



UNITED STATES POSTAL SERVICE

OFFICE OF

INSPECTOR GENERAL



FALL
2017

SEMIANNUAL REPORT TO CONGRESS

APRIL 1, 2017 — SEPTEMBER 30, 2017



A Message from the Acting Inspector General

For over 20 years, the Office of Inspector General (OIG) has worked to fulfill its mission of ensuring efficiency, accountability, and integrity in the

U.S. Postal Service. Our work also helps to maintain confidence in the postal system and to improve the Postal Service's bottom line.

This report, submitted pursuant to the Inspector General Act, outlines our work and activities for the six-month period ending September 30, 2017. During this period, we issued 105 audit reports, management advisories, PARIS risk models and white papers, and the Postal Service accepted 83 percent of our recommendations. We completed 1,584 investigations that led to 430 arrests and more than \$68 million in fines, restitutions, and recoveries, \$21 million of which was turned over to the Postal Service.

The Postal Service faces a number of strategic challenges as it adapts to a rapidly changing communications market. Those challenges, which include financial and business constraints, workplace relations, service performance, and cybersecurity issues, also guide our work. In this report, you will find synopses of audit reports and white papers that focus on those areas, as well as work requested by congressional stakeholders.

Adding to the Postal Service's challenges is the lack of a fully functioning Board of Governors, which by law is to be made up of the postmaster general, deputy postmaster general, and nine independent governors appointed by the president and approved by the Senate. Since

December 2016, the governing body has been without any independent governors, raising questions about long-term strategic planning around rates, products, services, and the overall direction of the organization.

As new challenges emerge, the lack of governors is doubly concerning. One such challenge is the use of the mail to move illicit narcotics, to include opioids. Multiple agencies and private organizations have been mobilized to identify strategies to address the broader problem of opioid addiction in our country, and coordination at the highest levels is critical.

The use of the postal infrastructure to facilitate movement of narcotics appears to be increasing, and traffickers are getting more sophisticated in avoiding detection. We have stepped up our data analytics work in this area as we have recognized that the best way to identify drug trafficking activities using the mail is through analytics. We are currently testing analytics tools that focus on suspicious parcels and carrier routes, "over-labeling" of narcotics parcels by employees, and identifying high-risk opioid parcels in the mail stream using international advance electronic data.

I look forward to working with all stakeholders as we address these challenges and any others that lie ahead. With the support of postal management and Congress, the OIG will continue to play a key role in maintaining the integrity and accountability of America's Postal Service, its revenue and assets, and its employees.

Tammy L. Whitcomb
Acting Inspector General

Mission Statement

Ensuring efficiency, accountability, and integrity in the U.S. Postal Service through independent audits, reviews and investigations.

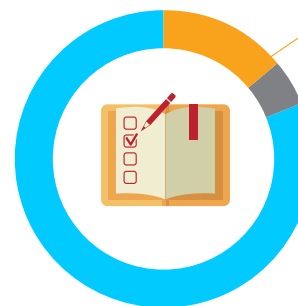
SUMMARY of PERFORMANCE

For the Period April 1 — September 30, 2017



Audit

Reports Issued: **105**
Recommendations Issued: **214**
Total Reports with Financial Impact: **32**



Questioned Costs:
\$1,151,140,262

Revenue Impact:
\$426,085,157

Funds put to better use:
\$6,654,687,311

Total:
\$8,231,912,730



Investigations¹



Amount to the Postal Service:²
\$21,462,163



Cost Avoidance:
\$107,286,012



Fines, Restitution, and Recovery:
\$68,163,350

Investigations Completed: **1,584**
Arrests: **430**
Indictments/Informations: **354**

Convictions/Pretrial Diversions:³ **416**
Administrative Actions: **1,129**



OIG Hotline Contacts

Telephone Calls: **1,270**

Email: **36,881**

Standard Mail: **791**

Voice Mail Messages: **3,953**

Facsimile: **117**

National Law Enforcement Communications Center: **295**

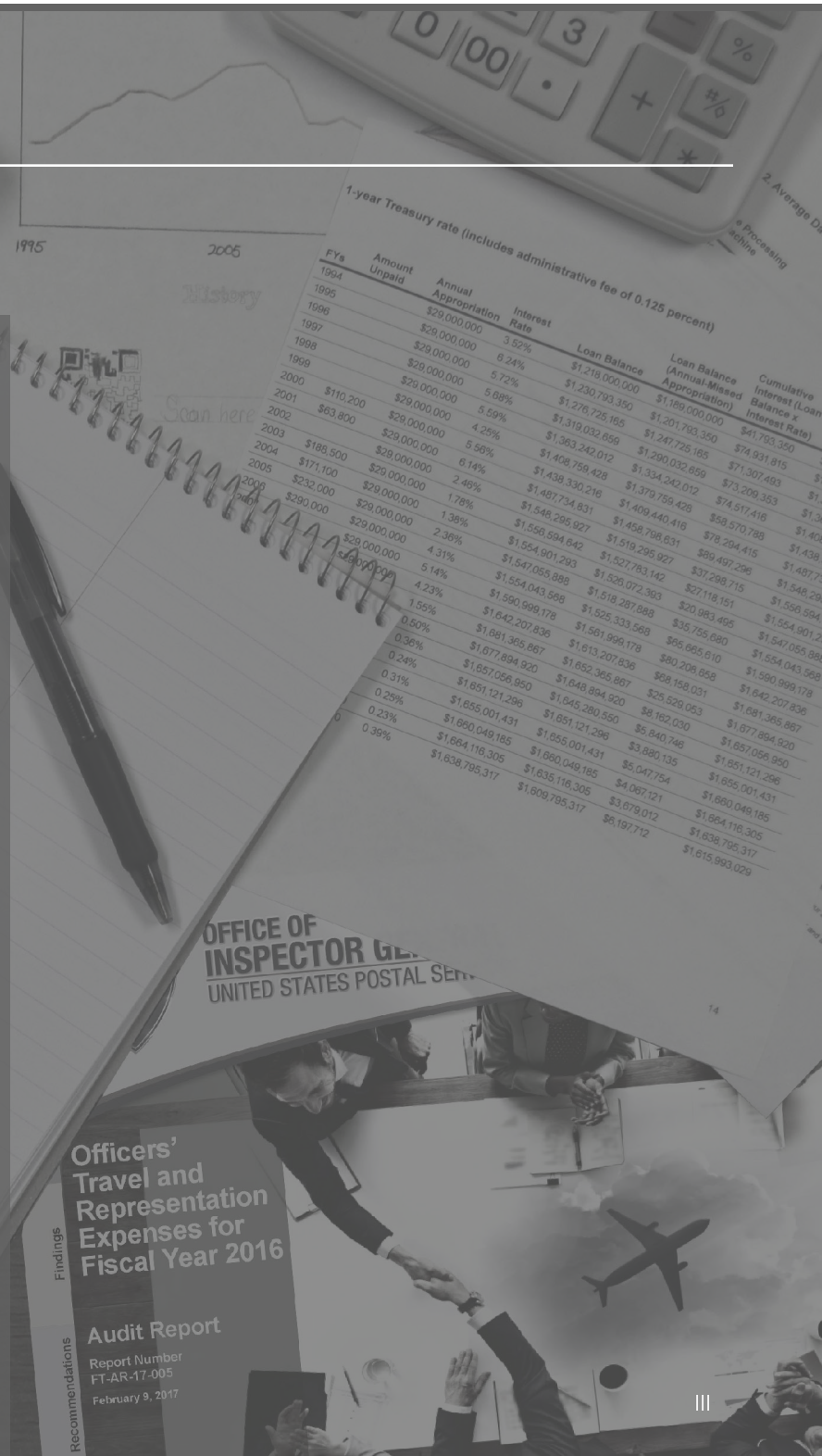
¹ Statistics include joint investigations with other law enforcement agencies.

² Amounts include case results of joint investigations with other OIG, federal, state, and local law enforcement entities.

³ Convictions reported in this period may be related to arrests in prior reporting periods.

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AUDITS AND WHITE PAPERS

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The Office of Audit (OA) conducts and supervises objective and independent audits and reviews of Postal Service programs and operations. It also assesses compliance with laws and regulations, and evaluates internal controls. OA keeps Congress, the Postal Service Board of Governors, and management informed of problems, deficiencies, and corresponding corrective actions. Generally, audit resources are aligned with those of the Postal Service vice presidents and major functional areas, allowing OA to focus efforts where there is the greatest potential risk to Postal Service management and operations.

Management Response to Audit Work

The Office of Audit adheres to professional audit standards and presents its audit work to management for comments prior to issuing a final report. Unless otherwise noted, management has agreed or partially agreed with our recommendations and is taking or has already taken corrective action to address the issues raised.

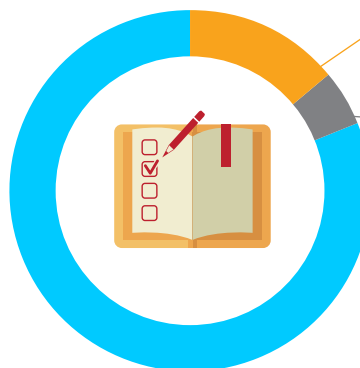
OIG white papers explore strategic ideas for ways to enhance the viability and efficiency of the Postal Service. These white papers are presented to Postal Service management for consideration and contain no recommendations.



Audit **SUMMARY of PERFORMANCE**

For the Period April 1 — September 30, 2017

Reports Issued: **84**
Recommendations Issued: **128**
Total Reports with Financial Impact: **19**



Questioned Costs:
\$1,151,140,262

Revenue Impact:
\$426,085,157

Funds put to better use:
\$6,654,687,311

Total:
\$8,231,912,730

Information Technology

Unless otherwise stated,
Postal Service management agreed
with report recommendations.
Links to the full reports with all
our findings, plus Postal Service
management's complete responses,
are provided in the text.

Privileged Account Management

Privileged accounts are those that have higher levels of rights, such as account creation, updating, deletion, or full application functionality. It is important to properly manage and monitor privileged accounts to ensure information is secure and systems and data are not modified without authorization.

The Postal Service is not effectively managing all privileged accounts in accordance with its policies and best practices. Management has not developed adequate guidance and controls to identify and manage privileged accounts, and could not identify all privileged accounts throughout the organization. In addition, management does not adequately monitor privileged account activity, as required by policy.

We recommended management strengthen controls by continuing to develop overarching guidance for identifying and managing privileged accounts.

Furthermore, management should develop a complete listing of privileged accounts for USPS systems, clearly define the responsibilities for monitoring privileged accounts, and require users to complete training before assuming a privileged role.

Management generally agreed with all of the findings and recommendations in the report and stated that they have begun to take corrective actions.

Application Programming Interface Strategy

The USPS Web Tools Application Programming Interfaces (APIs) provide a means for web developers and customers to integrate online USPS information and services into their websites. Currently, USPS offers 34 external APIs to its customers. In 2016, these APIs processed over 46.4 billion requests (an average of about 3.8 billion each month) for over 70,000 customers.

Information Technology

We determined that USPS Web Tools APIs are configured and generally managed in accordance with USPS standards and industry best practices. Also, based on our benchmarking, USPS offers more external APIs to customers than its major competitors. Furthermore, we conducted vulnerability scans of 16 Web Tools APIs and determined that the selected APIs were securely configured.

However, opportunities still exist to enhance USPS API services. Our benchmarking analysis identified several APIs offered by competitors and foreign posts that USPS should consider offering to external customers. We also identified that, while USPS collects customer API usage data, it is not currently using that information to plan for future needs.

We recommended management consider the feasibility of implementing API services



offered by competitors and foreign posts, assign a responsible organization to review the Web Tools API customer usage data, and

implement an API management tool as planned. Management generally agreed with all of the findings and recommendations in the report.

Supply Management and Human Resources

Assessing Postal Service Employee Engagement Activities

The Postal Service administers the Postal Pulse survey to evaluate employee engagement. Over the course of the three most recent surveys (March 2015, February 2016, and October 2016), results indicated that employee

engagement slightly improved. But the survey scores — 3.16, 3.24, and 3.25 out of 5, respectively — ranked in the bottom 1 percent of scores for all organizations Gallup surveyed during that period.

The Postal Service is taking action to address employee engagement through

multiple means, including: 1) continuation of the Postal Pulse survey, 2) action planning, 3) training for managers and supervisors, 4) an employee engagement website, 5) employee engagement publications, 6) promoting employee engagement via multimedia communications and outreach activities, 7) an awards program for those who contribute

Supply Management and Human Resources

to an engaging workplace, and 8) employee feedback mechanisms.

These activities, which management implemented in January 2016, are aligned with best practices. They also address the three key drivers of engagement and areas of concern identified from Postal Pulse survey results. However, our audit identified opportunities to enhance the execution of three specific activities: 1) action planning, 2) assessing employee comments on social media, and 3) leveraging data correlation between employee engagement and business outcomes.

Regarding action planning, business unit action plans decreased from 81 percent after the March 2015 survey to 50 percent after the February 2016 survey. This occurred because the Postal Service did not require action plans. Also, as part of their social media strategy, the Postal Service did not monitor or respond to comments on Glassdoor and Indeed external social media sites, which are popular sites for employees to review and rate their employers and provides employers the opportunity to respond to comments. Finally, the audit demonstrated the correlation between employee engagement and business outcomes, which provides evidence that a more engaged workforce can have a positive impact on the Postal Service's ability to carry out its mission to provide prompt, reliable, and efficient services to customers.

We recommended management require managers and supervisors to develop action plans, including a process to monitor and assess progress, and expand the Postal Service social media strategy to include a process for monitoring and responding to comments on external employee-focused social media websites. Management agreed to all findings and the second recommendation, but disagreed with the first recommendation.

Carrier Leave Without Pay for Union Activities

In November 2016, Senator Ron Johnson of Wisconsin requested the OIG review a constituent's allegation that a select group of postal carriers took leave without pay (LWOP) to participate in union political activities. In response, the OIG conducted an audit and found that, from September through November 2016, the Postal Service granted LWOP to 97 carriers, ranging from four to 50 days, to participate in these activities. The carriers' total cumulative amount of LWOP taken was about 2,776 days during this period.

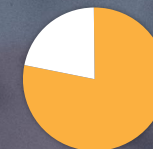
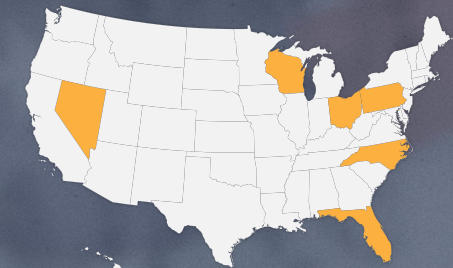
Postal Service policy states that "the granting of LWOP is a matter of administrative discretion. Each request for LWOP is examined closely, and a decision is made based on the needs of the employee, the needs of the Postal Service, and the cost to the Postal Service."

However, in relation to these specific requests, supervisors received correspondence to grant LWOP even though concerns were raised about operational impact. In some cases supervisors initially denied the leave, but higher level managers in the district overruled them. In other cases, supervisors contacted Labor Relations officials, who told them to approve the leave. Additionally, supervisors approved the leave based on emails or texts from union leadership or postal management validating this as a union

POSTAL SERVICE CARRIERS UNION POLITICAL ACTIVITIES September through November 2016

Total cumulative amount of LWOP taken was about
2,776 days.

These carriers were located in **92** facilities nationwide.



72 Facilities

are located in Florida, Nevada, North Carolina, Ohio, Pennsylvania and Wisconsin.



2,264 days

of the total LWOP for these carriers were used in these six states.

activity. As a result, at the 22 postal facilities we reviewed, the Postal Service incurred net overtime costs of \$90,682 due to carriers taking extended LWOP.

We recommended management adhere to the Postal Service policy to assess operational

needs prior to granting or denying LWOP for union activities and communicate deviations to appropriate Operations and Labor Relations personnel, and also establish communications protocol that allows Labor Relations and Operations personnel to coordinate employee

participation in union initiatives. Management disagreed with the audit findings, monetary impact, and one recommendation, but agreed with the second recommendation with modifications.

Retail, Delivery, and Marketing



Shortpaid PC Postage Parcels

PC Postage is a service offered by the Postal Service that allows customers to print U.S. postage stamps with their own printers. Customers access PC Postage through USPS.com or vendors licensed by the Postal Service.

In September 2013, we reported that the Postal Service's internal controls for

PC Postage parcels were inadequate. We revisited the issue in 2017 and found the Postal Service implemented limited controls for identifying and collecting shortpaid PC Postage parcels. Such efforts have included information sharing between the Postal Service and the PC Postage providers and manual assessments by the Postal Service. These efforts, however, have had very minor impact.

The Postal Service is currently developing an automated verification solution known as the Automated Package Verification (APV) system, which would use data collected from mail processing equipment to automate identification and recovery of shortpaid PC Postage parcels. Although notable progress has been made regarding equipment development and systems integration, we believe APV implementation continues to be at risk.

Retail, Delivery, and Marketing

While we recognize the current challenges, we believe management should consider establishing interim controls while APV is being developed and deployed. We recommended management establish additional controls for identifying and collecting shortpaid postage on PC Postage parcels, such as leveraging resources, data, and technologies, until APV is implemented. We also recommended management develop a strategy for refocusing the shortpaid controls to the segment of PC Postage parcels that will not be tested by APV once it is implemented.

Management disagreed with the recommendations relying on the implementation of APV, but agreed to complete a cost-benefit analysis and make a decision on expanding procedures within one year of the launch of APV. This strategy met the intent of the recommendation.

Social Media Customer Inquiries

Customers are increasingly turning to social media platforms — including Facebook, Twitter, and Instagram — to contact the Postal Service. Customers might use social media to comment on a particular retail experience or to seek Postal Service responses to complaints, questions, or other information. The Corporate Communications group monitors customers' postings to USPS social media platforms at the Social Media Operations Center (SMOC). SMOC staff members respond to select inquiries made through the Postal Service's Facebook and Twitter accounts, Monday-Friday, from 8 a.m. to 6 p.m. ET. Collectively, these accounts received over 390,000 posts in fiscal year (FY) 2016.

We found the Postal Service did not effectively respond to customer inquiries submitted

through social media. First, the Postal Service did not respond to all actionable customer inquiries. For example, USPS 1) did not consistently respond to Facebook inquiries; 2) did not respond to inquiries on Instagram; 3) closed 23 percent of actionable Facebook and Twitter inquiries as not actionable; and 4), automatically "flushed" (i.e., deleted) Facebook and Twitter posts from the SMOC response dashboard prior to being reviewed by an agent within 48 hours. Thirty-five percent of posts in the SMOC were flushed in FY 2016, including 68 percent of the posts received on December 23, 2016 — one of the busiest mailing days of the holiday season.

Second, when the Postal Service did respond, it was not in a timely manner — taking 16 hours on average after the customers' initial posts. Only 43 percent of responses occurred within the Postal Service's six-hour target.

Finally, the Postal Service has not made sufficient progress aligning SMOC response operations with those of the customer care program, a separate organization that handles the majority of telephone or website customer inquiries. Staff do not share information due to the continued segmentation of their responsibilities — shortcomings that hamper efforts to move to an integrated customer service platform advocated by many leading organizations.



Retail, Delivery, and Marketing

We recommended management develop immediate strategies to address resource and staffing shortfalls to respond to all actionable customer inquiries within the Postal Service's six-hour target, and enhance the coordination

between the SMOC and customer care program. Management disagreed that it should respond to all actionable inquiries posted on the Postal Service's social media platforms, but agreed that actionable inquiries should be

answered within the six-hour target on Twitter. Management disagreed with the second recommendation, citing privacy concerns.

Finance, Pricing, and Investments

Update for Measuring Pension and Retiree Health Benefits Liabilities

Through FY 2016, the Office of Personnel Management (OPM) projected the Postal Service had an unfunded Civil Service Retirement System liability of \$17.5 billion, an unfunded Federal Employment Retirement System liability of \$3.8 billion, and an unfunded retiree health benefits liability of \$52.1 billion. The OPM projected the liabilities using federal employee-wide workforce demographic and economic assumptions. However, we calculated that by using Postal Service-specific demographic and economic assumptions, the three liabilities would be reduced by \$10.2 billion.

Furthermore, not all Postal Service retirees participate in Medicare. By requiring all USPS retirees participating in the Federal Employees Health Benefits program to enroll in Medicare Parts A and B, and by including a prescription drugs benefit using an Employer Group Waiver Plan, the Postal Service's retiree health benefits

liability would decrease by an estimated \$48.3 billion.

We recommended management continue to work with Congress to enact legislation requiring Medicare participation and OPM to use Postal Service assumptions in preparing pension and retiree health benefits liabilities.

Postal Service Retiree Funds Investment Strategies

The Postal Service's assets in the CSRS and FERS pension plans and the Postal Service Retiree Health Benefits Fund are intended to pay retiree benefits. Investing assets is restricted to U.S. Treasury securities, often regarded as no-risk in that there is virtually no possibility of loss of principal. The trade-off is a low rate of return that has a high probability of not generating adequate investment income to meet all future fund obligations.

The OIG retained Segal Consulting to explore options to improve returns on all three funds.

Segal identified six alternative investment strategies — three traditional portfolios comprising publicly traded stocks and bonds, and three alternative portfolios including traditional investments as well as non-traditional asset classes such as high yield bonds, private real estate, and other investments.

Segal estimated how the current strategy and the six proposed portfolios will perform over a 20 year period. Using the assumption that the Postal Service and its employees make the projected contributions, the median (50th percentile, or the middle of a range of values) results showed all of Segal's proposed portfolios outperformed the current strategy. More specifically, the current strategy would result in a deficit, but CSRS and FERS would be fully funded under all of the proposed alternatives. In addition, although the two conservative portfolios would not fully fund the PSRHB, the deficit under these two portfolios would be less than it would be under the current investment strategy.

Finance, Pricing, and Investments

The Postal Service, with OPM, would need to seek legislation to modify current investment strategy. However, the analysis in this report

suggested that the current, supposedly low-risk, investment strategy may ironically be the riskiest of all. It may be cautious to a fault. We



















do not advocate a specific investment plan and, therefore, made no recommendations.

Mission Operations

Delayed Mail Validation

The Postal Service considers mail to be delayed when it is not processed in time to meet the established delivery day. Mail processing facilities are required to complete daily counts and self-report on-hand mail, delayed mail, late-arriving mail, and mail processed after the processing cut-off time. We found that the Postal Service was not accurately reporting delayed mail.

Five of the eight processing facilities we visited did not accurately count on-hand delayed mail. Further, the eight facilities did not report all mail processed after the established cut-off time or include all late-arriving mail in their reports. When mail condition reports are not accurate, management uses incorrect information to make decisions concerning staffing, mail processing equipment use, preventative maintenance, and transportation of mail. These decisions affect the Postal Service's ability to meet mail service commitments.

 RURAL P&DCs	 URBAN P&DCs
 GREENVILLE, SC, P&DC 	 BROOKLYN, NY, P&DC 
 LOUISVILLE, KY, P&DC 	 DALLAS, TX, P&DC 
 MOBILE, AL, P&DC 	 SOUTH SUBURBAN, IL, P&DC 
 OMAHA, NE, P&DC 	 SOUTHERN MARYLAND P&DC 

We recommended management require formal training for all personnel involved in supervising, conducting, and reporting daily mail counts, and ensure management periodically review the accuracy of reports. We also recommended management improve the reporting system by integrating data from other systems about

late-arriving mail and mail processed after cut-off time.

Postal Service headquarters management plans to replace the current system with the Informed Visibility system to capture daily mail conditions. We plan to review the Informed Visibility system's delayed mail reporting in future audit work.

Mission Operations

Fuel Consumption and Cost Risk Mitigation

We found the Postal Service lacks a comprehensive strategic plan to address the risks of increasing diesel fuel prices or consumption, nor is it financially or contractually positioned to mitigate them. Despite declines in diesel fuel costs and mail volume, Highway Contract Route (HCR) miles and costs continue to increase. This continued increase in HCR mileage subjects the Postal Service to major financial exposure if diesel fuel prices increase.

Additionally, unlike other shippers, the Postal Service is legally prohibited from using fuel surcharges to recover increased fuel costs. However, the Postal Service has taken some interim steps to reduce risk by using fuel efficiency as best value criteria for the awarding of contracts, requiring a sustainability clause in HCR contracts from FY 2016 forward, and encouraging suppliers to convert vehicles to alternative fuels.

The U.S. Department of Energy projects a diesel fuel cost increase of \$0.74 per gallon between 2017 and 2022, which could increase fuel costs for HCRs by \$600 million over the next five calendar years (CYs). With effective strategic planning, the Postal Service has an opportunity to put about \$80 million to better use annually in CYs 2018 and 2019.

We recommended management develop a comprehensive plan to mitigate the risk of projected fuel price increases. Management generally agreed with our finding and recommendation, but disagreed with our monetary impact. Management agrees strategic planning for fuel is important. They are already implementing initiatives to reduce miles driven and fuel gallons and will develop a comprehensive risk mitigation plan as recommended. However, management did not believe that the monetary impact took into account their ongoing initiatives.

Despite declines in diesel fuel costs and mail volume HCR miles and costs (excluding fuel) continue to increase.

Specifically

between FYs 2013 and 2016,
mail volume declined by
4.3 billion pieces



and



surface transportation fuel
costs decreased by over
\$410 million.

However

HCR miles have
increased by

183
million

and HCR costs
(excluding fuel)
have increased by

\$797
million.



Risk Analysis Research Center

The Risk Analysis Research Center (RARC) conducts in-depth research and analysis on postal issues to identify opportunities for revenue growth and increased operational efficiencies. OIG white papers explore strategic ideas for ways to enhance the viability and efficiency of the Postal Service. These white papers are presented to Postal Service management for consideration.



Billions Served: Foot Traffic at the Post Office

How many people visit the more than 30,000 post offices each year? The Postal Service officially lists 877 million customer visits in FY 2016, though this is based only on the number of transactions. In reality, most visits do not include a transaction. Instead, customers may check a PO Box, pick up shipping materials, or deposit a letter in the slot. These actions are key elements of the Postal Service's

value chain, and omitting them dramatically underestimates customers' use of post offices. A more complete foot traffic estimate could help USPS better manage its retail network for the benefit of the American people.

The OIG used a variety of private-sector proven methods to measure foot traffic, which we defined as any time a person goes inside a USPS-run post office. The result: about 2.7 billion customer visits in FY 2016 — roughly triple the Postal Service's official statistic.

Risk Analysis Research Center

The OIG also segmented post offices by size, categorizing them into Mega, Large, Small/Medium, and Micro locations. This could help USPS assess the viability of potential retail initiatives that may only make sense at locations with sufficient foot traffic.

The OIG also used a nationally-representative sample survey to gain insights on how different demographic groups, including Millennials, use post offices. In addition, we examined how other retailers use foot traffic information to help improve customer service and sales. The Postal Service could use such data to monitor and adapt to the changing mix of customers and activities at post offices, enabling it to better serve the American people.

Thinking Inside and Outside the Box

The Postal Service encourages advertisers to integrate new technologies into their mailpieces to engage recipients. The Postal Service's success in promoting mail innovations could carry over to parcels. Creating a program to help shippers provide a more memorable experience for recipients could help the Postal Service continue to grow its packaging and shipping revenue.

As both a delivery service and provider of packaging materials, the Postal Service could help shippers rethink parcels, turning them into an advertising opportunity. The OIG conducted



research that resulted in highlighting eight innovations, six of which are for outside the box and two for inside:

- Cobranded Boxes: It could be easier for companies to add their branding to postal packaging.
- Augmented Reality: This allows users to access a brand's digital content, such as games or shopping, by scanning packaging with their smartphones.
- Near Field Communication: This could provide added security, ensuring the authenticity of luxury goods.
- QR Codes: Scanning them could assist a customer in facilitating a return.
- Temperature and Security Sensors: Sensors could ensure customers are getting a product that has not been dropped or exposed to heat.

Risk Analysis Research Center

- **Box Buttons:** These include special effects — such as lights and sounds — that can be integrated into packaging. Buttons might not only increase the customer’s engagement with the parcel, but also enhance their impression of the brand.
- **Parcel Connect:** Building on the concept of social media sharing, companies could include prepaid mailings in parcels so recipients could share special discounts with friends.
- **Delivering Thanks:** Registry providers could include pre-addressed, postage-paid thank-you notes with gifts, making thank-you notes easier.

Mail Profitability in International Posts

After years of dwindling letter mail volumes, the mail business’ actual relevance and financial sustainability is often overlooked. We reviewed 13 major international posts to analyze the profitability of their mail business, how they are keeping mail financially sustainable, and what lessons can be learned from their experience.

Eleven of the 13 posts reported a positive average annual profit margin for mail from 2011-2015. In fact, mail’s profit margin was generally higher than that of parcels and logistics, but lower than postal financial and banking services (where provided). Overall, mail generated 60 percent of posts’ total profits over the period.

Mail profitability was driven by a mix of cost-cutting and revenue-increasing strategies.

On the cost and efficiency side, international posts have used strategies similar to those followed by USPS: sorting automation, network consolidation, and labor costs reduction.

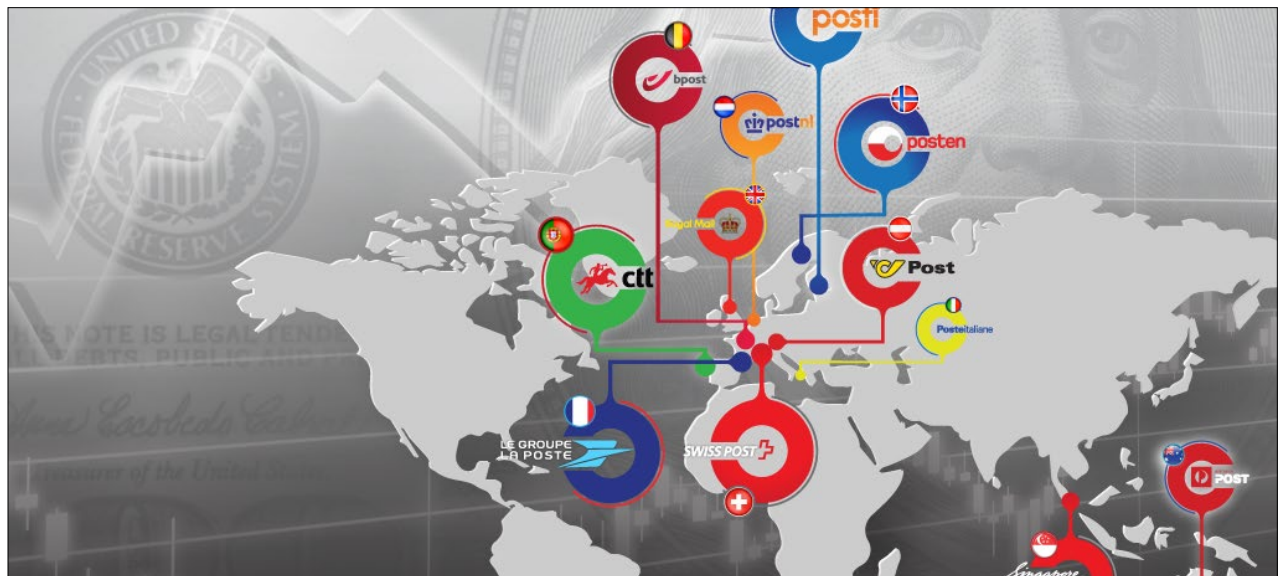
However they also benefited from two favorable external factors:

- Flexible labor and pension laws allowing — for new employees — lower pay scales or reduced-benefit pension plans, as well as offloading pension liabilities to the government.
- Government support not only from favorable regulations, but also subsidies, debt relief,

restructuring aids, or tax credits. This support benefited both privately- and government-owned posts.

On the revenue side, international posts have enjoyed price regulations generally less restrictive than in the U.S. Key to profitability was the flexibility to raise prices above inflation for both bulk and single-piece mail. Price increases have compensated in all or in part for losses due to volume declines.

Our research concludes that, for the foreseeable future, mail will remain essential to international posts’ financial viability and that a flexible regulatory environment and government support will drive mail’s sustainability.



INVESTIGATIONS

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The Postal Service is consistently ranked by the Ponemon Institute as America’s “most trusted federal agency.” Among the reasons for this trust is the integrity of its employees. However, a few postal employees and contractors betray that trust and abuse the public’s confidence in the Postal Service. When that happens, the OIG’s Office of Investigations (OI) gets involved.

To protect the mail and to ensure the integrity of postal processes, finances, and personnel, the Postal Service relies on the investigative efforts of OI special agents, who are stationed in offices nationwide. Their charge is to investigate internal crimes and fraud committed by postal employees and contractors against the Postal Service and employee misconduct.

In this section, we highlight work conducted by the OI during this reporting period that contributed to safeguarding the Postal Service’s revenue and assets and helped deter postal crimes, ultimately helping to maintain a stable and sound Postal Service.

What Does the Office of Investigations Investigate?

Postal employees or contractors involved in:



Internal Mail Theft

Single envelopes to large amounts of mail, including packages.



Contract Fraud

False billings/records, bribes, kickbacks, and similar actions.



Mail Delay and Destruction

Intentionally delaying, destroying or otherwise disposing of mail.



Employee Misconduct

Offenses like abuse of authority or use/sale of narcotics.



Financial Fraud

Stealing/embezzling cash, manipulating postal money orders.



Workplace Environment Violations

Sexual harassment, discrimination, or compromised workplace safety.



Health Care Fraud

(Provider and Claimant) False claims of work-related injuries to obtain workers' compensation benefits.



Computer Crimes

Cyber investigations into computer-related crimes using or targeting USPS IT infrastructure



Investigations **SUMMARY of PERFORMANCE**

For the Period April 1 — September 30, 2017



Amount to the Postal Service:

\$21,462,163



Cost Avoidance:

\$107,286,012



Fines, Restitution, and Recovery:

\$68,163,350

Investigations Completed: **1,584**

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Indictments/Informations: **354**

Convictions/Pretrial Diversions: **416**

Administrative Actions: **1,129**

Narcotics

- In November 2015, the OIG opened an investigation based on information provided by the U.S. Postal Inspection Service (USPIS) regarding a letter carrier's possible involvement in distributing methamphetamine while on duty.

The letter carrier was observed taking drug parcels from the mail, placing them into a personal vehicle, and subsequently delivering them to a residence in Akron, OH.

The letter carrier was arrested on November 13, 2015, and placed on administrative leave. In May 2017, the carrier pleaded guilty and was sentenced to 37 months in federal prison for conspiracy to possess with intent to distribute methamphetamine.

- The FBI advised the OIG in June 2015 that a drug trafficking ring enlisted multiple letter carriers to deliver marijuana packages

in exchange for money. OIG surveillance discovered two letter carriers and a non-postal co-conspirator involved in the drug trafficking scheme. Surveillance further discovered that, in exchange for a fee, the carriers were providing addresses from their routes to secure the delivery of incoming parcels of marijuana.

In October 2015, both carriers were arrested, and during an interview, they admitted what they had done.

In August 2017, the non-postal co-conspirator was sentenced to 18 months of incarceration for Bribery of a Public Official and Attempt to Possess with Intent to Distribute Marijuana, and three years of supervised release.

One of the carriers was sentenced to 12 months and one day of incarceration for

Public Official Accepting a Bribe, Possession with Intent to Distribute, Distribution of Marijuana, and Delay of Mail. The same carrier was also issued a Final Order of Forfeiture totaling \$12,085. The other carrier also pleaded guilty; sentence is still pending.

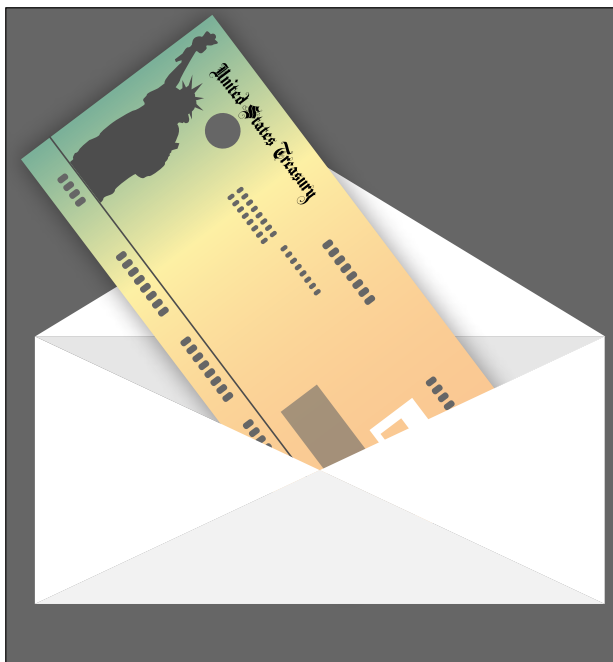


Mail Theft

- The USPOIS informed the OIG in April 2014 that a Postal Support Employee (PSE) Mail Processing Clerk was allegedly intercepting U.S. Treasury tax-return checks from the mail stream in New Jersey.

The ensuing investigation revealed that, from June 2014 to February 2015, the employee facilitated the filing of more than a dozen fraudulent tax returns worth more than \$75,000 in tax refunds. The investigation ultimately determined that multiple co-conspirators were part of the stolen-identity tax-refund scheme, which involved submitting hundreds of fraudulent Form 1040s and diverting fraudulent refund checks from the mail stream.

In June 2017, the former PSE Mail Processing Clerk appeared before U.S. District Court and was sentenced to five years' probation. Restitution is pending. Two co-conspirators were sentenced to 61 months' imprisonment followed by three years' supervised release



in addition to being ordered to pay a total combined restitution of more than \$1.1 million. A third co-conspirator pleaded guilty and is awaiting sentencing.

- In October 2012, the OIG joined an ongoing joint federal investigation involving theft and fraudulent negotiation of U.S. Treasury checks destined for ZIP codes beginning with 337.

The investigation determined that in 2012, a mail handler in Florida stole more than 3,000 Social Security Administration (SSA) benefit checks totaling over \$3 million. The mail handler sold the checks to a network of individuals, who cashed them at various convenience stores and check-cashing businesses in Florida and elsewhere. Four accomplices were previously convicted of federal charges related to the theft scheme.

In April 2017, the mail handler appeared before a U.S. District Judge and was sentenced to nine years and one month in federal prison for theft of government property and mail theft. The court also entered a money judgment of just over \$2 million and ordered the mail handler to pay \$720,881 in restitution to SSA.

Financial Fraud

- After receiving an allegation that a postmaster was committing theft, the OIG initiated an investigation in December 2015 and determined the postmaster issued 65 no-fee

money orders, totaling almost \$31,000, for personal use. The postmaster admitted to embezzlement, claiming he did it because of financial hardships.

In July 2017, the former postmaster was sentenced in U.S. District Court to two years of probation for Misappropriation of Postal Funds, and was ordered to pay restitution for the full amount that he stole.

Health Care Claimant Fraud

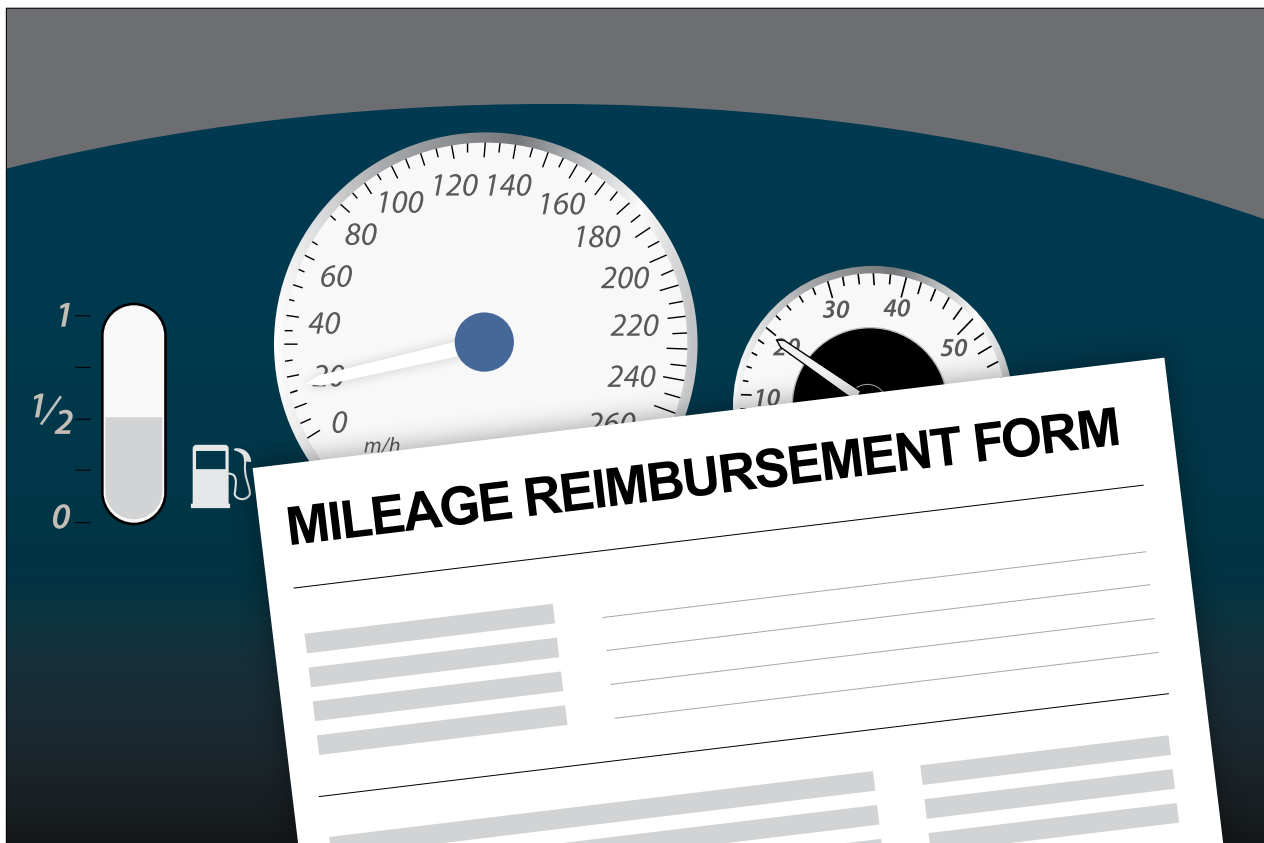
- In April 2016, the OIG opened an investigation after a letter carrier known for making a high number of reimbursement requests submitted a large volume of transportation reimbursements associated with his workers' compensation claim.

Investigators learned the letter carrier submitted dozens of mileage reimbursement forms that contained false and/or inaccurate information, such as claiming mileage on days he did not attend a health club. He also requested mileage reimbursement for travel to health clubs farther away than the one that he was actually attending.

In July 2017, the former letter carrier pleaded guilty to one count of False Statement to Obtain Federal Employees' Compensation. He was sentenced to three months' probation and ordered to pay \$24,906 in restitution

- The OIG opened an investigation in April 2014 into a former city carrier transitional employee who was allegedly providing false statements to the Department of Labor's Office of Workers' Compensation Program (DOL-OWCP) in order to receive undue compensation benefits.

The former employee reported a dog bite to the Postal Service in March 2012 and subsequently started receiving monthly workers' compensation payments. The



investigation revealed the former employee falsified DOL's Form EN-1032, which requires workers' compensation recipients to notify DOL of any self-owned business or outside employment. The investigation established the former employee was working at a local gym as a personal trainer while collecting workers' compensation.

In January 2017, the former employee pleaded guilty to one count of false statement or fraud to obtain federal employees compensation and agreed to pay \$41,395 in restitution to DOL-OWCP. In August 2017, the former employee was sentenced in U.S. District Court to serve 12 months in federal prison.

Health Care Provider Fraud

- In March 2011, the OIG learned that a Texas-based medical provider may have been fraudulently billing the Postal Service for therapy never provided to Postal employees. A joint investigation with the U.S. Army Criminal Investigation Command and the Department of Labor OIG revealed that, from January 2009 through December 2012, executives at the medical provider overcharged DOL's Office of Workers' Compensation Program for services it did not render to federal employees, in particular unionized postal workers in Austin and San Antonio as well as civilian Army employees in Corpus Christi. The medical provider routinely overcharged patients for examinations, falsely inflated the time patients spent in therapy, and billed OWCP for unnecessary services and supplies.

In June 2016, the medical provider's former chief executive officer was sentenced to 14 years in prison for one count of kickbacks and one count of money laundering and ordered to pay nearly \$18 million in restitution to OWCP. In June 2017, the Department of Justice and the medical provider reached a settlement in which the company agreed to pay \$3 million in restitution.

- The OIG learned in 2011 that a medical provider and a patient representative, both in Florida, were possibly engaged in a kickback scheme in addition to fraudulently billing for postal claimants who were receiving benefits from DOL-OWCP. The clinic was one of the largest providers of treatment for injured postal employees with multiple clinics in Florida, Virginia, and Puerto Rico.

This joint investigation with the DOL OIG determined that, from January 2011 through May 2015, the provider was paid more than \$12 million for services rendered to injured Postal employees that were either unnecessary or far in excess of what was medically necessary. In addition, the provider was engaged in a kickback scheme with a patient representative for the referral of injured federal employees to the provider. In 2015, the CEO of the clinic pleaded guilty to her part in

the scheme, and in March the following year, the owner of the clinic and the patient representative each pleaded guilty to paying or receiving kickbacks and to conspiracy to commit health care fraud. The daughter of the patient representative was also implicated in the kickback scheme, and, in April 2016, was sentenced to 36 months' probation and 200 hours of community service. (The patient representative died while in custody prior to sentencing).

In February 2017, the clinic owner was sentenced to 30 months' incarceration followed by 36 months of supervised release. The court also levied a forfeiture money judgement against the conspirators of \$2.1 million.

The CEO was sentenced to 36 months' probation, given a \$4,000 fine and a \$100 special assessment for obstructing a health care criminal investigation. As a result of their convictions, the clinic owner and



CEO were excluded by DOL from any future participation in the OWCP program.

The conspirators also engaged in a scheme to launder proceeds of their criminal activity

through front companies to purchase real estate. In October 2014, seizure warrants were issued for 30 bank accounts and properties as the proceeds of the health care fraud and money laundering conspiracy

and \$3 million was forfeited and returned to the Postal Service. The elimination of fraudulent activity by this provider will save the Postal Service \$24 million.

Contract Fraud

- Based on a parallel civil investigation with the United States Attorney's Office, the OIG initiated a criminal investigation into a Postal Service Highway Contract Route (HCR) supplier for defrauding USPS by using Voyager credit cards on indexed HCR routes, providing false statements to the Department of Transportation for drivers exceeding allowable hours of service, failing to comply with the Service Contract Act in violation of Department of Labor requirements, and providing false documentation to the Internal Revenue Service.

The OIG conducted interviews of former drivers and employees who substantiated the allegations. A search warrant was executed on the HCR supplier, yielding evidence that further substantiated the allegations.

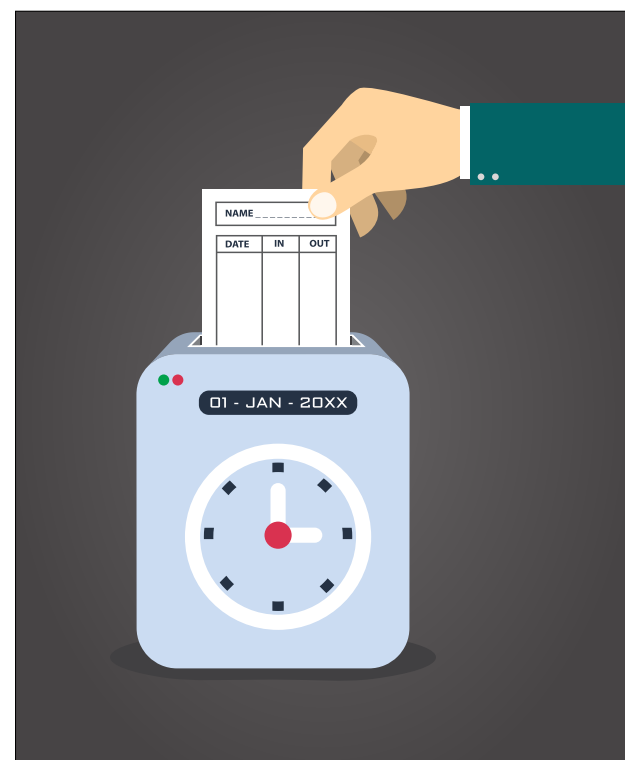
In March 2017, a federal grand jury indicted the HCR supplier and its owners with wire fraud, conspiracy, money laundering, and false statements. In May, the HCR supplier pleaded guilty to conspiracy to defraud the United States. The company agreed to pay a \$250,000 fine, a \$2 million forfeiture, and \$1 million in restitution.

- The OIG initiated an investigation based on a complaint received from a Postal Service Supply Management team leader, who alleged a contractor falsified timesheets under a technical services Time and Material (T&M) Commercial Product and Services portfolio contract. The investigation determined the contractor was not authorized to work from other locations without prior authorization. The OIG analysis of the contractor's complete access logs, timesheets, and invoices revealed the contractor's fraudulent timesheets netted over \$60,000 in Postal Service payments.

During an OIG interview, the contractor admitted to defrauding the Postal Service and estimated having actually worked only 50 percent of the time claimed on timesheets. As a result, the contractor was charged with seven counts of obtaining money belonging to the Postal Service by false pretenses.

In June 2017, the contractor was found guilty of two misdemeanor counts of obtaining money by false pretenses and was sentenced to 24 months of incarceration, with 24 months suspended. The contractor provided a

bank check in the amount of \$60,164 to be paid to the Postal Service as restitution for fraudulent payments.



Senior Executive Investigations

For the period April 1 — September 30, 2017

During the reporting period, one substantiated allegation, reported previously, resulted in criminal conviction and sentencing:

We investigated an allegation that a former Postal Service vice president made multiple false statements on his SF-86 background questionnaire and financial disclosure reports. The investigation was referred for prosecution. The former vice president was sentenced to two months of incarceration and one year of supervised release, and was also ordered to pay restitution of \$84,500.

**When someone does
the wrong thing...**

**do the right
thing.**

**Report Workers'
Compensation Fraud to the
Office of Inspector General**



888-USPS-OIG
888-877-7644
www.uspsog.gov



August 2014

Whistleblower Reprisal (WbR) Investigations

During the reporting period, there were no substantiated WbR allegations.



WHISTLEBLOWER REPRISAL ACTIVITY

For the period October 1, 2016 — September 30, 2017

Allegations Received: **238**



OIG Investigations Initiated: **4**



Investigations closed with No Action: **7**



Allegations Closed with No Action: **242**



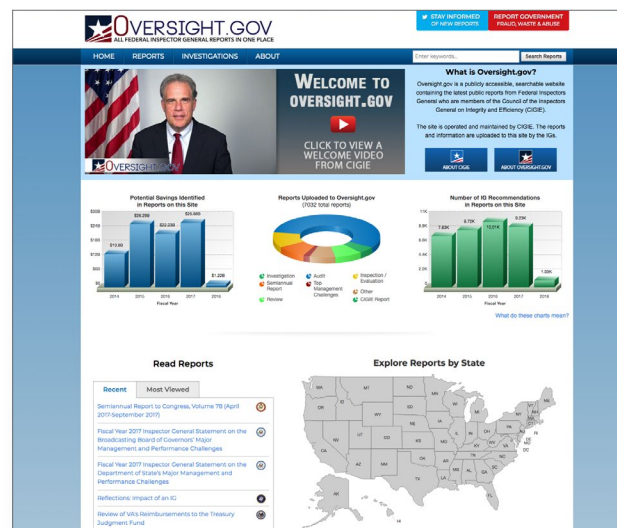
Open Investigations (As of Last Day): **0**



OIG Found Reprisal: **0**



Visit Oversight.gov to find reports from all Federal Inspectors General who are members of the Council of Inspectors General on Integrity and Efficiency (CIGIE).



POSTAL SERVICE MANAGEMENT CHALLENGES

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» Workplace Relations and Culture	23	» Cybersecurity	24
» Changing Customer Demands and New Competition.....	23	» IT Modernization and Capacity.....	24
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» Infrastructure Modernization.....	23		

The role of a federal Inspector General includes evaluating the challenges facing its specific agency. The Postal Service Office of Inspector General has therefore independently identified the following as the most critical challenges currently confronting USPS management:

Financial Challenges and Business Constraints

The Postal Service is experiencing significant financial challenges in a constrained business environment. USPS is expected to operate as a business but is constrained by the price cap, limits on the products and services it can offer, and the mandate to prefund retiree benefits. From fiscal years (FYs) 2013–2016, the Postal Service had net losses of \$21.1 billion and a preliminary \$2.7 billion loss in FY 2017.

The Postal Service has also reached its U.S. Treasury borrowing limit. Current law prevents the Postal Service from offering new products considered non-postal. This constrains USPS from diversifying into new areas to help sustain its network. The Postal Service is exploring new products and services that are possible under the law, but must go through a cumbersome approval process which is often met with resistance from competitors and various stakeholders.

The price cap, retirement funding requirements, and the expiration of the exigent price increase have exacerbated the situation. The Postal Regulatory Commission is currently conducting a review of the current system of regulating rates and classes of Market Dominant products. Their findings and, if necessary, preparatory rule-making information for any changes to the system are anticipated to be completed in December 2017.

Workplace Relations and Culture

The Postal Service has nearly 500,000 career employees, who are part of various unions and management associations. At times, relationships between labor and management can be tense. The various union contracts limit the ability of management to make efficient day-to-day operational decisions, and the Postal Service scored in the bottom 1 percentile on the Postal Pulse Survey, which is based on Gallup's survey of employee engagement.

Changing Customer Demands and New Competition

Mail volume continues to decline, due to digital alternatives and changing customer interests and habits. New competitors continue to emerge in many of the Postal Service's core markets such as advertising and parcels. To compete effectively, the Postal Service must speed the pace of innovation to keep up with market and customer demands. The Postal Service must become an increasingly agile and data-oriented organization, wherein data drives not only internal decision-making but also the customer experience and new business and marketing opportunities.

Inherent Tension between Business and Government

The Postal Service is an independent establishment of the executive branch of the federal government but is mandated to operate as a business; there is natural tension between these two requirements. The Postal Service has several oversight bodies and very active stakeholders, all of which often have competing priorities, affecting USPS's ability to efficiently and effectively implement changes to operate optimally in a fast-paced, competitive environment.

Infrastructure Modernization

The Postal Service has an extremely large mail processing, retail, and delivery network using more than 35,000 facilities and 200,000 vehicles. However, due to its financial condition, the Postal Service's capital investments have not kept pace to maintain and fully modernize this infrastructure. Recent and upcoming investments in newer delivery vehicles to modernize the delivery fleet will allow the Postal Service to better meet the increasing demands of the delivery market. These new vehicles will need to be flexible enough to accommodate advances in delivery technologies and changing market demands.

Service Performance

In reaction to declining mail volumes, the Postal Service has implemented several cost-cutting initiatives, such as network optimization and the use of part-time employees. However, critical operational challenges such as accurate data, staffing, and transportation, continue to impact its ability to meet its commitments to an ever expanding network (156 million delivery points in FY 2016, an increase of 1.1 million delivery points from FY 2015).

Cybersecurity

As a data rich organization, the Postal Service must continue to appropriately harness and secure its data, and also use it to manage organizational performance. Management has made significant investments in this area to align with best practices and modernize the enterprise information security policy; however, challenges remain. As new technologies are implemented, management must continue to design and implement safeguards to minimize risk to systems, assets, and data.

IT Modernization and Capacity

A modern information technology network with sufficient capacity is critical to the success of the Postal Service. Customers and businesses demand timely, relevant, and accurate information and data. The network must have the ability to meet these demands as well as the flexibility to continually adjust to the ever-changing business and regulatory environment.

Confronting Narcotics in the Mail

The Postal Service processes billions of packages each year for both domestic customers and international posts. This vast postal distribution infrastructure can be abused by drug traffickers to facilitate illegal distribution of narcotics. Some of these narcotics are very dangerous, and handling packages that contain those narcotics can pose a potential safety hazard for the employees. Additionally, facilitating the distribution of these drugs can ultimately contribute to the growing crisis in our country. Criminal investigations and data analytics are beginning to shine a light on this growing challenge.

APPENDICES

The Inspector General (IG) Act of 1978 requires semiannual reports on the immediately preceding six-month periods ending September 30 and March 31. These reports are sent to Congress and made available to the public.

This report summarizes OIG activities and illustrates significant problems, abuses, and deficiencies, along with recommendations and corrective actions related to the administration of U.S. Postal Service programs and operations during the reporting period.

The appendices on the following pages fulfill the requirements of the Act.

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APPENDIX A:

Reports Issued to Postal Service Management

OIG audit teams conduct performance and financial audits, evaluations, and other reviews to address the business of the Postal Service. Each team issues audit reports (AR), management advisory (MA) reports, or management alert (MA) reports in accordance with the identified needs of the project.

Definitions

Questioned Costs. A cost that is unnecessary, unreasonable, unsupported, or an alleged violation of law, regulation, contract, and so forth.

Unsupported Costs. A cost that is not supported by adequate documentation. Unsupported costs are included with the amounts shown as Questioned Costs.

Funds Put to Better Use. Funds that could be used more efficiently by implementing recommended actions.

Revenue Impact. Amounts from revenue-generating functions such as retail sales, rent, leases, or fees that were underpaid or not realized. In addition, this category includes increased revenue from existing functions and generating revenue from new sources.

PARIS Risk Models. Performance and Results Information System (PARIS) models with data visualization techniques. These models identify operational and financial risks, and enable OA staff to conduct reviews of Postal Service functions on a nationwide basis, while also identifying areas of emerging risk — fundamentally challenging the way the OIG examines and monitors risk. We present quarterly summary results and trend analyses of these risk models to key Postal Service executives and stakeholders.

Summary

For the period: April 1 — September 30, 2017

Risk Categories	Number of Reports	Funds Put To Better Use	Questioned Costs	Unsupported Questioned Costs	Revenue Impact
Finance, Pricing and Investments	28	\$6,030,300,000	\$13,903,678	\$13,903,678	\$42,710
Retail Delivery and Marketing	14	\$313,729,388	\$105,571,916	\$80,579,618	\$426,042,447
Supply Management and Human Resources	17	\$16,468,176	\$841,144,977	\$532,652,262	—
Technology	7	—	\$22,491,323	\$22,491,323	—
Mission Operations	13	\$294,189,747	\$168,028,368	\$10,445,321	—
SUB-TOTAL	79	\$6,654,687,311	\$1,151,140,262	\$660,072,202	\$426,085,157
PARIS Risk Model Reports	26	—	—	—	—
TOTAL	105	\$6,654,687,311	\$1,151,140,262	\$660,072,202	\$426,085,157

Fiscal Year 2017 Summary

For the Period October 1, 2016 — September 30, 2017

Risk Categories	Number of Reports	Funds Put to Better Use	Questioned Costs	Unsupported Question Costs	Revenue Impact
Issued Reports	138	\$7,762,397,360	\$1,533,250,767	\$1,002,781,002	\$426,085,157
PARIS Risk Model Reports	52	—	—	—	—
TOTAL	190	\$7,762,397,360	\$1,533,250,767	\$1,002,781,002	\$426,085,157

Appendix A:

Reports with Quantifiable Potential Monetary Benefits

Complete listing of all OIG reports issued to Postal Service management. For the Period: April 1 — September 30, 2017

	Funds Put to Better Use	Questioned Costs	Unsupported Questioned Costs	Revenue Impact
Finance Pricing and Investments				
Cost, Pricing and Investments				
Mobile Delivery Device Program; CP-AR-17-008; 4/28/2017	—	\$13,665,600	\$13,665,600	—
Finance				
Internal Controls Over No-Fee Money Order Refunds for Miscellaneous Non-Postal Revenue — Yale Station, New Haven, CT; FT-FM-17-024; 7/11/2017	—	\$36,865	\$36,865	—
Internal Controls Over Refunds — Eufaula, OK, Post Office; FT-FM-17-020; 5/22/2017	—	\$23,756	\$23,756	—
Internal Controls Over Segmented Inventory — El Cerrito, CA, Main Post Office; FT-FM-17-022; 6/20/2017	—	\$2,860	\$2,860	—
Internal Controls Over Segmented Inventory — Mount Greenwood Station, Chicago, IL; FT-FM-17-016; 4/7/2017	—	\$3,042	\$3,042	\$42,710
No-Fee Money Order Refunds for Business Reply Mail — Washington, DC, Main Office Window; FT-FM-17-017; 5/4/2017	—	\$171,555	\$171,555	—
Update for Measuring Pension and Retiree Health Benefits Liabilities; FT-AR-17-007; 5/2/2017	\$6,030,300,000	—	—	—
Retail, Delivery and Marketing				
Delivery				
Automated Vehicle Utilization System — Southern Area; DR-AR-17-006; 5/25/2017	\$50,277,866	\$50,277,865	\$50,277,865	—
City Carriers Returning After Six PM — Bay Valley District; DR-AR-17-007; 8/30/2017	\$61,758,389	\$30,301,753	\$30,301,753	—
Retail, Marketing and International				
Function 4 Efficiency in the Greater Boston District; MS-AR-17-005; 4/3/2017	—	\$16,826,959	—	—
Retail and Customer Service Operations in the Philadelphia Metropolitan District; MS-AR-17-010; 9/25/2017	—	\$8,165,339	—	—
Shortpaid PC Postage Parcels; MS-AR-17-007; 5/9/2017	\$201,693,133	—	—	\$426,042,447
Supply Management and Human Resources				
Human Resources and Support				
Carrier Leave Without Pay for Union Activities; HR-AR-17-008; 7/5/2017	—	\$90,682	—	—
Management of Overtime in the Northeast Area; HR-AR-17-014; 9/14/2017	—	\$308,402,033	—	—
Unscheduled Leave in Los Angeles District; HR-AR-17-009; 8/16/2017	\$4,990,291	—	—	—
Unscheduled Leave in the Baltimore District; HR-AR-17-012; 8/24/2017	\$1,546,874	—	—	—
Unscheduled Leave in the New York District; HR-AR-17-007; 6/26/2017	\$7,067,326	—	—	—

Appendix A:

Reports with Quantifiable Potential Monetary Benefits

	Funds Put to Better Use	Questioned Costs	Unsupported Questioned Costs	Revenue Impact
Unscheduled Leave in the Triboro District; HR-AR-17-011; 8/17/2017	\$2,863,685	—	—	—
Supply Management and Facilities				
Appointment of Contracting Officers' Representatives; SM-AR-17-006; 8/7/2017	—	\$361,759,002	\$361,759,002	—
Oversight of Contracting Officer Authority; SM-AR-17-008; 9/6/2017	—	\$20,305,340	\$20,305,340	—
U.S. Postal Service Contract Labor Substitution; SM-AR-17-005; 5/30/2017	—	\$150,587,920	\$150,587,920	—
Technology				
Information Technology				
Software License Management; IT-AR-17-008; 9/25/2017	—	\$22,491,323	\$22,491,323	—
Mission Operations				
Network Processing				
Field Material Handling Projects; NO-AR-17-012; 8/23/2017	\$3,465,762	\$30,910,723	--	--
High Throughput Package Sorter at the Denver, CO, Processing and Distribution Center; NO-AR-17-009; 5/11/2017	\$1,576,657	\$1,576,657	--	--
Mail Processing Variance Model; NO-AR-17-010; 6/19/2017	\$119,641,963	\$119,641,963	--	--
Timeliness of Mail Processing at the Santa Clarita, CA, Processing and Distribution Center; NO-AR-17-007; 4/6/2017	--	\$1,068,999	--	--
Transportation				
Consolidation of Mail for Dallas and New Jersey Network Distribution Centers; NL-AR-17-007; 5/15/2017	\$6,451,615	\$3,985,677	--	--
Fuel Consumption and Cost Risk Mitigation; NL-AR-17-004; 4/24/2017	\$162,654,722	--	--	--
Global Positioning System Trailer Visibility; NL-AR-17-008; 6/26/2017	--	\$2,487,581	\$2,487,581	--
Highway Contract Route Fuel Price Index Program — Eastern Transportation Category Management Team; NL-AR-17-005; 5/2/2017	--	\$7,943,096	\$7,943,096	--
Highway Contract Route Irregularity Reporting — Jacksonville Network Distribution Center; NL-AR-17-010; 9/7/2017	\$399,028	\$399,028	--	--
Kaizen Event Review: FY 2016 Atlanta P&DC Surface Visibility Scanning; NL-AR-17-003; 4/17/2017	--	\$14,644	\$14,644	--
Total	\$6,654,687,311	\$1,151,140,262	\$660,072,202	\$426,085,157

Appendix A:

Report Listing

Complete listing of all OIG reports issued to Postal Service management. For the Period: April 1 — September 30, 2017

Finance Pricing and Investments

Cost, Pricing and Investments

Mobile Delivery Device Program; CP-AR-17-008; 4/28/2017

Transportation Cost System — Air; CP-AR-17-009; 8/29/2017

Finance

Fiscal Year 2017 OPM Agreed Upon Procedures, Withholding Contributions; FT-AR-17-011; 9/12/2017

Compensation, Benefit, and Bonus Authority in Calendar Year 2016; FT-AR-17-009; 8/8/2017

Fiscal Year 2017 Review of Form 10-Q Quarter 2; FT-FQ-17-003; 5/8/2017

Fiscal Year 2017 Review of Form 10-Q Quarter 3; FT-FQ-17-004; 8/4/2017

Internal Controls Over Money Orders — Kendall Green Station Contract Postal Unit, Washington, DC; FT-FM-17-018; 5/8/2017

Internal Controls Over No-Fee Money Order Refunds for Miscellaneous Non-Postal Revenue — Yale Station, New Haven, CT; FT-FM-17-024; 7/11/2017

Internal Controls Over Post Office Postage Meter Use — Canton Center, CT, Post Office; FT-FM-17-027; 9/6/2017

Internal Controls Over Post Office Postage Meter Use — Unadilla, NE, Post Office; FT-FM-17-023; 6/23/2017

Internal Controls Over Refunds — Eufaula, OK, Post Office; FT-FM-17-020; 5/22/2017

Internal Controls Over Retail Floor Stock — Potsdam, NY, Main Office; FT-FM-17-021; 6/2/2017

Internal Controls Over Segmented Inventory — El Cerrito, CA, Main Post Office; FT-FM-17-022; 6/20/2017

Internal Controls Over Segmented Inventory — Mount Greenwood Station, Chicago, IL; FT-FM-17-016; 4/6/2017

Internal Controls Over Single Drawer Accountability — Bivalve, MD, Post Office; FT-FM-17-019; 5/19/2017

Internal Controls Over Stamp Stock Shipments — Central Square Post Office, Cambridge, MA; FT-FM-17-032; 9/25/2017

Internal Controls Over Stamp Stock Shipments — Fremont, CA, Post Office; FT-FM-17-030; 9/21/2017

Internal Controls Over Stamp Stock Shipments — James Crews Station, Kansas City, MO; FT-FM-17-034; 9/29/2017

Internal Controls Over Stamp Stock Shipments — Rosemeade Station, Carrollton, TX; FT-FM-17-025; 8/28/2017

Internal Controls Over Stamp Stock Shipments — William Penn Annex, Philadelphia, PA; FT-FM-17-031; 9/22/2017

Internal Controls Over Stamp Stock Shipments — Woodbury, MN, Post Office; FT-FM-17-026; 8/29/2017

Internal Controls Over Stamp Stock Shipments — Bensalem Post Office, PA; FT-FM-17-029; 9/19/2017

Internal Controls Over Stamp Stock Shipments — Anderson, IN, Post Office; FT-FM-17-033; 9/27/2017

Internal Controls Over Stamp Stock Shipments — Genito Station, Midlothian, VA; FT-FM-17-028; 9/8/2017

No-Fee Money Order Refunds for Business Reply Mail — Washington, DC, Main Office Window; FT-FM-17-017; 5/4/2017

Postal Service Retiree Funds Investment Strategies; FT-WP-17-001; 9/20/2017

Registered Mail; FT-AR-17-008; 7/14/2017

Update for Measuring Pension and Retiree Health Benefits Liabilities; FT-AR-17-007; 5/2/2017

Retail, Delivery and Marketing

Delivery

Automated Vehicle Utilization System — Southern Area; DR-AR-17-006; 5/25/2017

City Carriers Returning After Six PM — Bay Valley District; DR-AR-17-007; 8/30/2017

Delivery and Customer Service Operations — Bronx, New York; DR-AR-17-004; 4/20/2017

Mail Collection Box Management Process — Capital Metro Area; DR-AR-17-005; 5/9/2017

Mail Collection Box — Management of Service Status; DR-AR-17-009; 9/8/2017

Response to Extreme Weather Events — Southern Area; DR-AR-17-003; 4/3/2017

Supervisory Span of Control — Southern Area; DR-AR-17-008; 9/7/2017

Marketing Initiatives

Assessing Marketers' Barriers to Direct Mail; MS-MA-17-001; 7/5/2017

Retail, Marketing and International

Delayed Inbound International Mail; MS-AR-17-009; 9/7/2017

Function 4 Efficiency in the Greater Boston District; MS-AR-17-005; 4/3/2017

Prohibited Inbound International Mailings; MS-AR-17-008; 7/18/2017

Appendix A:

Report Listing

Retail and Customer Service Operations in the Philadelphia Metropolitan District; MS-AR-17-010; 9/25/2017

Shortpaid PC Postage Parcels; MS-AR-17-007; 5/9/2017

Social Media Customer Inquiries; MS-AR-17-006; 5/8/2017

Supply Management and HR

Human Resources and Support

Assessing Postal Service Employee Engagement Activities; HR-AR-17-013; 9/21/2017

Carrier Leave without Pay for Union Activities; HR-AR-17-008; 7/5/2017

Fiscal Year 2015 Pay for Performance Program; HR-AR-17-010; 7/31/2017

Management of Overtime in the Northeast Area; HR-AR-17-014; 9/14/2017

Postal Inspection Consumer Fraud; HR-AR-17-006; 5/4/2017

Unscheduled Leave in Los Angeles District; HR-AR-17-009; 8/16/2017

Unscheduled Leave in the Baltimore District; HR-AR-17-012; 8/24/2017

Unscheduled Leave in the New York District; HR-AR-17-007; 6/26/2017

Unscheduled Leave in the Triboro District; HR-AR-17-011; 8/17/2017

Supply Management and Facilities

Appointment of Contracting Officers' Representatives; SM-AR-17-006; 8/7/2017

Facility Condition Reviews — Eastern Area; SM-AR-17-004; 5/10/2017

Facility Condition Reviews — Pacific Area; SM-AR-17-007; 9/6/2017

Facility Condition Reviews — Southern Area; SM-AR-17-003; 4/28/2017

Facility Condition Reviews — Western Area; SM-AR-17-009; 9/8/2017

Oversight of Contracting Officer Authority; SM-AR-17-008; 9/6/2017

Stakeholder Inquiries Related to Facility Conditions; SM-WP-17-001; 4/1/2017

U.S. Postal Service Contract Labor Substitution; SM-AR-17-005; 5/30/2017

Technology

Information Technology

Application Programming Interface Strategy; IT-AR-17-006; 9/7/2017

Insider Threat Program; IT-AR-17-007; 9/18/2017

Mobile System Review; IT-AR-17-009; 9/21/2017

Pacific Area P&DC Physical and Environmental Security Controls; IT-AR-17-005; 5/3/2017

Privileged Account Management; IT-AR-17-003; 4/5/2017

Software License Management; IT-AR-17-008; 9/25/2017

System Vulnerability Assessment; IT-AR-17-004; 4/7/2017

Mission Operations

Network Processing

Delayed Mail Validation; NO-AR-17-011; 8/10/2017

Field Material Handling Projects; NO-AR-17-012; 8/23/2017

High Throughput Package Sorter at the Denver, CO, Processing and Distribution Center; NO-AR-17-009; 5/11/2017

Mail Processing Variance Model; NO-AR-17-010; 6/19/2017

Timeliness of Mail Processing at the Santa Clarita, CA, Processing and Distribution Center; NO-AR-17-007; 4/6/2017

Undeliverable Bulk Business Mail at the Margaret L. Sellers Processing and Distribution Center; NO-AR-17-008; 5/1/2017

Transportation

Consolidation of Mail for Dallas and New Jersey Network Distribution Centers; NL-AR-17-007; 5/15/2017

Fuel Consumption and Cost Risk Mitigation; NL-AR-17-004; 4/24/2017

Global Positioning System Trailer Visibility; NL-AR-17-008; 6/26/2017

Highway Contract Route Fuel Price Index Program — Eastern Transportation Category Management Team; NL-AR-17-005; 5/2/2017

Highway Contract Route Irregularity Reporting — Jacksonville Network Distribution Center; NL-AR-17-010; 9/7/2017

Kaizen Event Review: FY 2016 Atlanta P&DC Surface Visibility Scanning; NL-AR-17-003; 4/17/2017

Surface Visibility Scanning — Western Area; NL-AR-17-009; 9/5/2017

Appendix A:

PARIS Risk Models

Complete listing of all OIG PARIS Risk Models issued to Postal Service management. For the Period: April 1 — September 30, 2017

Cost, Pricing and Investments

Fiscal Year 2017 Cost and Pricing Risk Model Quarter 2;
CP-PM-17-006; 5/17/2017

Fiscal Year 2017 Major Investments Risk Model Quarter 2;
CP-PM-17-005; 5/15/2017

Fiscal Year 2017 Cost and Pricing Risk Model Quarter 3;
CP-PM-17-007; 8/11/2017

Fiscal Year 2017 Major Investments Risk Model Quarter 3;
CP-PM-17-008; 8/8/2017

Delivery

Fiscal Year 2017 City Delivery Efficiency Risk Model Quarter 2;
DR-PM-17-005; 5/31/2017

Fiscal Year 2017 City Delivery Efficiency Risk Model Quarter 3;
DR-PM-17-007; 8/9/2017

Fiscal Year 2017 Vehicle Maintenance Efficiency Model Quarter 2;
DR-PM-17-006; 5/31/2017

Fiscal Year 2017 Vehicle Maintenance Efficiency Risk Model
Quarter 3; DR-PM-17-008; 8/11/2017

Finance

Fiscal Year 2017 Field Financial Risk Model Quarter 2;
FT-PM-17-003; 7/5/2017

Fiscal Year 2017 Field Financial Risk Model Quarter 3;
FT-PM-17-004; 9/11/2017

Human Resources and Support

Fiscal Year 2017 Human Resources Risk Model Quarter 2;
HR-PM-17-005; 5/31/2017

Fiscal Year 2017 Security Risk Model Quarter 2;
HR-PM-17-006; 6/13/2017

Fiscal Year 2017 Human Resources Risk Model Quarter 3;
HR-PM-17-008; 8/30/2017

Fiscal Year 2017 Security Risk Model, Quarter 3;
HR-PM-17-007; 8/18/2017

Information Technology

Fiscal Year 2017 Information Technology Security Risk Model
Quarter 2; IT-PM-17-003; 5/25/2017

Fiscal Year 2017 Information Technology Security Risk Model
Quarter 3; IT-PM-17-004; 8/31/2017

Network Processing

Fiscal Year 2017 Network Processing Risk Model Quarter 2;
NO-PM-17-003; 5/9/2017

Fiscal Year 2017 Network Processing Risk Model Quarter 3;
NO-PM-17-004; 8/8/2017

Retail, Marketing and International

Fiscal Year 2017 Retail Customer Service Risk Model Quarter 2;
MS-PM-17-006; 6/7/2017

Fiscal Year 2017 Revenue Generation and Assurance Risk Model
Quarter 2; MS-PM-17-005; 6/2/2017

Fiscal Year 2017 Retail Customer Service Risk Model Quarter 3;
MS-PM-17-007; 8/9/2017

Fiscal Year 2017 Revenue Generation and Assurance Risk Model
Quarter 3; MS-PM-17-008; 8/28/2017

Supply Management and Facilities

Fiscal Year 2017 Facilities Risk Model Quarter 2;
SM-PM-17-004; 6/16/2017

Fiscal Year 2017 Facilities Risk Model Quarter 3;
SM-PM-17-005; 9/18/2017

Transportation

Fiscal Year 2017 Transportation Risk Model Quarter 2;
NL-PM-17-003; 5/15/2017

Fiscal Year 2017 Transportation Risk Model Quarter 3;
NL-PM-17-004; 8/16/2017

APPENDIX B:

Findings of Questioned Costs

For the Period: April 1 — September 30, 2017

As required by the IG Act, the following pages show the total number of audit reports and the total dollar value of questioned costs in audit reports.

Questioned Cost: A cost that is unnecessary, unreasonable, unsupported, or an alleged violation of law, regulation, or contract.

Description	Number of Reports	Questioned Costs	Unsupported Costs Included in Questioned Costs
Reports for which no management decision was made at the beginning of the reporting period	—	—	—
Reports requiring management decision that were issued during the reporting period	25	\$1,151,140,262	\$660,072,202
Totals	25	\$1,151,140,262	\$660,072,202
Reports for which a management decision was made during the reporting period (i+ii)	25	\$1,151,140,262	\$660,072,202
(i) Dollar Value of disallowed cost	6	\$421,401,946	\$420,332,947
(ii) Dollar value of cost not disallowed	19	\$729,738,316	\$239,739,255
Reports for which no management decision was made by the end of the reporting period. Negotiations are ongoing.	—	—	—
Reports for which no management decision was made within six months of issuance	—	—	—
Reports for which no management decision was made within one year of issuance	—	—	—

Note 1 — Reports for which no management decision was made within 6 months of issuance:

None this report period.

Note 2 — Reports for which no management decision was made within 1 year of issuance:

None this report period.

Note 3 — Contract Reports with Significant Audit Finding:

None this report period.

APPENDIX C:

Recommendations That Funds Be Put to Better Use

For the Period: April 1 — September 30, 2017

As required by the IG Act, the following page shows the total number of audit reports and the total dollar value of recommendations for funds that can be put to better use by management.

Funds Put to Better Use: Funds that could be used more efficiently by implementing recommended actions.

Description	Number of Reports	Dollar Value
Reports for which no management decision was made at the beginning of the reporting period	—	—
Reports issued during the reporting period	14	\$6,654,687,311
Totals	14	\$6,654,687,311
Reports for which a management decision was made during the report period	14	\$6,654,687,311 ¹
(i) Value of recommendations agreed to by management	1	\$179,500,000
(ii) Value of recommendations that were not agreed to by management	14	\$6,475,873,311
Reports for which no management decision was made by the end of the reporting period.	—	—
Reports for which no management decision was made within six months of issuance ²	—	—
Reports for which no management decision was made within one year of issuance ³	—	—

¹ To obtain \$6,030,300,000 may require additional action by external parties.

² None for this report period.

³ None for this report period.

APPENDIX D:

Other Impacts

For the period April 1, 2017 — September 30, 2017

Overview

Many of our audit reports identify areas for improvements that result in non-monetary benefits to the Postal Service. These benefits include improvements to service, protection of assets, and improvements in data reliability.

Description and Reports	Number of Recommendations
Improved Services¹	
Delivery and Customer Service Operations — Bronx, New York, DR-AR-17-004, 4/20/2017	2
Registered Mail, FT-AR-17-008, 7/14/2017	4
Social Media Customer Inquiries, MS-AR-17-006, 5/8/2017	2
Timeliness of Mail Processing at the Santa Clarita, CA, Processing and Distribution Center, NO-AR-17-007, 4/6/2017	3
Undeliverable Bulk Business Mail at the Margaret L. Sellers Processing and Distribution Center, NO-AR-17-008, 5/1/2017	2
Delayed Mail Validation, NO-AR-17-011, 8/10/2017	3
Facility Condition Reviews — Southern Area, SM-AR-17-003, 4/28/2017	2
Facility Condition Reviews — Eastern Area, SM-AR-17-004, 5/10/2017	6
City Carriers Returning After 6 PM — Bay Valley District, DR-AR-17-007, 8/30/2017	4
Mail Collection Box — Management of Service Status, DR-AR-17-009, 9/8/2017	3
Application Programming Interface Strategy, IT-AR-17-006, 9/7/2017	2
Delayed Inbound International Mail, MS-AR-17-009, 9/7/2017	2
Surface Visibility Scanning — Western Area, NL-AR-17-009, 9/5/2017	3
Highway Contract Route Irregularity Reporting — Jacksonville Network Distribution Center, NL-AR-17-010, 9/7/2017	3
Facility Condition Reviews — Pacific Area, SM-AR-17-007, 9/6/2017	2
Facility Condition Reviews — Western Area, SM-AR-17-009, 9/8/2017	2
Assets or Accountable Items at Risks²	
Internal Controls Over Money Orders — Kendall Green Station Contract Postal Unit, Washington, DC, FT-FM-17-018, 5/8/2017	1
Internal Controls Over Single Drawer Accountability — Bivalve, MD, Post Office, FT-FM-17-019, 5/19/2017	1
Internal Controls Over Segmented Inventory — El Cerrito, CA, Main Post Office, FT-FM-17-022, 6/20/2017	1

¹ Recommendations that address initiatives aimed at expanding and improving the quality of and access to products and services.

² Recommendations that address assets or accountable items (for example, cash, stamps, and money orders) that are at risk of loss because of inadequate internal controls.

Appendix D:

Other Impacts

Description and Reports	Number of Recommendations
Pacific Area P&DC Physical and Environmental Security Controls, IT-AR-17-005, 5/3/2017	1
City Carriers Returning After 6 PM — Bay Valley District, DR-AR-17-007, 8/30/2017	1
Revenue at Risk³	
Kaizen Event Review: FY 2016 Atlanta P&DC Surface Visibility Scanning, NL-AR-17-003, 4/17/2017	1
Timeliness of Mail Processing at the Santa Clarita, CA, Processing and Distribution Center, NO-AR-17-007, 4/6/2017	1
Undeliverable Bulk Business Mail at the Margaret L. Sellers Processing and Distribution Center, NO-AR-17-008, 5/1/2017	1
Delayed Mail Validation, NO-AR-17-011, 8/10/2017	1
Surface Visibility Scanning — Western Area, NL-AR-17-009, 9/5/2017	2
Disbursements at Risk⁴	
Global Positioning System Trailer Visibility, NL-AR-17-008, 6/26/2017	1
Highway Contract Route Irregularity Reporting — Jacksonville Network Distribution Center, NL-AR-17-010, 9/7/2017	1
Physical Safety and Security⁵	
Pacific Area P&DC Physical and Environmental Security Controls, IT-AR-17-005, 5/3/2017	2
Prohibited Inbound International Mailings, MS-AR-17-008, 7/18/2017	1
Facility Condition Reviews — Southern Area, SM-AR-17-003, 4/28/2017	3
Facility Condition Reviews — Eastern Area, SM-AR-17-004, 5/10/2017	4
Delayed Inbound International Mail, MS-AR-17-009, 9/7/2017	2
Facility Condition Reviews — Pacific Area, SM-AR-17-007, 9/6/2017	4
Facility Condition Reviews — Western Area, SM-AR-17-009, 9/8/2017	4
Information Technology Security⁶	
Privileged Account Management, IT-AR-17-003, 4/5/2017	1
System Vulnerability Assessment, IT-AR-17-004, 4/7/2017	5
Pacific Area P&DC Physical and Environmental Security Controls, IT-AR-17-005, 5/3/2017	2
Insider Threat Program, IT-AR-17-007, 9/18/2017	3
Mobile System Review, IT-AR-17-009, 9/21/2017	5

³ Recommendations that address revenue the Postal Service is at risk of losing (for example, a mailer seeks alternative solutions for services currently provided by the Postal Service).

⁴ Recommendations that address disbursements made where proper Postal Service internal controls and processes were not followed.

⁵ Recommendations that address the safety and security of Postal Service employees and/or the work environment.

⁶ Recommendations that address inadequate controls/protection of data and IT assets (software, networks).

Appendix D:

Other Impacts

Description and Reports	Number of Recommendations
Predicted Savings Shortfall⁷	
Mobile Delivery Device Program, CP-AR-17-008, 4/28/2017	1
Global Positioning System Trailer Visibility, NL-AR-17-008, 6/26/2017	1
Misallocation Of Costs	
Transportation Cost System – Air, CP-AR-17-009, 8/29/2017	1
Data Integrity⁸	
Compensation, Benefit, and Bonus Authority in Calendar Year 2016, FT-AR-17-009, 8/8/2017	1
Internal Controls Over Stamp Stock Shipments — Rosemeade Station, Carrollton, TX, FT-FM-17-025, 8/28/2017	1
Management did not agree with the impact recommendations in the following reports:	
Improved Services: Report Numbers DR-AR-17-009, MS-AR-17-006, MS-AR-17-009, NL-AR-17-009, NL-AR-17-010, and NO-AR-17-011	
Revenue at Risk: Report Number NO-AR-17-011	
Disbursements at Risk: Report Numbers NL-AR-17-008 and NL-AR-17-010	
Information Technology Security: Report IT-AR-17-009	
Predicted Savings Shortfall: Report Numbers CP-AR-17-008 and NL-AR-17-008	
Physical Safety and Security: Report Number MS-AR-17-009	

⁷ Recommendations that address difference between the savings predicted by the Postal Service for a project and the actual savings realized, or the OIG estimate of savings which will be realized.

⁸ Recommendations that address the consistency, accuracy, and completeness of data used by the Postal Service.

APPENDIX E:

Reports with Recommendations Pending Corrective Actions

For the period April 1 — September 30, 2017

As required by the IG Act, the following pages include a list of each audit report for which no management decision has been made by the end of the reporting period.

Report Title, Recommendation Summary			
Report Number	Issue Date	Monetary Impact	R = Recommendation number TID = Target Implementation Date
Management of Mail Transport Equipment – National Analysis			
NL-AR-10-009	09/29/2010	\$29,058,088	R-1 — Further develop, update and reinforce national mail transport equipment policies and procedures contained in the Postal Operations Manual and the Postal Handbook PO-502, Container Methods, which address mail transport equipment inventory and accountability controls, including validating customer mail transport equipment needs as well as tracking and reconciling mail transport equipment loaned to mailers and other external customers. TID: September 2017
Security of File Transfer Protocol Transmissions			
IT-AR-12-009	09/12/2012		R-4 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: September 2017
			R-5 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: September 2017
			R-6 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: September 2017
First-Class Mail on Air Transportation — Assignment by Weight			
NL-AR-12-010	09/28/2012		R-1 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: December 2020
Supervisor Workhours and Span of Control			
NO-MA-13-005	04/04/2013	\$11,955,046	R-2 — Fill vacant supervisor positions up to the appropriate span of control level and reduce supervisor replacement workhours accordingly. TID: January 2018
U.S. Postal Service Data Governance			
DP-AR-13-004	04/23/2013		R-1 — Direct the vice president, Information Technology, to implement a formal, enterprise-wide data governance program. TID: July 2018
Revenue Generation Patents			
HR-MA-13-004	09/26/2013	\$183,382,092	R-1 — Work closely with subject matter experts to review patents with revenue generation potential and draft claims as appropriate. TID: December 2014
Missing Leased Trailers in the Northeast Area			
NO-MA-14-004	08/25/2014		R-2 — Develop a process to identify trailers that are not being used and ensure unused trailers are promptly returned to suppliers to avoid unnecessary lease expenses. TID: March 2018
			R-5 — Ensure all leased trailers are equipped with satellite-tracking devices and issue policy and provide training on the features and functionality of the satellite-tracking system for leased trailers, including functionality of the related web-based management system to help track and manage leased trailers. TID: March 2018
Consolidation of the Toledo, OH, Processing & Distribution Center			
NO-AR-14-009	08/28/2014		R-1 — Re-evaluate cost savings to include additional transportation costs and update data as necessary and adjust the Area Mail Processing proposal based on the post-implementation review. TID: January 2018

Appendix E:

Reports with Recommendations Pending Corrective Actions

Report Title, Recommendation Summary			
Report Number	Issue Date	Monetary Impact	R = Recommendation number
			TID = Target Implementation Date
Management of Cloud Computing Contracts and Environment			
IT-AR-14-009	09/04/2014		R-8 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: December 2017
Contract Postal Units			
DR-AR-15-001	11/13/2014	\$1,082,720	R-1 — Conduct annual evaluations of contract postal units to ensure they are cost effective. TID: January 2018
		\$1,241,683	R-2 — Convert firm-fixed-price contracts for contract postal units, where cost effective, to performance-based contracts to optimize revenue performance. TID: January 2018
Security Clearances for Postal Service Contract Drivers			
HR-AR-15-001	11/20/2014		R-1 — Establish formal procedures to track and monitor contract driver security clearances to ensure drivers have the appropriate clearance and are re-screened, as required. This should include a process to notify appropriate management officials when security clearances have not been renewed. TID: August 2018
			R-2 — Establish a formal centralized system that allows for the tracking and monitoring of contract driver security clearances. TID: August 2018
			R-3 — Establish mandatory and refresher training requirements for Postal Service officials responsible for security clearances to ensure they are aware of their roles and responsibilities regarding the security clearance process. TID: August 2018
			R-4 — Establish a formal oversight process for contracting officers to validate contract drivers have security clearances when renewing contracts. TID: August 2018
Badges for Postal Service Contractors			
HR-AR-15-004	03/06/2015		R-1 — Revise national policy to ensure responsible personnel develop comprehensive and uniform standard operating procedures to manage contractor badges, including procedures for issuing, tracking, and monitoring badges. TID: August 2018
			R-2 — Provide formal training including periodic refresher training to responsible personnel to ensure they understand their roles and responsibilities for managing contractor badges. TID: August 2018
			R-3 — Establish an oversight process to strengthen controls and accountability of the contractor badge program to ensure it is effectively managed. TID: August 2018
Strategies for Reducing Undeliverable as Addressed Mail			
MS-MA-15-006	05/01/2015		R-1 — Work with mailers to leverage new technologies to promote compliance with address standards and more accurately attribute actual undeliverable as addressed mail costs. TID: September 2017
Internal Controls and Transportation Associated with the Dallas, TX, Mail Transport Equipment Service Center			
NO-AR-15-005	05/22/2015		R-5 — Establish a policy and procedures for securing and handling mail mistakenly sent to mailers’ facilities. TID: October 2017
City Delivery Office Efficiency — Greater Boston District			
DR-AR-15-007	05/28/2015	\$24,698,590	R-1 — Eliminate 265,462 workhours at delivery units. TID: March 2018
Area Mail Processing Consolidations			
NO-AR-15-007	06/05/2015		R-1 — Include guidelines for determining a timeframe for implementing an area mail processing consolidation once a feasibility study is approved. TID: June 2018
			R-2 — Define “substantive change” with respect to changes that warrant revisions to area mail processing feasibility studies and specify timeframes for evaluating a feasibility study to determine whether substantive change(s) occurred. TID: June 2018

Appendix E:

Reports with Recommendations Pending Corrective Actions

			Report Title, Recommendation Summary
			R = Recommendation number
Report Number	Issue Date	Monetary Impact	TID = Target Implementation Date
Software Inventory Management — Greater Boston District			
IT-AR-15-007	07/13/2015		R-1 — Update policies to provide specific roles and responsibilities for managing the software inventory process, and provide instructions for detecting and removing unauthorized software to all districts. TID: December 2017
			R-5 — Remove unauthorized software identified on the Greater Boston District network. TID: December 2017
Management of Unauthorized Software			
IT-MA-15-003	07/14/2015		R-1 — Assign responsibility for identifying and reviewing unauthorized software products on the network and if applicable remove these products or add them to the approved software listing. TID: December 2017
			R-2 — Assign personnel to coordinate with district Information Technology staff on a quarterly basis to monitor, identify, and remove unauthorized software from the network. TID: December 2017
U. S. Postal Service Cybersecurity Functions			
IT-AR-15-008	07/17/2015		R-4 — Provide adequate resources for cybersecurity operations, including: a) Funding commitments to enable proactive prevention, detection, response, and mitigation of sophisticated cyber threats; and b) providing visibility into fragmented cybersecurity funding to facilitate a coordinated approach to reducing business risk. TID: March 2018
			R-5 — Adequately staff cybersecurity operations functions based on the organization's risk tolerance. Specifically, staffing levels should support business requirements to: a) Ensure the Security Operations Center provides skilled cyber threat and intrusion analysis and experienced threat remediation and response management staff; b) expand Computer Incident Response Team functions to include comprehensive incident management and response, including anomalous activity detection; c) create centralized network operations center capabilities and require participation as part of a cybersecurity incident response with the security operations center and Computer Incident Response Team; and d) expand the existing vulnerability management program to encompass the federal objectives for continuous monitoring, including penetration testing. TID: March 2018
Retail Systems Software — Business Process Controls			
FT-AR-15-008	07/21/2015		R-1 — Implement controls to prevent multiple scans on prepaid barcodes or to alert retail associates when multiple scans occur. TID: September 2017
			R-7 — Reiterate to retail associates that they must use Retail Systems Software to accept prepaid mail at the retail counter. TID: December 2017
Oversight of Expense Purchase Cards			
SM-AR-15-006	08/07/2015		R-2 — Update Handbook AS-709, Local Buying and Purchase Card Policies and Procedures, to: a) Require refresher training for all cardholders and credit card approving officials; b) require credit card approving officials to verify and certify their review of approved eBuy2 requests prior to approving cardholder expense purchase card monthly statements; c) incorporate the new eAccess purchase card account setup process; and d) implement a process to verify that all cardholders and credit card approving officials have completed required training and all cardholders have a delegation of authority. TID: June 2017
Substantial Increase in Delayed Mail			
NO-MA-15-004	08/13/2015		R-4 — Establish criteria for determining if the network has stabilized and ensure the criteria are met prior to resuming the Phase II consolidations or conducting any other optimization efforts. TID: March 2018
Utilization of Data by the Chief Operating Officer and Executive Vice President			
DR-AR-15-009	08/25/2015		R-2 — Evaluate and update metrics annually to evolve alongside the organization's priorities and strategic goals. TID: February 2017

Appendix E:

Reports with Recommendations Pending Corrective Actions

Report Title, Recommendation Summary			
Report Number	Issue Date	Monetary Impact	R = Recommendation number TID = Target Implementation Date
Leased Trailer Damage Payments			
NO-MA-15-005	09/01/2015	\$2,028,170	R-1 — Review and update damage claims policy and procedures. TID: October 2017
U.S. Postal Service Handling of Inbound International Mail at the [Redacted] International Service Center			
NO-MA-15-006	09/03/2015		R-1 — To enhance the system application for automation to identify mail requested by U.S. Customs and Border Protection. TID: March 2018 R-4 — To ensure scanned data is accurate, complete, and reliable. TID: March 2018
Postal Inspection Service Mail Covers Program Phase II			
HR-AR-15-007	09/15/2015		R-2 — Establish formal procedures to monitor and track accountable mail cover documents for postal inspectors to ensure they are properly completed, submitted, and maintained at the Postal Inspection Service's Criminal Investigations Service Center (CISC). These procedures should include requiring inspectors to return all mail cover documents to the CISC within 60 days of the mail cover end date. TID: October 2017 R-3 — Conduct a study to determine how using electronic media, including spreadsheets will impact the confidentiality and security of mail cover information. Based on study results, clarify policies and procedures regarding completing Postal Service Form 2009, Information Regarding Mail Matter, for each mailpiece related to interdiction mail covers and for mail covers that are automatically generated, approved, and closed. TID: October 2017
[Redacted] Software Contract and Compliance Review			
IT-AR-15-009	09/18/2015	\$7,347,706	R-2 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: October 2017
U.S. Postal Service Building Occupancy Data			
CP-AR-16-002	12/08/2015		R-1 — Conduct and document a new facility space usage study that reflects current network and facility operations. TID: October 2018 R-2 — Establish documented procedures for updating facility space usage data on an annual basis and establish criteria for determining when to conduct new facility space usage studies. TID: October 2018
Unsupported Operating Systems			
IT-AR-16-003	12/24/2015		R-2 — Develop a current inventory of unsupported operating systems and either document acceptance of the risk of continued usage or migrate to a supported operating system. TID: September 2017
Address Management Licensing Agreements			
SM-AR-16-004	12/29/2015		R-2 — Periodically evaluate licensing agreement templates to determine whether provisions are consistent, up-to-date, and adequately protect the Postal Service's best interests. TID: January 2018
Rock Springs, WY, Customer Service Mail Processing Center Consolidation			
NO-AR-16-006	01/07/2016		R-1 — Re-evaluate management workhour, maintenance, and transportation savings contained in the Rock Springs Area Mail Processing feasibility study during the first post-implementation review. TID: January 2018 R-2 — Determine and document the impact of excluding the automated flat volume from the Rock Springs Area Mail Processing feasibility study during the first post-implementation review. TID: January 2018

Appendix E:

Reports with Recommendations Pending Corrective Actions

			Report Title, Recommendation Summary
			R = Recommendation number
Report Number	Issue Date	Monetary Impact	TID = Target Implementation Date
Access Controls over Mail Imaging Systems			
IT-AR-16-004	01/14/2016		R-1 — Remove administrative privileges for shared accounts on all mail imaging systems. TID: July 2017
			R-2 — Require passwords for all mail imaging systems accounts in accordance with Handbook AS-805. TID: July 2017
			R-3 — Delete all accounts that have not been used in more than 365 days and all guest accounts on the mail imaging systems. TID: July 2017
			R-4 — Require users to change passwords for all administrative accounts at least every 30 days and for all non-administrative accounts at least every 90 days for the mail imaging systems. TID: July 2017
Review of City Carrier Office Efficiency — Colorado/Wyoming District			
DR-AR-16-002	01/20/2016	\$64,263,499	R-1 — Eliminate 179,619 workhours at delivery units. TID: June 2018
Firewall Security Review			
IT-AR-16-005	01/26/2016		R-4 — Review current firewall rules and remove those that are permissive or duplicative, and review firewall rules every six months according to Handbook AS-805, Information Security, and document the results of the review. TID: September 2018
Controls over Multiple Award Indefinite Delivery, Indefinite Quantity Contracts			
SM-AR-16-007	03/28/2016	\$18,339,900	R-1 — Update contract policy to clarify ordering procedures for contracting officers issuing orders against indefinite delivery, indefinite quantity contracts. TID: October 2017
Delayed Mail Data in the Enterprise Data Warehouse			
NO-MA-16-002	03/29/2016		R-1 — Coordinate with Information Technology to include the two Web Mail Condition Reporting System delayed Standard Mail data elements in the Enterprise Data Warehouse Network Operations Data Mart by June 30, 2016. TID: October 2017
Postal Service's Handling of Office of Workers Compensation Claim Forms			
HR-AR-16-002	04/07/2016		R-1 — Develop a more comprehensive electronic claims process to ensure claims forms are completed accurately and timely. TID: March 2017
			R-4 — Evaluate the EHS module to enhance usability and efficiency to ensure accidents and incidents are recorded accurately and timely. TID: March 2017
New York Morgan Processing and Distribution Center Efficiency			
NO-AR-16-008	05/04/2016	\$93,101,614	R-1 — Reduce 385,365 workhours over the next five years by evaluating operational efficiency and adjusting workhours to workload. TID: May 2021
Electronic Media Disposal			
IT-AR-16-008	06/24/2016		R-1 — Review and update policy and implement procedures to ensure proper accountability of media once it is identified for disposal and a reconciliation process to ensure it is disposed of properly. TID: June 2018
Package Processing Machine Capacity			
NL-AR-16-003	07/01/2016	\$230,362,977	R-1 — Develop a plan to operate package processing machines at full operational performance levels in order to reduce the amount of manual processing and to support continued package growth. TID: November 2017
Market Dominant Billing Determinants: Standard Mail			
CP-AR-16-007	07/11/2016		R-2 — Explore the cost-benefit of fully automating the process or further leveraging Microsoft Excel tools to prepare billing determinant spreadsheets. TID: December 2017

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Reports with Recommendations Pending Corrective Actions

Report Title, Recommendation Summary			
R = Recommendation number			
Report Number	Issue Date	Monetary Impact	TID = Target Implementation Date
Market Dominant Billing Determinants: Package Services			
CP-AR-16-009	08/05/2016		R-2 — Explore the cost-benefit of fully automating the process or further leveraging Microsoft Excel tools to prepare billing determinant spreadsheets. TID: December 2017
PostalOne!-Business Customer Support System Availability			
IT-AR-16-010	08/10/2016		R-3 — Establish policies and procedures that define enterprise-wide system availability statuses for downtime, uptime, and outages. TID: July 2017
			R-5 — Establish and execute protocols for notifying all users when the PostalOne!-Business Customer Support System (BCSS) is unavailable, including posting notifications on the PostalOne!-BCSS Business Customer Gateway and the Rapid Information Bulletin Board System; and provide near real time availability information to customers on a continuous basis. TID: September 2017
			R-6 — Develop a plan to calculate PostalOne!-Business Customer Support System availability in accordance with best practices and include blackout maintenance hours on the daily chief information officer scorecards reported to the Postal Service Executive Leadership Team. TID: September 2017
		\$7,783,620	R-7 — Include all required information technology clauses in the three PostalOne!- Business Customer Support System contracts. TID: July 2017
U.S. Postal Pilot Programs			
MS-AR-16-005	08/16/2016		R-1 — Develop a streamlined pilot process to rapidly fund, create a prototype of, and test new ideas on a smaller scale. TID: November 2017
Mail Processing and Transportation Operational Changes			
NO-AR-16-009	09/02/2016		R-1 — Re-evaluate and update the projected operational and transportation financial impacts associated with the operational window change. TID: December 2016
			R-2 — Develop and implement a strategy to improve mail processing productivity in the new operational window before any additional nationwide operational changes or consolidations are implemented. TID: March 2018
			R-4 — Create and use a nationwide system to track and report the amount, cause, and origin of late arriving mail. TID: March 2018
Facility Condition Reviews — Great Lakes Area			
SM-AR-16-010	09/02/2016		R-3 — Coordinate training to reinforce Postal Service policies and procedures relating to: Maintenance and housekeeping standards to improve the customer retail experience; safety standards to prevent injuries to employees and customers and to reduce the Postal Service’s exposure to Occupational Safety and Health Administration fines; security standards of facilities, yards, and vehicles to protect employees, Postal Service property, and mail. Maintenance of customer complaint logs so customer complaints are recorded, tracked, and resolved timely. TID: October 2017
Postmaster Cost Segment			
CP-AR-16-010	09/08/2016		R-3 — Communicate to the Postal Regulatory Commission the status of the Post Office Structure Plan and develop a timeline and approach for updating the postmaster variability study. TID: July 2018
City Carriers Returning After 6 P.M. — Los Angeles District			
DR-AR-16-011	09/15/2016		R-2 — Fill vacancies for supervisors within 6 months. TID: September 2017
			R-3 — Provide city delivery supervisory training to all promoted and temporary supervisors, where appropriate. TID: September 2017

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Report Title, Recommendation Summary			
R = Recommendation number			
Report Number	Issue Date	Monetary Impact	TID = Target Implementation Date
Oversight of Oil and Gas Mineral Rights			
SM-AR-16-011	09/20/2016		R-1 — Develop a process to identify and track owned properties with mineral rights and determine if the Postal Service is entitled to royalty payments. TID: November 2017
			R-2 — Develop a policy that outlines the responsibilities for overseeing mineral rights, including managing oil and gas leases; collecting, tracking and validating royalty payments; and evaluating whether to acquire or dispose of mineral rights before buying or selling a property. TID: November 2017
Highway Contract Route Survey Compliance — Eastern Transportation Category Management Team			
NL-AR-16-005	09/28/2016	\$237,277,604	R-1 — Establish formalized annual training for administrative officials on conducting and completing Highway Contract Route surveys. TID: March 2018
			R-2 — Develop a centralized management tool for administrative officials to report and contract officers to manage Highway Contract Route survey compliance. TID: March 2018
Continuous Improvement of Mail Processing Operations			
NO-AR-16-012	09/29/2016	\$465,165,928	R-1 — Reduce 11.5 million workhours from projected fiscal year 2016 levels where possible and when planning for 2017 projected workhours by evaluating operational efficiency, adjusting staffing levels/workhours to workload, and ensuring overtime workhours do not exceed budgeted levels. TID: September 2019
			R-4 — Direct district managers to ensure that plant managers make certain automated processing begins promptly after employees start work. TID: November 2017
			R-5 — Direct district managers to ensure that plant managers make certain employees clock into the operation number where work is being performed. TID: November 2017
Management and Oversight of Highway Contract Routes			
NL-AR-16-006	09/30/2016	\$2,964,933	R-2 — Review and determine the adequacy of the administrative official's oversight of highway contract routes. TID: September 2017
			R-3 — Develop a centralized process, such as an online spreadsheet, for administrative officials to report and contracting officers to manage highway contract route irregularities. TID: October 2017
			R-4 — Implement annual formal training for administrative officials who report highway contract route irregularities. TID: June 2017
			R-5 — Update Postal Service Handbook PO-501, Highway Contract Route (HCR) Administration, to include required annual highway contract route training for administrative officials, enforce the national process for administrative officials to report and contracting officers to manage HCR contractor irregularities, implement an annual policy review process, and ensure the policy is available on the Postal Service's PolicyNet. TID: November 2017
			R-6 — Ensure global positioning system (GPS) equipment is compatible with the Logistics Condition Reporting System Program so that collected highway contract route performance information is accurate and can be used to manage these contracts and examine opportunities to expand the use of GPS and other electronic data to manage HCR contracts. TID: October 2017
Trailer Lease Reduction Projects			
NL-AR-16-007	09/30/2016	\$1,591,251	R-1 — Finish the 11 remaining trailer lease reduction projects as planned by addressing staff changes, inadequate global positioning system information, and ongoing trailer lease contracts revisions. TID: April 2018
Packages Suspected of Containing Marijuana			
HR-AR-17-001	10/12/2016		R-1 — Implement a nationwide policy for handling, tracking, and providing additional security for packages suspected of containing marijuana to reduce the risk of these packages being lost or stolen. The tracking should be comprehensive to include initial retrieval from the mail to resolution, and reporting all packages suspected of being lost or stolen and related employee misconduct to the Office of Inspector General. TID: October 2017
			R-2 — Develop training to ensure responsible personnel understand their roles and responsibilities for identifying, handling, safeguarding, and tracking packages suspected of containing marijuana. TID: October 2017

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			Report Title, Recommendation Summary
			R = Recommendation number
Report Number	Issue Date	Monetary Impact	TID = Target Implementation Date
Use of Independent Contractor Studies			
CP-AR-17-002	10/14/2016		R-1 — Develop a method to efficiently identify and access external studies. TID: March 2018
			R-2 — Store and share final study results in a centralized location accessible to an identified level of management. TID: March 2018
			R-3 — Establish a retention policy for contracted external studies. TID: March 2018
Consolidation of Mail for Transportation — Memphis Network Distribution Centers			
NL-AR-17-001	12/02/2016		R-2 — Implement the Postal Service Headquarters' Consolidation Deconsolidation Facility Network's Standard Operating Procedures, which provides instructions on site reviews and modification decisions. TID: March 2018
		\$5,816,529	R-3 — Re-evaluate the need for the Memphis consolidation deconsolidation facilities and modify the contract accordingly. TID: March 2018
Function 4 Efficiency in the Colorado/Wyoming District			
MS-AR-17-001	12/08/2016	\$5,301,358	R-1 — Coordinate units' integrated operating plans and mail arrival profiles. TID: February 2018
			R-2 — Actively monitor employees to manage workload and ensure they are processing mail efficiently. TID: February 2018
Highway Contract Route Fuel Price Index Program — Southern Transportation Category Management Team			
NL-AR-17-002	12/09/2016	\$7,533,747	R-1 — Develop and implement as soon as practical a national policy and procedures for establishing the highway contract route contract baseline fuel price per gallon to ensure adequate oversight and documentation for current and future contracts. TID: November 2017
			R-2 — Develop and document market analysis to determine the lowest fuel price per gallon for each highway contract route that incorporates at a minimum the U.S. Department of Energy regional fuel index as well as local market fuel pricing. If the negotiated price is greater than the market analysis, the contracting officer must provide supplier documentation and written evaluation substantiating that this is the best value. TID: November 2017
Establishing New Retail Access Points			
MS-AR-17-002	12/12/2016		R-1 — Develop comprehensive data analytic capabilities across all retail channels to evaluate proposals for new retail access points. TID: December 2017
			R-3 — Update existing policies for evaluating the need for new retail access points. TID: December 2017
Most Favored Customer Pricing			
SM-AR-17-002	12/14/2016		R-1 — Enhance existing policy to instruct contracting officers when to include the most favored customer pricing clause, how to implement the clause, as well as to include specific terms and conditions in the contract regarding how the clause will be enforced. TID: November 2017
			R-2 — Review and modify the contract templates that contain the most favored customer pricing clause to determine applicability and delete the clause where it is not applicable. TID: June 2017
			R-3 — Develop procedures to instruct contracting officers, who use Contract Authoring Management System to manage their contracts, to utilize the system to develop solicitation and contract documents to ensure the most favored customer pricing clause is properly included in the contract. TID: August 2017
Inbound Mail Operations — [Redacted] Service Center			
MS-AR-17-003	12/30/2016		R-1 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: December 2017

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			Report Title, Recommendation Summary
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Report Number	Issue Date	Monetary Impact	TID = Target Implementation Date
Mail Processing Operations at the Roanoke, VA, Processing and Distribution Center			
NO-AR-17-003	01/17/2017		R-2 — Re-evaluate transportation savings in the Roanoke, VA, Processing and Distribution Center area mail processing feasibility study during the first post-implementation review. TID: February 2018
Environmental Conditions at Michigan Metroplex P&DC			
HR-MA-17-001	01/25/2017		R-1 — Finalize conversion of the methane venting system from passive to active with the addition of in-line blowers. TID: September 2017
			R-2 — Develop a process to check for a response to specific levels of calibrated methane gas at least every six months for all methane sensors. TID: November 2016
Use of Run Plan Generator			
NO-AR-17-004	01/26/2017		R-7 — Adjust staffing and scheduling to correspond with Run Plan Generator plans. TID: October 2017
Accuracy of Grievance Settlement Payments			
HR-AR-17-003	01/27/2017	\$3,443,354	R-1 — Finalize resolution of outstanding underpayments and collect outstanding overpayments for the Global Remedy settlement. TID: December 2017
		\$77,553	R-2 — Finalize resolution of outstanding underpayments and collect outstanding overpayments for the Kelly Services settlement. TID: December 2017
Non-Career Employee Background Screening in the Los Angeles District			
HR-AR-17-004	03/03/2017	\$16,544	R-2 — Establish a process to conduct and document periodic quality reviews of the pre-employment files to ensure Human Resources officials assess applicants appropriately, follow up on investigative results, and maintain the files in accordance with established policies. TID: May 2017
			R-3 — Establish a process for Human Resources officials to ensure PS Form 1750, Employee Evaluations and Probationary Reports, are completed and forwarded to responsible officials for review and action. TID: June 2017
			R-4 — Re-evaluate the suitability and eligibility of the 11 employees with automatic motor vehicle infractions and the seven employees with disqualifying criminal suitability who were screened by LA District officials in fiscal years 2015-2016 but for whom there is no documented justification. TID: May 2017
Market Dominant Billing Determinants: Process Review			
CP-AR-17-006	03/08/2017		R-2 — Properly encrypt, password protect, or otherwise secure billing determinant spreadsheets and the supporting data. TID: December 2017
			R-3 — Implement automation options to improve data accuracy and revenue calculation techniques. TID: December 2017
Cost Segment 3 — Clerks and Mail Handlers			
CP-AR-17-007	03/22/2017		R-1 — Develop enhanced procedures or system capabilities to limit or track Management Operating Data System (MODS) data adjustments made after the fiscal year closing period. Until the enhancements are made, include the MODS data file and the date it was extracted with the Cost Segment 3 Cost Pools and Other Related Information in future Annual Compliance Report filings to enhance transparency of the cost development process. TID: December 2017
			R-2 — Enhance the current documented procedures to provide greater transparency into the cost development process and prevent the loss of institutional knowledge. The procedures should include steps for extracting data to perform mail processing cost calculations; a disclosure statement explaining why Management Operating Data System (MODS) data is subject to change; a list of finance numbers to compute cost pool totals; the methodology for aligning MODS operations to cost pools and labor distribution codes; and steps for calculating cost adjustments. TID: December 2017

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Report Title, Recommendation Summary			
Report Number	Issue Date	Monetary Impact	R = Recommendation number TID = Target Implementation Date
Information Technology Continuity of Operations Plans			
IT-AR-17-002	03/29/2017		R-1 — Develop and implement a policy, which includes annual reviews, updates, and testing for managing the Functional Workgroup Annex plans based on federal directives and industry best practices. TID: September 2017
Privileged Account Management			
IT-AR-17-003	04/05/2017		R-1 — Continue to develop overarching guidance and controls for managing privileged accounts to include establishing a consistent method for identifying all privileged accounts. TID: December 2017
			R-2 — Develop and continuously maintain a complete and accurate listing of privileged accounts for Postal Service systems. TID: June 2018
			R-3 — Define business practices and responsibilities for monitoring privileged accounts and implement privileged access management tools. TID: September 2018
			R-4 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: September 2017
			R-5 — Develop a comprehensive privileged user training program and update Handbook AS-805, Information Security, and the Strategic Training Initiative to require all privileged users to complete the training prior to assuming their privileged role, followed by periodic refresher training. TID: November 2017
			R-7 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: September 2017
			R-9 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: September 2017
Timeliness of Mail Processing at the Santa Clarita, CA, Processing and Distribution Center			
NO-AR-17-007	04/06/2017		R-3 — Develop a two-to-five year package processing plan for the Santa Clarita P&DC to ensure processing capacity and staffing are adequate to support current and future package volume growth; in the interim, continue to redirect packages to facilities with excess processing capacity where possible; and ensure preventive maintenance is performed within established parameters. TID: October 2017
System Vulnerability Assessment			
IT-AR-17-004	04/07/2017		R-1 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: September 2017
Kaizen Event Review: FY 2016 Atlanta P&DC Surface Visibility Scanning			
NL-AR-17-003	04/17/2017	\$14,644	R-1 — Ensure employees follow the Kaizen process in the future and that local management fully supports the Kaizen project team to ensure timely completion and implementation of the Kaizen process. TID: April 2017
Delivery and Customer Service Operations — Bronx, New York			
DR-AR-17-004	04/20/2017		R-1 — Coordinate with building owners or managers to comply with Postal Service access and mail receptacle policies. TID: January 2018
Fuel Consumption and Cost Risk Mitigation			
NL-AR-17-004	04/24/2017	\$162,654,722	R-1 — Develop a comprehensive plan to mitigate risk of projected future fuel price increases, which could include: a) Enhancing contract negotiations to achieve the lowest price per gallon and minimum gallons needed; b) incentivizing highway contract route suppliers to convert to alternative fuels by sharing cost savings; c) establishing a tiered contract pricing strategy based on fuel type and miles per gallon; d) establishing a fuel fund reserve; and e) seeking Congressional approval for fuel surcharges TID: January 2018

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Report Title, Recommendation Summary			
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Report Number	Issue Date	Monetary Impact	TID = Target Implementation Date
Mobile Delivery Device Program			
CP-AR-17-008	04/28/2017		R-1 — Include descriptions or explanations in the weekly status reports for all known issues related to Mobile Delivery Device network connectivity and functionality. TID: July 2017
Undeliverable Bulk Business Mail at the Margaret L. Sellers Processing and Distribution Center			
NO-AR-17-008	05/01/2017		R-1 — Develop a standard operating procedure for handling and supervising Undeliverable Bulk Business Mail to achieve a zero error rate. TID: April 2017
			R-2 — Develop standard operating procedures and supervision requirements to ensure the Electronic Mail Improvement Reporting System is routinely used to identify all Undeliverable Bulk Business Mail quality issues. TID: April 2017
Postal Inspection Service Consumer Fraud Fund			
HR-AR-17-006	05/04/2017		R-1 — Develop a requirement to evaluate the effectiveness of Consumer Fraud Fund expenditures using measurable performance goals. TID: October 2017
			R-2 — Develop formal written procedures for management of Consumer Fraud Fund requests and for tracking, monitoring, and reconciling expenditures. TID: October 2017
Social Media Customer Inquiries			
MS-AR-17-006	05/08/2017		R-1 — Respond to all actionable customer inquiries posted on Postal Service hosted social media platforms within the Postal Service’s six-hour target. TID: March 2018
Shortpaid PC Postage Parcels			
MS-AR-17-007	05/09/2017		R-2 — Develop a strategy for refocusing the shortpaid controls to the segment of PC Postage parcels that will not be tested by the Automated Package Verification system once it is implemented. TID: August 2018
Facility Condition Reviews — Eastern Area			
SM-AR-17-004	05/10/2017		R-1 — Develop and implement an action plan to address all building safety and security, maintenance, workplace environment and violence policy, and handicap accessibility issues identified during our review. This plan should include a timeline for completing items. TID: December 2017
			R-2 — Direct district managers to establish an oversight mechanism to ensure local management at retail facilities comply with Management Instruction PO-160-2014-1, Complaint Resolution and Proper Use of Notice 4314-C, so customer complaints are recorded, tracked, and resolved timely. TID: May 2017
			R-3 — Reiterate policy instructing retail facilities personnel to enter all applicable safety, security, and maintenance issues into the electronic Facilities Management System (eFMS). For issues that do not involve eFMS, ensure local management completes a manual Postal Service Form 4805, Maintenance Work Order Request, and monitor the status of these issues until the problems are resolved and in “complete” status. TID: June 2017
			R-5 — Establish an oversight mechanism to ensure that local management at retail facilities adhere to Postal Service policies and procedures relating to: a., Maintenance and housekeeping standards to improve the customer retail experience; b., maintenance and inspection of fire extinguishers; c., security standards for facilities and vehicles to protect Postal Service employees, property and the mail; d., consistent display of required posters so they are available to employees. TID: September 2017
			R-6 — Reinforce safety inspection policies and procedures, provide training to district safety personnel and local management, and establish an oversight mechanism to ensure safety inspections are completed accurately and deficiencies are addressed. TID: June 2017
Consolidation of Mail for Dallas and New Jersey Network Distribution Centers			
NL-AR-17-007	05/15/2017	\$10,437,292	R-2 — Evaluate the Dallas and New Jersey consolidation deconsolidation facilities to determine transportation needs and modify the contracts as necessary. TID: March 2018

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Report Title, Recommendation Summary			
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Report Number	Issue Date	Monetary Impact	TID = Target Implementation Date
Automated Vehicle Utilization System — Southern Area			
DR-AR-17-006	05/25/2017	\$100,555,731	R-1 — Review route base mileage and make the necessary corrections in the Automated Vehicle Utilization System, Delivery Operations Information System, and e-Postal Service Form 4003 systems. TID: None
			R-2 — Provide training to existing, newly promoted, and temporary supervisors on maintaining route base mileage, monitoring daily mileage and variances, and documenting daily mileage deviations. TID: None
			R-3 — Automated solutions for recording vehicle mileage, which could include modifications to separate carrier and vehicle activity on delivery routes or use of vehicle sensors. TID: None
U.S. Postal Service Contract Labor Substitution			
SM-AR-17-005	05/30/2017	\$150,587,920	R-1 — Reiterate existing policy to contracting officers on key personnel clauses, contract documentation practices, and Contract Authoring and Management System utilization. TID: July 2017
			R-2 — Establish an oversight process to ensure contracting officers properly review, approve, and document labor substitutions of key personnel. TID: None
			R-3 — Revise existing policy to clarify requirements for both the Postal Service and vendor for requesting and approving key personnel labor substitutions. TID: None
Mail Processing Variance Model			
NO-AR-17-010	06/19/2017	\$239,283,926	R-1 — Develop and implement a Mail Processing Variance (MPV) model policy and mail processing manager training for use in fiscal year 2018 to increase MPV model usage and improve operational efficiency. TID: April 2018
			R-2 — Evaluate developing specific Mail Processing Variance targets for similar mail processing facilities based on types of mail processed, types of processing machines used, mail volume, and facility size. TID: April 2018
			R-3 — Update Handbook M-32, Management Operating Data System, in the next 90 days to reflect all current mail processing operation numbers. TID: January 2018
Global Positioning System Trailer Visibility			
NL-AR-17-008	06/26/2017		R-1 — Suspend the Global Positioning System (GPS) implementation except for the Enterprise Transportation Analytics (ETA) systems module development and establish initiative milestones in the following sequence: Test and validate the ETA system when all modules are fully operational; conduct a pilot program with the fully operational ETA system and the GPS trailer units to validate the complete technology solution; develop a plan with established and validated performance metrics using ETA system and GPS data; and deploy the remaining GPS units based on decision points from the above analytics. TID: None
		\$2,487,581	R-2 — Identify and validate specific cost savings to support the \$18.5 million Global Positioning System technology investment. TID: None
Carrier Leave without Pay for Union Activities			
HR-AR-17-008	07/05/2017	\$90,682	R-1 — Adhere to the Postal Service policy to assess operational needs prior to granting or denying leave without pay for union activities and communicate deviations to appropriate Operations and Labor Relations personnel. TID: None
			R-2 — Establish communication protocols between Labor Relations and Delivery Operations to coordinate employee participation in union initiatives. TID: December 2017
Assessing Marketers' Barriers to Direct Mail			
MS-MA-17-001	07/05/2017		R-1 — Actively highlight the effectiveness of direct mail through case studies and data. TID: December 2017
			R-2 — Develop and implement a strategy to expand partnerships throughout the marketing industry. TID: December 2017

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Report Title, Recommendation Summary			
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Report Number	Issue Date	Monetary Impact	
Registered Mail			
FT-AR-17-008	07/14/2017		R-3 — Update the manual portions of the Registered Mail process, considering the options discussed in this report. TID: January 2018
			R-4 — Monitor technology to modernize the Registered Mail process, considering the options discussed in this report. TID: May 2018
Prohibited Inbound International Mailings			
MS-AR-17-008	07/18/2017		R-1 — Work with Congress and key stakeholders to clarify legal provisions related to handling prohibited mailings, agency responsibilities, and cost allocation. TID: None
			R-2 — Clarify policies for handling prohibited items. TID: September 2017
			R-3 — Conduct a formal cost analysis comparing various disposal options for the Postal Service's handling of prohibited mailings and determine which is the most cost effective. TID: None
			R-5 — Develop procedures for coordinating with foreign postal operators when significant amounts of prohibited inbound mailings from those countries are identified. TID: October 2017
			R-6 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: September 2017
Fiscal Year 2015 Pay for Performance Program			
HR-AR-17-010	07/31/2017		R-1 — Update Handbook EL-312, to ensure it aligns with the current process. TID: December 2017
			R-2 — Communicate to supervisors the evaluation criteria of the Pay for Performance process to reduce the risk of negative perception and employees becoming disengaged. TID: January 2017
			R-3 — Assess methods within the Pay for Performance process for recognizing individual units for their specific performance at stations, branches and plants. TID: None
Appointment of Contracting Officers' Representatives			
SM-AR-17-006	08/07/2017	\$361,759,002	R-1 — Validate contracting officers' representatives training and certification and ensure it is documented. TID: December 2017
			R-2 — Validate contracting officers' representatives (COR) appointments are official via COR letters of appointments. TID: December 2017
			R-3 — Reiterate to contracting officers the requirements for appointing contracting officers' representatives. TID: October 2017
			R-4 — Update the Contract Authoring Management System with current contracting officers and contracting officers' representatives information and ensure that information is accurately completed by mandating completion of the fields noted in our review. TID: December 2017
			R-5 — Develop a process to timely notify contracting officers when contracting officers' representatives are reassigned or have resigned. TID: June 2018
Compensation, Benefit, and Bonus Authority in Calendar Year 2016			
FT-AR-17-009	08/08/2017		R-1 — Separately report the amount of bonus or other payment, as appropriate, in the annual Comprehensive Statements on Postal Operations, along with the other elements it currently reports. TID: January 2018
Delayed Mail Validation			
NO-AR-17-011	08/10/2017		R-1 — Establish and require formal training for all personnel involved in supervising, conducting, and reporting daily mail counts. TID: October 2017
			R-2 — Establish a requirement for local management to review and validate the accuracy of the Mail Condition Reporting System reports at least every quarter. TID: October 2017
			R-3 — Establish a formal process to integrate data from the Mail History Tracking System and Enterprise Data Warehouse, specifically delayed mail and mail processed after the processing cut-off time, into the Mail Condition Reporting System. TID: None

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Unscheduled Leave in Los Angeles District			
HR-AR-17-009	08/16/2017	\$4,990,291	R-1 — Issue guidance to managers and supervisors to reiterate policies in using the Enterprise Resource Management System to manage and document unscheduled leave and initiate disciplinary actions when appropriate. TID: September 2017
			R-2 — Require managers and supervisors, including detailed supervisors, to attend training that includes Enterprise Resource Management System, Time and Attendance Control System, and Leave Control. TID: September 2017
			R-3 — Enhance the current district review process to include formal monitoring protocols to promote supervisor accountability to follow policies for managing unscheduled leave, and initiating appropriate disciplinary action. TID: August 2017
Unscheduled Leave in the Triboro District			
HR-AR-17-011	08/17/2017		R-2 — Require managers and supervisors, including detailed supervisors, to attend training that covers the enterprise Resource Management System, Time and Attendance Control System, and leave control. TID: September 2017
Field Material Handling Projects			
NO-AR-17-012	08/23/2017		R-2 — Develop and implement a financial policy that requires consistent allocation of savings for field material handling projects. TID: September 2017
			R-3 — Update Postal Service Handbook F-66, General Investment Policies and Procedures, to define review and approval procedures, validation, and compliance report requirements for all investments, including field material handling projects. TID: March 2018
			R-4 — Develop and implement a supervisory process to ensure that the Manager, Network Operations Engineering, provides the oversight needed to ensure field material handling project performance tracking is conducted after implementation in accordance with policy. TID: October 2018
Unscheduled Leave in the Baltimore District			
HR-AR-17-012	08/24/2017		R-2 — Require managers and supervisors to attend refresher training that covers the enterprise Resource Management System, the Time and Attendance Control System, and leave control. TID: November 2017
			R-3 — Enhance the current district review process to include formal monitoring protocols that promote supervisor accountability for following policies for managing unscheduled leave and initiating appropriate disciplinary action. TID: September 2017
Internal Controls Over Stamp Stock Shipments — Rosemeade Station, Carrollton, TX			
FT-FM-17-025	08/28/2017		R-1 — Instruct the unit manager to notify the Customer Service supervisor of all arriving stamp stock shipments. TID: September 2017
			R-2 — Reiterate and enforce policies in Handbook F-101, Field Accounting Procedures, and the Mobile Point-of-Sale Information Guide for securing, receiving, and transferring stock; segregating duties; maintaining required documentation; and resolving financial differences, to the Rosemeade Station Manager and Customer Service Supervisor. TID: September 2017
Transportation Cost System — Air			
CP-AR-17-009	08/29/2017		R-1 — Reiterate to district managers, Financial Programs Compliance, the importance of verifying scanned mail reports during the data validation and approval process. TID: September 2017
			R-2 — Develop a system to monitor and hold managers accountable for ensuring training activities are completed and entered into the system of record. TID: September 2017
			R-3 — Provide all data collectors with uniform, ongoing refresher training on data collection processes and procedures. TID: September 2017
			R-5 — Check coding in Statistical Analysis Software programs periodically for all errors to ensure the coding is accurate and functioning properly. TID: November 2017

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Reports with Recommendations Pending Corrective Actions

Report Title, Recommendation Summary			
R = Recommendation number			
Report Number	Issue Date	Monetary Impact	TID = Target Implementation Date
City Carriers Returning After Six PM — Bay Valley District			
DR-AR-17-007	08/30/2017	\$92,060,142	R-1 — Evaluate distribution clerk and city carrier assistant staffing levels and make appropriate personnel decisions in delivery units to meet daily operational requirements. TID: September 2017
			R-2 — Instruct delivery unit management to properly report and record all instances of late mail arrival and improper mail mix in the Customer Service Daily Reporting System and Delivery Operations Information System. TID: August 2017
			R-3 — Direct the Mail Arrival Quality – Plant Arrival Quality committee to evaluate the impact and cost of late mail arrival and improper mail mix dispatched to delivery units and take appropriate action. TID: September 2017
			R-4 — Develop and execute a plan to review current package volume data for city delivery units, beginning with the oldest route adjustment dates and modify route base package volumes and route values through the Route Count and Inspection process or minor route adjustments. TID: June 2019
Surface Visibility Scanning — Western Area			
NL-AR-17-009	09/05/2017		R-1 — Implement in the Western Area the following Surface Visibility (SV) scanning best practices. Specifically: Use teams to improve scan consistency; print new placards at the end of each day to reduce failed scans; post compliance reports to compare Processing & Distribution Centers’ performance to those of other Western Area facilities to highlight the importance of scanning. TID: September 2017
			R-2 — Direct district managers to require all Processing & Distribution Center managers develop procedures to ensure that Mail Transport Equipment Labeler placards are printed and attached to mail containers and not removed by highway contractors during the manual mail consolidations. TID: September 2017
			R-3 — Direct district managers to ensure that all Processing & Distribution Center managers adjust staffing and scheduling to ensure adequate coverage during peak Surface Visibility scanning periods. TID: September 2017
			R-4 — Assess the SV scan network environment in all Western Area Processing & Distribution Centers to identify and resolve wireless connectivity issues that affect SV scanning. TID: None
Facility Condition Reviews — Pacific Area			
SM-AR-17-007	09/06/2017		R-1 — Develop and implement an action plan to address all building safety and security, maintenance, workplace environment and violence policy, and handicap accessibility issues identified during our review. This plan should include a timeline for completing items. TID: December 2017
			R-5 — Establish an oversight mechanism to ensure that local management at retail facilities adhere to Postal Service policies and procedures relating to: a) Maintenance and housekeeping standards to improve the customer retail experience; b) maintenance and inspection of fire extinguishers; c) security standards for facilities and vehicles to protect Postal Service employees, property, and the mail; d) consistent display of required posters so they are available to employees; e) maintenance of devices and ramps that are installed for handicap accessibility. TID: September 2017
			R-6 — Provide safety inspection training to district safety personnel and local management. TID: September 2017
Oversight of Contracting Officer Authority			
SM-AR-17-008	09/06/2017	\$20,305,340	R-1 — Ratify the 13 unauthorized contractual commitments identified in the audit. TID: January 2018
			R-2 — Assess the feasibility of using the systems controls in the Contract Authoring and Management System to prevent contracting officers from committing contract actions that exceed their delegated contracting authority. TID: March 2018
			R-3 — If CAMS systems controls are deemed not feasible to implement, design mitigating controls to prevent contracting officers from committing contract actions that exceed their delegated contracting authority, to include: a) Expanding the quarterly compliance review process to include sampling from all contracting actions, or b) adopting the Facilities portfolio practice of conducting quarterly reconciliations of contracting actions with the contracting officer list, or c) restricting contracting officers from exceeding their authorized delegation of authority for all contract actions except indefinite delivery indefinite quantity contracts and ordering agreements. TID: None

Appendix E:

Reports with Recommendations Pending Corrective Actions

			Report Title, Recommendation Summary
			R = Recommendation number
Report Number	Issue Date	Monetary Impact	TID = Target Implementation Date
Application Programming Interface Strategy			
IT-AR-17-006	09/07/2017		R-1 — Coordinate with the appropriate application owners and stakeholders to consider the feasibility of offering the 10 Application Programming Interface services identified in the U.S. Postal Service Office of Inspector General benchmark analysis to external customers. TID: March 2018
			R-2 — Conduct a periodic benchmark against competitors to identify Application Programming Interface services that could be feasible to offer to external customers. TID: March 2018
			R-3 — Assign a responsible organization to review and analyze the Web Tools Application Programming Interface customer usage data. TID: None
			R-4 — Define the functional requirements and complete the implementation of the Application Programming Interface management solution as planned. TID: September 2018
Delayed Inbound International Mail			
MS-AR-17-009	09/07/2017		R-2 — Develop a mechanism for incorporating available data into its inbound mail monitoring and reporting processes. TID: None
Highway Contract Route Irregularity Reporting — Jacksonville Network Distribution Center			
NL-AR-17-010	09/07/2017	\$798,057	R-1 — Update Postal Service Handbook PO-501, Highway Contract Administration, dated June 1981, with instructions for classifying and charging irregularities, and establish manual procedures for the submission of Postal Service Form 5500, Contract Route Irregularity Report, for all potential irregularities when the Yard Management System is not operational. TID: None
			R-2 — Provide annual administrative officer and vehicle operations analyst training for classifying irregularities. TID: September 2017
			R-3 — Amend the Electronic Records Information Management System Postal Service Form 5500, Contract Route Irregularity Report, retention schedule from one-year to match Highway Contract Route contract terms. TID: None
			R-4 — Evaluate the electronic retention of Postal Form 5500, Contract Route Irregularity Report. TID: December 2017
Mail Collection Box — Management of Service Status			
DR-AR-17-009	09/08/2017		R-1 — Establish national policies or procedures for out-of-service collection boxes to ensure consistent use, duration, and approval levels to maintain complete and updated information in the Collection Point Management System (CPMS). TID: October 2018
			R-2 — Communicate to managers the importance of periodic reviews of employee access levels to CPMS. TID: September 2017
			R-3 — Modify the CPMS to add adequate reporting, tracking tools, and system controls to improve management and oversight for collection boxes placed in out-of-service status. TID: October 2018

Appendix E:

Reports with Recommendations Pending Corrective Actions

Report Title, Recommendation Summary			
R = Recommendation number			
Report Number	Issue Date	Monetary Impact	TID = Target Implementation Date
Facility Condition Reviews — Western Area			
SM-AR-17-009	09/08/2017		R-1 — Develop and implement an action plan to address all building safety and security, maintenance, and workplace environment and violence policy issues identified during our review. This plan should include a timeline for completing items. TID: December 2017
			R-2 — Instruct district managers to ensure local management at retail facilities comply with policies and procedures pertaining to complaint resolution so they are recorded, tracked, and resolved timely. TID: March 2018
			R-3 — Reiterate policy instructing retail facilities personnel to report all applicable safety, security, and maintenance issues to the electronic Facilities Management System; and direct district management to monitor the status of all reported issues through completion. TID: September 2017
			R-4 — Direct district maintenance managers to ensure that retail facilities with Postal Service provided custodial services complete and submit a Postal Service Form 4851, Housekeeping Inspections, quarterly as required. TID: September 2017
			R-5 — Establish an oversight mechanism to ensure that local management at retail facilities adhere to Postal Service policies and procedures relating to: a) Maintenance and housekeeping standards to improve the customer retail experience; b) maintenance and inspection of fire extinguishers; c) security standards for facilities and vehicles to protect Postal Service employees, property, and the mail; d) consistent display of required posters so they are available to employees. TID: September 2017
			R-6 — Provide safety inspection training to district safety personnel and local management. TID: September 2017
Management of Overtime in the Northeast Area			
HR-AR-17-014	09/14/2017	\$308,402,033	R-1 — Develop an action plan to promote accountability in managing the planned percentage of overtime and planned overtime hours. That action plan should address the contributing factors to overtime, to include but not be limited to, unscheduled leave and inactive employees, and assess the effectiveness of management actions related to non-career employee retention and increased package volume growth. TID: None
Insider Threat Program			
IT-AR-17-007	09/18/2017		R-1 — Continue to develop and fully implement an insider threat program for national security information in accordance with National Insider Threat Policy minimum standards. TID: October 2019
			R-2 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: September 2018
			R-3 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: October 2018
Internal Controls Over Stamp Stock Shipments at the Bensalem Post Office, PA			
FT-FM-17-029	09/19/2017		R-1 — Reiterate and periodically monitor the processes for managing stamp stock limits for the Bensalem Post Office. TID: December 2017
Assessing Postal Service Employee Engagement Activities			
HR-AR-17-013	09/21/2017		R-1 — Require managers and supervisors to create action plans to address Postal Pulse Survey results and implement a process to monitor and assess progress on the activities identified in action plans. TID: None
			R-2 — Expand the Postal Service’s social media strategy, which is currently customer-focused, to include a process to monitor and respond to employee comments on employee-focused social media websites. TID: September 2018

Appendix E:

Reports with Recommendations Pending Corrective Actions

			Report Title, Recommendation Summary
			R = Recommendation number
Report Number	Issue Date	Monetary Impact	TID = Target Implementation Date
Mobile System Review			
IT-AR-17-009	09/21/2017		R-1 — Review user accounts with access to the mobile Point-of-Sale application and disable or remove any unnecessary accounts; and implement a process to ensure accounts are maintained in accordance with Postal Service policy. TID: None
			R-2 — Document and implement a process to ensure that employees receive mobile Point-of-Sale (mPOS) training prior to granting access to the mPOS application. TID: None
			R-3 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: June 2018
			R-4 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: June 2018
			R-5 — Implement security standards for the mobile Point-of-Sale devices and application. TID: August 2018
Internal Controls Over Stamp Stock Shipments — William Penn Annex, Philadelphia, PA			
FT-FM-17-031	09/22/2017		R-1 — Reiterate the requirement to maintain daily financial reports for at least two fiscal years. TID: January 2018
Software License Management			
IT-AR-17-008	09/25/2017	\$22,491,323	R-1 — Complete implementation of the centrally managed software license program that complies with Postal Service policy and best practices. TID: March 2020
			R-2 — Review current Information Technology (IT) software contracts and modify those that do not include the required IT-related provision and clauses. TID: January 2018
			R-3 — Implement a process to ensure that future Information Technology (IT) software contracts include the required IT-related provision and clauses. TID: January 2018
Retail and Customer Service Operations in the Philadelphia Metropolitan District			
MS-AR-17-010	09/25/2017	\$8,165,339	R-1 — Instructing postmasters and customer service supervisors to use lobby assistants to reduce customers’ wait time in line and to promptly answer telephone calls. TID: September 2017
			R-2 — Coordinating actual mail arrival time and condition with those outlined in unit integrated operating plans and mail arrival profiles. TID: January 2018
			R-3 — Actively monitoring employees to manage workload and ensure efficient mail processing procedures. TID: September 2017
			R-4 — Instructing unit employees to follow required scanning procedures and ensure these procedures are followed. TID: October 2017
Internal Controls Over Stamp Stock Shipments — Anderson, IN, Post Office			
FT-FM-17-033	09/27/2017		R-1 — Reiterate the retention requirements for Postal Service Forms 17, Stamp Requisition/Stamp Return. TID: October 2017
Internal Controls Over Stamp Stock Shipments — James Crews Station, Kansas City, MO			
FT-FM-17-034	09/29/2017		R-1 — Instruct the unit management to develop a procedure to ensure stamp stock shipments for all stamp accountabilities are received timely in Retail System Software to avoid in-transit adjustments. TID: October 2017
			R-2 — Reiterate policies in Handbook F-101, Field Accounting Procedures, for receiving stock; maintaining required documentation; and researching and resolving financial discrepancies. TID: October 2017

APPENDIX F:

Management Decisions in Audit Resolution

For the period April 01, 2017 - September 30, 2017

As required by the Inspector General Act, the following discusses information concerning any significant management decision with which the Inspector General disagrees and is currently in audit resolution.

No recommendations found.

APPENDIX G:

Status of Peer Review Recommendations

Federal audit organizations undergo an external quality control assessment by their peers every three years. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 requires an appendix reporting on 1.) any Office of Inspector General peer reviews conducted on us during the semiannual period; and 2.) any recommendations from previous or current peer reviews that remain outstanding or have not been fully implemented.

Office of Audit

External Peer Reviews

The latest review conducted on us was completed on September 22, 2015, by the U.S. Department of Housing and Urban Development Office of Inspector General. We received a rating of pass.

The latest review we conducted was completed on January 4, 2016, on the Department of Defense Office Inspector General. They received a rating of pass.

Office of Investigations

Internal Peer Reviews

The Department of Health and Human Services Office of Inspector General conducted a peer review of us in August 2017. We were deemed compliant with the quality standards established by the Council of Inspectors General on Integrity and Efficiency (CIGIE) and the applicable Attorney General guidelines.

External Peer Reviews

We conducted a peer review of U.S. Treasury Inspector General for Tax Administration (TIGTA) for the period ending in June 30, 2017. TIGTA was deemed compliant with the quality standards established by CIGIE and the applicable Attorney General guidelines.

APPENDIX H:

Investigative Statistics

The U.S. Postal Service Office of Inspector General currently uses a "Case Reporting Information Management and Evidence System," also known as CRIMES.

CRIMES is a web-based application designed in ColdFusion and supported by an Oracle database for case management. This application generates a unique identification number for every allegation and investigation, to ensure that any related data can be uniquely identified and access can be restricted as needed. The interface is designed with a front homepage which summarizes / lists all of the on-going work associated with an agent and offers the ability to navigate directly to any on-going allegation or investigation in that agent's inventory. For managers, the interface homepage displays the on-going work associated with the agents under their supervision. Once an agent or manager selects an allegation or investigation on this homepage, the application presents a tabbed view of the digital case file, where materials are organized in an intuitive "tabbed" format.

Finally, the current system offers a comprehensive search feature and a number of pre-configured reports which display summarized and detailed view of data contained with allegations and investigations.

Appendix H was pre-configured to present the following data;

- A) The total number of investigative reports issued during the reporting period;
- B) The total number of persons referred to the Department of Justice for criminal prosecution during the reporting period;
- C) The total number of persons referred to state and local prosecuting authorities for criminal prosecution during the reporting period and;
- D) The total number of indictments and criminal information's during the reporting period that resulted from any prior referral to prosecuting authorities.

For the period April 1 — September 30, 2017

	Investigations Closed	Arrests	Indictments / Information / Complaints	Convictions	Admin Action Taken	Cost Avoidance	Fines / Restitution, and Recoveries	Amount to USPS	To Mgmt. for Admin Action	To Mgmt. for Admin Action (FY)	Number of persons referred to DOJ for criminal prosecution	Number of persons referred to State and Local authorities for criminal prosecution presentations	Criminal Indictments / Information	Number of investigative reports issued
Contract Fraud	19	2	2	10	3	—	2,498,795	2,454,373	3	6	16	2	2	17
Financial Fraud	202	75	66	85	157	370,000	552,804	545,503	134	286	67	38	61	273
General Crimes	376	28	19	16	296	—	65,273	58,055	202	455	16	32	18	418
Healthcare Claimant Fraud	155	20	17	19	20	44,018,072	1,446,980	955,439	20	34	32	12	17	96
Healthcare Provider Fraud	21	6	15	13	—	62,887,062	62,012,078	17,341,849	—	—	4	4	15	4
Internal Mail Theft	749	224	172	232	583	—	1,573,766	106,504	449	1,023	249	60	164	989
Narcotics	62	75	63	41	70	10,878	13,654	440	68	135	53	24	55	85
Total	1,584	430	354	416	1,129	107,286,012	68,163,350	21,462,163	876	1,939	437	172	332	1,882

Appendix H:

Investigative Statistics

For the period October 1, 2016 — September 30, 2017

	Investigations Closed	Arrests	Indictments / Information / Complaints	Convictions	Admin Action Taken	Cost Avoidance	Fines / Restitution, and Recoveries	Amount to USPS	To Mgmt. for Admin Action	To Mgmt. for Admin Action (FY)	Number of persons referred to DOJ for criminal prosecution	Number of persons referred to State and Local authorities for criminal prosecution presentations	Criminal Indictments / Information	Number of investigative reports issued
Contract Fraud	46	7	14	12	6	11,395,269	3,002,955	2,901,375	6	6	32	6	12	27
Financial Fraud	345	131	120	151	295	803,050	1,389,818	1,288,939	289	289	137	84	106	467
General Crimes	703	48	29	30	571	—	112,209	91,049	460	460	35	63	27	722
Healthcare Claimant Fraud	358	39	31	53	44	98,284,734	3,681,792	2,490,422	33	33	86	31	31	195
Healthcare Provider Fraud	45	32	45	32	4	81,901,963	76,690,983	17,678,828	—	—	39	5	44	10
Internal Mail Theft	1,364	409	315	466	1,178	—	3,219,375	351,336	1,035	1,035	503	139	296	1,656
Narcotics	108	115	93	68	112	10,878	19,135	440	141	141	96	45	84	134
Total	2,969	781	647	812	2,210	192,395,894	88,116,267	24,802,389	1,964	1,964	928	373	600	3,211

APPENDIX I:

Summary of U.S. Postal Inspection Service Actions Under 39 USC § 3005 and 3007

For the period April 1, 2017 — September 30, 2017

Financial Reporting on Investigative Activities for the Postal Inspection Service

Type of Scheme	Complaints Filed	Consent Agreements	FROs	C&D Orders
Identity Theft – Other	1	1	—	1
Invoice Schemes	1	1	—	1
Lottery	3	4	—	4
Reshipping	3	2	—	3
Work at Home – Other	—	1	—	1
Foreign Lottery	27	30	—	30
Counterfeit Check	5	5	—	5
Facsimile Checks	—	—	—	—
TOTAL	40	44	—	45

Other Administrative Actions

Temp. Restraining Orders Requested	—
Temp. Restraining Orders Imposed	—
Cases Using Direct Purchase Authority	—
Civil Penalties (Section 3012) Imposed	—
Test Purchases	—
Withholding Mail Orders Issued	—
Voluntary Discontinuances	This area is not tracked by Office of Counsel

Administrative Subpoenas Requested by the Postal Inspection Service.

There was no request during this reporting period.

Type	Total
Total Personnel Comp	\$187,805,973
Total Nonpersonnel Expense	\$49,738,075
Total Operating Expense	\$237,544,049
Total Capital Commitments	\$18,771,791

APPENDIX J:

Congressional/PMG/Board of Governors Inquiries

For the period April 1 — September 30, 2017

The Office of Chief of Staff supports the OIG by responding to inquiries from Congress, the Postmaster General, and the Board of Governors. The OIG responds to some of these inquiries by conducting audits or investigations. However, the OIG does not generally perform audits or investigations when an inquiry involves a non-systemic issue that may be resolved through existing administrative or judicial processes, such as the equal employment opportunity (EEO) complaint process, contractual grievance-arbitration procedures, or the Merit Systems Protection Board. When systemic or criminal issues have been identified, the OIG may conduct independent audits or investigations to help ensure the economy, efficiency, and integrity of Postal Service programs and operations.

From April 1 through September 30, 2017, the OIG received 88 new inquiries, 14 of which we referred to USPS Office of Government Relations and four to the U.S. Postal Inspection Service for review. We closed 103 inquiries during this reporting period. Of those, 68 were referred to our Office of Investigations and 14 were referred to our Office of Audit for further review.

The Office of Audit issued four audit reports in response to congressional requests.

Report Number	Issue Date	Report Title, Audit Summary
DR-AR-17-004	04/20/2017	Delivery and Customer Service Operations — Bronx, NY
		Mail was not always delivered timely by carriers at nine selected stations in the Bronx. This occurred primarily because parcel route carriers lacked access to many buildings while foot route carriers had access through the use of [redacted] provided by building owners or managers, a practice that does not comply with USPS policy. Additionally, some buildings had damaged or unsecured mailboxes which stopped the carrier from delivering mail to those addresses. Regarding customer service, retail customers faced long wait times in line averaging seven minutes or more, up to a maximum of 56 minutes. Customers picking up packages experienced wait times, averaging 12 minutes or more, up to a maximum of two hours. Analysis of the Enterprise Customer Care system complaint data showed 43 of 491 customer complaints were not resolved timely. We recommended management coordinate with building owners or managers to comply with USPS access and mail receptacle policies, evaluate existing package storage methods, and provide refresher training to staff responsible for the notification procedures of packages stored at the stations. We also recommended management conduct additional community outreach activities to enhance the customer experience.
NO-AR-17-008	05/01/2017	Undeliverable Bulk Business Mail at the Margaret L. Sellers Processing and Distribution Center
		Undeliverable Bulk Business Mail (UBBM) was not processed in accordance with USPS policy. We found that employees were not checking UBBM for mailpieces that could be processed before it was sent for recycling because there was no standard operating procedure or supervision for the handling of UBBM at the facility. As a result, mail that should have been processed and delivered was recycled. We recommended management develop standard operating procedures for handling and supervising UBBM to achieve a zero error rate and develop standard operating procedures and supervision requirements to ensure the eMIR system is routinely used to identify all UBBM quality issues.

Appendix J:

Congressional/PMG/Board of Governors Inquiries

Report Number	Issue Date	Report Title, Audit Summary
HR-AR-17-008	07/05/2017	Carrier Leave Without Pay for Union Activities
		From September through November 2016, the Postal Service granted leave without pay (LWOP) to 97 union-identified carriers for periods ranging from four to 50 days to participate in political activities on behalf of the union. The total cumulative amount of LWOP taken by these carriers was about 2,776 days during this period. USPS policy states, "the granting of LWOP is a matter of administrative discretion. Each request for LWOP is examined closely, and a decision is made based on the needs of the employee, the needs of the Postal Service, and the cost to the Postal Service." However, in relation to these specific requests, supervisors received correspondence to grant LWOP to employees even though concerns were raised regarding local operational impact. As a result, at the 22 postal facilities we reviewed, the Postal Service incurred net overtime costs of \$90,682 due to carriers taking extended LWOP. In some instances, assigning city carrier assistants who are paid at a lower rate to cover carriers who took LWOP resulted in a savings; however, these city carrier assistants were not available to cover other overtime assignments at these 22 facilities. We recommended management adhere to the USPS policy to assess operational needs prior to granting or denying LWOP for union activities and communicate deviations to appropriate Operations and Labor Relations personnel; and establish communications protocol that allows Labor Relations and Operations personnel to coordinate employee participation in union initiatives.
HR-AR-17-013	09/21/2017	Assessing Postal Service Employee Engagement Activities
		The USPS Human Resources engagement activities implemented in January 2016 address the three key drivers of engagement and areas of concern identified from Postal Pulse survey results. We identified opportunities to enhance the execution of three specific engagement activities: action planning, assessing employee comments on social media, and leveraging data correlation between employee engagement and business outcomes. We recommended management require managers and supervisors to develop action plans and implement a process to monitor and assess their progress and expand the Postal Service's social media strategy to include a process for monitoring and responding to comments on external employee focused social media websites.

Congressional Testimony

Since its inception, the OIG has testified before Congress on various matters. From April 1 through September 30, 2017, the OIG testified at three congressional hearings.

On May 25, 2017, Acting Inspector General Tammy Whitcomb testified before the Senate Committee on Homeland Security & Governmental Affairs, Permanent Subcommittee on Investigations, at a hearing on "Stopping the Shipment of Synthetic Opioids: Oversight of U.S. Strategy to Combat Illicit Drugs." Acting IG Whitcomb provided information about the OIG's extensive audit work on inbound international mail. Since September 2015, the OIG has issued five reports on inbound international mail operations, focusing on the Postal Service's procedures and its coordination with U.S. Customs and Border Protection (CBP) at the International Service Centers (ISC). Given the growth of international package flows to the Postal Service, there is a need to find more effective ways to manage inbound traffic. We made 11 recommendations for enhancing systems, providing employee training and oversight, improving scanning data, ensuring items are presented to CBP, requesting advance electronic customs data from foreign posts, and coordinating with CBP to establish a formal agreement regarding presentation requirements.

Read Acting IG Whitcomb's [written statement](#).

On July 19, 2017, Acting Deputy Inspector General William Siemer testified before the Senate Committee on Homeland Security & Governmental Affairs at a hearing on "The Postal Service's Actions During the 2016 Campaign Season: Implications for the Hatch Act." Acting Deputy IG Siemer testified that an OIG investigation and related audit determined that 97 Postal Service employees took leave without pay to participate in partisan political campaigns. The results of the investigation were provided to the Office of Special Counsel to evaluate for potential Hatch Act violations. Acting Deputy IG Siemer also provided information about our audit, which reviewed the impact that the leave had on local delivery routes and applicable facilities by analyzing the absences of 22 of the 97 employees who took leave without pay. We recommended that the Postal Service follow its policy of assessing operational needs prior to granting leave without pay requests. We also recommended that Labor Relations and Operations improve communications to bring up any operational problems caused by employees taking time off for union activities.

Read Acting Deputy IG Siemer's [written statement](#).

Appendix J:

Congressional/PMG/Board of Governors Inquiries

On September 7, 2017, Acting IG Whitcomb testified before the House Committee on Oversight and Government Reform, Subcommittee on Government Operations, at a hearing on “Examining the Shipment of Illicit Drugs in International Mail.” With the increase in global ecommerce and inbound international mail parcels, there is a need for more effective ways to monitor inbound mail and find high-risk shipments. Acting IG Whitcomb provided information on the OIG’s recent work using data analytics to uncover drug trafficking in international mail. She testified that opportunities exist to potentially uncover additional drug trafficking, facilitate prevention efforts in originating countries, and identify suspicious parcels while they are still in transit by getting advance electronic data from foreign posts and combining it with other postal databases.

Read Acting IG Whitcomb’s [written statement](#).

These testimonies and statements can be found in their entirety on the OIG’s website at <http://www.uspsoig.gov>.



APPENDIX K:

Instances of Agency Interference

As required by the Inspector General Empowerment Act of 2016, the OIG must report any attempt by the agency to interfere with our independence.

None to report during this period.

SUPPLEMENTAL INFORMATION

Freedom of Information Act

The OIG Freedom of Information Act (FOIA) Office operates independently of, but frequently coordinates with, its counterparts at the Postal Service and the Postal Inspection Service. The FOIA Office receives requests for records from the public, the media, and postal employees. The FOIA, according to the Department of Justice, “generally provides that any person has a right, enforceable in court, to obtain access to federal agency records, except to the extent that such records (or portions of them) are protected from public disclosure by one of nine exemptions.”

Activities

For the period April 1 — September 30, 2017

Requests	Number of Requests
Carryover from prior period	19
Received during period	434
Total on hand during period	453
Actions	Number of Requests
Processed during the period	433
Requests Denied in Full	21
Requests Granted in Full	9
Requests Denied in Part	67
No Records	57
Requests Referred	127
Requests Withdrawn	70
Fee-Related Reasons	—
Records not reasonably described	—
Not a proper FOIA request for some other reason	—
Not an agency record	80
Duplicate Request	2
Balance	Number of Requests
Balance at the end of the period (pending)	20
Processing Days	Number of Days
Median processing days to respond to a FOIA request	1

Workplace Environment

The OI Workplace Environment unit reviews workplace environment and operational issues that may affect workplace climate in postal facilities throughout the country. The OIG Hotline is the usual source for the complaints, but occasionally members of Congress, the Governors, and postal management will raise concerns or forward complaints appropriate for review by the unit. Complaint topics range from sexual harassment and discrimination to workplace safety. Workplace Environment reviews are designed to identify systemic, rather than individual, issues and foster postal management efforts toward providing employees a stress- and adversity-free work environment.

The unit accepts complaints from any postal employee, including OIG and Postal Inspection Service staff. Reviews may result in fact-finding reports to management or referral for specific suggested action, such as climate assessments.

Complaints received	Total
Carried over from previous quarter(s)	46
Complaints received from OIG Hotline, Congress, Governors, management, internal, and other	990
Total on hand during this period	1036
Workplace Environment Actions	Number of Complaints
Total Complaints reviewed and closed during the period	990
Carried over from previous quarters is not included in total reviewed & closed count	—
Carried over from previous quarter(s)	46
Closed Determination as No Action	—
Office of Audit	—
Summary of findings to Congress/BOG/Postal Service Management	25
FOIA	—
Hotline	3
AIG for Investigations	—
Postal Inspection Service	7
Database for statistical analysis and possible symentic review	637
Office of Investigations	3
WorkPlace Environment	315

ACRONYM GUIDE

APPS: Automated Package Processing System

APWU: American Postal Workers Union

C&A: certification and accreditation

CSRS: Civil Service Retirement System

CSS: customer service supervisor

DBCS: Delivery Barcode Sorter

DOL: U.S. Department of Labor

DEA: Drug Enforcement Administration

DWC: distribution window clerk

eCBM: Electronic Conditional
Based Maintenance

EDDI: Electronic Data Distribution Infrastructure

EDI: Electronic Data Interchange

EIR: Enterprise Information Repository

FEGLI: Federal Employees' Group Life Insurance

FEHB: Federal Employees Health Benefits

FSS: Flats Sequencing System

GMU: George Mason University

HCR: highway contract route

LLV: long-life vehicles

MTE: mail transport equipment

NALC: National Association of Letter Carriers

NCSC: National Customer Support Center

NDC: network distribution center

NPV: net present value

OA: Office of Audit

OI: Office of Investigations

OWCP: Office of Workers'
Compensation Programs

P&DC: processing and distribution center

P&DF: processing and distribution facility

PAEA: Postal Accountability and Enhancement Act of 2006
(also known as the Postal Act of 2006)

PKI: Public Key Infrastructure

PRC: Postal Regulatory Commission

PVS: Postal Vehicle Services

RARC: Risk Analysis Research Center

SBOC: Stations and Branches Optimization Consolidation

SSA: sales and services associate

TACS: Time and Attendance Collection System

VMF: Vehicle Maintenance Facility

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- Workers' compensation fraud
- Embezzlements and financial crimes
- Contract fraud
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- Computer crimes
- Narcotics
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- Mail fraud
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- Narcotics in the mail
- Child pornography and obscenity

<https://postalinspectors.uspis.gov/contactUs/filecomplaint.aspx>
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