

# U.S. Postal Service Office of Inspector General

Congressional Budget Justification

Fiscal Year 2021

## Executive Summary

The President's fiscal year (FY) 2021 budget provides funding of \$261,594,000 to the U.S. Postal Service Office of Inspector General (OIG) for ongoing operational expenses. This document presents perspective and context for our budget needs and planned areas of focus for FY 2021 as well as highlights prior year accomplishments and activities.

The OIG aligns its mission resources to concentrate on the highest-risk areas for the U.S. Postal Service. We achieve significant results with an efficient, lean staff, with only one OIG employee for every 620 postal workers. The Office of Investigations (OI) helps prevent fraud and protect assets by identifying and investigating high impact cases to minimize loss and maximize recoveries for the Postal Service. The Office of Audit (OA) focuses on making impactful recommendations, identifying cost savings, and highlighting postal revenue opportunities.

Our law enforcement staff in OI accounts for more than one half of the OIG by size and requires 69 percent of our overall budget, a reflection of the size of the postal workforce and its nationwide distribution. Last year, this group's work resulted in over 2,550 investigations, 926 convictions, and almost \$375 million in fines, restitutions, recoveries, and cost avoidances. Any reductions in our budget directly impact the number of investigations we can conduct, which is of serious concern as the postal infrastructure is at increasing risk of being exploited by employees and others to traffic narcotics, such as dangerous opioids.

In addition to investigative results, we returned nearly \$21 for every \$1 invested in our budget in FY 2019. This return on investment (ROI) is more than twice the amount achieved in 2018 and much of this financial impact was due to work conducted by our audit staff, which completed 130 reports and issued 310 recommendations. Their efforts identified \$4.8 billion in financial impact, including funds put to better use, questioned costs, and revenue impact.

A fully funded OIG is vitally important in protecting our nation's Postal Service. The President's budget of \$261,594,000 will allow our organization to maintain ongoing operations in both our audit and investigative offices at current staffing levels.

## Table of Contents

<b>I. OIG HISTORY AND MISSION</b>	<b>3</b>
<b>II. PROPOSED FISCAL YEAR 2021 BUDGET</b>	<b>4</b>
A. Meeting the President’s Management Agenda	5
B. OIG Mission Critical Work	6
<b>III. BUDGET DETAILS</b>	<b>10</b>
A. Budget Summary	10
B. Appropriations Table	10
C. Budget Adjustments Table	11
D. Budget Increases and Decreases Descriptions	12
E. Reimbursable Authority	13
F. Appropriation Language	13
G. Legislative Mandates	13
<b>IV. OIG PRIORITIES AND RESULTS</b>	<b>15</b>
A. Summary of OIG Efforts to Combat the Opioid Crisis	15
B. Investigative Priorities and Results	18
C. Audit and Evaluation Priorities and Results	21
D. Other Mission Areas	27

## I. **OIG History and Mission**

The U.S. Mail traces its roots back to 1775, when Benjamin Franklin was appointed the first postmaster general of the United States. In 1971, the U.S. Postal Service was created as an independent establishment of the Executive branch, with a mandate to provide universal service to bind the nation together and operate like a business. Over 633,000 Postal Service employees serve every U.S. business and residence at least six days a week, operating more than 34,000 retail and delivery units in all 50 states and the U.S. territories. The U.S. Department of Homeland Security considers the Postal Service to be a national critical infrastructure because of its ability to reach all U.S. citizens in a crisis. In fiscal year (FY) 2019, the Postal Service delivered over 142 billion pieces of mail to nearly 160 million U.S. residential and business addresses. With so much at stake, postal business operations and employees must be held to the highest standards.

The U. S. Postal Service Office of Inspector General (OIG) is an independent oversight organization operating within the Postal Service under the authority of the Inspector General Act of 1978, as amended. We are the leanest of the 74 federal inspectors general relative to its parent agency – with only one full-time equivalent (FTE) employee for every 620 Postal Service employees. The inspector general is appointed by and reports to the governors of the Postal Service and keeps Congress fully and currently informed of the office’s activities.

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

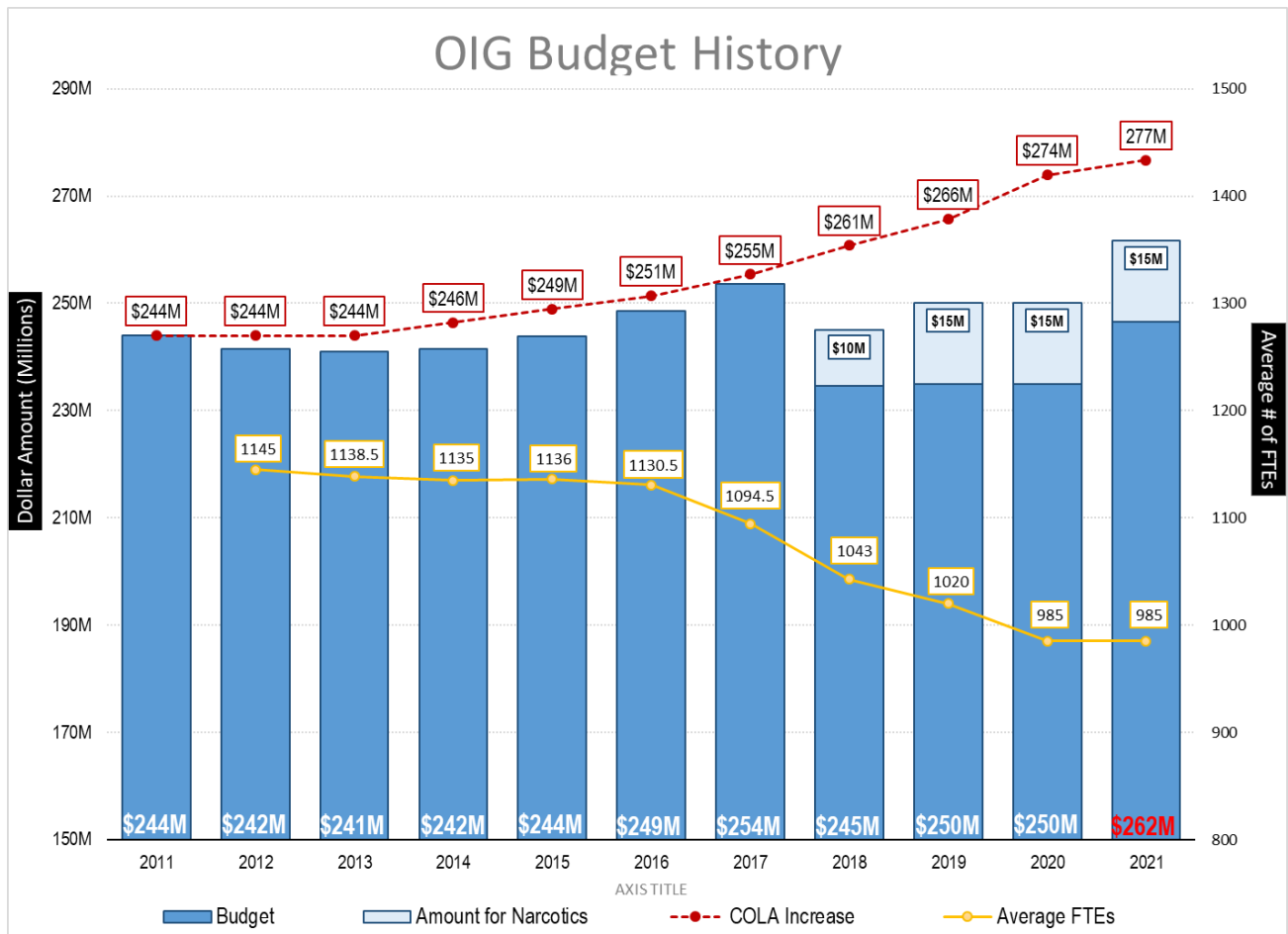
- Conducts audits, evaluations, and investigations;
- Reviews existing and proposed legislation and regulations; and
- Keeps the governors and Congress fully and currently informed of problems and deficiencies relating to Postal Service programs and operations.

In accordance with the President’s Management Agenda, the OIG uses data to develop tools for accountability and transparency which ensure sound fiscal stewardship and mission results as well as enhance visibility of postal operations for Postal Service stakeholders. By using data, the OIG can align its mission resources to concentrate on the highest-risk areas of the Postal Service. The OIG helps prevent fraud and protect assets by identifying and investigating high impact cases to minimize loss and maximize recoveries for the Postal Service. Using the Postal Service’s own data as a strategic asset, the OIG focuses its audits, evaluations, and research on making impactful recommendations, identifying cost savings, and highlighting postal revenue opportunities.

## II. Proposed Fiscal Year 2021 Budget

On December 20, 2019, the Consolidated Appropriations Act of 2020 was enacted, which provided \$250 million in funding for the OIG. The OIG receives its funding level through the appropriations process, but none of this funding comes from taxpayers or the U.S. Treasury. All our operating funds originate from the Postal Service, which is not appropriated and earns its funds from ratepayers.

Estimating the compounding impact of Cost-of-Living Allowance (COLA) to the OIG's FY 2011 budget, the OIG budget has not kept pace with increases in the last ten years. As shown in the chart below, in years with flat budgets and where federal salaries were increased, the OIG was able to support fewer resources for personnel and other mission-critical expenses. This trend has occurred while our mission and responsibilities have continued to expand.



The President's budget for FY 2021 is a 4.6 percent increase over our FY 2020 enacted budget level, accommodating increased annual Federal Employee Retirement System (FERS) employer obligations and government-wide pay increases. This budget will not result in any increase in the size of the OIG and will support the following salaries and benefits costs:

- \$155.4 million, or 59.4 percent, for personnel compensation, and
- \$61.4 million, or 23.5 percent, for personnel benefits.

The remaining \$44.8 million, or 17.1 percent, is for other mission critical costs.

### **A. Meeting the President's Management Agenda and the Evidence-Based Policy-Making Mandate**

In keeping with the government-wide management agenda, the OIG recognizes the criticality of infrastructure management and is, accordingly, driving towards information technology (IT) modernization. The OIG is committed to creating an infrastructure that will enable a robust data strategy for the future and has long been committed to leveraging the usage of data to support decision-making.

The U.S. Postal Service produces massive amounts of data daily to support operations and personnel. Within this data lie the keys to improved efficiency and fraud detection. Over the past few years, the OIG has developed and implemented a strategic approach to pulling, cataloging, analyzing, and mining this data. This has enabled the OIG to use evidence-based information to best deploy investigative and audit resources to help the Postal Service address its operational and financial challenges. In FY 2021, the OIG will focus on enhancing current tools and developing new models that offer predictive (what is going to happen) and prescriptive analytics (what the Postal Service should do).

The OIG leverages its own data as well to make good decisions about internal operations. We have a robust performance evaluation system which measures efficiencies and productivity across the organization, and this data allows managers to recognize success and address underperformers quickly and consistently. The OIG also participates in the government-wide Employee Viewpoint Survey and we used the results and employee comments from recent surveys to implement two initiatives targeting employee engagement improvement. The first is an annual process-improvement competition where employee ideas to improve efficiency at the OIG are selected for adoption and implementation. The second initiative is a live monthly broadcast by senior leadership to all OIG employees discussing organizational goals and priorities. The broadcast includes a segment to answer employee questions.

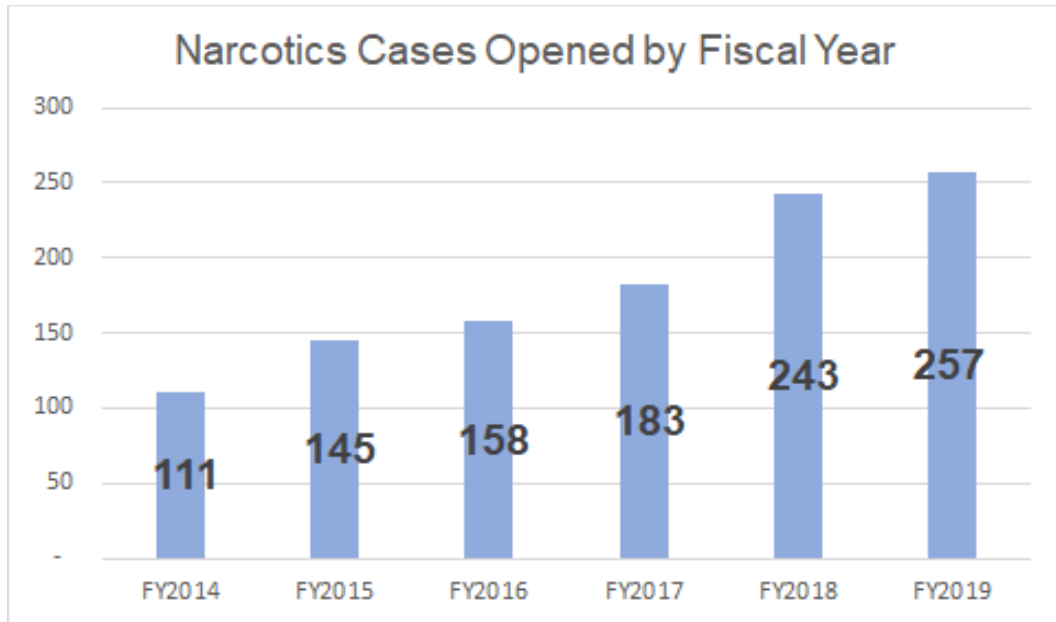
Because of these initiatives, we saw significant improvement in our 2019 Employee Viewpoint Survey scores, particularly in the areas of employees feeling empowered with work processes, feeling that creativity and innovation are rewarded, and that managers communicate the goals and priorities of the organization. The OIG was also ranked 57<sup>th</sup> (out of 420 agency subcomponents) in the 2019 “Best Place to Work in the Federal Government,” as calculated by the Partnership for Public Service and Boston Consulting Group. This ranking places the OIG in the top 15 percent of all agency subcomponents across government and is a substantial improvement over 2018 (when we were ranked 82<sup>nd</sup>).

Finally, to continue building an OIG workforce for the 21<sup>st</sup> Century, the OIG undertook a top-to-bottom review of its personnel and non-personnel resource deployment and adjusted its resource allocations across all components. As a result, the OIG has increased the resources allocated to investigating postal employees trafficking narcotics through the mail, with over 150 agents assigned to work these cases nationwide. The OIG is replacing the legacy systems that support human resources management as well as our internal budgeting and accounting processes. We also continue to focus on hiring the best candidates, maintaining a fully engaged workforce by recognizing exceptional achievement, and swiftly addressing those who underperform.

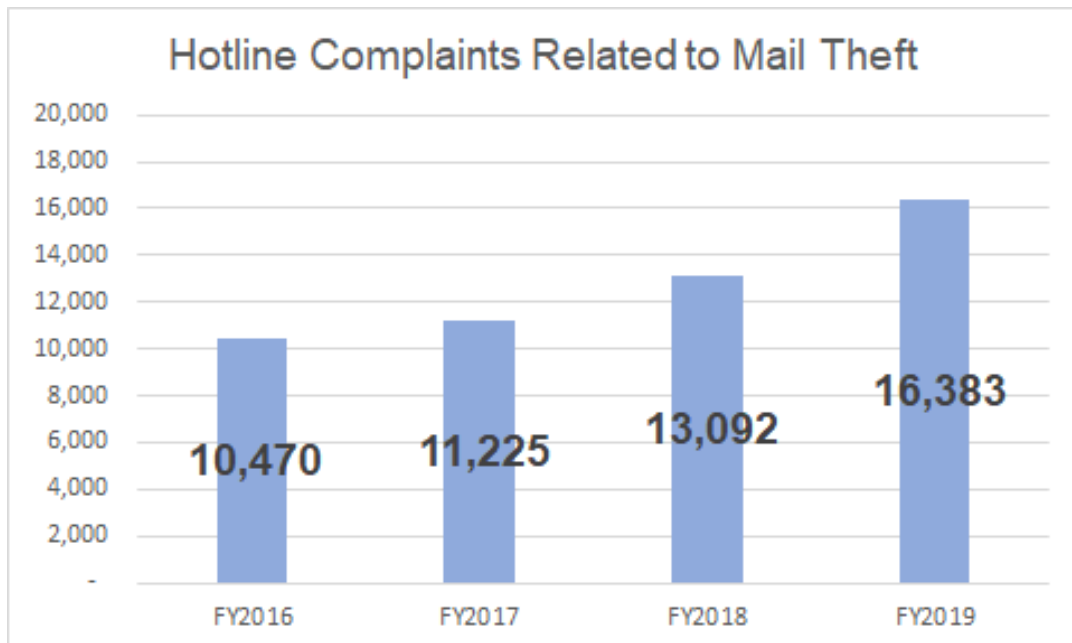
## **B. OIG Mission Critical Work**

To prepare for potentially reduced budgets in FY 2021 and beyond, we reviewed our strategic plans to right size our workforce to our mission, further focusing on maximizing effectiveness. We continuously mine Postal Service and government data assets to improve decision making, to enhance accountability, and inform our responsible deployment of limited resources. In keeping with the President’s Management Agenda, we evaluated what critical work we can and cannot do. To date, these efforts have identified important initiatives and priorities where funding would be directed, including:

- ***Continuing our cross-agency work focusing on the use of postal infrastructure by employees and others to traffic narcotics, such as dangerous opioids.*** In FY 2019, we opened 257 new narcotics investigations that are in addition to ongoing work from prior fiscal years (see chart below);



- **Maintaining an audit and investigative focus on mail service and delivery.** In FY 2019, the OIG received 16,383 hotline complaints related to mail theft. This reflects a 25 percent increase in overall complaints compared to FY 2018, which also experienced a 17 percent increase compared to the year before. We do not expect this trajectory to slow down (see chart below);



- **Leveraging data to develop audits and evaluations focused on service performance and cost trends.** On January 5, 2015, the Postal Service revised



its First-Class Mail (FCM) service standards, eliminating single-piece overnight FCM service and shifting some mail from a 2-day to a 3-day service standard. These revisions enabled the Postal Service to expand its mail processing operational window to process mail on fewer machines, thus using less facility square footage. This change should have also enabled the Postal Service to more easily achieve its service standard and save over \$805 million annually. However, the Postal Service has not met national composite service performance targets for any mail class in the last five years and did not achieve the bulk of those potential annual savings. Further, no Postal Area or District has consistently (60 percent of the time) met service performance standards for any mail class on a quarterly basis over the same period of time. We are continuing to use Postal Service scanning data and other data sets to identify service issues and cost saving opportunities.

- ***Ensuring that the law enforcement activities conducted by the U.S. Postal Inspection Service (USPIS) are meeting Postal Service needs and complying with law enforcement standards.*** The USPIS is responsible for protecting the Postal Service’s employees, infrastructure, and customers; enforcing the laws that defend the nation’s mail system from illegal or dangerous use; and ensuring public trust in the mail. In FY 2021, the OIG plans to evaluate USPIS activities related to handling of seized controlled substances and electronic surveillance equipment, and continue evaluating case management, property, and training at Postal Inspection Service divisions.

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

As a result of receiving these continuing additional funds from Congress beginning in March 2018, the OIG now has over 150 agents assigned to conduct narcotics investigations. The OIG also increased its investments and development efforts focused on building data analytics tools to identify collusive employees and suspicious parcels in the mail.

Consistent with our mission, we will continue to focus on returning significant value to the Postal Service by concentrating on the highest risks to the organization. In FY 2019,

the OIG had a ROI of \$20.66 for every dollar spent, more than twice the amount achieved in 2018. This ROI is in addition to the criminal, civil, and administrative actions resulting from our investigations of employee misconduct and frauds against the Postal Service.

### III. BUDGET DETAILS

#### A. Budget Summary

As required by Public Law 110-409 and the Inspector General Reform Act of 2008 (as amended), the OIG submits the following information related to its budget for FY 2021:

- The aggregate budget for the operations of the OIG is \$261,594,000.
- The portion of the budget allocated for OIG training is \$1,458,159, which satisfies our FY 2021 training requirements.
- The portion of the budget to support the Council of the Inspectors General on Integrity and Efficiency is \$863,260, which is 0.33 percent of the \$261,594,000.

#### B. Appropriations Table

The OIG FY 2021 budget plan is based on a level of effort for the two mission programs of OI and OA. The table below shows the budget by program area for appropriations in FYs 2019, 2020, and 2021.

Resources Available for Obligation	FY 2019 Enacted		FY 2020 Enacted		FY 2021 Requested		FY 2020 to FY 2021			
							Change		% Change	
	FTE	Amount (000's)	FTE	Amount (000's)	FTE	Amount (000's)	FTE	Amount (000's)	FTE	Amount
Appropriated Resources:										
<b>Audit</b>	367	\$78,881	353	\$74,768	353	\$78,046	0	\$ 3,278	0.0%	4.4%
<b>Investigations</b>	653	\$171,119	632	\$175,232	632	\$183,548	0	\$ 8,316	0.0%	4.7%
<b>Total: Appropriated Resources</b>	<b>1,020</b>	<b>\$250,000</b>	<b>985</b>	<b>\$250,000</b>	<b>985</b>	<b>\$261,594</b>	<b>0</b>	<b>\$ 11,594</b>	<b>0.0%</b>	<b>4.6%</b>

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

<b>Office of Inspector General</b>	<b>FY 2019 Enacted</b>	<b>FY 2020 Enacted</b>	<b>FY 2021 Requested</b>
<b>FTE:</b>	<b>1,020</b>	<b>985</b>	<b>985</b>
<b>Object Classification:</b>			
11.1 Full-time Permanent Positions	\$144,591	\$145,144	\$151,362
11.3 Other than Full-time Permanent	\$923	\$1,428	\$1,428
11.5 Other Personnel Compensation	\$2,545	\$2,603	\$2,603
<b>11.9 Total Personnel Compensation</b>	<b>\$148,059</b>	<b>\$149,174</b>	<b>\$155,392</b>
12.0 Personnel Benefits	\$56,230	\$56,445	\$61,432
21.0 Travel	\$5,752	\$5,591	\$5,684
22.0 Transportation of Things	\$1,219	\$517	\$914
23.2 Rent Payments to Others	\$6,974	\$7,263	\$6,381
23.3 Communications, Utilities, & Misc.	\$2,109	\$2,104	\$2,104
24.0 Printing and Reproduction	\$7	\$20	\$20
25.1 Advisory & Assistance Services	\$12,004	\$15,366	\$16,175
25.2 Other Services (Goods / Services)	\$120	\$157	\$157
25.3 Government Agencies	\$650	\$842	\$873
25.4 Operation & Maintenance of Facilities	\$83	\$115	\$94
25.6 Medical	\$312	\$179	\$307
25.7 Operation and Maintenance of Equipment	\$5,658	\$7,751	\$7,827
26.0 Supplies and Materials	\$593	\$710	\$695
31.0 Equipment	\$9,755	\$3,721	\$3,540
32.0 Lands and Structures	\$476	\$44	\$0
<b>Total Budget Authority</b>	<b>\$250,000</b>	<b>\$250,000</b>	<b>\$261,594</b>

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

<b>FY 2020 Enacted</b>		<b>\$ 250,000</b>
<i>Significant Budget Changes</i>		
Increase to Salaries & Benefits:		
Annualization of Salary and Benefit Increases	\$ 5,004	
COLA Increase	\$ 1,175	
FERS Employer Contribution Increase	\$ 3,177	
Performance Based Increase	\$ 1,850	
<b>Total Increase to Salaries &amp; Benefits</b>		<b>\$ 11,205</b>
Increase to Non-personnel Object Classes		
Increase to the Office of Audit	\$ 117	
Increase to the Office of Investigations	\$ 272	
<b>Total Increase to Non-personnel Object Classes</b>		<b>\$ 389</b>
<b>Significant Budget Changes Total</b>		<b>\$ 11,594</b>
<b>FY 2021 Requested</b>		<b>\$ 261,594</b>

*Increase to Salaries and Benefits*..... \$11,204,850

\$5,003,712 in funding is requested for annualization of salaries and benefits related to a 3.1 percent Cost-of-Living Allowance (COLA) increase as well as the FERS employer contribution rate increase in FY 2020.

\$1,174,854 in funding is requested for proposed 1.0 percent COLA increase in FY 2021.

\$3,176,536 in funding is requested for the FERS employer contribution rate increases in FY 2021.

\$1,849,886 in funding is requested for performance-based increases.

*Increase to Non-personnel Costs*..... \$389,150

This net increase is associated with changes in travel, training, and relocation costs. Rent also decreased due to OIG headquarter consolidation initiatives.

### E. Reimbursable Authority

In FY 2021, reimbursable authority work to be performed is estimated at \$600,000 and is generally for IT support. The primary mission for the OIG reimbursable program is to develop partnerships with other government agencies to provide unique value-added support to the Postal Service. The OIG intends to leverage its resources with these groups to share knowledge while meeting stated work requirements

<b>Other Resources: Offsetting Collections</b>	<b>FY 2019 Enacted (000's)</b>	<b>FY 2020 Enacted (000's)</b>	<b>FY 2021 Requested (000's)</b>
Reimbursable Authority	\$1,100	\$2,600	\$600
<b>Total: Offsetting Collections</b>	<b>\$1,100</b>	<b>\$2,600</b>	<b>\$600</b>

### F. Appropriation Language

<b>Appropriation Language</b>
<p>Office of Inspector General  <b>SALARIES AND EXPENSES</b>            (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, \$261,594,000 to be derived by transfer from the Postal Service Fund and expended as authorized by section 603(b)(3) of the Postal Accountability and Enhancement Act (Public Law 109-435).</p>

### G. Legislative Mandates

In FY 2019, \$4,682,169 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 \$1,400,291 to audit the data collection systems and procedures the Postal Service uses to prepare reports related to costs, revenue, rates, and quality of service for all products. The OIG also spent \$1,457,032 to help the Postal Service meet its legislative mandates by performing work such as audits supporting the public accountant's opinion on the Postal Service financial statements and compliance with the Sarbanes-Oxley Act (SOX) and Securities and Exchange Commission financial reporting requirements. The OIG also spent

\$73,861 to perform an audit in support of the Postal Service mandate to identify and report postal properties with space available for use by federal agencies.

<b>Legislative Mandates - Dollar Value by Identified Mandates</b>		
<b><i>FY 2019 (as of September 30, 2019)</i></b>		
<b>Public Law Reference</b>	<b>Mandate Description</b>	<b>Cost</b>
5 U.S.C. App. 3 § 8G(f)(2)	Oversight of the Postal Inspection Service	\$1,750,985
39 U.S.C. § 3652	Audits of Postal Service Data Collection Systems	\$1,400,291
PL 109-435	Financial Statement/SOX Audit and Quarterly 10Q**	\$1,457,032
PL 114-318	Identification of Postal Property	\$73,861
<b>Total Dollar Value</b>		<b>\$4,682,169</b>

Based on FY 2019 audit work, as of September 30, 2019.

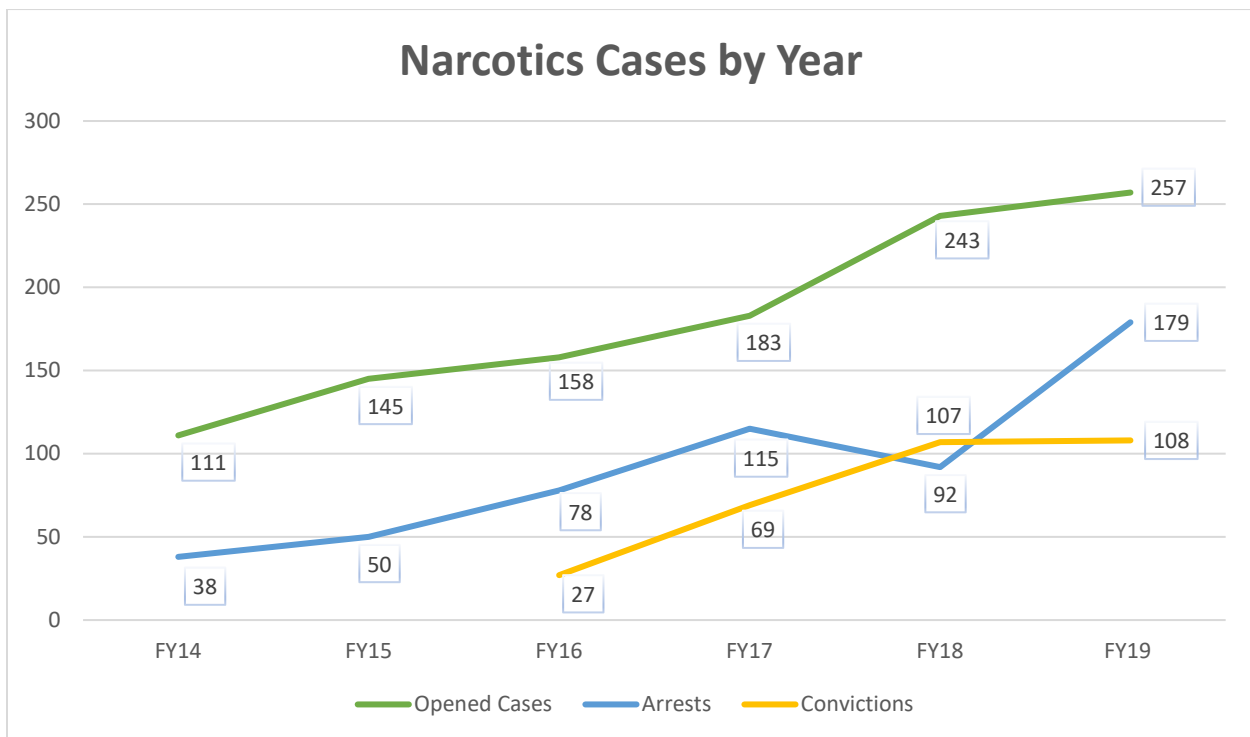
\*\*Although not legislatively mandated for the OIG, these financial related audits support mandates for the Postal Service.

## IV. OIG PRIORITIES AND RESULTS

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

The OIG has committed significant resources to evaluate the safety and susceptibility of the U.S. Mail to threats from narcotics, as well as to investigate narcotics possession and distribution by Postal Service employees. Our focus is on employee safety, those who are exposed to or colluding with drug trafficking organizations, or those who are profiling and stealing packages to take the illicit drugs.

The OIG's Office of Investigations (OI) has strategically placed over 150 agents assigned to conduct narcotics investigations throughout the country to maximize our ability to focus on the illicit drug problem in those areas of greatest concern. Those agents partner with other law enforcement agencies and conduct cases that are often highly complex and involve extensive external drug trafficking organizations (DTO). The chart below highlights some of the progress we have made in ramping up our efforts.



Some recent case highlights include:

- In June 2019, two letter carriers and a non-employee pled guilty to their roles in the trafficking of narcotics, including over 200,000 fentanyl pills. Another non-employee was indicted in May 2019 and is awaiting trial. Investigators



determined the employees accepted bribes to intercept parcels from the mailstream while on duty or on postal property, facilitating the distribution of fentanyl, cocaine, and marijuana. The non-employees who supplied the illegal drugs were based in California and used the Dark Web and cryptocurrency to conduct narcotics transactions. When law enforcement conducted search warrants in connection with the non-employees' arrests, they discovered 24.73 kilograms of fentanyl, five pounds of marijuana, two pill presses, \$4.7 million in cryptocurrency, a Rolls Royce, a Mercedes Benz, and three guns (including an AK-47 with silencer).

- In July 2019, the OIG and New York Police Department arrested a letter carrier and two non-employees for their role in distributing narcotics, including heroin laced with fentanyl. This investigation is ongoing and additional arrests are anticipated.
- On July 11, 2019, the Justice Department announced a \$1.4 billion settlement with Reckitt Benckiser Group in the largest recovery in a case concerning an opioid drug in U.S. history. This case involved the improper off-label marketing of an opioid addiction treatment drug (Suboxone). Suboxone and its active ingredient buprenorphine are powerful and addictive opioids. The OIG joined this investigation when we identified nearly \$600,000 in the Department of Labor (DOL) Office of Workers' Compensation Program (OWCP) billings associated with over 200 Postal Service claimants.
- In May 2019, five Insys Therapeutics executives were found guilty after a jury trial of engaging in a racketeering conspiracy. In January 2020, a former vice president with the company was sentenced to 33 months in prison for his role in the scheme. This investigation focused on Insys' marketing of a fentanyl spray approved by the Food and Drug Administration for cancer pain. Insys used lavish dinners and events, kickbacks, and bribes to persuade doctors to prescribe the spray to a broader range of patients for off-label uses, and for increasing the number of prescriptions and dosage amounts. As part of the criminal resolution, Insys agreed to enter into an agreement with the government to have its operating subsidiary plead guilty to five counts of mail fraud, paying a \$2 million fine and \$28 million in forfeiture. The manufacturer also agreed to pay \$195 million to settle allegations that it violated the False Claims Act as part of the civil resolution. The OIG joined this case after identifying over \$100,000 in OWCP billings associated with 18 Postal Service claimants.

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

- *Impact of Prescribed Opioids on Postal Service Employees Under the Federal Workers' Compensation Program* – The OIG looked at the impact of opioids being prescribed to Postal Service employees through the DOL's Federal Employees' Compensation Act (FECA) program. Our analysis identified concerns with the level of opioid prescriptions for Postal Service employees when compared with the rest of government nationally.

Postal Service employees account for about 48 percent of all FECA opioid cost. According to DOL's data, almost 18,000 Postal Service employees received over 119,000 opioid prescriptions through the FECA program in 2018, at a cost of almost \$22 million. And while the national number of opioid prescriptions decreased by about 21 percent between 2013 and 2017, the number of Postal Service employee opioid prescriptions during the same period declined at a much smaller rate. In response to our audit, the Postal Service requested that DOL reduce the allowable FECA opioid prescriptions time to seven days as recommended by the Centers for Disease Control.

- *Advance Electronic Data Holds and Reliability* – The Synthetics Trafficking and Overdose Prevention (STOP) Act was passed in October 2018. A key focus of the STOP Act is to leverage the use of Advanced Electronic Data (AED) – information relating to the sender and contents of inbound international packages – to prevent the Postal Service from unknowingly participating in the international trafficking of illicit synthetic opioids and other illegal drugs. Our audit determined the Postal Service did not always effectively fulfill Customs and Border Protection's AED-based holds for inbound international mail. Additionally, our AED data analysis revealed that data in millions of individual fields failed our reliability tests in 34 percent of the individual packages we evaluated.
- *Use of Postal Service Network to Facilitate Illicit Drug Distribution* – In response to a request from Congress, we conducted an audit examining the role of the Postal Service's network in facilitating illicit drug distribution, explored associated risks and vulnerabilities in the system, and identified opportunities to mitigate those risks. We found that the Postal Service has made efforts to combat the use of its network to facilitate illicit drug distribution, but significant vulnerabilities remain. Additionally, we found that the Postal Service is generally the carrier of choice for opioids and other illicit drugs purchased via the internet.
- *Opioid Safety Preparedness* – In response to a Congressional request, the OIG examined Postal Service procedures, training, and communications related to employee exposure to the risks of synthetic opioids and use of opioid overdose medication. We found the Postal Service had not implemented specific measures

to prepare its entire workforce for risks posed by synthetic opioids shipped through the mail. We also found that employees are also not always adhering to existing protocols when handling hazardous or suspicious mail, nor were mandatory stand-up talks specific to suspicious mail protocols completed for all employees for FYs 2016 and 2017. Finally, when we began our review, no Postal Service employees, other than select inspectors, had been provided opioid overdose medication nor had it been made available at any facility.

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

In addition to our internal data analytics efforts, the OIG partnered in October 2018 with the U.S. Postal Inspection Service (USPIS) and the Postal Service's Chief Information Office to establish the Synthetic Opioids and Narcotics Analytic Research (SONAR) group. Through the exploration and analysis of Postal and external data, the SONAR group is creating tools to detect illegal drugs within the U.S. mail system. One of those tools is already being tested in collaboration with Customs and Border Protection and the team is reevaluating the tool's evidence-based assumptions as packages are inspected. Once the team identified and focused on the highest-value data, the tool was updated and has shown significantly improved results in identifying inbound drug packages.

Finally, beginning in July 2018, our office hosted a working group with other OIGs across the community to identify cross-cutting opportunities to combat the opioid crisis. This working group published a report in October highlighting all of the OIG efforts to address this epidemic. The group also initiated a data analytics project to look at opportunities for building tools or sharing data related to opioid abuse.

## **B. Investigative Priorities and Results**

The Postal Service has two law enforcement agencies: the OIG and the USPIS. Our OIG is responsible for investigative crimes committed by employees and frauds committed against the Postal Service, while the USPIS focus on security, mail fraud, and crimes involving non-employees. The OIG is mandated by the Inspector General Act to avoid duplication and ensure effective coordination and cooperation with the USPIS.

Because of the large, geographically dispersed Postal Service workforce and the reactive nature of criminal work, the OIG must maintain a large investigative workforce. We constantly analyze the complaints we receive, our past work, and the distribution of Postal Service costs and personnel to ensure our agents are in the right locations and assigned to program areas with the most potential impact (i.e. more Healthcare Claimant and Provider fraud agents in areas with higher OWCP costs). About 69 percent (\$172 million) of our budget is committed to conducting investigations to ensure the integrity of postal processes, finances, and personnel as well as to protect the mail.

In FY 2019, the OIG's Office of Investigations (OI) opened over 2,550 new investigations. Over 60 percent of these investigations were initiated as a result of complaints received directly from Postal Service employees or managers. We converted 371 allegations received from our Hotline into investigations in FY 2019. The remaining Hotline complaints were referred to other agencies for their information and action whenever possible. We also initiated 174 cases as a result of our analytics tools or through the efforts of our analysts.

Our organization emphasizes performance and conducting high impact work, and we set challenging goals for our investigators. These goals include the number of cases resolved (which varies by primary program area), the effort agents commit to investigations, and the impact of their work (measured per case using metrics such as the number of subjects in the case with a final resolution, financial impact, and whether the case was accepted for criminal or civil proceedings). In FY 2019, the results of OI's work included over 2,550 investigations, 926 convictions, and almost \$375 million in fines, restitutions, recoveries, and cost avoidances. Our agents resolved 77 percent of the cases they initiated, with an average of six resolved investigations per agent. Budget reductions impact our law enforcement work the most, and our investigative results decline when we receive less funding.

OI organizes its work into five major programs:

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

benefits. These disability payments are funded by Postal Service customers rather than tax dollars, and any portion of those funds lost to fraud has a direct impact on the Postal Service and its operations.

- The Contract Fraud program is responsible for investigations of contract fraud, waste, and misconduct. The Postal Service manages contracts, ranging from multimillion-dollar national service contracts to local contracts for supplies and services at individual Postal Service facilities.
- The Financial Fraud program focuses on the theft of Postal Service money and products. A large portion of the revenue generated by the Postal Service is handled at over 31,000 Postal Service retail locations. Stamps, cash, and money orders can all become targets for theft.

Some of OI's recent significant cases and results, in addition to the narcotics highlights listed above, include:

- In August 2019, a major airlines carrier agreed to pay over \$22 million to resolve liability under the False Claims Act for falsely reporting the times it transferred mail to foreign postal administrations or other intended recipients as part of its contracts with the Postal Service. This ongoing investigation is focused on air carriers who submitted false scan data to the Postal Service in order to avoid liquidated damages and other penalties associated with misdelivered international mail.
- In July 2019, investigators arrested a pain management doctor, the owner of a pharmacy, and two additional pharmacy employees for their involvement in committing healthcare fraud. The doctor treated hundreds of current and former Postal Service employees for injuries they purportedly suffered on the job. Beginning in November 2015, the defendants conspired to obtain more than \$10 million in health benefits from the federal workers' compensation program by prescribing and dispensing expensive compound pharmaceutical pain creams that were found to be medically unnecessary.
- An ongoing investigation focuses on personal check parcels stolen by a city carrier assistant (CCA) as part of an organized check theft ring involving 14 external subjects. The thefts involve 22 banks and credit unions and 65 victims, with an estimated loss at \$250 thousand and possible exposure of over \$1 million. In March 2019, the CCA pled guilty. In June 2019, three indicted defendants were sentenced to 2 – 4.5 years in jail. Three other defendants have pled guilty and are awaiting sentencing.

- On May 30, 2019, a former manager of customer services was sentenced in U.S. District Court to 30 months in prison and ordered to pay restitution in the amount of \$856,801.41 for his embezzlement of Postal Service funds. The former manager stole over \$630,000 in stamp stock and sold that stock on eBay.

OI would allocate its FY 2021 program budget to cover the primary program areas described above as well as continue to focus on the following areas:

- *Narcotics trafficking by employees* – We are seeing an increase in the number of postal employees willing to facilitate the trafficking of opioids and other narcotics for cash. In addition to our investigative efforts, we are working with other OIGs to map out the opioid epidemic and identify additional work to be done in this area, including opportunities to compare data from multiple agencies to help solve this problem.
- *Mail theft* – In FY 2019, over 30 percent of the Postal Service’s total revenue was generated through the delivery of nearly 6.2 billion packages. An increasing number of postal employees, particularly part-time employees, are stealing prescription medication and other items of value shipped through the mail. In addition, a variety of complex frauds rely on theft of mail, and postal employees could be the trusted insider who enables ready access to sensitive mail. Examples include the systematic theft of passports or green cards for use by organized criminal organizations as well as stolen identity refund fraud schemes where stolen personal information is used to file fraudulent tax returns.
- *Healthcare fraud* – Postal Service employees represent nearly 40 percent of all federal employees who receive OWCP benefits. These benefits represent a significant ongoing cost to the Postal Service, and frauds associated with those benefits are a continuing area of focus for the OIG.

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

Though we are the leanest OIG when compared to our parent agency, we returned nearly \$21 for every \$1 invested in our budget in FY 2019. Much of this impact was due to the work of OA, which completed 130 reports and issued 310 recommendations. This work identified \$4.8 billion in financial impact, including funds put to better use, questioned costs, and revenue impact. In FY 2019, the Postal Service agreed with 93 percent of our recommendations. To date, over 70 percent of those recommendations have been implemented.

As we do in our Office of Investigations, we set challenging goals for our auditors. These goals include the number of reports issued, the timeliness of their work, and



impact. Because the Postal Service does not receive its funds from taxpayer dollars and instead earns revenue from the sale of its products and services, it is critical that the OIG's audits and evaluations focus on the areas of greatest financial and business impact. OA uses data analytics to identify high-risk areas in the national infrastructure as well as highlight cost-saving opportunities. OA focuses on reviews that provide the Postal Service with information to address its emerging strategic issues, major risks, and management challenges, and to highlight revenue opportunities.

OA organizes its audit work into five functional areas:

- The Mission Operations audit area reviews two of the largest cost center functions within the Postal Service — network processing and transportation. These business segments annually spend about \$17 billion.
- The Retail, Delivery, and Marketing audit area focuses on Postal Service operations related to retail, delivery, vehicles, sales, revenue generation, revenue protection, customer service, international mail, and marketing.
- The Finance and Pricing audit area focuses on finance, cost, and pricing. These audit areas help ensure that the Postal Service is following regulatory requirements.
- The Supply Management and Human Resources audit area focuses on contracting, facilities, human resource management, emergency preparedness, and sustainability.
- The Inspection Service and Information Technology audit area focuses on the Postal Service's ability to use technology to manage operations, maximize ROI, and provide robust data security. This area also oversees the role of the USPS in protecting the Postal Service from criminal activity, as required by the Inspector General Act of 1978, as amended.

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

- *Nationwide Employee Background Screening* – We conducted this audit to determine whether individuals selected for employment are suitable to maintain the safety and security of the mail and uphold public trust in the Postal Service. We focused on individuals with unfavorable information on their internal pre-screening information and found that 21 percent (42 of 200), or 1,106 projected over the universe, had no evidence of the required hiring approval certification. Additionally, 34 percent (135 of 401) of the employees, or 3,902 projected over

the universe, did not have a National Agency Check with Inquiries (NACI) Certificate of Completion maintained in their electronic Official Personnel Folders (eOPF), as required. These conditions occurred because the current hiring process lacks controls to validate compliance with approval certification, NACI investigations, and eOPF requirements.

- *Mail Excluded from Service Performance* – We conducted this audit to determine the reasons certain full-service mail volume is excluded from the U.S. Postal Service’s service performance measurement. We found that over 21.7 billion mailpieces, or 21.7 percent of all full-service mail, was excluded from service performance measurement in FY 2018. This occurred primarily due to various scanning issues and the Postal Service has not worked with mailers to identify and address the various root causes.
- *Assessment of the U.S. Postal Service’s Service Performance and Costs* – We conducted this audit to determine how service performance has trended for all mail classes and compared that performance to cost trends over the last five years. We found that even though infrastructure costs have been increasing and volumes are declining, the Postal Service has not met the majority of its service performance targets over the past five years. Even so, 80 percent of respondents to the Postal Service’s FY 2018 Delivery Survey were satisfied with their mail and package delivery. This satisfaction rate is significant and may suggest that service performance targets are not always aligned with customer expectations.
- *Processing Network Optimization* – We conducted this audit to evaluate trends and practices the Postal Service uses to optimize its processing network. We found that the Postal Service has not decreased mail processing costs at a rate consistent with the decline in mail volume. Mail processing workhours have not decreased since FY 2014, while overtime and penalty overtime workhours have increased significantly. As a result, the Postal Service is processing mail with lower productivity for manual, flats, and letters. Reducing mail processing costs and workhours is critical at a time when mail volume is declining.
- *Mail Processing Overtime* – We conducted this audit to assess the Postal Service’s management of mail processing overtime during FY 2018. We found that it did not effectively manage mail processing overtime during that time period and spent \$358 million more than planned. This occurred, in part, due to the incorrect implementation of a new modeling tool (F1 Scheduler) used to optimize employee schedules and set a Postal Service-wide standard for establishing complement levels.



- *Facility Condition Review – Capping Report* – We produced this report to identify trends or systemic issues identified from previous facility condition reviews of 149 Postal Service retail facilities and assess the effectiveness of management’s corrective actions. Our audits, collectively, determined the Postal Service was not consistently adhering to building safety, security, and maintenance standards or employee working conditions and handicap accessibility requirements. In addition, there were systemic issues with monitoring local customer complaints in compliance with Postal Service policy. We identified that corrective actions management claimed to have implemented were either (1) not implemented as indicated, or (2) implemented but not effective in remedying the issue identified. Additionally, district safety personnel and local management’s safety inspections were ineffective in identifying potential hazards and risks.
  
- *Controls Over the Release of Personal Information* – In response to requests from Congress, we conducted an investigation into the improper release of former USPS employee Abigail Spanberger’s *Standard Form 86, Questionnaire for National Security Positions*, and any other related personal information. Ms. Spanberger was the Democratic candidate (now Representative) for Virginia’s 7th Congressional District. We found that the Postal Service did not have adequate controls in place to ensure proper release of employee information in response to FOIA requests. As a result, the Postal Service mistakenly released Ms. Spanberger’s eOPF and the eOPFs of six other former employees without authorization.
  
- *Treasury Inflation-Protected Securities* – The Postal Service participates in three retirement plans: The Civil Service Retirement System (CSRS), the Federal Employees Retirement System (FERS), and the Postal Service Retiree Health Benefits (RHB). Returns on Postal Service retirement investments have declined in recent years and current investments offer only limited protection against higher inflation. We conducted an audit to determine the impact of investing Postal Service retirement fund assets in Treasury Inflation-Protected Securities (TIPS) which increase in step with inflation, thereby countering the effects of higher inflation on underfunded liabilities. We found that through investments in TIPS, the Postal Service could effectively reduce the risk that inflation poses to its retirement liabilities. Additionally, we estimated the Postal Service retirement funds could earn about \$1.4 billion annually over the next two years by exchanging a portion of its fixed-rate retirement assets for TIPS.
  
- *Assessing the Effectiveness of Domestic Competitive Negotiated Service Agreements* and *The Postal Service and the Evolution of PC Postage* – We conducted a series of evaluations of the Postal Service’s business partnerships and its management of those relationships. In the first report, we focused on the

Postal Service's use of Negotiated Service Agreements (NSAs) to better meet customer needs in the highly competitive parcel shipping market. The number of NSAs has grown from several dozen in 2012 to more than 1,000 as of 2018. In the second report, the OIG explored various aspects of the Postal Service's business relationship with PC Postage providers. The OIG made a number of observations and issued seven total recommendations for improvements.

- *Military and Diplomatic Mail Service* – We conducted an audit to assess military and diplomatic mail service provided by the Postal Service. Most inbound and outbound international military and diplomatic mail arrives at the Chicago International Service Center. We found that military and diplomatic outbound mail was delayed in 2018 and 2019, both going to and being processed in the Chicago International Military Service Center. We also estimated over 200,000 damaged parcels in 2018.
- *Costing Best Practices* – We conducted this audit to assess the Postal Service's current systems to identify opportunities for increased efficiencies in cost systems and methodologies. We found the Postal Service current costing methodologies have historically relied on statistical sampling to assign annual or quarterly costs to products. The Postal Service has not fully leveraged many of the new mail tracking technologies it has acquired since 2014 — technologies that could identify more granular mail processing and labor costs using detailed data from barcodes, optical readers, scanners, and other tracking capabilities. Calculating and attaching granular costs at every step in the operational process using census data would strengthen costing data accuracy and reliability and reduce costs associated with manual data collection for sampling.
- *National Operational Assessment- Customer Service and Delivery Operations* – We conducted this audit to assess the Postal Service's Customer Service and Delivery Operations to identify opportunities for savings and streamlining operations. We found the Postal Service generally had the capacity at their facilities to sort and distribute mail. However, operational challenges exist that hinder operational efficiency and effectiveness. Specifically, we noted delivery units did not track and receive alerts of late incoming mail, and staffing challenges resulted in increased labor costs. Staffing challenges were caused by multiple factors including restrictions in the National Labor Agreements and difficulty hiring and retaining non-career employees, in addition to a lengthy hiring process. Staffing challenges resulted in significant questionable overtime costs for FYs 2017 and 2018.
- *Delivery and Customer Service Issues – Greenpoint and Williamsburg Stations, Brooklyn, New York* – We conducted an audit of the Greenpoint and Williamsburg Stations in Brooklyn, New York, based on a request from four New

York members of Congress and a New York state assemblyman. Our objective was to evaluate mail delivery and customer service issues at these facilities. We found significant issues related to undelivered and delayed mail at the Williamsburg Station and delayed mail at the Greenpoint Station. We also identified deficiencies in package scanning, including missing scans and improper scans, at both stations.

OA also conducted work that was either legislatively mandated by Congress or was to support the Postal Service in meeting its own legislative mandates. This work included oversight of the USPIIS and auditing the data collection systems and procedures the Postal Service uses to prepare reports related to costs, revenue, rates, and quality of service for all products. The OIG also conducted audits supporting the public accountant's opinion on the Postal Service's financial statements and compliance with both the SOX and U.S. Securities and Exchange Commission financial reporting requirements. This work is described more fully in section G of this document.

OA would allocate its FY 2021 program budget to cover the primary program areas described above as well as the following emerging areas of focus:

- Identifying opportunities to optimize and standardize Postal network operations to reduce costs,
- Evaluating service standards within the current organizational structure,
- Analyzing overtime usage nationwide and identifying opportunities to reduce these costs,
- Determining ways sales and marketing strategies could be enhanced or improved to better target customers and grow revenue,
- Identifying opportunities for revenue growth and increased efficiencies for competitive products,
- Reviewing whether the Postal Service is effectively recruiting and retaining first-line supervisors to ensure skilled staff fill those positions, and
- Increasing oversight of the USPIIS and its activities to include strategic direction, resource allocation, case management, property, and training.

## D. Other Mission Areas

### a. Human Capital

Our budget was essentially flat between FY 2010 and FY 2020. The absence of funding for normal salary increases and inflationary adjustments during that time has steadily reduced the number of FTEs that was maintained to support audits and investigations. The FY 2021 budget guidance of \$261,594,000 will result in our organization maintaining a staffing level of 985.

Description	FY 2019 Enacted	FY 2020 Enacted	FY 2021 Requested
FTEs	1,020	985	985
Net change from prior start of year to budget end of year		(35)	0

We are committed to building and maintaining a highly engaged and talented workforce to achieve mission success, both now and in the future. In FY 2019, our organization lost 84 employees through separations for a variety of reasons (retirement, transfer, resignation, or termination) and those losses represented about 8 percent of our total overall complement above, or less than 1 percent per month on average. This rate is lower than both FY 2017 and FY 2018 for the OIG, which experienced 104 and 101 losses respectively. This rate also compares to a monthly attrition rate of 2.9 percent for Federal employees for May 2019, according to the Bureau of Labor Statistics (<https://www.bls.gov/news.release/pdf/jolts.pdf>).

The OIG has undertaken a number of initiatives to maintain our competitive edge and retain a highly skilled workforce. Some examples of those initiatives include:

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

We recognize that without a strong human capital strategy – one that manages and invests in our workforce talent – we cannot succeed as an organization.

## **b. Information Technology**

The Office of Chief Information Officer (OCIO) maintains and integrates IT solutions that rapidly respond to the needs of the OIG. In FY 2021, our focus will be to strengthen the security and resilience of critical OIG infrastructures against cyberattacks. In addition to these security enhancements, OCIO will continue to work on developing processes and infrastructure for importing and storing or connecting with the large datasets critical to evidence-based decision-making. The exponential growth of digital information used for data analytics, computer forensics, and evidence-based decision-making will require investment in increasingly large amounts of cloud storage and data management capabilities. Storing data with a cloud provider will enable OCIO to provide “storage on demand” for specific projects and allow the OIG to cost effectively retain data for long periods for historical analysis. Implementing modern data management tools, such as a data catalog, will enable the OIG to efficiently manage and catalog our large data sets. Tools like a data catalog will reduce duplication and increase knowledge and access for our auditors, investigators, and analytics staff.

## **c. Data Analytics**

Over the past 10 years, the OIG has integrated data analytics into its core mission of combatting fraud, waste, and abuse. Our data analytics team has built a suite of tools that analyzes data from the Postal Service (including mail processing, contracting, finance, customer complaint, and information technology data), law enforcement, and other sources (including healthcare data and master death index data) to identify areas of risk and indicators of fraud. Since FY 2017, our analytic tools have directly resulted in 634 investigations, 752 criminal actions, 544 administrative actions, and more than \$292 million in financial impact related to investigations. In addition, analytical support related to 54 audits resulted in an additional financial impact of over \$2 billion.

In addition to narcotics-related tools, the OIG has developed other key tools to gain insights from other program areas:

- *OWCP Drug Cut Off Project* – Our analytics team reviews high-priced drugs and makes recommendations to DOL-OWCP to institute automatic denials on drugs that are overpriced compared to available generic or lower-priced alternatives.
- *Provider Relationship Tool* – This tool analyzes OWCP billing information to detect possible collusive behavior between medical providers who share claimants in common.
- *Claimant Transportation Reimbursement Tool* – The tool provides an analysis of transportation reimbursement paid to a worker compensation claimant in

comparison to other medical services paid for the same dates over the last 5 years.

- General Ledger Tool – This tool is an analytical dashboard designed for auditors and other interested parties to help them better understand General Ledger (financial) data from the Postal Service’s Enterprise Data Warehouse. The tool helps auditors visualize the data to pinpoint anomalies in ledger entries that would otherwise be lost in a sea of financial information.
- Informed Delivery Tool - This analytical tool uses USPS Informed Delivery data to help investigators identify processing centers, zip codes, and carrier routes that may be engaging in mail theft or mail dumping.

The OIG community includes 74 different OIGs, and those organizations are using analytics tools and practices at varying levels. Our team meets frequently with other OIGs on data analytics issues, either tied to joint work or as part of meetings and conferences to discuss best practices. Our Inspector General also chairs the Council of the Inspectors General on Integrity and Efficiency Technology Committee, which sponsors the Data Analytics Working Group.

Our work in FY 2021 will focus on enhancing current tools and developing new models that offer predictive analytics (what is going to happen) and prescriptive analytics (what the Postal Service should do). Emerging areas of focus include:

- Big data analysis – The Postal Service uses numerous data systems to manage its mail processing systems and customer interfaces, and this data changes constantly. To proactively address process issues and respond to fraud, CDO tools must be able to examine this data in near-real time. This presents a challenge from an ETL (“extract / transform / load”) perspective. The OIG will invest in new tools and platforms to address these issues.
- Continuous auditing – Once we address the “big data” challenge, our OIG will enhance and combine existing standalone products to produce actionable reports that OA, using data analytics, can issue quickly to identify control breakdowns. This will allow OA to efficiently highlight systemic issues, thus allowing our auditors to focus more deeply on other high-impact, more labor-intensive projects. A recent example of our work in this area are referrals based completely on data analytics we sent directly to management for action. These 28 referrals identified high numbers of delivery scans occurring in the delivery units before 9:00 a.m. Based on the data contained in the referrals, management was able to quickly identify lack of training and employees not following existing

policy as the causes. Management addressed the issues on the spot and subsequent analysis determined the improper scanning behavior had stopped.

- *Integrating Artificial Intelligence (AI)* – Finally, the OIG will start taking advantage of emerging AI platforms to deal with analytics issues that are outside of current capabilities. These challenges include dealing with more advanced “fuzzy” text mining in customer complaints and analysis of label scans to identify trends and patterns of criminal misconduct. This new capability could also provide investigators with almost real-time transcription of videos and enable the automatic identification of subjects in surveillance videos. For CIO, AI will enhance IT security operations protecting the OIG network using behavioral analytics to detect and mitigate both internal and external cyberattacks. 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.