

# U.S. Postal Service Office of Inspector General

Congressional Budget Justification

Fiscal Year 2022

## **Executive Summary**

The President's fiscal year (FY) 2022 Budget provides funding of \$263,000,000 to the U.S. Postal Service Office of Inspector General (OIG) for ongoing operational expenses. This document presents perspective and context for our budget needs and areas of focus for FY 2022. It also highlights prior year accomplishments and activities.

FY 2020 was a historic year for the Postal Service and for the country. The impacts of the COVID-19 virus were widespread and long-lasting, and the Postal Service and our OIG were both affected significantly. Our special agents and auditors continued their work throughout the crisis, despite widespread health and travel restrictions. Our OIG also shifted substantial resources to focus on voting by mail and quickly responded to numerous allegations and issues in order to protect the integrity of political and election mailings. Over 500 agents and auditors conducted site visits at about 1,800 delivery units and more than 100 processing facilities during the general election in November 2020 and the Georgia Senate run-off election in January 2021 to ensure that the Postal Service was processing election mail correctly and efficiently. We also conducted various investigations into allegations related to improperly handled ballots.

Since the Postal Service is part of the nation's critical infrastructure, our OIG continually aligns its mission resources to concentrate on the agency's highest-risk areas. The impact of COVID is a new area of risk and will be an area of focus for our OIG into the foreseeable future. We have historically focused on service to Postal customers along with costs and operational efficiencies, and we expect this work to increase as the agency implements changes under the new Postmaster General. We will provide additional focus on transparency into service impacts resulting from ongoing cost reduction initiatives as well as from the recently announced 10-year plan. Additionally, our OIG has invested significant resources towards combatting the nationwide opioid epidemic and the distribution of narcotics through the mail.

We achieve significant results with an efficient, lean staff, with only one OIG employee for every 637 postal workers. Including the investigative results which completely cover the cost of our budget each year, we returned nearly \$30 in total financial impact for every \$1 invested in our budget.

A fully funded OIG is vitally important in protecting our nation's Postal Service and the President's FY 2022 Budget of \$263,000,000 will allow our OIG to continue to conduct critical ongoing oversight work.

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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 644,000 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. In fiscal year (FY) 2020, the Postal Service delivered over 129 billion pieces of mail to more than 161 million U.S. residential and business addresses.

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. With the onset of COVID-19, mail mix and volumes changed dramatically as consumers increasingly turned to online shopping for their retail needs. While it is unclear whether this will be a permanent shift, the Postal Service is serving an important role in supporting Americans during this historic event. Additionally, the Postal Service's role in processing election and political mail has become an important service for many voters, further illustrating the unique role the organization plays in our country. With so much at stake, postal 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. We are the leanest of the 75 federal inspectors general relative to its parent agency – with only one full-time employee (FTE) for every 637 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 the office's 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.

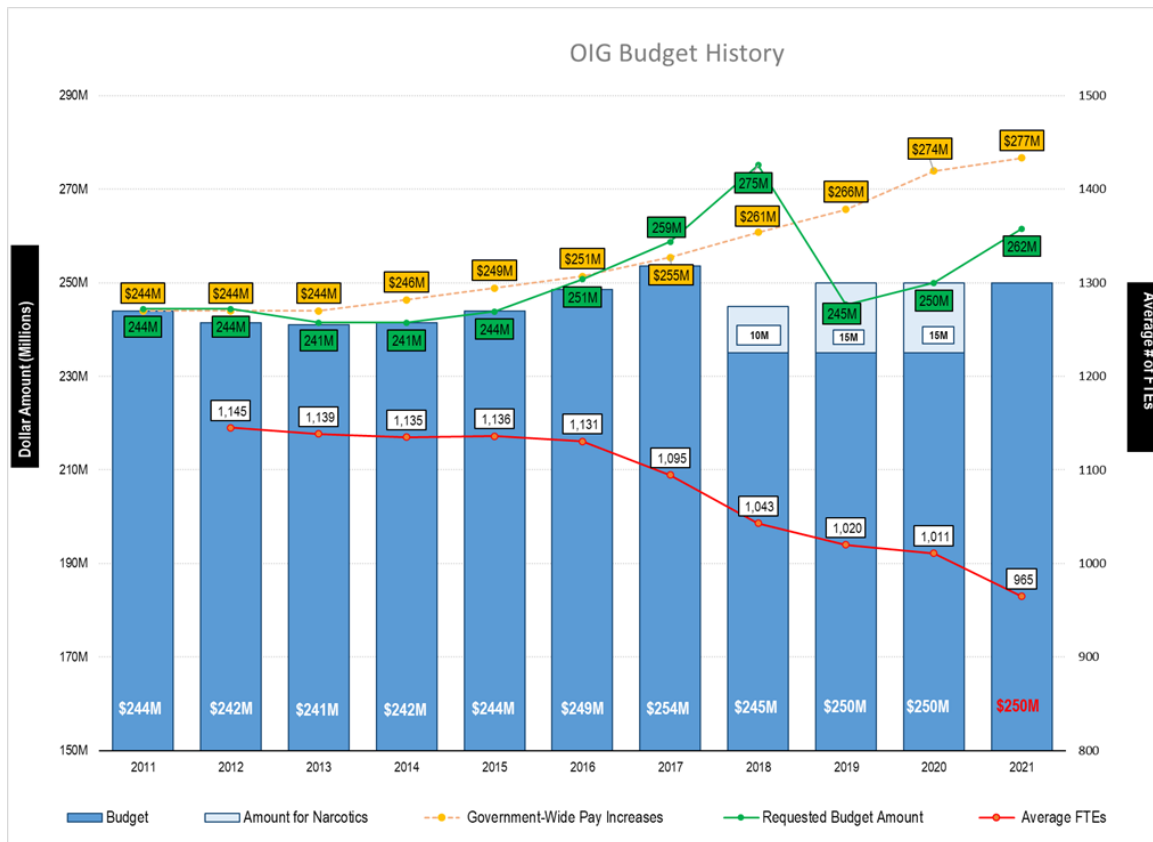
While many agencies and businesses reduced or stopped activities for portions of FY 2020, the Postal Service did not shut down its operations during the COVID-19 crisis. On the contrary, package volume spiked dramatically and the agency's role in

supporting voting by mail increased nationwide. As a result, our law enforcement agents continued to respond to and investigate criminal allegations in the field and present their findings to both management and prosecutors. Auditors also continued to complete impactful ongoing and emerging work and present the results to management.

## II. Proposed Fiscal Year 2022 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.

As shown in the chart below, the OIG budget has remained stagnant and not grown meaningfully over the last ten years. In years where our budget remained essentially unchanged and federal salaries increased, the OIG was able to support fewer personnel and other mission-critical expenses. Additionally, government-wide increases to Federal Employee Retirement System (FERS) employer contribution rates over the past three years have resulted in over \$8 million in cumulative annual non-discretionary costs. While the OIG budget has stayed flat, these increases have eroded our ability to maintain a robust workforce. These various impacts occurred while our responsibilities continued to expand, and the Postal Service faced historic challenges.



The President's Budget for FY 2022 is \$263,000,000 and will help to close the funding gap which has grown over the years. The FY 2022 funding will support an authorized staffing level of 1,010 with the following salaries and benefits costs:

- \$154.6 million, or 59 percent, for personnel compensation, and
- \$66.6 million, or 25 percent, for personnel benefits.

The remaining \$41.9 million, or 16 percent, is for other mission critical costs.

#### **A.   OIG Mission Critical Work**

Each year, we review our strategic plans to right size our workforce to our mission and focus on maximizing our effectiveness. We continuously mine Postal Service and government data for decision making, to enhance accountability, and to inform our responsible deployment of limited resources. To date, we have identified the following important initiatives and priorities where FY 2022 funding would be directed:

- Continuing to focus on Postal Service costs, mail service, and delivery.
- Providing oversight to the Postal Service's operations and investments related to COVID-19 and voting by mail, particularly in preparation for the 2022 midterm elections.
- Continuing cross-agency work focusing on the use of postal infrastructure by employees and others to traffic narcotics such as dangerous opioids.
- Ensuring that the U.S. Postal Inspection Service (USPIS) is meeting Postal Service needs and complying with law enforcement standards.

Our OIG is also beginning to focus on and plan for a number of emerging issues occurring in the Postal Service. Those issues include:

- At the end of March, the Postmaster General announced a 10-year plan for the Postal Service to mitigate an estimated \$160 billion in shortfalls over the coming decade.
- As part of that plan, the Postal Service announced changes impacting 18 mail processing plants and plans to procure 45 new "annex" facilities to boost its package delivery capacity
- Additionally, the Postal Regulatory Commission (PRC) issued its final rules to modify the system for regulating rates and classes for Market Dominant products, an assessment required under the Postal Accountability and Enhancement Act of

2006 (PAEA). These adjusted rules have provoked strong reactions among stakeholders.

- Also, in February, the Postal Service announced its multi-billion dollar award to a company to produce its next generation delivery vehicle, which will assemble up to 165,000 new vehicles over the next 10 years. Postal Service management subsequently indicated it would need billions of dollars in additional funding from Congress to electrify up to 90 percent of that fleet.

These recent decisions and the widespread, growing concerns over the changes outlined in the 10-year plan call for an increase in both the amount of oversight work required by our OIG as well as the speed with which we need to complete it.

Looking forward, we will be working to provide as much transparency as possible into the service impacts resulting from the 10-year plan and to respond to areas of concern across the country and collect insights as quickly as we can. Our experience during the month leading up to the November election confirmed for us how much effort this may require. During that period of time, we had over 500 of our auditors and investigators conduct observations at approximately 2,000 facilities to ensure the correct handling and processing of election mail. We collected their observations in real time and provided those insights to Postal management and Congress as quickly as possible. That effort was a significant strategic investment by our office in fulfilling our oversight responsibilities, and we learned lessons then that we can apply in the future to other areas of focus.

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 2020, our OIG had a return on investment (ROI) of nearly \$30 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 2022

- The aggregate budget for the operations of the OIG is \$263,000,000.
- The portion of the budget allocated for OIG training is \$1,435,130, which satisfies our FY 2022 training requirements.
- The portion of the budget to support the Council of the Inspectors General on Integrity and Efficiency (CIGIE) is \$946,800, which is 0.36 percent of the \$263,000,000.

#### B. Appropriations Table

The OIG FY 2022 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 2020, 2021, and 2022.

Resources Available for Obligation	FY 2020 Actual		FY 2021 Enacted		FY 2022 Requested		FY 2021 to FY 2022			
	FTE	Amount (000's)	FTE	Amount (000's)	FTE	Amount (000's)	Change		% Change	
							FTE	Amount (000's)	FTE	Amount
Appropriated Resources:										
<b>Audit</b>	311	\$76,875	297	\$76,004	311	\$79,956	14	\$ 3,952	4.7%	5.2%
<b>Investigations</b>	700	\$173,125	668	\$173,996	699	\$183,044	31	\$ 9,048	4.6%	5.2%
<b>Total: Appropriated Resources</b>	<b>1,011</b>	<b>\$250,000</b>	<b>965</b>	<b>\$250,000</b>	<b>1,010</b>	<b>\$263,000</b>	<b>45</b>	<b>\$ 13,000</b>	<b>4.7%</b>	<b>5.2%</b>

**C. Budget Adjustments Table (in thousands)**

<b>Office of Inspector General</b>	<b>FY 2020 Actual</b>	<b>FY 2021 Enacted</b>	<b>FY 2022 Requested</b>
<b>FTE:</b>	<b>1,011</b>	<b>965</b>	<b>1,010</b>
<b>Object Classification:</b>			
11.1 Full-time Permanent Positions	\$149,747	\$143,272	\$151,593
11.3 Other than Full-time Permanent	\$1,172	\$1,654	\$1,654
11.5 Other Personnel Compensation	\$1,216	\$1,286	\$1,286
<b>11.9 Total Personnel Compensation</b>	<b>\$152,135</b>	<b>\$146,213</b>	<b>\$154,533</b>
12.1 Civilian personnel benefits	\$60,400	\$63,002	\$66,570
21.0 Travel	\$2,070	\$2,971	\$3,571
22.0 Transportation of Things	\$371	\$950	\$950
23.2 Rent Payments to Others	\$6,633	\$5,392	\$5,782
23.3 Communications, Utilities, & Misc.	\$1,622	\$1,806	\$1,806
24.0 Printing and Reproduction	\$15	\$17	\$17
25.1 Advisory & Assistance Services	\$12,670	\$14,602	\$14,602
25.2 Other Services (Goods / Services)	\$123	\$198	\$198
25.3 Government Agencies	\$650	\$825	\$947
25.4 Operation & Maintenance of Facilities	\$269	\$262	\$262
25.6 Medical	\$115	\$162	\$162
25.7 Operation and Maintenance of Equipment	\$7,364	\$7,500	\$7,500
26.0 Supplies and Materials	\$1,003	\$1,007	\$1,007
31.0 Equipment	\$3,855	\$4,575	\$4,575
32.0 Lands and Structures	\$705	\$517	\$517
<b>Total Budget Authority</b>	<b>\$250,000</b>	<b>\$250,000</b>	<b>\$263,000</b>

**D. Budget Increases and Decreases Descriptions (in thousands)**

<b>FY 2021 Enacted</b>	<b>\$ 250,000</b>
<i>Significant Budget Changes</i>	
Total Increase to Personnel Object Classes	\$ 11,888
Total Increase to Non-personnel Object Classes	\$ 1,112
<b>Significant Budget Changes Total</b>	<b>\$ 13,000</b>
<b>FY 2022 Requested</b>	<b>\$ 263,000</b>

*Net Increase to Salaries and Benefits* ..... \$11,888,025

\$4,183,311 in funding is requested for annualization of salaries and benefits related to a 1 percent general pay increase as well as the FERS employer contribution rate increase in FY 2021.

\$4,050,302 in funding is requested for proposed 2.7 percent general pay increase in FY 2022.

\$1,704,267 in funding is requested for the FERS employer contribution rate increases in FY 2022.

\$1,950,145 in funding is requested for performance-based increases.

*Increase to Non-personnel Costs*..... \$1,111,975

This increase is associated with increased costs in travel, rent, and payments to government agencies including an additional \$121,800 for the CIGIE Assessment.

### E. Reimbursable Authority

In FY 2022, reimbursable authority work to be performed is estimated at \$2,230,000. Of this amount, \$1.6 million is to support CIGIE's Oversight.gov website. 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.

<b>Other Resources: Offsetting Collections</b>	<b>FY 2020 Actual (000's)</b>	<b>FY 2021 Enacted (000's)</b>	<b>FY 2022 Requested (000's)</b>
Reimbursable Authority	\$2,733	\$2,600	\$2,230
<b>Total: Offsetting Collections</b>	<b>\$2,733</b>	<b>\$2,600</b>	<b>\$2,230</b>

### F. Appropriation Language

<b>Appropriation Language</b>
Office of Inspector General <b>SALARIES AND EXPENSES</b> (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, \$263,000,000 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 2020, \$2,859,015 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 \$1,145,124 on oversight audits of the Postal Inspection Service and \$639,006 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 \$1,074,885 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 (SOX) Act and Securities and Exchange Commission financial reporting requirements.

<b>Legislative Mandates - Dollar Value by Identified Mandates</b>		
<i>FY 2020 (as of September 30, 2020)</i>		
<b>Public Law Reference</b>	<b>Mandate Description</b>	<b>Cost</b>
5 U.S.C. App. 3 § 8G(f)(2)	Oversight of the Postal Inspection Service	\$1,145,124
39 U.S.C. § 3652	Audits of Postal Service Data Collection Systems	\$639,006
PL 109-435	Financial Statement/SOX Audit and Quarterly 10Q**	\$1,074,885
<b>Total Dollar Value</b>		<b>\$2,859,015</b>

Based on FY 2020 audit work, as of September 30, 2020.

\*\*Although not legislatively mandated for the OIG, these financial related audits support mandates for the Postal Service.

## **IV. OIG PRIORITIES AND RESULTS**

### **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. Our past efforts in this area enabled the OIG to transition entirely to telework at the start of the COVID-19 crisis with no additional investment and allowed our organization to remain effective as the Postal Service continued its operations.

The OIG is committed to creating an infrastructure that will enable a robust data strategy for the future and we have long leveraged the usage of data to support decision-making. The Postal Service produces massive amounts of data daily to support operations and personnel. Within this data lie the keys to improved efficiency and fraud detection. In the past few years, the OIG has developed and implemented a strategic approach to pulling, cataloging, analyzing, and mining this data. This has enabled the OIG to use data to best deploy investigative and audit resources to help the Postal Service address its operational and financial challenges. It has also allowed our OIG to share data insights with the Postal Service and help the analytics efforts of both organizations grow stronger, realizing that each uses data through a distinct lens.

The OIG leverages its own data as well to make good decisions about internal operations. We have a robust performance evaluation system which measures efficiencies and productivity across the organization, and this data allows managers to recognize success and address underperformers quickly and consistently. Our tools offer management opportunities to identify underperforming programs and redirect funding as a result. The OIG also participates in the government-wide Employee Viewpoint Survey and we used the data from those surveys to implement initiatives targeting employee engagement and inclusion. Because of these initiatives, we significantly improved our performance scores in the 2020 Employee Viewpoint Survey. Our scores improved in the relationship of trust, respect, and support employees feel from their supervisor, the communication between employee and supervisor, and employees' feelings of motivation relating to their role in the workplace.

Finally, to continue building an OIG workforce for the 21<sup>st</sup> Century, we reviewed our FTE and non-personnel resource deployment and adjusted our resource allocations in all of our components. We replaced the legacy systems that support human resources management as well as our internal budgeting and accounting processes. We also continue to focus on hiring the best candidates, maintaining a fully engaged workforce by recognizing exceptional achievement, and swiftly addressing those who underperform.

## **B. Summary of OIG Efforts During 2020 and the COVID-19 Crisis**

FY 2020 was a historic year for the country and for the Postal Service, with an ongoing COVID crisis, a nationwide election with historic levels of voter participation, and a peak holiday season with record-setting volumes. All of these inter-related issues presented a challenging environment for the Postal Service to accomplish its mission and for our OIG to provide oversight and transparency to management and stakeholders.

The impacts of the COVID-19 virus were widespread and long-lasting, and the Postal Service and our OIG were both affected significantly. Here at the OIG, we were able to complete our most important projects and begin new critical work, despite widespread health and travel restrictions. Some of our COVID-19 related projects include:

- *Emergency Response: Past and Present* (Issued September 2020)
- *Employee Safety – Postal Service COVID-19 Response* (Issued November 2020)
- *Mail Service During Early Stages of COVID-19 Pandemic* (Issued January 2021)
- *Pandemic Volume and Revenue Projected Scenarios* (Issued February 2021)
- *Impact of Pandemic on Postal Service Finances* (Issued March 2021)

In the midst of the COVID crisis, the Postal Service welcomed a new Postmaster General (PMG) to the organization. Shortly after his arrival, the PMG directed an extensive reorganization and implemented various changes aimed at improving operations. Some of those changes occurred without clear direction or consistent communication to the field and resulted in significant impacts to service. While service levels rebounded somewhat over time, several judicial districts received lawsuits focused on those changes and directed the Postal Service to halt or reverse the changes for the remainder of the year. Two examples of our work in this area include:

- *Deployment of Operational Changes* (Issued November 2020)
- *Operational Changes to Mail Delivery* (Issued October 2020)

These significant changes within the Postal Service began occurring just as voting by mail became a central focus of the 2020 General Election. This increased focus was a secondary impact of the COVID-19 pandemic as voting by mail became the preferred safe approach to participating in the election for many Americans. During the general election and run-off election in Georgia, our OIG shifted resources to focus on this emerging issue and quickly responded to numerous allegations and complaints in order

to protect the integrity of political and election mailings. We established a permanent working group in our Office of Investigations to focus on allegations related to these kinds of mailings and our agents opened more than 160 investigations as of January 1, 2021. We also completed or initiated the following audit projects:

- *International Election Mail Observations for the 2020 General and 2021 Georgia Senate Runoff Elections* (Issued April 2021)
- *Service Performance of Election and Political Mail During the November 2020 General Election* (Issued March 2021)
- *Military, Diplomatic, and Other International Election Mail Preparedness* (Issued September 2020)
- *Processing Readiness of Election and Political Mail for the 2020 General Election Report* (Issued August 2020)
- *Timeliness of Ballot Mail in the Milwaukee P&DC Service* (Issued July 2020)
- *Service Performance of 2018 Midterm and Special Elections* (Issued November 2019)

In addition to these audit projects, our entire organization mobilized to provide oversight of the handling of election mail by the Postal Service. We deployed over 500 agents and auditors to oversee ballot processing at 102 processing plants, the International Service Centers (ISC), and 1,710 delivery/retail units representing all 50 states, the District of Columbia, and Puerto Rico leading up to the 2020 general election. Additionally, during the week of the election, we visited 27 plants and 56 delivery units in 10 battleground states. Finally, during the Georgia Senate runoff election, we conducted similar site visits at 7 plants and 100 delivery units. While working to help ensure the accuracy and timeliness of mail-in ballots on a national scale, we identified compliance issues that were brought to the attention of Postal management daily and quickly resolved. These efforts also identified lessons learned that can be applied to the efficiency and effectiveness of ballot processing for future elections.

Our information technology (IT) and data analytics teams played an especially important role during FY 2020 and supported several key initiatives. The OIG was one of several law enforcement agencies focused on safeguarding Economic Impact Payments (EIP) to citizens and our analytics tools identified over 10,000 checks sent to suspicious addresses. Our analytics group also designed dashboards to track election and political mailings using Postal Service data, to enable investigators and auditors to identify emerging areas of concern. Our Office of the Chief Information Officer (CIO) built mobile applications to collect data from the nationwide site observations as well as dashboards to display this data in real time for presentation to OIG and Postal Service management.

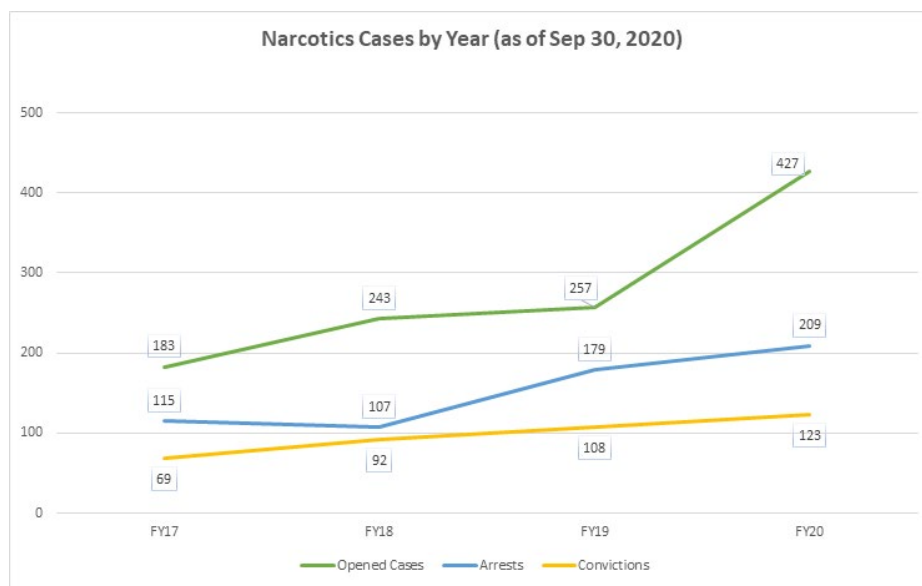


Finally, our analysts built tools to provide real-time insights into Postal mail volumes, staffing, revenues, and service during the COVID-19 crisis, which were invaluable as we responded to inquiries from Congress and as we identified new OA projects.

While the Postal Service was able to successfully deliver election and political mail through the year, much of that success was dependent on extraordinary efforts nationwide and at the expense of delivery performance in other areas. Compounding these challenges was a holiday season that saw record levels of package volume and ongoing employee availability issues. We expect that COVID will continue to impact personnel availability and mail volumes for the foreseeable future. And while the General Election has ended, we expect the 2022 mid-term elections to also involve extensive use of the mail. Our oversight role in the coming year promises to be particularly critical and any significant reduction in our personnel would immediately and dramatically impact our ability to meet these various oversight challenges.

### C. Summary of OIG Efforts to Combat the Opioid Crisis

Over the past three years, the OIG committed significant resources to evaluate the safety and susceptibility of the U.S. Mail to threats from narcotics, as well as to investigate narcotics distribution by Postal employees. The OIG's Office of Investigations (OI) strategically placed special agents trained in narcotics investigations throughout the country and, in FY 2020 alone, they initiated 427 new narcotics cases. In the first half of FY 2021, we have initiated over 300 cases, putting us on track to have almost a 50% increase from FY 2020. Those new cases are highly complex and often involve extensive external drug trafficking organizations (DTO) and are in addition to their existing case inventories from prior years. The chart below highlights some of our progress:



Some recent case highlights include:

- In April 2020, the OIG's data analytics group identified 10 suspicious parcels originating in Arizona and destined for Michigan. The investigation determined a carrier was facilitating delivery of these parcels to an external DTO. Based off the investigation, agents conducted search warrants at two residences, resulting in the seizure of suspected fentanyl. The investigation is ongoing.
- In June 2020, an OIG investigation determined a Postal Service employee was receiving bribes in exchange for diverting parcels to an external subject. A review of Postal data indicated the external subject received over 115 parcels that were each believed to have contained a kilogram of cocaine. The investigation is ongoing.
- In October 2020, law enforcement officers identified a suspicious parcel destined to a PO Box, opened by a Postal Service employee earlier in the year. The investigation determined that co-conspirators transported kilogram-quantities of fentanyl and heroin, as well as narcotics proceeds, in packages shipped through the mail with the assistance of the Postal Service employee. On March 8, 2021, members of other law enforcement organizations and the OIG arrested the employee and four external subjects. During the course of the investigation, investigators seized approximately 7 kilograms of fentanyl, 2 kilograms of heroin, 1 pound of suspected marijuana, and almost \$150,000. The investigation is ongoing.

The Office of Audit (OA) also focused significant attention on the opioid issue over the past three years and provided valuable insights into the Postal Service's role in, and exposure to, the national narcotics crisis. Some reports that address this crisis include:

- *Oversight of Mail Suspected of Containing Illicit Drugs* (Issued November 2020)
- *Implementing Advanced Electronic Data: Challenges and Opportunities* (Issued September 2020)
- *Advance Electronic Data Holds and Reliability* (Issued July 2019)
- *Use of Postal Service Network to Facilitate Illicit Drug Distribution* (Issued September 2018)
- *Opioid Safety Preparedness* (Issued June 2018)

To support investigations and audits, our Chief Data Officer (CDO) is leveraging Postal Service and other data as a strategic asset to develop a suite of tools to detect both suspicious parcels and inappropriate/suspicious behavior by Postal Service employees. We benchmarked public and private sector analytics practices and designed analytics models to maximize our investigative resources and results. Some recently developed tools identify high-risk parcels that have disappeared somewhere in the Postal Service network, which might indicate theft by an employee.

#### **D. Investigative Priorities and Results**

Because of the large, geographically dispersed Postal Service workforce and the reactive nature of criminal work, our OIG must maintain a large investigative workforce. We constantly analyze the complaints we receive, our past work, and the distribution of Postal Service costs and personnel, to ensure our agents are in the right locations and assigned to program areas with the most potential impact (i.e., more Healthcare Claimant and Provider fraud agents in areas with higher OWCP costs). About 69 percent (\$183 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 2020, OI opened nearly 2,800 new investigations. Over 60 percent of these investigations were initiated as a result of complaints received directly from Postal Service employees or managers. We converted 512 allegations received from our Hotline into investigations in FY 2020. The remainder were referred to other agencies for their information and action whenever possible. We also initiated 245 cases as a result of our analytics tools or through the efforts of our analysts.

Our organization emphasizes performance and conducting high impact work, and we set challenging goals for our investigators. These goals include the number of cases resolved (which varies by primary program area), the effort agents commit to investigations, and the impact of their work. In FY 2020, the results of OI's work included over 2,352 investigations, 706 convictions, and over \$316 million in fines, restitutions, recoveries, and cost avoidances. Our agents resolved nearly 74 percent of the cases they initiated, with an average of five resolved investigations per agent. Reductions to the budget impact our law enforcement work the most, and our investigative results decline when we receive less funding.

OIG organizes its work into five major programs:

- The Internal Mail Theft program focuses on investigating mail theft by postal employees and postal contractors.
- The Narcotics program focuses on narcotics possession and distribution by Postal Service employees as well as collusion by employees with drug trafficking organizations which are using the mail to transport illicit narcotics.
- The Healthcare Fraud program includes investigations of both claimant and medical provider fraud. The Postal Service is the single largest contributor to the Department of Labor's (DOL) Office of Workers' Compensation Program (OWCP), and, in FY 2019, it paid nearly \$1.35 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.

The financial results related to our investigations exceeds the total amount of our budget appropriation each year and, in FY 2020, that impact totaled \$316 million. Nearly \$192 million of that amount was composed of fines, recoveries, and restitutions returned directly to the Postal Service, with the majority of those funds resulting from contract and healthcare provider investigations. Two examples of those cases include:

- In the fall of 2016, the OIG received a referral from the Department of Justice regarding potential antitrust violations committed by manufacturers of generic pharmaceuticals. Allegations suggested the companies were participating in activities related to market allocation, price fixing and bid rigging, all Sherman Act Antitrust violations (Title 15). Because of the number of Postal employees who receive disability benefits under the Department of Labor's Federal Employee Compensation Act (FECA) program, the alleged activities would have impacted the payments for those benefits. On March 2, 2020, Sandoz Pharmaceuticals Inc., entered into a Deferred Prosecution Agreement and agreed to pay a \$195

million criminal penalty for conspiring to rig bids, fix prices, and allocate customers in the generic drug industry. As a result of our participation in the case, the Postal Service will receive \$39 million (20 percent) of that fine. Sandoz is the third company to be charged; the previous two companies also entered into deferred prosecution agreements. The investigation is ongoing.

- Beginning in 2014, the OIG joined a False Claims Act investigation focused on airlines who transport international mail for the Postal Service. The investigation determined that some airlines were falsifying the data related to these shipments to avoid contract penalties. In 2018 and 2019, two airlines agreed to pay \$22 million and \$5.8 million, respectively, to the U.S. government as a result of this investigation. In March 2020, another airline paid \$4.7 million to resolve their liability under the False Claims Act for falsely reporting mail delivery information.

The remaining \$124 million in financial impact during FY 2020 included various cost avoidances for the Postal Service, the vast majority of which resulted from healthcare investigations. Our work confirmed fraudulent claims by 55 Postal employees for work-related injuries and resulted in the termination of their long-term OWCP benefits. Additionally, our investigations of various healthcare providers resulted in the disruption of their fraud schemes and prevention of future fraudulent claims to DOL.

OI would allocate its FY 2022 program budget to cover the primary program areas described above as well as to continue to focus on the following areas:

- *Narcotics trafficking by employees* – We continue to see postal employees willing to facilitate the trafficking of opioids and other narcotics for cash. As our data analytics program develops and deploys new tools, we are identifying more employees engaged in these types of activities as well as more completely mapping the criminal enterprises they support.
- *Mail theft* – In FY 2020, over 39 percent of the Postal Service’s total revenue was generated through the delivery of nearly 6.2 billion packages. In addition to receiving a steady stream of complaints from customers about mail or packages they never received, our OIG is seeing increased recruitment of employees by organized criminal groups to steal mail, including pandemic funds distributed through the mail. Criminal organizations are recognizing that postal employees can be the trusted insider who enables ready access to sensitive mail, and they are actively approaching and communicating with employees who are willing to steal specific items from the mail in return for cash.

- Healthcare fraud – Postal Service employees represent nearly 40 percent of all federal employees who receive OWCP benefits. These benefits are a significant ongoing cost to the Postal Service, and frauds associated with those benefits are a continuing area of focus for our OIG.

## **E. Audit and Evaluation Priorities and Results**

Though we are the leanest OIG when compared to our parent agency, we returned nearly \$30 for every \$1 invested in our budget in FY 2020. Much of this impact was due to the work of OA, which completed 116 reports and issued 310 recommendations. This work identified \$7.1 billion in financial impact, including funds put to better use, questioned costs, and revenue impact. In FY 2020, the Postal Service agreed with 94 percent of our recommendations. To date, over 70 percent of those recommendations have been implemented.

As we do in our Office of Investigations, we set challenging goals for our auditors. These goals include the number of reports issued, timeliness, and 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. Our Office of Audit uses data analytics to identify high risk areas in the national infrastructure as well as highlight cost savings opportunities. 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 about \$17 billion.
- 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 Finance and Pricing audit area focuses on finance, cost, and pricing, which 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, emergency preparedness, and sustainability.

- The Inspection Service and Information Technology audit area focuses on the Postal Service's ability to use technology to manage operations, maximize ROI, and provide robust data security. This area also oversees the role of the USPS in protecting the Postal Service from criminal activity.

Some of the OIG's recent and ongoing significant audits and evaluations, in addition to the work previously listed above, include:

- Deployment of Operational Changes and Operational Changes to Mail Delivery - In response to a request from Congress, we evaluated Postal Service operational changes and initiatives made in June and July 2020 that resulted in a significant drop in the quality and timeliness of mail delivery. We found the implementation of these initiatives was communicated primarily orally, which resulted in confusion and inconsistent application of operational changes across the country and were made without studying the impact of the changes on mail service. The collective results of these initiatives, combined with the ongoing employee availability challenges resulting from the pandemic, negatively impacted the quality and timeliness of mail delivery nationally.
- Delivery Vehicle Acquisition Strategy – Due to significant implementation delays in the development of the Postal Service's Next Generation Delivery Vehicle, we assessed the Postal Service's acquisition strategy for delivery and collection vehicles. We found the Postal Service's vehicle acquisition strategy was generally adequate for acquisition of a mixed vehicle delivery fleet. However, delays in the Next Generation Delivery Vehicle development occurred because management had not adequately evaluated the prototype timeline to ensure they considered the full complexity of the process, prototype development issues, and stakeholders concerns. In addition, better Postal Service oversight was needed during the prototype vehicle building process.
- Reevaluating the Universal Service Obligation – We conducted a study of recent postal Universal Service Obligation (USO) change trends in eight countries to identify benchmarks or insights on potential best practices. We found that changes to the USOs varied by post, reflecting each country's unique needs, but we identified delivery frequency and speed as the two most common changes that each country made as they modified their USO. This paper also highlighted that a more clearly defined universal service obligation for the U.S. Postal Service would protect customers while providing guidance to the Postal Service about what changes it can implement.

- *U.S. Postal Service’s Processing Network Optimization and Service Impacts* – We conducted an audit to evaluate the Postal Service’s processing network and found that it is not operating at optimal efficiency. Additionally, the drive to meet service performance targets increased its costs and created inefficiency due to issues with integrating mail processing, transportation, and delivery operations. Addressing the issues identified in our audit report would allow the Postal Service an opportunity to increase efficiency and reduce costs by about \$385.6 million.
- *Transportation Network Optimization and Service Performance* – We conducted an audit to evaluate the Postal Service’s transportation network and determined that there are opportunities to optimize that network and improve service performance. Specifically, we found that the Postal Service routinely uses its surface and air networks to mitigate processing, delivery, and other delays (such as weather and traffic). In FY 2019, the Postal Service spent over \$550 million above its expected costs to mitigate delays in other parts of the network.
- *Assessment of Overtime Activity* – We conducted a review of the controls over Postal Service’s overtime usage and determined it needs to strengthen those controls to successfully contain these costs. From FY 2014 to FY 2019, overtime costs and hours trended upward and consistently exceeded planned budgets. During that time, annual overtime costs increased from \$3.7 to \$5 billion (or 35 percent), and overtime hours increased from 98.9 to 129.7 million hours (or 31 percent). The highest costs over these six fiscal years were in FY 2019 for both overtime and penalty overtime, with \$4.4 billion and \$574 million, respectively.
- *Informal Grievance Oversight* – We conducted this audit to review the Postal Service’s oversight of informal grievances. The informal grievance process allows employees to discuss and settle grievances with their immediate supervisor; however, if there is no resolution, the employee or union can file a formal grievance. We found that the oversight of informal grievances is not effective and informal grievance costs and the number of associated payments continued to trend upward from FY 2013 through FY 2018. Annual costs increased from about \$30.4 million to \$48.8 million during this time period (61 percent) and the number of payments increased from 344,459 to 435,912 (27 percent).
- *Cybersecurity Incident Detection and Response Capability* – As a result of a significant data breach in 2014, the Corporate Information Security Office (CISO) was established to safeguard the Postal Service’s network. In 2017 the Postal Service approved the Cybersecurity Decision Analysis Report (DAR) III, Enhancement and Maturity, which provided significant information technology (IT) security funding. According to the DAR, this investment would support the



continued ability to recruit, develop, and retain a cybersecurity workforce. We conducted an audit to evaluate CISO's progress and found it had not developed metrics to measure the effectiveness of their incident response capability and did not track or monitor investments by project as specified in that DAR.

OA also conducted work that was either legislatively mandated 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.

OA would allocate its FY 2022 program budget to cover the primary program areas described above, as well as the following emerging areas of focus:

- Reviewing the Postal Service's critical service obligations for our country, such as voting by mail and rural package delivery,
- Identifying opportunities to optimize and standardize Postal network operations to improve service, reduce costs, and increase efficiency,
- Analyzing costs nationwide and identifying opportunities to reduce those costs,
- Identifying opportunities for preserving and growing revenue and enhancing the customer experience,
- Assessing whether the Postal Service is effectively leveraging analytics for managing operations and driving strategic decisions, and
- Increasing oversight of the USPIS and its activities, to include strategic direction, resource allocation, case management, property, and training.

## F. Other Mission Areas

### a. Human Capital

Our budget has essentially been flat since FY 2010 when our 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 our work. The President’s FY 2022 Budget provides funding of \$263,000,000, an increase of \$13 million which will allow us to avoid staffing losses and result in our organization having a staffing level of 1,010 FTEs.

Description	FY 2020 Actual	FY 2021 Enacted	FY 2022 Requested
FTEs	1,011	965	1,010
Net change from prior start of year to budget end of year	-	(46)	45

We recognize that without a strong human capital strategy – one that manages and invests in our workforce talent – we cannot succeed as an organization. As a result, our OIG has undertaken a number of initiatives to maintain our competitive edge and retain a highly skilled workforce. Some examples of those initiatives include:

- Automating documentation to expedite the hiring and on-boarding process;
- Creating an organization-wide national leadership development program;
- Offering training in analytics platforms to employees across the organization; and
- Modernizing and updating our online knowledge-centered environment, to better offer organizational information and facilitate information sharing.

### b. 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 2022, our focus will be to strengthen the security and resilience of critical OIG infrastructures against cyberattacks. In addition to these security enhancements, OCIO will continue to work on developing processes and infrastructure for importing and storing or connecting with the large datasets critical to evidence based decision-making. The exponential growth of digital information used for data analytics, computer forensics, and evidence-based decision-making will require investment in increasingly large amounts of cloud storage and data management capabilities. 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. Implementing modern data management tools, such as a data catalog, will enable the OIG to efficiently manage and catalog our large data sets. Tools like a data catalog will reduce duplication and increase knowledge and access for our auditors, investigators, and analytics staff.

### **c. Data Analytics**

The OIG has strategically integrated data analytics into its core mission of combatting fraud, waste, and abuse. Our data analytics team builds tools that analyze Postal Service, law enforcement, and other data to identify areas of risk and indicators of fraud. As of September 30, 2020, our analytic tools had directly resulted in 245 investigations, 239 criminal actions, 139 administrative actions, and more than \$77 million in financial impact related to investigations. In addition, analytical support related to 5 audits resulted in an additional financial impact of nearly \$1.3 billion.

In addition to narcotics-related tools, below are some other recently developed tools:

- *Electronic Funds Tripwire (EFT)* – This report identifies and highlights relationships between Postal Service employees and Postal Service suppliers by analyzing Electronic Funds Transfer (EFT) data.
- *Informed Delivery® Dashboard* – This dashboard analyzes mailpiece data reported as not received by subscribers and intuitively presents results to proactively generate mail theft and mail dumping leads as well as provide support for existing investigations. Additionally, the information is used to assess potential operational issues such as mail delivery delays.

The OIG community includes 75 different OIGs, and those organizations are using analytics tools and practices at varying levels. Our team meets frequently with other OIGs, the Pandemic Response Accountability Committee, and various law enforcement agencies on data analytics issues, either tied to joint work or as part of meetings and conferences to discuss best practices. Our Inspector General also chairs the CIGIE Technology Committee, which sponsors a Data Analytics Working Group.

Our work in FY 2022 would be to enhance our current tools and focus on the following emerging areas of technology opportunity:

- *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, our analytics tools must be able to examine this data in near-real time.

*Integrating Artificial Intelligence (AI)* – Finally, our OIG will start taking advantage of emerging AI platforms to deal with analytics issues that are outside of current capabilities. For CIO, AI will enhance IT Security operations protecting the OIG network using behavioral analytics to detect and mitigate both internal and external cyber-attacks. For our CDO, AI will assist in detecting waste, fraud, and abuse by making the analysis of data more efficient and streamlining data processes. AI is becoming increasingly commonplace in private industry because of its utility and versatility, and the return of investment will only increase as the capabilities become less expensive.