

U.S. Postal Service Office of Inspector General

Congressional Budget Justification

Fiscal Year 2020

Executive Summary

The President's fiscal year (FY) 2020 budget provides funding of \$250 million to the U.S. Postal Service Office of Inspector General (OIG) for on-going operational expenses. This document presents perspective and context for our budget needs and planned areas of focus for FY 2020 and highlights prior year accomplishments and activities.

The OIG aligns its mission resources to concentrate on the highest-risk areas for the U.S. Postal Service. We achieve significant results with an efficient, lean staff, with only one OIG employee for every 607 postal workers. The Office of Investigations (OI) helps prevent fraud and protect assets by identifying and investigating high impact cases to minimize loss and maximize recoveries for the Postal Service. The Office of Audit (OA) focuses on making impactful recommendations, identifying cost savings, and highlighting postal revenue opportunities.

Our law enforcement staff in OI accounts for more than one-half of the OIG by size and requires 66 percent of our overall budget, a reflection of the size of the postal workforce and its nationwide distribution. Last year, this group's work resulted in over 2,700 investigations, 1,053 convictions, and almost \$514 million in fines, restitutions, recoveries, and cost avoidances. Any reductions in our budget directly impact the number of investigations we can conduct, which is of serious concern as the postal infrastructure is at increasing risk of being exploited by employees and others to traffic narcotics, such as dangerous opioids.

In addition to investigative results, we returned nearly \$9 for every \$1 invested in our budget in FY 2018. Much of this financial impact was due to work conducted by our audit staff, which completed 166 reports and issued 326 recommendations. Their efforts identified \$1.7 billion in financial impact, including funds put to better use, questioned costs, and revenue impact.

A fully funded OIG is vitally important in protecting our nation's Postal Service. The FY 2020 budget of \$250 million will allow our agency to largely maintain on-going operations in both our audit and investigative offices at current staffing levels.

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I. OIG HISTORY AND MISSION

The U.S. Mail traces its roots back to 1775, when Benjamin Franklin was appointed the first postmaster general of the United States. In 1971, the U.S. Postal Service was created as an independent establishment of the Executive branch, with a mandate to provide universal service to bind the nation together and operate like a business. Over 634,000 Postal Service employees serve every U.S. business and residence at least six days a week, operating more than 31,000 retail and delivery units in all 50 states and the U.S. territories. The U.S. Department of Homeland Security considers the Postal Service to be a national critical infrastructure because of its ability to reach all U.S. citizens in a crisis. In fiscal year (FY) 2018, the Postal Service delivered over 146 billion pieces of mail to more than 159 million U.S. residential and business addresses. With so much at stake, postal business operations and employees must be held to the highest standards.

The U.S. Postal Service Office of Inspector General (OIG) is an independent oversight organization operating within the Postal Service under the authority of the Inspector General Act of 1978, as amended. We are the leanest of the 73 federal inspectors general relative to its parent agency – with only one full-time employee (FTE) for every 607 Postal Service employees. The inspector general is appointed by and reports to the governors of the Postal Service and keeps Congress fully and currently informed of its activities.

The OIG's mission is to promote the economy, efficiency, and effectiveness of Postal Service programs and operations and to protect against fraud, waste, and abuse. In carrying out its mission, the OIG:

- Conducts audits, evaluations, and investigations;
- Reviews existing and proposed legislation and regulations; and
- Keeps the governors and Congress fully and currently informed of problems and deficiencies relating to Postal Service programs and operations.

The OIG aligns its mission resources to concentrate on the highest-risk areas for the Postal Service. The Office of Investigations (OI) helps prevent fraud and protect assets by identifying and investigating high impact cases to minimize loss and maximize recoveries for the Postal Service. Using the Postal Service's own data as a strategic asset, the Office of Audit (OA) focuses on making impactful recommendations, identifying cost savings, and highlighting postal revenue opportunities.

II. PROPOSED FISCAL YEAR 2020 BUDGET

The OIG receives its funding level through the appropriations process, but none of this funding comes from taxpayers or the U.S. Treasury. All of our operating funds originate from the Postal Service, which is not appropriated and earns its funds from ratepayers.

Our budget has been essentially flat since FY 2010, with a FY 2018 enacted budget and a FY 2019 estimated budget amount of \$245 million. On February 15, 2019, the Consolidated Appropriations Act of 2019 was enacted, which provides \$250 million in funding for the OIG for FY 2019 and includes a retroactive 1.9 percent cost of living increase. The President's FY 2020 budget provides \$250 million, which represents a 2-percent increase from our FY 2018 enacted budget and no increase from our FY 2019 enacted budget. The FY 2020 budget supports an authorized staffing level of 1,034.¹

The FY 2020 budget supports the following salaries and benefits costs:

- \$151.5 million, or 61 percent, for personnel compensation, and
- \$57.5 million, or 23 percent, for personnel benefits.

The remaining \$41 million, or 16 percent, is for other mission critical costs.

A. Meeting the President's Management Agenda

In keeping with the government-wide management agenda, the OIG recognizes the criticality of infrastructure management and is, accordingly, driving towards information technology (IT) modernization. In FY 2017, the OIG initiated a multiyear effort to transition from a traditional data center environment to a cloud-based solution. This modernization of our IT architecture involves the migration of services and tools from costly in-house solutions to more flexible, less expensive cloud-based solutions. This strategic investment was made possible by a \$5 million increase to our budget in FY 2017 that allowed us to transition much of our infrastructure at once, rather than through a piecemeal approach.

The OIG is committed to creating an infrastructure that will enable a robust data strategy for the future. Our work in FY 2020 will focus on enhancing current tools and developing new models that offer predictive analytics (what is going to happen) and prescriptive analytics (what the Postal Service should do).

¹ Note.—A full-year 2019 appropriation was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2019 (Division C of P.L. 115–245, as amended). The amounts included for 2019 reflect the annualized level provided by the continuing resolution, with no cost of living increase.

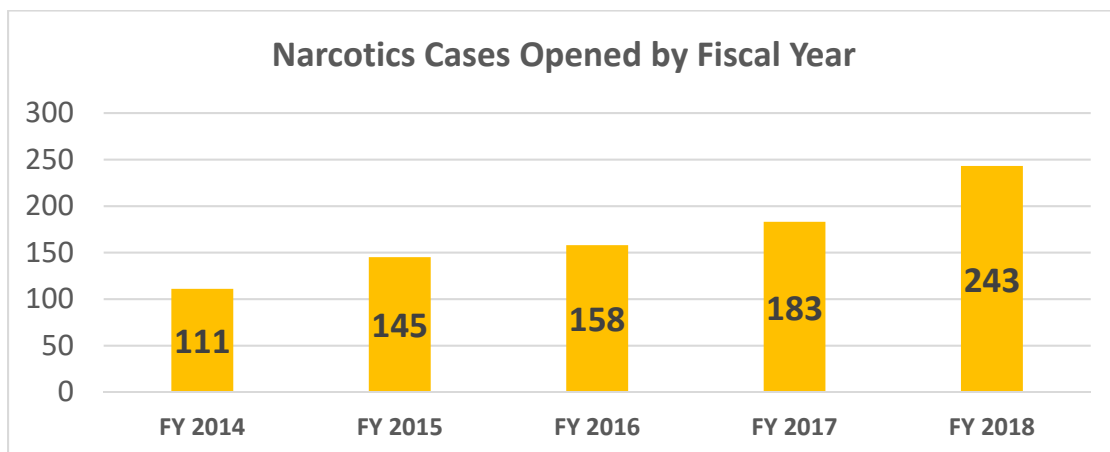
Finally, to build an OIG workforce for the 21st Century, the OIG undertook a top-to-bottom review of FTE and non-personnel resource deployment and made changes and adjustments to our resource allocations in all of our components. As a result, we have increased the resources allocated to investigating postal employees trafficking narcotics through the mail, with 114 agents assigned to work these cases nationwide. We are automating our on-boarding process to eliminate inefficient paperwork and replacing legacy performance management systems in human resources management. We focus on hiring the best candidates, maintaining a fully engaged workforce by recognizing exceptional achievement, and swiftly addressing those who underperform. The OIG participates in the government-wide Employee Viewpoint Survey and in FY 2018, we scored significantly higher than the federal government average on both satisfaction with dealing with poor performance and hiring people with the right skills.

B. OIG Mission Critical Work

To prepare for potentially reduced budgets in FY 2020 and beyond, we reviewed our strategic plans to enhance the alignment of our workforce to our mission, further focusing on maximizing effectiveness. We continuously mine Postal Service and government data assets for decision making, to enhance accountability, and inform our responsible deployment of limited resources. In keeping with the President’s Management Agenda, we evaluated what critical work we can and cannot do.

To date, these efforts have identified important initiatives and priorities where funding would be directed, including:

- Continuing our cross-agency work focusing on the use of postal infrastructure by employees and others to traffic narcotics, such as dangerous opioids. In FY 2018, we opened 243 new narcotics cases, which is 33 percent higher than the previous year and almost 120 percent higher than the cases opened in FY 2014 (see chart below);



- Maintaining an audit and investigative focus on mail service and delivery. In FY 2018, our Hotline received 13,092 complaints related to theft of mail, compared to 11,225 complaints in FY 2017 and 10,470 in FY 2016. This reflects a nearly 17 percent increase in overall complaints, and we do not expect that trajectory to slow down;
- Evaluating the legal basis and profitability of the Postal Service's business partnerships and its relationships with other third parties in the competitive parcel market; and
- Ensuring that the law enforcement activities conducted by the U.S. Postal Inspection Service (USPIS) are meeting Postal Service needs and complying with law enforcement standards.

In addition to insights within the President's Management Agenda, Congress has also made clear their priorities for our agency within the appropriations process. In a press release from the U.S. House of Representatives Appropriations Committee, they highlighted the fact that their FY 2018 proposal, *"Adds an extra \$10.4M above the budget request to the U.S. Postal Service Office of the Inspector General to continue drug interdiction efforts and investigations, providing a total of \$245M to investigate illicit drugs coming through the mail."* The U.S. House of Representatives and the U.S. Senate appropriations committees also both cited in press statements that our narcotics efforts were the reason for the increase in our FY 2019 funding to \$250 million.

- As a result of receiving additional funds from Congress in March 2018, our office was able to train over 80 agents from other program assignments in how to conduct or support narcotics investigations, so they could join the efforts of our existing 25 trained agents. Through these training efforts and selective recruiting of experienced narcotics investigators, we now have 114 agents assigned to conduct these investigations. Those agents have initiated 206 new narcotics cases since March 2018, which are in addition to our existing inventory of on-going narcotics investigations.

Consistent with our mission, we will continue to focus on returning significant value to the Postal Service by concentrating on the highest risks to the organization. In FY 2018, our OIG had a return on investment (ROI) of \$8.97 for every dollar spent. This ROI is in addition to the criminal, civil, and administrative actions resulting from our investigations of employee misconduct and frauds against the Postal Service.

III. BUDGET DETAILS

A. Budget Summary

As required by Public Law 110-409 and the Inspector General Reform Act of 2008 (as amended), the OIG submits the following information related to its budget for FY 2020:

- The aggregate budget for the operations of the OIG is \$250,000,000.
- The portion of the budget allocated for OIG training is \$1,557,642, which satisfies our FY 2020 training requirements.
- The portion of the budget to support CIGIE is \$650,000, which is 0.26 percent of the \$250,000,000.

B. Appropriations Table

The OIG FY 2020 budget plan is based on a level of effort for the two mission programs of OI and OA. The table below shows the budget by program area for appropriations in FYs 2018, 2019, and 2020.²

Resources Available for Obligation	FY 2018 Enacted		FY 2019 Estimate		FY 2020 Request		FY 19 to FY 20			
							Change		% Change	
	FTE	Amount (000's)	FTE	Amount (000's)	FTE	Amount (000's)	FTE	Amount (000's)	FTE	Amount
Appropriated Resources:										
Audit	370	\$83,300	361	\$78,400	361	\$79,190	0	\$790	0.0%	1.0%
Investigations	675	\$161,700	658	\$166,600	673	\$170,809	15	\$4,210	2.3%	2.5%
Total: Appropriated Resources	1,045	\$245,000	1,019	\$245,000	1,034	\$250,000	15	\$5,000	1.5%	2.0%

² Note.—A full-year 2019 appropriation was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2019 (Division C of P.L. 115-245, as amended). The amounts included for 2019 reflect the annualized level provided by the continuing resolution.

C. Budget Adjustments Table (in thousands)

Office of Inspector General	FY 2018 Enacted	FY 2019 Estimate	FY 2020 Request
FTE:	1,045	1,019	1,034
11.1 Full-time Permanent Positions	\$142,696	\$143,027	\$147,751
11.3 Other than Full-time Permanent	\$926	\$1,215	\$1,215
11.5 Other Personnel Compensation	\$2,699	\$2,506	\$2,506
11.9 Total Personnel Compensation	\$146,321	\$146,749	\$151,472
12.0 Personnel Benefits	\$55,632	\$55,618	\$57,459
21.0 Travel	\$5,528	\$6,615	\$6,179
22.0 Transportation of Things	\$607	\$912	\$912
23.2 Rent Payments to Others	\$6,324	\$7,026	\$7,226
23.3 Communications, Utilities, & Misc.	\$2,570	\$2,112	\$2,112
24.0 Printing and Reproduction	\$17	\$23	\$23
25.1 Advisory & Assistance Services	\$13,931	\$12,971	\$12,362
25.2 Other Services (Goods / Services)	\$149	\$158	\$158
25.3 Government Agencies	\$787	\$755	\$768
25.4 Operation & Maintenance of Facilities	\$105	\$138	\$138
25.6 Medical	\$330	\$316	\$316
25.7 Operation and Maintenance of Equipment	\$6,843	\$6,293	\$6,138
26.0 Supplies and Materials	\$748	\$676	\$676
31.0 Equipment	\$5,108	\$4,049	\$4,062
32.0 Lands and Structures	\$0	\$589	\$0
Total Budget Authority	\$245,000	\$245,000	\$250,000

D. Budget Increases and Decreases Descriptions (in thousands)

FY 2019 Estimate	\$ 245,000
<i>Significant Budget Changes</i>	
Increase to 11.9 Personnel Compensation	
Total Increase to Personnel Compensation	\$ 4,723
Increase to 12.0 Personnel Benefits	
Total Increase to Personnel Benefits	\$ 1,841
Decrease to Non-personnel Object Classes	
Total Decrease to Non-personnel Object Classes	\$ (1,564)
Significant Budget Changes Total	\$ 5,000
FY 2020 Request	\$ 250,000

Increase to Personnel Compensation.....\$4,723,602

\$2,387,537 funds requested to allow the OIG to increase OI by 15 FTEs. This will result in a complement level of 1,034 FTEs.

\$2,336,065 funds requested for the annualization of performance based increases.

Increase to Personnel Benefits.....\$1,840,846

\$932,376 funds requested for personnel benefits for OI's additional 15 FTEs.

\$908,470 funds requested for annual increases to benefits premiums.

Decrease to Non-personnel Costs.....\$1,564,448

This amount is the cumulative change in all non-personnel costs. The largest reduction is in Advisory and Assistance Services, which correlates to a reduction in training and anticipated cost avoidance from investments made to a new cloud infrastructure in prior fiscal years.

E. Reimbursable Authority

In FY 2020, 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 to share knowledge while meeting stated work requirements.

Other Resources: Offsetting Collections	FY 2018 Enacted (000's)	FY 2019 Estimate (000's)	FY 2020 Request (000's)
Offsetting Collections			
Reimbursable Authority	\$500	\$500	\$500
Total: Offsetting Collections	\$500	\$500	\$500

F. Appropriation Language

Appropriation Language
Office of Inspector General
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, \$250,000,000 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).

G. Legislative Mandates

In FY 2018, almost \$5.8 million of our 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 \$340,000 to oversee activities of the Postal Inspection Service and \$2.8 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. The OIG also spent \$2.2 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's financial statements and compliance with the Sarbanes-Oxley Act (SOX) and Securities and

Exchange Commission financial reporting requirements. The OIG also spent \$451,000 to perform audits in support of Postal Service mandates.

Legislative Mandates - Dollar Value by Identified Mandates FY 2018 (as of September 30, 2018)		
Public Law Reference	Mandate Description	Cost* (000's)
5 U.S.C. App. 3 § 8G(f)(2)	Oversight of the Postal Inspection Service	\$340
39 U.S.C. § 3652	Audits of Postal Service Data Collection Systems	\$2,779
PL 109-435	Financial Statement/SOX Audit and Quarterly 10Q**	\$2,193
Various	Audits in Support of Postal Service Mandates**	\$451
Total Dollar Value		\$5,763

*Based on FY 2018 audit work, as of September 30, 2018.

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

IV. OIG PRIORITIES AND RESULTS

A. Investigative Priorities and Results

Because of the large, geographically dispersed Postal Service workforce, the nationwide distribution of facilities, and the reactive nature of criminal work, our OIG must maintain a large investigative workforce. About 66 percent (\$162 million) of our budget is committed to conducting investigations to ensure the integrity of postal processes, finances, and personnel as well as to protect the mail.

In FY 2018, the results of OI's work included over 2,700 investigations, 1,053 convictions, and almost \$514 million in fines, restitutions, recoveries, and cost avoidances. Reductions to the budget impact our law enforcement work the most, and results in this area's decline when we receive less funding.

OI organizes its work into five major programs:

- The Internal Mail Theft program focuses on investigating mail theft by postal employees and postal contractors.
- The Official Misconduct and Narcotics program is responsible for investigating misconduct by postal employees, including executives and USPIIS employees, and contractors for various crimes, including use of the mail to transport and traffic narcotics, misuse of Postal Service computers, destruction or theft of Postal Service property, falsification of official documents, forgery, theft of funds, abuse of authority, and sabotage of operations.
- The Healthcare Fraud program includes investigations of both claimant and medical provider fraud. The Postal Service is the single largest contributor to the U.S. Department of Labor's (DOL) Office of Workers' Compensation Program (OWCP) and, in FY 2018, it paid nearly \$1.4 billion for disability-related benefits. These disability payments are funded by Postal Service customers rather than tax dollars, and any portion of those funds lost to fraud has a direct impact on the Postal Service and its operations.
- The Contract Fraud program is responsible for investigations 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.
- The Financial Fraud program focuses on the theft of Postal Service money and products. A large portion of the revenue generated by the Postal Service is

handled at over 31,000 Postal Service retail locations. Stamps, cash, and money orders can all become targets for theft.

Some of OI's recent significant cases and results include:

- In November 2018, the last defendant of a group of 16 career employees working in locations across the metro-Atlanta area was sentenced to federal prison for accepting bribes to deliver packages of cocaine – two kilograms or more at a time – in a wide-reaching undercover operation. The defendants were willing to make the deliveries for bribes as low as \$250 and received sentences of between three and nine years in prison.
- Also in November 2018, five postal employees were indicted and arrested in Fayetteville, NC, for conspiring to sell marijuana from U.S. mail parcels that they intercepted and removed from the mail stream at the Fayetteville Processing and Distribution Center Annex.
- In April 2018, a carrier in Florida was sentenced to four years in prison for his role in facilitating the trafficking of narcotics, including fentanyl. Another on-going investigation involves a carrier in New Jersey who was arrested for facilitating the trafficking of narcotics, including over 200,000 fentanyl pills. Two employees and four civilians were arrested in November and December 2017 in this case, and all individuals are awaiting prosecution.
- In September 2018, the OIG participated with a number of other law enforcement agencies in the arrest of 64 individuals suspected of trafficking narcotics in Puerto Rico. Two of the individuals arrested were postal employees who were allegedly conspiring with members of the drug trafficking organization to help facilitate the shipment of narcotics parcels through the mail.
- In January 2018, a federal judge sentenced the owner and controller of a California hospital to 63 months in prison for overseeing a 15 year-long, healthcare fraud scheme that involved more than \$40 million in illegal kickbacks paid to doctors and other medical professionals in exchange for referring thousands of patients who received spinal surgeries. The scheme led to more than \$500 million in fraudulent bills being submitted during the last five years of the scheme – much of which was paid by the California worker's compensation system as well as by DOL's OWCP.
- In June 2017, a former postal executive, was sentenced to two months incarceration, one year of supervised release, and ordered to pay restitution of

\$84,498 as a result of providing false information on a background questionnaire to conceal negative credit history, a past conviction, and a 2013 civil judgement.

- In April 2018, U.S. professional cyclist Lance Armstrong agreed to pay \$5 million as a result of a multiyear federal investigation into allegations that he defrauded the government by using performance-enhancing drugs when the Postal Service sponsored his cycling team. This will return \$3.75 million to the Postal Service.
- In August 2018, a former postal employee was sentenced to more than 16 years of incarceration and five years of supervised release after being convicted of sexual exploitation of a child and possession of child pornography. While the crime of sexual exploitation did not occur as a result of his employment, the OIG discovered the former employee when he attempted to use a postal computer to view pornography online. An OIG forensic analysis of images collected by the former employee identified a child he victimized 16 years earlier.

OI would allocate its FY 2020 program budget to cover the primary program areas described above as well as the following emerging areas of focus:

- *Narcotics trafficking by employees* – We are seeing a significant increase in the number of postal employees willing to facilitate the trafficking of opioids and other narcotics for cash. In addition to our investigative efforts, we are working with other OIGs to map out the opioid epidemic and identify additional work to be done in this area, including opportunities to compare data from multiple agencies to help solve this problem.
- *Mail theft* – In FY 2018, over 30 percent of the Postal Service’s total revenue was generated through the delivery of nearly 6.2 billion packages. An increasing number of postal employees, particularly part-time employees, are stealing prescription medication and other items of value shipped through the mail. In addition, a variety of complex frauds rely on theft of mail, and postal employees could be the trusted insider who enables ready access to sensitive mail. Examples include the systematic theft of passports or green cards for use by organized criminal organizations as well as stolen identity refund fraud schemes where stolen personal information is used to file fraudulent tax returns.
- *Healthcare fraud* – Postal Service employees represent nearly 40 percent of all federal employees who receive OWCP benefits. These benefits represent a significant on-going cost to the Postal Service, and frauds associated with those benefits are a continuing area of focus for our OIG.

B. Audit and Evaluation Priorities and Results

Though we are the leanest OIG when compared to our parent agency, we returned nearly \$9 for every \$1 invested in our budget in FY 2018. Much of this impact was due to the work of OA, which completed 166 reports and issued 326 recommendations. This work identified \$1.7 billion in financial impact, including funds put to better use, questioned costs, and revenue impact.

Because the Postal Service does not receive its funds from taxpayer dollars and instead earns revenue from the sale of its products and services, it is critical that the OIG's audits and evaluations focus on the areas of greatest financial and business impact. OA focuses on reviews that provide the Postal Service with information to address its emerging strategic issues, major risks, and management challenges, and to highlight revenue opportunities.

OA organizes its audit work into five functional areas:

- 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 \$16 billion.
- The Finance and Pricing audit area focuses on finance, cost, and pricing. These audit areas help ensure that the Postal Service is following regulatory requirements.
- The Supply Management and Human Resources audit area focuses on contracting, facilities, human resource management, security, emergency preparedness, and sustainability.
- 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 Information Technology and Inspection Service audit area focuses on the Postal Service's ability to use technology to manage operations, maximize ROI, and secure data. This area also oversees the role of the USPIS in protecting the Postal Service from criminal activity, as required by the Inspector General Act of 1978, as amended.

Some of the OIG's recent and on-going significant audits and evaluations include:

- *Processing Readiness for Election and Political Mail for the 2018 Midterm Elections* – We conducted an audit to evaluate the Postal Service's readiness for timely processing of election and political mail for the 2018 midterm elections.

We found that the Postal Service was not ready for the January 2018 special elections; however, since starting our audit, the Postal Service had improved processes to be ready for the timely processing of election and political mail for the 2018 midterm elections.

- *Controls Over the Release of Personnel Information* – In response to a request from Congress, we conducted an audit examining the improper release of a former employee's, and current Congressional candidate's, complete personnel file in response to a Freedom of Information Action (FOIA) request. We found that the Postal Service did not have adequate controls in place to ensure proper release of employee information in response to FOIA requests. As a result, the Postal Service released the personnel files of seven former employees without authorization. Both an audit report and a report of investigation were issued on this matter.
- *Operational Window Change (OWC) Savings* – The Postal Service revised certain service standards in 2015, which allowed the agency to expand its mail processing operational window. We conducted an audit to determine if the Postal Service achieved its projected savings for the OWC. The Postal Service projected the OWC would save over \$805 million annually. We determined that the Postal Service did not achieve the anticipated savings and we could only verify about \$323.5 million of savings since the inception of OWC.
- *Treasury Inflation-Protected Securities (TIPS)* – We conducted an audit to determine the impact of investing Postal Service retirement fund assets in TIPS. We found that investing in TIPS could increase the Postal Service's three retirement funds' asset balances by about \$1.4 billion annually. To do this, the Postal Service would need to exchange a portion of its current, fixed-rate Treasury securities, and the Secretary of the Treasury would have to determine that investments in TIPS would be in the public interest.
- *Use of Postal Service Network to Facilitate Illicit Drug Distribution* – In response to a request from Congress, we conducted an audit examining the role of the Postal Service's network in facilitating illicit drug distribution, explored associated risks and vulnerabilities in the system, and identified opportunities to mitigate those risks. We found that the Postal Service has made efforts to combat use of its network to facilitate illicit drug distribution, but a number of vulnerabilities remain.
- *Opioids Safety Preparedness* – Based on a request from Congress, we conducted an audit to assess measures the Postal Service has implemented to prepare its workforce for the risks posed by shipments of synthetic opioids. We

found the Postal Service has not implemented specific measures to prepare its entire workforce for risks posed by synthetic opioids shipped through the mail. In addition, employees are also not always adhering to existing protocols when handling hazardous or suspicious mail.

- *Facility Condition Review Capping Report* – We conducted an audit to capture trends or systemic issues identified as a result of previous OIG facility condition reviews of Postal Service retail facilities and to assess the effectiveness of management’s corrective actions. We found, collectively, that the Postal Service was not consistently adhering to building safety, security, and maintenance standards, corrective actions were either not implemented as indicated or were not effective in remedying the issue identified, and there were systemic issues with monitoring local customer complaints.
- *Management Alert – Inbound International Mail Operations* – We conducted a review of Inbound International Mail Operations at various facilities and issued an alert to facilitate immediate corrective actions regarding the Postal Service’s ability to fulfill the U.S. Customs and Border Protection’s advanced electronic data-based holds for inbound international mail. The issues in that alert presented potential public safety and security concerns to the U.S. Postal Service, its employees, and the general public.
- *Carrier Leave without Pay for Union Activities* – Based on a request from Congress, we conducted an audit to evaluate the Postal Service’s authorization of carrier leave without pay for union activities. We found that the Postal Service granted leave without pay to 97 carriers nationwide for periods ranging from four to 50 days to participate in political activities on behalf of the union. This project resulted in a hearing in the U.S. Senate and a broader review of this type of leave usage in other federal agencies.
- *Delayed Mail Validation* – We conducted an audit to determine the accuracy of the Postal Service’s delayed mail reporting. We found that the Postal Service frequently did not accurately count on-hand delayed mail. We estimated about \$85.1 million of postal revenue is at risk due to underreporting late arriving mail.
- *Package Delivery Scanning — Nationwide* – We conducted an audit to examine the Postal Service’s package scanning processes. Of the two billion scans for the period July 1 – December 31, 2016, we found 1.9 million scans that were improper stop-the-clock scans that occurred at delivery units instead of at the delivery location. We also found 8.3 million scans with no corresponding location data, which made it impossible to determine whether they were improper.

- Customer Retail Experience – We conducted an audit evaluating key factors affecting the customer experience in retail units and identifying opportunities to enhance the overall retail customer experience. We found the Postal Service has opportunities to enhance customer satisfaction in each of the five factors affecting customer experience, including engagement, executional excellence, brand experience, expediency, and problem recovery.
- Change of Address Controls – We conducted an audit based on concerns from customers and an inquiry from a congressman about potential fraudulent use of change of address services for mail or identity theft. We determined the Postal Service could enhance its internal controls by requiring customers present a government-issued identification when submitting a hardcopy Change of Address request and by requiring dynamic authentication for online requests.

OA also conducted work that was either legislatively mandated by Congress or was to support the Postal Service in meeting its own legislative mandates. This work included oversight of the USPIS and auditing 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 conducted audits supporting the public accountant's opinion on the Postal Service's financial statements and compliance with both the SOX and U.S. Securities and Exchange Commission financial reporting requirements. This work is described more fully in section G of Part III. *Budget Details*.

OA would allocate its FY 2020 program budget to cover the primary program areas described above, as well as the following emerging areas of focus:

- Evaluating the Postal Service's role in combatting the opioid crisis;
- Evaluating ways to improve service and 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;
- Increasing oversight of the USPIS and its activities, to include strategic direction, resource allocation, case management, property, and training; and
- Evaluating postal partnerships and negotiated service agreements in the competitive parcel market.

C. Other Mission Areas

1. Human Capital

Our budget has essentially been flat since FY 2010 when our authorized complement was 1,196 FTEs. The absence of funding for normal salary increases and inflationary adjustments during that time has steadily reduced the number of FTEs that can be maintained to support audits and investigation. The President’s FY 2020 budget of \$250 million will result in our organization having an authorized staffing level of 1,034.

Description	FY 2018 Enacted	FY 2019 Estimate	FY 2020 Request
FTEs	1,045	1,019	1,034
Net change from prior start of year to budget end of year	-	(26)	15

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 OIG has undertaken a number of human capital initiatives to maintain our competitive edge and retain a highly skilled workforce.

2. Information Technology

The Office of Chief Information Officer (OCIO) maintains and integrates IT solutions that rapidly respond to the needs of the OIG. In FY 2020, our focus will be to strengthen the security and resilience of critical OIG infrastructures against cyberattacks. In addition to these security enhancements, OCIO will work on developing processes and infrastructure for storing large datasets. The exponential growth of digital information used for data analytics and computer forensics will require investment in increasingly large amounts of cloud storage. Storing data with a cloud provider will enable OCIO to provide “storage on demand” for specific projects and allow the OIG to cost effectively retain data for long periods for historical analysis.

3. Data Analytics

Over the past 10 years, the OIG has integrated data analytics into its core mission of combatting fraud, waste, and abuse. Since FY 2016, our analytic tools have directly resulted in 1,354 investigations, including 701 criminal actions, 653 administrative actions, and more than \$5.1 billion in financial impact.

Some recent tools that our Office of the Chief Data Officer (CDO) has developed include:

- *Domestic Mail Narcotics Tripwire and the High-Risk Inbound International Shipment Model* – CDO has developed two tools to help combat opioids and other narcotics shipped through the mail. The Domestic Mail Narcotics Tripwire identifies mail delivery routes with high-risk indicators of an employee colluding to steal or deliver narcotics packages. The High-Risk Inbound International Shipment Model identifies high-risk packages that are being shipped to the United States but have not yet arrived at the border. Initial testing has resulted in a very high success rate for both tools.
- *Claimant Risk Analysis Model (CRAM)* – This predictive model identifies high-risk indicators of OWCP claimants committing fraud. Investigations initiated using CRAM tend to be much more efficient, with successful cases resolved 32 percent faster and unsubstantiated leads investigated 19 percent faster.
- *eCC Tripwire* – The Postal Service receives thousands of customer complaints daily that are stored in the electronic Customer Care (eCC) database. Our eCC tripwire automatically searches each day's complaints using text matching to identify allegations of internal mail theft. Thus far, use of the tool has resulted in over 800 investigations, 150 criminal results, and 175 administrative actions.
- *Retail Marketing Model* – To identify retail facilities with poor customer service, CDO again made use of the eCC database. Using a keyword search, customer sentiment scores were produced for each retail facility.

Our work in FY 2020 would be to enhance our current tools and develop new models that offer predictive analytics (what is going to happen) and prescriptive analytics (what the Postal Service should do). Emerging areas of focus that will require additional funding and specialized staff include:

- *Big Data Analysis* – The Postal Service uses numerous data systems to manage its mail processing systems and customer interfaces, and this data changes constantly. To proactively address process issues and respond to fraud, CDO tools must be able to examine this data in near-real time. This presents a challenge from an ETL (“extract / transform / load”) perspective, which the OIG will invest in new tools and platforms to address.

Continuous Auditing – Once we address the “big data” challenge, our OIG will enhance and combine existing standalone products to produce actionable reports that OA, using data analytics, can issue quickly to identify control breakdowns. This will allow OA to efficiently highlight systemic issues, thus allowing our auditors to focus more deeply on other high-impact, more labor-intensive projects.