



Office of Inspector General | United States Postal Service

Audit Report

U.S. Postal Inspection Service Confidential Funds Program

Report Number 20-179-R21 | October 28, 2020



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Highlights

Objective

Our objective was to assess the U.S. Postal Inspection Service's oversight of the Confidential Funds Program (CFP) during fiscal years (FY) 2018 and 2019.

The Postal Inspection Service established the CFP as an investigative tool to assist postal inspectors and spent about \$495,000 on the CFP in FYs 2018 and 2019. These confidential funds were used to pay:

- For the purchase of controlled substances as part of an investigation.
- Confidential informants who worked under the direction of a postal inspector and provided useful and credible information regarding criminal activities.
- Sources of information who offered leads or evidence.
- Cooperating defendant informants who were either targets of an investigation or defendants in a case who agreed to cooperate with law enforcement.

During FYs 2018 and 2019, the Postal Inspection Service signed up 121 informants and sources nationwide. Inspectors-in-Charge oversee the CFP in their division and may designate the responsibility to the CFP coordinator. The CFP coordinator oversees team leaders' functions related to the program, such as disbursement of confidential funds.

The Postal Inspection Service uses a CFP application within their case management system to record informant payments, controlled substance purchases, and associated arrests. Confidential Fund reports are produced from the CFP application which captures fund balances and arrests.

Of the 17 Postal Inspection Service divisions nationwide, we reviewed the [REDACTED] and [REDACTED] divisions, based on the number of informants and the amount of funds spent from the CFP during FYs 2018 and 2019. We selected the [REDACTED] Division based on its proximity to the OIG audit team. We reviewed CFP policies and procedures and the three divisions' confidential funds disbursements, training records, and CFP files for FYs 2018 and 2019.

We planned our fieldwork before the President of the United States issued the national emergency declaration concerning the novel coronavirus outbreak (COVID-19) on March 13, 2020. The results of this audit do not reflect operational changes and/or service impacts that may have occurred as a result of the pandemic.

Findings

We found that the Postal Inspection Service provided effective oversight of the CFP. However, opportunities exist to improve oversight of documentation requirements.

Postal Inspection Service team leaders and CFP coordinators did not accurately report CFP-related arrests in the [REDACTED], and [REDACTED] divisions. We found that five of eight postal inspectors we interviewed in these three divisions did not accurately report arrests attributable to informants or controlled substance purchases in the CFP application. Specifically, in FYs 2018 and 2019:

- Team leaders reported 28 arrests, CFP coordinators reported four arrests, and our review indicated that 13 arrests should have been reported.
- Postal inspectors could not enter controlled substance purchase arrests due to system limitations.
- The CFP application did not populate the correct number of arrests in the current reporting period for any of the Confidential Fund reports reviewed.

These issues occurred because CFP coordinators did not always verify team leaders' information and the CFP application had a programming error that prevented it from capturing arrest entries. Per Postal Inspection Service policy, team leaders should report arrests and CFP coordinators should conduct quarterly reviews of their Confidential Fund reports. Inaccurate information may diminish the effectiveness of the CFP as an investigative tool because management is using unreliable data to make decisions.

In addition, postal inspectors did not conduct annual CFP reviews correctly. We evaluated two annual CFP reviews for each of the three divisions and determined:

- None had the correct case management selections or descriptions identifying them as “CI/CS Fund Program” annual reviews.
- Five did not have Confidential Fund reports attached.
- Three did not have the advance of funds request forms.
- Three did not have Confidential Fund reports with required signatures.
- One did not include accurate CFP application data such as team leader and confidential fund designations.

These issues occurred because postal inspectors did not follow CFP annual review guidance. Additionally, the CFP application reports did not capture historical data and only contained current information. Postal inspectors conducting the annual review could rely on incorrect and unreliable CFP data, resulting in management receiving inaccurate and incomplete information to evaluate the overall effectiveness of the CFP.

In addition, in the three divisions we reviewed, 26 postal inspectors who signed up 35 informants did not use the correct type of case to develop and maintain informants. Specifically, postal inspectors used investigative cases instead of area cases which did not require them to document work associated with developing informants. Per policy, area cases are established to conduct preliminary investigative activities and maintain informants. This occurred because postal inspectors were unaware of the requirement to use area cases. As a result of not using the correct type of case, management could not determine the time and effort needed to develop and maintain informants.

Lastly, CFP policies and manuals contain conflicting guidance. Specifically, the *CFP Manual* states that CFP files require the highest level of protection; however, the *Inspection Service Manual* (ISM) states they are to be provided with a lower protection level. Additionally, the pre-populated account number on the confidential funds request templates were incorrect in the ISM and CFP application.

These inconsistencies were due to insufficient processes for reconciling CFP guidance. Without reconciled policies and manuals, a postal inspector may incorrectly store CFP files or delay the process for receiving funds, impacting CFP security and efficiency.

Recommendations

We recommend management:

- Enforce CFP guidance and update the CFP application or reevaluate the requirement to capture arrests in the CFP application.
- Ensure that postal inspectors conducting annual CFP reviews follow CFP annual review guidelines.
- Update the CFP application to ensure reports contain accurate information.
- Enforce or update case management area case guidelines for developing and maintaining confidential informants.
- Reconcile guidance annually and update the ISM CFP policies with the *CFP Manual* to ensure consistency.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

October 28, 2020

MEMORANDUM FOR: CRAIG I. GOLDBERG
DEPUTY CHIEF INSPECTOR,
HEADQUARTERS OPERATIONS

Margaret B. McDavid

FROM: Margaret B. McDavid
Deputy Assistant Inspector General
for Inspection Service and Information Technology

SUBJECT: Audit Report – U.S. Postal Inspection Service Confidential
Funds Program (Report Number 20-179-R21)

This report presents the results of our audit of the U.S. Postal Inspection Service Confidential Funds Program.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Byron Bustos, Acting Director, Inspection Service, or me at 703-248-2100.

Attachment

cc: Postmaster General
Chief Postal Inspector
Corporate Audit Response Management

Results

Introduction/Objective

This report presents the results of our self-initiated audit of the U.S. Postal Inspection Service Confidential Funds Program (Project Number 20-179). Our objective was to assess the U.S. Postal Inspection Service’s oversight of the Confidential Funds Program (CFP) during fiscal years (FY) 2018 and 2019.

We planned our fieldwork before the President of the United States issued the national emergency declaration concerning the novel coronavirus outbreak (COVID-19) on March 13, 2020. The results of this audit do not reflect operational changes and/or service impacts that may have occurred as a result of the pandemic.

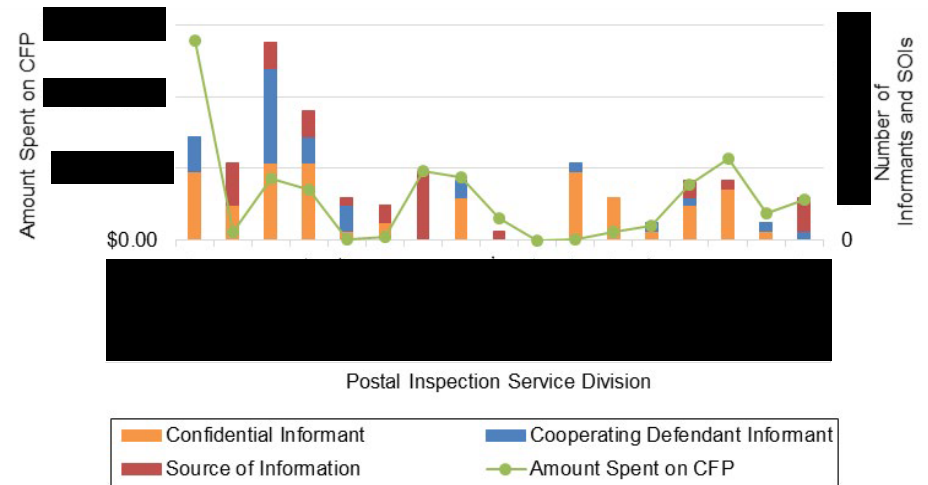
Background

The Postal Inspection Service established the CFP as an investigative tool to assist postal inspectors. Confidential funds are used to pay confidential informants who worked under the direction of a postal inspector and provided useful and credible information regarding criminal activities; sources of information (SOI) who offer leads or evidence; and cooperating defendant informants who are either targets of an investigation or defendants in a case who agreed to cooperate with law enforcement. Confidential funds are also used to purchase controlled substances as part of an investigation.

During FYs 2018 and 2019, postal inspectors signed up 121 informants and SOIs nationwide. For the purposes of this report, we use the term “informant” to represent both confidential informants and cooperating defendant informants. The Postal Inspection Service spent about \$495,000 on payments to informants and to make controlled substance purchases during FYs 2018 and 2019 (see Figure 1).

“The Postal Inspection Service established the CFP as an investigative tool to assist postal inspectors.”

Figure 1. Total Informants and SOIs by Division and Confidential Funds Amount





Source: U.S. Postal Service Office of Inspector General (OIG) analysis of FYs 2018 and 2019 CFP application data.
Note: The amount of confidential funds spent may have been paid to informants and SOIs that were signed up prior to FY 2018. As of FY 2020, the [redacted] Division is now the [redacted] Division.

We reviewed CFP policies and procedures, confidential funds disbursements, training records, and all CFP files from the [redacted], and [redacted] divisions for FYs 2018 and 2019. We reviewed the [redacted] and [redacted] divisions based on the number of informants and the amount of funds spent from the CFP during FYs 2018 and 2019. We selected the [redacted] Division based on its proximity to the OIG audit team.

The Deputy Chief Inspector (DCI), Headquarters Operations, is responsible for the national coordination of the CFP, including consolidating and reviewing confidential funds, coordinating CFP annual reviews, and evaluating the overall effectiveness of the program. The Inspector-in-Charge has primary oversight of the CFP in their division and may assign a designee to manage the CFP. There are specific responsibilities for oversight of the CFP, as shown in [Figure 2](#).

Figure 2. Postal Inspection Service CFP Roles and Responsibilities

|  POSTAL INSPECTION SERVICE HEADQUARTERS | |
|---|--|
| Deputy Chief Inspector, Headquarters Operations | <ul style="list-style-type: none"> • Consolidates and reviews confidential funds. • Coordinates CFP annual reviews. • Evaluates the overall effectiveness of the CFP. |
|  POSTAL INSPECTION SERVICE DIVISIONS | |
| Inspectors-in-Charge | <ul style="list-style-type: none"> • Administer and supervise the CFP for their division. • Review and send quarterly Confidential Fund reports to DCI. • May delegate CFP responsibilities to the CFP coordinator. |
| CFP Coordinators | <ul style="list-style-type: none"> • Administer and supervise the CFP for their division. • Approve and submit confidential fund requests. • Review/approve team leaders' confidential funds and disbursements. |
| Team Leaders | <ul style="list-style-type: none"> • Recommend using an informant or SOI. • Provide CFP guidelines to team members. • Review/approve team members' confidential funds and disbursements. |
| Postal Inspectors | <ul style="list-style-type: none"> • Oversee use and control of informant or SOI. • Record confidential fund disbursements. • Submit confidential fund requests to team leader. |

Source: OIG summary of CFP roles and responsibilities based on the Postal Inspection Service's *Inspection Service Manual (ISM)* dated September 2018 and *CFP Manual*, dated September 2019.

1 An electronic system used to open and close cases and document and track case activities.

2 Confidential Fund reports are PS Form [redacted], PS Form [redacted] which can be downloaded from the CFP application, provides the confidential funds disbursed, funds balance on hand, and the number of arrests attributable to the CFP.

3 We interviewed the eight postal inspectors who had arrests attributable to the CFP.

The Postal Inspection Service uses the Case Management System's (CMS)¹ CFP application to record informant payments, controlled substance purchases, and associated arrests. Postal inspectors download Confidential Fund reports² from the CFP application to report fund balances and arrests to the DCI, Headquarters Operations. Controls over the CFP ensures that confidential funds are properly used to pay informants and to purchase controlled substances, which are accounted for in the CMS and on Confidential Fund reports. Additional controls, such as consistent policies and guidance, helps to ensure the accuracy and security of CFP information.

We found that the Postal Inspection Service provided effective oversight of the CFP. However, opportunities exist to improve oversight of documentation requirements.

Finding #1: Inaccurate Reporting of Arrests

We reviewed Confidential Fund reports from the [redacted], and [redacted] divisions for FYs 2018 and 2019 to verify the number of arrests attributable to informants and controlled substance purchases. We found that five of eight³ postal inspectors we interviewed did not accurately report arrests in the CFP application. Specifically:

“We found that five of eight postal inspectors we interviewed did not accurately report arrests in the CFP application.”

- The reporting of arrests in Confidential Fund reports by both team leaders and CFP coordinators was inaccurate. For the three divisions we reviewed, team leaders reported 28 arrests and CFP coordinators reported four arrests. Our review indicated that 13 arrests should have been reported (see [Table 1](#)).

Table 1. Reported Arrests Attributable to Informants and Controlled Substance Purchases

| Division | Team Leaders | CFP Coordinators | OIG Review |
|--------------|--------------|------------------|------------|
| ██████ | 7 | 2 | 2 |
| ██████████ | 0 | 0 | 4 |
| ██████████ | 21 | 2 | 7 |
| Total | 28 | 4 | 13 |

Source: OIG analysis of FYs 2018 and 2019 CFP application and CMS data.

- Postal inspectors could not enter controlled substance purchase arrests because the “Update Arrest and ID Data” button in the CFP application was not functioning.
- The CFP application did not populate the correct number of arrests in the current reporting period for any of the Confidential Fund reports reviewed. For example, a postal inspector recorded a controlled substance purchase during FY 2019, Quarter (Q)1. The arrest attributed to the purchase occurred during FY 2019, Q2, and was entered into the CFP application during FY 2020, Q3; however, the CFP application captured the arrest in FY 2019, Q1.

These issues occurred because CFP coordinators did not always verify team leaders’ information. Additionally, the CFP application had a programming error that prevented it from capturing arrest entries. Postal Inspection Service policy requires team leaders to report arrests attributable to informants and controlled substance purchases⁴ and CFP coordinators must conduct quarterly reviews of team leaders’ Confidential Fund reports.⁵ Although the CFP application was updated in March 2020 to allow postal inspectors to enter arrests related to controlled substance purchases, arrests are still not accurately captured in

4 CFP Manual, Frequently Asked Questions, dated September 2019.
 5 ISM, Section 6-4.6.1.1, Quarterly Reviews, dated September 2018.
 6 CFP Manual, Case Jacketing, dated September 2019.
 7 CFP Manual, Exhibit 6 Confidential Funds Program Annual Review Steps & Exhibits, dated September 2019.

the correct reporting period. Management stated they need to reevaluate the benefits of the arrest reporting policy. Inaccurate information may diminish the effectiveness of the CFP as an investigative tool because management is using unreliable data to make decisions.

Recommendation #1

We recommend the **Deputy Chief Inspector, Headquarters Operations**, enforce Confidential Funds Program guidance and update the Confidential Funds Program application or reevaluate the requirement to capture arrests in the Confidential Funds Program application.

Finding #2: Annual Review Guidance Not Followed

We found that postal inspectors did not conduct annual CFP reviews correctly. We evaluated two annual CFP reviews for each of the three divisions and determined:

- None had the correct case management selections or descriptions identifying them as “CI/CS Fund Program” annual reviews.
- Five did not have Confidential Fund reports attached.
- Three did not have the advance of confidential funds request forms.
- Three did not have Confidential Fund reports with required signatures.
- One did not include accurate CFP application data such as team leader and confidential fund designations.

These issues occurred because postal inspectors did not follow CFP annual review guidance. Additionally, the CFP application did not capture historical data, which resulted in incorrect information populating reports needed for the annual review. Postal Inspection Service guidance requires specific case management selections for annual reviews,⁶ documentation to be attached as exhibits,⁷

confidential fund forms to be signed by the Inspector-in-Charge,⁸ and internal records to be reviewed semiannually for reasonableness and accuracy.⁹ As a result of not following annual review guidance correctly, postal inspectors could rely on incorrect and unreliable CFP data, resulting in management receiving inaccurate and incomplete information used to evaluate the overall effectiveness of the CFP.

Recommendation #2

We recommend the **Deputy Chief Inspector, Headquarters Operations**, ensure that postal inspectors conducting annual Confidential Funds Program reviews follow the Confidential Funds Program annual review guidelines.

Recommendation #3

We recommend the **Deputy Chief Inspector, Headquarters Operations**, update the Confidential Funds Program application to ensure reports contain accurate information.

Finding #3: Area Cases Not Used for Developing Informants

During FYs 2018 and 2019, 26 postal inspectors¹⁰ who signed up 35 informants in the [REDACTED], and [REDACTED] divisions did not use the correct type of case to develop and maintain informants (see Table 2).¹¹ Specifically, postal inspectors used investigative cases instead of area cases, which did

“Specifically, postal inspectors used investigative cases instead of area cases, which did not require them to document work associated with developing informants.”

not require them to document work associated with developing informants. Per policy, area cases are established to conduct preliminary investigative activities and maintain informants.

Table 2. Number of Informants Signed Up

| Division | FY 2018 | FY 2019 | Total |
|--------------|-----------|-----------|-----------|
| [REDACTED] | 6 | 17 | 23 |
| [REDACTED] | 1 | 6 | 7 |
| [REDACTED] | 3 | 2 | 5 |
| Total | 10 | 25 | 35 |

Source: OIG analysis of FYs 2018 and 2019 CFP data and CMS case information.

This occurred because postal inspectors stated they were unaware of the requirement to use area cases. Management stated that the way area cases are used may have evolved and guidance should be reevaluated. As a result of not using the correct type of case, postal inspectors could charge time to a jacketed case for informants and management would not be able to determine how many hours postal inspectors spent developing and maintaining them. Jacketed cases are used when there is an indication or occurrence of criminal activity warranting further review to document specific tasks in investigations. Since area cases were not being used, postal inspectors documented about 241 workhours¹² associated with developing informants to jacketed cases.

Recommendation #4

We recommend the **Deputy Chief Inspector, Headquarters Operations**, enforce or update the case management area case guidelines for developing and maintaining confidential informants.

⁸ CFP Manual, Annual Review of Assigned Funds and Exhibit 6, Confidential Funds Program Annual Review Steps & Exhibits, dated September 2019.

⁹ Handbook AS-805, Information Security, Section 9-8.4, Management Requirements, dated November 2019.

¹⁰ The 26 postal inspectors include those who signed up more than one informant.

¹¹ FY 2019 Case Management Reporting Requirements, Criminal Investigations-Miscellaneous and Prevention-Miscellaneous section.

¹² To obtain total workhours, we multiplied 35 (number of informants signed up) by the average 6.89 hours spent conducting preliminary work associated with developing informants. Average number of workhours was based on total workhours provided by the nine postal inspectors that were interviewed.

Finding #4: Conflicting Policies

We found that CFP policies and manuals contain conflicting guidance. The *CFP Manual* states that CFP files, including personal information about informants and Confidential Fund reports, are to be stored as Category I material.¹³ Category I material requires the highest degree of protection and must be stored in a security filing cabinet or container. However, the ISM states CFP files are to be stored as Category II material, which requires a lower security level.¹⁴ Category II material includes routine investigative reports and routine internal correspondence. Although the *CFP Manual* acknowledges that the ISM is incorrect, a postal inspector using only the ISM may not secure CFP files, as required.

Of the three Postal Inspection Service divisions reviewed, we conducted a site visit to the [REDACTED] Division. We observed that the Postal Inspection Service correctly secured their CFP files in a Category I cabinet (see Figure 3).

“We found that CFP policies and manuals contain conflicting guidance.”

Figure 3. Category I Secured File Cabinet Containing CFP Files



Source: OIG photograph taken at the Postal Inspection Service [REDACTED] Division office.

¹³ *CFP Manual*, Record Security and Retention, dated September 2019.

¹⁴ ISM, Section 6-4.3.1, Security, dated September 2018.

Additionally, the pre-populated account number on the confidential funds request templates were incorrect in the ISM and CFP application when compared to the *CFP Manual*. The ISM¹⁵ and the CFP application include a template that postal inspectors must use to request additional confidential funds from the San Mateo Accounting Service Center. This template is used to track confidential fund balances and transfers.

These policy inconsistencies were due to management not reconciling the ISM CFP policies when the *CFP Manual* was updated. Without reconciled policies and manuals, a postal inspector may incorrectly store CFP files or delay the process for receiving funds, impacting CFP security and efficiency.

Recommendation #5

We recommend the **Deputy Chief Inspector, Headquarters Operations**, reconcile guidance annually and update the *Inspection Service Manual's* Confidential Funds Program policies with the *Confidential Funds Program Manual* to ensure consistency.

Management's Comments

Management agreed with recommendations 1, 3, and 5. Management agreed, in part, with recommendation 2 and disagreed with recommendation 4.

Regarding recommendation 1, management stated that a case attribute will be created in the Case Management System to identify cases using the CFP. Additionally, the arrest feature in the CFP will be deactivated and all policy

and forms will be updated as appropriate. The target implementation date is January 31, 2021.

Regarding recommendation 2, management stated that although CFP annual reviews were completed in accordance with ISM requirements, the reviews should be standardized to ensure consistency. Management will update the policy to address the annual review requirements. The target implementation date is June 30, 2021.

Regarding recommendation 3, management stated they will review the CFP application and address any abnormalities in the reporting of historical data to ensure they contain accurate information. The target implementation date is January 31, 2021.

Regarding recommendation 4, management stated that they reverted Case Management Reporting requirements to Case Management Reporting guidelines in FY 2019 because postal inspectors primarily use confidential informants for case-specific information. However, at times postal inspectors use area cases to develop confidential informants for non-case specific information.

Regarding recommendation 5, management stated that they are currently reviewing and updating the ISM. Any revisions to the CFP section will be reconciled with the CFP Manual to ensure consistency. The target implementation date is June 30, 2021.

See [Appendix B](#) for management's comments in their entirety.

¹⁵ ISM, Exhibit 6-4.6.1, Inspector-in-Charge Request for Advance of Confidential Funds.

Evaluation of Management's Comments

The OIG considers management's comments responsive to recommendations 1, 2, 3, and 5 and the corrective action should resolve the issues identified in the report. The OIG considers management's comments unresponsive to recommendation 4.

Regarding recommendation 4, we agree postal inspectors primarily use informants for case-specific information and will occasionally use an area case for developing informants for non-case specific information. We also understand that Case Management Reporting requirements dated FY 2019 were updated to Case Management Reporting guidelines in FY 2020. However, the guidelines specifically related to developing and maintaining confidential informants were not updated. As noted in the report, postal inspectors were unaware of the requirement to use area cases to develop and maintain informants. Therefore, as we recommended, the Postal Inspection Service should update guidelines for developing and maintaining confidential informants.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. Recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

Appendices

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Appendix A: Additional Information

Scope and Methodology

The scope of our audit included a review of the U.S. Postal Inspection Service's CFP policies and procedures, confidential funds disbursements, training records, and all CFP case files from the [REDACTED], and [REDACTED] divisions for FYs 2018 and 2019. We judgmentally selected the [REDACTED] and [REDACTED] divisions based on the number of informants signed up and the amount spent, and the [REDACTED] Division on its proximity to the OIG audit team.

To accomplish our objective, we:

- Interviewed division CFP coordinators and team leaders to understand their roles and responsibilities related to the CFP and determine whether they are following CFP checklist duties.
- Interviewed the DCI, Headquarters Operations, and the Headquarters CFP specialist to gain an understanding of CFP processes, including review of informant, SOI funds, and the process for evaluating the overall effectiveness of the program.
- Interviewed a San Mateo Accounting Service Center Accounts Payable Branch employee to gain an understanding of their role in the CFP process.
- Reviewed all 35 informant and SOI case files in the [REDACTED], and [REDACTED] divisions for completeness and accuracy.
- Reviewed arrests attributable to informants and controlled substance purchases.
- Reviewed CFP training requirements for postal inspectors to determine whether the training adequately prepares them for handling informants and SOIs.
- Reviewed informant and SOI data and confidential fund records within the CFP application.

- Reviewed Confidential Fund Receipts and Confidential Fund Reconciliation Expense spreadsheets from the San Mateo Accounting Service Center.
- Evaluated the oversight and handling of confidential funds to ensure funds were accounted for and disbursements were supported with receipts and documentation.
- Conducted a site visit to the [REDACTED] Division to review completeness and security of CFP files.
- Determined whether postal inspectors are accounting for time to develop and maintain confidential informants through area cases.

We conducted this performance audit from March through October 2020 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on September 29, 2020, and included their comments where appropriate.

We assessed the reliability of CFP and Enterprise Data Warehouse data by tracing it to source documents for validity and completeness. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

The OIG did not identify any prior audits or reviews directly related to the objective of this audit within the last five years.

Appendix B: Management's Comments



CRAIG I. GOLDBERG
DEPUTY CHIEF POSTAL INSPECTOR

UNITED STATES POSTAL INSPECTION SERVICE

October 22, 2020

Joe Wolski
Director, Audit Operations

SUBJECT: U.S. Postal Inspection Service Confidential Funds Program
(Report Number 20-179-DRAFT)

Thank you for the opportunity to review and comment on the findings and recommendations contained in the draft audit report, U.S. Postal Inspection Confidential Funds Program.

The Postal Service agrees with recommendations 1, 3, and 5; agrees, in part, with recommendation 2; and disagrees with recommendation 4. Management will address each recommendation separately below.

Recommendation 1: We recommend the Deputy Chief Inspector, Headquarters Operations, enforce Confidential Funds Program guidance and update the Confidential Funds Program application or reevaluate the requirement to capture arrests in the Confidential Funds Program application.

Management Response/Action Plan: Management agrees with this recommendation. A case attribute will be created in our Case Management System to identify cases utilizing the Confidential Funds Program. The arrest feature in the Confidential Funds Program will be deactivated and all policy and forms updated as appropriate.

Target Implementation Date: January 31, 2021

Responsible Official: Deputy Chief Inspector, Headquarters Operations

Recommendation 2: We recommend the Deputy Chief Inspector, Headquarters Operations, ensure that postal inspectors conducting annual Confidential Funds Program reviews follow the Confidential Funds Program annual review guidelines.

Management Response/Action Plan: Management agrees, in part, with this recommendation. Even though the annual reviews were completed in accordance with the ISM, we acknowledge our reviews should be standardized to ensure

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consistency. Our policy will be updated to address the annual review requirements.

Target Implementation Date: June 30, 2021

Responsible Official: Deputy Chief Inspector, Headquarters Operations

Recommendation 3: We recommend the Deputy Chief Inspector, Headquarters Operations, update the Confidential Funds Program application to ensure reports contain accurate information.

Management Response/Action Plan: Management agrees with this recommendation. The Confidential Funds Program application will be reviewed and any abnormalities in the reporting of historical data will be addressed to ensure they contain accurate information.

Target Implementation Date: January 31, 2021

Responsible Official: Deputy Chief Inspector, Headquarters Operations

Recommendation 4: We recommend the Deputy Chief Inspector, Headquarters Operations, enforce or update the case management area case guidelines for developing and maintaining confidential informations.

Management Response/Action Plan: Management disagrees with this recommendation. In Fiscal Year 2019, the Case Management Reporting Requirements were reverted to the Case Management Reporting Guidelines. One of the primary reasons was related to the case jacketing guidance. As explained during the audit, we primarily use Confidential Informants (CI) for case specific information. CI activity utilized in a specific case should be documented and maintained in that case. Occasionally, we do have a need to develop CI in geographical areas for non case-specific information and that is the purpose and appropriate usage of an area case.

Recommendation 5: We recommend the Deputy Chief Inspector, Headquarters Operations, reconcile guidance annually and update the *Inspection Service Manual's* Confidential Funds Program policies with the *Confidential Funds Program Manual* to ensure consistency.

Management Response/Action Plan: Management agrees with this recommendation. The Inspection Service Manual is currently being reviewed and updated. Any revisions to the section related to the Confidential Funds Program

will be reconciled with the Confidential Funds Program Manual to ensure consistency.

Target Implementation Date: June 30, 2021

Responsible Official: Deputy Chief Inspector, Headquarters Operations

Thank you,

A handwritten signature in black ink, appearing to read "Craig I. Goldberg". The signature is fluid and cursive, with the first name "Craig" being the most prominent.

Craig I. Goldberg
Deputy Chief Inspector, Headquarters Operations

cc: Manager, Corporate Audit Response Management

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