



Office of Inspector General

Semiannual Fact Sheet

Spring 2014

The Office of Inspector General (OIG) — with the support of the Governors, Congress, and U.S. Postal Service management — plays a key role in maintaining the integrity and accountability of America's Postal Service, its revenue and assets, and its employees through our audit and investigative work.

Challenges Abound in Preparing for Package Growth

Is the Postal Service prepared to meet the challenges of increased package volume brought on by the explosion in e-commerce? That's the question behind our series of reports on the Postal Service's processing, delivery, and customer service operations. U.S. online retail sales are expected to grow to nearly \$279 billion by 2015. In its 2012 *Five-Year Business Plan*, the Postal Service projected its volume of 3.5 billion packages in FY 2012 will grow by 5 to 6 percent per year through 2017.

Customers expect free and fast shipping and increased tracking and visibility capabilities. The booming package sector offers the Postal Service an opportunity to counter the decline in First-Class Mail volume and leveling off of Standard Mail volume. Its Delivering Results, Innovation, Value, and Efficiency initiative aims to establish a package processing and delivery network that supports projected package growth. We discovered the Postal Service has successfully managed many aspects of increased package activity but should make changes in delivery, customer service and processing operations to fully meet customers' needs and stay competitive in this growing market.

Continued on pg. 2

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





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 85 audit reports and management advisories that resulted in more than \$185 million in monetary impact.

Highlighted Statistics

For the period October 1, 2013— March 31, 2014

OFFICE OF AUDIT

Reports issued	85
Significant recommendations issued	80
Total reports with financial impact	17
Funds put to better use	\$98,876,630
Questioned costs	\$33,075,002
Revenue Impact	\$53,992,397
TOTAL	\$185,946,029

Continued from pg. 1

Readiness for Package Growth — Delivery Operations

The Postal Service's Delivery Operations organization has successfully managed package growth and the fluctuations in package volume by keeping workhours in line with volume. However, opportunities still exist to improve readiness by implementing dynamic routing to make delivery more efficient and modifying package compartments on cluster box units to accommodate additional parcels. Retaining more city carrier assistants, establishing a shelving system in postal vehicles, and using carrier pick-up data to manage operations will further bolster package readiness.

Readiness for Package Growth — Customer Service Operations

Customer Service Operations has successfully managed package volume growth, employee workhours, and scan rates at delivery units. Clerks consistently scanned more than 98 percent of trackable mailpieces before carriers delivered them. However, acceptance scans of barcoded packages from customer drop points, such as street collection boxes and Post Office lobby boxes, were below the 98 percent target. Also, 58 percent of the customers we observed during the holiday period waited in line at retail units for more than 5 minutes to mail packages or flat items. We recommended the Postal Service



Enriching Postal Information: Applications for Tomorrow's Technologies

Information about physical mail, particularly customer-centric information, is now as important as the mailpiece itself. To understand how the Postal Service might better adapt to increasing market demands for information, the OIG considered

With the proper strategic approach, the Postal Service could reposition itself as an "information business."

a variety of information-gathering technologies that might benefit the postal industry. Our paper, *Enriching Postal Information: Applications for Tomorrow's Technologies*, lists more than 50 potential applications that

are relevant to the postal industry, including those that could enhance sales, transportation, delivery, and customer service, as well as support public safety and internal postal security. The paper highlights mobile post offices as well as citizen-government services and increasing the public's ease-of-access to both.

Postal management also needs more information to prevent service failures, align staffing and equipment to workload, increase workplace safety, and decrease mail theft. New public services could also be developed. For example, enriched postal information could support applications for identity verification and real-time mapping and traffic monitoring. With the proper strategic approach, the Postal Service could reposition itself as an "information business."

increase barcode scanning and reduce customer wait times. We also urged it to enable the feature in its Passive Adaptive Scanning System that identifies packages with potential short paid or unpaid postage and increase the number of barcoded packages to provide the end-to-end tracking customers expect. Management disagreed with the operational and judgmental assumptions we made for improving Postal Service competitiveness, but they agreed with the recommendations.

Readiness for Package Growth — Processing Capacity

The Postal Service has more than enough machine capacity to process all non-peak period package volume. It can process an average of about 29 million packages daily, which is more than sufficient to process the 24 million packages it receives. During the December peak holiday mailing season, the Postal Service augments its machine capacity with manual processing. It does this to accommodate the increased holiday volume without adding excess machine capacity and its associated costs for the other 11 months of the year. But as package volume grows, the Postal Service should improve machine throughput by properly staffing machines and adjusting the mail arrival schedule to ensure mail is available for processing when the machines' operating window begins.

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 1,698 investigations that led to 323 arrests and more than \$121 million in fines, restitutions, and recoveries that went to the Postal Service.

Highlighted Statistics

For the period October 1, 2013— March 31, 2014

INVESTIGATIONS ¹

Investigations Completed	1,698
Arrests	323
Indictments/Informations	225
Convictions/pretrial diversions ²	366
Administrative actions	1,088
Cost Avoidance	\$245,518,951
Fines, Restitution, and Recoveries	\$121,936,800
Amount to the Postal Service ³	\$15,257,354

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.



Areas of Investigative Focus

- Theft, delay, or destruction of mail by employees or contractors
- Injury compensation and healthcare provider fraud
- Embezzlements and financial crimes
- Contract fraud



Contract Fraud/Major Fraud Investigations Division

A uniform vending scheme involving three separate vendors came to an end after an OIG investigation and resulted in fines of over \$325,000 paid to the Postal Service. In August 2010, we learned that Ace Uniforms, Inc. (Ace), a San Diego, CA, contractor, had purchase orders, packing slips, and credit card receipts that revealed violations of the terms of the contract to sell Postal Service uniform items. This led to Ace losing its license to sell Postal Service uniforms and a revocation of its contract.

We found the owner later entered into an agreement with California Uniforms, Inc., a Los Angeles contractor. California Uniforms agreed to process Ace's uniform sales for a 10 percent kickback. This practice continued until California Uniforms lost its license to sell Postal Service uniform items for violations similar to those of Ace. Even after California Uniforms lost its licenses, we confirmed both Ace and California Uniforms continued to sell the uniforms.

A search warrant was executed at California Uniforms' sites in San Diego and Los Angeles and at Ace's sites in San Diego and

Phoenix, AZ. Agents seized bank records, facsimiles, notes, logs, and approximately \$600,000 in Postal Service uniforms. Records seized from California Uniforms disclosed another kickback with a third uniform contractor in Hollywood, CA, identified as Merchandise Center, Inc. (Merchandise). The Postal Service revoked Merchandise's contract as well. The three California uniform vending contractors were sentenced in U.S. District Court for conspiracy to accept kickbacks on a government contract and were ordered to pay \$325,043 in fines and restitution payable to the Postal Service.

The Major Fraud Investigations Division (MFD) investigates all allegations of fraud within the Postal Service's programs and operations with a contract award price (individual or aggregate) of \$500,000 or more, as well as allegations that are or become national or multi-jurisdictional in nature, regardless of the contract price.

- Computer crimes
- Internal affairs and executive investigations
- Employee misconduct and general crimes
- Narcotics
- Whistleblower reprisals



Office of Inspector General Semiannual Fact Sheet

Spring 2014

► 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: www.uspsdig.gov/blog
- Audit Project Pages: www.uspsdig.gov/audit-project

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.



OIG Hotline Contacts

33,851	Telephone Calls
22,590	Electronic Mail (E-mail)
817	Standard Mail
597	Voice Mail Messages
300	Facsimile - Fax
368	National Law Enforcement Communication Center

We need your help. Report fraud, theft, or misconduct.



Contact: 888-877-7644
www.uspsdig.gov



**To view the entire Semiannual Report to Congress,
go to www.uspsdig.gov.**