







# A Message from the Acting Inspector General

The Postal Service is in the midst of a challenging journey. Mail volume has been declining since 2007, and pressures from lost revenue have been mounting. Retiree health care and pension expenses are significant, and workers' compensation liabilities remain a big issue to be addressed, both operationally and financially. And finally,

the mail infrastructure has increasingly become a target of those wishing to abuse it to distribute illicit narcotics.

Even in the midst of these difficulties, the mail continues to move in a consistent and predictable manner around the country. Each day, over 493 million mailpieces are delivered across the country to 159 million delivery points (146 million residential and 13 million business) — totaling over \$70 billion in annual revenue. Employees work tirelessly to ensure the parcels that we are all increasingly dependent upon are timely transported to our homes and offices. The infrastructure that is in place to make these deliveries happen is massive and expensive, yet very durable, even when under strain.

The changing mail mix from letters to parcels is increasingly impacting the relationships the Postal Service has built with its customers and partners. Larger things of value require increased vehicle size, bigger and different machines, increased security, and stronger business partnerships with tougher negotiations in this fiercely competitive marketplace. Strategic thought and planning regarding this mail mix shift

and the accompanying financial challenges is key to ongoing operations and continued long-term viability.

It is into this challenging environment that the Postal Regulatory Commission issued its rate review proposal to address the financial stability of the Postal Service, and upon which the President's task force on the United States Postal Service conducted its recent review. It is also into this environment that two new Postal Service Governors have arrived and taken their place to lead this iconic institution.

Here at the Office of Inspector General, our audit work, research reports, and investigative cases provide critical data to influence the changes that will be necessary in the next few years to ensure the viability of the nation's Postal Service. Change is challenging, but it is critical to the future of the Postal Service, and we embrace it and look forward to further exploration of how our work can integrate with and inform this evolution.

In fulfilling our role to ensure efficiency, accountability, and integrity in the United States Postal system, we are submitting this report pursuant to the Inspector General Act, in order to outline our work and activities for the six-month period of April 1, 2018 through September 30, 2018. During this period, we issued 95 audit reports, management advisories, data analysis memorandums, and white papers, and the Postal Service accepted 75 percent of our recommendations. We completed 1,578 investigations that led to 400 arrests and nearly \$72.8 million in fines, restitutions, and recoveries, \$37.2 million of which was turned over to the Postal Service.

# Mission Statement

Ensuring efficiency, accountability, and integrity in the U.S. Postal Service.

## SUMMARY of PERFORMANCE

For the Period April 1 - September 30, 2018



### Audit

Reports Issued: **85**  
 Recommendations Issued: **198**  
 Total Reports with Financial Impact: **37**



Questioned Costs: **\$731,550,367**  
 Revenue Impact: **\$102,472,977**  
 Funds put to better use: **\$213,362,219**  
**Total:**  
**\$1,047,385,563**



### Investigations<sup>1</sup>



Amount to the Postal Service:<sup>2</sup>  
**\$37,193,841**

Investigations Completed: **1,577**  
 Arrests: **400**  
 Indictments/Informations: **423**



Cost Avoidance:  
**\$350,186,740**

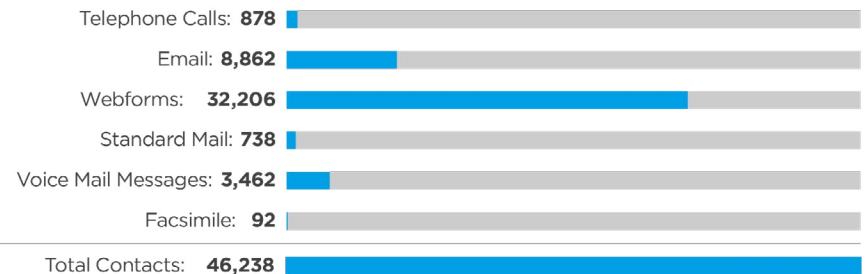


Fines, Restitution, and Recovery:  
**\$72,777,083**

Convictions/Pretrial Diversions:<sup>3</sup> **74**  
 Administrative Actions: **1,202**



### OIG Hotline Contacts



<sup>1</sup> Statistics include joint investigations with other law enforcement agencies.

<sup>2</sup> Amounts are totals to the USPS resulting from joint investigations with other OIG, federal, state, and local law enforcement entities.

<sup>3</sup> 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) and the Risk Analysis Research Center (RARC) adhere to professional standards and present their work to Postal Service 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.



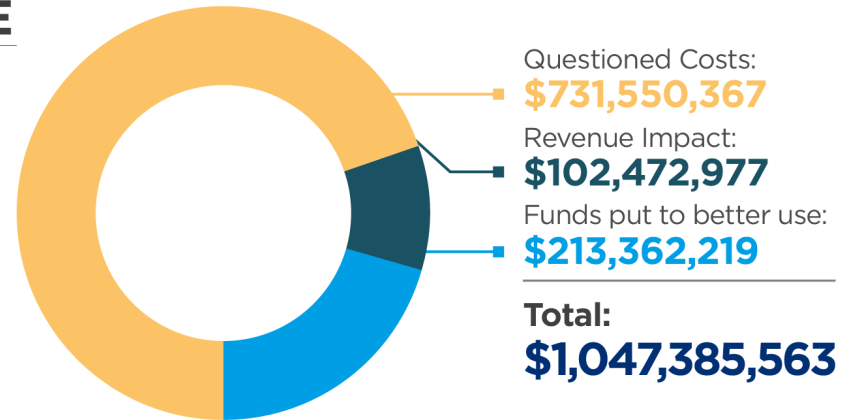
# Audit *SUMMARY of PERFORMANCE*

For the period April 1 - September 30, 2018

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## Finance, Pricing, & Investments

### Inbound International Letter Post Performance and Strategies

The U.S. Postal Service met International Letter Post (ILP) service performance standards only once since inception of the Universal Postal Union (UPU) program in 2005. As a result, we assessed service performance of inbound ILP mail and strategies to meet service performance and standards. We found the Postal Service does not have strategies specific to inbound ILP mail, and as a result, USPS has forfeited revenue.

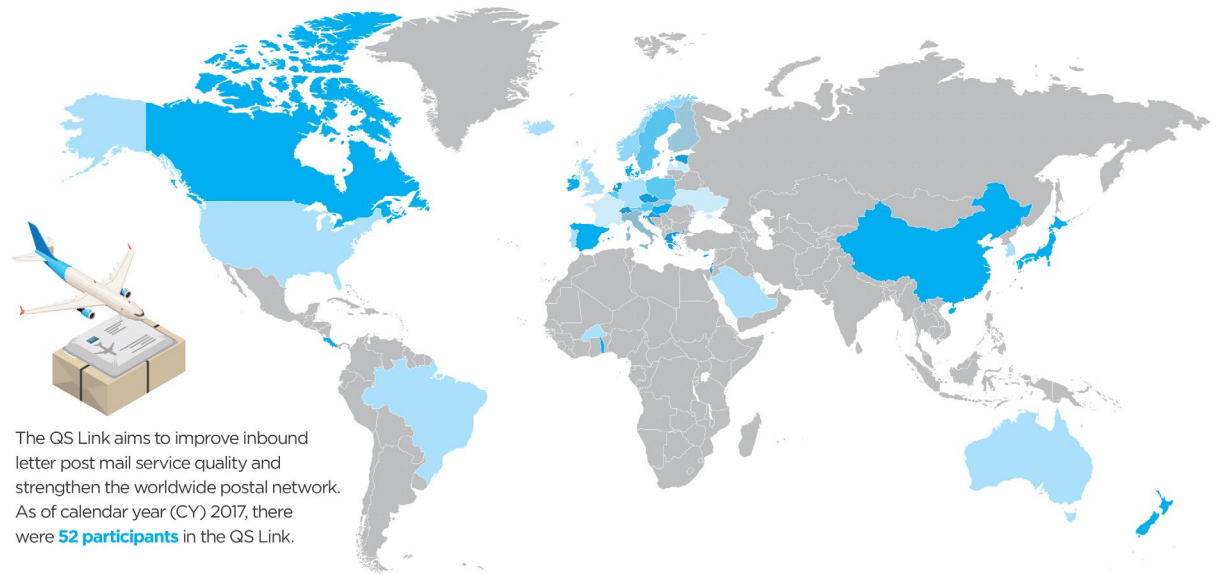
The UPU-accepted service standards mostly align to domestic service standards of the country of destination; therefore, USPS does not distinguish between domestic and international mail. As such, management believed current Postal Service strategies to improve overall service performance are sufficient. However, there are deviations between domestic and international service standards that are not accounted for in current service performance mail strategies.

We also found the Postal Service does not perform detailed analysis of UPU service performance data. We identified issues with the following factors that impact inbound ILP service performance standards: mail quality, stop-the-clock readings, mail volume, and facility layout. For example, reviewing service performance data at a more detailed level, by tracking and analyzing mail processing scans from the International Service Center to the Processing & Distribution Center (P&DC), could identify where mail processing delays occur related to service performance targets.



# Finance, Pricing, & Investments

We recommended management: 1) develop a strategic plan for inbound ILP mail that is specifically aligned with UPU-accepted service standards and addresses mail processing deficiencies to improve the overall service performance of inbound ILP mail; and 2) evaluate resources to track and analyze UPU processing scans to identify service standard failures that prevent the Postal Service from meeting UPU service performance targets and to support development of strategies to improve service performance. Postal Service management disagreed with all recommendations because it views current strategies and data analysis as sufficient. The OIG will pursue this matter through audit resolution.



# Planning and Operations

## Use of Postal Service Network to Facilitate Illicit Drug Distribution

International and domestic drug traffickers use the Postal Service to distribute illicit drugs. This undermines the public's trust, puts employees in harm's way, and erodes the Postal Service's brand. Known vulnerabilities include the Postal Service's general prohibition from opening international and domestic mail and lack of a distinct penalty under the Federal Sentencing Guidelines for

using the Postal Service network for illicit drug distribution.

Additionally, opportunities exist for the U.S. Postal Inspection Service (USPIS) to enhance its data analytics to identify mailpieces for inspection that may contain illicit drugs. The USPIS's process for removing mailpieces potentially containing illicit drugs is resource-intensive. Finally, the amount of narcotics-related arrests by the OIG, indicates a

need for USPS to educate employees about the dangers of colluding with drug traffickers.

We recommended management work with Congress and relevant executive agencies to develop legislative changes that would authorize the USPIS to open and inspect packages suspected of containing illicit drugs and establish separate and enhanced criminal penalties for using the Postal Service network to distribute illicit drugs. We also recommended designation of an officer to consolidate

# Planning and Operations

existing efforts and lead implementation of a comprehensive strategy to combat the use of the Postal Service network in facilitating illicit drug distribution. Finally, we recommended enhancing USPS's data model to integrate package inspection results, establishing a process to more efficiently divert packages

suspected of containing illicit drugs; and instituting a centralized, automated program to increase adherence to current procedures and improve existing policies for private mailboxes rented through Commercial Mail Receiving Agencies (CMRAs).

Management disagreed with all recommendations, except the need to improve policies related to and oversight of CMRAs. The OIG will pursue management's disagreements through audit resolution.

# Mission Operations

## Flats Sequencing System Performance in the Capital Metro Area

In October 2008, the Postal Service began nationwide deployment of 100 Flats Sequencing Systems (FSS) machines to sort flat-shaped mail (flats) such as large envelopes, newspapers, catalogs, and magazines into letter carrier delivery order.

We found that 74 million flats mailpieces intended for processing on FSS machines in the area, or about 23 percent of flats mail, were not processed on FSS machines from October 1, 2017, through March 31, 2018. This is referred to as leakage mail, which ends up processed on other equipment or sorted manually. Our analysis also showed that processing flats mail on FSS machines costs

more compared to processing on Automated Flats Sorting Machines.

We recommended management address the causes of mail leakage and determine the operational costs and savings that FSS currently provides. Management disagreed with the findings and recommendations, and we are planning to pursue action through the audit resolution process. Regarding Recommendation 1, management said it has processes in place to monitor, track, and identify the cause(s) of leakage. Although management can measure total leakage and characteristics such as origin mailer and mail class using the barcode, management cannot identify the specific cause(s) of leakage, such as late-arriving mail or misdirection. Regarding Recommendation 2, management stated FSS costs and savings were already determined during FSS implementation.





# Mission Operations

## Surface Visibility Scanning – Capital Metro Area and Capping Report

We identified several best practices in this report, as well as some scanning issues to be addressed. On the positive side, in the Capital Metro Area, Norfolk and Greensboro P&DC, management reviewed daily scan data to identify problem areas, conducted spot checks to correct issues, and ensured scans were conducted. Additionally, supervisors discussed problem areas with individual employees and during stand-up talks. In the Western Area, we previously identified a best practice of posting scan data printouts on the workroom floor that compared the scanning performance of all P&DCs.

However, there were issues that remain to be addressed. We observed at the Greensboro, Norfolk, Northern Virginia, and Peachtree P&DCs that about 48 percent of selected incoming mail containers and about 12 percent of selected outgoing mail containers did not have placards and thus could not be scanned. At the Greensboro and Peachtree P&DCs, we observed placards falling off containers because of the absence of plastic sleeves that are supposed to contain the placards. Instead, staff taped the placards to mail containers – a less secure means. Additionally, Northern Virginia P&DC managers were not ensuring that employees were using placards.

We also observed personnel at P&DCs not always performing load and unload scans. Our analysis of missing trip scan data from Surface Visibility Web indicated that employees had not performed load and unload scans on over 43 percent of trips. As a result, the Capital Metro Area has reduced scan scores and customer visibility. As of February 2, 2018, the average scan score for the Capital Metro Area was 86 percent, while the national average is 90 percent.

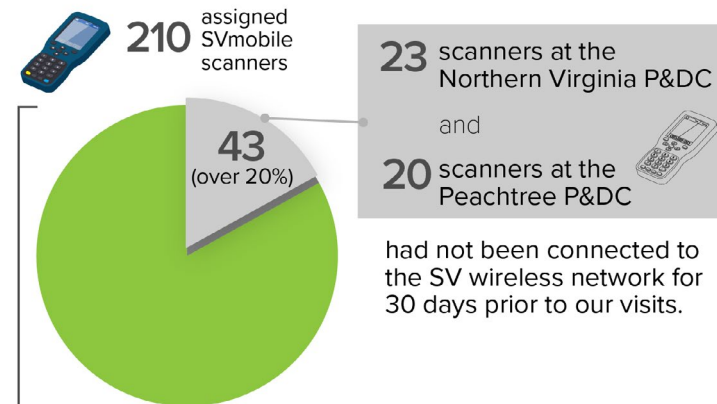
Finally, the Northern Virginia and Peachtree P&DCs could not find 43 of 210 (over 20 percent) assigned SV mobile scanners. Our analysis indicated that 23 scanners at the Northern Virginia P&DC and 20 scanners at the Peachtree P&DC could not be located and had been

not connected to the SV network in the 30 days prior to our visits. As a result, we calculated questioned costs of over \$32,000 to replace missing scanners. We made a referral to our Office of Investigations about the missing scanners.

We recommended management: 1) implement scanning best practices nationwide; 2) require P&DC managers to ensure employees use plastic sleeves for all mail containers with placards; 3) develop procedures to ensure mail container visibility during system trip updates; 4) update the system to resolve the 24-hour system update delay; 5) ensure through training and monitoring that P&DC managers provide adequate oversight of scanning operations to ensure all mail is scanned as required; and 6) conduct an inventory to determine the number of scanners on hand nationwide compared to the issued number and the needed replacements. Management disagreed with recommendations 2, 3, 4, and 5. The OIG will pursue this matter through the audit resolution.

### The Northern Virginia and Peachtree PD&Cs

could not find **43** of **210** of the assigned SVmobile scanners



# Information Technology

## Review of Extended Capacity Left-Hand Drive Delivery Vehicle Acquisition

The Postal Service approved two capital investments to purchase 12,472 new commercially available left-hand drive (LHD) delivery vehicles in FYs 2014 and 2015. The existing fleet vehicles had been in service beyond end-of-life projections, resulting in maintenance costs greater than the vehicle's value. Additionally, increasing package volume created need for larger cargo capacity. To sustain delivery service, management decided that in addition to the new vehicles it would retain 7,688 older vehicles originally slated for replacement because of package volume growth and an increased number of delivery points.

We found that while the Postal Service paid less for the new vehicle acquisition than the original estimates, management did not recognize the net savings from the investments in FYs 2016 and 2017. Management did not always track and report on four key performance metrics (vehicle maintenance facility labor, contract labor, parts and materials, and fuel) as required by the investment process. Evaluating performance metrics should, among other things, assess how effectively goals are being met and measure success of the acquisition throughout the investments. Lastly, operating costs continue to exist for the 7,688 vehicles the Postal Service retained.

We recommended management: 1) recognize the net savings of Postal Service investments going forward by reducing annual field budgets; 2) establish a review process for program

managers to update cash flows and report on operating changes that will impact the investment; and 3) develop and implement a review process to track and report performance metrics throughout the progress of the investment.

Management disagreed with recommendation 2, explaining the DAR tollgate process provides program updates to management on operating changes and program performance at the conclusion of the program. However, we identified the cash flows were not updated throughout the investment in accordance with Postal Service investment policy. We do not plan to pursue this matter through the formal audit resolution process at this time; however, we will be evaluating the timeliness of updates to cash flows in subsequent audits.

# Retail, Delivery, & Marketing

## Electronic Verification System (eVS) Internal Controls

The Electronic Verification System, or eVS, is an electronic manifest mailing system allowing commercial mailers to print postage labels and electronically transmit manifests with detailed shipping and payment information

to the Postal Service. It is part of the larger PostalOne! system.

USPS recognizes the eVS has significant weaknesses in its internal controls, requiring additional work-arounds and a manual reconciliation process to ensure proper postage payment. The weaknesses are a result

of the rapid growth and complexity of the Postal Service's ecommerce business.

In addition, we noted internal controls over manual sampling – used to validate weight, content, and packaging – were ineffective. Specifically, business mail entry unit clerks did not always randomly sample eVS packages as required. Instead, we observed business



# Retail, Delivery, and Marketing

mail entry unit clerks deliberately selecting eVS packages. This occurred because management had not ensured clerks follow required sampling controls.

We also determined internal controls over the manual reconciliation process were weak, as there was limited oversight of underpaid postage manual adjustments – analysts and BMEU managers and supervisors could modify eVS-generated postage adjustments without management approval and oversight. These conditions occurred because management did not follow review procedures as required or establish oversight controls. These ineffective eVS control issues resulted in revenue loss of \$2.5 million in FY 2017. While this amount is a very small percentage of FY 2017 eVS revenue, eVS volume continues to grow, and the lack of controls increases potential risk of additional loss.

The Postal Service is drafting a new package acceptance and payment strategy built on a modern payment information technology infrastructure — the Package Platform — which should address risks associated with current work-arounds and manual reconciliation processes.

We recommended management: 1) evaluate development of additional controls to accurately determine proper postage rates;

2) develop sampling policy to specify how employees select eVS packages; and 3) follow review procedures and develop oversight controls for district business mail entry managers. Management disagreed with two of the recommendations in the report, but the proposed alternative actions may address the intent of the recommendations. We considered management’s comments partially responsive and will coordinate a resolution with management.

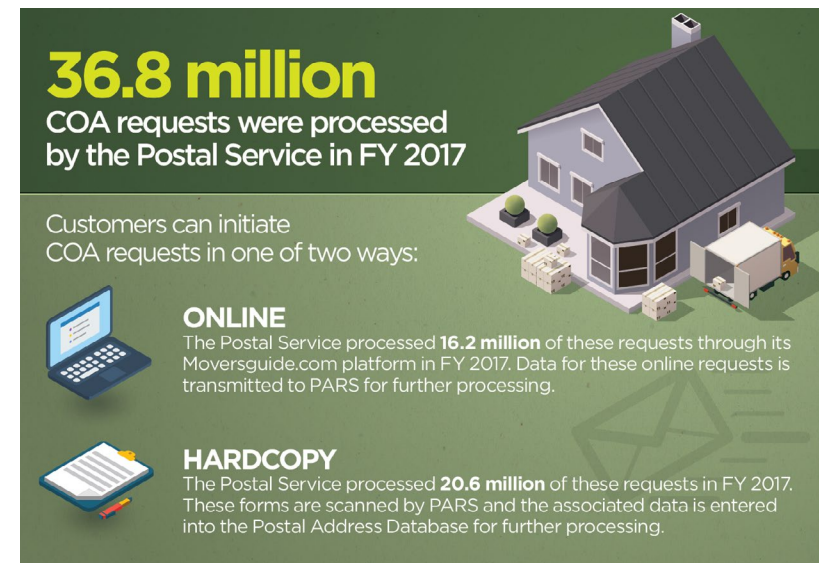
## Change of Address Identity Verification Internal Controls

The Postal Service processed 36.8 million Change of Address (COA) requests in FY 2017 — 20.6 million hardcopy requests and 16.2 million online requests. The Postal Service has a variety of controls to help prevent identity theft when using the COA service and to protect the mail and privacy of customers. These controls include electronically validating online COA requests using credit card addresses and sending hardcopy letters to both the old and new addresses.

Still, we found the Postal Service has opportunities to improve COA service identity verification controls. First, USPS lacks

a control requiring customers to present a government-issued form of identification when submitting a hardcopy COA request at a retail facility or to a letter carrier. Leading practices, including those from foreign posts in developed countries, include having employees perform identity verifications for in-person transactions. Second, the Postal Service’s online identity verification processes were also inconsistent with leading practices.

We recommended management develop and implement a national policy requiring customers to present a government-issued form of identification when submitting a hardcopy COA request and develop and incorporate enhanced controls into its online COA identity verification processes.



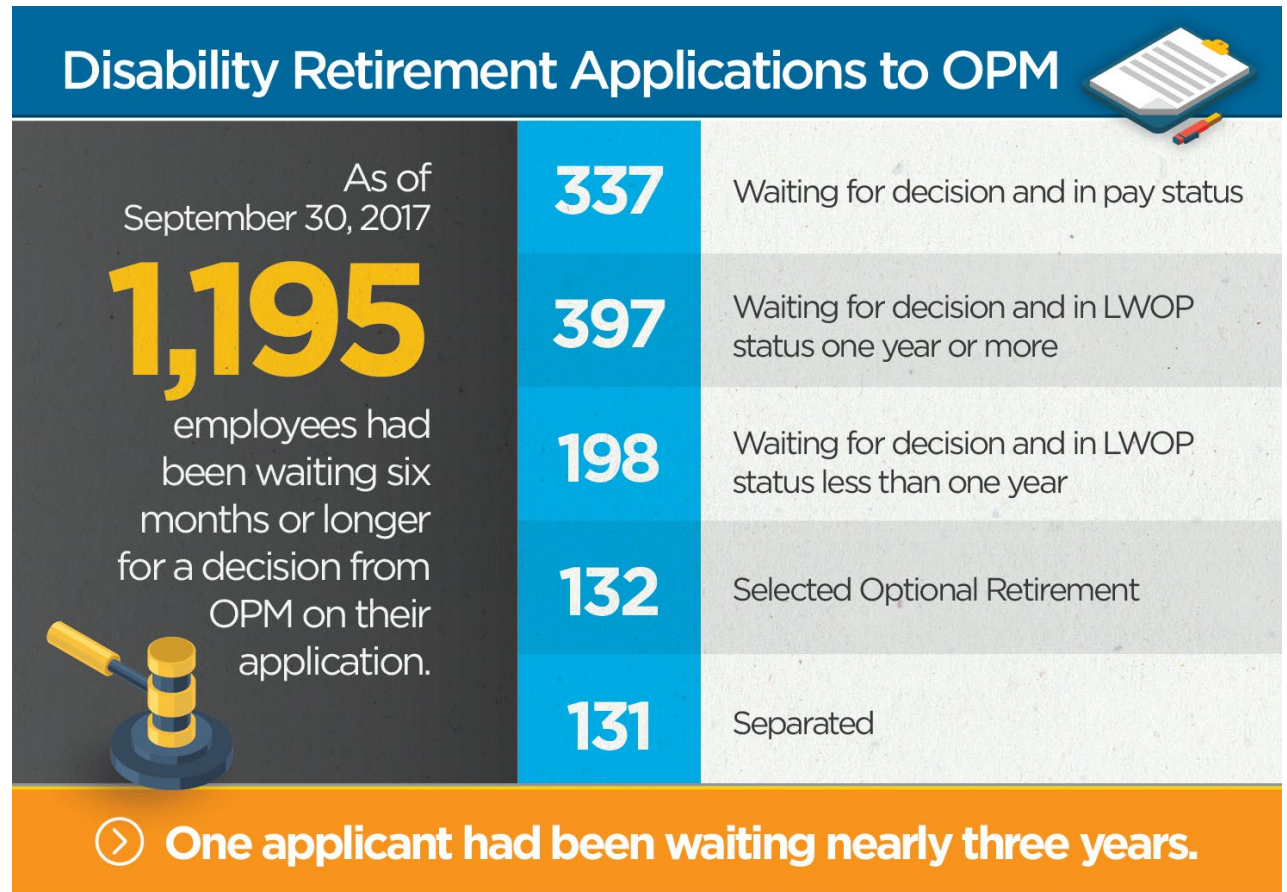
# Supply Management and Human Resources

## Postal Service Disability Retirement Application Process

Disability retirement is an employee benefit intended for Postal Service employees unable to complete a normal career due to disease or injury. To be eligible, employees must meet prescribed statutory, regulatory, and administrative criteria. In FY 2017, about 2,000 employees applied for disability retirement. We assessed the Postal Service's effectiveness in processing disability retirement applications.

The Office of Personnel Management (OPM) administers disability retirements for the Postal Service and the federal government, including approving/disapproving applications. The Postal Service's Human Resources Shared Services Center and Eagan Accounting Service Center are responsible for helping employees complete the application, collecting applicants' financial information and submitting applications to the OPM.

The Postal Service is effective in processing retirement disability applications and submitting them to OPM in time to meet informal timeliness goals; however, as of September 30, 2017, almost 1,200 employees had been waiting over six months for OPM's application decision. Of those employees, 398 had been waiting for a decision for over a year. We statistically sampled 94 of the 398 applications submitted



by these employees. The Postal Service processed 95 percent (89 of 94 cases) of disability retirement applications in time to meet informal goals.

USPS Human Resources management meets with OPM monthly to discuss various HR issues, including the status of disability retirement applications. According to

Postal Service management, OPM does not always provide sufficient information regarding application status, nor does it always notify the Postal Service of application decisions.

We recommended management continue to coordinate with OPM to address disability retirement application delays and, if necessary, escalate concerns to OPM's oversight

# Supply Management and Human Resources

bodies, such as Congress, the Government Accountability Office, and OPM's Office of Inspector General. Management disagreed with the recommendation; however, management's intended action to continue coordinating with OPM satisfies the recommendation's intent.

## Opioid Safety Preparedness

Users take opioids primarily for pain relief. Synthetic opioids are man-made drugs that mimic the morphine-like effects of natural opioids. Due to the dramatic increase in the availability of synthetic opioids, there has been increased focus on the flow of opioids through the U.S. mail system. Any mailpiece containing synthetic opioids is a potential danger to those involved in accepting, processing, and delivering mail. In response to a congressional request, we assessed measures the Postal Service has implemented to prepare its workforce for the risks posed by shipped synthetic opioids.

The Postal Service did not implement specific measures to prepare its entire workforce for risks. The Postal Service generally considers these risks to fall within its already established suspicious mail protocols. While measures are in place to educate and protect U.S. Postal Inspection Service inspectors regarding synthetic opioid exposure, USPS did not provide specific synthetic opioid information to all of its employees.

## Postal Services Memoranda of Policy to communicate the risks and symptoms associated with anthrax exposure



How to identify suspicious packages and letters and what to do when you encounter a suspicious item.



The purchase and shipment of PPE to processing facilities, including nitrile gloves and N95 face pieces.



Facts about anthrax, including what it is and the signs and symptoms of exposure.



Establishment of a database of employees who exhibited flu-like symptoms.



# Supply Management and Human Resources

In addition, employees are not always adhering to existing protocols when handling hazardous or suspicious mail, and management did not validate their mandatory stand-up talks for employees regarding suspicious mail protocols for FYs 2016 and 2017. Finally, there is a need to promote awareness of the Postal Service's packaging requirements for hazardous items among law enforcement agencies and others who are approved to ship controlled substances through the mail.

In March 2018, management directed all facilities to provide stand-up talks on suspicious mail to employees. In May 2018, management provided details of its plan to deploy Narcan nasal spray and related training to 705 postal facilities nationwide to complement existing protocols for suspicious mail and hazardous substances. As of August 2018, the Postal Service confirmed that 20,769 management personnel completed the mandatory Narcan Responder Training course.

We recommended management: 1) communicate to all employees specific information about synthetic opioids; 2) identify which learning-management-system courses on hazardous and suspicious mail should be

mandatory and promote completion of them; 3) formally document the prescribed frequency for conducting suspicious mail stand-up talks; 4) execute their deployment strategy for opioid overdose medication; 5) develop a communication strategy to increase awareness of Publication 52: Hazardous, Restricted, and Perishable Mail to approved mailers; and 6) reassess package-marking requirements for controlled substances. Management disagreed with recommendations 1 and 2. The OIG will pursue this matter through audit resolution.

## Facility Condition Review – Capping Report

During FYs 2016–2017, the OIG conducted a series of facility condition reviews (FCR) at 149 retail facilities throughout the Postal Service's seven geographic areas. This report summarizes the results of the OIG-issued reports that addressed adherence to safety and security standards, building maintenance standards, employee working-condition requirements, and the Postal Service's implementation of report recommendations.

The FCR audits collectively determined that USPS was not consistently adhering to building safety, security, and maintenance

standards nor to employee working-conditions and handicap-accessibility requirements. In addition, there were systemic issues with monitoring local customer complaints in compliance with Postal Service policy. We identified that corrective actions management claimed to have implemented in response to our previously issued reports were either not implemented as indicated or implemented but not effective. Additionally, district safety personnel and local management safety inspections are ineffective in identifying potential hazards and risks. Hazards and risks identified in the sites visited across all seven geographic areas included leaking roofs; potential existence of asbestos, lead paint, and mold; broken electrical panels; missing exit signage; and exposed wiring.

We recommended management: 1) ensure corrective actions that area management claims to have taken have been properly implemented and the issue(s) resolved; 2) develop a robust training program and communication plan to holistically address facility condition awareness, protocols, monitoring, and reporting; and 3) establish an oversight mechanism to ensure safety inspections are completed accurately and deficiencies are addressed.

# Risk Analysis Research Center

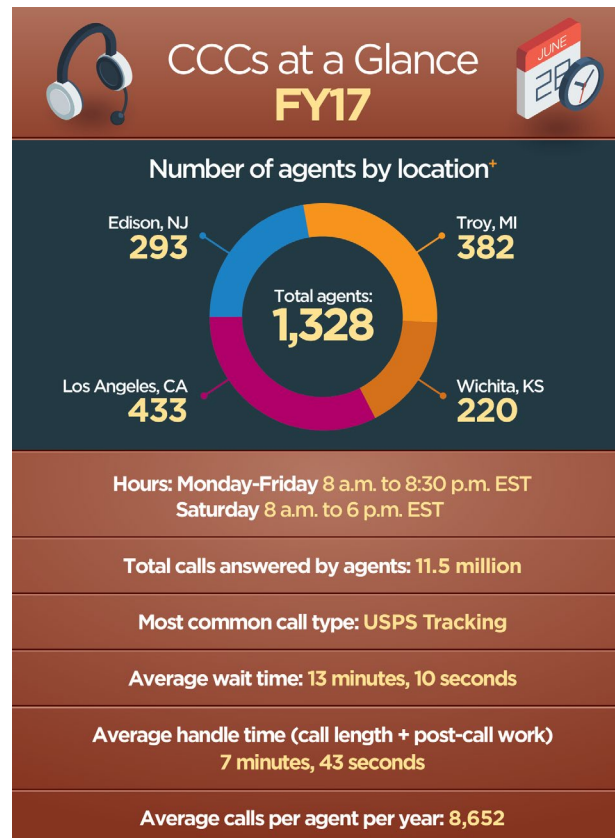
## Improving the Customer Experience with USPS Customer Care Centers

In FY 2017, more than 60 million people called 1-800-ASK-USPS or other postal customer service numbers. The majority used the automated system to seek information, but 19 million callers attempted to speak to a customer service agent. Of those, only 11.5 million successfully reached one. The OIG examined the customer experiences associated with the Postal Service's Customer Care Centers (CCCs) and found that customers praise the agents once they get to them, but callers think the overall process is difficult, and they often end the call without solving their problems.

With 7.6 million customers abandoning calls and some callers holding nearly two hours at peak periods to speak to an agent, the CCCs are not consistently meeting customer needs. The OIG made four recommendations to improve the customer experience. The first is to attack the issue at the root by figuring out why customers are calling and solving those problems. Second, the Postal Service could make it simpler to navigate the automated, Interactive Voice Response system when first connecting to it. Third, for callers that need to speak to an agent, a variety of staffing solutions to increase access to agents could make waits more reasonable. And finally, agents could be empowered with more tools to solve customer problems on the spot. The last is particularly important since the

Postal Service's own surveys indicate that issue resolution is the most important factor driving customer satisfaction.

Management noted that it is seeking to improve the overall customer experience at every touchpoint and is leveraging Call Center metrics, operational performance information, and customer feedback for that purpose.



Management therefore noted that many of the ideas and suggestions provided in the white paper to improve the Care Center experience were already in progress. Management agreed with the first three recommendations and outlined a variety of initiatives that would improve the customer experience once fully implemented in the third quarter of FY 2019. Management disagreed with the final recommendation, which recommended that the Postal Service establish a cross organizational mechanism to keep CCC staff aware of product changes, since communication processes already exist.

## Millennials and the Mail

As Millennials come into their economic prime, understanding how they use mail and the ways to best serve their needs is of crucial importance to the Postal Service. The OIG therefore conducted qualitative and quantitative research to provide a more comprehensive view of how Millennials – defined in the paper as adults aged 18 to 34 – engage with the Postal Service.

The OIG found that while Millennials check their mail less frequently than older generations, their overall satisfaction with the Postal Service is similar to that of older age cohorts. They generally want more convenience and customization, suggesting that USPS provide more self-service, advance knowledge of mail

# Risk Analysis Research Center



and parcel deliveries, and customer loyalty and benefits programs. Many of their suggestions intersect with existing products or services, such as Informed Delivery, Self-Service Kiosks, and Package Pickup. The overlap shows that USPS is on the right track with innovations that meet Millennials' desires, and new efforts to improve awareness are paramount.

The research also indicated that Millennials' engagement with USPS varies according to household living arrangement. Those living with a partner, and especially those with a child, are generally more engaged and interested in new services than those living with their parents, alone, or with roommates. This is important because Millennials are delaying marriage and child-rearing. Continuing to monitor shifts in living

arrangements and catering products and services to meet the needs of these distinct segments could prove valuable for USPS and ensure its relevance with the next generation of consumers.

Postal Service management noted that the research presented in this white paper is in line with their research. They view our work not only as an opportunity to improve and further engage Millennials, but other generations as well.

## **Riding the Returns Wave: Reverse Logistics and the U.S. Postal Service**

The rise of online shopping has created a surge in the number of items being shipped back to retailers. Online purchases are three times more likely to be returned than those made in a physical store. Managing the return of an item from its point of use to where it was sold or manufactured is known as Reverse Logistics. Although many shoppers believe that returned items simply travel back to retailers the same way they came, the real world of reverse logistics is complicated, involving difficult decisions about where and how to send items to recoup as much value as possible. Retailers see the rising cost of returns as a major challenge to be overcome, which has created innovation opportunities for all players in the reverse logistics field.

The Postal Service fulfills a major role in reverse logistics by providing affordable return shipping services to citizens and businesses across the country. USPS handled 148 million return packages in FY 2016, including packages carried through the entire postal network, as well as those where USPS only handles the first mile of the return before passing the packages on to other delivery providers.

However, the OIG discovered that there are some threats to the continued growth of returns. The Postal Service trails behind both UPS and FedEx in the number of end-to-end returns handled, though it has seen the most rapid growth in its first-mile return products. Also, the



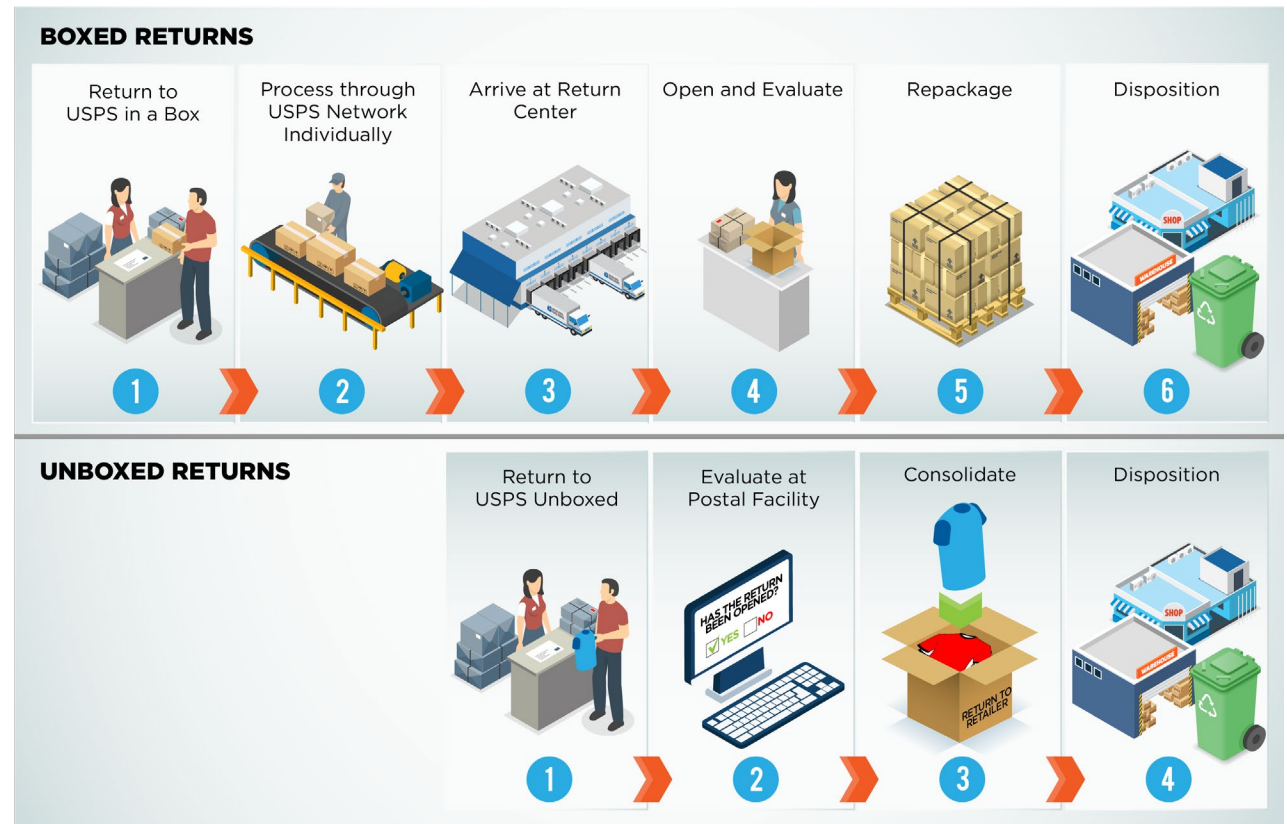
# Risk Analysis Research Center

Postal Service's share of the returns market is smaller than its share of the outbound parcel market, meaning customers who ship their outbound packages with USPS are choosing other options for their returns. Lastly, some retailers with a physical presence are adopting an omnichannel returns strategy, where customers can return online purchases in-store and avoid shipping all together.

Through our interviews with over 30 reverse logistics experts from throughout the supply chain, the OIG found that the Postal Service is perceived to have several unique advantages in returns, such as letter carriers that go to nearly every address in America six days per week; a retail network of more than 30,000 post offices; 146,000 collection boxes for customer drop-offs; and dedicated law enforcement that provides additional security for returned items. Additionally, these interviews uncovered demand for several innovations the Postal Service could make to its technology

and operations practices that could make it more competitive in the returns market. One example is to accept returned items unboxed and consolidate them into larger shipments that would reduce the shipping and processing costs for retailers.

Management generally agreed with findings of the paper and is in the process of implementing several revenue-generating opportunities to improve their Returns portfolio. They have already begun development on one of our suggestions.



# 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.



## Mail Delay and Destruction

Intentionally delaying, destroying, or otherwise disposing of mail.



## Financial Fraud

Stealing/embezzling cash, manipulating postal money orders.



## Health Care Fraud

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



## Contract Fraud

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



## Employee Misconduct

Offenses like abuse of authority or position.



## Narcotics

Employees involved in possessing or using illegal drugs as well as facilitating distribution of them.



## Workplace Environment Violations

Sexual harassment, discrimination, or compromised workplace safety.



## 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, 2018

Investigations Completed: **1,577**  
 Arrests: **400**  
 Indictments/Informations: **423**  
 Convictions/Pretrial Diversions: **74**  
 Administrative Actions: **1,202**



Amount to the Postal Service:  
**\$37,193,841**



Cost Avoidance:  
**\$350,186,740**



Fines, Restitution, and Recovery:  
**\$72,777,083**

## Mail Theft

A mail processing clerk from La Crosse, WI, pleaded guilty in March 2018 to stealing more than 5,000 pieces of mail that affected 7,800 victims. The plea resulted from a joint investigation initiated five years earlier by the OIG, FBI, and the U.S. Postal Inspection Service.

In September 2013, a La Crosse resident reported to a local post office that he never received a valuable NFL player card sent to him via Priority Mail. Tracking showed the card had arrived at the post office and went out for delivery, but there was no record it was delivered. Subsequently, the resident saw the very card he was waiting for on eBay, offered for sale by the owner of a collectibles shop in La Crosse. When questioned, the shop owner said he had bought the card from a mail

processing clerk working at the post office where the Priority Mail piece had arrived.

Working with the owner, investigators conducted controlled buys of other stolen goods from the clerk. After being arrested, the clerk admitted to stealing various items from the mail, including the NFL player card and gift cards, then using the money he received for them to buy heroin from his roommate, a drug dealer. The La Crosse Police Department arrested the roommate and, later, a mid-level heroin distributor in the area.

In June 2018, the mail processing clerk was sentenced to five years' supervised probation and ordered to pay approximately \$5,900 in restitution. At sentencing the judge said this was the "most egregious" case of mail theft he had ever presided over.



# Mail Theft

**B**ased on information received about possible mail theft, an OIG investigation opened in December 2016 revealed that a USPS Sales and Services Distribution Associate (SSDA) in Polk County, WI, was stealing rebate checks from the mail and cashing them.

Security cameras had recorded the associate cashing the checks, which totaled more than \$1,200. However, the investigation also revealed the associate stole an additional \$4,000 in cash while alternately working at two post offices.

After being removed from the Postal Service, the former SSDA pleaded guilty in March 2018 to mail theft. On July 17, 2018, the former associate was sentenced to five years' probation and ordered to pay approximately \$5,400 in restitution.

# Narcotics

**I**n June 2017, USPIS notified the OIG of suspected controlled substances being mailed to addresses within a specific carrier route in Beachwood, OH. The investigation revealed that the regular carrier for the route was facilitating delivery of parcels containing methamphetamine. In September 2017, the carrier admitted to diverting as many as 15 parcels to a drug dealer in exchange for \$300 cash per parcel. The carrier was criminally charged in U.S. District Court for the Northern District of Ohio for conspiracy and possession with intent to distribute methamphetamine. Additionally, two non-USPS co-conspirators were charged.

In April 2018, following a guilty plea to the charges, the carrier was sentenced to eight years' incarceration. The two co-conspirators were also sentenced to six years' and 15 years' incarceration, respectively, following their guilty pleas.



**S**urveillance conducted during an investigation by the OIG and USPIS in 2016 revealed two city carriers at Newburg Station in Cleveland, OH, were profiling and stealing mail parcels they believed contained narcotics. Agents recovered some of the stolen parcels and confirmed their illicit contents. When interviewed, both carriers admitted to the thefts.



In August and September 2017, respectively, both carriers voluntarily resigned from the Postal Service.

In March 2018, following guilty pleas for mail theft, one carrier was sentenced to two years' probation and six months' home detention; the other was sentenced in May to three months' incarceration and two years' probation.

# Health Care Claimant Fraud

**T**he OIG received a qui tam complaint in 2015 concerning health care fraud, prompting a request for a Postal Injury Compensation System (PICS) query and an Investigative Analyst Report. The resulting information revealed that from about December 2008 through December 2014, a group of integrated hospitals and healthcare providers in New York billed the Postal Service for services related to workers compensation claims, leading to payments of approximately \$200,000. The ensuing OIG investigation discovered instances of insufficient documentation to support the level of service billed as well as billing for ineligible services and evidence of kickbacks.

On July 9, 2018, the group of hospitals and providers agreed to a settlement requiring

payment of more than \$14.7 million to resolve allegations of violations of the False Claims Act. Furthermore, the group agreed to enter into a Corporate Integrity Agreement with HHS-OIG to address future compliance. The U.S. Department of Justice also reimbursed the Postal Service nearly \$63,000 for costs incurred during OIG's investigation.

**A** rural carrier in Florida filed a federal workers' compensation claim in 2011 for a lower back injury. Three years later, she received a permanent disability impairment rating based on what turned out to be misrepresentations to her treating physician regarding the injury. She received more than \$169,000 in workers' compensation benefits. During the OIG investigation, agents observed

the rural carrier going scuba diving, riding 12-meter-tall waterslides, and engaging in other strenuous activities inconsistent with her claimed disability.

In 2017, the rural carrier was found guilty of theft of government funds and fraudulently obtaining workers' compensation benefits. The Postal Service realized a cost savings of more than \$1.1 million, and in March 2018, she was sentenced to three years of probation, 100 hours of community service, and 90 days at a prison work-release farm. She was further required to pay restitution of \$112,000. In May, the federal court issued a money judgement against her of \$125,000 and a forfeiture order for real property of almost \$113,000. The residence of the former rural carrier was seized to satisfy the restitution to the Postal Service.

# Health Care Provider Fraud

**P**rompted by a qui tam complaint, the OIG opened an investigation in August 2013 into allegations that orthopedic and anesthesia providers based in Georgia were billing improperly, failing to maintain accurate medical records, and paying kick-backs. The investigation, which included a review of PICS data, revealed that the providers had billed the Postal Service for more than \$183,000

for services involving USPS employees. The investigation also substantiated the allegations.

In March 2018, the providers agreed to a settlement to resolve charges, which included improper billings and kick-backs involving other federal entities. As a result, the providers agreed to pay a total of \$3.2 million to the Department of Labor's Office of Worker's

Compensations Program (OWCP), which had issued payment for the claims.

**I**n 2016, the OIG joined the Internal Revenue Service Criminal Investigation Division, Department of Veterans Affairs OIG, Department of Homeland Security OIG, and Department of Labor OIG to investigate a conspiracy involving a medical equipment



# Health Care Provider Fraud

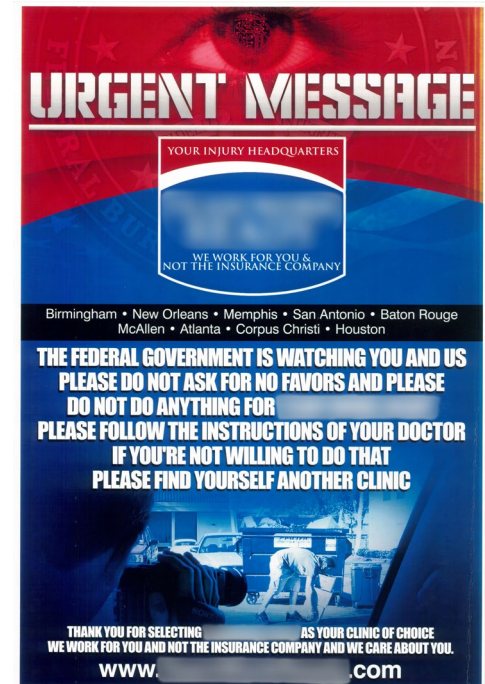
company and a network of clinics providing physical therapy services to federal employees, including postal workers, in the Houston area. The investigation resulted in the owner of the medical equipment company pleading guilty in April 2017 to paying kickbacks, defrauding the government, and laundering money.

The owner admitted to paying the chief executive officer of the healthcare company at least \$436,000 in kickbacks for access to patients in Texas and Louisiana. He then submitted up-coded claims on behalf of those patients, including claims for diagnostic testing that were not necessary and for diagnostic reports never produced. As a result, he fraudulently obtained more than \$4.1 million in workers' compensation funds. He further admitted to laundering those funds. In April 2018, he was sentenced to almost six years in prison, followed by three years of probation. He was also ordered to pay almost \$2.8 million in restitution.

For fraudulently obtaining more than \$18.3 million in workers' compensation funds, the CEO, the Vice President, and the chief financial officer of the healthcare company also received prison sentences — 19 years, 25 years, and 10 years, respectively.

# Contract Fraud

In 2010, the OIG and the Department of Justice's Antitrust Division initiated a proactive review of Highway Contract Route (HCR) suppliers across the nation for potential violations. During the ongoing review, the OIG learned in 2014 that a Murfreesboro, TN, trucking company misused Voyager cards on index routes, resulting in USPS paying twice for fuel. Total loss for the Postal Service amounted to approximately \$1.2 million. On May 18, 2018, the OIG received a copy of a settlement agreement in which the trucking company would pay \$750,000 in restitution, plus 2.375 percent interest.



*A health clinic engaged in fraud posted this open warning in its lobby to patients, some of whom were colluding, to be careful because "the government is watching."*

# Financial Fraud

In November 2016, the OIG received information from the Postal Service about international money orders that were cashed but never reported as sold by the issuing post office. The ensuing OIG investigation determined that a postal employee stole blank money orders and a “Paymaster” manual money order imprinter from the New Lisbon, NJ, Post Office. The employee recruited individuals to cash the money orders at various post offices in the Philadelphia, PA, area and Knoxville, TN.

In April 2017, the OIG executed a search warrant on the employee’s residence and later interviewed suspects. In August 2017, complaints were filed against four subjects, including the postal employee, in the U.S. District Court for New Jersey. All four subjects eventually pleaded guilty in 2018. Besides prison time, the subjects were all ordered to pay restitution. The total loss was almost \$100,000 from 132 fraudulently imprinted and negotiated money orders.



# Senior Executive Investigations

During the reporting period, four instances of misconduct by a Postal Career Executive Service (PCES) employee were substantiated. The PCES grade encompasses the GS-15 (equivalent) and above. One of the investigations resulted in criminal prosecution.

## Substantiated allegations:

- A.** We investigated an allegation that a former Postal Service postmaster violated federal and state law, and Postal Service policies and regulations, associated with the removal of Express Mail packages from the mailstream without authority.
- B.** We investigated an allegation that a former postmaster violated, in part, ethics reporting requirements and Postal Service policy and regulations. The former postmaster also misused his position, and lacked candor during interviews associated with the investigation.

The investigation was referred for prosecution but not accepted. The OIG provided its Report of Investigation (ROI) to the Postal Service for appropriate action.

The postmaster was removed from the Postal Service.

- C.** We investigated an allegation that a Postal Service district manager who misused Postal Service funds by allowing an administrative assistant to be compensated at a higher-level position rate while performing the duties associated with a lower level position.

The investigation was not referred for prosecution. The OIG provided its ROI to the Postal Service for appropriate action. Our office was notified that the district manager was provided with an official discussion from the area vice president.

- D.** We investigated an allegation that a postmaster engaged in nepotism by engaging in conversations related to the discipline of a family member who is also a Postal Service employee.

The investigation was not referred for prosecution. The OIG provided its ROI to the Postal Service for appropriate action. Our office was notified that the postmaster was issued a Letter of Warning in lieu of a 14-day suspension.

## Unsubstantiated allegations:

During the reporting period, there were no unsubstantiated PCES allegations.



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).





# Internal Affairs:

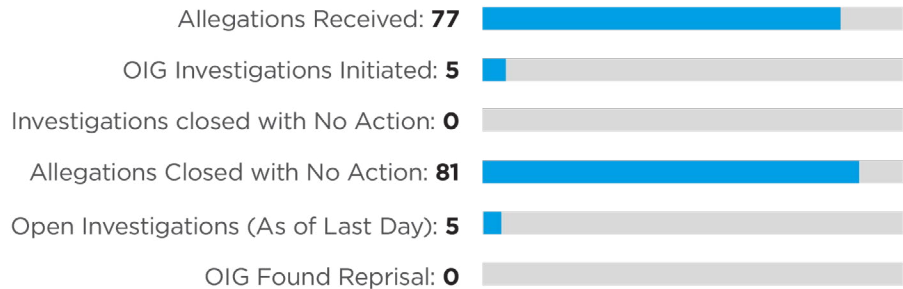
During the reporting period, we investigated an allegation that a Postal Inspection Service Executive made racially offensive comments to a newly hired postal inspector.

The investigation was not referred for prosecution. The OIG provided its ROI to the Postal Inspection Service for appropriate action. Our office was notified that the executive entered into a settlement agreement and was reassigned to a position equivalent to a GS-14.

# Whistleblower Reprisal (WbR) investigations:

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

## WHISTLEBLOWER REPRISAL ACTIVITY For the period April 1 – September 30, 2018



PROFIT

# POSTAL SERVICE MANAGEMENT CHALLENGES

|  |    |  |    |
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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's financial situation is serious. The organization lost \$5.0 billion in FY 2018 (excluding non-cash Workers' Compensation), following combined net losses of \$18.9 billion in FYs 2014 through 2017. However, the Postal Service continues to deliver mail and parcels across the country nearly every day. So far, it has survived both the erosion in demand for its most profitable product, First-Class Mail, and a serious recession with a slow recovery.

Massive liabilities, though, remain on its balance sheet, including nearly \$34 billion in payments to prefund its retiree health care from FYs 2012 through 2016, plus an additional \$12.6 billion to fund its pension and health care costs in FYs 2017 and 2018. Liquidity has hit historic highs, in part because the Postal Service has not made the required retirement payments.

Legislation has been proposed to provide relief regarding pricing, retirement payments, and product diversification, but it has not yet been passed. Further, the Postal Regulatory Commission (PRC) reviewed the current system of regulating rates and classes of Market Dominant products, and presented its preliminary recommendations in December 2017. Stakeholder feedback on those recommendations was due by March 2018, but the PRC has not provided a date when its results will be finalized.

## Workplace Relations and Culture

The Postal Service has approximately 500,000 career employees, who are represented by various unions and management associations. At times, relationships between labor and management can be tense. The various union contracts and local agreements can limit the ability of management to make efficient day-to-day operational decisions. In the most recent FY 2018 Postal Pulse survey, although the Postal Service scores improved, they continue to rank in the bottom 1 percent of scores for all organizations Gallup surveyed.

## Changing Customer Demands and New Competition

The Postal Service competes for customers every day, in every product line, in a dynamic and changing environment. Electronic commerce is driving alternative package delivery methods, increased delivery speed and lower prices. Non-postal services including digital advertising, electronic bill pay, and email correspondence have negatively impacted letter mail, resulting in a 40 and 24 percent decline of First-Class and Marketing Mail volume, respectively, since 2006. To compete effectively, the Postal Service must respond with more timely innovations that address customer demands, with increasing reliance on data to drive internal decision-making and identify opportunities for growth.

## 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 its ability to efficiently and effectively implement changes to operate and compete in a fast paced, competitive environment.

## Infrastructure Modernization

The Postal Service has a nationwide mail processing, retail, and delivery network, with 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

The Postal Service did not meet the majority of its service performance goals for the year. In reaction to declining mail volumes, the Postal Service has implemented several cost-cutting initiatives, such as operational window changes at processing plants and dynamic route optimization designed to reduce transportation costs. 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 of over 159 million delivery points, increasing by more than 1 million delivery points a year.

## IT Modernization and Cybersecurity

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 as part of their digital experience. 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. As information technology and the cyber-threat landscape evolves, security continues to be an ongoing challenge.

## 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 employees. Additionally, facilitating the distribution of these drugs can ultimately contribute to the growing crisis in our country and undermine trust in the Postal Service. The Postal Inspection Service serves a role in addressing narcotics as well as other criminal activity. Criminal investigations and data analytics are beginning to shine a light on the growing problem of narcotics in the mail.

# APPENDICES

The Inspector General (IG) Act of 1978 requires semiannual reports on the immediately preceding six-month periods ending September 30 and March 31, respectively. 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

The OIG conducts 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, management alert (MT) reports, or white papers (WP) 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.

**Data Analysis Memorandums.** Data Analysis Memorandums (formerly PARIS Risk 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.

**Inspections/Evaluations.** The Risk Analysis Research Center (RARC), using the inspections and evaluations standards, conducts in-depth research and analysis on postal issues to identify opportunities for revenue growth and increased operational efficiencies to enhance the viability and efficiency of the Postal Service. This work is generally issued in the form of white papers.

### Summary

For the period: April 1 – September 30, 2018

| Risk Categories                       | Number of Reports | Funds Put To Better Use | Questioned Costs     | Unsupported Questioned Costs | Revenue Impact       |
|---------------------------------------|-------------------|-------------------------|----------------------|------------------------------|----------------------|
| Finance and Pricing                   | 32                | \$102,271,887           | \$30,256,607         | \$1,296,569                  | —                    |
| Mission Operations                    | 10                | \$2,594,071             | \$14,163,515         | \$12,214,503                 | —                    |
| Planning and Operations               | 2                 | —                       | —                    | —                            | —                    |
| Retail Delivery and Marketing         | 12                | \$80,066,645            | \$639,458,040        | \$626,307,889                | \$102,472,977        |
| Supply Management and Human Resources | 15                | —                       | \$47,672,205         | \$47,653,445                 | —                    |
| Technology                            | 7                 | \$28,429,616            | —                    | —                            | —                    |
| <b>SUB-TOTAL</b>                      | <b>78</b>         | <b>\$213,362,219</b>    | <b>\$731,550,367</b> | <b>\$687,472,406</b>         | <b>\$102,472,977</b> |
| <b>Data Analysis Memorandums</b>      | <b>7</b>          | —                       | —                    | —                            | —                    |
| <b>RARC White Papers</b>              | <b>10</b>         | —                       | —                    | —                            | *                    |
| <b>TOTAL</b>                          | <b>95</b>         | <b>\$213,362,219</b>    | <b>\$731,550,367</b> | <b>\$687,472,406</b>         | <b>\$102,472,977</b> |

\* Due to concerns with the commercial sensitivity of competitive product pricing strategy that may be protected from disclosure under 39 USC 410(c)(2), the revenue impact from the "Postal Partnerships: The Complex Role of Middlemen and Discounts in the USPS Package Business" white paper is not included.



# Appendix A:

## Reports Issued to Postal Service Management / Reports with Quantifiable Potential Monetary Benefits

### Fiscal Year 2018 Summary

For the Period October 1, 2017 – September 30, 2018

| Product Type              | Number of Reports | Funds Put To Better Use | Questioned Costs       | Unsupported Questioned Costs | Revenue Impact       |
|---------------------------|-------------------|-------------------------|------------------------|------------------------------|----------------------|
| Issued Reports            | 124               | \$528,458,729           | \$1,053,789,087        | \$834,033,739                | \$102,493,091        |
| Data Analysis Memorandums | 22                | —                       | —                      | —                            | —                    |
| RARC White Papers         | 14                | —                       | —                      | —                            | —                    |
| <b>TOTAL</b>              | <b>160</b>        | <b>\$528,458,729</b>    | <b>\$1,053,789,087</b> | <b>\$834,033,739</b>         | <b>\$102,493,091</b> |

### Complete listing of all OIG reports issued to Postal Service management.

For the period: April 1 – September 30, 2018

|   | Funds Put to Better Use | Questioned Costs | Unsupported Questioned Costs | Revenue Impact |
|---|-------------------------|------------------|------------------------------|----------------|
| <b>Finance and Pricing</b>  |                         |                  |                              |                |
| <b>Cost and Pricing</b>   |                         |                  |                              |                |
| Inbound International Letter Post Performance and Strategies; CP-AR-18-005; 7/19/2018     | \$102,271,887           | \$28,958,929     | —                            | —              |
| <b>Finance</b>  |                         |                  |                              |                |
| Credit for Disputed Voyager Card Transactions; FT-AR-18-007; 4/2/2018                     | —                       | \$1,152,177      | \$1,152,177                  | —              |
| <b>Financial Controls</b>   |                         |                  |                              |                |
| Bank Deposit – Brandywine, MD, Main Post Office; FCS-FM-18-019; 6/26/2018                 | —                       | \$16,998         | \$16,998                     | —              |
| Express Mail Refunds – Atlanta, GA, Main Post Office; FCS-FM-18-014; 4/17/2018            | —                       | \$1,268          | \$1,068                      | —              |
| Local Purchases and Payments – Eatontown, NJ Post Office; FCS-FM-18-016; 5/8/2018         | —                       | \$22,773         | \$22,773                     | —              |
| Local Purchases and Payments – Franklin, PA, Post Office; FCS-FM-18-029; 9/20/2018        | —                       | \$15,915         | \$15,915                     | —              |
| Local Purchases and Payments – Marietta, OH, Post Office; FCS-FM-18-024; 8/24/2018        | —                       | \$13,281         | \$12,372                     | —              |
| Local Purchases and Payments – Old National Branch, Atlanta, GA; FCS-FM-18-025; 9/11/2018 | —                       | \$5,161          | \$5,161                      | —              |
| Local Purchases and Payments – Otisville, MI, Main Post Office; FCS-FM-18-023; 8/21/2018  | —                       | \$5,668          | \$5,668                      | —              |

# Appendix A:

## Reports with Quantifiable Potential Monetary Benefits

|  | Funds Put<br>to Better Use | Questioned<br>Costs | Unsupported<br>Questioned<br>Costs | Revenue Impact |
|--|----------------------------|---------------------|------------------------------------|----------------|
| Local Purchases and Payments – Raleigh, NC, Capitol Station; FCS-FM-18-027; 9/18/2018                              | —                          | \$8,240             | \$8,240                            | —              |
| Local Purchases and Payments – Raleigh, NC, Westgate Passport Facility; FCS-FM-18-026; 9/17/2018                   | —                          | \$12,725            | \$12,725                           | —              |
| Refunds and Voids – Bluebonnet Station, Austin, TX; FCS-FM-18-017; 6/1/2018  | —                          | \$27,110            | \$27,110                           | —              |
| Stamps and Meter Revenue Refunds – Bellmawr, NJ, Main Window; FCS-FM-18-011; 4/13/2018                             | —                          | \$5,908             | \$5,908                            | —              |
| Voyager Card Transactions – Mesquite, TX, Main Post Office; FCS-FM-18-032; 9/27/2018                               | —                          | \$6,807             | \$6,807                            | —              |
| Walk-In Revenue Refunds – Secaucus, NJ, Main Office; FCS-FM-18-015; 5/3/2018                                       | —                          | \$3,647             | \$3,647                            | —              |
| <b>Mission Operations</b>  |                            |                     |                                    |                |
| <b>Network Processing</b>  |                            |                     |                                    |                |
| Contractual Support Services for the U.S. Postal Service's Continuous Improvement Program; NO-AR-18-009; 8/31/2018 | —                          | \$9,080,950         | \$9,080,950                        | —              |
| <b>Transportation</b>  |                            |                     |                                    |                |
| Highway Contract Route Fuel Price Index Program Effectiveness; NL-AR-18-008; 5/24/2018                             | —                          | \$606,602           | \$606,602                          | —              |
| Highway Contract Routes Extra Trips – Mid Carolinas District; NL-AR-18-010; 9/17/2018                              | —                          | \$2,526,951         | \$2,526,951                        | —              |
| Surface Visibility Scanning – Capital Metro Area and Capping Report; NL-AR-18-006; 4/12/2018                       | —                          | \$32,121            | —                                  | —              |
| Terminal Handling Services – Southern Area; NL-AR-18-009; 7/27/2018  | \$2,594,071                | \$1,916,891         | —                                  | —              |
| <b>Retail, Delivery, and Marketing</b>   |                            |                     |                                    |                |
| <b>Delivery and Retail Operations</b>  |                            |                     |                                    |                |
| City Carriers Returning After 6 P.M. – South Florida District; DR-AR-18-006; 7/3/2018                              | \$74,036,082               | \$42,261,662        | \$42,261,662                       | —              |
| Delivery Delays – Atlanta District; DR-AR-18-007; 7/3/2018   | —                          | \$11,175,903        | \$154,468                          | —              |
| Earned Work Hours in Customer Service Operations – Tennessee District; DR-AR-18-005; 5/21/2018                     | \$228,631                  | \$8,577,581         | \$8,577,581                        | —              |
| Fleet Specialty Credit Card Management – Pacific Area; DR-AR-18-009; 7/17/2018                                     | —                          | \$4,378,278         | \$4,378,278                        | —              |
| Management of VMF Undistributed Labor – Capital Metro and Great Lakes Area; DR-AR-18-008; 7/3/2018                 | —                          | \$2,989,381         | \$2,989,381                        | —              |
| Sunday Operations – San Francisco District; DR-AR-18-003; 5/1/2018   | \$3,328,955                | \$2,128,716         | —                                  | —              |
| Tort Claims Management – Western Area; DR-AR-18-004; 5/8/2018  | —                          | \$97,409            | \$97,409                           | —              |

# Appendix A:

## Reports with Quantifiable Potential Monetary Benefits

|   | Funds Put<br>to Better Use | Questioned<br>Costs  | Unsupported<br>Questioned<br>Costs | Revenue Impact       |
|---|----------------------------|----------------------|------------------------------------|----------------------|
| <b>Sales, Marketing, and International</b>  |                            |                      |                                    |                      |
| Business Customer Retention Strategies; MS-AR-18-003; 5/17/2018   | —                          | —                    | —                                  | \$100,000,000        |
| Electronic Verification System Internal Controls; MS-AR-18-006; 9/25/2018                                       | \$2,472,977                | \$567,849,110        | \$567,849,110                      | \$2,472,977          |
| <b>Supply Management and Human Resources</b>  |                            |                      |                                    |                      |
| <b>Human Resources and Support</b>  |                            |                      |                                    |                      |
| Accuracy of Grievances in the Grievance Arbitration Tracking System – Houston District; HR-AR-18-009; 9/11/2018 | —                          | \$5,704,439          | \$5,704,439                        | —                    |
| Employee Issues at the Dickinson, North Dakota, Post Office; HR-AR-18-008; 8/10/2018                            | —                          | \$6,920              | \$6,920                            | —                    |
| Timecard Adjustments at Facilities in the Greater Boston District; HR-AR-18-007; 8/1/2018                       | —                          | \$20,345             | \$20,345                           | —                    |
| <b>Supply Management and Facilities</b>   |                            |                      |                                    |                      |
| Domestic Preference in Vehicle Contracts; SM-AR-18-004; 6/7/2018  | —                          | \$41,921,741         | \$41,921,741                       | —                    |
| Postal Service Roofing Preventive Maintenance Program; SM-AR-18-006; 7/25/2018                                  | —                          | \$18,760             | —                                  | —                    |
| <b>Technology</b>   |                            |                      |                                    |                      |
| <b>Major Investments</b>  |                            |                      |                                    |                      |
| Review of Expansion of Package Sorters Investment; MI-AR-18-001; 5/17/2018                                      | \$5,980,616                | —                    | —                                  | —                    |
| Review of Extended Capacity Left-Hand Drive Delivery Vehicles Acquisitions; MI-AR-18-002; 5/18/2018             | \$12,120,000               | —                    | —                                  | —                    |
| Review of Mixed Delivery and Collection Vehicles Acquisition; MI-AR-18-003; 9/6/2018                            | \$10,329,000               | —                    | —                                  | —                    |
| <b>Total</b>  | <b>\$213,362,219</b>       | <b>\$731,550,367</b> | <b>\$687,472,406</b>               | <b>\$102,472,977</b> |



# Appendix A:

## Report Listing

Complete listing of all OIG reports issued to Postal Service management. For the period: April 1 – September 30, 2018

### Finance and Pricing

#### Cost and Pricing

Inbound International Parcel Volume Variance;  
CP-AR-18-004; 4/20/2018

Inbound International Letter Post Performance and Strategies;  
CP-AR-18-005; 7/19/2018

Marketing Mail Letters Workshare Discounts;  
CP-AR-18-006; 8/1/2018

Use of Intelligent Mail Barcodes for First-Class Mail Letters'  
Processing Costs; CP-AR-18-007; 9/25/2018

#### Finance

Credit for Disputed Voyager Card Transactions;  
FT-AR-18-007; 4/2/2018

Compensation, Benefits, and Bonus Authority in Calendar Year 2017;  
FT-AR-18-008; 7/23/2018

Export Controls for Outbound Mail at International Service Centers;  
FT-AR-18-009; 9/28/2018

Independent Report on Employee Benefits, Withholdings, Contributions  
& Semiannual Headcount to OPM; FT-AT-18-001; 9/7/2018

#### Financial Controls

Stamps and Meter Revenue Refunds – Bellmawr, NJ, Main Window;  
FCS-FM-18-011; 4/13/2018

Permit and Postage Validation Refunds – Topeka, KS, Northpark  
Station; FCS-FM-18-012; 4/13/2018

Stamp Stock Accountability Controls; FCS-FM-18-013; 4/17/2018

Express Mail Refunds – Atlanta, GA, Main Post Office;  
FCS-FM-18-014; 4/17/2018

Walk-In Revenue Refunds – Secaucus, NJ, Main Office;  
FCS-FM-18-015; 5/3/2018

Local Purchases and Payments – Eatontown, NJ Post Office;  
FCS-FM-18-016; 5/8/2018

Refunds and Voids – Bluebonnet Station, Austin, TX;  
FCS-FM-18-017; 6/1/2018

Bank Deposit Procedures – Bronx, NY, Botanical Station;  
FCS-FM-18-018; 6/22/2018

Bank Deposit – Brandywine, MD, Main Post Office;  
FCS-FM-18-019; 6/26/2018

Local Travel Reimbursement – Santa Ana, CA, P&DC Window;  
FCS-FM-18-020; 7/10/2018

No Sale Transactions – Brooklyn, NY, New Lots Station;  
FCS-FM-18-021; 7/20/2018

Refunds and Voids – Hoffman Estates, IL Branch;  
FCS-FM-18-022; 7/26/2018

Local Purchases and Payments – Otisville, MI, Main Post Office;  
FCS-FM-18-023; 8/21/2018

Local Purchases and Payments – Marietta, OH, Post Office;  
FCS-FM-18-024; 8/24/2018

Local Purchases and Payments – Old National Branch, Atlanta, GA;  
FCS-FM-18-025; 9/11/2018

Local Purchases and Payments – Raleigh, NC, Westgate Passport  
Facility; FCS-FM-18-026; 9/17/2018

Local Purchases and Payments – Raleigh, NC, Capitol Station;  
FCS-FM-18-027; 9/18/2018

Voyager Card Over Capacity – Centerville Branch, Snellville, GA;  
FCS-FM-18-028; 9/19/2018

Local Purchases and Payments – Franklin, PA, Post Office;  
FCS-FM-18-029; 9/20/2018

Passport Revenue and Fees – Stockdale Station, Bakersfield CA;  
FCS-FM-18-030; 9/26/2018

Unit Reserve Stamp Stock Accountability – Arlington, VA, Main Post  
Office; FCS-FM-18-031; 9/27/2018

Voyager Card Transactions – Mesquite, TX, Main Post Office;  
FCS-FM-18-032; 9/27/2018

### Mission Operations

#### Network Processing

Delayed Mail Reporting in the Great Lakes Area;  
NO-AR-18-005; 5/17/2018

First-Class Mail Service Performance Measurement – Northeast Area;  
NO-AR-18-006; 5/22/2018

Processing Readiness for Election and Political Mail for the 2018  
Midterm Election; NO-AR-18-007; 6/5/2018

Flats Sequencing System Performance in the Capital Metro Area;  
NO-AR-18-008; 7/26/2018

Contractual Support Services for the U.S. Postal Service's Continuous  
Improvement Program; NO-AR-18-009; 8/31/2018

#### Transportation

Surface Visibility Scanning – Capital Metro Area and Capping Report;  
NL-AR-18-006; 4/12/2018

Consolidation of Mail for Network Distribution Centers – Capping /  
Atlanta NDC; NL-AR-18-007; 5/18/2018

Highway Contract Route Fuel Price Index Program Effectiveness;  
NL-AR-18-008; 5/24/2018

# Appendix A:

## Report Listing

Terminal Handling Services – Southern Area;  
NL-AR-18-009; 7/27/2018

Highway Contract Routes Extra Trips – Mid Carolinas District;  
NL-AR-18-010; 9/17/2018

### Planning and Operations

#### Strategic Assessment

Customer Retail Experience; SAT-AR-18-001; 9/28/2018

Use of Postal Service Network to Facilitate Illicit Drug Distribution;  
SAT-AR-18-002; 9/28/2018

#### Retail, Delivery and Marketing

##### Delivery and Retail Operations

Sunday Operations – San Francisco District;  
DR-AR-18-003; 5/1/2018

Tort Claims Management – Western Area; DR-AR-18-004; 5/8/2018

Earned Work Hours in Customer Service Operations- Tennessee  
District; DR-AR-18-005; 5/21/2018

City Carriers Returning After 6 P.M. – South Florida District;  
DR-AR-18-006; 7/3/2018

Delivery Delays – Atlanta District; DR-AR-18-007; 7/3/2018

Management of VMF Undistributed Labor – Capital Metro and Great  
Lakes Area; DR-AR-18-008; 7/3/2018

Fleet Specialty Credit Card Management – Pacific Area;  
DR-AR-18-009; 7/17/2018

Mail Delivery Issues Cimarron Hills Station Colorado Spring, CO;  
DR-AR-18-010; 8/9/2018

#### Sales, Marketing and International

Business Customer Retention Strategies; MS-AR-18-003; 5/17/2018

Parcel Return Service – Los Angeles District;  
MS-AR-18-004; 6/1/2018

Change of Address Identity Verification Internal Controls;  
MS-AR-18-005; 8/24/2018

Electronic Verification System Internal Controls;  
MS-AR-18-006; 9/25/2018

#### Supply Management and Human Resources

##### Human Resources and Support

Employee Background Screening: San Francisco, Bay-Valley, and  
Sierra Coastal Districts; HR-AR-18-004; 5/29/2018

Postal Service's Disability Retirement Application Process;  
HR-AR-18-005; 6/11/2018

Opioid Safety Preparedness; HR-AR-18-006; 6/18/2018

Timecard Adjustments at Facilities in the Greater Boston District;  
HR-AR-18-007; 8/1/2018

Employee Issues at the Dickinson, North Dakota, Post Office;  
HR-AR-18-008; 8/10/2018

Accuracy of Grievances in the Grievance Arbitration Tracking System  
– Houston District; HR-AR-18-009; 9/11/2018

Postal Service Accident Safety Policies and Procedures – Great Lakes  
Area; HR-AR-18-010; 9/17/2018

##### Supply Management and Facilities

Audit of Costs Incurred, Align Networks Inc.;  
SM-CAR-18-003; 6/13/2018

Audit of Costs Incurred, PMSI LLC; SM-CAR-18-004; 6/21/2018

Audit of Habasit America, Inc.'s Price Proposal and Financial  
Capability; SM-CAR-18-005; 9/28/2018

Enterprise Project Management Office – Innovation Pool Fund;  
SM-AR-18-003; 5/30/2018

Domestic Preference in Vehicle Contracts; SM-AR-18-004; 6/7/2018

Facility Condition Review Capping Report; SM-AR-18-005; 6/21/2018

Postal Service Roofing Preventive Maintenance Program;  
SM-AR-18-006; 7/25/2018

U.S. Postal Service Emergency Suspension Process;  
SM-AR-18-007; 9/24/2018

#### Technology

##### Information Technology

Access Issues Identified in the Mail Processing Environment;  
IT-MT-18-001; 9/5/2018

Review of Perimeter Firewalls; IT-AR-18-003; 8/24/2018

Review of Availability of Tier 1 Business Critical Services;  
IT-AR-18-004; 9/11/2018

Capital Metro Physical and Environmental Controls Site Security  
Review; IT-AR-18-005; 9/28/2018

##### Major Investments

Review of Expansion of Package Sorters Investment;  
MI-AR-18-001; 5/17/2018

Review of Extended Capacity Left-Hand Drive Delivery Vehicles  
Acquisitions; MI-AR-18-002; 5/18/2018

Review of Mixed Delivery and Collection Vehicles Acquisition;  
MI-AR-18-003; 9/6/2018

# Appendix A:

## White Paper Listing

Complete listing of all OIG White Papers issued to Postal Service management. For the Period: April 1 – September 30, 2018

### Risk Analysis Research Center

Public Perception of Delivery Robots in the United States;  
RARC-WP-18-005; 4/9/2018

Autonomous Mobile Robots and the Postal Service;  
RARC-WP-18-006; 4/9/2018

Transactional Mail: Implications for the Postal Service;  
RARC-WP-18-007; 4/16/2018

Riding the Returns Wave: Reverse Logistics and the U.S. Postal Service, RARC-WP-18-008, 4/30/2018

Update on the Postal Service's Share of CSRS Pension Responsibility;  
RARC-WP-18-009; 5/7/2018

Millennials and the Mail; RARC-WP-18-011; 7/30/2018

Improving the Customer Experience with USPS Customer Care Centers; RARC-WP-18-012; 8/20/2018

Using Mail to Build Brands; RARC-WP-18-013; 9/5/2018

Coordination and Optimization Technologies and Postal Applications;  
RARC-WP-18-014; 9/6/2018

## Reports Issued During the Period but Were Not Disclosed to the Public

The Inspector General Empowerment Act of 2016 requires that the OIG report on each inspection, evaluation, and audit conducted by the office that is closed during the reporting period and was not disclosed to the public. During the current reporting period, OIG had four reports that were closed but not disclosed to the public.

### Office of Audit

#### Audit of Costs Incurred

The following reports are not publicly available due to USPS concerns with proprietary and commercially sensitive information that may be protected from disclosure under 39 USC 410(c)(2).

*Align Networks Inc.; SM-CAR-18-003; 6/13/2018*

*PMSI LLC; SM-CAR-18-004; 6/21/2018*

#### Data Analysis Memorandums

The following reports are not audits conducted in accordance with GAGAS. Data Analysis Memorandums are compilations of different information that are presented to the postal executives for internal business decisions.

*Vehicle Investments; MI-PM-18-002(R); 8/13/2018*

*Fiscal Year Cost & Pricing Risk Model Report Q3;  
CP-PM-18-002; 9/10/2018*

*Data Analysis Memorandum – Unscheduled Leave;  
HR-PM-18-003; 9/18/2018*

*National Delayed Mail Analysis; NO-PM-18-002; 9/12/2018*

*Data Analysis Memorandum – Commercial Mailer Revenue Declines;  
MS-ID-18-007; 9/24/2018*

*Retail Revenue Data Analysis; MS-PM-18-003; 5/29/2018*

*Postal Service Highway Contract Supplier Federal Motor Carrier Safety Administration Measure Analysis; NL-PM-18-002; 9/12/2018*

#### Review of Form 10-Q

The following letters are not publicly available as they are provided to the Board of Governors to assist them in determining whether

to release the financial statements and disclosures, with the accompanying opinion, to the public.

*Fiscal Year 2018 Review of Form 10-Q, Quarter 2;  
FT-FQ-18-003; 5/8/2018*

*Fiscal Year 2018 Review of Form 10-Q, Quarter 3;  
FT-FQ-18-004; 8/7/2018*

### Risk Analysis Research Center

The following report is not publicly available due to USPS concerns with commercial sensitivity of competitive product pricing strategy that may be protected from disclosure under 39 USC 410(c)(2). Only the cover page was posted the OIG website.

*Postal Partnerships: The Complex Role of Middlemen and Discounts in the USPS Package Business; RARC-WP-18-010; 7/23/2018*

# APPENDIX B:

## Findings of Questioned Costs

For the period: April 1 – September 30, 2018

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                              | 33                | \$731,550,367        | \$687,472,406                                  |
| <b>Totals</b>   | <b>33</b>         | <b>\$731,550,367</b> | <b>\$687,472,406</b>                           |
| Reports for which a management decision was made during the reporting period (i+ii)                             | 33                | \$731,550,367        | \$687,472,406                                  |
| (i) Dollar Value of disallowed cost   | 16                | \$69,620,229         | \$38,481,503                                   |
| (ii) Dollar value of cost not disallowed  | 19                | \$661,930,138        | \$648,990,903                                  |
| 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.



# APPENDIX C:

## Recommendations That Funds Be Put to Better Use

For the period: April 1 – September 30, 2018

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   | 9                 | \$213,362,219        |
| <b>Totals</b>  | <b>9</b>          | <b>\$213,362,219</b> |
| Reports for which a management decision was made during the report period  | 9                 | \$213,362,219        |
| (i) Value of recommendations agreed to by management   | 4                 | \$30,902,593         |
| (ii) Value of recommendations that were not agreed to by management  | 5                 | \$182,459,626        |
| 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 (See Note 1 for a list of individual reports). | —                 | —                    |
| Reports for which no management decision was made within one year of issuance (See Note 2 for a list of individual reports).   | —                 | —                    |

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.

# APPENDIX D:

## Other Impacts

For the period: April 1 – September 30, 2018

### 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 reliability of data.

| Description and Reports   | Number of Recommendations |
|---|---------------------------|
| <b>Assets or Accountable Items at Risk<sup>1</sup></b>  |                           |
| Bank Deposit Procedures – Bronx, NY, Botanical Station; FCS-FM-18-018; 06/22/2018                   | 1                         |
| Fleet Specialty Credit Card Management – Pacific Area; DR-AR-18-009; 07/17/2018                     | 1                         |
| <b>Improved Service<sup>2</sup></b>   |                           |
| Sunday Operations – San Francisco District; DR-AR-18-003; 05/01/2018                                | 3                         |
| Delayed Mail Reporting in the Great Lakes Area; NO-AR-18-005; 05/17/2018                            | 4                         |
| Delivery Delays – Atlanta District; DR-AR-18-007; 07/03/2018  | 1                         |
| City Carriers Returning After 6 P.M. – South Florida District; DR-AR-18-006; 07/03/2018             | 3                         |
| Terminal Handling Services – Southern Area; NL-AR-18-009; 07/27/2018                                | 1                         |
| Review of Availability of Tier 1 Business Critical Services; IT-AR-18-004; 09/11/2018               | 1                         |
| Electronic Verification System Internal Controls; MS-AR-18-006; 09/25/2018                          | 1                         |
| Customer Retail Experience; SAT-AR-18-001; 09/28/2018   | 4                         |
| <b>Physical Safety and Security<sup>3</sup></b>   |                           |
| Opioid Safety Preparedness; HR-AR-18-006; 06/18/2018  | 3                         |
| Facility Condition Review Capping Report; SM-AR-18-005; 06/21/2018                                  | 3                         |
| Postal Service Roofing Preventive Maintenance Program; SM-AR-18-006; 07/25/2018                     | 1                         |
| Postal Service Accident Safety Policies and Procedures – Great Lakes Area; HR-AR-18-010; 09/17/2018 | 4                         |
| Capital Metro Physical and Environmental Controls Site Security Review; IT-AR-18-005; 09/28/2018    | 5                         |

<sup>1</sup> 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.

<sup>2</sup> Recommendations that address initiatives aimed at expanding and improving the quality of and access to products and services.

<sup>3</sup> Recommendations that address the safety and security of Postal Service employees and/or the work environment.

# Appendix D:

## Other Impacts

| Description and Reports  | Number of Recommendations |
|--|---------------------------|
| <b>Revenue at Risk<sup>4</sup></b>   |                           |
| Surface Visibility Scanning – Capital Metro Area and Capping Report; NL-AR-18-006; 04/12/2018                    | 1                         |
| Review of Availability of Tier 1 Business Critical Services; IT-AR-18-004; 09/11/2018                            | 1                         |
| Electronic Verification System Internal Controls; MS-AR-18-006; 09/25/2018                                       | 2                         |
| <b>Disbursements at Risk<sup>5</sup></b>   |                           |
| Stamps and Meter Revenue Refunds – Bellmawr, NJ, Main Window; FCS-FM-18-011; 04/13/2018                          | 1                         |
| Highway Contract Routes Extra Trips – Mid Carolinas District; NL-AR-18-010; 09/17/2018                           | 1                         |
| Voyager Card Transactions – Mesquite, TX, Main Post Office; FCS-FM-18-032; 09/27/2018                            | 1                         |
| <b>Misallocation of Costs</b>  |                           |
| Flats Sequencing System Performance in the Capital Metro Area; NO-AR-18-008; 07/26/2018                          | 1                         |
| <b>Data Integrity<sup>6</sup></b>  |                           |
| Bank Deposit - Brandywine, MD, Main Post Office; FCS-FM-18-019; 06/26/2018                                       | 1                         |
| Marketing Mail Letters Workshare Discounts; CP-AR-18-006; 08/01/2018   | 1                         |
| Accuracy of Grievances in the Grievance Arbitration Tracking System - Houston District; HR-AR-18-009; 09/11/2018 | 1                         |

**Management did not agree with the impact recommendations in the following reports:**

Revenue at Risk: Report Numbers NL-AR-18-006, MS-AR-18-006; IT-AR-18-004;  
 Improved Service: Report Numbers NL-AR-18-009; IT-AR-18-004, MS-AR-18-006; SAT-AR-18-001  
 Disbursements at Risk: Report Number NL-AR-18-010  
 Physical Safety and Security: Report Numbers HR-AR-18-006; SM-AR-18-005; SM-AR-18-006; HR-AR-18-010; IT-AR-18-005  
 Misallocation of Cost: Report Number NO-AR-18-008  
 Data Integrity: Report Number HR-AR-18-009

**Management partially agreed with the impact recommendations in the following reports:**

Improved Service: Report Numbers NO-AR-18-005

<sup>4</sup> 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).

<sup>5</sup> Recommendations that address disbursements made where proper Postal Service internal controls and processes were not followed.

<sup>6</sup> 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, 2018

As required by the IG Act, as amended, the following pages include a list of outstanding unimplemented recommendations and the monetary impact of those recommendations.

| <b>Report Number</b>   | <b>Issue Date</b> | <b>Monetary Impact</b> | <b>Report Title, Recommendation Summary<br/>R = Recommendation number<br/>TID = Target Implementation Date</b>  |
|--|-------------------|------------------------|---|
| <b>Security of File Transfer Protocol Transmissions</b>                      |                   |                        |   |
| IT-AR-12-009   | 09/12/2012        | —                      | 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 2018  |
| <b>First-Class Mail on Air Transportation – Assignment by Weight</b>         |                   |                        |   |
| 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   |
| <b>Supervisor Workhours and Span of Control</b>                              |                   |                        |   |
| 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: December 2018  |
| <b>Consolidation of the Toledo, OH, Processing &amp; Distribution Center</b> |                   |                        |   |
| 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: December 2018   |
| <b>Badges for Postal Service Contractors</b>                                 |                   |                        |   |
| 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: October 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: October 2018   |
|  |                   | —                      | R-3 — Establish an oversight process to strengthen controls and accountability of the contractor badge program to ensure it is effectively managed. TID: October 2018   |
| <b>Area Mail Processing Consolidations</b>                                   |                   |                        |   |
| 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: March 2019   |
|  |                   | —                      | 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: March 2019 |
| <b>Substantial Increase in Delayed Mail</b>                                  |                   |                        |   |
| 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 2019  |
| <b>Leased Trailer Damage Payments</b>  |                   |                        |   |
| NO-MA-15-005   | 09/01/2015        | \$2,028,170            | R-1 — Review and update damage claims policy and procedures. TID: October 2018  |



# Appendix E:

## Reports with Recommendations Pending Corrective Actions

| Report Number | Issue Date | Monetary Impact | Report Title, Recommendation Summary<br>R = Recommendation number<br>TID = Target Implementation Date  |
|---------------|------------|-----------------|--|
| NO-MA-15-006  | 09/03/2015 | —               | <b>U.S. Postal Service Handling of Inbound International Mail at the [Redacted] International Service Center</b><br>R-4 — To ensure scanned data is accurate, complete, and reliable. TID: July 2018   |
| HR-AR-15-007  | 09/15/2015 | —               | <b>Postal Inspection Service Mail Covers Program Phase II</b><br>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: March 2019<br>R-3 — Conduct a study to determine how using electronic media, including spreadsheets will impact 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: March 2019 |
| CP-AR-16-002  | 12/08/2015 | —               | <b>U.S. Postal Service Building Occupancy Data</b><br>R-1 — Conduct and document a new facility space usage study that reflects current network and facility operations. TID: October 2018<br>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   |
| SM-AR-17-002  | 12/14/2016 | —               | <b>Most Favored Customer Pricing</b><br>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: October 2018   |
| SM-AR-16-004  | 12/29/2015 | —               | <b>Address Management Licensing Agreements</b><br>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: October 2019  |
| NO-AR-16-006  | 01/07/2016 | —               | <b>Rock Springs, WY, Customer Service Mail Processing Center Consolidation</b><br>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: December 2018<br>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: December 2018   |
| IT-AR-16-004  | 01/14/2016 | —               | <b>Access Controls over Mail Imaging Systems</b><br>R-2 — Require passwords for all mail imaging systems accounts in accordance with Handbook AS-805. TID: November 2018<br>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: November 2018<br>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: November 2018   |

# Appendix E:

## Reports with Recommendations Pending Corrective Actions

| Report Number | Issue Date | Monetary Impact | Report Title, Recommendation Summary<br>R = Recommendation number<br>TID = Target Implementation Date   |
|---------------|------------|-----------------|---|
| DR-AR-16-002  | 01/20/2016 | \$64,263,499    | <b>Review of City Carrier Office Efficiency – Colorado/Wyoming District</b><br>R-1 — Eliminate 179,619 workhours at delivery units. TID: April 2019   |
| IT-AR-16-005  | 01/26/2016 | —               | <b>Firewall Security Review</b><br>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  |
| HR-AR-16-002  | 04/07/2016 | —               | <b>Postal Service's Handling of Office of Workers Compensation Claim Forms</b><br>R-1 — Develop a more comprehensive electronic claims process to ensure claims forms are completed accurately and in timely manner. TID: December 2018   |
| NO-AR-16-008  | 05/04/2016 | \$93,101,614    | <b>New York Morgan Processing and Distribution Center Efficiency</b><br>R-1 — Reduce 385,365 workhours over the next five years by evaluating operational efficiency and adjusting workhours to workload. TID: May 2021   |
| NL-AR-16-003  | 07/01/2016 | \$230,362,977   | <b>Package Processing Machine Capacity</b><br>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: June 2018   |
| IT-AR-16-010  | 08/10/2016 | —               | <b>PostalOne!-Business Customer Support System Availability</b><br>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: October 2018  |
| NO-AR-16-009  | 09/02/2016 | —               | <b>Mail Processing and Transportation Operational Changes</b><br>R-1 — Re-evaluate and update the projected operational and transportation financial impacts associated with the operational window change. TID: December 2016<br>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 2019<br>R-4 — Create and use a nationwide system to track and report the amount, cause, and origin of late arriving mail. TID: September 2018 |
| CP-AR-16-010  | 09/08/2016 | —               | <b>Postmaster Cost Segment</b><br>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: April 2019   |
| NO-AR-16-012  | 09/29/2016 | \$465,165,928   | <b>Continuous Improvement of Mail Processing Operations</b><br>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   |

# Appendix E:

## Reports with Recommendations Pending Corrective Actions

| Report Number  | Issue Date | Monetary Impact | Report Title, Recommendation Summary<br>R = Recommendation number<br>TID = Target Implementation Date  |
|--|------------|-----------------|--|
| <b>Management and Oversight of Highway Contract Routes</b>                               |            |                 |  |
| NL-AR-16-006   | 09/30/2016 | —               | 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: August 2018  |
|  |            | —               | 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 |
| <b>Trailer Lease Reduction Projects</b>  |            |                 |  |
| 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  |
| <b>Packages Suspected of Containing Marijuana</b>  |            |                 |  |
| 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: December 2018   |
|  |            | —               | R-2 — Develop training to ensure responsible personnel understand roles and responsibilities for identifying, handling, safeguarding, and tracking packages suspected of containing marijuana. TID: December 2018  |
| <b>Use of Independent Contractor Studies</b>   |            |                 |  |
| CP-AR-17-002   | 10/14/2016 | —               | R-2 — Store and share final study results in a centralized location accessible to an identified level of management. TID: March 2019   |
|  |            | —               | R-3 — Establish a retention policy for contracted external studies. TID: July 2019   |
| <b>Consolidation of Mail for Transportation – Memphis Network Distribution Centers</b>   |            |                 |  |
| 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   |
| <b>Function 4 Efficiency in the Colorado/Wyoming District</b>                            |            |                 |  |
| MS-AR-17-001   | 12/08/2016 | \$5,301,358     | R-1 — Coordinate units' integrated operating plans and mail arrival profiles. TID: April 2019  |
|  |            | —               | R-2 — Actively monitor employees to manage workload and ensure they are processing mail efficiently. TID: April 2019   |
| <b>Mail Processing Operations at the Roanoke, VA, Processing and Distribution Center</b> |            |                 |  |
| 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 2019   |
| <b>Accuracy of Grievance Settlement Payments</b>   |            |                 |  |
| 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  |

# Appendix E:

## Reports with Recommendations Pending Corrective Actions

| Report Number   | Issue Date | Monetary Impact | Report Title, Recommendation Summary<br>R = Recommendation number<br>TID = Target Implementation Date   |
|---|------------|-----------------|---|
| <b>Privileged Account Management</b>                  |            |                 |   |
| IT-AR-17-003  | 04/05/2017 | —               | R-2 — Develop and continuously maintain a complete and accurate listing of privileged accounts for Postal Service systems. TID: March 2019  |
|   |            | —               | R-3 — Define business practices and responsibilities for monitoring privileged accounts and implement privileged access management tools. TID: May 2019   |
| <b>Fuel Consumption and Cost Risk Mitigation</b>      |            |                 |   |
| 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: April 2018  |
| <b>Postal Inspection Service Consumer Fraud Fund</b>  |            |                 |   |
| 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 2018   |
|   |            | —               | R-2 — Develop formal written procedures for management of Consumer Fraud Fund requests and for tracking, monitoring, and reconciling expenditures. TID: October 2018  |
| <b>Mail Processing Variance Model</b>                 |            |                 |   |
| 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: September 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: September 2018   |
| <b>Global Positioning System Trailer Visibility</b>   |            |                 |   |
| 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  |
| <b>Carrier Leave without Pay for Union Activities</b> |            |                 |   |
| HR-AR-17-008  | 07/05/2017 | —               | R-2 — Establish communication protocols between Labor Relations and Delivery Operations to coordinate employee participation in union initiatives. TID: December 2017   |
| <b>Assessing Marketers' Barriers to Direct Mail</b>   |            |                 |   |
| MS-MA-17-001  | 07/05/2017 | —               | R-2 — Develop and implement a strategy to expand partnerships throughout the marketing industry. TID: December 2017   |



# Appendix E:

## Reports with Recommendations Pending Corrective Actions

| Report Number   | Issue Date  | Monetary Impact | Report Title, Recommendation Summary<br>R = Recommendation number<br>TID = Target Implementation Date   |
|---|---|-----------------|---|
| <b>Prohibited Inbound International Mailings</b>                  |   |                 |   |
| 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-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-6 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: February 2019   |
| <b>Appointment of Contracting Officers' Representatives</b>       |   |                 |   |
| SM-AR-17-006  | 08/07/2017  | —               | R-1 — Validate contracting officers' representatives training and certification and ensure it is documented. TID: December 2018   |
|   |   | \$361,759,002   | R-2 — Validate contracting officers' representatives (COR) appointments are official via COR letters of appointments. TID: December 2018  |
|   |   | —               | 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 2018   |
| —   | R-5 — Develop a process to timely notify contracting officers when contracting officers' representatives are reassigned or have resigned. TID: January 2019 |                 |   |
| <b>Delayed Mail Validation</b>                                    |   |                 |   |
| NO-AR-17-011  | 08/10/2017  | —               | 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   |
| <b>Field Material Handling Projects</b>                           |   |                 |   |
| NO-AR-17-012  | 08/23/2017  | —               | 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   |
| <b>City Carriers Returning After Six PM – Bay Valley District</b> |   |                 |   |
| DR-AR-17-007  | 08/30/2017  | —               | 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   |
| <b>Surface Visibility Scanning – Western Area</b>                 |   |                 |   |
| NL-AR-17-009  | 09/05/2017  | —               | 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  |
| <b>Oversight of Contracting Officer Authority</b>                 |   |                 |   |
| SM-AR-17-008  | 09/06/2017  | —               | 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: October 2018 |

# Appendix E:

## Reports with Recommendations Pending Corrective Actions

| Report Number | Issue Date | Monetary Impact | Report Title, Recommendation Summary<br>R = Recommendation number<br>TID = Target Implementation Date   |
|---------------|------------|-----------------|---|
|               |            |                 | <b>Application Programming Interface Strategy</b>   |
| IT-AR-17-006  | 09/07/2017 | —               | R-4 — Define the functional requirements and complete the implementation of the Application Programming Interface management solution as planned. TID: September 2018   |
|               |            |                 | <b>Delayed Inbound International Mail</b>   |
| 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  |
|               |            |                 | <b>Highway Contract Route Irregularity Reporting – Jacksonville Network Distribution Center</b>   |
| NL-AR-17-010  | 09/07/2017 | —               | 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-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   |
|               |            |                 | <b>Mail Collection Box – Management of Service Status</b>   |
| 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-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  |
|               |            |                 | <b>Management of Overtime in the Northeast Area</b>   |
| 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 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 |
|               |            |                 | <b>Insider Threat Program</b>   |
| 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: December 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  |
|               |            |                 | <b>Assessing Postal Service Employee Engagement Activities</b>  |
| 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 Number  | Issue Date | Monetary Impact | Report Title, Recommendation Summary<br>R = Recommendation number<br>TID = Target Implementation Date  |
|--|------------|-----------------|--|
| <b>Mobile System Review</b>  |            |                 |  |
| IT-AR-17-009   | 09/21/2017 | —               | 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: July 2019  |
|  |            | —               | 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: July 2019  |
|  |            | —               | R-5 — Implement security standards for the mobile Point-of-Sale devices and application. TID: August 2019  |
| <b>Software License Management</b>   |            |                 |  |
| IT-AR-17-008   | 09/25/2017 | —               | R-1 — Complete implementation of the centrally managed software license program that complies with Postal Service policy and best practices. TID: March 2020   |
|  |            | \$22,491,323    | R-2 — Review current Information Technology (IT) software contracts and modify those that do not include the required IT-related provision and clauses. TID: December 2018   |
| <b>Highway Contract Route Contracting Practices and Conflicts of Interest</b>                                      |            |                 |  |
| NL-AR-18-001   | 10/10/2017 | —               | R-3 — Revise the time period for resolving Department of Transportation unsatisfactory ratings to be, at a minimum, in compliance with the Title 49, U.S. Code of Federal Regulations. TID: May 2019                                 |
| <b>Package Delivery Scanning – Nationwide</b>  |            |                 |  |
| DR-AR-18-001   | 10/27/2017 | —               | R-2 — Develop a process that will allow carriers to scan multiple packages to a single delivery address to provide accurate delivery information to customers. TID: None   |
|  |            | —               | R-4 — Develop a Mobile Delivery Device warning message/alert to deter carriers from applying street delivery scan events at delivery units. TID: October 2018  |
|  |            | —               | R-5 — Create a reason code for stop-the-clock scans entered using the manual input mode for the Mobile Delivery Device (MDD) and include this data on the Manual Entries report to track MDD malfunctions by reason codes. TID: None |
|  |            | —               | R-6 — Update the Scan Data Integrity report to identify improper scans performed at delivery units. TID: September 2018  |
| <b>Consolidation of Mail for Chicago and San Francisco Network Distribution Centers</b>                            |            |                 |  |
| NL-AR-18-002   | 10/27/2017 | —               | R-1 — Update Postal Service Headquarters standard operating procedures to clarify frequency of inspections and establish standards to assess need for consolidation deconsolidation facility trips. TID: January 2018                |
| <b>Internal Controls Over Voyager Card Transactions and Reconciliation Process – Loch Raven Branch, Towson, MD</b> |            |                 |  |
| FCS-FM-18-003  | 11/09/2017 | —               | R-2 — Revise the Voyager Fleet Card Standard Operating Procedure to provide clear and concise guidance for site managers on timely reporting of fraudulent Voyager activity. TID: June 2018  |
| <b>Review of Mobile Applications</b>   |            |                 |  |
| IT-AR-18-001   | 12/20/2017 | —               | 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 2018   |
|  |            | —               | 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   |

# Appendix E:

## Reports with Recommendations Pending Corrective Actions

| Report Number  | Issue Date | Monetary Impact | Report Title, Recommendation Summary<br>R = Recommendation number<br>TID = Target Implementation Date  |
|--|------------|-----------------|--|
| <b>Facility Security at Network Distribution Centers</b>           |            |                 |  |
| HR-AR-18-001   | 12/27/2017 | —               | R-2 — Establish an oversight mechanism to promote accountability and help ensure compliance with the Vulnerability Risk Assessment Tool requirements. TID: November 2018   |
|  |            | —               | R-3 — Update the Administrative Support Manual to reflect the requirements to conduct Vulnerability Risk Assessment Tool assessments. TID: November 2018   |
| <b>Postal Vehicle Service Fuel Cost and Consumption Strategies</b> |            |                 |  |
| NL-AR-18-003   | 01/03/2018 | —               | R-1 — Develop a plan including annual targets to reduce the Postal Vehicle Service fleet's reliance on petroleum-based fuels, reduce greenhouse gas emissions, and increase the use of alternative fuels. TID: None  |
|  |            | —               | R-2 — Reevaluate their Viability of Compressed Natural Gas (CNG)-Fueled Vehicles Versus Diesel PVS fuel assessment for alternative fuels by considering replacement of high fuel usage sites within proximity of public CNG refueling. TID: None   |
|  |            | \$7,718,392     | R-3 — Evaluate the benefits of telematics in conjunction with Global Positioning System information on all Postal Vehicle Service vehicles. TID: None  |
| <b>Delivery Charge Codes</b>                                       |            |                 |  |
| CP-AR-18-002   | 01/19/2018 | —               | R-1 — Reiterate to delivery personnel the importance of charging work hours to appropriate operation numbers and labor distribution codes. TID: None   |
|  |            | —               | R-2 — Modify the Time and Attendance Collection System to establish controls that flag invalid time codes on Sundays for supervisor correction. In the interim, develop a process to monitor the accuracy of clock rings and hold the delivery management team accountable for ensuring Sunday delivery work hours are charged to the proper operation numbers and labor distribution codes. TID: None |
|  |            | —               | R-3 — Revise Postal Service guidance to a) require delivery managers justify and support all clock ring adjustments, b) include an appropriate retention period for documenting clock ring adjustments, and c) establish periodic monitoring of clock ring adjustments to ensure employee work hour changes are accurate, justified, and supported. TID: None  |
|  |            | —               | R-4 — Modify the Time and Attendance Collection System to include a field where managers must annotate reasons for making clock ring adjustments to enhance visibility and oversight and to ensure compliance with policy. TID: None   |
|  |            | —               | R-5 — Establish automated controls that ensure delivery supervisors identify missing and incorrect end tour clock rings and make the necessary and timely corrections in the Time and Attendance Collection System. TID: None  |
| <b>Inbound ePackets Cost Attribution</b>                           |            |                 |  |
| CP-AR-18-003   | 01/23/2018 | —               | R-1 — The Vice President, Pricing and Costing, should coordinate with Vice President, Network Operations, to establish procedures to track returns of undeliverable inbound ePackets. TID: December 2018   |
|  |            | —               | R-2 — The Vice President, Pricing and Costing, should include the outbound international transportation costs and terminal dues paid to return inbound ePackets in ePacket proxy calculations, and attribute those costs to ePackets. TID: December 2018   |
|  |            | —               | R-3 — The Vice President, Pricing and Costing, should evaluate the costs of returning inbound ePackets and consider including a provision in future ePacket bilateral agreements that requires foreign posts to pay a service fee for ePacket returns. TID: September 2018   |
|  |            | —               | R-4 — The Vice President, Pricing and Costing, should use the proxy ePacket cost estimate to report total costs and cost coverage for inbound ePackets as a separate line item in future fiscal years' Annual Compliance Report. TID: December 2018  |

# Appendix E:

## Reports with Recommendations Pending Corrective Actions

| Report Number  | Issue Date | Monetary Impact | Report Title, Recommendation Summary<br>R = Recommendation number<br>TID = Target Implementation Date  |
|--|------------|-----------------|--|
| <b>Terminal Handling Services – Capital Metro Area</b>                                     |            |                 |  |
| NL-AR-18-004   | 02/02/2018 | —               | R-1 — Resolve mail processing facilities' lack of adherence to the volume arrival profile (VAP) for all Capital Metro Area mail processing facilities. TID: March 2018   |
|  |            | \$1,235,440     | R-2 — Ensure that THS suppliers are not loading bypass mail into mixed mail air containers at all Capital Metro Area mail processing facilities. TID: September 2018   |
|  |            | \$9,104,119     | R-3 — Ensure the Baltimore terminal handling services supplier is using the required mail transport equipment container placards. TID: June 2018   |
|  |            | —               | R-4 — Develop and implement a training program for all on-site THS Postal Service representatives to ensure they understand their contractual authority. TID: September 2018   |
|  |            | \$10,672,093    | R-5 — Resolve the conflict between the failure to load contract requirement and the penalty assessment formula, finalize the automated terminal handling services supplier irregularity collection process, and determine and collect all outstanding contractual penalties. TID: December 2018  |
| <b>National Recycling Program</b>  |            |                 |  |
| HR-AR-18-002   | 02/22/2018 | \$16,477        | R-1 — Strengthen controls of the National Recycling Program operations and coordinate with Managers, Greensboro and Suncoast Districts, to implement financial monitoring and operational oversight responsibilities over the facilities to the district. TID: September 2018  |
|  |            | —               | R-2 — Reassess and adjust National Recycling Program goals as necessary, based on delays in the execution plan to appropriately set program expectations at district levels. TID: September 2019   |
|  |            | —               | R-3 — Implement a control or oversight mechanism to validate accuracy of general ledger account entries, reiterate standard operating procedure guidance to appropriate personnel, and provide additional general ledger account entry training, as necessary. TID: September 2018   |
| <b>Highway Contract Route Irregularity Reporting – Chicago Network Distribution Center</b> |            |                 |  |
| NL-AR-18-005   | 02/22/2018 | \$888,839       | R-1 — Reconcile the differences between the Transportation and Contract Delivery Service Terms and Conditions, Postal Service Form 5500, Contract Route Irregularity Report, and the 2017 training requirements for chargeable irregularities and the inconsistency between what a contractor can charge and what the Postal Service can charge. TID: None |
|  |            | —               | R-2 — Ensure Postal Service Form 5500, Contract Route Irregularity Report, are forwarded within an established timeframe to the administrative officers managing the highway contract route when irregularities occur. TID: September 2018   |
| <b>Voyager Fleet Card Management – Great Lakes Area</b>                                    |            |                 |  |
| DR-AR-18-002   | 02/23/2018 | \$1,928,676     | R-1 — Direct District Managers to ensure site managers, permanent or detailed, follow the Voyager Standard Operating Procedures for Monthly Reconciliations and provide access to FAMS. TID: March 2018  |
|  |            | —               | R-3 — Direct District Managers to ensure site managers/reconcilers complete the eFleet Card for Site Manager training, where needed. TID: March 2018   |
|  |            | —               | R-4 — Direct District Managers to provide Voyager Fleet Commander Online training to sites, where needed. TID: March 2018  |



# Appendix E:

## Reports with Recommendations Pending Corrective Actions

| Report Number   | Issue Date | Monetary Impact | Report Title, Recommendation Summary<br>R = Recommendation number<br>TID = Target Implementation Date   |
|---|------------|-----------------|---|
| <b>Postal Service's Limited Duty and Rehabilitation Programs Return to Work Processes in the Southern and Pacific Areas</b> |            |                 |   |
| HR-AR-18-003  | 03/01/2018 | —               | R-1 — Promote awareness and usage of the Employee Health and Safety system — 546 report through training to district health and resource management employees. TID: June 2018   |
|   |            | —               | R-2 — Assess if the staffing to caseload ratio aligns with requirements established by management. TID: None  |
|   |            | —               | R-3 — Implement a control to validate work searches are conducted and supporting documentation is retained. TID: September 2018   |
|   |            | —               | R-4 — Assess the feasibility of implementing an automated or other solution to promote process efficiency and satisfy the special job bank requirement. TID: None   |
|   |            | —               | R-5 — Develop a methodology to include accurate work statuses in the Employee Health and Safety system for employees who receive vocational rehabilitation training or work outside the Postal Service; and provide training on the updated methodology and coding of employees with multiple cases. TID: June 2018 |
| <b>Western Area Physical Security and Environmental Controls</b>  |            |                 |   |
| IT-AR-18-002  | 03/19/2018 | —               | R-3 — Direct the senior plant manager to implement compensating controls for doors without a functioning card reader. TID: November 2018  |
|   |            | —               | R-4 — Direct the senior plant manager to communicate access procedures to the resource management personnel to ensure employees without a Postal Service badge do not gain access to the facility west entrance. TID: November 2018   |
|   |            | —               | R-6 — Direct the senior plant manager to implement security controls for the facility parking lots and repair surveillance security cameras. TID: November 2018   |
|   |            | —               | R-8 — Direct the senior plant manager to implement environmental controls for protecting information technology assets against water damage in the information system office. TID: November 2018  |
|   |            | —               | R-9 — Direct the senior plant manager to recharge the fire suppression system in the IT server room. TID: November 2018   |
| <b>Oversight of Contract Extensions</b>   |            |                 |   |
| SM-AR-18-001  | 03/20/2018 | —               | R-1 — Revise policy to establish restrictions on the number of option years included after contract award. TID: None  |
|   |            | \$4,536,971     | R-2 — Revise policy to clarify the use of contract clauses when exercising option years, and revise the current review and approval process to ensure appropriate clauses are used when extending contracts. TID: December 2018   |
|   |            | —               | R-3 — Reiterate through formal communication the requirements for renewal clauses, and revise the current review and approval process to ensure renewals are used appropriately. TID: December 2018   |
|   |            | —               | R-4 — Reiterate through formal communication the proper inclusion of required contract clauses in the contract language, and revise the current review and approval process to ensure mandatory clauses are included in contracts. TID: December 2018   |
|   |            | —               | R-5 — Reconcile existing policy and clause language to clarify written notification requirements for Clause 2-19: Option to Extend. TID: December 2018  |
|   |            | —               | R-6 — Close the remaining six open contracts and reiterate to contract officers the importance of closing contracts properly. TID: October 2018   |

# Appendix E:

## Reports with Recommendations Pending Corrective Actions

| Report Number  | Issue Date | Monetary Impact | Report Title, Recommendation Summary<br>R = Recommendation number<br>TID = Target Implementation Date  |
|--|------------|-----------------|--|
| <b>Controls Over Time and Materials and Labor Hour Contracts</b>           |            |                 |  |
| SM-AR-18-002   | 03/26/2018 | \$98,482,250    | R-1 — Revise policy to better define ceiling price and the requirement to document the ceiling price in the Schedule; reiterate the requirement to contracting officers when executing Time and Materials and Labor Hour contracts. TID: March 2019  |
|  |            | \$6,402,254     | R-2 — Assess the universe of Time and Materials and Labor Hour Contracts and bring those contracts without Clause 2-38 into compliance; reiterate through formal communication, and refresher training, the proper inclusion of required contract clauses in the contract language for Time and Materials and Labor Hour contracts; and revise the current review and approval process to ensure adherence and accountability for contracting officers. TID: November 2018 |
| <b>Maintenance Optimization – Northeast Area</b>                           |            |                 |  |
| NO-AR-18-003   | 03/29/2018 | —               | R-1 — Establish and communicate to all Northeast Area mail processing facilities a plan that outlines the Labor Distribution Code 37 maintenance optimization initiative, its goals, and how to achieve the associated work hour savings. TID: None  |
|  |            | —               | R-2 — Ensure Human Resources and mail processing facilities coordinate the review of maintenance employee assignments to confirm they are assigned to the correct labor distribution code. TID: None   |
|  |            | —               | R-3 — Establish a plan to ensure maintenance supervisors monitor and correct maintenance employee operation number selections as needed so that the correct labor distribution code is used for the work being performed. TID: None  |
| <b>Mail Processing Facilities Staffing</b>                                 |            |                 |  |
| NO-AR-18-004   | 03/30/2018 | —               | R-1 — Establish nationwide criteria for using Function 1 Scheduler results. TID: None  |
|  |            | \$420,133,963   | R-2 — Include Function 1 Scheduler results in headquarters' annual budget process. TID: None   |
|  |            | —               | R-3 — Implement and document the Verification, Validation, and Accreditation process for the Function 1 Scheduler. TID: None   |
| <b>Credit for Disputed Voyager Card Transactions</b>                       |            |                 |  |
| FT-AR-18-007   | 04/02/2018 | \$1,152,177     | R-1 — Implement a process to reconcile, at least quarterly, all disputed transactions nationwide. TID: September 2018  |
| <b>Surface Visibility Scanning – Capital Metro Area and Capping Report</b> |            |                 |  |
| NL-AR-18-006   | 04/12/2018 | —               | R-2 — Require Processing and Distribution Center managers to ensure that Mail Transport Equipment Labeler (MTEL) plastic sleeves are always used for mail containers with MTEL placards. TID: None   |
|  |            | —               | R-3 — Develop procedures to ensure mail container visibility during Mail Transport Equipment Labeler system trip updates. TID: None  |
|  |            | —               | R-4 — Update Mail Transport Equipment Labeler software to resolve the 24-hour system trip update delay. TID: None  |
|  |            | —               | R-5 — Ensure through training and monitoring that Processing and Distribution Center managers provide adequate oversight of scanning operations to ensure Mail Transport Equipment Labeler placards are attached and all mail is scanned as required. TID: None  |

# Appendix E:

## Reports with Recommendations Pending Corrective Actions

| Report Number   | Issue Date | Monetary Impact | Report Title, Recommendation Summary<br>R = Recommendation number<br>TID = Target Implementation Date   |
|---|------------|-----------------|---|
| <b>Inbound International Parcel Volume Variance</b>                               |            |                 |   |
| CP-AR-18-004  | 04/20/2018 | —               | R-1 — Design and document controls over operational inbound international volume and weight data transmitted between the Global Business System and the Enterprise Data Warehouse to ensure complete and reliable transmission of data. TID: None   |
|   |            | —               | R-2 — Evaluate and implement, as appropriate, a retention strategy for key data transferred from the Global Business System to the Enterprise Data Warehouse that helps address operational data reliability concerns. TID: None                    |
|   |            | —               | R-3 — Develop a methodology to estimate and track mail volume for Letter Class Untracked Packets in the Enterprise Data Warehouse. TID: September 2018  |
|   |            | —               | R-4 — Develop a built-in report within the Enterprise Data Warehouse that Postal Service functional areas can use to obtain reliable and complete inbound international mail volume and weight data. TID: None                                      |
| <b>Tort Claims Management – Western Area</b>                                      |            |                 |   |
| DR-AR-18-004  | 05/08/2018 | \$97,409        | R-1 — Issue a directive instructing districts to ensure tort claim payments and related supporting documentation are reviewed periodically. TID: September 2019   |
|   |            | —               | R-5 — Require the Central Plains, Dakotas, Hawkeye, and Portland Districts to establish a second level approval of tort claim payments authorized by the Tort Claim Coordinator. TID: None  |
| <b>Review of Expansion of Package Sorters Investment</b>                          |            |                 |   |
| MI-AR-18-001  | 05/17/2018 | —               | R-2 — Establish decision analysis report performance metrics that are reasonable and can be used to evaluate program performance. TID: April 2019   |
|   |            | —               | R-3 — Develop and implement a process to ensure performance metrics are tracked and reported in accordance with policy. TID: April 2019   |
| <b>Business Customer Retention Strategies</b>                                     |            |                 |   |
| MS-AR-18-003  | 05/17/2018 | \$100,000,000   | R-1 — Develop a mechanism to provide churn and defection data to operational areas to bring visibility to the issues and reasons. TID: September 2018   |
|   |            | —               | R-2 — Re-evaluate and address the customer retention team site supervisory structure. TID: July 2018  |
|   |            | —               | R-3 — Establish customer retention team employees' individual goals and performance metrics. TID: September 2018  |
| <b>Delayed Mail Reporting in the Great Lakes Area</b>                             |            |                 |   |
| NO-AR-18-005  | 05/17/2018 | —               | R-3 — Ensure plant management at the Detroit Network Distribution Center develop a standard operating procedure to verify deliverable mail is not mixed in with Undeliverable Bulk Business mail when it is received at the facility. TID: May 2018 |
|   |            | —               | R-4 — Ensure all the Great Lakes Area mail processing facilities have accurate operating plans that reflect current mail processing operations. TID: August 2018  |
| <b>Review of Extended Capacity Left-Hand Drive Delivery Vehicles Acquisitions</b> |            |                 |   |
| MI-AR-18-002  | 05/18/2018 | —               | R-3 — Develop and implement a review process to ensure the performance metrics are tracked and reported throughout the progress of the investment and implement corrective action when performance goals are not met. TID: February 2018            |

# Appendix E:

## Reports with Recommendations Pending Corrective Actions

| Report Number   | Issue Date | Monetary Impact | Report Title, Recommendation Summary<br>R = Recommendation number<br>TID = Target Implementation Date   |
|---|------------|-----------------|---|
| <b>Earned Work Hours in Customer Service Operations – Tennessee District</b>                  |            |                 |   |
| DR-AR-18-005  | 05/21/2018 | \$8,806,212     | — R-1 — Develop a standard operating procedure to instruct customer service personnel to begin passport transactions immediately in the Point of Sale System. TID: May 2018   |
|   |            |                 | — R-2 — Reinforce the importance of adhering to customer service procedures for recording non-revenue transactions. TID: May 2018   |
|   |            |                 | — R-3 — Reinforce the importance of adhering to customer service procedures for recording secondary mail volume in the Customer Service Adjusted Workload system. TID: May 2018   |
|   |            |                 | — R-4 — Ensure plant personnel research and resolve mail processing equipment malfunctions and record accurate mail volume data for customer service units co-located with the Processing and Distribution Centers. TID: May 2018   |
|   |            |                 | — R-5 — Continue with a feasibility of facility modification review at the Concord Annex and other facilities with similar issues throughout the district. TID: None  |
| <b>First-Class Mail Service Performance Measurement – Northeast Area</b>                      |            |                 |   |
| NO-AR-18-006  | 05/22/2018 | —               | — R-1 — Establish an ongoing process to ensure all Hoshin plans are complete and current as required by Postal Service guidance. TID: None  |
|   |            |                 | — R-2 — Assess and implement Hoshin training to ensure that those employees involved with the Hoshin plans fully understand their responsibilities based on Postal Service guidance. TID: None  |
|   |            |                 | — R-3 — Evaluate and determine the relevance of current First-Class Mail service performance goals considering the service pairs that do not meet goals. TID: None  |
| <b>Highway Contract Route Fuel Price Index Program Effectiveness</b>                          |            |                 |   |
| NL-AR-18-008  | 05/24/2018 | \$606,602       | R-1 — Establish periodic review processes to ensure Surface Transportation Category Management Center personnel are following the March 2017 procedural guidance for establishing the contract baseline fuel price per gallon. TID: May 2019  |
| <b>Employee Background Screening: San Francisco, Bay-Valley, and Sierra Coastal Districts</b> |            |                 |   |
| HR-AR-18-004  | 05/29/2018 | —               | R-3 — Assess the need for conducting a new electronic National Agency Check with Inquiries for the 33 missing Certificates of Completion. TID: September 2018   |
| <b>Enterprise Project Management Office – Innovation Pool Fund</b>                            |            |                 |   |
| SM-AR-18-003  | 05/30/2018 | —               | — R-1 — Revise operating procedures to clearly define roles, responsibilities, and a process to validate credits earned for the Innovation Pool Fund. TID: October 2018   |
|   |            |                 | — R-2 — Update current operating procedures to accurately reflect the approval and fair and reasonable processes for Innovation Pool Fund task orders. TID: October 2018  |
|   |            |                 | — R-3 — Update current operating procedures to include periodically evaluating the effectiveness of the Innovation Pool Fund concept to ensure it is cost-justified and promotes fair and competitive contracting practices. TID: November 2018   |
| <b>Processing Readiness for Election and Political Mail for the 2018 Midterm Election</b>     |            |                 |   |
| NO-AR-18-007  | 06/05/2018 | —               | — R-1 — Ensure annually an updated and documented communication plan that includes all Postal Service election documents and web pages for headquarters and mail processing facilities for general, midterm, and special elections is available. TID: March 2016  |
|   |            |                 | — R-2 — Ensure that management conduct standardized election and political mail training for all mail processing employees at least annually. TID: March 2016   |
|   |            |                 | — R-3 — Ensure that management update internal and external website information, including processing instructions and election and political mail coordinator contact information, annually, at a minimum, and no less than six months before a general, midterm, or special election. TID: March 2016 |

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## Reports with Recommendations Pending Corrective Actions

| Report Number   | Issue Date | Monetary Impact | Report Title, Recommendation Summary<br>R = Recommendation number<br>TID = Target Implementation Date   |
|---|------------|-----------------|---|
| <b>Domestic Preference in Vehicle Contracts</b>                                   |            |                 |   |
| SM-AR-18-004  | 06/07/2018 | \$41,921,741    | R-1 — Revise Supplying Principles and Practices Section 2-36 to include Provision 1-2: Domestic Source Certificate – Supplies (March 2006), and Clause 1-9: Preference for Domestic Supplies (March 2006), and reiterate the prescription for including Clause 4-2, Contract Terms and Conditions Required to Implement Policies, Statutes, or Executive Orders in renewed contracts. TID: March 2019 |
|   |            | —               | R-2 — Revise the domestic preference certification process for proposals to make the supplier certification more explicit in affirming end products are domestic, and ensure deviation letters are developed for identified exceptions. TID: March 2019   |
| <b>Opioid Safety Preparedness</b>   |            |                 |   |
| HR-AR-18-006  | 06/18/2018 | —               | R-1 — Reinforce current suspicious mail protocols and issue communication specific to synthetic opioids to all employees. TID: None   |
|   |            | —               | R-2 — Identify which hazardous and suspicious mail Learning Management System courses should be mandatory, and promote completion to intended employee audiences to reinforce compliance with protocols. TID: None  |
|   |            | —               | R-3 — Formally document the prescribed frequency of twice per year for the Recognizing and Handling Suspicious Mail Stand-up Talk to be conducted. TID: September 2018  |
|   |            | —               | R-4 — Execute Narcan deployment strategy as planned, and assess whether Narcan should be deployed at additional facilities. TID: September 2018   |
|   |            | —               | R-5 — Develop a communication strategy to ensure approved mailers of controlled substances are aware of Postal Service Publication 52: Hazardous, Restricted, and Perishable Mail. TID: October 2018  |
| <b>Facility Condition Review Capping Report</b>                                   |            |                 |   |
| SM-AR-18-005  | 06/21/2018 | —               | R-1 — Ensure that corrective actions area management claims to have taken have been properly implemented and the issue(s) no longer exists; and initiate work orders to resolve outstanding issues and provide adequate documentation to the U.S. Postal Service Office of Inspector General to support actions taken. TID: August 2018   |
|   |            | —               | R-3 — Develop a robust training program to holistically address facility safety inspection protocols, documentation, and reporting. Additionally, implement an oversight mechanism to hold local management and district inspectors accountable for accurately documenting safety issues. TID: None   |
| <b>City Carriers Returning After 6 P.M. – South Florida District</b>              |            |                 |   |
| DR-AR-18-006  | 07/03/2018 | \$116,297,744   | R-1 — Conduct a study of district mail processing operations at the three Processing and Distribution Centers and improve mail flow within and between the plants, and to delivery units. TID: September 2018   |
|   |            | —               | R-3 — Direct Plant Managers and Manager, Operation Program Support update mail arrival profiles and integrated operating plans with agreement by plant and delivery unit management, that reflect accurate mail arrival times and mail mix. TID: September 2018   |
| <b>Management of VMF Undistributed Labor – Capital Metro and Great Lakes Area</b> |            |                 |   |
| DR-AR-18-008  | 07/03/2018 | \$2,989,381     | R-1 — Ensure managers are aware of and trained on SEAM processes, tools, and reports to improve monitoring and oversight of operations. TID: September 2018   |
|   |            | —               | R-2 — Direct vehicle maintenance facilities managers to follow guidance in Handbook PO 701, Fleet Management, to rectify and address time charges to ensure timecards and work orders are accurate. TID: September 2018   |
|   |            | —               | R-3 — Issue a directive to VMF managers to investigate, rectify, and address undistributed labor below negative 3 percent. TID: September 2018  |
|   |            | —               | R-4 — Direct VMF managers to review and monitor the entering of workhours onto work orders to ensure hours are recorded accurately. TID: September 2018   |



# Appendix E:

## Reports with Recommendations Pending Corrective Actions

| Report Number  | Issue Date | Monetary Impact | Report Title, Recommendation Summary<br>R = Recommendation number<br>TID = Target Implementation Date  |
|--|------------|-----------------|--|
| <b>Fleet Specialty Credit Card Management – Pacific Area</b>         |            |                 |  |
| DR-AR-18-009   | 07/17/2018 | \$4,378,278     | R-1 — Ensure site managers/reconcilers complete the eFleet Card for Site Manager training reflecting latest policy updates. TID: October 2018  |
|  |            | —               | R-2 — Issue a directive instructing site managers to ensure fleet specialty card transactions and related supporting documentation are reviewed at least monthly, maintained for two years, and provided to the appropriate vehicle maintenance facilities. TID: October 2018                            |
|  |            | —               | R-3 — Follow the Voyager Standard Operating Procedures for Monthly Reconciliations and provide access to Fuel Asset Management System. TID: October 2018   |
|  |            | —               | R-4 — Direct District Managers to ensure site managers/reconcilers report all missing Voyager fleet cards to Voyager/US Bank. TID: October 2018  |
|  |            | —               | R-5 — District Managers to ensure site managers conduct the semi-annual Personal Identification Number Reviews. TID: October 2018  |
|  |            | —               | R-6 — Direct District Managers to notify delivery units that Vehicle Facility Maintenance Management has responsibility to adjust Personal Identification Number limits. TID: October 2018   |
| <b>Inbound International Letter Post Performance and Strategies</b>  |            |                 |  |
| CP-AR-18-005   | 07/19/2018 | \$131,230,816   | R-1 — Develop a strategic plan for inbound international letter post mail that is specifically aligned with Universal Postal Union-accepted service standards and addresses mail processing deficiencies to improve the overall service performance of inbound international letter post mail. TID: None |
|  |            | —               | R-2 — Evaluate resources to track and analyze Universal Postal Union (UPU) processing scans to identify service standard failures that prevent the Postal Service from meeting UPU service performance targets, and to support the development of strategies to improve service performance. TID: None   |
| <b>Postal Service Roofing Preventive Maintenance Program</b>         |            |                 |  |
| SM-AR-18-006   | 07/25/2018 | —               | R-1 — Implement adequate controls, including a process to ensure there is an accurate inventory of Postal Service-owned facilities in the Roof Asset Management System. TID: September 2018  |
|  |            | —               | R-2 — Assess the cost-benefit of current policies being less prescriptive than manufacturer warranty requirements for conducting preventive maintenance inspections and revise policy accordingly. TID: September 2018   |
|  |            | —               | R-3 — Request funding to address issues identified in the critical category and implement a process to document reasons why these issues are not addressed. TID: September 2018  |
|  |            | —               | R-5 — Develop metrics to measure the roofing preventive maintenance program's effectiveness and implement a process to track results. TID: None  |
| <b>Flats Sequencing System Performance in the Capital Metro Area</b> |            |                 |  |
| NO-AR-18-008   | 07/26/2018 | —               | R-1 — Track and address the causes of flats leakage and, where possible, implement operational changes to ensure flats leakage mail is processed on the Flats Sequencing System (FSS). TID: None   |
|  |            | —               | R-2 — Determine the operational cost and savings FSS currently provides to the Postal Service to fully understand the financial and operational impact of FSS on the Postal Service and customers. TID: None   |
|  |            | —               | R-3 — Monitor and ensure that supervisors are reviewing staff FSS labor code selections daily for correctness. TID: None   |
|  |            | —               | R-4 — Establish a process to ensure the electronic Mail Improvement Reporting system is being used to report all flats mail problems and these problems are resolved within 30 days of reporting. TID: None  |

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## Reports with Recommendations Pending Corrective Actions

| Report Number  | Issue Date | Monetary Impact | Report Title, Recommendation Summary<br>R = Recommendation number<br>TID = Target Implementation Date   |
|--|------------|-----------------|---|
| <b>Terminal Handling Services – Southern Area</b>                        |            |                 |   |
| NL-AR-18-009   | 07/27/2018 | —               | R-1 — Ensure all Southern Area mail processing facilities follow their respective volume arrival profiles. TID: August 2018   |
|  |            | \$4,510,962     | R-2 — Monitor and ensure that Terminal Handling Services (THS) suppliers are following the THS contract for the loading of bypass and mixed mail air containers unless the Postal Service approves a deviation. TID: September 2018   |
|  |            | —               | R-3 — Ensure that THS contractual requirements are enforced. TID: September 2018  |
| <b>Marketing Mail Letters Workshare Discounts</b>                        |            |                 |   |
| CP-AR-18-006   | 08/01/2018 | —               | R-1 — Direct the Manager, Cost Attribution, to document the periodic review of non-recurring inputs in the Marketing Mail letters cost model, to include conducting and maintaining documentation of cost-benefit and sensitivity analyses. TID: March 2019   |
| <b>Timecard Adjustments at Facilities in the Greater Boston District</b> |            |                 |   |
| HR-AR-18-007   | 08/01/2018 | \$20,345        | R-1 — Improve training to supervisors to include procedures for disallowing time, deleting clock rings and extending lunch times. TID: None   |
|  |            | —               | R-2 — Establish a formal oversight process at the district and facility levels to ensure supervisors disallow time, delete clock rings, and extend lunches properly. TID: None  |
|  |            | —               | R-3 — Assess the feasibility of using systems controls in the Time and Attendance Collection System (TACS) to ensure supervisors disallow time, delete clock rings, and extend lunch times in accordance with Postal Service policy. If management deems enhancing TACS controls unfeasible, we recommend designing mitigating controls to prevent supervisors from improperly adjusting timecards. TID: September 2019 |
| <b>Mail Delivery Issues Cimarron Hills Station Colorado Spring, CO</b>   |            |                 |   |
| DR-AR-18-010   | 08/09/2018 | —               | R-1 — Instruct the Postmaster, Colorado Springs and Cimarron Hills Station management, to provide and document that all personnel receive training on preventing misdeliveries. TID: July 2018  |
|  |            | —               | R-2 — Direct the Colorado/Wyoming District management team to ensure all policies and procedures are developed and implemented regarding labeling of Neighborhood Delivery and Collection Box Units. TID: August 2018   |
|  |            | —               | R-3 — Instruct the Postmaster, Colorado Springs and Cimarron Hills Station management, to ensure corrective actions with employees for recurring misdeliveries are conducted and documented. TID: September 2018  |
| <b>Employee Issues at the Dickinson, North Dakota, Post Office</b>       |            |                 |   |
| HR-AR-18-008   | 08/10/2018 | —               | R-1 — Provide refresher training to Human Resources Shared Services Center processing specialists responsible for processing pay activities on Postal Service Form 50, Notification of Personnel Action, for the Memorandum of Understanding at select Bakken Region facilities, to include verifying employee pay statuses, tables, and rate schedule codes. TID: August 2018  |
|  |            | —               | R-2 — Implement and communicate a process for district Human Resources personnel to timely identify and pay current, newly hired, and converted rural carriers their bonuses under the May 17, 2014, Memorandum of Understanding. TID: July 2018  |
|  |            | \$5,000         | R-3 — Grant Electronic Travel Voucher System access to the postmaster or designee at the Dickinson Post Office, or implement controls to monitor and track travel expense reimbursements due employees who submit vouchers manually. TID: July 2018   |
|  |            | \$1,920         | R-4 — Develop a strategy, to include management training, to increase employee engagement at the Dickinson Post Office. TID: January 2019   |

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## Reports with Recommendations Pending Corrective Actions

| Report Number  | Issue Date | Monetary Impact | Report Title, Recommendation Summary<br>R = Recommendation number<br>TID = Target Implementation Date   |
|--|------------|-----------------|---|
| <b>Local Purchases and Payments - Otisville, MI, Main Post Office</b>                            |            |                 |   |
| FCS-FM-18-023  | 08/21/2018 | —               | R-2 — instruct the postmaster to complete and submit Postal Service Form 8231, Vendor Payment 1099 Reporting Form, to Accounting Services to report the \$5,152 vendor service payments. TID: August 2018   |
| <b>Local Purchases and Payments – Marietta, OH, Post Office</b>                                  |            |                 |   |
| FCS-FM-18-024  | 08/24/2018 | —               | R-3 — Instruct the postmaster to complete and submit Postal Service Form 8231, Vendor Payment 1099 Reporting Form, to Accounting Services to report the \$13,102 vendor service payments. TID: August 2018  |
| <b>Review of Perimeter Firewalls</b>   |            |                 |   |
| IT-AR-18-003   | 08/24/2018 | —               | R-1 — Enhance procedures for identifying all publicly available systems and all Transmission Control Protocol ports. TID: September 2018  |
|  |            | —               | R-2 — Identify and document all publicly available systems and all Transmission Control Protocol ports. 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: September 2018  |
|  |            | —               | R-4 — Evaluate the firewall configurations monthly, as required by policy and configure perimeter firewalls according to internal hardening standards. TID: September 2018  |
| <b>Change of Address Identity Verification Internal Controls</b>                                 |            |                 |   |
| MS-AR-18-005   | 08/24/2018 | —               | R-1 — Develop and implement a national policy requiring customers to present a government-issued form of identification for review when submitting a hardcopy Change of Address request. TID: March 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 2019  |
| <b>Contractual Support Services for the U.S. Postal Service’s Continuous Improvement Program</b> |            |                 |   |
| NO-AR-18-009   | 08/31/2018 | \$9,080,950     | R-1 — Develop and implement specific and measurable goals for the Continuous Improvement Program. TID: None   |
|  |            | —               | R-2 — Develop and implement an oversight plan to ensure proper performance of continuous improvement project documentation reviews and ensure that Office of Continuous Improvement requirements are met before awarding a belt certification. TID: August 2018 |
| <b>Access Issues Identified in the Mail Processing Environment</b>                               |            |                 |   |
| IT-MT-18-001   | 09/05/2018 | —               | 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: 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: October 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 2019  |
|  |            | —               | 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: October 2019  |
|  |            | —               | 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: October 2019  |

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| Report Number   | Issue Date | Monetary Impact | Report Title, Recommendation Summary<br>R = Recommendation number<br>TID = Target Implementation Date   |
|---|------------|-----------------|---|
| <b>Local Purchases and Payments – Old National Branch, Atlanta, GA</b>                        |            |                 |   |
| FCS-FM-18-025   | 09/11/2018 | \$5,161         | R-1 — instruct the unit manager or designated employee to review all local payments for receipts and verify all required information is included on the supporting documentation. TID: September 2018   |
| <b>Accuracy of Grievances in the Grievance Arbitration Tracking System – Houston District</b> |            |                 |   |
| HR-AR-18-009  | 09/11/2018 | —               | R-1 — Modify the Time and Attendance Collection System (GATS) to leverage automation when processing After 5 payments, or revise the policy regarding the use of Grievance and Arbitration Tracking System to include processing and separately reporting non-grievance payments. TID: None |
|   |            | —               | R-2 — Limit user access in GATS to levels appropriate for user oversight responsibilities via automated controls, or compensating manual controls. TID: None  |
|   |            | —               | R-3 — Establish a process to ensure compliance with the requirement for higher-level manager review of informal grievance payments exceeding \$500. TID: October 2018   |
|   |            | —               | R-4 — Initiate actions to recover the \$71,385 in duplicate After 5 payments identified. TID: October 2018  |
|   |            | \$5,704,439     | R-5 — Provide GATS refresher training to supervisors regarding information and documentation practices. TID: October 2018   |
| <b>Review of Availability of Tier 1 Business Critical Services</b>                            |            |                 |   |
| IT-AR-18-004  | 09/11/2018 | —               | R-1 — Should calculate availability in the appropriate management tools, according to Postal Service policy. TID: October 2018  |
|   |            | —               | R-2 — Should establish and document availability targets and acceptable hours for planned and unplanned downtime for each application or service considered to be a Tier 1 business critical service. TID: September 2019   |
| <b>Postal Service Accident Safety Policies and Procedures – Great Lakes Area</b>              |            |                 |   |
| HR-AR-18-010  | 09/17/2018 | —               | R-1 — Incorporate an area oversight mechanism in the review process to promote compliance and transparency in the timeliness of serious accident investigative report completion. TID: September 2018   |
|   |            | —               | R-2 — Include additional data in the Human Resources Safety Dashboard related to serious accident reporting timeliness, and causality of accidents. TID: October 2018   |
|   |            | —               | R-3 — Ensure the Counseling At Risk Employees Tracking Tool system includes all eligible employees by conducting periodic reconciliations of employees who meet the program participation criteria with employees who participated in the program. TID: None                                |
|   |            | —               | R-4 — Should assess the available Occupational Safety and Health Administration safety and health training available regarding safety recordkeeping practices and provide applicable refresher training to facility managers in the Great Lakes Area. TID: None                             |
| <b>Highway Contract Routes Extra Trips – Mid Carolinas District</b>                           |            |                 |   |
| NL-AR-18-010  | 09/17/2018 | \$2,526,951     | R-1 — Ensure authorizing and administrative officials receive training to comply with Management Instruction, PO-530-2017-1, Highway Contract Route Exceptional Service Performance Payment Reconciliation, requirements. TID: October 2018   |
|   |            | —               | R-3 — Evaluate recurring extra trips for modification to regular service. TID: November 2018  |

# Appendix E:

## Reports with Recommendations Pending Corrective Actions

| Report Number  | Issue Date | Monetary Impact | Report Title, Recommendation Summary<br>R = Recommendation number<br>TID = Target Implementation Date   |
|--|------------|-----------------|---|
| <b>Local Purchases and Payments – Franklin, PA, Post Office</b>                        |            |                 |   |
| FCS-FM-18-029  | 09/20/2018 | \$15,915        | R-1 — reiterate to all unit management the policy for using the Postal Service's preferred methods of payment. TID: September 2018  |
|  |            | —               | R-2 — reiterate the requirement to the postmaster to submit Postal Service Form 8231, Vendor Payment 1099 Reporting Form information to Accounting Services when applicable. TID: September 2018  |
| <b>U.S. Postal Service Emergency Suspension Process</b>                                |            |                 |   |
|  |            | —               | R-1 — Reinforce policy for district personnel who manage emergency suspensions through formal communications and refresher training on the suspension process. TID: November 2018   |
| SM-AR-18-007   | 09/24/2018 | —               | R-2 — Develop standard operating procedures, or enhance current guidance for the emergency suspension process to be more comprehensive in the areas of roles and responsibilities, deliverables, monitoring, and communication protocols. TID: January 2019   |
|  |            | —               | R-3 — Take appropriate action to address: a) facilities stagnate in the discontinuance process, b) facilities without alternate quarter searches conducted, and c) the facility with an incorrect recording in the Change Suspension Discontinuance Center. TID: November 2018  |
| <b>Use of Intelligent Mail Barcodes for First-Class Mail Letters' Processing Costs</b> |            |                 |   |
|  |            | —               | R-1 — Should develop a strategic plan to assess how Intelligent Mail barcode and Informed Visibility technologies can be enhanced to support costing and, based on that assessment, determine how and when the technologies can be leveraged to improve costing. TID: September 2019  |
| CP-AR-18-007   | 09/25/2018 | —               | R-2 — Should coordinate with the Vice President, Enterprise Analytics, to create and provide access to detailed Intelligent Mail barcode data reports or dashboards in Informed Visibility for use by costing personnel. TID: June 2019   |
|  |            | —               | R-3 — Should use Intelligent Mail barcode and Informed Visibility technologies to evaluate the impact of unexpected or nonstandard mail flows on First-Class Mail letter cost model estimates and, based on the evaluation, consider filing a petition with the Postal Regulatory Commission to use Intelligent Mail barcode and Informed Visibility data to update the model. TID: June 2019 |
| <b>Electronic Verification System Internal Controls</b>                                |            |                 |   |
|  |            | —               | 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: January 2019  |
| MS-AR-18-006   | 09/25/2018 | —               | R-2 — Develop sampling policy to specify how employees select Electronic Verification System packages. TID: January 2019  |
|  |            | —               | R-3 — Instruct management to follow review procedures and develop oversight controls for district business mail entry managers. TID: January 2019   |
|  |            | —               | 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: March 2019  |
| <b>Passport Revenue and Fees – Stockdale Station, Bakersfield CA</b>                   |            |                 |   |
|  |            | —               | R-1 — Instruct the Customer Service Manager to verify all photo revenue and fees are recorded daily in Account Identifier Codes. TID: November 2018   |
| FCS-FM-18-030  | 09/26/2018 | —               | R-2 — Evaluate establishing a Retail Systems Software terminal at the Stockdale Station passport unit or have all revenue collected and recorded at the retail unit. TID: November 2018   |
|  |            | —               | R-3 — Instruct the unit manager to require all applicable unit personnel be trained on the passport photo equipment and maintain the necessary supplies for the photo equipment. TID: September 2018  |



# Appendix E:

## Reports with Recommendations Pending Corrective Actions

| Report Number | Issue Date | Monetary Impact | Report Title, Recommendation Summary<br>R = Recommendation number<br>TID = Target Implementation Date   |
|---------------|------------|-----------------|---|
| FCS-FM-18-031 | 09/27/2018 | —               | <p><b>Unit Reserve Stamp Stock Accountability – Arlington, VA, Main Post Office</b></p> <p>R-2 — Direct the necessary unit personnel to complete Stamp Stock Management training. TID: September 2018</p>   |
| FT-AR-18-009  | 09/28/2018 | —               | <p><b>Export Controls for Outbound Mail at International Service Centers</b></p> <p>R-1 — Reestablish ownership or oversight of the Export Controls Program to make decisions for the program. TID: March 2019</p> <p>R-2 — Incorporate strategic activities into the Export Controls Program, including (a) developing an overall strategic plan and a written risk assessment; (b) conducting regular cost benefit analyses to assess effectiveness and value, and (c) proactively monitoring emerging issues and analyzing export compliance data collected from electronic and physical screenings. TID: None</p> <p>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: September 2019</p> <p>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: None</p> <p>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: December 2018</p>  |
| IT-AR-18-005  | 09/28/2018 | —               | <p><b>Capital Metro Physical and Environmental Controls Site Security Review</b></p> <p>R-1 — Review server room access control lists semiannually as required by Postal Service policy; and finalize, publish, and implement employee out-processing procedures, to include disabling badges for separating employees. TID: October 2018</p> <p>R-2 — Replace the lock on the Tray Management System (TMS) server room entrance door and make sure that it functions properly, and remove all posted Internet Protocol addresses from the TMS server room. TID: September 2018</p> <p>R-3 — Ensure entrance gates are monitored and have traffic arms, computerized card access systems, and intercoms are installed at the entrance gates. TID: None</p> <p>R-4 — Verify that all dock doors are locked when not in use, entrance door locks are replaced, and employees wear and display Postal Service identification badges at all times while at the facility. TID: September 2018</p> <p>R-5 — Complete the capital project to replace the closed-circuit television cameras that were non-operational or displayed unrecognizable images, and install the cameras in the retail area in accordance with Postal Service policy. TID: August 2019</p> |
| SAT-AR-18-001 | 09/28/2018 | —               | <p><b>Customer Retail Experience</b></p> <p>R-1 — Work with the Postal Service's Executive Leadership Team to reevaluate the proportion of a unit's National Performance Assessment score that is directly attributable to retail customer service at all units. TID: None</p> <p>R-2 — Take steps to cultivate and integrate into daily operations at all retail units a strong retail customer service culture, including assessing individual customer service skills prior to awarding retail associate positions to adequately prepare employees to effectively engage with customers. TID: None</p> <p>R-3 — Develop and provide annual customer service training for all retail associates emphasizing their role in the customer experience. TID: March 2019</p> <p>R-4 — Benchmark with organizations known for their positive retail customer experience practices and determine the feasibility of the Postal Service customizing these practices in its retail environment. TID: January 2019</p>   |

# Appendix E:

## Reports with Recommendations Pending Corrective Actions

| Report Number  | Issue Date | Monetary Impact | Report Title, Recommendation Summary<br>R = Recommendation number<br>TID = Target Implementation Date   |
|--|------------|-----------------|---|
| <b>Use of Postal Service Network to Facilitate Illicit Drug Distribution</b>                         |            |                 |   |
| SAT-AR-18-002  | 09/28/2018 | —               | R-1 — Work with Congress to develop legislative changes that would result in the Postal Inspection Service being authorized to open and inspect domestic packages suspected of containing illicit drugs. TID: None  |
|  |            | —               | R-2 — Work with relevant executive agencies such as the Department of Justice and Congress to develop legislative changes that would establish separate and enhanced criminal penalties for using the U.S. mail system to distribute illicit drugs. TID: None   |
|  |            | —               | R-3 — Designate an officer to consolidate existing efforts and lead the implementation of a unified, comprehensive organizational strategy to combat the role of the postal network in facilitating illicit drug distribution. TID: None  |
|  |            | —               | R-4 — Enhance USPIS data analytics, including routine integration of the results of package inspections to further enrich its data model. TID: None   |
|  |            | —               | R-5 — Establish a process to more efficiently divert packages suspected of containing illicit drugs to centralized inspection locations for evaluation in an isolated and secure site. TID: None  |
|  |            | —               | 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: None  |
|  |            | —               | R-7 — Institute a comprehensive Commercial Mail Receiving Agencies (CMRA) program to increase adherence to existing CMRA procedures and improve existing policies. Specifically, the program should be centralized and automated to ensure postal employees are following CMRA documentation requirements and conducting oversight of CMRAs. TID: December 2018 |
| <b>Postal Partnerships: The Complex Role of Middlemen and Discounts in the USPS Package Business</b> |            |                 |   |
| RARC-WP-18-010   | 07/23/2018 | —               | 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: None  |
|  |            | —               | 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 2019  |
|  |            | —               | 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: None  |
|  |            | —               | 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: None  |
| <b>Improving the Customer Experience with USPS Customer Care Centers</b>                             |            |                 |   |
| RARC-WP-18-012   | 08/20/2018 | —               | R-1 — Evaluate whether efforts to make package tracking messages more customer friendly are reducing unnecessary calls to the Customer Care Centers. TID: June 2019   |
|  |            | —               | R-2 — Expand use of call back technology to reduce customer wait times on hold and abandoned calls. TID: June 2019  |
|  |            | —               | R-3 — Develop and implement a Customer Care Center staffing plan to decrease customer wait time to speak to an agent. TID: June 2019  |

Total Number of Reports: **126**

Total Number of Recommendations: **304**

Total Monetary Impact: **\$2,964,840,814**

# APPENDIX F:

## Management Decisions in Resolution

For the period through April 1 – September 30, 2018

### Revised Management Decisions

Section 5(a)(11) of the Inspector General Act, as amended, requires that OIG report a description and explanation of the reasons for any significant revised management decisions made during the reporting period. We have no significant revised management decisions for this reporting period.

### Recommendations in Disagreement

Section 5(a)(12) requires the OIG to report information concerning any significant management decision with which the OIG is in disagreement. The following list 18 reports in which the OIG disagreed with management decisions.

| Report Number                                       | Issue Date | Monetary Impact | Report Title, Recommendation Summary<br>R = Recommendation Number   |
|---|------------|-----------------|---|
| <b>Global Positioning System Trailer Visibility</b> |            |                 |   |
| 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. |
|   |            | \$2,487,581     | R-2 — Identify and validate specific cost savings to support the \$18.5 million Global Positioning System technology investment.  |
| <b>Prohibited Inbound International Mailings</b>    |            |                 |   |
| 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.  |
|   |            | —               | 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.  |
| <b>Delayed Mail Validation</b>                      |            |                 |   |
| NO-AR-17-011  | 08/10/2017 | —               | 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.   |
| <b>Surface Visibility Scanning - Western Area</b>   |            |                 |   |
| NL-AR-17-009  | 09/05/2017 | —               | 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.  |
| <b>Delayed Inbound International Mail</b>           |            |                 |   |
| MS-AR-17-009  | 09/07/2017 | —               | R-2 — Develop a mechanism for incorporating available data into its inbound mail monitoring and reporting processes.  |

# Appendix F:

## Management Decisions in Audit Resolution

| Report Number   | Issue Date | Monetary Impact | Report Title, Recommendation Summary<br>R = Recommendation Number   |
|---|------------|-----------------|---|
| <b>Highway Contract Route Irregularity Reporting – Jacksonville Network Distribution Center</b> |            |                 |   |
| NL-AR-17-010  | 09/07/2017 | —               | 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.  |
|   |            | —               | 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.   |
| <b>Management of Overtime in the Northeast Area</b>   |            |                 |   |
| 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 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. |
| <b>Assessing Postal Service Employee Engagement Activities</b>                                  |            |                 |   |
| 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.   |
| <b>Package Delivery Scanning – Nationwide</b>   |            |                 |   |
| DR-AR-18-001  | 10/27/2017 | —               | R-2 — Develop a process that will allow carriers to scan multiple packages to a single delivery address to provide accurate delivery information to customers.  |
|   |            | —               | R-5 — Create a reason code for stop-the-clock scans entered using the manual input mode for the Mobile Delivery Device (MDD) and include this data on the Manual Entries report to track MDD malfunctions by reason codes.  |
| <b>Postal Vehicle Service Fuel Cost and Consumption Strategies</b>                              |            |                 |   |
| NL-AR-18-003  | 01/03/2018 | —               | R-1 — Develop a plan including annual targets to reduce the Postal Vehicle Service fleet's reliance on petroleum-based fuels, reduce greenhouse gas emissions, and increase the use of alternative fuels.   |
|   |            | —               | R-2 — Reevaluate their Viability of Compressed Natural Gas (CNG)-Fueled Vehicles Versus Diesel PVS fuel assessment for alternative fuels by considering the replacement of high fuel usage sites within proximity of public CNG refueling.  |
|   |            | \$7,718,392     | R-3 — Evaluate the benefits of telematics in conjunction with Global Positioning System information on all Postal Vehicle Service vehicles.   |

# Appendix F:

## Management Decisions in Audit Resolution

| Report Number   | Issue Date | Monetary Impact | Report Title, Recommendation Summary<br>R = Recommendation Number  |
|---|------------|-----------------|--|
| <b>Delivery Charge Codes</b>  |            |                 |  |
| CP-AR-18-002  | 01/19/2018 | —               | R-1 — Reiterate to delivery personnel the importance of charging work hours to appropriate operation numbers and labor distribution codes.   |
|   |            | —               | R-2 — Modify the Time and Attendance Collection System to establish controls that flag invalid time codes on Sundays for supervisor correction. In the interim, develop a process to monitor the accuracy of clock rings and hold the delivery management team accountable for ensuring Sunday delivery work hours are charged to the proper operation numbers and labor distribution codes. |
|   |            | —               | R-3 — Revise Postal Service guidance to a) require delivery managers justify and support all clock ring adjustments, b) include an appropriate retention period for documenting clock ring adjustments, and c) establish periodic monitoring of clock ring adjustments to ensure employee work hour changes are accurate, justified, and supported.  |
|   |            | —               | R-4 — Modify the Time and Attendance Collection System to include a field where managers must annotate reasons for making clock ring adjustments to enhance visibility and oversight and to ensure compliance with policy.   |
|   |            | —               | R-5 — Establish automated controls that ensure delivery supervisors identify missing and incorrect end tour clock rings and make the necessary and timely corrections in the Time and Attendance Collection System.  |
| <b>Highway Contract Route Irregularity Reporting – Chicago Network Distribution Center</b>                                  |            |                 |  |
| NL-AR-18-005  | 02/22/2018 | \$888,839       | R-1 — Reconcile the differences between the Transportation and Contract Delivery Service Terms and Conditions, Postal Service Form 5500, Contract Route Irregularity Report, and the 2017 training requirements for chargeable irregularities and the inconsistency between what a contractor can charge and what the Postal Service can charge.   |
| <b>Postal Service's Limited Duty and Rehabilitation Programs Return to Work Processes in the Southern and Pacific Areas</b> |            |                 |  |
| HR-AR-18-003  | 03/01/2018 | —               | R-2 — Assess if the staffing to caseload ratio aligns with requirements established by management  |
|   |            | —               | R-4 — Assess the feasibility of implementing an automated or other solution to promote process efficiency and satisfy the special job bank requirement.  |
| <b>Oversight of Contract Extensions</b>   |            |                 |  |
| SM-AR-18-001  | 03/20/2018 | —               | R-1 — Revise policy to establish restrictions on the number of option years included after contract award.   |
| <b>Maintenance Optimization – Northeast Area</b>  |            |                 |  |
| NO-AR-18-003  | 03/29/2018 | —               | R-1 — Establish and communicate to all Northeast Area mail processing facilities a plan that outlines the Labor Distribution Code 37 maintenance optimization initiative, its goals, and how to achieve the associated work hour savings.  |
|   |            | —               | R-2 — Ensure Human Resources and mail processing facilities coordinate the review of maintenance employee assignments to confirm they are assigned to the correct labor distribution code.   |
|   |            | —               | R-3 — Establish a plan to ensure maintenance supervisors monitor and correct maintenance employee operation number selections as needed so that the correct labor distribution code is used for the work being performed.  |
| <b>Mail Processing Facilities Staffing</b>  |            |                 |  |
| NO-AR-18-004  | 03/30/2018 | —               | R-1 — Establish nationwide criteria for using Function 1 Scheduler results.  |
|   |            | \$420,133,963   | R-2 — Include Function 1 Scheduler results in headquarters' annual budget process.   |
|   |            | —               | R-3 — Implement and document the Verification, Validation, and Accreditation process for the Function 1 Scheduler.   |



# Appendix F:

## Management Decisions in Audit Resolution

| Report Number  | Issue Date | Monetary Impact | Report Title, Recommendation Summary<br>R = Recommendation Number  |
|----------------|------------|-----------------|--|
| FT-AR-18-009   | 09/28/2018 | —               | <b>Export Controls for Outbound Mail at International Service Centers</b><br>R-4 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.  |
| RARC-WP-18-010 | 07/23/2018 | —               | <b>Postal Partnerships: The Complex Role of Middlemen and Discounts in the USPS Package Business</b><br>R-1 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.<br>R-3 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.<br>R-4 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. |

Total Number of Reports: **18**

Total Number of Recommendations: **35**

Total Monetary Impact: **739,630,808**

# APPENDIX G:

## Status of Peer Review Recommendations

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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; 2) any peer reviews conducted by the Inspector General of another Office of the Inspector General during the reporting period; and 3) any recommendations from previous or current peer reviews that remain outstanding or have not been fully implemented.

### *Office of Audit*

We did not conduct a peer review of another OIG during the reporting period, and no peer review was conducted of us.

### *Office of Investigations*

We did not conduct a peer review of another OIG during the reporting period, and no peer review was conducted of us.

# 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 .NET and supported by a SQL server 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 informations during the reporting period that resulted from any prior referral to prosecuting authorities.

For the period April 1 – September 30, 2018

|                           | Investigations Closed | Arrests    | Indictments / Information / Com plaints | Conviction | 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            | 24                    | 7          | 7                                       | —          | 16                 | 137,452,901        | 7,586,270                           | 6,009,146         | 1                         | 6                              | 10   | —  | 7                                  | 10                                     |
| Financial Fraud           | 211                   | 44         | 52                                      | 18         | 206                | 594,540            | 1,240,215                           | 1,222,369         | 114                       | 266                            | 58   | 26   | 39                                 | 229                                    |
| General Crimes            | 364                   | 10         | 11                                      | 5          | 258                | 2,503              | 81,140                              | 44,325            | 148                       | 348                            | 13   | 13   | 9                                  | 360                                    |
| Healthcare Claimant Fraud | 147                   | 12         | 15                                      | 2          | 77                 | 32,824,658         | 1,011,413                           | 460,079           | 7                         | 19                             | 22   | 11   | 10                                 | 76                                     |
| Healthcare Provider Fraud | 26                    | 42         | 41                                      | 1          | 7                  | 179,312,138        | 61,669,994                          | 29,100,715        | —                         | —                              | 13   | —  | 41                                 | 7                                      |
| Internal Mail Theft       | 712                   | 230        | 246                                     | 44         | 543                | —                  | 955,218                             | 341,734           | 396                       | 919                            | 216  | 55   | 170                                | 772                                    |
| Narcotics                 | 93                    | 55         | 51                                      | 4          | 95                 | —                  | 232,833                             | 15,473            | 77                        | 139                            | 51   | 24   | 30                                 | 96                                     |
| <b>Total</b>              | <b>1577</b>           | <b>400</b> | <b>423</b>                              | <b>74</b>  | <b>1,202</b>       | <b>350,186,740</b> | <b>72,777,083</b>                   | <b>37,193,841</b> | <b>743</b>                | <b>1697</b>                    | <b>383</b>   | <b>129</b>   | <b>306</b>                         | <b>1,550</b>                           |

# APPENDIX H:

## Investigative Statistics

For the period through October 1, 2017 – September 30, 2018

|                           | Investigations Closed | Arrests    | Indictments / Information / Complaints | Conviction | 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            | 50                    | 10         | 12                                     | —          | 35                 | 189,631,272        | 29,978,040                          | 24,899,271        | 6                         | 6                              | 25   | 4  | 11                                 | 19                                     |
| Financial Fraud           | 357                   | 95         | 112                                    | 36         | 425                | 1,702,540          | 2,756,163                           | 2,055,180         | 266                       | 266                            | 116  | 65   | 84                                 | 378                                    |
| General Crimes            | 619                   | 24         | 28                                     | 12         | 518                | 2,503              | 371,237                             | 78,717            | 347                       | 347                            | 26   | 43   | 14                                 | 580                                    |
| Healthcare Claimant Fraud | 244                   | 24         | 28                                     | 4          | 154                | 75,125,405         | 3,914,072                           | 1,753,628         | 19                        | 19                             | 44   | 25   | 19                                 | 121                                    |
| Healthcare Provider Fraud | 35                    | 57         | 61                                     | 1          | 23                 | 186,565,225        | 84,752,769                          | 31,066,779        | —                         | —                              | 37   | —  | 61                                 | 10                                     |
| Internal Mail Theft       | 1,262                 | 425        | 477                                    | 94         | 1160               | 1,060,810          | 2,916,546                           | 465,651           | 917                       | 917                            | 512  | 154  | 317                                | 1,334                                  |
| Narcotics                 | 145                   | 93         | 98                                     | 6          | 192                | —                  | 304,818                             | 32,482            | 139                       | 139                            | 82   | 37   | 64                                 | 146                                    |
| <b>Total</b>              | <b>2,712</b>          | <b>728</b> | <b>816</b>                             | <b>153</b> | <b>2,507</b>       | <b>454,087,755</b> | <b>124,993,645</b>                  | <b>60,351,708</b> | <b>1,694</b>              | <b>1,694</b>                   | <b>842</b>   | <b>328</b>   | <b>570</b>                         | <b>2,588</b>                           |

# APPENDIX I:

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

For the period April 1 – September 30, 2018

| Type of Scheme         | Complaints Filed | Consent Agreements | FROs     | C&D Orders |
|------------------------|------------------|--------------------|----------|------------|
| Advance Fee            | —                | —                  | —        | —          |
| Counterfeit Check      | 4                | 4                  | —        | 4          |
| Facsimile Checks       | —                | —                  | —        | —          |
| Failure to Pay         | 1                | 2                  | —        | 2          |
| Foreign Lottery        | 21               | 21                 | —        | 21         |
| Invoice Schemes        | 3                | 3                  | —        | 3          |
| Lottery                | 5                | 5                  | —        | 5          |
| Other                  | 2                | 2                  | —        | 2          |
| Reshipping Scheme      | —                | —                  | —        | —          |
| USPS Revenue Fraud     | —                | —                  | —        | —          |
| Identity Theft - Other | —                | —                  | —        | —          |
| Sweepstakes            | 2                | 2                  | —        | 2          |
| Work at Home - Other   | 1                | 1                  | —        | 1          |
| <b>TOTAL</b>           | <b>39</b>        | <b>40</b>          | <b>—</b> | <b>40</b>  |

### 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         | 1   |
| 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.

Financial Reporting on Investigative Activities for the Postal Inspection Service

| Type                           | Total                |
|--------------------------------|----------------------|
| Total Personnel Comp           | \$189,179,176        |
| Total Nonpersonnel Expense     | \$47,789,894         |
| <b>Total Operating Expense</b> | <b>\$236,969,070</b> |
| Total Capital Commitments      | \$2,337,862          |



# APPENDIX J:

## Congressional/PMG/Board of Governors Inquiries

For the period April – September 30, 2018

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 complaint process, contractual grievance-arbitration procedures, or appeals to 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, 2018, through September 30, 2018, the OIG received 73 new inquiries. Out of the 73 inquiries, we referred nine to the U.S. Postal Service Office of Government Relations and three

to the Postal Inspection Service for review. We closed 68 inquiries during this reporting period. Out of the 68 inquiries, 46 were referred to our Office of Investigations and seven were referred to our Office of Audit for further review.

### Congressional Testimony

Since its inception, the OIG has testified before Congress on various matters. While the OIG did not provide written statements to Congress during this reporting period, the OIG has in the past provided testimony and statements highlighting significant work and identifying opportunities for the Postal Service to improve accountability and public trust. These testimonies and statements can be found in their entirety on the OIG's website at <https://www.uspsoid.gov>.

# APPENDIX K:

## Instances of Agency Interference

Section 5(a)(21) of the Inspector General Empowerment Act, as amended, requires that OIG report attempts by an agency to interfere with inspector general independence, including through budget constraints, resistance to oversight, or delayed information access.

In response to certain requests for information related to our work on the Postal Partnerships and PC Postage projects, the Postal Service was slow to respond, sometimes taking more than a month to fulfill our requests. In some instances, the Postal Service initially told us that documents we requested did not exist. After we discovered additional evidence of the documents, we pressed the Postal Service further and they eventually divulged more records.

When asked why this happened, management indicated this lack of disclosure was inadvertent. They informed us that the original staffer asked to provide us this information did not do a broad enough search to check about its existence.

# 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, 2018

| Requests  | Number of Requests |
|---|--------------------|
| Carryover from prior period                         | 18                 |
| Received during period                              | 320                |
| <b>Total on hand during period</b>                  | <b>338</b>         |
| Actions   | Number of Requests |
| Processed during the period                         | 333                |
| Requests Denied in Full                             | 26                 |
| Requests Granted in Full                            | 7                  |
| Requests Denied in Part                             | 60                 |
| No Records  | 48                 |
| Requests Referred                                   | 105                |
| Requests Withdrawn                                  | 22                 |
| Fee-Related Reasons                                 | —                  |
| Records not reasonably described                    | —                  |
| Not a proper FOIA request for some other reason     | —                  |
| Not an agency record                                | 65                 |
| Duplicate Request                                   | —                  |
| Balance   | Number of Requests |
| Balance at the end of the period (pending)          | 5                  |
| 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.

For the period: April 1 – September 30, 2018

Total complaints reviewed and closed: **649**

### Whistleblower Reprisal Activity

|                                      |    |
|--------------------------------------|----|
| Allegations Received                 | 77 |
| OIG Investigations Initiated         | 5  |
| Investigations closed with no action | —  |
| Allegations closed with no action    | 81 |
| Open Investigations (As of Last Day) | 3  |
| OIG found reprisal                   | —  |

# Supplemental Information

## Summary of Performance

For the period: April 1 – September 30, 2018

### Audits

|                                     |                        |
|-------------------------------------|------------------------|
| Reports issued                      | 85                     |
| Recommendations issued              | 198                    |
| Total reports with financial impact | 37                     |
| Funds put to better use             | \$213,362,219          |
| Questioned costs                    | \$731,550,367          |
| Revenue Impact                      | \$102,472,977          |
| <b>Total</b>                        | <b>\$1,047,385,563</b> |

### Investigations<sup>1</sup>

|  |               |
|--|---------------|
| Investigations Completed                     | 1,577         |
| Arrests                                      | 400           |
| Indictments/Informations                     | 423           |
| Convictions/pretrial diversions <sup>2</sup> | 74            |
| Administrative actions                       | 1,202         |
| Cost Avoidance                               | \$237,841,446 |
| Fines, Restitution, and Recoveries           | \$72,777,083  |
| Amount to the Postal Service <sup>3</sup>    | \$37,193,841  |

### OIG Hotline Contacts

|                       |               |
|-----------------------|---------------|
| Telephone calls       | 878           |
| E-Mail                | 8,862         |
| Webforms              | 32,206        |
| Standard Mail         | 738           |
| Voice Mail Messages   | 3,462         |
| Facsimile - FAX       | 92            |
| <b>Total Contacts</b> | <b>46,238</b> |

<sup>1</sup> Statistics include joint investigations with other law enforcement agencies.

<sup>2</sup> Convictions reported in this period may be related to arrests in prior reporting periods.

<sup>3</sup> Amounts include case results of joint investigations with other OIG, federal, state, and local law enforcement entities.

# 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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# WHO DO I CONTACT?



The U.S. Postal Service has two law enforcement agencies with distinct areas of investigative responsibility to serve the needs of stakeholders, postal employees, and the American public.



## Office of Inspector General

- Theft, delay, or destruction of mail by employees and contractors
- Workers' compensation fraud
- Embezzlements and financial crimes
- Contract fraud
- Kickbacks
- Computer crimes
- Narcotics
- Employee misconduct
- Internal affairs and executive investigations
- Whistleblower reprisals

<https://www.uspsoig.gov/form/file-online-complaint>  
**Contact: 888-877-7644**



## Postal Inspection Service

- Security of employees, facilities, and equipment
- Revenue and postage fraud
- International mail security
- Violent crimes:
  - Threats and assaults of employees
  - Burglaries and robberies
- Mail theft by nonemployees
- Dangerous mail and bombs
- Mail fraud
- Identity theft
- Narcotics in the mail
- Child pornography and obscenity

<https://postalinspectors.uspis.gov/contactUs/filecomplaint.aspx>  
**Contact: 877-876-2455**





UNITED STATES POSTAL SERVICE

OFFICE OF

**INSPECTOR GENERAL**

Contact us via our [Hotline](#) and [FOIA](#) forms.  
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