

U.S. Postal Service Office of Inspector General

Congressional Budget Justification

Fiscal Year 2019

U.S. Postal Service Office of Inspector General

Fiscal Year 2019 Budget Submission Outline

Preface

The President's 2019 Budget provides flat funding of \$234,650,000 for on-going operational expenses. Pursuant to P.L. 109-435, the U.S. Postal Service (USPS) Office of Inspector General (OIG) requests \$245,350,000. The additional \$10,700,000 would be used to address the growing concern of Postal Service employee collusion with narcotics trafficking through the mail system (See Section 3).

A budget in the amount of \$234,650,000 is insufficient funding to address this growing narcotics concern or to fully fund oversight operations in support of the Postal Service. The OIG is currently operating under a Continuing Resolution (CR) budget of \$251,877,803. The FY 2019 President's budget reflects a 6.8 percent decrease from our FY 2018 CR level and a 7.5 percent decrease from our FY 2017 enacted level of \$253,600,000.

Our OIG has historically had the lowest OIG staff to agency ratio of all federal OIGs and that gap will continue to widen as a result of the FY 2019 budget reduction. Receiving a reduced budget for FY 2019 (in comparison to the FY 2018 CR level of \$251,877,803) would reduce our complement level by 115 FTEs, which is 10.2 percent. Continuing to operate at this budget level will directly impact the number of investigations and audits conducted by the OIG, with a corresponding reduction in our office's historically high impact results.

The scale of the Postal Service's operations and the national distribution of its workforce shape our investigative and audit workload and drive budgetary requirements. The Postal Service has a uniformed federal workforce that visits every business and residence at least six days a week, with over 643,000 employees spread across 31,377 retail and delivery units in all 50 states, Puerto Rico, Guam, and the U.S. Virgin Islands. The organization is a critical component of the more than \$1.4 trillion mailing industry that employs more than 7.5 million people, and it is essential that its employees are held to the highest standard. The budget received for FY 2019 will continue to force the Office of Investigations to conduct fewer investigations while the incidents of postal mail theft, narcotics trafficking, and employee healthcare fraud continue to grow. The Office of Investigations will conduct approximately 464 fewer investigations and forego approximately \$37 million in monetary impact to the Postal Service compared to FY 2017. Additionally, the Office of Audit will issue approximately 20 fewer audit reports and produce approximately \$879 million less in financial impact.

With regards to narcotics trafficking in particular, we are seeing a dramatic increase in the number of Postal Service employees willing to facilitate the trafficking of narcotics in

return for cash, particularly in larger metropolitan areas. Some of our recent investigations have involved the distribution of large quantities of opioids, including fentanyl. We have begun to actively coordinate our efforts with other law enforcement organizations and share our data analytics insights to help better identify suspicious parcels both before and after they enter the mail stream. We are anxious to continue our work in this area; however, without additional funding, we will be forced to reduce our efforts.

Unlike most other OIGs, our organization is predominantly a law-enforcement agency. Approximately sixty-nine percent (\$161,562,000) of our budget is committed to conducting investigations while thirty-one percent (\$73,088,000) is committed to conducting comprehensive audits. Consistent with our mission, we focus on results that return significant value to the Postal Service by concentrating on areas that present the highest risks to the Postal Service. In FY 2016, our OIG had a return of investment of \$30.35 for every dollar spent. In FY 2017, our OIG had an even higher return on investment (ROI) of \$39.19 per dollar spent. The FY 2017 ROI is in addition to the 775 arrests and 2,209 administrative actions resulting from our investigations of employee misconduct and frauds against the Postal Service.

Our office is funded by Postal Service ratepayers, not taxpayer dollars. Savings resulting from a reduced appropriation to our OIG does not increase the available funds for other taxpayer-funded presidential priorities. At a time when the Postal Service is facing significant challenges without the oversight of Postal Governors, this budget will reduce the OIG's ability to monitor the organization's efficiency and effectiveness, or protect it from fraud and criminal activity. In accordance with Section 6(f)(3) of the Inspector General Act, as amended, we respectfully note that a reduced budget proposal for the OIG without regard to the critical on-going value our office provides will substantially inhibit this Inspector General from performing the duties required of this office.

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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 provide key oversight of the Postal Service's efforts to meet 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 concentrate 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 impact 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 FY 2019:

- The aggregate budget for the operations of the OIG is \$234,650,000.
- The portion of the aggregate budget allocated for OIG training is \$1,432,235.
- The portion of the training budget to support CIGIE is \$516,230, which is 0.22 percent of the \$234,650,000.

C. Appropriations Table

The OIG FY 2019 budget plan is based on a level of effort for the two mission programs Office of Audit and Office of Investigations. The table below shows the budget by program area for appropriations in FYs 2017, 2018, and 2019.

Resources Available for Obligation	FY 2017		FY 2018		FY 2019		FY 18 to FY 19			
	Enacted Level		CR Level		Budget		Change		% Change	
	FTE	Amount (000's)	FTE	Amount (000's)	FTE	Amount (000's)	FTE	Amount (000's)	FTE	Amount
Appropriated Resources:										
Audit	421	\$78,990	421	\$78,082	378	\$73,088	-43	-\$4,994	-10.2%	-6%
Investigations	708	\$174,610	708	\$173,796	636	\$161,562	-72	-\$12,234	-10.2%	-7%
Total: Appropriated Resources	1,129	\$253,600	1,129	\$251,878	1,014	\$234,650	-115	-\$17,228	-10.2%	-6.8%

Section 2 – Budget Adjustments and Appropriation Language

A. Budget Adjustments Table (in thousands)

Office of Inspector General	FY 2017 Enacted Level	FY 2018 CR Level	FY 2019 Budget
FTE:	1,129	1,129	1,014
Object Classification:			
11.1 Full-time Permanent Positions	\$148,776	\$154,107	\$140,559
11.3 Other than Full-time Permanent	\$1,000	\$1,000	\$1,000
11.5 Other Personnel Compensation	\$2,636	\$2,636	\$2,636
11.9 Total Personnel Compensation	\$152,413	\$157,743	\$144,195
12.0 Personnel Benefits	\$57,209	\$59,259	\$54,961
21.0 Travel	\$5,517	\$5,517	\$4,299
22.0 Transportation of Things	\$1,008	\$1,008	\$1,008
23.2 Rent Payments to Others	\$6,711	\$6,711	\$6,711
23.3 Communications, Utilities, & Misc.	\$4,211	\$3,208	\$2,211
24.0 Printing and Reproduction	\$37	\$37	\$37
25.1 Advisory & Assistance Services	\$18,564	\$13,540	\$14,048
25.2 Other Services (Goods / Services)	\$785	\$225	\$785
25.3 Government Agencies	\$200	\$200	\$200
25.4 Operation & Maintenance of Facilities	\$89	\$89	\$89
25.6 Medical	\$336	\$336	\$336
25.7 Operation and Maintenance of Equipment	\$402	\$402	\$402
26.0 Supplies and Materials	\$1,903	\$757	\$1,903
31.0 Equipment	\$3,215	\$2,846	\$3,215
32.0 Lands and Structures	\$1,000	\$0	\$250
Total Budget Authority	\$253,600	\$251,878	\$234,650

B. Budget Increases and Decreases Descriptions (Numbers represented in 000's)

FY 2018 CR Level		\$ 251,878
<i>Significant Budget Changes</i>		
Decrease to Full-time Salaries and Benefits for 115 FTEs		
Reduction of 43 FTEs from the Office of Audit	\$	(6,551)
Reduction of 72 FTEs from the Office of Investigations	\$	(14,480)
Total Decrease to Salaries & Benefits for 115 FTEs		\$(21,031.060)
Increase to Salaries:		
Annual COLA Increase	\$	-
Annual In-Grade Increase	\$	2,290
Total Salaries Increase		\$ 2,289.687
Increase to Benefits:		
Annual	\$	895
Total Benefits Increase		\$ 895.308
Increase to Non-personnel Object Classes:		
Increase to the Office of Audit	\$	192
Increase to the Office of Investigations	\$	425
Total Increase to Non-personnel Object Classes		\$ 617.968
Significant Budget Changes Total		\$ (17,228)
FY 2019 Budget		\$ 234,650

Note: FY 2019 reflects no COLA increase per guidance received from OMB.

Decrease to Salaries and Benefits for reduction of 115 FTEs.....\$21,031,060

In order to meet the requirements of the President's budget for FY 2019, the OIG must reduce FTEs by 115 FTEs. This will result in a complement level of 1014 FTEs.

Increase to Salaries for 1014 FTEs.....\$2,289,687

Funds requested for annualization of the January 2019 performance pay-raise.

Increase to Benefits for 1014 FTEs.....\$895,308

Funds requested for annual increase of the benefits premium required to pay for FTEs.

Increase to Non-personnel Costs.....\$617,968

The reduction in Travel Funds correlates to the reduction in FTEs in FY 2019. An increase in Advisory and Assistance Services is planned in order to provide subject matter expertise, due to the reduction in FTEs in FY 2019, to complete

complex and diverse audits and investigations. The additional funds needed is offset by reducing costs in other areas. The agency will decrease the spending for Communications, Utilities, and Miscellaneous Expenses by implementing cost reduction initiatives. An increase in Other Services is needed for funding the CIGIE Assessment. A decrease in funding in FY 2018 for Supplies and Materials is noted as the agency begins its migration of IT related services and tools to cloud-based solutions. In FY 2019, funding for supplies and materials will resume to pre-cloud migration levels.

C. Reimbursable Authority

In FY 2019, 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 2017 Enacted (000's)	FY 2018 CR Level (000's)	FY 2019 Budget (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, \$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).</p>

Section 3 – Additional Investments

A. Narcotics Trafficking Through the Mail

The OIG has historically responded to complaints of Postal Service employees using or selling illegal narcotics. The incidents of these complaints and subsequent investigations has risen steadily over the past few years, and our organization has shifted resources internally to address this rise. However, the investigations our OIG is working now frequently involve sophisticated drug trafficking organizations and significant involvement by employees. We are growing increasingly concerned about Postal Service employee collusion with regards to trafficking narcotics through the mail system, particularly with regards to opioids and other illegal narcotics shipped from overseas. A number of events have occurred recently that highlight the need for additional resources to address this problem.

Over the past year, the OIG has seen a dramatic increase in the number of Postal Service employees willing to facilitate the trafficking of narcotics in return for cash, particularly in larger metropolitan areas. For example, in August 2017, the Department of Justice (DOJ) issued a press release on one of our cases where 16 Postal Service workers were charged with accepting bribes to deliver cocaine. This case is not unique and we have a number of cases where multiple employees, including managers, are facilitating the distribution of narcotics.

Beginning in July 2017, our Office of Audit began a review of advance electronic data associated with inbound international packages. This review was initiated as a result of comments made by members of the Senate who expressed concerns regarding the safety of Postal Service employees that may be handling packages containing opioids during a May 2017 hearing. Additionally in July 2017, our office was invited to join an on-going investigation of narcotics trafficking through the mail. This investigation was initiated based on a Customs and Border Protection (CBP) seizure of an in-bound international package. This package, when opened by CBP personnel, was found to contain fentanyl. The investigation ultimately determined that a Postal Service letter carrier was facilitating the delivery of drug packages destined for his route to civilian co-conspirators.

Our office used the shipper information from this initial seized package and searched the international advance electronic data for other packages from this same shipper. Over 450 packages shipped between February and June 2017 were discovered. When analysts looked for any other packages destined for those 450 addresses, they identified a second shipper who shipped 2,400 packages during the same time period. CBP confirmed that they had previously intercepted a package from this second shipper that contained fentanyl. An analysis of over 2,800 packages determined that 70 percent were delivered to residential addresses, with a significant

portion addressed to recipients who did not live at those addresses. This combined information is highly indicative of Postal Service employee collusion.

In September 2017, our office joined a second investigation involving a Postal Service carrier facilitating the distribution of narcotics. This case is on-going, but law enforcement has already intercepted one package that was delivered by this carrier and found it to contain more than 200,000 fentanyl pills.

Also in September 2017, our OCDO completed the development of a domestic narcotic mail theft tripwire. This tool profiles parcels shipped domestically and looks for a variety of indicators that suggest the parcels contain narcotics. The tool also identifies Postal Service routes and carriers which appear to be distributing these narcotics parcels. Initial tests with this tool identified hundreds of potential routes and carriers that require immediate investigation, all of which were previously unknown to our OIG. This tool was also used to research the two Postal Service employees identified in the investigations above. In both instances, the carriers were rated as the highest risk carriers in their areas by the tool.

Our OIG is coordinating our data discoveries with CBP and other law enforcement agencies, and we have shared this information with Oversight Committees in the House and Senate. All parties briefed to date have been extremely interested in our findings and supportive of our continued efforts. CBP, in particular, believes that our analytics may bring visibility to mail concerns that are otherwise not available to law enforcement or border security personnel. We are anxious to continue our work in this area; however, a budget in the amount of \$234,650,000 does not provide the funds needed to address these dangerous and complex investigations. To support these efforts, additional funds in the amount of \$10,700,000 would allow our office to hire 50 additional agents to focus on narcotics investigations and three additional analysts to connect to the Customs and Border Protection (CBP) National Targeting Center (NTC) on a full-time basis.

Section 4 – 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

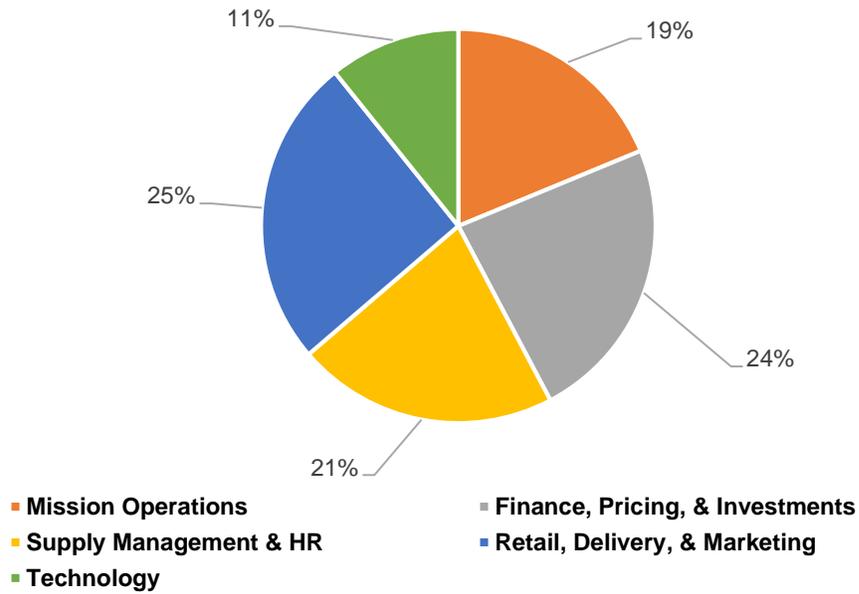
Office of Audit (OA) focuses on reviews that provide the Postal Service with information to address its emerging strategic issues, major risks, and management challenges. OA organizes its audit work to address risk factors in five functional audit areas — Mission Operations; Finance, Pricing, and Investments;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

OA has 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. OA 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 FY 2017, OA identified over \$9.7 billion in monetary benefits and a return on investment (ROI) of \$116.57 for each dollar spent.

We will issue approximately 20 fewer audit reports and produce approximately \$879 million less in financial impact, compared to FY 2017. If OA, does not have sufficient resources to perform critical audits and continue required training, audit skill levels will likely decline. Additionally, we will risk not being able to retain skilled staff and lose valuable technical and institutional knowledge regarding complex Postal Service subject matter.

The following chart shows how OA would allocate its FY 2019 program budget of \$73,088,000 to the five functional audit areas.

Percentage of 2019 Budget



Office of Audit	2019 Budget
Mission Operations	\$ 13,716,586
Finance, Pricing, & Investments	\$ 17,176,855
Supply Management & HR	\$ 15,675,253
Retail, Delivery, & Marketing	\$ 18,650,581
Technology	\$ 7,868,725
Office of Audit Total	\$ 73,088,000

MISSION OPERATIONS: \$13,716,586 Budget

The Mission Operations audit area reviews two of the largest cost center functions within the Postal Service — network processing and transportation. These business segments annually spend over \$15 billion.

In FY 2017, the Postal Service processed 149.5 billion pieces of mail and packages at 306 processing facilities, using over 238 million mail processing workhours costing about \$8.5 billion, and a surface and air transportation network costing about \$7.8 billion.

Risk factors in these core functional areas are those that may impede the Postal Service's abilities to be effective and efficient in processing and moving mail while maintaining optimal customer service. Audit work that addresses Mission Operations' objectives includes:

- Examining and assessing the overall and unit efficiency of the mail processing and transportation networks
- Determining and evaluating delayed mail and the associated customer service implications
- Determining cost-effective opportunities for existing and future transportation modes
- Assessing the effectiveness of initiatives to improve the processing and transportation of the mail
- Benchmarking mail processing and transportation processes and policies against those of selected entities in similar industries

Mission Operations uses Network Processing and Transportation analytics tools to identify Postal Service districts and facilities that are at risk for mail service performance and operational issues. These tools are constantly refreshed with improved or new key risk indicators to help anticipate trends that may indicate future risk.

The Mission Operations audit area conducted 29 reviews and identified monetary benefits of \$782 million in FY 2017. We routinely conduct audits in response to Congressional requests and provide mail service and operational performance data to Congressional staff to assist them with Postal Service issues.

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

- Reduce delayed mail and refrain from making significant changes to the mail processing network until the network stabilizes
- Increase management and oversight of Highway Contract Routes (HCRs)

- Reduce costs and improve mail processing efficiency and parcel processing equipment performance
- Reduce costs and improve efficiency in various transportation programs such as, ensuring HCR fuel prices are based the Postal Service's fuel indexing program

The FY 2019 budget will constrain future data analytics work and the number of audits we can conduct in business segments that annually spend over \$15 billion. Limits in funding will impact the Mission Operations audit area's ability to be responsive to Congressional requests and perform critical work focused on cutting costs. We will issue approximately three fewer audit reports and produce approximately \$128.8 million less in financial impact in the following areas:

- Mail delivery timeliness and service standard impact on performance
- Surface and air network transportation assets and the HCR program
- Mail processing infrastructure, including parcel sorting equipment
- Parcel handling, including upgrading package visibility technology

FINANCE, PRICING, AND INVESTMENTS: \$17,176,855 Budget

The Finance, Pricing, and Investments audit area focuses on issues related to finance, cost and pricing, and capital investments. These audit areas have a clear financial impact by helping to ensure that the Postal Service is following regulatory requirements and the 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:

- Auditing the data collection systems and processes used to develop costing, pricing, service performance measurements, and procedures as required by the Postal Accountability and Enhancement Act (PAEA), 39 U.S.C. § 3652(a)
- Assessing Postal Service financial reports and financial reporting controls
- Examining key and sensitive (executive level) financial activities and identifying opportunities to help ensure continued operations and reduce the risk of improper payments
- Evaluating compliance with the PAEA and other significant laws and regulations
- Conducting audits of selected Postal Service strategic initiatives, major capital investments of \$5 million or more that focus on functionality, deployment, and ROI

Data analytics risk modeling is essential to the success of the Finance, Pricing, and Investments audit area. The results from multiple data analytics risk models are shared with Postal Service stakeholders for the purpose of continually assessing operations and risks to the Postal Service.

The Finance, Pricing, and Investments audit area performed 72 reviews and identified monetary benefits of over \$7 billion in FY 2017.

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

- Work with Congress to amend legislation that will help the Postal Service more accurately compute future costs of its retirement liabilities and obtain monies due from the government for past mail service
- Monitor sensitive payments and protect government fleet cards to ensure compliance with applicable laws and regulations; and to reduce the risk of improper payments

- Properly encrypt, password protect, or otherwise secure the transmission of sensitive financial data and safeguard and monitor accountable items, such as stamp stock, cash, and money orders
- Align governance for its program management framework with industry best practices to include improving procedures for developing cost and pricing information and tracking and retaining external contractor studies
- Define the number of days of operating cash on hand it should have to sustain operations through a short-term economic downturn

The FY 2019 budget will constrain future data analytics work and the number of audits we can conduct focusing on finance, cost and pricing, and capital investments. We will issue approximately five fewer audit reports and produce approximately \$435.6 million less in financial impact in the following areas:

- Data collection systems and processes used to develop costing, pricing, service performance measurements, and ensure legislative compliance
- Annual support of the independent public accounting firm's financial statement and internal controls opinions
- Retirement and health benefits to provide opportunities and options to help the Postal Service increase its retirement assets and reduce its future liabilities
- Major capital investments to determine whether the deployment and functionality meets expectations

SUPPLY MANAGEMENT AND HUMAN RESOURCES: \$15,675,253 Budget

The Supply Management and Human Resources audit area focuses on issues related to contracting, facilities, human resource management, security, emergency preparedness, and sustainability. 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:

- Evaluating the effectiveness of contracting strategies, to include reviewing supply chain and facilities costs to ensure they are adequately controlled by current policies, initiatives, and best practices
- Assessing facilities management strategies to address safety and security risks to Postal Service personnel, customers, mail, and assets
- Evaluating ways to reduce the Postal Service's Workers' Compensation Program cost and opportunities to optimize non-career staffing
- Assessing the Postal Service's processes to ensure compliance with Occupational Safety and Health Administration regulations to protect employees and avoid penalties
- Overseeing investigative activities of the Postal Service

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.

The Supply Management and Human Resources audit area performed 38 reviews and provided monetary benefits of over \$925 million in FY 2017.

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

- Implement a comprehensive non-career employee strategic plan for all crafts that would help the Postal Service identify, recruit, and retain highly qualified individuals
- Develop an action plan to address all building safety and security, maintenance, workplace environment and violence policy, and handicap accessibility issues; and establish controls to assess working conditions and resolve any issues that could affect employee health and safety
- Develop training to ensure responsible personnel understand their roles and responsibilities for identifying, handling, safeguarding, and tracking packages suspected of containing marijuana

- Coordinate with the Department of Labor 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

The FY 2019 budget will constrain future data analytics work and the number of audits we can conduct. Limits in funding will impact the Supply Management and Human Resources audit area's ability to be responsive to Congressional requests and perform critical work related to contracting, facilities, human resource management, security, and emergency preparedness. We will issue approximately five fewer audit reports and produce approximately \$258.5 million less in financial impact in the following areas:

- Contracting practices including pre-award contracting compliance and practices
- Facility optimization and opportunities to sell and lease properties
- Human resources programs and systems to enhance security and safety
- Oversight of the Postal Inspection Service and its investigative activities

RETAIL, DELIVERY, AND MARKETING: \$18,650,581 Budget

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 processed and delivered 149.5 billion pieces of mail and packages in FY 2017 using its massive infrastructure, which includes 31,377 retail and delivery units. In FY 2017, the Postal Service delivered mail to approximately 157 million residential and business delivery points every delivery day. The Retail, Delivery, and Marketing area oversees Postal Service operations of more than \$69.6 billion in revenue and over \$34 billion in labor costs.

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 improve service and identify opportunities to reduce costs for Postal Service operations related to delivery, vehicle maintenance, fleet management, post office operations, call centers and social media operations, and other facilities
- 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 advertising mail, sample products, pilot programs, political mail, and international products and services and identifying ways the Postal Service can overcome any barriers

Data analytics risk models are essential to the success of the Retail, Delivery, and Marketing audit area. We are currently developing more advanced versions of our risk models in order to better identify high-risk operations and areas of opportunity.

The Retail, Delivery, and Marketing audit area performed 37 reviews identifying over \$896 million in monetary benefits in FY 2017. We conduct a wide range of meaningful audit work promoting economy, efficiency, cost savings, integrity, and accountability.

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

- Assess inbound international mail operations and security concerns and work with Congress, federal agencies and key stakeholders on clarifying legal

provisions related to handling prohibited mailings, agency responsibilities, and cost allocation

- 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
- Establish additional controls for identifying and collecting short paid postage on parcels
- Improve the customer experience and preserve the integrity of the Postal Service brand by developing expanded mailing, pricing, and logistic options that meet customers' needs and responding to customer inquiries on traditional and social media platforms
- Develop comprehensive data analytic capabilities across all retail channels to evaluate proposals for new retail access points and create a centralized system for tracking and recording new retail access point proposals

The FY 2019 budget will constrain the number of audits we can conduct as well as our efforts to develop next generation analytics models that ultimately identify high-risk areas. Limits in funding will impact the Retail, Delivery, and Marketing audit area's ability to perform critical work focusing on customer service, revenue generation and protection, international mail, and marketing. We will issue approximately five fewer audit reports and produce approximately \$55 million less in financial impact in the following areas:

- Security of international and military mail and related Postal Service operations
- Next generation delivery vehicles and vehicle maintenance infrastructure
- Retail staffing and associated cost and customer service impacts
- Package delivery technology
- Postal Service innovations to grow the mailing and shipping industry

TECHNOLOGY: \$7,868,725 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 ROI, and secure and protect existing information technology (IT). 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 and secure its data, and use it to manage organizational performance. Our audit work assists the Postal Service in designing safeguards to minimize risk to systems, assets, and data.

Audit work that addresses Technology issues includes:

- Evaluation of threats to sensitive data, including effectiveness of insider threat programs and management of privileged user accounts
- Identification of technology requiring modernization to provide adequate security or customer experience, including unsupported operating systems and revenue related systems
- Evaluation of physical and environmental controls to prevent disruption to system operations and the ability to restore operations
- Vulnerability assessments to identify issues that may negatively impact the confidentiality, availability, and integrity of systems
- Evaluation of the placement and configuration of network security hardware

The Technology audit area performed 14 reviews identifying over \$22 million in monetary benefits in FY 2017. Over the past two years, audits in this area have concluded that the Postal Service should:

- Modernize its enterprise information security policy to reflect a generally accepted industry standard security framework
- Properly configure security information management systems
- Develop a roadmap to modernize a key revenue processing application to ensure customer experience is not negatively impacted
- Reduce the risk of unauthorized access to data and disruption of critical operations by developing and maintaining an inventory of internet facing hosts
- Implement controls over privileged user accounts to ensure that information is secure and systems and data are not modified without authorization
- Secure servers and databases containing personally identifiable information

The FY 2019 budget will constrain future data analytics work and the number of audits we can conduct, specifically with regards to performing network penetration

testing and other critical cybersecurity audit work. We will issue approximately two fewer audit reports and produce approximately \$1.1 million less in financial impact in the following areas:

- IT operations including system performance and infrastructure optimization and mobility
- Emerging technology and solutions, optimizing IT programs, improving system performance and controls, and enhancing data security
- IT strategies and governance programs

Legislative Mandates

In FY 2017, almost \$5.2 million of our OA budget was used to support reviews that were either legislatively mandated by Congress or to support the Postal Service in meeting its legislative mandates. As indicated in the table below, the OIG spent over \$829,000 to oversee activities of the Postal Inspection Service and about \$857,000 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. The OIG also spent over \$2.7 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 financial reporting requirements. The OIG also spent approximately \$705,000 to perform audits in support of Postal Service mandates.

Legislative Mandates - Dollar Value by Identified Mandates FY 2017		
Public Law Reference	Mandate Description	Cost* (000's)
5 U.S.C. App. 3 § 8G(f)(2)	Oversight of the Postal Inspection Service	\$829
39 U.S.C. § 3652	Audits of Postal Service Data Collection Systems	\$857
PL 109-435	Financial Statement/SOX Audit and Quarterly 10Q**	\$2,786
Various	Audits in Support of Postal Service Mandates**	\$705
Total Dollar Value		\$5,177

*Based on FY 2017 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

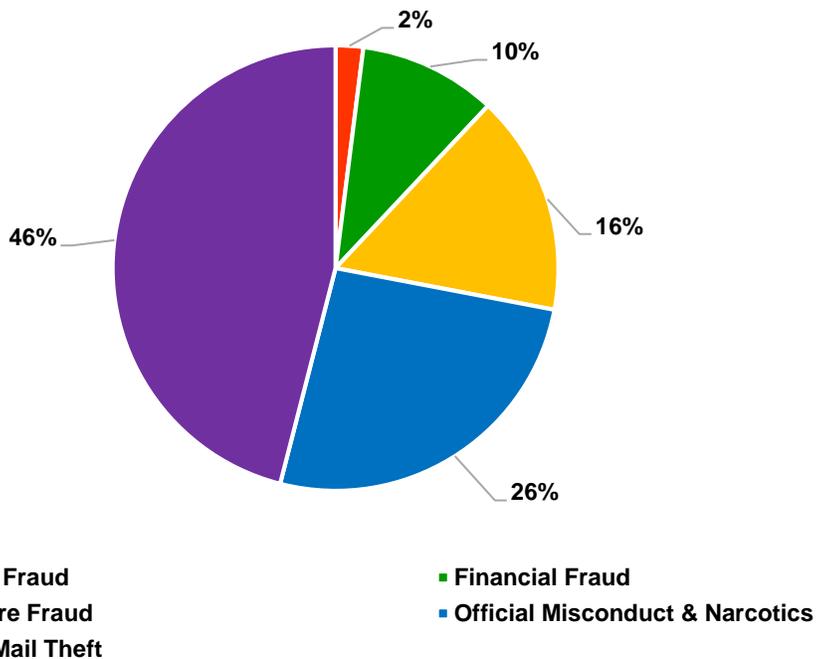
The Office of Investigations (OI) performs work to protect the mail and to ensure the integrity of postal processes, finances, and personnel. OI deploys its personnel in the field based on the distribution of Postal Service employees nationwide, the need for specialized investigations, and support requested 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 impact. This alignment also enhances OI's responsiveness to allegations of employee misconduct and to respond to frauds against 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 allegations against Postal Service executives. In FY 2017, OI identified \$217 million in monetary benefits – an ROI of \$1.28 for each dollar spent. This ROI is in addition to the 775 arrests and 2,209 administrative actions resulting from our investigations.

In FY 2019, OI will conduct approximately 464 fewer investigations and forgo approximately \$36.8 million in monetary impact to the Postal Service. The inability to fully fund its operations will force OI to conduct fewer investigations while the incidents of postal mail theft, narcotics, and employee healthcare fraud continue to grow.

The following chart shows how OI would allocate its FY 2019 program budget of \$161,562,000 to these investigative programs.

Percentage of 2019 Budget



Office of Investigations	2019 Budget
Contract Fraud	\$ 3,231,240
Financial Fraud	\$ 16,156,200
Healthcare Fraud	\$ 25,849,920
Official Misconduct & Narcotics	\$ 42,006,120
Internal Mail Theft	\$ 74,318,520
Office of Investigations Total	\$ 161,562,000

CONTRACT FRAUD: \$3,231,240 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
Investigating instances of bribery, kickbacks, extortion, and conflict of interest involving a Postal employee

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

- OIG analysis of a supplier's sales data with GSA and other customers from January 2, 2013, through November 30, 2013, revealed that a current USPS-supplier was not satisfying a Most Favored Customer Pricing clause in its contract. Investigators compared sales and rebate data with all Postal Service sales to GSA and other customers who bought the same items from the identified supplier. OIG investigators found about \$11 million in overcharges to the Postal Service for the same items bought by other customers. In lieu of pursuing civil litigation, the USPS contracting officer used the OIG investigative analysis to renegotiate prices with the supplier in February 2017, resulting in a cost avoidance to the Postal Service of almost \$11 million.
- Since 2010, the OIG has supported 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, the Postal Service paid \$31 million in contractual sponsorship fees. The investigation is currently scheduled to go to trial on for May 7, 2018. The Department of Justice is expecting approximately a one month trial.

In FY 2017, the Contract Fraud program's monetary benefit to the Postal Service was \$14.3 million. The FY 2019 budget will reduce the number of contract fraud cases we investigate by potentially 21 cases, resulting in a loss of approximately \$917,200 in financial impact.

FINANCIAL FRAUD: *\$16,156,200 Budget*

A large portion of the revenue generated by the Postal Service is handled at 31,377 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

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

- After receiving an allegation from the Postal Service's Finance Office that a post office in Massachusetts had a number of potential financial irregularities, the OIG initiated an investigation in December 2015 and eventually determined the postmaster issued 65 no-fee money orders, totaling almost \$31,000, for personal use. During the investigation, the postmaster admitted to embezzlement, claiming he did it because of financial hardships. The postmaster was charged in Federal court with Misappropriation of Postal Funds. In July 2017, the former postmaster appeared before a U.S. District Judge and was sentenced to two years of probation, the first six months of which was to be served in home confinement. He was also ordered to pay restitution to the U. S. Postal Service (USPS) in the amount of \$30,874.67.

In FY 2017, the Financial Fraud program's monetary benefit to the Postal Service was \$2.1 million. The FY 2019 budget will reduce the number of financial fraud cases we investigate by potentially 44 cases, resulting in a loss of approximately \$342,000 in financial impact.

HEALTHCARE FRAUD: \$25,849,920 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 Department of Labor Office of Workers' Compensation Programs (DOL/OWCP).

The Postal Service is the largest single contributor to the OWCP and, in chargeback year 2017, it paid \$1.27 billion, with an additional \$76 million in administrative fees for FECA-related benefits. That same year, the Postal Service estimated its long-term liability for workers' compensation to be \$17.9 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 operations.

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:

- In June 2016, a Texas chiropractor was sentenced to 14 years in federal prison and ordered to pay over \$17 million in restitution to DOL. We conducted the investigation with the Army Criminal Investigation Command's Major Procurement Fraud Unit, Federal Bureau of Investigation (FBI), Internal Revenue Service Criminal Investigations Division (IRS/CID), and DOL OIG. The case began in March 2010, when reports from a Texas Injury Compensation Office indicated the Postal Service was being billed for therapy that postal employees did not receive. After an extensive investigation, agents determined that a pharmacy owner paid \$5.3 million in kickbacks to a chiropractor from March to December of 2015. The chiropractor organized and controlled multiple

healthcare-related entities, including eight clinics in Texas that derived substantial revenue from DOL healthcare benefit programs. The investigation determined the kickbacks were for referring federally insured employees in need of prescriptions and for influencing physicians to prescribe compounded medications, which the pharmacy then provided. In November 2016, the pharmacy owner pled guilty in federal court to willful offer and payment of illegal remuneration in relation to a federal healthcare program. The pharmacy owner faces up to five years in federal prison and has agreed to pay more than \$5 million in restitution.

- An OIG joint investigation with Army CID, FBI, and DOL OIG revealed fraud in excess of \$100 million. The OIG uncovered a scam in which the owner of a Texas pharmacy gave more than \$800,000 in kickbacks to a physician who referred patients to his pharmacy. The pharmacy owner also filed a fraudulent tax return. The owner pled guilty to willful offer and payment of illegal remuneration in relation to a federal healthcare program, as well as making and filing a false income tax return. Sentencing is pending.
- In September 2014, agents from USPS OIG, DOL OIG, Veterans Affairs OIG, and Social Security Administration OIG executed a search warrant at a healthcare facility in Texas, seizing records and interviewing facility staff and other witnesses. The investigation determined the owner of the facility falsely claimed to have provided counseling to patients on days when he was on travel or away from the office. In particular, seized documents revealed the owner billed for services while he was hospitalized for personal medical reasons. The owner further asked patients to falsify medical documentation, indicating they had received services on days when they had not. The patients received \$100 for each form they completed. In May 2016, the facility owner pled guilty in federal court to one count of conspiracy to commit healthcare fraud and was sentenced to 78 months in prison and three years of supervised release. He and his three convicted co-conspirators were ordered to pay restitution of \$7.7 million. Prosecution of other co-conspirators and patients who falsified medical forms continues.
- By March 2012, a Maryland mail processing clerk had recovered enough from a work-related injury to return to work in a partial capacity but did not. From September 2012 through April 2013, she was observed and videotaped mowing her lawn, weed-whacking, lifting and lowering a garage door, operating a chainsaw, maneuvering a wheelbarrow, washing her vehicle, and carrying items of various weights — activities inconsistent with the physical restrictions of her condition before recovery. A federal jury convicted the clerk on charges of false statement and fraud to obtain

federal employees' compensation, theft of government property, and false statements. On January 19, 2017, the clerk appeared before the U.S. District Court for the District of Baltimore and was sentenced to a year in prison and three years of supervised release. She must also pay \$214,227 in restitution for benefits fraudulently received and a \$300 special court assessment.

In FY 2017, the Healthcare Fraud program's monetary benefit to the Postal Service was \$200.4 million. The FY 2019 budget will reduce the number of healthcare fraud cases we investigate by potentially 122 cases, resulting in a loss of approximately \$35.3 million in financial impact.

OFFICIAL MISCONDUCT AND NARCOTICS: \$42,006,120 Budget

The Official Misconduct and Narcotics program is responsible for investigating misconduct by postal employees and contractors. The OIG takes seriously any misconduct by postal employees that harms the public's trust and reflects negatively on the Postal Service. The Official Misconduct and Narcotics program investigates 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

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

- A joint investigation by the OIG, the Postal Inspection Service, and Drug Enforcement Agency discovered that a drug trafficker mailed parcels containing PCP to addresses on a specific carrier's delivery route. The carrier scanned the parcels as having been delivered but provided them to the drug trafficker, who was not affiliated with the Postal Service. Some parcels were left at addresses where a co-conspirator retrieved them soon after delivery. During an interview in April 2016, the carrier admitted to the scheme and, in November 2016, pled guilty to conspiracy to distribute narcotics in the U.S. District Court for the Western District of Missouri.
- Two former Cleveland carriers along with three other mail carriers delivered parcels containing narcotics to a drug dealer and received money for participating in the scheme. In February 2017, all five carriers pled guilty to accepting bribes. Four of the five carriers were sentenced in the U.S. District Court, Northern District of Ohio to three years' probation followed by three-to-eight months' home confinement. The remaining carrier was sentenced to three years' probation and six months' home confinement.
- A joint investigation involving eight Federal and state law enforcement agencies uncovered a complex drug trafficking organization involving on-duty

DC Postal Service employees. The drug ring operated out of the Lamond Riggs Station where a manager and employees conspired with external subjects to distribute drug parcels shipped from the west coast. The investigation resulted in three residential search warrants and four arrests. Evidence seized during the warrants involved countless pieces of evidence, to include \$394,000 in US currency, an assault rifle and two other firearms, a 2010 Porsche Panamera, marijuana plants, and over 50lbs of marijuana. In July 2017, the two Postal City Carriers and the Customer Services Manager had jury trials in U.S. District Court, Washington, DC. All the defendants were found guilty. In September and October 2017, one city carrier was sentenced to serve 18 months in prison, the other city carrier was sentenced to serve 46 months in prison, and the Customer Services Manager was sentenced to 97 months incarceration and ordered to forfeit \$64,000.

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 FY 2017, the Official Misconduct program's monetary benefit to the Postal Service was \$135,361. The FY 2019 budget will reduce the number of misconduct cases we investigate by potentially 91 cases.

INTERNAL MAIL THEFT: \$74,318,520 Budget

In FY 2017, the Postal Service employed over 643,000 individuals and processed and delivered 149.5 billion pieces of mail and packages. The Postal Service depends on the public's confidence in the sanctity of the mail, and both the Postal Service and the public expect a thorough investigation when mail is stolen or delayed.

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

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:

- After learning that a Tampa, FL, city carrier was allegedly stealing U.S. Treasury checks and turning them over to a co-conspirator, we initiated a joint investigation with the Postal Inspection Service and IRS CID. We determined a city carrier unlawfully opened and rifled First-Class Mail. During an interview, the city carrier admitted to a two-year scheme of stealing Treasury checks from the mail while on duty and being paid by a co-conspirator. The city carrier subsequently resigned from the Postal Service. In January 2017, the U.S. District Court, Middle District of Florida, sentenced the former city carrier to 18 months in prison and 36 months of supervised release; he was ordered to pay nearly \$21,000 in restitution and a \$300 special assessment related to stealing tax-return checks and other First-Class Mail.
- The Postal Inspection Service informed the OIG in April 2014 that a Postal Support Employee (PSE) Mail Processing Clerk was allegedly stealing U.S. Treasury tax-return checks from the mail stream in New Jersey. Subsequent investigation revealed that, from June 2014 to February 2015, the employee facilitated the filing of more than a dozen fraudulent tax returns worth more than \$75,000 in tax refunds based on stolen identity information from the mail. The investigation ultimately determined that multiple co-conspirators were part of the stolen-identity tax-refund scheme, which involved submitting hundreds of fraudulent Form 1040s and diverting fraudulent refund checks from the mail stream. In June 2017, the former PSE appeared before a U.S. District Judge and was sentenced to five years' probation. He was also

- ordered to forfeit \$30,851.47. Two co-conspirators were sentenced to 61 months' imprisonment followed by three years' supervised release in addition to being ordered to pay a total combined restitution of \$1,109,938.
- The OIG opened an investigation based on information received from the USPS in August 2015 that unemployment compensation funds in the form of pre-paid debit cards were being stolen from mail on a Florida city carrier's route. The investigation determined the city carrier provided co-conspirators with as many as 60 addresses from his route as well as mail containing personal identification information. The co-conspirators then created fraudulent unemployment applications using the stolen identities and submitted them to the Florida Department of Economic Opportunity. As a result, the agency mailed Florida Visa debit cards to the addresses on the carrier's route. The co-conspirators intercepted the cards and used them to make withdrawals from ATMs. In May 2017, the city carrier was sentenced to 12 months' imprisonment for theft of the cards and an additional 24 months for identity theft. The city carrier was also ordered to pay restitution in the amount of \$85,865.

Investigations in this program are designed to protect the public trust in the Postal Service and generally do not have large monetary benefits. In FY 2017, the Internal Mail Theft program's monetary benefit to the Postal Service was \$596,166. The FY 2019 budget will reduce the number of mail theft cases we investigate by potentially 186 cases, including 58 removals and 46 arrests.

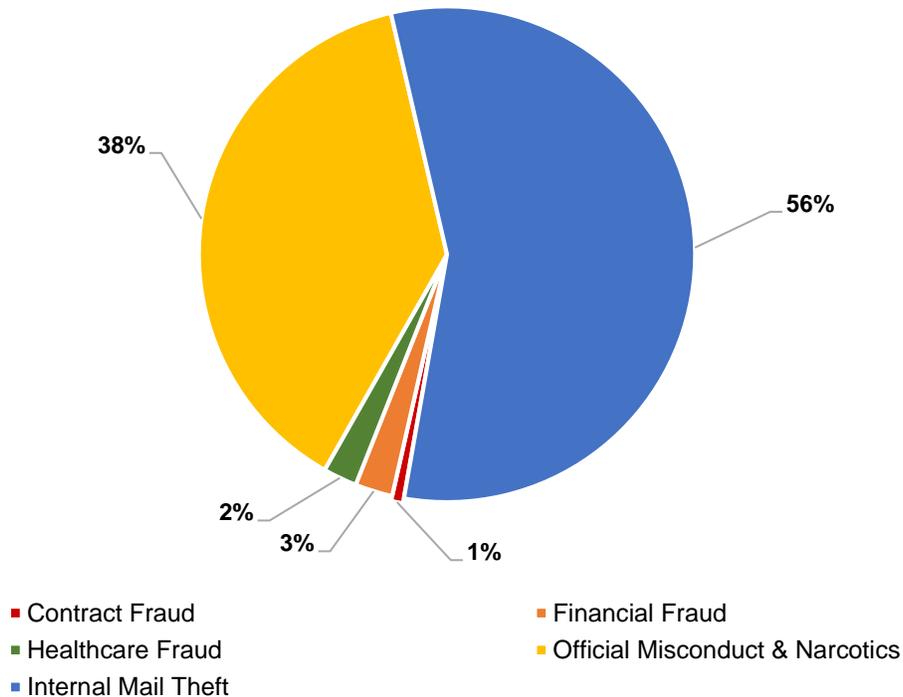
HOTLINE CONTACTS

In FY 2017, OIG Hotline received a total of 78,537 hotline contacts of which 19,898 were investigations related. Investigations resulting from these hotline contacts identified cost avoidance, fines, recoveries, restitutions, and settlements.

The following chart shows the hotline volume by program area:

Program Area	FY 2017 Contacts
Contract Fraud	154
Financial Fraud	487
Healthcare Fraud	440
Official Misconduct & Narcotics	7,592
Internal Mail Theft	11,225
Total Annual OI Contacts	19,898
Other OIG Departments	2,128
Non-OIG Contacts	56,511
Total Annual Other Contacts	58,639
Grand Total Annual Contacts	78,537

**FY2017 Hotline Files
Referred to OI Program Areas**



Section 5 – Supporting Materials

A. Human Capital Strategy Description

Description	FY 2017 Enacted Level	FY 2018 CR Level	FY 2019 Budget
FTEs	1,129	1,129	1,014
Net change from prior start of year to budget end of year	0	0	-115

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 development 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 reviews, audits, and investigations.

To that end, the OIG has undertaken a number of human capital initiatives to maintain our competitive edge. We are committed to building and maintaining 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 – one that manages and invests in our workforce talent – we cannot succeed as an organization.

Our strategic human capital vision includes:

- Aligning workforce with the strategic priorities of the OIG
- Keeping pace with our talent management strategy by implementing workforce planning capabilities, skills analysis, and other analysis tools
- Continuing to identify OIG mission critical occupations and the core competencies associated with them
- Developing employee mastery paths to include expert knowledge of:
 - Assignment
 - Profession

- OIG operations
- Continuing to build a robust succession planning program that aligns current talent development with future leadership needs
- Maintaining an active, professional recruitment outreach function in order to effectively market the OIG to potential candidates
- Enhancing 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
- Developing communities of practices, instructor led training, and eLearning to maintain a continuous learning culture at all levels of the OIG
- Developing 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 limited resources and poor financial climate of the Postal Service, the OIG has hired contractors to fulfill some IT support work and provide subject matter expertise. This necessary practice has allowed the OIG to keep pace with the IT community 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) maintains and integrates IT solutions that rapidly respond to the needs of the OIG and adapt to the constantly changing worldwide IT environment. The OCIO delivers purposeful, cost effective solutions that enable our auditors and investigators to work as efficiently and effectively as possible.

The OIG continually looks for ways to reduce spending and to use scarce IT investment dollars as efficiently as possible. To accomplish this goal, the OCIO recently initiated a multiyear effort to transition from a traditional data center environment to a cloud-based solution. This modernization of the OIG's IT architecture involves the migration of services and tools from costly in-house solutions to more flexible cloud-based solutions. The goal is to maintain or improve the overall performance and security of the IT environment while reducing annual costs. In FY 2017, the OCIO began transferring a select group of legacy systems to Software-as-a-Service (SaaS) and Platform-as-a-Service (PaaS) cloud solutions. In FY 2018, the main emphasis will be on transferring current licensing to cloud-based systems, continuing to support mobility and remote access, and providing more efficient and cost-effective IT services where applicable.

As we continue migrating to the cloud in FY 2019, our focus will be to strengthen the security and resilience of critical OIG infrastructures against cyberattacks. To meet the objectives of the newly released Presidential Executive Order "Strengthening the Cybersecurity of Federal Networks and Critical Infrastructure", the OCIO will implement new risk management measures to mitigate the hazards associated with insider theft and outside data threats. Additionally, the new cybersecurity tools will assist in producing a more accurate risk management report that reflects the current vulnerability assessment state of the OIG network environment and how to properly plan for improvements in the cybersecurity network posture.

Risk mitigation efforts will focus on the following:

- Security of law enforcement sources and methods
- Protection of information and intelligence
- Defense against automated and distributed threats
- Procurement of shared IT services that includes:
 - Cloud-hosted email
 - File share data
 - Cybersecurity services
- Reduction of the environmental risk footprint
- Creation of real-time accurate vulnerability assessment reporting

In FY 2019, the OCIO will also initiate activities to meet the regularity requirements set forth in Homeland Security Presidential Directive 12 (HSPD 12). This requirement dictates a common identification standard for all federal employees and contractors under the Federal Information Processing Standard 201. Personal Identity Verification (PIV) is required to better secure the OIG authentication ecosystem with a true Public Key Infrastructure (PKI) architecture that uses proven secure asymmetric scalable encryption based on two-factor authentication. HSPD 12 is a strategic initiative intended to enhance security, reduce identity fraud, and protect personal privacy. This PIV is a universal U.S. Federal identity management card. It allows an authorized cardholder (i.e., federal employees and contractors) to securely authenticate his or her identity to access federal information systems and applications.

Maintaining an IT infrastructure and IT security programs at an acceptable level requires constant upgrading of our tools and technologies. The OIG has already made progress in our infrastructure modernization and migration to the cloud and this effort will continue for the foreseeable future.

Information Technology Investments					
IT Investments / Funds Source (000's)	FY 2017 Enacted	FY 2018 CR Level	Change from FY 2017 to FY 2018	FY 2019 Budget	Change from FY 2018 to FY 2019
Major IT Investments	\$5,000	\$0	(\$5,000)	\$0	\$0
Non-Major IT Investments	\$12,349	\$12,349	\$0	\$12,349	\$0
Infrastructure Investments	\$0	\$0	\$0	\$0	\$0
Enterprise Architecture	\$0	\$0	\$0	\$0	\$0
Total IT Investments	\$17,349	\$12,349	(\$5,000)	\$12,349	\$0

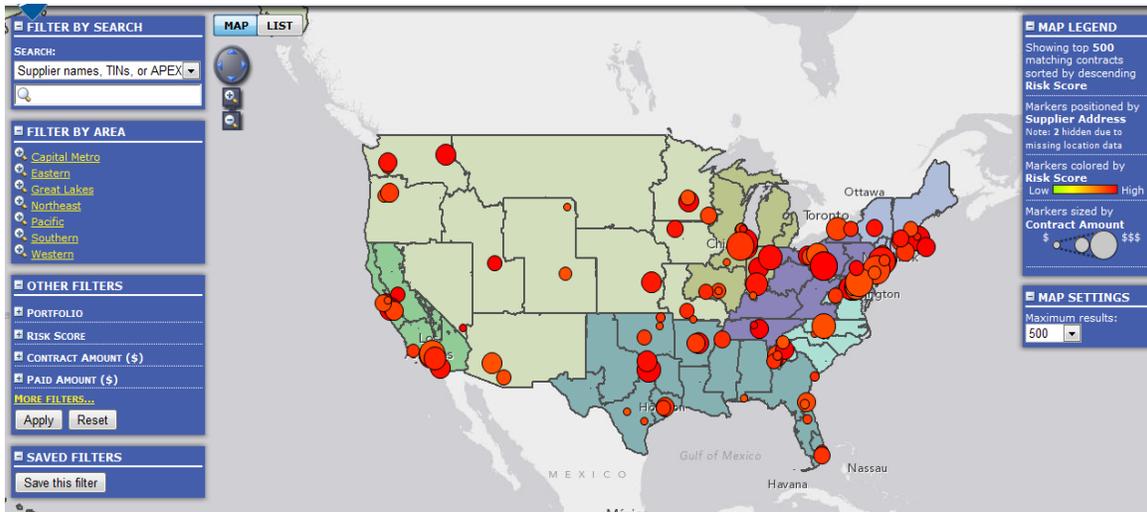
C. Data Analytics

Over the past 5 years, the OIG has integrated data analytics into its core mission of combatting fraud, waste, and abuse. The Office of Chief Data Officer (OCDO) maintains a number of analytics tools that use data to proactively identify misconduct by employees and systemic vulnerabilities within the Postal Service. Since FY 2016, our tools have directly resulted in 193 criminal actions, 185 administrative actions, and more than \$1.6 billion in financial impact for audits and investigations. Office of Chief Data Officer tools also have resulted in more targeted audits and investigations, which increases the efficiency of OIG operations and allows our organization to provide the most impact possible with limited resources.

As the technology used to transform raw data into meaningful and useful insights evolves, the use of data analytics is increasingly vital to achieving the OIG's mission and strategic goals. The Postal Service has a wide range of data sources, including 2,786 databases, more than 340 million credit and debit card transactions annually, more than 360 million emails annually, over 44 billion mail scans annually, and over \$12.1 billion spent on contracts annually. Sorting through this information for investigative and audit insights is a monumental challenge, particularly in an environment of tightening resources. For this reason, we have invested in the following innovative and cutting-edge technologies and tools to identify trends and patterns, minimize financial risk, improve operations, and prevent fraud exposure:

- Text mining: turns unstructured data (like emails) into a format (like a data set) that can be used to compare against other data
- Geospatial information system (GIS) tools: allows the ability to view and interpret data to reveal relationships and patterns in the form of maps
- Tripwires: use two or three criteria to identify potential criminal activity
- Risk analysis data reports (RADR): highlight areas of risk involving Postal Service employees, routes, facilities, contracts, finances, and providers
- Business Intelligence Software (SAS, MSTR, R): provides analysts and data scientists the ability to gain insights into raw data, transforming the data into actionable information for agents and auditors
- Risk models: identify audit areas of risk in Postal Service technology, operations, finance, investments, retail, delivery, marketing, supply management, and human resources (See Figure 1)

Figure 1: Risk Model Map



To further improve its support to the OIG's performance and results, the OCDO has established a specialized group of data scientists, investigative analysts, and subject matter experts from the offices of audit and investigation. This office will identify and analyze important and emerging issues and trends across the OIG, strengthen cross-OIG collaboration and coordination, and increase awareness across the OIG of high-profile audits and investigations that impact Postal Service operation and finances.

Our focus moving forward into FY 2019 is to enhance our current tools and develop new tools that offer predictive analytics (what is going to happen) and prescriptive analytics (what the Postal Service should do). We will also be refining and optimizing our OCDO structure. This includes hiring top talent with the right skills for an advanced analytics and technical mission, conducting more complex analytics within the Postal Service's environment, and expanding our data repository.

With the ongoing challenges the Postal Service faces, modernizing the OCDO's capabilities to use innovative tools, technologies, and methodologies used to collect and analyze large volumes of complex information will help ensure that our work is of maximum value to the Postal Service. We believe that investing in data analytics will continue to help the OIG maximize the impact of its resources and bring even greater value to the Postal Service.