff to resolve issues. Also, 53 percent of accounts that require outreach were not contacted proactively. We found that increasing customer outreach to all BSN customers could generate \$382 million in additional revenue in FY 2014. We also found the BSN customer experience survey excludes a large percentage of BSN customers

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To view or receive the entire Semiannual Report to Congress, go to www.uspsoig.gov or call 888-877-7644.



The Office of Audit's Mission

The Office of Audit's mission is to protect assets and revenue, ensure efficient and economical mail delivery and operations, and safeguard the integrity of the postal system. Postal Service executives often work closely with their OIG counterparts to identify problems and collaborate on solutions. These efforts have resulted in significant savings opportunities. During this period, the OIG issued 100 audit reports and management advisories that resulted in about \$6.8 billion in monetary impact.

Highlighted Statistics

For the period April 1 – September 30, 2014

AUDITS

Reports issued	100
Significant recommendations issued	129*
Total reports with financial impact	23
Funds put to better use	\$221,881,059
Questioned costs	\$4,698,638,031
Revenue Impact	\$1,970,504,126
TOTAL	\$6,891,023,216

*This number was incorrectly reported in the original version of the SARC.



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and staff evaluations do not include metrics relating to individual performance.

We recommended management improve BSN effectiveness by reducing the time to resolve issues, conducting customer outreach, enhancing the customer experience survey, and improving the methodology for evaluating BSN staff. Management agreed with our findings and two of our recommendations and partially agreed with the other two, but disagreed with the revenue figure, stating the BSN's main mission is to retain revenue and identify opportunities, not to generate revenue.

Customer Retention

Of the customers surveyed, many cited service and operational issues as key factors in their decision to reduce or end their business with the Postal Service. We noted organization-wide collaboration shortcomings and that limited information sharing among Postal Service employees hurts efforts to retain customers. To address these issues, the Postal Service must promote collaboration among the Sales and Operations groups, an approach used by best-in-class organizations to handle customer problems. The Postal Service should also share information on at-risk customers and reach out to former customers to re-establish business relationships. Management agreed with the general direction of our recommendations, but disagreed with certain elements of the report, including equating decreased demand for mailing and shipping services with stopping mailing altogether and with our assertion that limited information sharing may be impeding the Postal Service's efforts to retain customers. Finally, management disagreed with our assessment that organization-wide collaboration issues may cause service and operational problems that affect customer retention.

If It Prints, It Ships: 3D Printing and the Postal Service



3D printers build physical objects out of digital designs, usually by assembling powders, metals, plastics, and other materials layer-by-layer with tremendous precision. Because the digital designs can be tweaked and modified, 3D printing turns customers into creators and taps into the current trend of mass customization. The technology is having a significant impact on the \$10.5 trillion global manufacturing sector and promises to democratize production and fundamentally change today's supply chains.

Our white paper explored how the Postal Service could experience a significant boost in commercial package

volume as 3D printing becomes more widespread. Most 3D printed objects are lightweight, which are exactly the type of parcels the Postal Service specializes in handling. As more businesses sell 3D printed goods to consumers, they may need the ubiquitous postal network and the Postal Service's unmatched last-mile delivery capabilities to better connect with customers. By embracing this groundbreaking technology and potentially partnering with 3D printing businesses to print at or near Postal Service facilities, the Postal Service could put a compelling 21st century twist on its historical mission to serve citizens and facilitate commerce.

The Office of Investigations Mission

The OIG also fulfills its traditional role of rooting out fraud, waste, and misconduct to protect the Postal Service's bottom line and maintain confidence in the mail. The OIG's dedication to integrity, accountability, and transparency means that no person in the organization is above the law or immune from the ethical standards set by the Postal Service. In this period, the OIG's Office of Investigations completed 2,082 investigations that led to 335 arrests and more than \$573 million in fines, restitutions, and recoveries, of which \$52 million went to the Postal Service.

Highlighted Statistics

For the period April 1 – September 30, 2014

INVESTIGATIONS ¹

Investigations Completed	2,082
Arrests	335
Indictments/Informations	234
Convictions/pretrial diversions ²	333
Administrative actions	1,106
Cost Avoidance	\$113,631,601
Fines, Restitution, and Recoveries	\$573,233,648
Amount to the Postal Service ³	\$52,361,910

¹ Statistics include joint investigations with other law enforcement agencies.

² Convictions reported in this period may be related to arrests in prior reporting periods.

³ Amounts include case results of joint investigations with other OIG, federal, state, and local law enforcement entities.

Contract Fraud

A civil settlement in July resolved allegations that Hewlett Packard (HP) overcharged the Postal Service on products over a period of more than 9 years by failing to comply with specific pricing terms. HP was supposed to provide prices that are no greater than those offered to customers with comparable contracts. The settlement also resolved allegations that HP, during negotiation of the contract, misrepresented its pricing and its plans to ensure it would provide the required most favored customer pricing. The Postal Service realized a recovery of about \$19.8 million resulting from HP violating the False Claims Act.

Workers' Compensation Fraud

A joint investigation resulted in convictions of a former rural letter carrier on workers' compensation fraud and charges related to tax fraud and extortion. The rural carrier was sentenced in June to 87 months in prison, a \$125,000 fine, and more than \$106,000 in restitution.

The carrier and spouse were charged with filing false federal income tax returns from 2006 through 2010 on which they under-reported about \$650,000 in gross receipts and sales from a construction business and a harness racing business. Also, as an elected member of local government, the claimant extorted, and attempted to extort, a local construction/snow plowing company. The former carrier was charged with falsely obtaining workers' compensation benefits by failing to report her work and business ownership, failing to report earnings from the extortion scheme, and under-reporting the hours worked as an elected official. The former carrier's spouse was convicted of federal tax evasion and is serving a 33-month prison sentence.

This case was investigated jointly with the Federal Bureau of Investigation, Internal Revenue Service's Criminal Investigation Division, Department of Homeland Security OIG, Department of Labor OIG and Office of Labor Racketeering and Fraud Investigations, and the local county sheriff's office. The termination of the former carrier's workers' compensation benefits resulted in a cost avoidance to the Postal Service of over \$1 million.

When someone does the wrong thing...



We need your help.
Report postal crimes or misconduct.
Contact: 888-877-7644 www.uspsoig.gov



Office of Inspector General

Semiannual Fact Sheet

Fall 2014

Mission Statement

The mission of the U.S. Postal Service Office of Inspector General is to conduct and supervise objective and independent audits, reviews, and investigations relating to Postal Service programs and operations to:

- Prevent and detect fraud, theft, and misconduct;
- Promote economy, efficiency, and effectiveness;
- Promote program integrity; and
- Keep the Governors, Congress, and Postal Service management informed of problems, deficiencies, and corresponding corrective actions.

▶ Let us hear from you!

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

- Pushing the Envelope Blog: blog.uspsoig.gov
- Audit Project Pages: auditprojects.uspsoig.gov

Summary of Performance

For the period April 1 — September 30, 2014

Audits



Funds Put to Better Use
\$221,881,059



Questioned Costs
\$4,698,638,031



Revenue Impact
\$1,970,504,126

Total \$6,891,023,216



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Reports Issued



23
Total Reports with Financial Impact



129*
Significant Recommendations Issued

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Investigations



Cost Avoidance
\$113,631,601



Fines, Restitution, and Recoveries
\$573,233,648



Amount to the Postal Service
\$52,361,910



Investigations Completed 2,082



Arrests 335



Indictments/Informations 234



Convictions/Pretrial Diversions 333



Administrative Actions 1,106

OIG Hotline Contacts

Telephone Calls



39,670

E-Mail



18,052

U.S. Mail



922

Voice Mail Messages



531

Facsimile (FAX)



342

National Law Enforcement Communications Center



300



To report fraud, waste, or misconduct involving postal employees or contractors contact us:
888-877-7644 or www.uspsoig.gov