



OFFICE *of* INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

Congressional Budget Justification

Fiscal Year 2027

Executive Summary

The President's fiscal year (FY) 2027 Budget provides funding of \$241,461,000 to the U.S. Postal Service Office of Inspector General (OIG) for ongoing operational expenses. This represents an 11.9 percent reduction from the FY 2026 enacted level of \$274,000,000 and a 13.9 percent reduction from the OIG's original FY 2027 request of \$280,405,000. This justification is framed by the need to conduct independent oversight during a period of historic operational transformation of the Postal Service, amid heightened financial, operational, and service-related risks. While facing a significant reduction in funding, the OIG remains committed to fulfilling its mission of promoting the integrity, accountability, and efficiency of the U.S. Postal Service and its regulator, the Postal Regulatory Commission (PRC).

This document highlights the OIG's key mission focus areas, providing perspective and context for our FY 2027 budget request and the resource constraints under the President's budget. It also summarizes prior year accomplishments and activities that demonstrate the OIG's continuing oversight impact.

The Postal Service is part of the nation's critical infrastructure, and the OIG continues to align its limited resources toward the highest risk areas. These include combating narcotics trafficking and mail theft, identifying financial fraud and waste, overseeing service performance, and evaluating USPS's implementation of the Delivering for America (DFA) plan and the Postal Service Reform Act. See our [website](#) for more information.

The OIG requested \$280,405,000 for FY 2027 to sustain core oversight operations and address growing risks affecting the Postal Service and the American public. This funding level would have allowed the OIG to maintain investigative and audit capacity, overseeing critical financial challenges and service performance issues, while growing our data-driven tools to identify fraud, waste, and abuse.

The OIG has historically delivered strong results with an efficient and lean workforce. Compared to other OIGs, our office maintains one of the lowest ratios of employees compared to its parent agency, with current data showing one OIG employee for every 723 postal workers. Over the past two years, the OIG has averaged nearly \$7 in return on investment for every \$1 invested in our budget.

The FY 2027 President's budget will challenge the OIG's ability to respond to emerging threats, conduct proactive audits and investigations, and fully oversee major operational changes at the Postal Service. Additionally, reduced resources will constrain our ability to make America safe from narcotics traffickers who use the postal system to transport dangerous drugs. It will also reduce our ability to safeguard financial transactions from mail theft and fraud and oversee the Postal Service as a critical part of the nation's infrastructure.

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I. PROPOSED FISCAL YEAR 2027 BUDGET

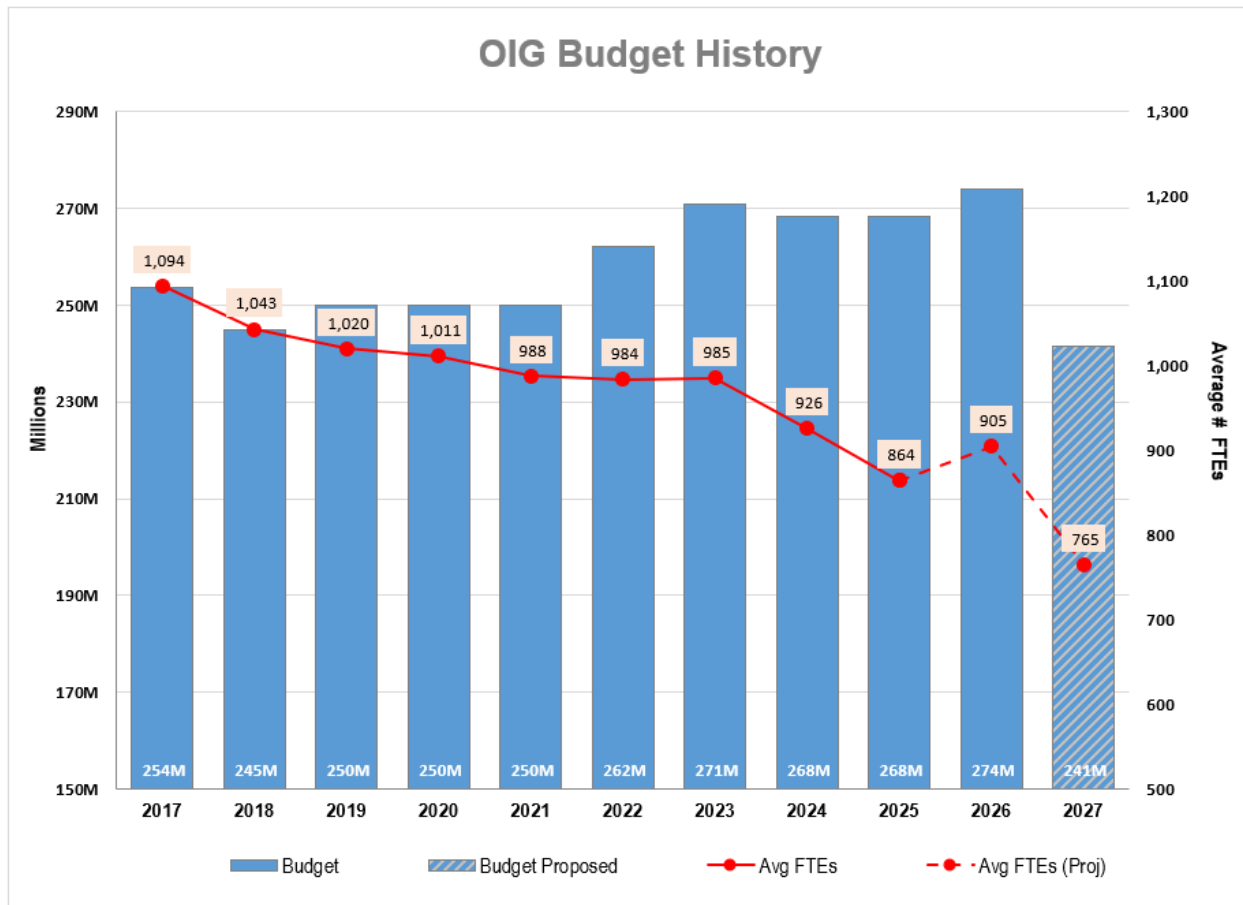
A. Mission-critical Oversight Focus Areas Within the President's Budget

The United States Postal Service Office of Inspector General's (OIG) FY 2027 funding request is \$280,405,000. The President's FY 2027 budget of \$241,461,000 is an 11.9 percent reduction from our FY 2026 budget of \$274,000,000 and a 13.9 percent reduction from our original request. At the President's funding levels, the OIG's work will be significantly impacted, and we will have to scale back or defer critical activities. This budget level will reduce our personnel by up to 140 full-time equivalents (FTEs) and impact our ability to perform critical audits and investigations.

Although our agency's funding level is determined through the appropriations process, this funding does not come directly from taxpayers or the U.S. Treasury. Our operating funds originate from the Postal Service, which is not appropriated and earns its revenue from postal customers. While faced with a reduction in funding, the OIG remains committed to using the resources we receive towards fulfilling its statutory mission of promoting the integrity, accountability, and efficiency of the U.S. Postal Service and its regulator, the Postal Regulatory Commission (PRC).

A decreased funding level will significantly challenge the OIG's ability to execute its mission. Without adequate resources, the OIG will not be able to sustain critical operations at a time of unprecedented change at the Postal Service and growing threats from criminal organizations exploiting the U.S. Mail and its revenue controls. Specifically, reduced funding would diminish investigative capacity, delay high-priority audits, and limit our ability to deploy advanced tools that are essential for modern oversight. Our Office of Investigations (OI), which comprises over half of our workforce and accounts for 70 percent of our budget, would be especially affected. These gaps increase the risks of undetected fraud, waste, and abuse, and hinder efforts to combat mail theft and narcotics trafficking, ultimately undermining the public's confidence in the Postal Service.

As shown in the following chart, the OIG workforce has significantly decreased over the last 10 years. In years with flat or reduced budgets, the OIG reduced resources for personnel and other mission-critical expenses, while our mission and responsibilities continued to expand.



Impact on Investigative Capacity

The Office of Investigations is responsible for protecting the integrity of the U.S. Mail and Postal Service programs through criminal and administrative investigations, dismantling criminal enterprises, and recovering losses. At the President’s FY 2027 funding level, OI would experience a significant staffing reduction, resulting in the loss of up to 92 criminal investigator positions, roughly 25 percent of our investigative workforce.

A reduction of this magnitude would require OI to substantially narrow its investigative scope and priorities. Investigations would be scaled back in the following portfolios: contract fraud, health care claimant fraud, health care provider fraud, and financial fraud. Under these constraints, OI would be forced to concentrate its limited resources primarily on mail theft and narcotics related cases.

The loss of investigative personnel would severely diminish the Office of Investigations’ operational capacity; reducing our ability to open new cases by an estimated 26 percent. In practical terms, this means approximately 650 fewer investigations initiated

each year, directly limiting our effectiveness in safeguarding postal operations and protecting the American public.

The reduction in investigative activity would also have a substantial financial impact on USPS, limiting the OIG's ability to identify fraud, recover losses, and pursue fines, restitution, recoveries, and cost avoidance. This could result in an estimated \$602 million reduction in fines, restitution, recoveries, and cost avoidances.

Reduced staffing would further affect OI's national footprint: To realign remaining personnel, OI would be required to consolidate field operations and close a number of small offices, reducing geographic coverage and limiting the OIG's ability to respond quickly to emerging threats and constituent needs.

Impact on Audit Oversight

With up to 48 fewer auditors in the Office of Audit (OA), the OIG would conduct about 20 to 22 fewer audits (roughly 18 percent) than conducted in FY 2025 (or FY 2026). This reduction in audit areas could reduce monetary impact to the Postal Service by approximately \$500 million. While OA would continue to prioritize audits related to USPS finances and required statutory reviews, fewer resources would be available to evaluate effectiveness of cost-cutting efforts and their operational and service impacts.

Specifically, reduced staffing would limit OA's ability to assess financial and operational risks tied to the rollout of the Postal Service's new processing and delivery network. OA would also have fewer resources to conduct targeted reviews and root-cause analysis in areas experiencing service degradation, and significant revenue leakage including those requested by members of Congress in response to constituent concerns.

Broader Mission Implications

Taken all together, the proposed staffing reductions will require the OIG to narrow its oversight posture at a time when the Postal Service continues to undergo historic operational transformation while facing growing external threats. While the OIG will continue to prioritize its highest-risk work, the reduced funding level will limit its ability to execute mission-critical oversight, deliver timely results, and provide the level of transparency and accountability expected by Congress and the American public.¹

¹ This and other statements are not meant to invoke 5 U.S.C. 406(g)(3)(E).

FY 2027 Mission Priorities Within Available Resources

The OIG remains focused on the oversight areas that most directly support the Postal Service and align with the President's priorities. These include addressing narcotics in the mail stream, investigating mail theft, reviewing the rollout of USPS's DFA plan, evaluating financial performance, monitoring service, and expanding the use of data analytics, artificial intelligence tools, and secure technology. Although the OIG will continue to prioritize these areas, this environment with reduced resources presents significant challenges in carrying out key initiatives and deploying modern capabilities in FY 2027. The OIG will continue to evaluate how best to align mission execution with the resources available.

Below are the FY 2027 initiatives that remain central to our mission needs and directly support the Administration's priorities.

- **Enterprise Artificial Intelligence (AI) and Data Capabilities:** Advanced analytic tools would allow investigators and auditors to identify emerging risks earlier and direct resources to the highest priority cases and audit areas. Within the President's budget level, we will focus on foundational capabilities and cross component coordination.
- **Organized Criminal Networks Investigations:** Our analytic frameworks and research are used to combat illegal narcotics and fraud, highlight performance risks, and support OIG investigative and audit operations. The OIG will continue to refine and apply these tools as able within the resources provided.
- **Mail Theft:** We focus investigative and audit oversight efforts on the growing risks associated with mail theft. The OIG will limit current activities in order to operate within available resources.
- **Postal Service Transparency and Performance Oversight:** Oversight of network modernization, delivery performance, and customer service outcomes is critical as USPS moves forward with major operational reforms under the DFA plan. With limited resources, the OIG can only target work to the highest risk operational segments.
- **Information Technology (IT) Modernization and Cybersecurity Resilience:** Maintaining the OIG's cybersecurity posture, digital infrastructure, and network reliability remains foundational to support ongoing operations. Funding at the FY 2027 President's Budget level allows continued support of only required security upgrades and essential system maintenance.

Across all initiatives, the OIG will prioritize work that most directly protects the public, ensures transparency and fairness in postal operations, and supports the financial and

operational stability of the Postal Service. While the FY 2027 funding level will limit our ability to fully implement the scope of planned activities, the OIG remains committed to delivering meaningful oversight with an emphasis on efficiency, targeted risk reduction, and data-informed decision making.

II. CRITICAL FOCUS AREAS FOR FISCAL YEAR 2027

A. Enterprise Artificial Intelligence (AI) and Data Capabilities

Consistent with the President's priorities,² the OIG continues to modernize its use of data analytics to identify emerging risks; surface patterns of fraud, waste, and abuse; prioritize oversight resources; and enhance the effectiveness of audits and investigations. At the President's budget level, work will focus on maintaining existing analytic tools and building only foundational enhancements, rather than expanding advanced AI models or deploying enterprise-wide platforms. As a result, this will constrain the OIG's ability to proactively identify emerging risks and direct resources to the highest priority audit and investigative areas. Furthermore, it will hamper OIG's ability to contribute to the President's top priority of Leading the World in AI.³

B. Criminal Network Investigations

The OIG's role is paramount in preserving the integrity of the mail system, especially in the fight against drug trafficking organizations, aligning with the President's commitment to tackle the opioid crisis fueled by fentanyl and other synthetic drugs. Under the President's budget, OIG investigative units will not maintain the sort of readiness and availability to address the threats to the American public posed by complex, multi-layered criminal organizations.

C. Mail Theft

Mail theft and financial fraud remain among the most visible and damaging crimes affecting postal customers, financial institutions, and public trust in the mail. Within the President's budget, the OIG will be limited to investigating only select mail theft schemes and will be forced to reduce its national footprint due to resource constraints. Reduced resources will restrict the use of specialized teams and advanced investigative tools that are essential for proactively targeting organized criminal groups. This increases the likelihood that significant criminal activity will go undetected and unaddressed. Further, any reduction in the OIG's budget will directly impair our ability to continue investigations involving an estimated \$402 million in potential loss exposure over the past five years; leaving substantial risks to the Postal Service and the public unmitigated.

² [National Cyber Strategy for America](#)

³ [Lead the World in AI – The White House](#)

D. Postal Service Transparency and Performance Oversight

Independent and thorough oversight of mail service performance is essential to ensuring transparency and accountability as the Postal Service implements nationwide operational changes as part of its 10-year DFA plan. As the plan has recently passed the halfway point, our oversight is critical in evaluating both financial challenges and service performance. At the President's budget level, the OIG will have reduced ability to evaluate both service issues and financial performance in areas such as revenue protection and assurance, return on investment, and cost controls. Further, oversight activities will focus on sustaining our most critical audit work, with reduced capacity to conduct independent testing, targeted assessments, or expanded analyses of service impacts in affected communities. As a result, our abilities to audit localized service performance challenges may be reduced.

E. Information Technology (IT) Modernization and Cybersecurity Resilience

Modern, secure IT infrastructure is essential to the OIG's mission and to protecting sensitive data, investigative systems, and oversight capabilities. Although the OIG remains committed to upholding the President's National Cyber Strategy and meeting the cybersecurity requirements of Executive Order 14028 and to establishing the secure, resilient foundations envisioned in Executive Order 14110, the President's budget level limits the agency's ability to advance critical modernization initiatives. These resource constraints delay essential efforts, such as transitioning fully to a Zero Trust Architecture, strengthening the OIG's network visibility and resilience, and modernizing aging infrastructure that underpins investigative and data-driven oversight operations. As a result, the OIG must prioritize sustaining current systems and mitigating only the most urgent cybersecurity risks, prolonging reliance on legacy platforms and slowing progress toward the secure, adaptive environment required to protect the integrity of data and to support AI-related oversight functions.

III. 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 2027:

- The aggregate budget for our operations is \$241,461,000.
- The portion of the budget allocated for training is \$1,153,867, which satisfies our FY 2027 training requirements.

- The portion of the budget to support the Council of the Inspectors General on Integrity and Efficiency (CIGIE) is \$965,844, which is 0.4 percent of the \$241,461,000.

B. Appropriations Table

The OIG's FY 2027 budget plan is based on a level of effort for the two mission programs of the OIG: Audit and Investigations. The table below shows the budget by program area for appropriations in FYs 2025, 2026, and 2027.

Resources Available for Obligation	FY 2025 Actual		FY 2026 Enacted		FY 2027 President's Budget		FY 2026 to FY 2027			
	FTE	Amount (000's)	FTE	Amount (000's)	FTE	Amount (000's)	\$ Change		% Change	
	FTE	Amount (000's)	FTE	Amount (000's)	FTE	Amount (000's)	FTE	Amount (000's)	FTE	Amount (000's)
Appropriated Resources:										
Audit	292	77,052	306	78,692	258	69,347	(48)	(9,345)	-16%	-12%
Investigations	572	191,238	599	195,308	507	172,114	(92)	(23,194)	-15%	-12%
Total Appropriation	864	268,290	905	274,000	765	241,461	(140)	(32,539)	-15%	-12%
Inflation Reduction Act (IRA) of 2022										
Audit	7	2,586	8	3,097	8	2,212	-	(885)	0%	-29%
Investigations	3	920	3	1,103	3	788	-	(315)	0%	-29%
Total IRA	10	3,506	11	4,200	11	3,000	-	(1,200)	0%	-29%
All Funding										
Audit	299	79,638	314	81,789	266	71,559	(48)	(10,230)	-15%	-13%
Investigations	575	192,158	602	196,411	510	172,902	(92)	(23,509)	-15%	-12%
Total Budget Authority	874	271,796	916	278,200	776	244,461	(140)	(33,739)	-15%	-12%

Note: The budget tables above include all discretionary appropriated resources for the USPS OIG, covering both non-personnel and FTE actual and estimated obligations across FY 2025-2027. The figures also incorporate actual and estimated obligations from the \$15 million in Inflation Reduction Act funding that supports oversight of the Postal Service's purchase and implementation of zero-emission delivery vehicles and associated infrastructure.

C. Budget Adjustments Table (in thousands)

The Budget Adjustments table presents our budget with guidance by object class. The OIG's budget totaling \$244.5 million includes \$241.5 million for FY 2027 annual appropriations in the President's Budget, and \$3 million in FY 2027 for estimated obligations from the \$15 million in funding received from the Inflation Reduction Act of 2022 for the oversight of the Postal Service's purchase and implementation of zero-emission delivery vehicles and supporting infrastructure.

U.S. Postal Service Office of Inspector General	FY 2025 Actual	FY 2026 Enacted	FY 2027 President's Budget
FTE:	864	905	765
Object Classification:			
11.1 Full-time Permanent Positions	145,652	155,009	133,701
11.3 Other than Full-time Permanent	315	500	500
11.5 Other Personnel Compensation	1,361	1,491	1,346
11.9 Total Personnel Compensation	147,328	157,000	135,547
12.1 Civilian Personnel Benefits	68,318	73,350	62,394
21.0 Travel	6,081	4,224	4,224
22.0 Transportation of Things	7	5	5
23.2 Rent Payments to Others	6,020	5,947	5,947
23.3 Communications, Utilities, & Misc.	1,739	1,783	1,783
24.0 Printing and Reproduction	6	12	12
25.1 Advisory & Assistance Services	18,521	17,664	17,664
25.2 Other Services (Goods / Services)	117	161	161
25.3 Government Agencies	1,073	1,096	966
25.4 Operation & Maintenance of Facilities	143	113	113
25.6 Medical	46	201	201
25.7 Operation and Maintenance of Equipment	11,510	8,505	8,495
26.0 Supplies and Materials	622	576	576
31.0 Equipment	6,759	3,363	3,373
32.0 Lands and Structures	-	-	-
Total Budget Authority	268,290	274,000	241,461

IRA Afforded FTEs	10	11	11
IRA Total Budget	3,506	4,200	3,000
Adjusted FTEs	874	916	776
Adjusted Total Budget Authority	271,796	278,200	244,461

Note: The budget tables above include all discretionary appropriated resources for the USPS OIG, covering both non-personnel and FTE actual and estimated obligations across FY 2025-2027. The figures also incorporate actual and estimated obligations from the \$15 million in Inflation Reduction Act funding that supports oversight of the Postal Service's purchase and implementation of zero-emission delivery vehicles and associated infrastructure.

D. Budget Increases and Decreases Descriptions (in thousands)

FY 2026 Enacted	274,000
Significant Budget Changes	
Decrease of -140 FTEs to the OIG	
Net Decrease to Personnel Costs	(32,409)
Net Decrease to Non-Personnel Costs	(130)
Total All Changes	(32,539)
FY 2027 President's Budget	241,461

Guidance Level

Net Decrease to Personnel Costs to support 765 Personnel (\$32,408,844)
 Net Decrease to Non-personnel Costs (\$130,156)

Inflation Reduction Act Funding

Estimated obligations from the Inflation Reduction Act Funding balances are expected to decrease from FY 2026 to FY 2027.

E. Reimbursable Authority

In FY 2027, anticipated reimbursable authority work is estimated at \$1 million. This amount will be used for the CIGIE Oversight.gov website and other IT-related support services. The primary mission of 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 2025 Actual (000's)	FY 2026 Enacted (000's)	FY 2027 President's Budget (000's)
Reimbursable Authority	\$2,100	\$1,000	\$1,000
Total: Offsetting Collections	\$2,100	\$1,000	\$1,000

F. Appropriation Language

Appropriation Language
Office of Inspector General SALARIES AND EXPENSES (Including Transfer of Funds)
For necessary expenses of the Office of Inspector General in carrying out the provisions of chapter 4 of title 5, United States Code, \$241,461,000, 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

As of September 30, 2025, \$3,881,679 of our budget was used to support reviews either legislatively mandated by Congress or to support the Postal Service in meeting its legislative mandates.

Legislative Mandates - Dollar Value by Identified Mandates FY 2025 (as of September 30, 2025)		
Public Law Reference	Mandate Description	Cost
5 U.S.C. App. 3 § 8G(f)(2)	Oversight of the Postal Inspection Service	\$666,014
PL 113-283	Audits of Federal Information Security Modernization Act of 2014	\$185,467
39 U.S.C. § 3652	Audits of Postal Service Data Collection Systems	\$527,457
PL 109-435	Financial Statement/SOX Audit and Quarterly 10Q*	\$1,099,562
Various PL 117-108	Audits in Support of Postal Service and PRC Mandates	\$117,501
PL 117-169	Audits of USPS Zero-Emission Delivery Vehicles and Zero-Emission Delivery Vehicles Infrastructure	\$1,285,678
Total Dollar Value		\$3,881,679

IV. OIG PERFORMANCE/RESULTS

A. Improving the Safety and Security of the Mail

The Postal Service delivers nearly 109 billion pieces of mail every year to more than 170 million residential and business addresses across the U.S. The OIG helps ensure postal customers can send and receive mail and packages safely and securely. We continue to focus our investigative efforts on combating mail theft and dangerous narcotics reaching U.S. communities through the mail by using innovative strategies and advanced data techniques.

Mail Theft: In FY 2025, we initiated 1,600 mail theft investigative cases across the country. Recently, data has shown that criminal organizations are using social media and encrypted messaging platforms to recruit postal employees to steal arrow keys and financial instruments from the mail, and to gain access to postal logistics systems. Thieves target personal and business checks, credit and debit cards, U.S. Treasury checks, and other government benefits and payments.

Since October 2020, the OIG has confronted an unprecedented surge in mail theft affecting communities across the nation. In just five years, OIG special agents have closed 8,000 mail theft investigations resulting in the arrest of 2,300 subjects, uncovering more than \$654 million in associated losses. These investigations not only protect the integrity of the mail system but also prevent cascading financial harm to households, small businesses, and government programs that rely on secure mail delivery.

During the same period, the OIG has identified over 115,000 actionable leads of mail theft involving postal employees nationwide. Each of these leads represents a potential threat to the security of the mail and the trust of the American public. However, current staffing levels restrict our ability to pursue the vast majority of these investigative opportunities. As a result, many credible allegations cannot be promptly addressed, limiting our ability to disrupt criminal activity at scale.

The complaints associated with these leads represent an initial loss estimate of over \$402 million. These losses often disproportionately affect vulnerable populations who depend on mailed checks, medications, benefits, and personal documents.

Without dedicated resources for mail-theft investigation and mitigation, escalating financial losses to the public are likely. Strengthening investigative capacity, through increased staffing, advanced analytics, and expanded field coverage, will enable the OIG to address significantly more leads, protect postal employees and customers, and safeguard the integrity of a system foundational to commerce, government operations, and public trust.

In Mobile, Alabama, a major check theft ring was dismantled by the OIG in collaboration with the U.S. Postal Inspection Service (USPIS). This operation uncovered a postal employee had singlehandedly stolen over \$17.7 million worth of checks from the mail. The checks were then sold by co-conspirators on a popular encrypted messaging platform. Both the employee and the lead co-conspirator were arrested and convicted. The employee was sentenced to five years' imprisonment, while the co-conspirator received an eight-year sentence. Additionally, both were ordered to pay more than \$230,000 in restitution to the victims.⁴

In another case, a significant check theft scheme was uncovered by the OIG, working in collaboration with the Indianapolis Metropolitan Police Department. The investigation revealed that over \$1.2 million in checks had been stolen from the mail. During the operation, authorities seized two arrow keys, stolen mail including checks, a typewriter used to alter the checks, two firearms, and two cellular phones. The check theft perpetrator was convicted and sentenced to 14 years in prison, and the employee received one and a half years' probation and was ordered to repay the stolen amount.⁵

Our 2024 audit report⁶ identified several causes for continued issues with mail theft by postal employees. It also made recommendations to address issues that included high supervisor and manager vacancy rates, inadequate employee training on mail theft awareness, lack of policies restricting personal belongings on the workroom floor, and non-operational cameras in postal facilities. We also conducted data-driven audits to evaluate the progress of mail theft initiatives in higher risk areas including Chicago, Houston, New York, Sacramento, and San Francisco.

Combating Illegal Drugs in the Mail: In FY 2025, we initiated 180 narcotics cases, many of which involved allegations of postal employees distributing dangerous drugs, including fentanyl, heroin, cocaine, and methamphetamine. Drug trafficking organizations (DTOs) not only abuse the trusted mail system to transport narcotics, but also often target, recruit, and collude with postal employees in the delivery of drugs, enabling drugs to enter local communities for consumption, increasing the risk of overdose deaths for communities. OIG special agents use complex investigative techniques, such as in-house data analytics tools, to uncover leads, and are strategically placed throughout the country to expedite efficient investigations. The OIG collaborates with other federal law enforcement agencies — such as USPIS, the Drug Enforcement Administration (DEA), and state and local law enforcement — to focus on the most significant narcotics trafficking investigations.

⁴ [Southern District of Alabama | Two Mobile Defendants Sentenced to Prison for Massive Counterfeit Check Fraud Scheme Targeting the U.S. Mail | United States Department of Justice.](#)

⁵ [Southern District of Indiana | Violent Felon Found Guilty in Federal Court for Possessing a Machinegun and Perpetrating Over \\$1 Million Bank Fraud Scheme | United States Department of Justice.](#)

⁶ [Mitigating Internal Mail Theft](#), October 30, 2024.

In a recent investigation, the OIG in collaboration with the DEA, USFIS, and the Orlando Police Department (PD), investigated a DTO that was working with an employee to use a postal facility's employee parking lot to sell and distribute fentanyl pills disguised as other pharmaceuticals.

During the investigation, agents seized several drug parcels associated with the DTO, including one containing 27,500 fentanyl pills. The operation resulted in additional seizures of fentanyl, cocaine, methamphetamine, firearms, bulk U.S. currency, jewelry, and several luxury and sports vehicles worth hundreds of thousands of dollars. The employee and multiple members of the DTO were indicted and arrested on numerous narcotics and firearms offenses. A Department of Justice press release stated the employee was convicted and sentenced to almost six years in prison, while four members of the DTO received a combined 25.5 years' imprisonment.⁷

On Long Island, NY, the OIG, as a part of a multi-agency effort, investigated a postal employee for colluding with a DTO to distribute cocaine and methamphetamine. The DTO was paying the employee in exchange for providing delivery addresses where the DTO could send drug parcels through the mail. Our agents seized a total of 9 kg of cocaine and 1 kg of fentanyl, enough to kill 500,000 people.⁸ The employee admitted to their involvement and was subsequently arrested, convicted, and sentenced for their role. Another member of the DTO was arrested, convicted, and sentenced to eight years in prison for trafficking an estimated \$1 million worth of cocaine and fentanyl.⁹

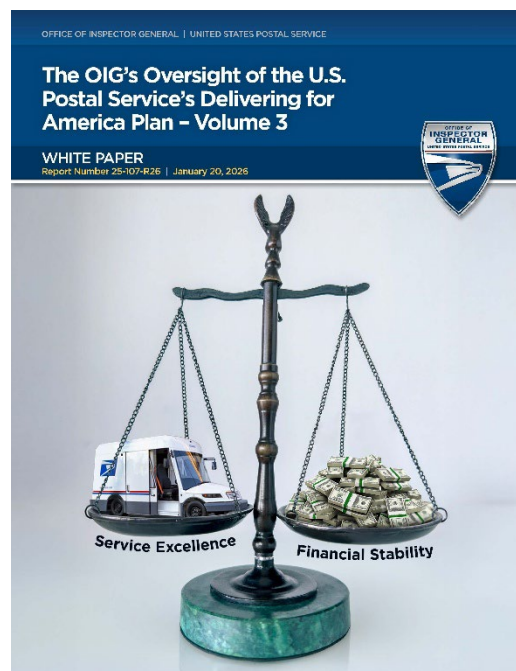
⁷ [Middle District of Florida | Orlando U.S. Postal Employee Sentenced In "Fenta-Pill" Conspiracy | United States Department of Justice.](#)

⁸ [Facts about Fentanyl.](#)

⁹ [Former Sirius XM DJ Sentenced to Eight Years in Prison for Narcotics Trafficking Scheme • Nassau County DA, NY.](#)

B. Ensuring High-quality Mail Service for the American Public

As previously noted, the Postal Service announced its DFA plan in 2021, outlining a 10-year strategy focused on two core objectives: achieving financial stability and delivering service excellence. Maintaining this balance is critical to ensuring USPS can continue to serve the American public well into the future. Our oversight of the Postal Service during this period of transition helps ensure accountability and transparency. This includes our most recent oversight report of the DFA plan issued in January 2026, where our analysis of progress toward the plan's key initiatives showed mixed results. Specifically, we reported that while the Postal Service has made meaningful investments in infrastructure, fleet modernization, and pricing reforms, service performance has been inconsistent, and financial outcomes have fallen far short of break-even targets.¹⁰



Service Excellence: To modernize its network and improve performance, the Postal Service implemented wide-ranging operational changes under the DFA plan, including the rollout of several processing, transportation, and delivery initiatives. The OIG's oversight tracked these changes closely and provided real-time reporting on opportunities to improve nationwide implementation.

For example, the OIG identified that some declining service occurred because of gridlock conditions at new regional processing and distribution centers (RPDC), which are responsible for processing mail and packages for large service areas spanning multiple states. The OIG made impactful recommendations to reassess the mail volume

¹⁰ [The OIG's Oversight of the U.S. Postal Service's Delivering for America Plan – Volume 3](#), January 20, 2026.

bound for these new facilities to more effectively use the space and advanced processing equipment RPDCs hold.¹¹ In addition, OIG audits noted instances where the Postal Service introduced multiple changes at once — such as with the local/regional transportation optimization initiative slowing down mail entering the mailstream in certain locations across the country, consolidations of processing facilities and deployments of new sorting machines, and centralizing delivery services into hubs — causing confusion and further impacting service.¹² In later RPDC implementations, the OIG noted USPS had learned from prior facility rollouts and phased in operations to promote success.¹³

The Postal Service's transportation network also underwent significant changes as part of the DFA plan. In September 2024, USPS renegotiated its primary air transportation contract valued at \$10 billion. This new agreement reduced air volume by 7 percent and cut spending by 43 percent in the first quarter of FY 2025. However, our review found inaccurate or misrepresented air carrier performance reporting and were therefore unable to determine whether the new carrier met service performance requirements. Inaccurate service performance reporting can conceal issues and distort decision making, undermining accountability and efficiency, perpetuating inefficiencies, and not allowing for payment adjustments or penalty waivers. In addition, our site visits revealed postal employees failed to scan mail to provide full visibility into the network.¹⁴

As more volume was moved from air to ground, the Postal Service implemented an initiative to decrease the number of trips needed to move mail across the country. We again found USPS was not adequately tracking operations or measuring success of these facilities, and that service performance was generally below targets.¹⁵

In addition to making major network changes, the Postal Service lowered service standards to support cost-cutting initiatives with the intent of balancing service with financial self-sustainability. Specifically, since the launch of the DFA plan, the Postal Service 1) revised its service standards in FY 2022 to add 4- and 5-day delivery windows within the contiguous United States, and 2) set service standards in FY 2025 based on 5-digit ZIP Codes allowing standards to be set on a more granular level based on distances to the nearest processing facility. The OIG found, however, the agency often struggled to achieve First-Class Mail and Priority Mail service standards due to challenges with implementing major changes to its network, as well as unexpected

¹¹ [Service Performance During the Fiscal Year 2025 Peak Mailing Season](#), July 21, 2025, and [Network Changes: Progress on Improvements at Atlanta, GA, Regional Processing and Distribution Center](#), July 8, 2025.

¹² [Communication of Local Changes to Priority Mail Express Service](#), August 18, 2025; [Service Performance of Election and Political Mail During the 2024 General Election](#), April 21, 2025; and [Delivering for America – First-Class and Priority Mail Service Performance Update](#), May 7, 2025.

¹³ [Effectiveness of the New Regional Processing and Distribution Center in Portland, OR](#), September 19, 2024; and [Effectiveness of the New Regional Processing and Distribution Center in Boise, ID](#), June 16, 2025.

¹⁴ [Assessment of Changes to Air Transportation Contracts](#), June 23, 2025.

¹⁵ [Network Changes: Regional Transfer Hubs](#), September 24, 2025.

disruptions within the network and other operational delays, resulting in continued challenges delivering mail on time even with the additional days added to standards.¹⁶

The OIG's data-driven Field Operations Reviews audits help the Postal Service ensure delivery of high-quality mail service and keep our stakeholders informed of near real-time postal operations in selected areas nationwide. Our ongoing audits and monitoring of recommendations to achieve full corrective action keep USPS accountable to its customers. In 2025, the OIG analyzed themes from recent audits of nearly 100 delivery units and mail processing facilities and conducted extensive fieldwork at nearly 30 previously audited sites to determine whether service performance had improved. The reports identified recurring systemic issues and made targeted recommendations to help the Postal Service enhance its performance and mitigate risks.¹⁷

USPS Network Modernization: The Postal Service's efforts to ensure high quality service inform its modernization efforts and related capital investments. After years of deferred improvements, USPS invested approximately \$14.5 billion in capital improvements between FYs 2021 and 2025. Despite these investments, the agency reported deferred maintenance totaling approximately \$20 billion in late 2024.

OIG work found that USPS lacked consistent definitions and reliable costs estimates for deferred maintenance, limiting its ability to effectively prioritize investments. Using available data, the OIG developed an independent baseline estimate of approximately \$13 billion but concluded that improved data, planning, and management are essential.¹⁸

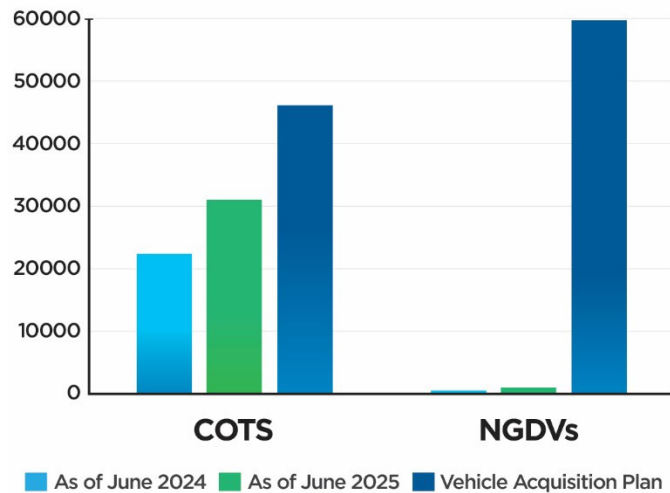
The Postal Service has also invested heavily in modernizing its delivery vehicle fleet to drive service, with plans to acquire 106,480 vehicles between FYs 2023 and 2028, including 60,000 Next Generation Delivery Vehicles (NGDV), of which 43,500 would be electric vehicles (EVs); and 46,000 commercial-off-the-shelf (COTS) vehicles, of which 22,750 would be EVs. According to the agency, modernizing the fleet will help capture cost savings, include new safety features, and provide quality service. The chart below shows the progression of the acquisition plan.

¹⁶ [Delivering for America: First-Class Mail and Priority Mail Service Performance Update](#), May 7, 2025.

¹⁷ [Field Operations Service Review: Delivery Operations](#), August 28, 2025 and [Field Operations Service Review: Processing and Logistics Operations](#), September 11, 2025.

¹⁸ [Deferred Maintenance of Postal Service Facilities](#), November 26, 2025.

New Vehicle Acquisition Behind Plan as of June 2025



Source: OIG analysis of Postal Service Fleet Management Information System data, and OIG and Postal Service documentation.

However, OIG oversight identified the NGDV procurement process took significantly longer than anticipated, and deployment of electric vehicles was delayed due to insufficient charging infrastructure.¹⁹ Specifically, the Postal Service set ambitious plans for charging infrastructure installation but could not achieve these timelines at many sites due to complex coordination with utilities, local governments, and construction companies; the Postal Service also used unrealistic project management schedules that could not be met at many facilities. More broadly, our review found the Postal Service had mixed results in obtaining vehicles in a timely manner.²⁰ Further, because of the limited number of delivery units with complete charging infrastructure, USPS stored 6,000 of those E-Transits in holding lots, some as long as 14 months, pending deployment. We estimated deployment delays of E-Transits alone would postpone over \$78 million in expected savings between FYs 2025 and 2026.²¹

Fighting Fraud and Promoting Revenue Growth: Protecting existing revenue streams is critical to the Postal Service's efforts toward reaching financial stability. OIG work identified significant revenue fraud due to counterfeit postage, misclassification of large packages, and weaknesses in automated postal due processes. From April through August 2025 alone, suspected counterfeit fraudulent package labels surged more than 1,500 percent, resulting in estimated revenue losses of approximately \$82.5 million. Postal Service management recognized the severity of this issue and is

¹⁹ [Comparing Experiences in EV Fleet Acquisition and Deployment](#), August 25, 2025.

²⁰ [Fleet Modernization: Delivery Vehicle Acquisition Status](#), October 3, 2024.

²¹ [Fleet Modernization: E-Transit Vehicle Acquisition Update](#), September 16, 2025.

committed to implementing corrective measures.²² As part of our oversight, the OIG continues to recommend improvements to revenue protection controls, including greater use of data analytics and AI to detect fraud and misuse.

As part of the OIG's analysis geared towards revenue growth, auditors also conducted an analysis of the class of mail used for Election Mail, as Election Mail generally receives First-Class Mail service regardless of the class. The OIG identified that if USPS required ballots to be sent via First-Class Mail, it could have earned an additional \$15.4 million in revenue during the 2024 presidential election.²³

As the Postal Service does not receive appropriations and instead relies on the sale of its products and services, providing oversight of revenue protection and growth is critical. The continued need for oversight is further underscored by a period of rapid change in USPS pricing, with the price of stamps rising substantially in FYs 2023 and 2024, and, on the competitive side, a new product — USPS Ground Advantage — finding success in increasing competitive revenue by roughly \$662 million for FYs 2023 and 2024 combined.

Financial Stability: Underpinning the Postal Service's ability to provide consistent and reliable service is its ability to pay employees and meet its financial obligations. Over the past several decades, declining mail volume, substantial liabilities related to health and retirement benefit programs, and the increasing costs associated with the universal service obligation have placed sustained pressure on the agency's financial condition. USPS has recently warned it may run out of cash in early 2027, which would lead to potentially significant service cuts.

The OIG's oversight of financial challenges includes both historical and forward-looking analysis of the Postal Service's primary cost centers. Specifically, the OIG conducted a follow-up of past work to analyze increasing costs in workers' compensation, finding the agency's costs per workhour has been consistently higher when compared to the private industry. This work also identified over \$1.2 billion in potential savings if structural changes were implemented to the program.²⁴

Relatedly, compensation and benefits remain the Postal Service's largest operating expense. For the FY ending September 30, 2025, compensation costs increased by \$1.3 billion, or 2.8 percent, compared to FY 2024. While USPS pursued workforce realignment efforts to capture efficiencies tied to declining mail volume, results fell short of planned targets. From FYs 2022 through 2024, the OIG reported the Postal Service did not achieve planned reductions of more than 28 million workhours in mail processing facilities, resulting in a shortfall of at least \$174 million in expected

²² [Management Alert: Issues Identified with Counterfeit Postage](#), October 15, 2025.

²³ [Service Performance of Election and Political Mail During the 2024 General Election](#), April 21, 2025.

²⁴ [Increasing Costs of Workers' Compensation at the Postal Service](#), September 25, 2025.

savings.²⁵ Additionally, the agency exceeded overtime targets in FY 2024.²⁶ Continued OIG oversight of workforce management and cost controls remains essential given ongoing financial pressures.

Significant financial losses continue for the Postal Service, and at the conclusion of FY2025, it reported a net loss of \$9 billion.²⁷ To enhance transparency and enable continued visibility into the financial condition of the Postal Service, we recently launched a financial dashboard on our external [website](#). This dashboard pulls information from numerous public reports and visualizes trends in a highly accessible format and provides a key resource to stakeholders. Continued oversight of and transparency into efforts to achieve financial solvency while evaluating service levels for the American public is a critical focus of our office. Under the President's budget, the OIG may be limited in assessing localized service performance challenges, new revenue streams, and the Postal Service's financial condition.

C. Modernizing OIG Security Infrastructure and Analytics Insights

Technology and information management continue to be a priority for the OIG, enabling us to succeed in our mission and proactively identify and address risk areas.

Cybersecurity: Over the past year, the OIG has implemented more detailed web filtering services to protect our IT environment from malicious websites. We have deployed safeguards against distributed denial-of-service attacks to ensure the availability of our public-facing websites and services to our stakeholders. However, given potential budget reductions, our strategy may have to shift from comprehensive cybersecurity modernization to critical risk mitigation. While we continue to identify areas of risk proactively, our ability to address them is strictly governed by available resources.

Hotline Enhancements: Efficiency Through Innovation: The OIG Hotline system serves as a vital connection, enabling the American public to voice concerns related to mail services. We have one of the most active hotlines in the IG community, as we received more than 111,000 hotline contacts in 2025. These interactions generate investigative leads and inform decisions regarding future audit projects and investigations. In FY 2025, notable improvements were made to support infrastructure, end-to-end tracking, and the monitoring of complaints resulting in increased efficiencies from the modernized system. These efficiencies include a robust web form that collects additional details and helps direct individuals to the right agency or department for attention. Additionally, expanded capabilities now allow individuals to speak with a person for more engaged service.

²⁵ [Efforts to Reduce Workhours in Mail Processing](#), April 10, 2025.

²⁶ [Postal Service Management of Overtime Hours](#), September 30, 2025.

²⁷ [United States Postal Service Fiscal Year 2025 Annual Report to Congress](#).

While we have made strides in efficiency, the scale of complaints received requires advanced technological support. Long term, the OIG intends to replace manual keyword searches with in-house machine learning (ML) models. These models will automatically conduct first-level analyses to identify high-value complaints and improve the speed and quality of complaint processing, reduce errors, and redirect human tasking to higher-level functions. Reduced funding will force continued reliance on legacy manual processing, creating significant backlogs and diverting staff from mission-critical investigations to administrative data entry. The reduced budget will significantly lower the agency's ability to use ML to take a single complaint and quickly relate it to systemic, multiple victim impact complaints, leading to lowering the risk to community members of crime victimization.

Data Analytics: The OIG has taken decisive steps to modernize its oversight capabilities, transforming data into a strategic asset. The OIG successfully retired costly and inefficient legacy systems, replacing them with a secure, modern data infrastructure. This new foundation has enabled the OIG to deliver tangible results. By integrating sensitive data from the Department of the Treasury and key financial partners, the OIG has enhanced its ability to detect and investigate complex financial crimes. In the spirit of transparency and public accountability, the OIG has also launched new, externally facing data products on its public website.

Furthermore, the OIG has moved beyond traditional analytics by developing and deploying over 90 analytical self-service tools that span all OI and OA mission segments, bringing data to users' fingertips. Due to the investment in the development of self-service tools, yearly ad-hoc analytic requests decreased 85 percent within five years, increasing efficiency and data-driven insights.

Partnerships across OIG and external stakeholders, such as financial institutions, enable analytics staff to develop tools that protect the financial well-being of postal customers. One tool represents a significant advancement in data analytics for the identification of credit card and Treasury check theft. More than 50 OIG investigations have benefited from this advanced analytical tool, identifying over \$60 million in fraudulent charges.

The identification and investigation of narcotics in the mail is also an area significantly impacted by the use of advanced analytics. The OIG has developed numerous specialized products that are used to generate hundreds of high-impact narcotics leads. For example, one such product can flag postal employees who may be involved with narcotics trafficking. The tool recently identified an employee who was arrested and found to be in possession of 6 kg of cocaine, 245 g of Fentanyl, and a loaded firearm. The employee was found guilty at trial and sentenced to 15 years in prison, followed by five years' supervised release.

The OIG is also expanding its AI capabilities across OA and OI. In support of OA, we are utilizing AI to organize millions of customer complaints, allowing auditors to quickly identify service and delivery issues nationwide. This tool is a groundbreaking solution, providing critical insights into mail delivery issues, mail theft, and other information. It generates topics of interest, including hard-to-categorize complaints, aiding with site selection and supporting audit fieldwork and mail theft investigations.

Furthermore, to support OI's health care fraud investigations, we developed a provider overbilling detection system that utilizes AI to analyze millions of physical therapy and chiropractic billing records to identify potentially fraudulent providers across a \$1.5 billion Office of Workers' Compensation Program covering over 22,000 postal employees in 2025. Within two months, this analytical tool generated more than 10 provider fraud targets with an estimated overbilling of over \$6.5 million. These results are truly the tip of the iceberg, and as additional cases are generated and adjudicated, the impact will continue to grow. In fact, the estimated cost of overbilling identified through this tool is over \$80 million.

Under the President's budget, the OIG's vision to establish a cohesive, AI-driven analytical ecosystem will be significantly curtailed to more of a maintenance-oriented posture. Our progress toward a fully integrated data infrastructure will slow significantly, severely constraining our ability to proactively identify areas of emerging risks and direct resources to high-priority investigations and audits. This slower pace of modernization ensures that emerging fraud, waste, and abuse will go undetected for longer periods, threatening trust in the Postal Service network and diminishing our capacity to provide real-time, actionable intelligence that Congress and the American public expect.

D. Summary of the OIG's Fiscal Year 2025 Performance

The OIG achieves significant results with an efficient and lean staff. Compared to other OIGs, our office has one of the lowest ratios of employees compared to its parent agency, with current data showing one OIG employee for every 723 postal workers. For the past two years on average, we have provided a return on investment of nearly \$7 for every \$1 invested in our budget.²⁸

The monetary impact of the OIG's audits and investigations of the Postal Service for FY 2025 is over \$2.6 billion. OIG audits identified over \$2 billion in questioned costs, revenue impacts, and funds put to better use. Additionally, agency investigations resulted in more than \$605 million from cost avoidances as well as fines, restitution, and recoveries, of which more than \$91 million was returned to USPS. These results were driven by our strategic initiatives to safeguard the mail, strengthen Postal Service

²⁸ Return on Investment is calculated by totaling the financial impact amounts reported in the "Summary of Performance" in our Semiannual Reports to Congress. For the Office of Investigations, this total excludes fines, restitutions, and recoveries. The combined total is then divided by the OIG's enacted appropriation.

operations, and modernize OIG capabilities — ensuring our oversight work delivers measurable impact for postal customers. We will continue taking steps to meet our goals of ensuring the safety and security of the mail, promoting high-quality mail service for the American public, and ensuring access to this critical national infrastructure.