



OFFICE *of* INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

Congressional Budget Justification

Fiscal Year 2024

Executive Summary

The President's fiscal year (FY) 2024 Budget provides funding of \$290,579,000 to the U.S. Postal Service Office of Inspector General (OIG) for ongoing operational expenses. This document highlights our key initiatives, presenting perspective and context for our budget needs and areas of focus for FY 2024. It also highlights prior year accomplishments and activities.

The Postal Service is part of the nation's critical infrastructure, and our office continually aligns our mission resources to concentrate on the agency's highest-risk areas. We have historically focused on service performance, postal costs, and operational efficiencies. We expect this work to increase as the agency continues to implement large, nationwide changes and execute key aspects of the 2022 Postal Service Reform Act. The OIG's goal is to provide transparency into the impacts of these changes, making recommendations to enhance efficiencies of postal operations and monitoring to ensure the integrity of election mail. We will continue our efforts to combat the opioid epidemic and the distribution of illegal narcotics through the mail. The newly enacted reform law also expanded our oversight mission to include the Postal Service's regulator, the Postal Regulatory Commission (PRC).

We historically achieve significant results with an efficient and lean staff. Compared to all OIGs, our OIG has the lowest ratio of employees per its parent agency (one OIG employee for every 645 postal workers). Our results represent a prudent return on investment, as the financial benefits to the Postal Service from our work are greater than the total cost of our annual budget. As of September 30, 2022, we returned nearly \$6 for every \$1 invested in our FY 2022 budget.

A fully funded OIG is vitally important to protecting our nation's Postal Service, particularly since our complement has declined steadily over a 10-year period. The Postal Service's total personnel and revenue have grown substantially during that same period, with increases of 3 percent and 18 percent, respectively. The President's Budget of \$290,579,000 will enable the OIG to continue to play a critical role in overseeing the efficient operation of the Postal Service and PRC, a key part of our nation's infrastructure, ensuring confidence in the integrity and safety of the mail.

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I. PROPOSED FISCAL YEAR 2024 BUDGET

A. Budget Initiatives and OIG Mission Critical Work

Each year, we review our strategic plans to ensure that our workforce structure is optimized for maximum effectiveness and impact to the Postal Service. For FY 2024, we identified three critical initiatives and priorities, consistent with the President's direction, that will allow us to maintain and strengthen the public trust in one of the most fundamental Federal Government services, that of the U.S. Mail.

The President's Budget of \$290,579,000, provides funding to maintain our current operations and allows us to continue important work in the OIG's efforts to combat narcotics trafficking. The Budget request also funds targeted oversight over the Postal Service's mail service changes and election mailings.

1. Increased Funding Needed for Ongoing Efforts to Combat Dangerous Narcotics Trafficking in the Mail

In November 2021, the President announced the Administration's strategy to combat drug overdose deaths. In that announcement, the White House cited provisional drug overdose statistics revealing a record number of over 100,000 overdose deaths in the United States in a 12-month period ending in April 2021.

Our office has had a robust narcotics investigations program which has grown significantly over the past five years, and we have made investigations involving narcotics a priority focus. During that same time, our data analytics tools have become increasingly effective at identifying postal employees colluding with external drug trafficking organizations and highlighting those areas that are most at risk for drug trafficking through the mail. Based on these data-driven insights and our past case work, our office established four strategically located "strike forces" of narcotics-trained criminal investigators in FY 2020. These four teams work collaboratively with Federal task forces to identify and focus on the most significant narcotics trafficking investigations involving employees.

The efforts of those Strike Force teams between FY 2020 – 2022 have been substantial and have already resulted in the following significant outcomes:

- 230 opened cases involving 162 employees and 392 external subjects
- 205 arrests
- 79 convictions

Two recent cases highlight the impact of the strike force efforts:

- OIG agents arrested a postal employee in June 2022 following an investigation in which agents identified suspicious parcels destined to the employee’s delivery route area. Agents discovered parcels at the employee’s home that contained six kilograms of cocaine, 300 grams of fentanyl, and a firearm. The investigation confirmed the employee was working for a larger drug trafficking organization, and we are partnering with USPSIS and DEA on this on-going investigation.
- OIG agents arrested a postal employee who facilitated the transport of drugs, including fentanyl and heroin, through the mail. Agents discovered and seized a package containing nearly half a kilogram of fentanyl. In June 2022, agents conducted search warrants and seized an additional 1.4 kilograms of suspected narcotics, \$40,000 U.S. currency, and three firearms at the employee’s residence. Law enforcement also arrested eleven other non-postal co-conspirators as a part of this investigation.

In prior years, we did not seek an increase in budget to fund these Strike Forces, but instead relied on funds from prior years which had been returned to us by the Postal Service.¹ We used these additional funds to create the four strike forces in strategic parts of the country (Miami, New York, Los Angeles, and the Ohio / Pennsylvania / West Virginia Region). As the prior year funds used to create these strike forces will be exhausted in FY 2023, the OIG needs an additional \$4.5 million in new discretionary funds to continue support for the 16 personnel already committed to these critical efforts.

2. Overseeing Mail Service Performance in a Time of Unprecedented Change

In the Summer of 2022, the Postal Service announced it had a multi-year plan to make significant changes to reduce the total number of mail processing facilities and consolidate its delivery network. While the Postal Service said these changes will eventually lead to faster service and lower transportation costs, these complicated, multi-year initiatives have the potential to result in service disruptions.

The dramatic challenges facing the Postal Service in the next few years and the significant changes it is planning call for an increase in both the amount of oversight work required by the OIG as well as the speed with which we complete it. The most effective way to monitor these types of changes, and their impact on the American public, is to have our auditors performing in-person field work throughout the country. This type of continuous monitoring and oversight will allow the Postal Service to quickly fix any issues we identify, protecting postal customers.

¹ As background, in October 2019, the Postal Service returned over \$18 million in prior year funds to our organization. These funds were identified by the Postal Service as part of an internal reconciliation of expenses occurring between 2009 (when our office received its first direct appropriation) and 2015.

Looking forward, we will be working to provide as much transparency as possible into the service impacts to customers resulting from changes to the network; to respond to areas of concern across the country and collect insights as quickly as we can. While we already have some capacity to do targeted, on-the-ground assessments of issues based on complaints we receive or from our own data analytics, those kinds of projects require a significant resource commitment in a small period of time. Consistent with the requested funding level we will prioritize our work to high-risk locations.

3. Safeguarding Election Mail Integrity

The number of Americans voting by mail rather than going to polls has increased significantly in the last few years. Accordingly, we have expanded our monitoring and oversight of the Postal Service's ability to timely process and deliver Election Mail. For example, during the 2020 national election and Georgia run-off the OIG reviewed 2,049 delivery units and 211 Processing & Distribution Centers (P&DCs) and investigated 759 allegations concerning election mail. In addition, we concentrated audit efforts on how the Postal Service handled election and political mail, producing five audit reports relating to election mail.²

This effort provided significant value at a time of deep concern about the preservation of our country's electoral processes. However, our election mail integrity efforts came at significant cost to our normal operations as this work was prioritized over other audits and investigations for the year. With the requested funding level, we plan to balance the number of time-intensive site visits and monitoring necessary for ensuring the integrity of election and political mail in the 2024 election with our vital, non-election-related work.

B. Budget History

Our organization receives its funding level through the appropriations process, but none of this funding dollars come from taxpayers. All our operating funds originate from the Postal Service, which is not appropriated and primarily earns its funds from ratepayers.

Our work is vital to ensuring the American public has a healthy Postal Service that delivers effectively and efficiently every day. Consistent with our mission, we will continue to focus on returning significant value to the Postal Service and the PRC. As of September 30, 2022, we returned nearly \$6 for every \$1 invested in our FY 2022 budget. 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.

² *Timeliness of Ballot Mail in the Milwaukee P&DC Service Area* (Report Number 20-235-R20, July 7, 2020); *Processing Readiness of Election and Political Mail During the 2020 General Election* (Report Number 20-225-R20, August 31, 2020); *Military, Diplomatic, and Other International Election Mail* (Report Number 20-271-R20, September 30, 2020); *Service Performance of Election and Political Mail During the November 2020 General Election* (Report Number 20-318-R21, March 5, 2021); and *International Election Mail Observations for the 2020 General and 2021 Georgia Senate Runoff Elections* (Report Number 21-007-R21, April 29, 2021).

The financial results related to our investigations routinely exceed the total amount of our budget appropriation each year. In FY 2022, with an appropriation of \$262 million, our investigative financial impact alone totaled over \$474 million. Over half of that amount was composed of cost avoidances and fines, recoveries, and restitutions returned directly to the Postal Service. Most of those funds resulted from contract and healthcare provider investigations.

Collective cost increases have eroded our ability to maintain a robust workforce and resulted in our overall complement declining by almost 14 percent between 2013 and 2022. This decline in complement occurred despite our expanding responsibilities as the Postal Service faced historic challenges. Conversely, the Postal Service grew in size around this same time. Although the Postal Service has been losing significant amounts of money in the last 10 years, the number of employees on board has grown by nearly 3 percent, from nearly 618,000 employees in 2013 to more than 635,000 in 2022. Revenue growth during the same period has been even more dramatic — revenues in 2013 were about \$67 billion and they grew to over \$79 billion in 2022, a growth rate of over 18 percent.

In addition to funding received through our annual appropriations, the Inflation Reduction Act of 2022 provided the OIG \$15 million to perform oversight of the Postal Service’s implementation of its Next Generation Delivery Vehicle fleet (NGDV). These funds are available to be obligated over a 10-year period. We estimate obligating \$1.3 million in FY 2023 and \$3.0 million in FY 2024. Our FY 2023 work in this area focuses on reviewing the Postal Service’s Vehicle Maintenance Facilities preparedness for NGDV, as well as the NGDV acquisition process and the related Environmental Impact Statement. We will continue oversight work in other areas, notably related to electric charging infrastructure acquisition planning, in FY 2024, as the Postal Service finalizes its plans for vehicle purchases and infrastructure buildout in support of the fleet’s electrification.

The President’s budgeted amount for the USPSOIG of \$290,570,000 provides funding to sustain operations as well as address the government-wide escalation of Federal Employees Retirement Systems (FERS) employer contribution rates and substantial mandated salary growth.

C. Budget Treatment Issues

1. Budget Allocation Status

Over the past few years, the OIG has worked to understand how our budget is treated in the appropriations process. As highlighted in prior year submissions, we continue to be included as part of the congressional allocations of budget authority and the OIG recommends that Congress reconsider this approach. These allocations put our budget into a posture where the appropriations amount is traded off against General Funds appropriations. As a matter of practice, it appears the annual appropriation for our office

is being treated as coming from the General Fund even though the appropriation occurs by way of a transfer from the off-budget Postal Service Fund.

2. Access to Asset Forfeiture Funds

In FY 2022, the OIG was restricted from accessing asset forfeiture funds³ that it had previously accessed for the past 17 years. As a result, other programs went unfunded. For example, the Contract Fraud Analyst Program, a highly effective program that assists with the identification of fraud and the recovery of proceeds of crime that had been funded using asset forfeiture funds, had to be funded using our annual appropriation. Congress even noted, in its draft report accompanying our FY 2023 appropriations bill, that the OIG “has contributed over \$33 million in forfeited funds to the Postal Service Fund, over the past 10 years”. The OIG is actively pursuing strategies to address the situation.

II. BUDGET DETAILS and TABLES

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 2024.

- The aggregate budget for our operations is \$290,579,000.
- The portion of the budget allocated for training is \$1,872,816 which satisfies our FY 2024 training requirements.
- The portion of the budget to support the Council of the Inspectors General on Integrity and Efficiency (CIGIE) is \$1,162,316 which is 0.4 percent of the \$290,579,000.

³ The administrator of the Asset Forfeiture Fund within the Postal Fund, the Postal Inspection Service, opined that OIG use of funds threatened an inappropriate augmentation of the OIG’s appropriation.

B. Appropriations Table

The OIG's FY 2024 budget plan is based on a level of effort for the two mission programs of the OIG's Office of Investigations (OI) and Office of Audit (OA). The table below shows the budget by program area for appropriations in FYs 2022, 2023, and 2024. The table below includes \$1.3 million in FY 2023 and \$3.0 million in FY 2024 for estimated obligations of the \$15 million funding received from the Inflation Reduction Act of 2022 for the oversight of the USPS Next Generation Vehicle Program.

Resources Available for Obligation	FY 2022		FY 2023		FY 2024		FY 2023 to FY 2024			
	Actual		Enacted		Requested		\$ Change		% Change	
	FTE	Amount (000's)	FTE	Amount (000's)	FTE	Amount (000's)	FTE	Amount (000's)	FTE	Amount
Appropriated Resources:										
Audit	331	\$72,192	334	\$75,972	339	\$81,804	5	\$5,832	1.5%	7.7%
Investigations	653	\$189,808	654	\$196,328	676	\$211,775	22	\$15,447	3.4%	7.9%
Total: Appropriated Resources	984	\$262,000	988	*\$272,300	1,015	*\$293,579	27	\$21,279	2.7%	7.8%

*The table above includes \$1.3M in FY 2023 and \$3.0M in FY 2024 for estimated obligations of the \$15M funding received from the Inflation Reduction Act of 2022 for the oversight of the USPS Next Generation Vehicle Program.

C. Budget Adjustments Table (in thousands)

Office of Inspector General	FY 2022 Actual	FY 2023 Enacted	FY 2024 Requested
FTE:	984	988	1,015
Object Classification:			
11.1 Full-time Permanent Positions	\$142,726	\$151,539	\$161,582
11.3 Other than Full-time Permanent	\$1,264	\$1,479	\$1,479
11.5 Other Personnel Compensation	\$1,281	\$1,380	\$1,380
11.9 Total Personnel Compensation	\$145,271	\$154,399	\$164,441
12.1 Civilian Personnel Benefits	\$71,939	\$72,594	\$77,915
21.0 Travel	\$4,609	\$5,008	\$7,142
22.0 Transportation of Things	\$73	\$42	\$39
23.2 Rent Payments to Others	\$5,259	\$5,819	\$5,973
23.3 Communications, Utilities, & Misc.	\$1,582	\$1,507	\$1,507
24.0 Printing and Reproduction	\$11	\$16	\$16
25.1 Advisory & Assistance Services	\$16,291	\$16,515	\$18,556
25.2 Other Services (Goods / Services)	\$151	\$77	\$77
25.3 Government Agencies	\$943	\$976	\$1,162
25.4 Operation & Maintenance of Facilities	\$300	\$246	\$246
25.6 Medical	\$80	\$195	\$195
25.7 Operation and Maintenance of Equipment	\$8,329	\$9,294	\$9,570
26.0 Supplies and Materials	\$905	\$929	\$926
31.0 Equipment	\$5,637	\$4,234	\$4,812
32.0 Lands and Structures	\$620	\$450	\$1,000
Total Budget Authority	\$262,000	*\$272,300	*\$293,579

*The table above includes \$1.3M in FY 2023 and \$3.0M in FY 2024 for estimated obligations of the \$15M funding received from the Inflation Reduction Act of 2022 for the oversight of the USPS Next Generation Vehicle Program.

D. Budget Increases and Decreases Descriptions (in thousands)

	Fiscal Year Budgets	Inflation Reduction Act (IRA) of 2022	Budgets with IRA 2022
FY 2023 Enacted	\$ 271,000	\$ 1,300	\$ 272,300
Significant Budget Changes	\$ 19,579		
<i>Total Increase to Personnel Object Classes</i>	<i>\$ 14,263</i>		
<i>Total Increase to Non-Personnel Object Classes</i>	<i>\$ 5,316</i>		
Next Generation Vehicle Program Oversight (NGDV)		\$ 1,700	
<i>Total Increase to Personnel Object Classes</i>	<i>\$ 1,100</i>		
<i>Total Increase to Non-Personnel Object Classes</i>	<i>\$ 600</i>		
FY 2024 Requested	\$ 290,579	\$ 3,000	\$ 293,579

*The table above includes \$1.3M in FY 2023 and \$3.0M in FY 2024 for estimated obligations from the \$15M funding received from the Inflation Reduction Act of 2022 for the oversight of the USPS Next Generation Vehicle Program.

Net Increase to Personnel Costs \$14,263,401

The \$13,797,674 in funding is requested for an increase of 22 FTE from direct annual appropriations (including 16 anti-narcotics staff paid from 2019 balances that will be exhausted), as well as the annualization of salaries and benefits increases and the proposed 5.2 percent COLA increase in FY 2024.

The \$465,727 in funding is requested for the FERS employer contribution rate changes in FY 2024, primarily related to law enforcement personnel.

Net Increase to Non-Personnel Costs \$5,315,599

This amount is associated with increased costs in Travel, Rent, and payments to government agencies, including an additional \$186,716 for the CIGIE Assessment.

Next Generation Vehicle Program Oversight (NGDV) \$3,000,000

The \$1,100,000 in funding from the Inflation Reduction Act of 2022, provides 5 additional FTEs in personnel costs related to the oversight of the USPS Next Generation Vehicle Program.

The \$600,000 in funding from the Inflation Reduction Act of 2022 is for non-personnel costs related to the oversight of the USPS Next Generation Vehicle Program.

E. Reimbursable Authority

In FY 2024, reimbursable authority work to be performed is estimated at \$2.4 million. Of this amount, \$1.4 million is to support CIGIE’s Oversight.gov website and other IT related support services. In FY 2022, and FY 2023, reimbursable authority work also included procurement support services for USDA OIG. The primary mission for the OIG’s reimbursable program is to develop partnerships with other government agencies to provide unique value-added support to the Postal Service and the PRC. We intend to leverage our resources with these groups to share knowledge while meeting stated work requirements.

Other Resources: Offsetting Collections	FY 2022 Actual (000’s)	FY 2023 Enacted (000’s)	FY 2024 Requested (000’s)
Reimbursable Authority	\$3,505	\$3,663	\$2,350
Total: Offsetting Collections	\$3,505	\$3,663	\$2,350

F. Appropriation Language

Appropriation Language
<p style="text-align: center;">Office of Inspector General SALARIES AND EXPENSES (Including Transfer of Funds)</p> <p>For necessary expenses of the Office of Inspector General in carrying out the provisions of the Inspector General Act of 1978, \$290,579,000, 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) together with any funds, to remain available until expended.</p>

G. Legislative Mandates

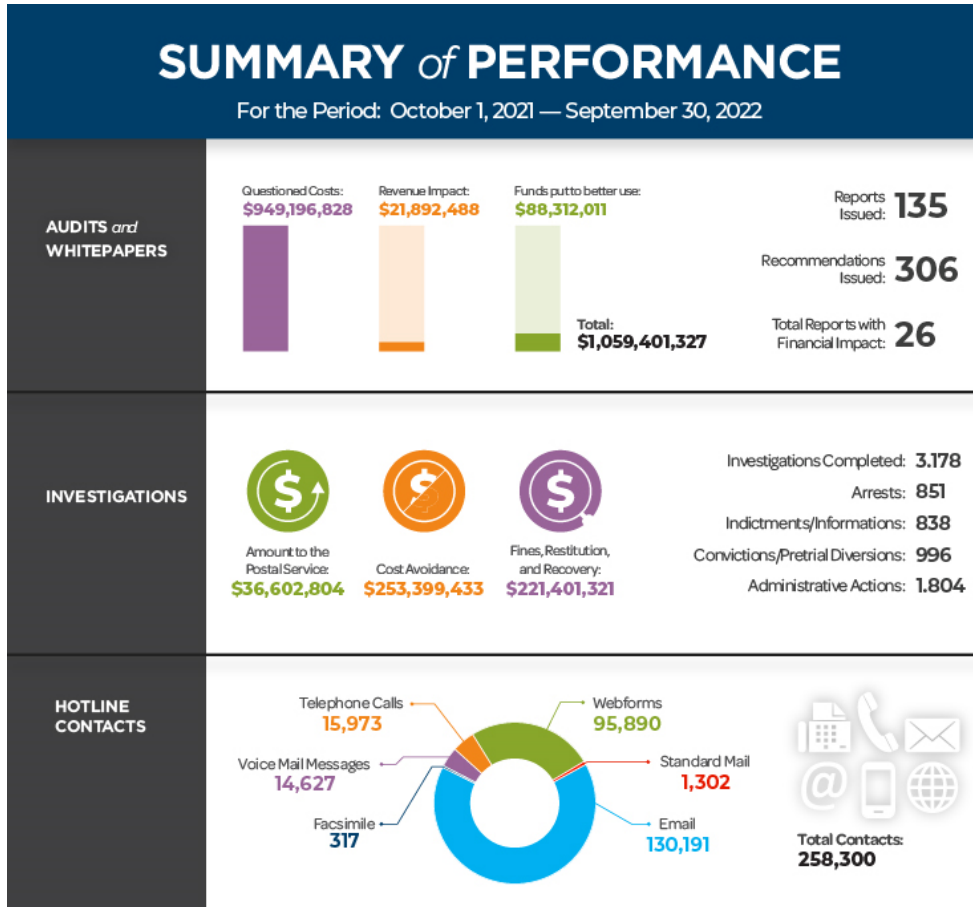
In FY 2022, \$2,522,557 of our budget was used to support reviews that were either legislatively mandated by Congress or to support the Postal Service in meeting its legislative mandates. As indicated in the table below, the OIG spent \$1,028,369 on oversight audits of the Postal Inspection Service, \$418,015 on audits of Postal Service data collection systems, and \$1,076,173 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.

Legislative Mandates – Dollar Value by Identified Mandates		
<i>FY 2022 (as of September 30, 2022)</i>		
Public Law Reference	Mandate Description	Cost
5 U.S.C. App. 3 § 8G(f)(2)	Oversight of the Postal Inspection Service	\$1,028,369
39 U.S.C. § 3652	Audits of Postal Service Data Collection Systems	\$418,015
PL 109-435	Financial Statement/SOX Audit and Quarterly 10Q**	\$1,076,173
Various	Audits in Support of Postal Service Mandates	NA
Total Dollar Value		\$2,522,557

Based on FY 2022 audit work, as of September 30, 2022

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

III.OIG PERFORMANCE



IV. OIG PRIORITIES and RESULTS

A. Maintaining Public Trust in the U.S. Mail

Our work is vital to ensuring the American public has a healthy Postal Service that delivers effectively and efficiently every day, and directly addresses the administration’s goal of “(r)estoring public trust in the Federal Government and delivering services effectively and efficiently.” The OIG is focused on increasing transparency into Postal Service operations to restore and maintain this trust. To further enhance our commitment to transparency, we recently launched our modernized public website, focusing on clarity and ease of use to inform postal stakeholders, and the American public. We are developing dashboards on our main website that use mapping technology and publicly available data to enable the American public to track the Postal Service’s performance compared to their published performance measures. We are also working to increase the accessibility of our own oversight work and provide additional transparency into management’s actions to address our recommendations.

With the passing of the Postal Service Reform Act of 2022, our OIG became responsible for conducting oversight of the PRC and its operations. That responsibility brought with it a number of challenges and our work will be critically important in ensuring the PRC effectively and efficiently meets its regulatory mandate.

In order to support our oversight efforts, our OIG has embraced data-driven decision making by implementing a strategy to identify and analyze any data to provide better awareness. The Postal Service produces massive amounts of data daily to support operations and personnel. We rely on this data, and our sophisticated analytics, to improve efficiency and fraud detection. In the past few years, our OIG has developed and implemented a strategic approach to pulling, cataloging, analyzing, and mining this data. This methodology has enabled us to use data to best deploy investigative and audit resources to help the Postal Service address its operational and financial challenges. Looking forward, our agency will begin the process of developing access to and expertise in PRC datasets to support our future work.

B. Significant Challenges Ahead

As our organization and the Postal Service emerge from a difficult few years, we are looking towards the challenges and opportunities ahead. The most significant of these is the Postmaster General's ambitious roadmap to improve operations. The Postal Service has begun the process of modifying its large and complex mail processing operations. It has already made some changes to its surface transfer centers, the facilities where mail and parcels are consolidated onto trucks. The Postal Service also plans to make further changes to its network, reducing the number of facilities and moving towards larger, more efficient mail processing and delivery centers. As part of this plan, it is taking steps to determine which facilities it should upgrade, expand, or eliminate. These types of sizable, multifaceted network changes have the potential to cause service disruptions.

Finally, as an OIG in a rapidly changing environment, we will look for ways to innovate and leverage our state-of-the-art IT infrastructure to increase our impact to the Postal Service and the PRC. As a first example, we deployed dashboards to our main website to increase the transparency of and access to information related to the Postal Service's performance and our own work. We plan to innovate in other areas as well, including:

- *Focus on Field Operations* – We established our Field Operations group in FY 2022 in order to more comprehensively focus on local retail, delivery, transportation, and mail processing activities and conditions. The end result is a clear view of the how the Postal Service is serving its customers, which we document in a reporting process that is designed to more quickly provide insights for timely action.
- *Real-time Field Data Collection* – Our office is using its existing technology and IT platforms to develop a mobile data collection application for agents and auditors. This approach will allow our OIG to quickly collect data across

the country and consolidate it into a dynamic internal dashboard or report to support our work.

- *Dynamic Audit and Research Reports* – We believe that enhancing the features of our audit and research reports will help make our observations and recommendations more accessible and impactful to a larger audience. Future features include audio and video summaries, interactive maps or graphics, and web-based layouts for easier viewing and cross-report navigation. Modernizing our report formats also promise to support or contribute to future dashboards illustrating Postal Service performance.

Our oversight role and work in the coming year promises to be particularly critical and this budget will support our ability to meet these various oversight challenges.

C. 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 Health Care Claimant and Provider fraud agents in areas with higher OWCP costs). About 72 percent (\$190 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.

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 (an investigation concluded by a judicial, civil or administrative outcome), the effort agents commit to investigations, and the impact of their work. In FY 2022, the results of OI's work included 3,178 investigations, 996 convictions, and over \$474 million in fines, restitutions, recoveries, and cost avoidances. Our agents resolved nearly 63 percent of the cases they initiated, with an average of five resolved investigations per agent each year. Reductions to the budget impact our law enforcement work the most, and our investigative results decline when we receive less funding.

Our Office of Investigations (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 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 Health Care 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 2022, it paid nearly \$1.31 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 exceed the total amount of our budget appropriation each year and, in FY 2022, that impact totaled \$474 million. Over \$221 million of that amount was composed of fines, recoveries, and restitutions, of which \$37 million was returned directly to the Postal Service. The remaining \$253 million in financial impact during FY 2022 included cost avoidances for the Postal Service. The majority of these funds resulted from contract and health care investigations. Our investigations of various health care providers and claimants have resulted in the disruption of various fraud schemes and the prevention of future fraudulent claims.

OIG would allocate its FY 2024 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 a more complete mapping of the criminal enterprises they support.
- Mail theft – In FY 2022, USPS OIG received 16,613 Hotline complaints on theft, destruction, mistreatment, delayed delivery, and/or tampering of mail. We have also witnessed the increased recruitment of employees by organized criminal groups to steal mail, including pandemic funds distributed through the mail stream.
- Health care fraud – Postal Service employees represent nearly 42 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.

In addition, in compliance with the Executive Order (EO) 14074, “Advancing Effective, Accountable Policing, and Criminal Justice Practices to Enhance Public Trust and Public Safety”, the OIG continues to ensure appropriate use of advanced law enforcement technology to include implementing a Body-Worn Camera policy and equipment for all planned law enforcement investigative operations. The OIG has also trained agents and incorporated de-escalation techniques in all aspects of threat management training prior to the issuance of the EO. OIG banned the use of chokeholds prior to the EO and requires a duty to report excessive force. The OIG also complies with monthly FBI Use of Force Reporting. Additionally, the OIG will continue to address and comply with any future requirements of the EO.

D. Audit and Evaluation Priorities and Results

Though we are the leanest OIG when compared to our parent agency, as of September 30th, we returned nearly \$6 for every \$1 invested in our FY 2022 budget. Much of this impact was due to the work of our Office of Audit (OA), which completed 135 reports and issued 309 recommendations during FY 2022. This work identified just over \$1 billion in financial impact, including funds put to better use, questioned costs, and revenue impact. In FY 2022, the Postal Service agreed with 95 percent of our recommendations. To date, over 73 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 our 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:

- Mission Operations
- Retail, Marketing, and Supply Management
- Finance, Pricing, and Human Capital
- Inspection Service, Technology, and Services
- Field Operations

Some of our most significant and impactful oversight in FY 2022 included:

- *Fiscal Year 2022 Peak Mailing Season Preparedness (Nov 2021) and Service Performance During the Fiscal Year 2022 Peak Mailing Season (June 2022)* – Our work showed management implemented a new year-round strategy with permanent operational changes — including increasing employee complement, sorting machines, and facility space — to meet the peak season needs.
- *Assumptions and Metrics Underlying the Delivering for America 10-Year Plan (July 2022)* – We evaluated the Postal Service’s 10-Year strategic plan and found that the assumptions and projections underlying 58 initiatives were supported, the Postal Service’s systems for monitoring initiative metrics were in place, and that the Postal Service implemented a process to validate projected revenue growth and cost savings resulting from the plan. We also found the Postal Service did not conduct studies to determine whether specific demographic groups could be disproportionately affected by the plan, and that it has opportunities to enhance communication with its stakeholders regarding its progress and cost savings.
- *Vehicle Maintenance Facility Preparedness for Next Generation Delivery Vehicles* – The U.S. Postal Service plans to replace and expand its current delivery fleet with a mix of internal combustion engine and battery electric Next Generation Delivery Vehicles (NGDV), which will require updates to its Vehicle Maintenance Facilities, where the current fleet is serviced and repaired. We assessed the Postal Service’s preparedness plans to maintain its future fleet and found their initial plans were consistent with best practices, but there were opportunities for further enhancements as it continues updating and refining its plans prior to NGDV deployment. While the Postal Service disagreed with our recommendation, it outlined additional efforts to enhance existing plans as they finalize NGDV acquisition and deployment, which we will continue to assess.⁴
- *Field Operations Reviews* – We established our Field Operations group in FY 2022 to more comprehensively focus on local delivery, transportation, and mail processing activities and conditions. This group’s Field Operations Review Teams, or FORTs, completed reviews at eight “clusters” or locations, to include Portland, OR; Columbus, OH; San Diego, CA; Indianapolis, IN; Seattle, WA; St. Louis, MO; Albuquerque and Santa Fe, NM; and Milwaukee, WI. At these locations, we consistently found issues with transportation, scanning performance, delayed mail, and property conditions, all of which provided a clearer view of the health of the network in supporting local mail delivery.

The requested funding level would allow us to perform roughly 10 “clusters” and issue approximately 50 reports per year to evaluate the impacts of the Postal

⁴ The Inflation Reduction Act of 2022 provided the OIG \$15 million to perform oversight of the Postal Service’s implementation of its Next Generation Delivery Vehicle fleet (NGDV) over ten years.

Service's network changes to service and timely delivery of mail to customers across the country.

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 Postal Inspection Service 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.

OA would allocate its FY 2024 program budget to cover these primary program areas, as well as the following emerging areas of focus:

- Evaluating the impacts of the Postal Service's Delivering for America 10-year strategic plan, including impacts of combining processing and delivery operations on customers and how the network modernization will affect timely mail delivery.
- Overseeing impacts of Postal Service decisions and implementation plans in the areas of capital investments, cybersecurity challenges, and transportation changes.
- Assuming oversight of the PRC to ensure efficiency of programs, operations, and expenditures.

E. Other Mission Areas

1. Human Capital

The FY 2024 President's Budget provides funding of \$290,579,000, an increase of \$19.6 million, which will allow us to sustain operations and continue our ability to address the Postal Service's on-going service challenges and internal changes. It also proposes funding for our Strike Force Teams in their continuing efforts in combatting dangerous narcotics trafficking in the U.S. Mail. This funding level results in a staffing level of 1,007 FTEs supported from direct appropriations (an increase 22 FTEs), of which 16 are Narcotics Strike Force staff previously funded from balances to be exhausted in FY 2023.

In addition, in FY 2024 we estimate obligations of \$3 million from the Inflation Reduction Act of 2022 for the oversight of the USPS Next Generation Vehicle Program. These funds will support 8 FTEs (an increase of 5 FTEs) to perform work in that space. Our total FTEs in fiscal year 2024 is 1,015, which is an increase of 27 FTEs from last fiscal year.

Description	FY 2022 Actual	FY 2023 Enacted	FY 2024 Requested
Average # FTEs	984	988	1,015
Net change from prior start of year to budget end of year	-4	4	*27

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, we have undertaken a number of initiatives to maintain our competitive edge by recruiting and retaining a highly skilled workforce. Some examples of those initiatives include:

- Leveraging alternative recruiting sources and platforms to broaden our reach and further diversifying the perspective applicant pools.
- Increasing engagement by providing increased developmental resources, opportunities, and mentoring.
- Offering training in analytics platforms to employees across the organization.
- Launched an updated external website, www.uspsoig.gov, to better offer organizational information and facilitate information sharing.

2. Information Technology

During the past several years, we worked hard to modernize our information technology (IT) infrastructure. This investment enabled our organization to weather the transition to a predominantly remote work environment during COVID and it is helping us now as we bring new transparency to Postal Service data and performance.

In FY 2024, in accordance with the Executive Order 14028 on Improving the Nation’s Cybersecurity, our IT focus will be strengthening our security and resilience against cyberattacks utilizing Zero Trust principles put forth by CISA and NIST. Implementing a Zero Trust framework will:

- reduce expenditures on legacy software and infrastructure,
- accelerate the process of deploying new laptops to customers,
- reduce the number of security-related Service Desk calls,
- reduce the effort to provision and secure new infrastructure,
- increase the efficiency of the IT Security staff,
- enable staff to work more efficiently, and
- reduce the risk of a security incident.

However, there are additional costs associated with implementing a Zero Trust framework that include additional licensing costs, increased storage costs for security logs, training costs for staff, and resources for implementation.

In addition to these security enhancements, our Office of the Chief Information Officer (OCIO) will continue to work on developing processes and infrastructure for importing and storing or connecting with the large datasets critical to our decision-making. OCIO will implement a modern data management platform and tools by leveraging a combination of Infrastructure as a Service (IaaS), Platform as a Service (PaaS), Software as a Service (SaaS) and Developer Security Operations (DevSecOps) principles. We will continue to bolster our efforts on the data governance front, and the data catalog will enable the OIG to efficiently manage, maintain, and catalog our various data sets. A data catalog will also reduce data duplication and increase knowledge and access for our auditors, investigators, and analytics staff.

3. Data Analytics

Our OIG has strategically integrated data analytics into its core mission of combatting fraud, waste, and abuse. Our Research and Insights Solution Center's (RISC) data analytics team builds tools that analyze Postal Service, law enforcement, and other data to identify areas of risk and indicators of fraud. In FY 2022, our analytic tools directly resulted in approximately 240 investigations, 185 criminal actions, 107 administrative actions, and more than \$29 million in financial impact related to investigations. In addition, RISC provided direct analytical support for eight audits that had a financial impact of about \$214.7 million.

Our work in FY 2024 would focus on enhancing our current tools and developing expertise related to the following emerging technology areas:

- *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 RISC, 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.

The OIG remains fully committed to fair and insightful oversight to ensure the Postal Service and PRC are meeting the needs of the American public. With adequate funding, we look forward to continuing our vital work in service to the United States.