In keeping with the President’s agenda to reduce spending on lower priority programs, the U.S. Postal Service Office of Inspector General (OIG) received a budget of $234,650,000. This budget reflects a 7.5 percent decrease from our fiscal year (FY) 2017 budget of $253,600,000 and is 14.7 percent less than the amount required to fully fund our operations in FY2018, which was projected to be $275,186,557.

This FY2018 budget will force us to reduce our complement by 9.6 percent, or 108 full-time equivalents (FTEs), from our current complement level of 1,129 FTEs. This reduction will directly impact the number of audits and investigations conducted by the OIG, with a corresponding reduction in our office’s historically high impact results. Specifically, these reductions will result in:

- 41 fewer FTEs dedicated to supporting the Office of Audit (OA). This reduction in personnel will result in approximately 18 fewer audit reports and $800 million less in financial impact.
- 67 fewer FTEs dedicated to supporting the Office of Investigations (OI). This reduction in personnel will result in approximately 400 fewer investigations and $36 million less fines, recoveries, restitutions, and cost avoidances.

In addition to effecting overall staffing, the FY2018 proposed budget will impact or jeopardize a number of other initiatives within the OIG:

- Less resources available to audit services and delivery issues, new large investments by the Postal Service (i.e. replacement vehicles), and cybersecurity infrastructure.
- Less investigative resources to address frauds by a riskier temporary workforce, particularly with regards to mail theft, questionable disability claims, and distribution of narcotics.
- No development of new data analytics tools and reduced support to our existing data analytics program. This reduction will also likely prevent our OIG from taking advantage of the exemptions to the Computer Matching Act that were recently enacted in the IG Empowerment Act.
- Potential closing of two-person investigative offices. Currently, these 25 offices provide regional coverage to respond to investigative complaints more quickly. The personnel in these offices will be consolidated into larger national offices as attrition occurs. Once these regional offices are closed, the response time to these areas will be greatly impacted.
Since the Postal Service funds its operations through the sales of postal products and services and not tax dollars, any reduction to our budget does not benefit the treasury and simply reduces the OIG’s oversight of an expanding Postal Service.
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Section 1 – Purpose

A. Mission Statement, Vision, and Values

The OIG achieves its mission of ensuring efficiency, accountability, and integrity of the U.S. Postal Service through independent audits and investigations. The OIG ensures Congress, the Board of Governors, and Postal Service management are informed of areas of improvement, fraud, waste, and deficiencies, and receive recommendations that enhance operational efficiencies.

In October 2016, the Postal Service published its 5-year Strategic Plan, which articulated its forecasted challenges and identified four key future ready goals:

- Deliver a World-Class Customer Experience
- Equip, Empower, and Engage Employees
- Innovate Faster to Deliver Value
- Invest in Future Platforms

To help the Postal Service with its initiatives and efforts to address its challenges, the OIG has invested in a diverse, highly productive workforce guided by a shared vision and sound values.

Our Vision:
- Advancing excellence for a thriving Postal Service

Our Values:
- Results
- Innovation
- Leadership and professionalism
- Knowledge
- Flexibility

Our Strategic Focus Goals:
- Promote efficiency and effectiveness of postal operations
- Foster integrity by detecting and preventing fraud, waste, and abuse in postal programs
- Advance OIG innovation and excellence

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. 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 high-risk areas for the Postal Service. The Office of Audit will continue to focus on impactful operational recommendations, identifying cost savings, and increasing postal revenue opportunities. The Office of Investigations will continue to help prevent fraud and protect postal assets by identifying and investigating high quality cases to minimize loss and maximize recoveries for the Postal Service.
B. Budget Summary

In accordance with the requirements of Public Law 110-409, the Inspector General Reform Act of 2008 (as amended), the OIG submits the following information related to its budget for FY2018:

- The aggregate budget for the operations of the OIG is $234,650,000.
- The portion of the aggregate budget allocated for OIG training is $2,289,586.
- The portion of the training budget to support CIGIE is $469,300, which is 0.20 percent of the $234,650,000.

C. Appropriations Table

The OIG FY2018 budget plan is based on a level of effort for the two mission programs OA and OI. The table below shows the budget by program area for appropriations in FYs 2016, 2017, and 2018.

<table>
<thead>
<tr>
<th>Resources Available for Obligation</th>
<th>FY 2016 Actual Level</th>
<th>*FY 2017 Enacted Level</th>
<th>FY 2018 Budget Level</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FTE</td>
<td>Amount (000’s)</td>
<td>FTE</td>
</tr>
<tr>
<td>Appropriated Resources:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit</td>
<td>421</td>
<td>$77,433</td>
<td>421</td>
</tr>
<tr>
<td>Investigations</td>
<td>708</td>
<td>$171,167</td>
<td>708</td>
</tr>
<tr>
<td>Total: Appropriated Resources</td>
<td>1129</td>
<td>$248,600</td>
<td>1129</td>
</tr>
</tbody>
</table>

*FY2017 Enacted Level Note: A full-year 2017 appropriation for this account was not enacted at the time the budget was prepared. The amounts included for 2017 in the Budget reflect the annualized level provided by the Further Continuing Appropriations Act, 2017 (P.L. 114-254). This table reflects the higher level provided by the Consolidated Appropriations Act, 2017 (P.L. 115-31).
Section 2 – Budget Adjustments and Appropriation Language

A. Budget Adjustments Table (in thousands)

<table>
<thead>
<tr>
<th>FTE:</th>
<th>Office of Inspector General</th>
<th>FY2016 Actual Level</th>
<th>*FY2017 Enacted Level</th>
<th>**FY2018 Budget Level</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1,129</td>
<td>1,129</td>
<td>1,021</td>
</tr>
</tbody>
</table>

Object Classification:

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>*FY2017</th>
<th>**FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.1 Full-time Permanent Positions</td>
<td>$146,160</td>
<td>$148,776</td>
<td>$139,235</td>
</tr>
<tr>
<td>11.3 Other than Full-time Permanent</td>
<td>$735</td>
<td>$1,000</td>
<td>$1,000</td>
</tr>
<tr>
<td>11.5 Other Personnel Compensation</td>
<td>$2,313</td>
<td>$2,636</td>
<td>$2,636</td>
</tr>
<tr>
<td><strong>11.9 Total Personnel Compensation</strong></td>
<td><strong>$149,208</strong></td>
<td><strong>$152,413</strong></td>
<td><strong>$142,871</strong></td>
</tr>
<tr>
<td>12.0 Personnel Benefits</td>
<td>$55,031</td>
<td>$57,209</td>
<td>$53,540</td>
</tr>
<tr>
<td>21.0 Travel</td>
<td>$5,462</td>
<td>$5,517</td>
<td>$4,777</td>
</tr>
<tr>
<td>22.0 Transportation of Things</td>
<td>$679</td>
<td>$1,008</td>
<td>$1,008</td>
</tr>
<tr>
<td>23.2 Rent Payments to Others</td>
<td>$6,215</td>
<td>$6,711</td>
<td>$6,711</td>
</tr>
<tr>
<td>23.3 Communications, Utilities, &amp; Misc.</td>
<td>$2,034</td>
<td>$4,211</td>
<td>$2,211</td>
</tr>
<tr>
<td>24.0 Printing and Reproduction</td>
<td>$44</td>
<td>$37</td>
<td>$37</td>
</tr>
<tr>
<td>25.1 Advisory &amp; Assistance Services</td>
<td>$17,064</td>
<td>$18,564</td>
<td>$15,564</td>
</tr>
<tr>
<td>25.2 Other Services (Goods / Services)</td>
<td>$119</td>
<td>$785</td>
<td>$785</td>
</tr>
<tr>
<td>25.3 Government Agencies</td>
<td>$0</td>
<td>$200</td>
<td>$200</td>
</tr>
<tr>
<td>25.4 Operation &amp; Maintenance of Facilities</td>
<td>$636</td>
<td>$89</td>
<td>$89</td>
</tr>
<tr>
<td>25.6 Medical</td>
<td>$271</td>
<td>$336</td>
<td>$336</td>
</tr>
<tr>
<td>25.7 Operation and Maintenance of Equipment</td>
<td>$5,109</td>
<td>$402</td>
<td>$402</td>
</tr>
<tr>
<td>26.0 Supplies and Materials</td>
<td>$755</td>
<td>$1,903</td>
<td>$1,903</td>
</tr>
<tr>
<td>31.0 Equipment</td>
<td>$5,759</td>
<td>$3,215</td>
<td>$3,215</td>
</tr>
<tr>
<td>32.0 Lands and Structures</td>
<td>$214</td>
<td>$1,000</td>
<td>$1,000</td>
</tr>
<tr>
<td><strong>Total Budget Authority</strong></td>
<td><strong>$248,600</strong></td>
<td><strong>$253,600</strong></td>
<td><strong>$234,650</strong></td>
</tr>
</tbody>
</table>

*FY2017 Enacted Level Note: A full-year 2017 appropriation for this account was not enacted at the time the budget was prepared. The amounts included for 2017 in the Budget reflect the annualized level provided by the Further Continuing Appropriations Act, 2017 (P.L. 114-254). This table reflects the higher level provided by the Consolidated Appropriations Act, 2017 (P.L. 115-31).

**FY2018 Budget Level Note: Due to the impact of the hiring freeze and attrition, we project to lose additional FTEs. In order to maintain a level of support to the Postal Service additional Advisory & Assistance Services are needed to account for the loss of FTEs. With the additional proposed budget cuts, we will be forced to maintain a level of 1,021 FTEs. In reviewing the FY 2017 Enacted Level and the FY 2018 Budget, the allocation of costs was adjusted (reflected above table) to reflect the impact of these factors.
B. Budget Increases and Decreases Descriptions (Numbers represented in 000’s)

<table>
<thead>
<tr>
<th>FY 2017 Enacted Budget</th>
<th>$ 253,600</th>
</tr>
</thead>
</table>

**Significant Budget Changes**

**Decrease to Salaries & Benefits:**
- Reduction of 41 FTEs from the Office of Audit $ (4,921)
- Reduction of 67 FTEs from the Office of Investigations $ (8,289)
**Total Decrease to Salaries & Benefits** $ (13,210)

**Decrease to 21.0 Travel:**
- Reduction from the Office of Audit $ (276)
- Reduction from the Office of Investigations $ (464)
**Total Decrease to 21.0 Travel** $ (740)

**Decrease to 23.3 Communication, Utilities, & Misc.:**
- Reduction from FY2017 IT Investments $ (2,000)
**Total Decrease to 23.3 Communication, Utilities, & Misc.** $ (2,000)

**Decrease to 25.1 Advisory & Assistance Services:**
- Reduction from FY2017 IT Investments $ (3,000)
**Total Decrease to 25.1 Advisory & Assistance Services** $ (3,000)

**Significant Budget Changes Total** $ (18,950)

<table>
<thead>
<tr>
<th>FY 2018 Requested Budget</th>
<th>$ 234,650</th>
</tr>
</thead>
</table>

**Reduction in Salaries and Benefits:**

To absorb the FY2018 budget cuts and the proposed 1.9 percent COLA increase, the OIG will reduce salaries and benefits by $13,210,000. This will result in a reduction of 108 FTEs from our FY2017 complement level of 1,129.

**Travel:**

To absorb the FY2018 budget cuts, the OIG will reduce the travel budget by $740,000.

**Communications, Utilities, & Misc.:**

In FY2017, the OIG invested $2,000,000 in Information Technology. The FY2018 budget was reduced to reflect the one time investment of funds.

**Advisory & Assistance Services:**

In FY2017, the OIG invested $3,000,000 in Information Technology. The FY2018 budget was reduced to reflect the one time investment of funds.
C. Reimbursable Authority

In FY2018, 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.

<table>
<thead>
<tr>
<th>Other Resources: Offsetting Collections</th>
<th>FY2016 Enacted (000’s)</th>
<th>FY2017 Enacted (000’s)</th>
<th>FY2018 Budget (000’s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offsetting Collections</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reimbursable Authority</td>
<td>$500</td>
<td>$500</td>
<td>$500</td>
</tr>
<tr>
<td><strong>Total: Offsetting Collections</strong></td>
<td><strong>$500</strong></td>
<td><strong>$500</strong></td>
<td><strong>$500</strong></td>
</tr>
</tbody>
</table>

D. Appropriation Language

<table>
<thead>
<tr>
<th>Appropriation Language</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office of Inspector General</td>
</tr>
</tbody>
</table>

**SALARIES AND EXPENSES**

( Including Transfer of Funds)

For necessary expenses of the Office of Inspector General in carrying out the provisions of the Inspector General Act of 1978, $234,650,000 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).
Section 3 – Budget and Performance Plan

A. OIG Performance Plan Summary

The OIG plays a key role in maintaining the integrity and accountability of America’s postal service, its revenue and assets, and its employees. The OIG achieves its mission of ensuring efficiency, accountability, and integrity in the Postal Service by maintaining confidence in the postal system and improving the Postal Service’s bottom line through independent audits and investigations. Audits of postal programs and operations help to determine whether the programs and operations are efficient and cost-effective. Investigations help prevent and detect fraud, waste, and misconduct and have a deterrent effect on postal crimes.
B. Audit Budget and Performance Plan

Office of Audit focuses on reviews that provide the Postal Service with information to address its emerging strategic issues, major risks, and management challenges. Office of Audit organizes its audit work to address risk factors in five functional audit areas — Mission Operations; Finance, Pricing, and Investments; Supply Management and Human Resources; Retail, Delivery, and Marketing; and Technology.

Office of Audit has 13 data analytic risk models that 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. Office of Audit prepares and analyzes the 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 FY2016, OA identified over $7.1 billion in monetary benefits, a return on investment (ROI) of $91 for each dollar spent.

The following chart shows how OA would allocate its FY2018 program budget of $73 million to the five functional audit areas.

![Percentage of 2018 Budget](chart.png)

- **Mission Operations**
- **Supply Management & HR**
- **Finance, Pricing, & Investments**
- **Retail, Delivery, & Marketing**
- **Technology**
<table>
<thead>
<tr>
<th>Office of Audit</th>
<th>2018 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mission Operations</td>
<td>$13,716,568</td>
</tr>
<tr>
<td>Finance, Pricing, &amp; Investments</td>
<td>$17,176,833</td>
</tr>
<tr>
<td>Retail, Delivery, &amp; Marketing</td>
<td>$18,650,557</td>
</tr>
<tr>
<td>Supply Management &amp; HR</td>
<td>$15,675,233</td>
</tr>
<tr>
<td>Technology</td>
<td>$7,868,715</td>
</tr>
<tr>
<td><strong>Office of Audit Total</strong></td>
<td><strong>$73,087,906</strong></td>
</tr>
</tbody>
</table>
MISSION OPERATIONS: $13,716,568 Budget

The Mission Operations audit area reviews two of the largest cost center functions within the Postal Service—network processing and transportation. The Postal Service processed over 154 billion mailpieces in FY2016 using its massive infrastructure, which includes over 507,774 career employees and 307 processing facilities.

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 maintaining optimal service. Audit work that addresses Mission Operations’ objectives includes:

- Assessing delayed mail and the associated service implications
- Examining network rationalization of plants and other postal facilities
- Assessing overall efficiency of the processing and distribution networks
- Determining cost-effective opportunities for various transportation modes
- Benchmarking the Postal Service’s operational processes against those of selected major corporations

The Mission Operations audit area performed 23 reviews and provided monetary benefits of $1.06 billion in FY2016.

Over the past 2 years, audits in this area have concluded that the Postal Service should:

- Update area mail processing data prior to consolidating facilities
- Reduce delayed mail and refrain from making significant changes to the mail processing network until the network stabilizes
- Innovate as necessary to meet emerging customer demands
- Update parcel technologies and systems to be more in line with the private sector
- Develop a comprehensive fleet management strategy that includes best practices of foreign posts
- Eliminate the Voyager card program and move to a fuel indexing supplier driven program
- Reduce costs and improve efficiency in various transportation programs

The budget will allow us to perform work in the following areas:

- Perform audits focusing on cutting costs in areas that include, but are not limited to, efficiency, consolidation, transportation, and vehicle reviews
- Conduct in-depth audits of the HCR program, which costs over $3 billion annually
• Perform audits that will bring the Postal Service in line with private industry on parcel handling, 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 air, rail, and highway network transportation assets
• Use data to channel our limited resources to areas most at risk and address emerging themes using data modeling and predictive analytics
• Focus on the emerging theme of modernization, with emphasis on updating the processing infrastructure, including parcel sorting equipment

Mission Operations has developed and continues to refresh its risk models by adding new key risk indicators. In the past year, OA has updated our almost real-time delayed mail dashboard and other tripwires that we use on a daily basis to make audit decisions. The delayed mail dashboard and tripwire allowed us to implement a nationwide delayed mail strategy. We are able to track spikes in delayed mail at the plant level on a daily basis. We are also automating our delayed mail reporting process to expand coverage.

Limits in FY2018 funding will constrain our future data analytics work as well as reduce our number of audit reports by three and potentially decrease our financial impact by $118 million.
The Finance, Pricing, and Investments audit area focuses on issues related to finance, cost and pricing, and capital investments. These areas have a clear financial impact and support daily postal operations to help ensure that the Postal Service is following regulatory requirements and its investment management process supports its corporate business strategies.

Financial controls are a primary and critical focus in these areas for the OIG and the Postal Service. Audit work that addresses Finance, Pricing, and Investments objectives includes:

- Assessing financial reports and reporting controls
- Monitoring key financial activities and identifying opportunities to help ensure continued operations and reduce the risk of improper payments
- Reviewing the data collection systems and processes used to develop costing, pricing, service performance measurements, and procedures used to prepare the Annual Compliance Report (ACR) as required by the Postal Accountability and Enhancement Act (PAEA), 39 U.S.C. § 3652(a)
- Evaluating compliance with the Postal Accountability and Enhancement Act (PAEA)
- Conducting audits of selected Postal Service major capital investments of $5 million or more that focus on functionality and deployment
- Conducting audits of specific Delivering Results, Innovation, Value, and Efficiency (DRIVE) project management initiatives

The Finance, Pricing, and Investments audit area performed 41 reviews and provided monetary benefits of over $3.5 billion in FY2016. Over the past 2 years, audits in this area have concluded that the Postal Service should:

- Develop or remediate controls over point-of-sale software to improve revenue and operations, and decrease the risk of improper payments
- Educate Postal Service personnel on high-risk money laundering activities and the importance of sharing information related to these activities and reporting them
- Document cost and pricing information accurately for better operational data and management decision making
- Develop reportable performance metrics to track and measure the value of promotional mail, and implement a strategy to ensure major promotion program components are meeting goals
- Ensure that its capital funding governance process is actively followed to assist in making better business decisions about the most important operational activities for closing the revenue gap
The budget will allow the Finance, Pricing, and Investments audit area to perform work in these areas:

- Continue our annual support of the independent public accounting firm’s financial statement and internal controls opinions
- Provide opportunities and options to help the Postal Service improve its liquidity, increase its assets, and reduce its future liabilities
- Provide field level risk based financial controls audits
- Review data collection systems and procedures used to prepare the ACR and ensure legislative compliance
- Evaluate major capital investments to determine whether the deployment and functionality meets expectations
- Analyze financial and management data to identify inconsistent or abnormal trends, high risk, system control issues, or specific anomalies not representative of the universe

Data analytics risk modeling is essential to the success of the Finance, Pricing, and Investments audit area. Multiple data analytics risk model results are shared with Postal Service stakeholders. These models and tripwire data are critical to our audit work and assessing operations and risks for the Postal Service.

Examples of these models include:

- The Field Financial data analytics risk model assesses districts currently at risk from a financial standpoint (for example - local purchases, stamp stock inventory, revenue, and refunds) for potential audit and investigative attention.
- Using the model data, specific Postal Service locations with anomalies in their points-of-sale system data are identified for further audit work.
- The Cost and Pricing risk model identifies high-risk Management Operating Data System (MODS) errors that can impact Postal Service cost and pricing estimates. As a result of our audit work, we recommended the Postal Service implement the processes and controls established in the Birmingham, AL, pilot study program nationwide.
- The Investments risk model measures the program management of DRIVE strategic initiatives the Postal Service uses to implement core business strategies. As a result of our audit work, we recommended improvements be made to the overall DRIVE process and to specific DRIVE initiatives, to include ensuring that DRIVE initiative goals improve business performance.
- The Cost, Pricing, and Investments Tort Claim Tripwire measures quarterly tort claim payment activity. This model was recently created. We plan to use it to identify potential improper payments associated with the tort claim program. The Postal Service also plans to use this model, as it did not have visibility in the details of tort claims paid at the district level.
Limits in FY2018 funding will constrain our future data analytics work as well as reduce our number of audit reports by five and potentially decrease our financial impact by $396 million.
SUPPLY MANAGEMENT AND HUMAN RESOURCES: $15,675,233 Budget

The Supply Management and Human Resources audit area focuses on issues related to contracting, facilities, human resource management, security, and emergency preparedness. This area also oversees the work of the U.S. Postal Inspection Service, as required by the Inspector General Act, 5 U.S.C. app. 3. § 8G(f)(2), (3)(B).

Audit work that addresses Supply Management and Human Resources objectives includes:

- Reviewing supply chain and facilities costs to ensure they are adequately controlled by current policies, initiatives, and best practices
- Evaluating the effectiveness of facilities management and contracting strategies
- 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 penalties
- Assessing security in the Postal Service to minimize the safety and security risks to Postal Service personnel, customers, mail, and assets
- Overseeing investigative activities of the Postal Inspection Service

The Supply Management and Human Resources audit area performed 23 reviews and provided monetary benefits of over $2.1 billion in FY2016.

Over the past 2 years, reviews in this area have concluded that the Postal Service should:

- Clarify procedures for issuing orders against multiple award indefinite delivery, indefinite quantity contracts
- Reiterate to cardholders and credit card approving officials the requirements for retaining purchase card transaction records and supporting documentation
- Evaluate expanding the passport center pilot to other passport acceptance facilities nationwide that could generate revenue of over $19 million
- Strengthen its valuation process when renegotiating 77 facility leases expiring in the Eastern Area between April 2015 and March 2017 to potentially realize annual lease cost savings of $2.2 million
- Coordinate with the Department of Labor (DOL) to identify and implement best practices for controlling compound drug costs in the workers’ compensation program including authorizing payments for only Food and Drug Administration approved drugs
• Develop a city carrier compensation system based on time standards for specific tasks completed by a carrier
• Establish controls to assess working conditions and resolve any issues that could affect employee health and safety

The budget will allow the Supply Management and Human Resources audit area to perform some work in the following areas:

• Evaluate contracting practices associated with significant individual or Postal Service-wide contracts to ensure best practices are incorporated into Postal Service policies and processes are adequately maintained, fully used, and disposed of in a manner that protects the interests of the Postal Service and stakeholders
• Assess the Postal Service’s efforts to generate revenue and reduce costs through facility optimization and opportunities to sell and lease properties
• Evaluate Postal Service human resources programs and systems
• Identify trends and make proactive recommendations that will help the Postal Service reduce employee costs and enhance security and safety
• Conduct audits that will provide oversight of the Postal Inspection Service and its investigative activities
• Advance our knowledge and skill sets with data analytics

Data analytics risk models are essential to the success of the Supply Management and Human Resources audit area. These models are critical in developing audit work and assessing operations and risk for the Postal Service.

Examples of these models include:

• The Facilities data analytics risk model detects emerging risk that will permit OIG and Postal Service officials to more efficiently and effectively audit, investigate, and manage the Postal Service’s real estate portfolio and optimization efforts. For example, the model was used to identify 22 leased properties with annual lease amounts of $227,000 and three owned properties valued at about $693,000 that the Postal Service did not know were vacant; thereby, enabling the Postal Service to eliminate costs associated with these properties.
• We are finalizing the development of a Supply Management risk model to identify ways the Postal Service can administer contracts more efficiently and effectively. We have developed Supply Management tripwires that will scan contracting data to identify anomalies (such as contracting officers who manage a high volume of contracts and contracts older than 20 years). In FY2016, we issued a report on contracting officers’ workloads and also are planning an audit on aging contracts.
• The Human Resources risk model contains seven metrics and was designed to detect emerging human resources related risk that can impact employee morale, productivity, efficiency, and cost. Model results were instrumental in identifying facilities with excessive unscheduled leave and those with little unscheduled leave. Those with little unscheduled leave were evaluated for best practices. The model data saved audit cycle time and related travel costs.

• The Security risk model incorporates workplace violence data from Postal Inspection Service cases, hotline complaints, grievances, and employee accidents. The model identifies selected areas of security risk at the area, district, and facility levels. It also facilitates audit work and related oversight activities. Using this model data, the audit team identified districts and facilities with the greatest occurrences of workplace violence and security incidents, which were instrumental in conducting an audit on workplace violence.

Limits in FY2018 funding will constrain our future data analytics work as well as reduce our number of audit reports by four and potentially decrease our financial impact by $235 million.
The Retail, Delivery, and Marketing audit area focuses on Postal Service operations related to retail, delivery, vehicles, sales, revenue generation, revenue protection, customer service, international mail, and marketing. The Postal Service delivered over 154 billion mailpieces in FY2016 using its massive infrastructure, which includes over 35,423 retail and delivery units. In FY2016, the Postal Service delivered mail to about 156 million residential and business delivery points each day.

Audit work that addresses Retail, Delivery and Marketing objectives includes:

- Assessing the Postal Service’s revenue generation and revenue protection strategies and processes
- Reviewing how the Postal Service meets its various legislative mandates
- Evaluating ways to reduce costs and improve service for Postal Service operations related to delivery, vehicle maintenance, fleet management, post offices, and other facilities
- Exploring barriers marketers face when trying to use advertising mail and identifying ways the Postal Service can overcome these barriers
- Reviewing the Postal Service’s processes for verifying inbound procedures for international mail, including identifying and handling unauthorized (e.g., illegal and unregulated) mailings
- Evaluating the effectiveness of the Postal Service’s strategies and marketing efforts for sample products, pilot programs, political mail, and international products and services
- Identifying opportunities to reduce operating costs for rural and city delivery operations
- Evaluating workhours at inefficient delivery units

The Retail, Delivery, and Marketing audit area conducts a wide range of meaningful audit work promoting economy, efficiency, cost savings, integrity, and accountability. The Retail, Delivery, and Marketing audit area performed 24 reviews and provided monetary benefits of over $430 million in FY2016.

Over the past 2 years, audits in this area concluded that the Postal Service should:

- Explore opportunities, including potential legislative changes, which will allow it to diversify into the logistics market and ship and export in areas currently prohibited
- Review letter carrier operational efficiency, vehicle fleet replacement and maintenance, parcel growth, package scanning, vehicle operational efficiency, vehicle shuttling, fleet credit card controls, and vehicle information systems data integrity
• Improve customer service to help preserve the integrity of the Postal Service brand and improve satisfaction for all customers, including political mailers
• Improve the customer experience by providing quality service and developing expanded mailing and logistic options that meet customers’ needs
• Increase revenue by enhancing domestic and international sales and marketing efforts to all business and government mailers
• Improve the availability and use of seamless business mail acceptance and entry procedures
• Develop a comprehensive marketing strategy for its international products and services that includes specific actions to promote customer awareness
• Comply with verification processes for inbound mail at various international service centers

The budget will allow Retail, Delivery, and Marketing to perform some work in the following areas:

• Continue to provide value-added audit reports and other products that are forward-thinking and data driven
• Identify trends and make proactive recommendations that will help the Postal Service generate revenue and mail volume, compete more in package delivery, enhance marketing strategies and international services, and satisfy customers
• Advance our knowledge and skill sets with data analytics
• Provide opportunities to cover broader areas such as next generation delivery vehicles, new modes of delivery, e-commerce growth, and marketing initiatives
• Continue to conduct audits that are national in scope

Data analytics risk models are essential to the success of the Retail, Delivery and Marketing audit area. Such models are critical in developing audit work and assessing operations and risk for the Postal Service.

Examples of these models include:

• The Revenue Generation and Assurance risk model, which compares quarterly revenue to same period last year for commercial and retail channels at the national and district levels. This model identified $500 million in short-paid postage annually and is being used to identify specific products and locations with short-paid postage for further review.
• The Retail and Customer Service risk model, which monitors trends in retail revenue and alternate access revenue. It also monitors trends in customer complaints. This model was used to identify poor performing offices from both a customer service and retail operations efficiency perspective. It also provided key data used to evaluate customer complaints handled by the customer care centers.
• The City Delivery Efficiency risk model, which incorporates operational and service performance indicators for city delivery operations. This model was used to identify trends in 11 monitored risk areas and compare the results to the established targets.

• The Vehicle Maintenance risk model, which assesses the efficiency of operations at 316 vehicle maintenance facilities (VMFs) nationwide. VMFs are organized into three groups based on the number of vehicles. This model identifies potential Group 1 VMFs and auxiliaries at risk for significant operational and maintenance issues.

Limits in FY2018 funding will constrain our future data analytics work as well as reduce our number of audit reports by four and potentially decrease our financial impact by $50 million.
TECHNOLOGY: $7,868,715 Budget

The Technology audit area focuses on issues and risks related to systems, infrastructure, and processes. This area reviews the Postal Service’s ability to use technology to manage operations, maximize return on investment, and secure and protect existing technology. The Technology audit area evaluates confidentiality, integrity, and availability of systems and infrastructure by assessing system support, security, cost effectiveness, and governance. As a data rich organization, the Postal Service must continue to appropriately harness its data and use it to manage organizational performance. Our audit work helps the Postal Service design safeguards to minimize risk to systems, assets, and data. The Technology audit area performed 11 reviews and provided monetary benefits of over $7 million in FY2016.

Audit work that addresses Technology issues includes:

- Best practices for using data to manage operations
- Evaluation of security and protection of sensitive data, including personally identifiable and payment card information
- Assessment of current security policies and risk management strategies as compared to industry standards
- Evaluation of the placement and configuration of network security hardware
- Vulnerability assessments to identify issues that may negatively impact the confidentiality, availability, and integrity of systems
- Evaluation of system development, risk mitigation, and contingency planning
- Procedures for tracking inventories of information technology (IT) resources, including disposal of electronic media

Over the past 2 years, audits in this area have concluded that the Postal Service should:

- Continue its initial cybersecurity initiatives while ensuring adequate resources and implementing a coordinated program of prevention, detection, response, and mitigation of sophisticated cyber threats
- Promote a culture of cybersecurity awareness throughout the organization by enhancing communication, training, and management support of cybersecurity efforts
- Improve governance over IT infrastructure by enhancing processes such as change management, software development, access controls, media disposal, and firewall configurations to ensure system availability
The budget will allow the Technology to perform some work in the following areas:

- Identify emerging threats to data and IT assets, including mobile technologies and revenue processing systems
- Identify potential security weaknesses within the Postal Service’s computer applications and systems through vulnerability scanning and penetration testing
- Provide value-added audit reports and other products that focus on emerging technology and solutions, optimizing IT programs, improving system performance and controls, and enhancing data security
- Assist the Postal Service in maintaining awareness of emerging technology and data needs
- Evaluate IT strategies and governance programs
- Evaluate Postal Service IT operations including system performance and infrastructure optimization

Limits in FY2018 funding will constrain our future data analytics work and will affect our ability to perform network penetration testing and other critical cyber security audit work. In addition, it will reduce our number of audit reports by two and financial impact by potentially $1 million.
Legislative Mandates

Almost $2.4 million of our OA budget has been used in FY2016 on reviews that are 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 spent over $414,000 to oversee activities of the Postal Inspection Service and about $1 million to audit the data collection systems and procedures the Postal Service uses to prepare reports related to costs, revenue, rates, and quality of service for all products in 2016. The OIG also spent over $2.8 million to help the Postal Service meet its legislative mandates by performing work such as audits supporting the public accountant’s opinion on the Postal Service financial statements and compliance with the Sarbanes-Oxley Act (SOX) and Securities and Exchange Commission (SEC) financial reporting requirements.

<table>
<thead>
<tr>
<th>Public Law Reference</th>
<th>Mandate Description</th>
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</tr>
</thead>
<tbody>
<tr>
<td>39 U.S.C. § 3652</td>
<td>Audits of Postal Service Data Collection Systems</td>
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<tr>
<td>5 U.S.C. App. 3 § 8G(f)(2)</td>
<td>Oversight of the Postal Inspection Service</td>
<td>$414</td>
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<tr>
<td>PL 109-435</td>
<td>Financial Statement/SOX Audit and Quarterly 10Q**</td>
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<tr>
<td>Various</td>
<td>Audits in Support of Postal Service Mandates**</td>
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<td><strong>Total Dollar Value</strong></td>
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<td><strong>$6,708</strong></td>
</tr>
</tbody>
</table>

*Based on FY2016 audit work.

** Although not legislatively mandated for the OIG, these financial and network optimization-related audits support mandates for the Postal Service.
C. Investigations Budget and Performance Plan

- Office of Investigations performs work to protect the mail and to ensure the integrity of postal processes, finances, and personnel. Office of Investigations deploys its personnel in the field and headquarters based on the number of Postal Service employees, the need for specialized investigations, and support requested by the Postal Service. To help plan and manage investigative work, OI field offices are aligned with Postal Service area offices, allowing OI to focus its 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 support these investigations, OI organizes its work into five major investigative programs — Contract Fraud, Financial Fraud, Healthcare Fraud, Official Misconduct and Narcotics, 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 Service executives. Furthermore, OI combats fraud and theft through crime prevention efforts. In FY2016, OI identified $364 million in monetary benefits – an ROI of $2 for each dollar spent.

The following chart shows how OI would allocate its FY2018 program budget of $162 million to these investigative programs.
<table>
<thead>
<tr>
<th>Office of Investigations</th>
<th>2018 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract Fraud</td>
<td>$ 8,078,105</td>
</tr>
<tr>
<td>Financial Fraud</td>
<td>$ 14,540,588</td>
</tr>
<tr>
<td>Healthcare Fraud</td>
<td>$ 42,006,144</td>
</tr>
<tr>
<td>Official Misconduct &amp; Narcotics</td>
<td>$ 32,312,419</td>
</tr>
<tr>
<td>Internal Mail Theft</td>
<td>$ 64,624,838</td>
</tr>
<tr>
<td><strong>Office of Investigations Total</strong></td>
<td><strong>$ 161,562,094</strong></td>
</tr>
</tbody>
</table>
CONTRACT FRAUD: $8,078,105 Budget

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 service contracts to local contracts for supplies and services at individual Postal Service facilities.

Investigative work that addresses Contract Fraud includes:

- Identifying Postal Service acquisitions and contracts that are at high risk of fraud
- Investigating allegations of contract improprieties
- Documenting and presenting evidence for criminal and civil prosecution and administrative remedies

Below are some examples of our past and on-going casework that illustrate the impact we are having on combatting contract frauds:

- The OIG conducted a series of investigations involving the Postal Service’s management of its transportation contracts as well as fraud by some of its contractors. During those investigations, investigators discovered evidence that a retired Surface Transportation Category Management Center (CMC) manager (a former executive) communicated on numerous occasions with Postal Service employees on behalf of outside companies within 2 years after his retirement in 2011. This former executive accepted $30,000 from one of the companies in return for influencing on-going contract awards. The investigation ultimately confirmed his violation of federal ethics laws and he pled guilty in court in March 2016 and subsequently sentenced to 3 years’ probation and a $5,000 fine.

- Beginning in 2012, the OIG began investigating a Postal Service contract transportation specialist after learning that he had a questionable relationship with a HCR contractor. The investigation eventually confirmed that the contracting officer and the Highway Contract Route (HCR) owner were engaged in a scheme to defraud the Postal Service through bribery and kickbacks in connection with the awarding of contracts to deliver the mail. In November 2015, the contracting officer was sentenced in federal court to 15 months in prison. The contractor pled guilty in February 2016 and was sentenced in June 2016 to 10 months in prison followed by 3 years of supervised release and forfeiture of $17,920.

- Since 2010, the OIG has been supporting the Department of Justice in its investigation of Lance Armstrong and the Tailwind organization. From 1996 through 2004, the Postal Service sponsored a professional cycling team owned by Tailwind and its predecessors. Lance Armstrong was the lead rider on the team, and between 1999 and 2004, he won six consecutive Tour de France titles as a member of the Postal Service-sponsored team. Between 2001 and 2004 alone, the Postal Service paid $31 million in sponsorship fees as part of this contract. This investigation is on-going and is scheduled for trial in December 2017.
In FY2016, the Contract Fraud Program’s monetary benefit to the Postal Service was $9.1 million.
FINANCIAL FRAUD: $14,540,588 Budget

A large portion of the revenue generated by the Postal Service is handled at the nearly 32,000 Postal Service retail locations. This revenue includes stamps, cash, and money orders, all of which can become targets for theft.

As a result, the Financial Fraud program focuses on the following:

- Employing data analytics to identify suspicious trends and patterns in financial data that are indicative of theft or misconduct
- Investigating theft and misuse of Postal Service money and property
- Investigating and initiating administrative, civil, or criminal actions against individuals and firms responsible for the theft or misuse of Postal Service revenue and assets

Below is an example of OIG past casework that illustrates the impact we are having on the Financial Fraud program:

- An OIG investigation disclosed that a former Maryland lead sales and services associate fraudulently issued 272 Postal Service no-fee money orders totaling $92,148, from October 2011 to May 2014. The majority of the fraudulent no-fee money orders were either made payable to or from the employee. The employee paid a number of personal bills with these money orders and also falsified the names of relatives, friends, neighbors, and associates on the no-fee money orders to conceal the scheme. In August 2014, the employee was removed from the Postal Service. On November 5, 2015, the employee was sentenced to serve 5 months' home detention and 5 years' supervised probation, and was ordered to pay a $3,000 fine and $92,148 in restitution.

In FY2016, the Financial Fraud Program's monetary benefit to the Postal Service was $3.4 million.
HEALTHCARE FRAUD: $42,006,144 Budget

The government administers several healthcare programs for federal workers to ensure they receive medical treatment and potential wage compensation when they are sick or injured. For employees who suffer work-related injuries or illnesses, they receive compensation and medical benefits under the Federal Employees’ Compensation Act (FECA), administered by the DOL Office of Workers’ Compensation Programs (DOL/OWCP).

The Postal Service is the largest single contributor to the OWCP and, in chargeback year 2016, it paid a total of $1.48 billion, including administrative costs of $74.5 million, for FECA-related benefits. That same year, the Postal Service estimated its total liability for future workers’ compensation costs to be $17.1 billion. These disability payments are funded by Postal Service customers rather than tax dollars and any portion of those funds lost to fraud by claimants or providers has a direct impact on the Postal Service and its customers.

The Healthcare Fraud program investigates two main types of fraud: claimant fraud and medical provider fraud.

This investigative work includes:

- Employing data analytics to identify suspicious trends and patterns in healthcare billing data that indicate fraud
- Investigating allegations of fraudulent claims by individuals
- Investigating allegations of medical providers submitting false bills, colluding to extend benefits, and falsifying claim documents

The Claimant and Provider Fraud program at the Postal Service has consistently been a major focus for the OIG and has produced strong results. Below is some OIG past and on-going casework that illustrates our impact in addressing healthcare fraud across the federal government, particularly in the medical provider fraud area:

- OIG special agents led an investigation in Texas that resulted in multiple counts against 29 individuals. Twenty-two claimants, four medical providers, a senior claims examiner at DOL, a claims representative, and a medical provider’s employee were charged in the scheme. All but two defendants have pleaded guilty to their respective roles in the scheme. The main subject, a licensed professional counselor (LPC), was sentenced in May 2016 to 78 months in federal prison and ordered to pay approximately $7.7 million in restitution. He pled guilty in January 2016 to one count of conspiracy to commit healthcare fraud. The LPC owned numerous businesses and colluded with the defendants in a health care fraud scheme that involved bribes, billing for services not rendered, unnecessary medical treatment, and the falsification of medical documents. In total, the defendants were able to fraudulently bill the federal government through the OWCP for more than $9.5 million and receive more than $8.7 million in government payments.
based on their fraudulent billing. DOL made approximately $11.4 million in payments to these claimants for their compensation and medical services. The federal government anticipates that, as a result of the convictions, it will also prevent an estimated $11 million in future payments to the claimant defendants.

• In late 2014, the OIG established a workers’ compensation compound drug initiative as a result of the escalating costs of compound drugs. OWCP allows charges for compound prescription drugs, which are the creations of particular pharmaceutical products to fit the unique need of a patient. The Food and Drug Administration (FDA) does not monitor or approve compound drugs, or test their effectiveness and safety. Over the last 3 years, the OIG has noticed a trend of increased billings for compounding pharmacies. In FY2013, the Postal Service’s compounding costs totaled $9 million. In FY2014, that amount rose to $30 million and, in FY2015, the costs soared to nearly $99 million. For FY2016, the compounding costs to date total $173.4 million (July 1, 2015 – June 30, 2016). The OIG has initiated numerous cases focusing on fraud involving compounding pharmacies and those cases are on-going. In March 2016, OA issued a management alert on this issue. As a result, DOL implemented a medical necessity policy in August 2016 that now requires physicians to provide a written justification for a compound drug prescription. Since this policy implementation, DOL medical billing costs have declined significantly and are in line with prior year costs, saving government agencies from paying billions of dollars in future fraud.

In FY2016, the Healthcare Fraud program’s monetary benefit to the Postal Service was $352.6 million.
OFFICIAL MISCONDUCT AND NARCOTICS: $32,312,419 Budget

The Official Misconduct and Narcotics program is responsible for investigating misconduct by all postal employees and postal contractors. The OIG takes seriously any conduct by postal employees that harms the public’s trust and reflects negatively on the Postal Service. The Official Misconduct and Narcotics program investigates postal employee misconduct including misuse of Postal Service computers, destruction or theft of Postal Service property, falsification of official documents, forgery, theft of funds, abuse of authority, sabotage of operations, and use of the mail to transport and traffic narcotics.

The OIG has recently expanded its focus on narcotics allegations based on a significant increase in the number of allegations of employees stealing drugs from the mail and of employees assisting external drug trafficking organizations in the delivery of narcotics shipped through the mail.

Investigative work that addresses Official Misconduct and Narcotics 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

Below are examples of our past casework that illustrate the impact the OIG is having on the official misconduct area:

- An OIG investigation disclosed a Postal Service employee used his Postal Service computer account to conduct queries on the Internet searching for pornographic material. During an OIG interview, the employee admitted to searching for inappropriate images on Postal Service computers. He also admitted to looking at images of child pornography on his home laptop computer. The employee retired from the Postal Service and was sentenced to 5 years of supervised probation and ordered to register as a sex offender.

- In 2014, the OIG received information that Postal Service employees at the St. Louis Network Distribution Center (NDC) were stealing parcel mail suspected of containing narcotics. An extensive investigation determined that four current or former employees conspired to identify, over-label, incorrectly deliver, and steal parcels suspected of containing marijuana and other controlled substances. Three of the individuals pled guilty in December 2015 to federal charges and the fourth was convicted in February 2016 at trial.
The investigations in this program are designed to protect the public trust in the Postal Service and generally do not have large monetary benefits. In FY2016, the Official Misconduct program’s monetary benefit to the Postal Service was $131,500.
INTERNAL MAIL THEFT: $64,624,838 Budget

In FY2016, the Postal Service employed 639,000 individuals and processed 154 billion pieces of mail and packages. 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.

The OIG’s Internal Mail Theft program focuses on investigating mail theft by postal employees and postal contractors.

Investigative work in this area 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

Below are examples of the OIG’s past and on-going casework that illustrate the impact the OIG is having on the mail theft program:

- OIG agents arrested two Postal Service employees and two civilians for their role in an elaborate scheme involving stealing government-issued checks from the mail and selling or negotiating the stolen checks on the street. Information derived from a confidential informant led investigators to execute multiple search warrants. During the search, investigators seized $52,900 in cash, 961 uncashed Treasury checks with a face value of $1.6 million, and a 2007 Infiniti G35X. An additional $115,848 was seized through a federal seizure warrant from a safe deposit box and a bank account held by one of the Postal Service employees. The two Postal Service employees were convicted in federal court and sentenced to prison time. The two civilians were convicted, but failed to appear for sentencing and arrest warrants were issued.

- Investigators noticed increasing complaints involving Veterans Administration (VA) prescription medication packages that were not arriving at the customers’ residences. A review of tracking information and attendance records identified the letter carrier most likely responsible for the undelivered VA medication packages. During surveillance, OIG agents determined the letter carrier opened a VA medication package. The letter carrier was arrested and subsequently pleaded guilty in federal court. Sentencing is pending.
Investigations in this program are designed to protect the public trust in the Postal Service and generally do not have large monetary benefits. In FY2016, the Internal Mail Theft program’s monetary benefit to the Postal Service was $502,700.
HOTLINE CONTACTS

In FY2016, 17,574 contacts for OI’s five strategic program areas passed through the OIG hotline, making it an effective source of information to identify problem areas. As a result of investigations associated with these hotline contacts, the OIG has identified cost avoidance, fines, recoveries, restitutions, and settlements.

The following chart shows the hotline volume by program area:

<table>
<thead>
<tr>
<th>Program Area</th>
<th>FY 2016 Contacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract Fraud</td>
<td>86</td>
</tr>
<tr>
<td>Financial Fraud</td>
<td>346</td>
</tr>
<tr>
<td>Healthcare Fraud</td>
<td>468</td>
</tr>
<tr>
<td>Official Misconduct</td>
<td>6,204</td>
</tr>
<tr>
<td>Internal Mail Theft</td>
<td>10,470</td>
</tr>
<tr>
<td><strong>Total Annual OI Contacts</strong></td>
<td><strong>17,574</strong></td>
</tr>
<tr>
<td>Other OIG Departments</td>
<td>1,847</td>
</tr>
<tr>
<td>Non-OIG Contacts</td>
<td>46,684</td>
</tr>
<tr>
<td><strong>Total Annual Other Contacts</strong></td>
<td><strong>48,531</strong></td>
</tr>
</tbody>
</table>
| **Grand Total Annual Contacts** | **66,105**    

FY2016 Hotline Files Referred to OI Program Areas

- Contract Fraud: 35%
- Financial Fraud: 60%
- Healthcare Fraud: 3%
- Official Misconduct: 0.5%
- Internal Mail Theft: 2%
Section 4 – Supporting Materials

A. Human Capital Strategy Description

<table>
<thead>
<tr>
<th>Description</th>
<th>FY2016 Enacted Level</th>
<th>FY2017 Enacted Level</th>
<th>FY2018 Proposed Level</th>
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<tr>
<td>FTEs</td>
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<td>1129</td>
<td>1021</td>
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<tr>
<td>Net change from prior start of year to budget end of year</td>
<td>0</td>
<td>0</td>
<td>-108</td>
</tr>
</tbody>
</table>

Due to the complexity of work within the OIG, it is important to retain a highly specialized talent pool. We routinely examine the skills, knowledge needed by our professional staff, and develop individual training plans to address identified skill gaps. Training funds are required to build and maintain the analytical and technical skills of our workforce to address future performance outcomes, management goals, and leadership requirements. Having experienced personnel will directly affect the length of time it takes to conduct complex reviews, audits, and investigations.

The OIG has undertaken a number of human capital initiatives to maintain our competitive edge. To achieve mission success, we are committed to building and maintaining a highly engaged and talented workforce both now and in the future. We recognize that without a strong human capital strategy, we cannot succeed as an organization.

Our strategic human capital vision includes:

- Align workforce with the strategic priorities of the OIG
- Keep pace with our talent management strategy by implementing workforce planning capabilities, skills analysis, and other analysis tools
- Continue to identify OIG mission critical occupations and the core competencies associated with them
• Develop employee mastery paths to include expert knowledge of:
  ◦ Assignment
  ◦ Profession
  ◦ OIG operations
• Continue to build a robust succession planning program that aligns current talent development with future leadership needs
• Maintain an active, professional recruitment outreach function in order to effectively market the OIG to potential candidates
• Enhance the diversity of the OIG’s workforce by establishing partnerships with minority-serving organizations to help increase the pipeline of highly qualified minority applicants for OIG positions
• Develop communities of practices, instructor led training, and eLearning to maintain a continuous learning culture at all levels of the OIG
• 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. Given the shrinking resources and poor financial climate of the Postal Service, the OIG has hired contractors to fulfill some of the IT support work and provide subject matter expertise. This necessary practice has allowed the OIG to keep pace with the IT community and meet users’ needs for IT 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 has the capacity and bandwidth to contribute to the future successes as the Postal Service continues to experience significant change.
B. Information Technology Resources

The Office of Chief Information Officer (OCIO) integrates IT solutions that both allow for rapid response to the needs of the OIG and can adapt to the constantly changing worldwide IT environment. The OCIO delivers purposeful solutions, which enables the OIG to provide up-to-date technology assuring our auditors and investigators keep pace with and adapt to technological advancements in auditing, computer forensics, and IT security.

The OIG continues to look for ways to reduce spending and to use our IT investment dollars more efficiently. To accomplish this goal, the OCIO uses the IT governance process to achieve greater integration with the Financial Investment Review Board, which also aids with IT by establishing organizational priorities and oversight. This strategy has allowed us to optimize our resources and improve internal operations and integration with Postal Service systems to enhance operational efficiencies.

The OCIO undertook many initiatives aimed at reducing costs and promoting a greener IT footprint by performing the following:

- Leveraging hardware and software costs
- Providing initial use of cloud based services
- Virtualizing equipment
- Purchasing energy efficient servers
- Reducing the number of data circuits
- Reducing telecommunications costs

In FY2017, the OIG received $5 million dollars to fund major IT investments. The additional funding enables the innovation required to research, develop, and deploy improved technology, enhance mission capabilities, and leverage the benefits of cloud based solutions.

Examples include:

- Providing hybrid cloud solutions to ensure anytime, anywhere, any device access to mission critical systems
- Enhancing organizational communication conduits, including data, voice, and video
- Integrating mobility solutions for broader OIG information accessibility
- Continuously strengthening the agency’s cybersecurity posture to meet the ever evolving digital threats
- Providing and enhancing versatile and sophisticated applications
- Improving accessibility and security for a mobile workforce via virtual desktop
- Providing 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 programs at an acceptable level requires continual upgrades to tools and technologies. The funding 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.

<table>
<thead>
<tr>
<th>IT Investments / Funds Source (000’s)</th>
<th>Information Technology Investments</th>
<th>Change from FY2016 to FY2017</th>
<th>FY2018 Budget</th>
<th>Change from FY2017 to FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major IT Investments</td>
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<td>Non-Major IT Investments</td>
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<td>Enterprise Architecture</td>
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<tr>
<td>Total IT Investments</td>
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<td>$17,349</td>
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