



# Office of Inspector General Semiannual Report to Congress

October 1, 2012 — March 31, 2013



## MISSION STATEMENT

**T**he mission of the U.S. Postal Service Office of Inspector General is to conduct and supervise objective and independent audits, reviews, and investigations relating to Postal Service programs and operations to:

- Prevent and detect fraud, theft, and misconduct;
- Promote economy, efficiency, and effectiveness;
- Promote program integrity; and

Keep the Governors, Congress, and Postal Service management informed of problems, deficiencies, and corresponding corrective actions.

## A MESSAGE FROM THE INSPECTOR GENERAL

The Office of Inspector General (OIG) — with the support of the Governors, Congress, and U.S. Postal Service management — plays a key role in maintaining the integrity and accountability of America's postal service, its revenue and assets, and its employees through our audit and investigative work.

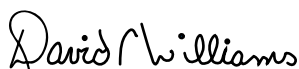
This report, submitted pursuant to the Inspector General Act, outlines our work and activities for the 6-month period ending March 31, 2013. In the first section of this issue, we highlight audits and reviews that address the Postal Service's goals of improving service, generating net income, and improving the workforce and workplace. We also include work that reviewed Postal Service efforts in meeting regulatory requirements and reporting obligations. The second section highlights investigations conducted during this reporting period that contributed to safeguarding the Postal Service's revenue and assets and helped deter postal crimes.

Postal Service executives often work closely with their OIG counterparts to identify problems and collaborate on solutions. These efforts have resulted in significant savings opportunities. During this period, we issued 92 audit reports, management advisories, and PARIS risk models, and the Postal Service accepted 92 percent (60 of 65) of the OIG's significant recommendations.

In addition, we conducted 1,656 investigations that led to 260 arrests and nearly \$2 billion in fines, restitutions, and recoveries, of which \$72 million went to the Postal Service. Notably in this reporting period, the Postal Service received \$40 million from a criminal fine paid by a pharmaceutical company as part of a major healthcare fraud settlement. The OIG helped investigate this case, along with other agencies.

We have engaged stakeholders through our blog, Audit Project Pages, other social media outlets, and through roundtable discussions of reports, which encourage direct feedback and also promote transparency and accountability. We continue to rely on data modeling tools and analytics to focus our efforts on high-risk areas of the Postal Service to produce valuable work. These tools help us find the root causes of weaknesses in postal operations, and to offer solutions.

I look forward to working with the Governors, Congress, and Postal Service management as we address the challenges ahead.



David C. Williams  
Inspector General

# SUMMARY OF PERFORMANCE

October 1, 2012 — March 31, 2013

## AUDITS

Reports issued	92
Significant recommendations issued	65
Total reports with financial impact	15
Funds put to better use	\$266,601,430
Questioned costs	\$386,239,273
Revenue Impact	\$103,345,727
<b>TOTAL</b>	<b>\$756,186,430</b>

## INVESTIGATIONS <sup>1</sup>

Investigations Completed	1,693
Arrests	260
Indictments/Informations	178
Convictions/pretrial diversions <sup>2</sup>	299
Administrative actions	860
Cost Avoidance	\$225,278,052
Fines, Restitution, and Recoveries	\$2,016,953,988
Amount to the Postal Service <sup>3</sup>	\$72,434,428

## OIG HOTLINE CONTACTS

Telephone calls	33,257
E-Mail	24,645
Standard Mail	815
Voice Mail Messages	456
Facsimile — FAX	243
National Law Enforcement Communications Center	279
<b>TOTAL CONTACTS</b>	<b>59,695</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.

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# Introduction

## INTRODUCTION

The OIG is expected to ensure efficiency, accountability, and integrity in the Postal Service. We also have the distinct mission of helping to maintain confidence in the mail and the postal system, as well as to improve the Postal Service's bottom line. The OIG uses audits and investigations to help protect the integrity of the Postal Service, an important part of the Postal Service's value. On the next page we feature an audit and investigation from the reporting period that highlight the work we do to fulfill our mission.





## Office of Audit: Advertising Program Needs Better Monitoring

Our audit report found that the Postal Service did not adequately monitor its two largest advertising contracts, threatening the effectiveness and integrity of its advertising program. The Postal Service did not clearly define or understand the roles and responsibilities of the primary team members for its major advertising contractors, to whom it paid \$10 million in fiscal year (FY) 2011. The Postal Service paid \$631,712 in questionable bonuses to the contractors in FYs 2011 and 2012, and did not sufficiently track or allocate certain advertising costs, nor did it comply with internal controls for certifying and retaining advertising invoices.

Senior management expressed concern over these contracts during our audit and allowed the major advertising contract to expire. They have taken significant steps to restructure advertising contract processes for consistency with current industry practices and to maximize the effectiveness of the Postal Service's advertising investments. We recommended the Postal Service establish a clearly defined process to evaluate contractors; and appropriately review, certify, and maintain invoices. We also recommended the agency track contractor labor costs and appropriately allocate advertising costs.

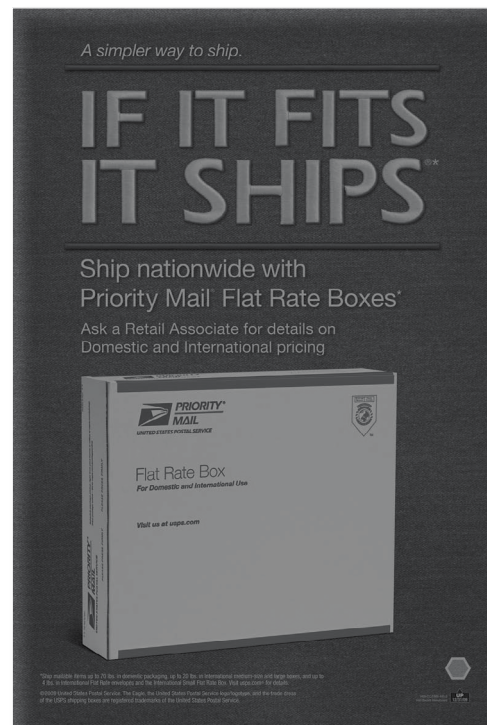
Management stated that the new competitive advertising contracts will not contain incentive fee payments and, through renegotiations and modifications, they removed the incentive payment option from the one remaining legacy contract. Management also plans to develop a new internal process for properly reviewing, certifying, and maintaining invoices. New contracting officer's representatives (CORs) will be instructed on these processes, and they are taking COR and ethics training. Management also plans to perform periodic reviews to ensure compliance, while Marketing and Sales officials plan to develop and communicate an internal process for certifying invoices. Management determined that the current tracking system captures labor costs so they are developing a custom report that will show these costs. Management is also assessing the current tracking system to determine the associated costs and feasibility of allocating costs to specific advertising campaigns.

## Office of Investigations: Abbott Laboratories Pays \$40 Million to Postal Service

The OIG's participation in the investigation of Abbott Laboratories and its unlawful promotion of its prescription drug Depakote contributed to the Postal Service receiving \$40 million in criminal fines against the company. The Postal Service received the fine payment in this reporting period. Abbott Laboratories agreed to pay the government \$1.5 billion to resolve its criminal and civil liability arising from the company's unlawful promotion of Depakote for uses not approved as safe and effective by the Food and Drug Administration (FDA). Abbott admitted it maintained a specialized sales force trained to market Depakote in nursing homes for the control of agitation and aggression in elderly dementia patients, despite the absence of credible scientific evidence that Depakote was safe and effective for that use.

The investigation revealed the company had defrauded the Postal Service of about \$1.1 million through insurance reimbursements to recipients of Office of Workers' Compensation Program benefits. In addition to the criminal fines, \$1.1 million in restitution is pending within a civil settlement between the Postal Service and Abbott Laboratories.

**(Left) The Postal Service received \$40 million in a criminal fine payment from Abbott Laboratories as part of the company's settlement of charges that it unlawfully promoted its prescription drug Depakote. The OIG participated in a joint investigation with other federal agencies, which revealed that the company had defrauded the Postal Service through insurance reimbursements to recipients of Office of Workers' Compensation Program benefits.**



**An OIG audit found the Postal Service did not adequately monitor its two largest advertising contracts. Above, an image from the Postal Service's popular Priority Mail Flat Rate advertising campaign.**

## Management Response to Audit Work

OA adheres to professional audit standards and generally presents its audit work to management for comments prior to issuing a final report. Unless otherwise noted in the selected audit work discussed in this report, management has agreed or partially agreed with our recommendations and is taking or has already taken corrective action to address the issues raised.



Customer feedback prompted an audit on the fall mailing season, which found that excessive mail transport equipment at a processing facility caused congestion on the floor and added to mail delays because the mail could not be properly staged for processing.

## SIGNIFICANT AUDIT WORK BY STRATEGIC GOALS

In this section, the Office of Audit (OA) assesses the Postal Service's progress toward the strategic goals articulated in Progress and Performance – FY 2012 Annual Report to Congress and Comprehensive Statement on Postal Operations. The Postal Service publishes several reports that respond to different legislative requirements, which provide stakeholders with an accounting of their activities and results. We have aligned our work with the general goals the Postal Service has set out in the annual report.

### GOAL 1: PROVIDE HIGH-QUALITY SERVICE

The Postal Service's priority is to provide timely, reliable delivery and improved customer service across all access points. Specifically, it is focusing on the quality and consistency of service as well as the speed and reliability of end-to-end mail delivery for all product lines.

#### Data Usage in Retail Operations

With 11 systems/models in its retail operations that contain hundreds of data elements and generate 250 reports, the Postal Service has a substantial amount of information to manage. We found that some managers did not know how to use these system models and data. Further, 10 prior OIG and Government Accountability Office reports describe numerous data usage, availability, and accuracy issues involving retail operations. These concerns arose because Postal Service officials had not developed and implemented a strategy to identify key retail data, systems, and reports for managers in customer service operations. Furthermore, some managers did not receive training or found training to be ineffective, experienced difficulty locating Retail Data Mart reports, or accessed and used other retail systems and reports that they indicated were more user friendly and provided the

same information. It is important that managers have pertinent data, systems, and reports to manage operations and make informed and timely decisions. We recommended management identify data systems, and reports that meet the needs of managers in customer service operations and provide training to managers on accessing and using reports. Management stated they will collaborate with area officials to ensure compliance with this recommendation. They also plan to provide training as needed to customer service managers on accessing and using reports.

#### Fall Mailing Season: Customer Service Feedback

The OIG received customer service feedback during a review of the Postal Service's preparation for the FY 2013 fall mailing season, which we wanted to immediately bring to the attention



of the Postal Service. Generally, the Postal Service's performance is challenged in the fall due to higher-than-normal Standard Mail volume because of increases in advertising for back-to-school time and the winter holidays. In the past, mailers have expressed concern with the agency's performance during the fall mailing season with regard to timely processing of mail and the availability of mail transportation equipment.

The Postal Service made significant progress in reducing the amount of delayed mail at the 43 largest mail processing and distribution centers during the 2013 fall mailing season. Delayed mail declined from the prior fall mailing season by 56 percent and service performance achievement scores rose to 90.7 percent. We attribute much of the decline in delayed mail to management's emphasis on timely processing of mail to include a readiness checklist and expanded use of the Intelligent Mail barcode.

While we commend the Postal Service for these improvements, opportunities remain to further reduce the amount of delayed mail. We found that mail was not always properly staged for first-in first-out processing due to floor congestion caused by excess mail transportation equipment, such as mail tubs and trays. As a result, the Postal Service cannot ensure the timely processing, dispatch, and delivery of Standard Mail. Although delayed mail experienced a downward trend, any amount of delayed mail could result in revenue loss, as affected mailers and customers seek other alternatives. We recommended ensuring that all field personnel properly color code Standard Mail in accordance with Postal Service policy and properly store mail transportation equipment to facilitate mail flow.

### **Residential Customer Service Experiences**

The Postal Service's actions for measuring and improving the service experiences of its residential customers are sound, but could be enhanced, by improving the Customer Experience Measurement (CEM) survey. With the growth in customer use of alternate access channels, such as self-service kiosks, the Postal Service would benefit from measuring customer experiences at these channels. The Postal Service has taken positive actions to improve residential customer service experiences; however, additional attention is needed to ensure the agency implements corrective actions promptly, meets its CEM goals, and monitors residential customer experiences as it implements operational changes that may impact those experiences.

We recommended the Postal Service update the CEM survey to identify the location of the recipient's

experience, measure experiences at other access channels, develop a strategy for implementing corrective actions in a timely and responsive manner, and ensure monitoring of residential customer experiences as operational changes are implemented. Management is currently reassessing all CEM survey tools and will evaluate the proposed survey change to add specific customer service time and location data by March 2014. Management will also assess the feasibility of developing cost-effective and actionable data across all postal channels by March 2014. It will also build upon the foundation of the Customer Experience Essentials program, and develop a strategy to design and implement actionable programs to improve the customer experience by December 2013; and implement a program to generate data that will identify and resolve customer concerns associated with operational changes by December 2013.

*With the growth in customer use of alternate access channels, such as self-service kiosks, the Postal Service would benefit from measuring customer experiences at these channels.*

### **GOAL 2: GENERATE NET INCOME**

The Postal Service faces the challenge of improving service while simultaneously working to cut costs. Following are examples of work we conducted in this area to help the Postal Service improve operational efficiencies and to decrease the risk of revenue loss.

#### **Accenture Federal Services Contracts**

Our report found that Accenture Federal Services, LLC, made policy changes to address six of eight Defense Contract Audit Agency (DCAA) recommendations, but did not fully address recommendations to conduct periodic reviews of its estimating system or to monitor actual costs to estimated costs. Postal Service contracting officials did not obtain and assess the Information Technology subject matter experts' technical analyses for eight proposals, valued at \$8.2 million to support the reasonableness of labor categories and hours. The Postal Service was not included in the U.S. Department of Justice (DOJ) settlement with Accenture that resolved

allegations of kickbacks, rigged bids, and fraudulently inflated prices because it was aware of and allowed Accenture to charge fees for acquiring third-party hardware and software. We recommended management require Accenture to correct the remaining DCAA report deficiencies and revise policy to address reported issues. Management took corrective action by working with Accenture to correct the remaining two items that DCAA recommended.

#### **Caller and Reserve Service Operations**

Caller service is a premium service, available for a fee, to customers that want to pick up their mail at a designated Postal Service unit. The

#### **Best Value in the Purchasing Process**

"Best value" is the basis of all Postal Service sourcing decisions and determined by an analysis of a contract solicitation's evaluation factors and weightings in combination with a price analysis. Past performance and supplier capability are mandatory factors that contracting officials must evaluate during the purchasing process, while some form of price analysis is required for every purchase. Our report determined that Postal Service contracting officials did not provide evidence that they achieved best value when awarding contracts. Specifically, contracting officials did not maintain evidence to support assessments of supplier past performance, supplier capability, price or cost analysis, or required review and approvals for 60 of the

105 purchases reviewed, valued at more than \$327 million. Further, contracting officials incorrectly coded contract information in the Contract Authoring Management System for nine purchases, valued at about \$34 million. Finally, without complete files, contracting officials are unable to make informed contract management decisions. We recommended contracting managers conduct periodic reviews of electronic and physical contract files and update the contract file transfer process. We also recommended that management direct contracting officials and higher level approvers to ensure the accuracy of contract information and adhere to Supplying Principles and Practices.

## GOAL 2: GENERATE NET INCOME



Postal Service personnel did not consistently monitor availability of Postal Service-owned vehicle parts, leading to the potential for inappropriate charges on consigned vehicle parts, an OIG audit determined.

service is geared to customers that routinely receive more mail than can be delivered to the largest installed Post Office Box or need to collect mail periodically during the day. The OIG determined that the Postal Service did not effectively manage caller and reserve service operations to collect all revenue it was due. Employees did not enforce applicable caller and reserve service policies or procedures and did not always charge customers for caller and reserve services provided. For example, employees did not always review accounts to determine whether customers had paid all required fees. Further, the Postal Service did not establish a system to measure program effectiveness, such as monitoring results of annual caller service reviews. As a result, we identified \$3.8 million in annual revenue the Postal Service is at risk of losing. We also identified \$415,000 of annual revenue loss attributed to unpaid caller and reserve fees.

### Consigned Vehicle Parts

Our report identified opportunities for the Postal Service to reduce costs for consigned vehicle parts. Supervisors did not consistently monitor physical inventories and personnel did not always adequately determine whether Postal Service-owned parts were available. As a result, management could not ensure accurate parts issuance and expensing, and suppliers could inappropriately charge the Postal Service for parts. Also, vehicle maintenance facility (VMF) personnel did not consistently determine whether warranties were available or adequately validate parts' credits. We estimated that vehicle maintenance facilities could have obtained an additional \$750,000

in annual warranty reimbursements and about \$345,000 in annual parts credits. We also noted that accounting adjustments were nominal and the Postal Service had procedures in place to address them. We recommended developing and implementing nationwide policies and procedures for VMF personnel to use during consigned parts inventories for identifying, obtaining, and returning reimbursements for parts under warranty; and for returning vehicle parts that can be remanufactured and verifying the associated credits. We also recommended enhancing Solution for Enterprise Asset Management (SEAM)-Vehicle Maintenance reporting capabilities and implementing nationwide procedures to capture all warranties during the SEAM - Vehicle Maintenance implementation phase.

Management disagreed, in part, with our recommendations, stating that consignment suppliers are authorized to schedule and perform an inventory count for their parts for each VMF on an annual basis and our audit did not fully describe the process for making inventory corrections resulting from these counts. Management also thought that our calculation of other impacts was flawed and that using the consignment vendor's system would cost in excess of \$5 million annually, noting that SEAM-Vehicle Maintenance will allow identification of potential available warranties without adding extra hours researching individual parts. Finally, management disagreed with the monetary impact related to establishing nationwide requirements for cores and core credits, noting that the monetary impact did not appear to take into consideration loss reimbursements due to damaged cores.

## Federal Shipping

Competitors to the Postal Service have consistently captured more than 98 percent of shipping revenue from federal agencies through General Services Administration (GSA) contracts. Although the federal shipping market from GSA contracts was estimated at \$336.9 million in FY 2012, the Postal Service earned only \$4.8 million of this revenue, or less than 2 percent of the overall market. In addition, the Postal Service earned \$95.9 million from shipping services for federal agencies outside the GSA contracts during FY 2012.

The Postal Service has opportunities to increase its share of this market by overcoming challenges that keep it from growing revenue in the federal shipping marketplace. Specifically, major challenges include pricing inflexibility and the lack of 2- and 3-day guaranteed express delivery products. In addition, the Postal Service faces challenges resulting from late entry into the GSA market, the size and structure of its federal sector sales force, and the limited number of payment methods it accepts. Further, the Department of Defense provides preferential treatment to shippers that have their own air fleet and agree to make that fleet available during a national defense crisis. By overcoming these challenges, and enhancing customer intelligence to identify those federal agencies that predominantly ship lightweight packages, we estimate the Postal Service could generate \$17.4 million of additional revenue annually during FYs 2013 and 2014,

and could have avoided lost revenue of \$21.4 million during FY 2011 and \$17.4 million for FY 2012. We recommended the Postal Service address the challenges it faces in the federal shipping marketplace and enhance customer intelligence on federal agencies' shipping practices.

Management is addressing the current GSA contract pricing structure and plans to discuss payment methods and product selection for the federal sector. Management did not agree with the estimated \$34.8 million in revenue that could be generated during FYs 2013 and 2014 should they overcome the challenges that keep it from growing revenue in the GSA marketplace, stating that the lack of detailed data on the characteristics of federal shipments makes it nearly impossible to predict a value for Postal Service potential. Management also stated that revenue growth depends on competitive pricing and product offerings and, until these challenges are addressed, it is difficult to fully understand the extent of revenue that can be generated from federal shipping. Finally, as the Pricing group works toward determining the value of 2- and 3-day guaranteed express delivery products, management will conduct further research and learn more about federal agency shipping practices. Pending an evaluation, management will determine the next steps to take by January 2014.

## Postal Service Financial Condition

**Revenue and Volume** — The Postal Service continues to experience significant financial challenges. It ended fiscal year 2012 (Oct. 1, 2011 – Sept. 30, 2012) with a record net loss of \$15.9 billion, compared to a net loss of \$5.1 billion for the same period last year. Of that loss, \$11.1 billion was attributed to 2 years of the statutorily mandated Retiree Health Benefit (RHB) prefunding requirement. And \$5.5 billion of that \$11.1 billion was originally associated with the fiscal year 2011; however, legislation moved the required payment to FY 2012. Without the legislation, the FY 2012 loss would have been reduced to about \$10.4 billion, while the FY 2011 loss would have increased to about \$10.6 billion.

In the first quarter of FY 2013, revenue from First-Class Mail, the Postal Service's most profitable service category, decreased \$237 million, or 3.1 percent, from the same period last year, with a volume decrease of 834 million pieces, or 4.5 percent. Standard Mail revenue increased \$141 million, or 3.1 percent, in the first quarter of 2013, compared to 2012, on a volume increase of 783 million pieces, or 3.6 percent. This increase is largely attributable to official and political campaign mail related to the presidential and congressional elections mailed during the quarter.

Shipping and Packages revenue continued to show solid growth in the 3 months ending December 31, 2012, which was the end of the first quarter of FY 2013. Shipping and Package revenue in the first quarter increased \$154 million or 4.7 percent over 2012 first quarter results. The increases are attributable to the growth of online shopping and the success of Postal Service marketing campaigns.

**Liquidity Concerns** — The Postal Service's liquidity position has improved slightly from September 30, 2012, due to increased cash receipts during the fall election and holiday mailing seasons. The Postal Service was able to make its annual payment of about \$1.4 billion to reimburse the Department of Labor (DOL) for workers' compensation expenses in October 2012. Current projections indicate that the Postal Service will be unable to make the required \$5.6 billion retiree health benefits prefunding payment due by September 30, 2013. The Postal Service held total cash of \$2.9 billion and \$2.3 billion for the periods ending December 31, 2012, and September 30, 2012, respectively, and had no remaining borrowing capacity on its \$15 billion debt ceiling.

**Cost Cutting** — The Postal Service continues to aggressively pursue strategies to increase efficiency and to improve its liquidity position. These measures include consolidating the mail processing, retail, and delivery networks to better align them with mail volumes. Since 2006, the Postal Service has reduced its annual cost base by about \$15 billion and reduced the size of its career workforce by 168,000 or 24 percent. The Postal Service Board of Governors has directed management to accelerate the restructuring of Postal Service operations to further reduce costs to strengthen Postal Service finances. The Postal Service continues to seek legislation to provide it with greater flexibility to control costs and generate new revenue.

**Sarbanes-Oxley** — There have been no changes in the Postal Service's internal controls over financial reporting for the quarter ending December 31, 2012, that have materially affected, or are reasonably likely to materially affect, the Postal Service's internal controls over financial reporting.

## Express Mail Corporate Account Revenue

Our report found that the Postal Service did not collect all revenue for services provided to Express Mail Corporate Account (EMCA) customers. Personnel did not follow acceptance procedures or use existing management reports to identify mail processing facilities not complying with procedures to properly accept Express Mail packages. In addition, delivery unit personnel were not required to provide additional safeguards against uncollected revenue, such as processing an acceptance transaction when scanning individual Express Mail pieces for delivery. We recommended management use available management reports to identify and notify mail processing facilities not following Postal Service procedures to improve full acceptance transactions for Express Mail corporate account pieces. They should also update and reissue procedures for delivery units to identify and properly accept corporate account pieces that have not yet been accepted.

Management disagreed with our monetary impact, stating that uncollected EMCA revenue cannot be definitively determined based on the data and methodology we used. Further, they believe we provided no information in our report to verify that our methodology resulted in a reasonable estimate nor was there enough information to validate the estimated potential revenue loss. In

addition, management noted an incorrect number in our monetary impact calculations. Management stated that, although they still have reservations regarding our findings, they will review their procedures for compliance with EMCA policies and collaborate with the areas to reissue policies and procedures regarding proper acceptance.

## FedEx Container Weights

Restrictions in the Postal Service/FedEx contract may result in FedEx transporting less-than-full containers. Our report determined that although it may not always be feasible to fill Postal Service containers transported on FedEx to their maximum allowable weight, the contract restricts the agency to air container weights that are less than what the containers can actually hold and less than what FedEx advertises to its other customers. The contract also specifies the maximum gross weights allowed for each air container type. We were unable to assess the overall impact on transportation costs since historical data does not exist and collecting representative current data was not feasible. However, if the FedEx contract (including any renewals) incorporated higher air container maximum weights, where feasible, the Postal Service could significantly reduce contract transportation costs by using fewer heavier weight containers and paying for less of the unused cubic footage. Costs to fly this mail are



**FedEx holds an air transport contract with the Postal Service. An OIG audit found that if the FedEx contract incorporated higher air container maximum weights, the Postal Service could reduce contract transportation costs by using fewer heavier weight containers and paying for less unused cubic footage.**



## **FINANCIAL AUDITS**

During this period we audited Postal Service installations and their financial statements. We also assessed the accuracy of management data to help preserve the integrity of Postal Service processes and personnel. By focusing on key vulnerabilities of Postal Service installations, auditors showed how the Postal Service can further protect the integrity of the mailstream.

We performed separate audits of selected financial activities and accounting records at Postal Service headquarters and at the three Information Technology and Accounting Services in St. Louis, MO; San Mateo, CA; and Eagan, MN. We also conducted audits of the Board of Governors' travel and miscellaneous expenses and Postal Service officers' travel and representation expenses for FY 2012 and compensation for calendar year 2011. For most of these audits, we did not propose any adjustments, but we did identify various control deficiencies that were not significant to the overall financial statements and did not affect the overall adequacy of internal controls.

Following is a summary of the financial audits performed in support of the independent public accounting (IPA) firm's opinion on the Postal Service's financial statements and internal controls over financial reporting.

### **Fiscal Year 2012 Postal Service Financial Statements Audits**

These reports present the results of our audits of the financial activities and accounting records at headquarters and Eagan, St. Louis, and San Mateo Accounting Services for FY 2012. We noted the Postal Service's financial accounting policies and procedures provided for an adequate internal control structure and complied with accounting principles. In addition, accounting transactions were fairly stated and general ledger account balances conformed to the general classification of accounts, therefore, we did not propose any adjusting entries to the financial statements. Finally, the Postal Service complied with laws and regulations having a direct and material effect on the financial statements, but did not comply with federal regulations regarding records retention for the Combined Federal Campaign (CFC) program or federal regulations regarding officer' compensation. We recommended that management revise their records retention policy for the CFC to comply with federal regulations and they agreed to revise procedures to require retention of CFC pledge forms for 4 years. The planned action is scheduled for implementation by June 30, 2013.

Throughout the year, we reviewed internal controls over financial reporting and identified control deficiencies. The Postal Service had two instances of noncompliance at the headquarters facility. One related to the suspension of the Postal Service's obligation to the Federal Employee Retirement System and the other a default on two required prefunding payments to the Postal Service Retiree Health Benefit Fund. The Postal Service resumed the obligation and repaid amounts previously suspended. The Postal Act of 2006 contains no provisions addressing a prefunding payment default.

### **Postal Service Board of Governors' Travel and Miscellaneous Expenses for Fiscal Year 2012**

Our report found travel and miscellaneous expenses were generally properly supported, reasonable, and in compliance with Postal Service policies and procedures and Board of Governors policies. However, the Board of Governors' general policy does not contain guidelines for purchase and payment of official business-related dinners/meals or expenses with customers and other external stakeholders. Such guidelines should give consideration to the nature of the Postal Service's business and the importance of building and maintaining customer relationships.

When guidelines are not in place for dinners/meals or expenses related to external representation events, the risk of incurring questionable costs increases. We recommended the secretary of the Board of Governors develop policies and procedures for business representation dinners/meals and expenses related to external representation events.

### **Officers' Travel and Representation Expenses for Fiscal Year 2012**

Our report found officers' travel and representation expenses totaling about \$806,000 were properly supported and complied with Postal Service policies and procedures.

### **Officer Compensation for Calendar Year 2011**

The Postal Act of 2006 amended Title 39 of the United States Code and revised the cap on total compensation payable to Postal Service employees. Employees generally could not be paid more than \$199,700 for calendar year (CY) 2011. Exceptions allowed some to be paid up to \$230,700 (the statute defines the Postal Service's authority to award bonuses or other awards) or \$276,840 for critical positions. Our report determined that, although the Postal Service complied with Postal Service policies and guidelines and IRS regulations for CY 2011, it did not always comply with annual officer compensation caps as stated in the Postal Act of 2006. We believe failure to comply is a result of the agency's misinterpretation of the relevant statutory authority in the Act.

We identified three officers whose compensation exceeded or otherwise failed to comply with the compensation caps imposed by the Act. As a result, during CY 2011, the Postal Service paid \$110,011 above the limits. In response to our CY 2010 audit, management amended an officer's employment agreement to more clearly link the incentive award to performance. However, because the amount of the award is set in advance by contract, we believe it is neither part of an "appraisal system" nor the result of any evaluation of "relative performance." This change to the language does not address the concerns we raised last year.

We recommended the Postmaster General (PMG) coordinate with the Board of Governors to ensure the Postal Service reports to the Office of Personnel Management and Congress a complete list of critical senior executive or equivalent positions allowed to receive total compensation in an amount not to exceed 120 percent of the total annual compensation payable to the vice president of the United States. We also recommended the PMG request an interpretation from the Government Accountability Office on whether annuity payments are considered in an employee's total compensation and subject to the Postal Act of 2006 compensation caps.

Management acknowledged the fundamental disagreement on the interpretation of the law and agreed to seek advice from the DOJ Office of Legal Counsel to resolve the issues identified in this report. We agree that an advisory opinion from the DOJ's Office of Legal Counsel will better resolve the issues in this report. Management worked with us on the precise legal questions submitted. Management disagreed with our monetary impact and recommendation regarding submittal of a critical senior executive or equivalent positions list. They believe we based the recommendation and monetary impact on an incorrect finding that officer compensation exceeded the statutory compensation limit for FY 2011, adding that they already have a process to ensure the Postal Service adheres to the statutory compensation caps.

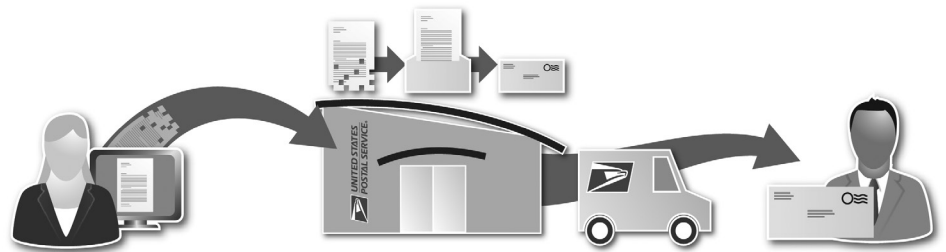
based on contract minimum volume obligations, with compensation based on the total amount of cubic feet of the air containers transported. We recommended increasing maximum allowable container weights when negotiating existing or future air transportation FedEx contracts with cubic-foot based compensation.

**Funnel Management Program**

The Funnel Management Program diverts lower priority leads to lower cost sales channels that meet predetermined criteria. The Postal Service’s sales organization uses the Funnel Management Program to prioritize sales leads. Our report determined that opportunities exist for the Postal Service to improve the program by enhancing the automated process. We estimate this enhancement would increase sales revenue by \$2.4 million per year.

**Hybrid Mail Efforts**

The Postal Service could improve its hybrid mail efforts by developing a business strategy to increase the revenue and market share of its current hybrid mail products. Specifically, we noted that the Postal Service’s revenue with affiliated partners dropped 58 percent between 2007 and 2011 because there was no strategic plan promoting hybrid mail products. Also, the agency’s agreements with its affiliated partners did not include measurable performance goals. In addition, these affiliated partners have a small share of the potential hybrid market for small- and medium-sized businesses, or about 3 percent of the estimated \$200 million market for hybrid mail products. We suggested the Postal Service increase revenue by offering transactional mail, which includes invoices,



**Hybrid mail provides an opportunity for revenue growth for the Postal Service, but a stronger business strategy is needed to increase market share, an audit report determined.**

statements, surveys, and reminders, and that it address related privacy issues. As a result, the Postal Service may have lost \$4.1 million of potential revenue annually in FYs 2011 and 2012, and could potentially increase revenue by at least \$3.8 million annually in FYs 2013 and 2014. We recommended developing a business strategy for hybrid mail and establishing measurable goals for affiliated partners to increase revenue. In September 2012, the Postal Service took partial corrective action by establishing revenue goals with the affiliated partners.

**International Small Business Commerce**

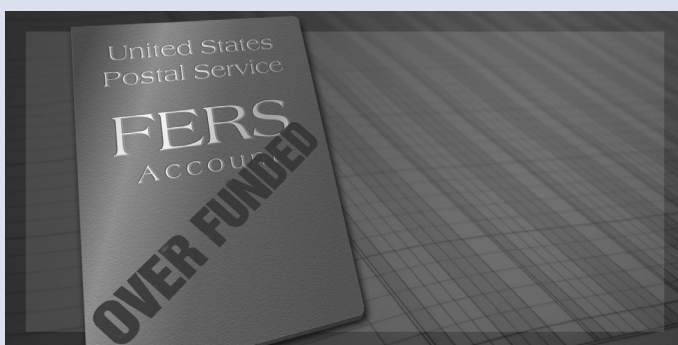
Our report suggested the Postal Service further explore opportunities for providing products and services that facilitate international small business commerce. For example, while technology has helped facilitate a connection between buyers and sellers internationally, shortcomings still prevent completion of international small business transactions. We suggested the Postal Service leverage its relationships with foreign posts, its role as a trusted provider, and its expansive network to fill gaps that exist in international

e-commerce. By offering products and services to fill those gaps, the Postal Service has the opportunity to help facilitate growth in international e-commerce, and to boost the national and global economy by supporting small businesses.

**Military Mail Reimbursements**

The Postal Service should institute alternate payment processes that require the Department of Defense (DoD) and Department of State (DoS) to pay transportation costs directly to air carriers or other methods that reduce the cost to the Postal Service. This would allow the Postal Service to eliminate about \$149,000 per year — the cost of borrowing funds to pay the airline carriers directly — and \$17,000 in labor costs associated with the billing process. We also determined that the Postal Service does not have a process for identifying and seeking reimbursement for customer claims that can be traced to mail that either the DoS or DoD delays or damages. We estimate the Postal Service’s liability for these claims is at least \$440,000 per year. Finally, we noted that the agreement between the Postal Service and the

**Causes of the Postal Service FERS Surplus and Causes of the Postal Service FERS Surplus – Update**



The Postal Service has had a persistent surplus in its share of the Federal Employees’ Retirement System (FERS) program since 1992. We asked the actuarial firm Hay Group to explore the causes of this surplus. Hay Group found that the postal FERS surplus resulted primarily from differences between Postal Service characteristics and the characteristics of the rest

of the federal government and recommended using Postal Service-specific assumptions to measure the FERS liability.

After the release of the initial white paper describing Hay Group’s results, the Office of Personnel Management (OPM) issued its annual estimate of the FERS surplus based on new economic and demographic assumptions. In response to this new information, Hay Group updated their previous estimate of the surplus using Postal Service-specific assumptions to reflect OPM’s changes. Hay Group found the projected surplus to be almost \$12.5 billion as of FY 2012. Hay Group’s adjusted findings were released as an update to the original white paper.

These white papers recommended using Postal Service-specific assumptions, regardless of the effect on the surplus, as it provides a more accurate and stable estimate of Postal Service liability that is more likely to match the future payout stream. In addition, we suggested changes to the FERS program to set Postal Service contribution rates based on Postal Service-specific assumptions and to provide a mechanism for returning FERS surpluses once they have occurred.



### GOAL 3: IMPROVE WORKPLACE AND WORKFORCE



The Department of Defense and Department of State reimburse the Postal Service for the air transportation costs associated with delivering military mail. An OIG audit recommended improvements to the process that would lower Postal Service costs.

DoD is 33 years old and does not reflect current processes, including the method for reimbursing transportation costs. We recommended the Postal Service institute a payment process for interagency agreements that eliminates upfront payment of costs, establish a process to identify and receive reimbursement for customer indemnity claims, and update agreements with the DoD and DoS to reflect these new processes.

Management stated they had already initiated use of the Intra-Governmental Payment and Collection (IPAC) system for payments when we began our audit and will continue to explore the feasibility of other payment methods while proceeding with the IPAC solution. Management did not agree with the estimated \$149,000 per year savings in advance payment costs citing our calculations did not consider the benefits of quarterly prepayments from the Navy, which began in FY 2013. Management's target implementation date to adopt the IPAC payment process is September 30, 2013. Management is also taking steps to

increase tracking of mail items sent to U.S. Army and Air Force post offices, U.S. Navy and Marine Corps post offices, and diplomatic post offices.

#### Trends and Systemic Issues in Defense Contract Audit Agency Audit Work for Fiscal Years 2009-2012

The Postal Service reduced its use of the Defense Contract Audit Agency (DCAA) to conduct audits to support contracting actions. These audits have consistently contributed to significant savings and averaged a return on investment of \$105 for every dollar spent over the last 4 fiscal years. During FYs 2009-2012, DCAA audits identified more than \$185 million in unallowable and unsupported contract costs; and disclosed internal control weaknesses related to contractors' accounting systems, financial capabilities, and labor charges. These results assisted contracting officials in negotiating lower contract prices and settlements. We recommended management emphasize to contracting officials the importance of requesting DCAA audits.

### GOAL 3: IMPROVE WORKPLACE AND WORKFORCE

Postal Service employees are its greatest asset. A key strategy to improve productivity is to improve safety and increase employee engagement.

#### Contractor Timecard Approvals in the Program Cost Tracking System

Our report determined that contractor timecards submitted in the Program Cost Tracking System (PCTS) do not always receive proper approval. The Postal Service uses PCTS to monitor, track, and approve time charged against information technology (IT) time and materials contracts. Approved vendors use the system to generate and submit invoices to the Postal Service electronically. Though the Postal Service has no formal policy governing the contractor timecard approval process in PCTS, a key business control and other documentation specify that only program managers can approve project timecards. We found that 16 Postal Service employees who were not program managers approved 4,047 of 28,510 project timecards without validating that the time charges were correct. Contractors approved another 800 project timecards. This resulted in about \$19.1 million annualized unsupported questioned costs over a 2-year period from May 2010 to April 2012. Although the Postal Service took corrective action to remove contractors as timecard approvers, additional effort to clarify timecard approval processes and ensure that timecard validations are completed would reduce the risk of payroll errors or fraud in vendor payments. We recommended management: formalize a policy to address contractor's time and attendance

procedures and compliance; improve PCTS procedures to ensure program managers validate their assigned project timecards initially approved by IT Business Management; and evaluate and update PCTS roles to enhance separation of duties between program managers and site approvers.

Management partially disagreed with our recommendations, stating that the PCTS is their premier tool for standardizing and managing contractor timekeeping functions and total IT workforce information, as well as associated budget information. Management also responded that PCTS meets its requirements by providing centralized and secure data storage of information for certifying contractor time and materials invoices. Management stated that functions for PCTS roles met or exceeded Sarbanes-Oxley segregation of duties requirements; therefore, they do not consider it necessary to further evaluate and update the roles.

#### Delivery Unit Optimization Initiative

One Postal Service initiative to reduce costs, Delivery Unit Optimization (DUO), involves relocating letter carriers out of local post offices, stations, and branches and into centralized delivery offices to reduce clerk and carrier work hours, building maintenance expenses, and transportation costs. The Postal Service established guidelines in December 2010 for implementing the DUO initiative

and, since FY 2011, has implemented about 1,500 DUO consolidations. In response to a request from Senator Charles Grassley (Iowa), our objectives were to determine whether the Postal Service complied with established DUO initiative guidelines and whether the DUO initiative reduced costs and improved operational efficiency. We recommended: (1) revising DUO guidelines to include a well-defined, consistent methodology for projecting cost savings and operational efficiencies; and, (2) developing a process to ensure the revised guidelines are applied consistently and post consolidation reviews are performed to accurately validate savings and efficiencies. Management plans to work with the Finance Department to develop a standardized financial workbook and add new language from the financial workbook to the DUO guidebook. Management is also developing a process within the Change Suspension Discontinuance Center that will ensure the revised guidelines are applied consistently throughout each DUO implementation and will include an ongoing process to validate savings. In addition, they will use a 10-year net present value to realize all potential savings.

#### Delivery Operations Data Usage

Delivery Operation Information System is considered city delivery's major data system for managing delivery operations. This system interfaces with the Enterprise Data Warehouse, as well as the

## Lessons Learned from Mail Processing Network Rationalization Initiatives; and Lessons Learned from Retail Network Optimization Initiatives



The Postal Service launched two initiatives to realign its retail network with the goal of examining closure opportunities and reducing costs. Although the Postal Service has improved its retail network optimization efforts, our audit identified lessons learned from current and past initiatives.

In 2003, the President's Commission on the U.S. Postal Service found the agency had more facilities than needed and recommended optimizing the facility network by closing or consolidating mail processing centers. The Postal Accountability and Enhancement Act of 2006 (Postal Act of 2006) encouraged the Postal Service to continue streamlining its processing and distribution network to eliminate excess costs. The Postal Service initiated 418 consolidation studies between fiscal years 2004 and 2011, resulting in 103 consolidations. It has repeatedly revised plans to rationalize its mail processing network and it launched a nationwide realignment in 2011, called the Network Rationalization Initiative. The goal of the initiative was to reduce costs and improve efficiency. We determined that the Postal Service has improved its mail processing network optimization efforts as a result of lessons learned from current and past initiatives;

however, further refinements are warranted. Specifically, the Postal Service could improve communications with stakeholders to enhance transparency. In addition, overall cost-saving projections were revised to more accurately reflect projections based on further analysis and planning of the implementation plan. We recommended management improve communications with stakeholders by ensuring that the Postal Service shares accurate and consistent information on consolidation impacts.

The Postal Service also launched two nationwide initiatives to realign its retail network. These realignments were called the Stations and Branches Optimization Consolidation (April 2009) and Retail Access Optimization Initiative (July 2011). The purpose of both initiatives was to examine closure opportunities and reduce costs. On May 9, 2012, management announced a new strategy known as the Post Office Structure Plan (POStPlan) that would keep small post offices open for business by reducing operating hours, while providing a framework to achieve cost savings. Management plans to complete the POStPlan in 2014.

Although the Postal Service has improved its retail network optimization efforts, we identified lessons learned from current and past initiatives. Timely decisions are needed regarding closure proposals to avoid unnecessary operational disruption and community uncertainty. We identified about 600 stations, branches, and retail annexes from the 2011 initiative that remain under review for closure, almost 2 years later. We also identified instances where management did not provide consistent, accurate, and timely information to stakeholders. Such information is essential for improving communications with stakeholders during retail network realignments. Further, we found that management did not establish a post-implementation review process. We recommended management process and approve or disapprove closure proposals from the 2011 initiative, and enhance communication plans to improve relations with stakeholders. We also recommended management implement a formal post-implementation review procedure that evaluates savings achieved and impacts from network realignments of retail operations.

Delivery Data Mart, City Delivery Variance, and eFlash systems, among others. Rural delivery has various systems and data available to help the Postal Service manage its operations. Management uses these systems, data, and reports to maximize resources, increase operational efficiency, and improve service. Our report determined that some of the data the Postal Service uses are not "real time" and some of the reports are not "exception-based," which would facilitate management actions. Further, new supervisors and managers do not always know how to use these tools and data. Our assessment of 32 prior delivery reports showed ongoing issues with data usage, availability, and accuracy; and we determined that, for rural delivery, there is no centralized system containing management information. It is paramount that the systems, reports, and data are optimized so supervisors and managers can make informed and

timely operational decisions. We recommended that Delivery and Post Office Operations collaborate with Area Operations to streamline data and reporting needs and re-emphasize to new supervisors and managers city delivery operating procedures and pertinent performance systems and reports through ongoing coaching and mentoring.

### Flat-Shaped Mail Costs

Our report determined that management's decisions to manually process potentially machinable mail and the lack of flats mail processing equipment at certain processing facilities limit Postal Service efforts to reduce costs associated with processing flats. Despite investments in flat mail processing equipment, about 30 percent of flat mail continues to be manually processed. Some flat mail that cannot be delivered because of machinery software issues or incorrect application

of processing procedures is manually processed. We recommended the Postal Service establish flat mail manual processing goals more consistent with the current stretch goal of 20 percent, to lower the percentage of manually processed flat mail. We also recommended the Postal Service evaluate opportunities to reduce the number of non-automated plants and other mail processing facilities and develop a processing strategy to automate the processing of single-piece First-Class Mail flats. We further recommended the Postal Service ensure that procedures for placing and processing forwarding labels comply with Computerized Forwarding System requirements. Management agreed with the findings and recommendations but disagreed with the monetary impact, stating that they were unsure that their stretch goals were achievable without additional flat sorting equipment, software enhancements, or changes to operating practices.

## GOAL 4: CORPORATE RESPONSIBILITY

### Washington Network Distribution Center Postal Vehicle Service Operations

Our audit of Postal Vehicle Service (PVS) operations at the Washington Network Distribution Center (NDC) found that facility officials could more effectively manage trailer loading practices, increase staffing efficiency for PVS spotter truck operations, and reduce unnecessary driver workhours. Specifically, we found that management did not fully assess workload and staffing requirements at the facility or conduct required annual reviews and was paying for unneeded trips. Our audit also determined that staff members did not effectively load trailers for immediate movement from the facility, PVS drivers did not always wear safety belts, and some facility doors were not operating properly or were being kept open.

We recommended that Washington NDC management follow prescribed Postal Service standard operating procedures to the extent possible for live loading mail into trailers for immediate movement from the facility yard and consider the reduction of moves in future workload and staffing analyses. We also recommended management periodically assess Postal Vehicle Service truck driver workload and staffing requirements to maintain appropriate staffing levels, eliminate 3,492 annual workhours associated with improving PVS truck driver productivity to the Breakthrough Productivity Initiative standard, and ensure that managers in the Capital Metro Area follow prescribed highway contract procedures for making highway contracts efficient. Further



Increased staffing efficiency of spotter truck operations was among the recommendations in an OIG audit on Postal Vehicle Service operations at the Washington Network Distribution Center.

recommendations included that: (1) management verify the elimination or modification of 24 trips from highway contracts initiated by management during our audit and eliminate or modify 36 trips from highway contracts identified during our audit; (2) continually re-emphasize that drivers must wear safety belts whenever their vehicles are in motion, and provide management oversight for enforcement; and (3) ensure Postal Service management repair defective exterior doors and security badge readers and hold safety talks with all employees.

### Workers' Compensation Data System

The Postal Service's Employee Health and Safety (EHS) system does not always provide accurate and reliable information because employees entering data into the system do not always receive adequate training or comply with workers' compensation policies and procedures. We also determined that the Injury Compensation Performance Analysis System (ICPAS) does not provide the reports needed to effectively measure performance, identify trends, and make improvements in the workers' compensation program due to system limitations. We recommended that management provide additional training for personnel responsible for entering EHS data, issue supplemental guidance, and enhance internal controls to ensure that responsible officials consistently adhere to claims management procedures. We also recommended management assess options to enhance and integrate the reporting capabilities of ICPAS to provide the data necessary for effective analysis and decision making.

## GOAL 4: CORPORATE RESPONSIBILITY

The Postal Service added corporate responsibility to its list of enduring, long-term goals in its FY 2012 Annual Performance Report and FY 2013 Performance Plan. The organization has targeted universal and public services and other obligations as the main areas of focus under corporate responsibility goals.

### e-Government and the Postal Service: A Conduit to Help Government Meet Citizens' Needs

Over the past 20 years, e-Government — or the use of the Internet and other digital technologies by government agencies to provide services — has developed to respond to the changing needs of an increasingly digital society. Federal, state, and local agencies have adopted a number of e-government initiatives to increase access to information and services, improve government operations, cut costs, and promote civic engagement. Recently, the White House released the Digital Government Strategy, which sets guidelines for federal agencies to follow in order to innovate and enhance the quality and efficiency of public services.

Still, a number of lingering gaps remain in security, access, and ease of use that have hindered full, public adoption of existing e-government services and the development of new services. First, a lack of appropriate identity authentication for sensitive online government transactions means some transactions still require human interaction, such as transactions that are complex or require a witness, identification, or sworn attestation. Second, some people lack access to the internet or are uncomfortable with accessing government services online. Finally, existing e-government services are often fragmented across multiple agencies or websites, making it difficult for users to easily access and navigate the services they need.



This white paper discussed the opportunity for the Postal Service to establish a one-stop, shared, multi-channel service platform to help all levels of government fill critical gaps, while addressing massive duplicative costs across agencies. By building a digital platform and leveraging its retail and delivery networks, address databases, and its trusted intermediary role, the Postal Service could offer other agencies a wide range of physical and digital e-government solutions. These services could include communication services, online identification, electronic payments, in-person services, and broadband access. The postal physical-digital platform could also provide a crucial bridge to enable users to access government services through whatever channel best meets their needs, while adding a layer of resiliency to essential public functions during emergencies.

### Peer-to-Peer Commerce and the Role of the Postal Service

This white paper examined how current postal services could be adapted and new ones developed for the novel and fast-growing peer-to-peer digital marketplace. Peer-to-peer commerce empowers individuals to buy, sell, or rent new and used goods to each other, as well as procure handyman, babysitting, and other services. Individuals may transact directly with each other after making initial contact through facilitators, ranging from major players such as eBay and Craigslist to smaller niche companies such as Airbnb and Etsy. Peer-to-peer commerce requires confidence in the parties involved, yet buyers and sellers are likely unknown to each other, and many types of fraud are possible.

Current postal ancillary and special services, both physical and digital, are well suited to the peer-to-peer market as complementary support services,



Peer-to-peer commerce empowers individuals to buy, sell, or rent new and used goods to and from each other. An OIG white paper examined how current postal services could be adapted and new ones developed to serve the fast-growing peer-to-peer digital marketplace.

as are potential new services, including Digital Collect on Delivery (COD) and Digital Escrow. The paper also describes the benefits of a postal digital “trust mark” to indicate that the identity of market participants has been vetted or authenticated. These offerings could discourage most types of fraud and increase overall trust in market transactions. This could increase the confidence of buyers, spur further growth in this already burgeoning marketplace, and bring additional revenue to the Postal Service through the offering of new products.

#### Statistical Tests for Fiscal Year 2012

Postal Service data collection technicians did not always conduct tests of the Postal Service’s Origin-Destination Information System – Revenue, Pieces and Weight system according to procedures. We identified 22 test errors in 13 of 45 tests observed.

Specifically, technicians did not always correctly enter and verify all data entered into their laptop computers; follow and apply the appropriate test mail sampling methodology; or label test mail to ensure it was isolated from mail processing until the test was completed. They also did not properly identify, isolate, and capture test mail, nor always protect their laptop computers. These issues contributed, in part, to the Postal Service’s conclusion that a significant internal control deficiency related to data collection sampling procedures existed as of September 30, 2012. We recommended management reinforce, through training, proper data collection methods to ensure test mail is identified, isolated, and captured during testing; and reinforce the importance of protecting data collection laptop computers.

### Controls to Detect Money Order Fraud

The Postal Service sells domestic and international money orders for a fee in values of up to \$1,000. Money orders are sequentially numbered financial instruments that must be safeguarded due to their potential use in embezzlement and money laundering schemes. Customers purchase money orders using cash, debit cards, or travelers’ checks as a convenient and safe method to transfer cash or make payments. In FY 2012, fees from money order sales generated \$129 million in revenue. Our report determined that Postal Service money order controls are not sufficient to detect fraud in a timely manner. Specifically, the Postal Service does not sufficiently monitor money order transactions at retail units and make investigative referrals of potential fraud. Further, Postal Service personnel do not provide information to district management to identify questionable activity, such as potential misuse of Postal Service funds.

We detected a substantial number of embezzlement cases since FY 2010 that Postal Service controls did not detect. Abuses, errors, and misappropriation of Postal Service assets may go undetected without adequate monitoring of money order transactions. We recommended management monitor money order reconciliation transactions and develop a program to analyze and communicate questionable money order activity to district management and the OIG, as appropriate, for review and corrective action. Management said they will continue to monitor all money order transactions and they are automating the money order system to include a more formal review of unreported and un-reconciled money orders. Additionally, management initiated a Lean Six Sigma project in January 2013 to review the money order process for mitigating fraud and to analyze questionable activity for better communication with district management. It will continue to notify the OIG of any potential fraud.

Stealing stamps or voiding stamp sales are among the internal crimes that special agents investigate.



## OFFICE OF INVESTIGATIONS

To protect the mail and to ensure the integrity of postal processes, finances, and personnel, the Postal Service relies on the investigative efforts of the Office of Investigations' (OI) special agents. These special agents are stationed in offices nationwide. Their charge is to investigate allegations of internal crimes and frauds committed by postal employees and contractors against the Postal Service and employee misconduct. Following is 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.

### Financial Fraud

A large portion of the \$65 billion in revenue generated by the Postal Service is handled at the 32,000 postal retail locations. Employees who embezzle funds, kite or otherwise misuse money orders, or steal and misuse postal-issued credit cards receive investigative attention from our special agents.

- A Colorado lead sales and service associate pleaded guilty in January 2013 to one count of theft of public money and was sentenced to 3 years of probation, about \$7,000 in restitution, and \$1,100 in fines and fees. The investigation determined the associate falsified at least 30 daily station bank deposits between October 2008 and April 2011. The loss to the Postal Service was approximately \$7,000. The Postal Service terminated the employee in February 2012.
- An OIG investigation determined that an Arizona lead sales and service associate intentionally shipped stamp stock back and forth between the unit reserve and floor stock inventory prior to audits to conceal a shortage. The employee utilized the user identifications and passwords of various managers to access the system and transfer the inventory over a 2-year period to conceal the embezzlement of more than \$76,000. In November 2012, the former associate pleaded guilty to one count of theft of public money and was sentenced to 6 months home confinement, 5 years' probation, and ordered to pay \$70,947 in restitution to the Postal Service, and an assessment fee of \$100.
- In January 2013, a Wyoming postmaster was sentenced in federal court to 5 years of probation and roughly \$6,000 in restitution to the Postal Service. The employee defrauded the Postal Service by failing to report the sales of stamps, and submitting unsupported false entries to reduce the office stamp accountability. When interviewed, the employee admitted to the theft of funds. The Postal Service terminated the employee in April 2012.
- Special agents identified approximately 50 instances in which a Kansas sales and service associate mishandled postal funds by failing to record or voiding stamp sales. When interviewed, the associate admitted to stealing postal funds for personal use. The employee resigned from the Postal Service in September 2012 and in February 2013, the former employee was sentenced in federal court to 3 years of



probation and about \$6,500 in restitution. The sentencing followed the associate's guilty plea to three counts of making false entries and reports of Postal Service funds.

- OIG agents determined that a Kentucky officer in charge had embezzled Postal Service funds that included about 130 postal money orders. When interviewed, the employee admitted to embezzling Postal Service funds from the sale of postal money orders. The employee resigned from the Postal Service in July 2011. In November 2012, the former employee was sentenced in federal court to 1 year of probation, which included 6 months of home confinement, and ordered to pay approximately \$17,500 in restitution to the Postal Service.
- A Maryland registry clerk was sentenced in October 2012 in federal court to 5 years of probation, including 6 months of home detention, and approximately \$43,000 in restitution to the Postal Service. The employee pleaded guilty to the embezzlement of government funds in July 2012. Agents determined the clerk stole postal bank deposits totaling almost \$43,000. In August 2011, the employee retired while under investigation.
- An OIG investigation found that a Maryland sales and service associate had converted postal funds for personal gain. The associate negotiated about \$7,000 in bad checks, conducted \$2,500 in fraudulent refund transactions, and underreported postage sales. When interviewed, the employee admitted to the theft. In October 2012, the associate was removed from the Postal Service, and 3 months later the associate pleaded guilty to a theft charge. The former employee was sentenced to 15 days in prison, 3 years of probation, and approximately \$9,800 in restitution to the Postal Service.
- In October 2012, a New York lead sales, service and distribution associate pleaded guilty in federal court for misappropriation of postal funds and false statements. Agents determined the employee reported 25 legitimate money orders as void totaling approximately \$20,000. The employee was sentenced to 1 year of probation and \$20,000 in restitution to the Postal Service for the embezzlement. In June 2011, the employee was removed from the Postal Service.
- A former New York postmaster relief was sentenced in November 2012 to 9 months in federal prison, 3 years of supervised release, and about \$51,000 in restitution to the Postal Service. Agents determined the former postmaster relief embezzled postal funds by negotiating fraudulent money orders at local businesses. The employee failed to properly report the money orders as being sold. The employee used the Postal Service funds to support a heroin addiction.
- OIG agents determined that a Michigan postmaster had underreported postage sales. When interviewed, the postmaster admitted to taking postal funds for personal use. The postmaster resigned from the Postal Service. In October 2012, the postmaster pleaded guilty to one count of misappropriation of postal funds. In March 2013, the postmaster was sentenced to 30 days in federal prison, 1 year of supervised release, approximately \$3,400 in restitution to the Postal Service, and a \$1,000 fine.
- An Illinois officer in charge pleaded guilty in October 2012 to a misdemeanor theft charge. The employee was concurrently sentenced to 120 days in prison, 2 years of probation, and about \$3,500 in restitution to the Postal Service. Agents determined the employee's stamp and cash credits were short \$400 and seven postal money orders were issued for personal use. When interviewed, the officer in charge admitted to the theft and then resigned from the Postal Service.
- An investigation of a Colorado rural letter carrier in October 2012 led to DOL terminating the rural carrier's receipt of compensation benefits, a savings of more than \$925,000 to the Postal Service. The investigation determined that the rural carrier, who was disabled from work for a back and neck injury, performed activities without evidence of significant disability. The carrier's activities were inconsistent with the carrier's restrictions related to driving, walking, squatting, kneeling, bending at the waist, twisting, reaching, and simple grasping. The carrier's activities included traveling 2 hours to a campground, driving a full-size pickup, stepping into and from a motorhome, and lifting and carrying a small dog and a folding chair. A referee doctor stated the rural carrier had dramatic and exaggerated symptom presentation and clinical presentation, which was entirely out of line with the medical documentation, therapy results, imaging, examination, and especially the surveillance video. The doctor saw no reason that the carrier could not resume full job duties. In December, postal management issued the carrier a Notice of Removal for Unacceptable Conduct based on the investigation. In January, the removal was reduced to a 14-day paper suspension.
- As a result of an OIG investigation, DOL terminated a Washington state letter carrier's medical and compensation benefits, resulting in a savings of more than \$1.6 million to the Postal Service. The investigation determined that the carrier, who was disabled from work for a back sprain with total restrictions for kneeling, bending, twisting, and simple grasping, was performing these activities. Agents witnessed the carrier playing miniature golf and shopping, without evidence of significant disability. Subsequently, the carrier's doctor deemed the carrier was fit for full-duty work without restrictions.
- An OIG investigation revealed that a New York postal clerk who claimed to be totally disabled with right shoulder, arm, and wrist injuries frequently worked as a singer and dancer at venues throughout the New York City area and failed to report the outside income and employment. In January 2013, DOL OWCP terminated the clerk's medical and wage loss benefits. Agents contacted the employee in an undercover capacity and the employee was hired to perform at a birthday party. Videos and photos were taken throughout the 1-hour performance, which showed the employee

### Healthcare Fraud

The monetary and medical benefits paid by the Postal Service to workers' compensation claimants (employees who sustained job-related injuries) in FY 2012 totaled almost \$1.4 billion and its estimated total liability for future workers' compensation costs is more than \$17.5 billion. Administered by the U.S. Department of Labor (DOL), the Office of Workers' Compensation Programs (OWCP) provides direct compensation to providers, claimants, and beneficiaries. The Postal Service later reimburses the OWCP in a process known as "charge-back billings." Investigative efforts during this reporting period resulted in more than \$99 million in cost savings or avoidances, 31 arrests, and 80 administrative personnel actions, including removals and suspensions and termination of benefits.

dancing, holding a microphone, and raising her right arm continuously above her shoulder. The employee was removed from the Postal Service and the termination of OWCP benefits resulted in a cost avoidance of about \$1.7 million.

- In June, 2006, a Pennsylvania letter carrier filed a claim with OWCP for hallux rigidus, a bilateral foot condition. The employee reported that the condition developed while working in a limited duty capacity. Agents conducted surveillance on various dates in 2011 and 2012. Agents interviewed the employee's treating physician and presented the video surveillance footage, which showed the employee engaged in various activities. The treating physician stated he was told the former employee was retired. After watching the surveillance video, the physician concluded the former employee was not totally disabled and had no residuals of the hallux rigidus condition. The physician provided a signed statement indicating the former employee could return to work full-duty without restrictions. In October 2012, OWCP terminated the former employee's benefits resulting in a cost avoidance of about \$918,000.
- Agents determined that a Michigan mail processing clerk failed to notify the OWCP, as required, that she had returned to work. The clerk's failure to disclose this information caused the clerk to receive more than \$10,000 in compensation. When interviewed, the clerk admitted to depositing the money into personal checking and savings accounts. The clerk's OWCP claim was terminated, resulting in a cost avoidance of approximately \$1.5 million. The clerk was also removed from the Postal Service. A federal grand jury indicted her in June 2012 and 2 months later she pleaded guilty to one misdemeanor count of false statements or fraud to obtain federal employee's compensation. In October 2012, the clerk was sentenced in US District Court, to 44 days in prison, and restitution of nearly \$5,500.
- A jury found a Michigan rural carrier guilty in November 2012 of larceny-false pretenses over \$20,000. One month later, the carrier was sentenced to 1 day in prison, 5 years of probation, and fined \$708. Agents determined the rural carrier failed to notify the OWCP, as required, that the employee started, owned, and worked at a family timber business. When interviewed, the rural carrier admitted to driving and operating vehicles and equipment for the business. The rural carrier also admitted to negotiating contracts and performing banking and other administrative functions associated with running the business. OWCP terminated the

rural carrier's compensation benefits, resulting in a cost avoidance of nearly \$1.4 million. The rural carrier was also removed from the Postal Service.

- An OIG investigation resulted in a California letter carrier pleading guilty in April in Superior Court of California to two misdemeanor counts of insurance fraud. In June 2003, the carrier filed a claim for the reoccurrence of an initial injury, reporting that the cause was due to a fall on algae and moss on a sidewalk while at work. Agents determined the letter carrier fell while off duty. The carrier received earnings for driving an elderly parent to appointments and shopping. Our investigation disclosed the carrier received a settlement of \$10,500 from the insurance company of the landlord where the fall occurred. The carrier failed to report that payment and earnings to the DOL. The carrier also continued to receive OWCP benefits for a year after failing to report the income. The investigation resulted in a cost avoidance of about \$1.5 million.
- OIG agents determined that an Oklahoma letter carrier received OWCP payments for medical expenses, and fraudulently inflated mileage reimbursements from 2007 through 2011. The prosecution maintained the carrier falsely reported more than 100,000 miles for distances traveled between medical appointments. On December 13, 2012, the former letter carrier was sentenced in federal court to 9 months in prison and nearly \$52,000 in restitution to the Postal Service.
- OIG agents determined that a New York letter carrier receiving compensation benefits failed to disclose outside employment at a bagel shop. When interviewed, the letter carrier stated he assisted at the bagel shop without receiving compensation. When agents interviewed the bagel shop owners, they obtained information confirming the letter carrier had been a paid employee since September 2007. DOL terminated the letter carrier's compensation benefits, resulting in a cost avoidance of approximately \$900,000. The Postal Service terminated the letter carrier's employment in February 2013, and that same month the letter carrier was sentenced to 5 years of probation, 350 hours of community service, and to pay about \$150,000 in restitution to the Postal Service.
- In January 2013, a Tennessee letter carrier pleaded guilty to one count of workers' compensation fraud related to fraudulent reimbursement claims. Agents determined the employee submitted multiple fraudulent reimbursement claims for gym memberships



**A former rural letter carrier was found guilty of larceny-false pretenses for not informing authorities that he had started, owned, and operated a family timber business while collecting workers compensation. The carrier's benefits were terminated for a cost avoidance to the Postal Service of nearly \$1.4 million.**

and travel claims for mileage driven. When interviewed, the employee admitted to fraudulently receiving payments for annual gym memberships and mileage since 2005. In December 2012, DOL terminated the employee's benefits resulting in a cost avoidance of about \$400,000. Sentencing is pending.

- An OIG investigation prompted DOL to terminate a Georgia mail processing clerk's medical and wage loss benefits in September 2012. Agents determined the employee actively traveled and performed as a musician while claiming that his on-the-job injury prevented him from working. Agents obtained surveillance video of the employee performing on stage, playing paint ball, and performing at various venues in contradiction of stated medical restrictions. The Postal Service terminated the employee in January 2013. This case resulted in a cost avoidance of approximately \$2 million.

## Mail Theft

Special agents investigate allegations of postal employees delaying, destroying, or stealing mail. Investigations of suspected employees are referred to prosecutors or to management for administrative action.

- In November 2012, a California letter carrier pleaded guilty to theft of mail. During an interview with agents, the letter carrier admitted to stealing mail from multiple routes and selling the stolen items on the Internet. A federal search warrant executed at the carrier's residence resulted in the recovery of hundreds of Netflix DVDs, numerous rifled parcels including multiple boxes of medication, a flat screen television, and other miscellaneous items stolen from the mail. The letter carrier resigned from the Postal Service. In February 2013, the letter carrier was sentenced to 5 years of probation, 1,500 hours of community service, and a \$100 special assessment.
- The OIG initiated an investigation of an Illinois letter carrier after receiving a complaint from a charitable organization regarding missing donations. In an interview with agents, the letter carrier confessed to stealing envelopes containing donations over a 3-year period. Agents also conducted a search of the letter carrier's residence and removed 21 large bags full of envelopes addressed to the charity. Checks, money orders, and credit card payments were recovered from the rifled envelopes along with

empty envelopes that once contained cash donations. The investigation determined the letter carrier stole around 29,000 pieces of First-Class Mail containing donations of about \$276,000. In December 2012, the letter carrier was sentenced in federal court to 30 months in prison, 2 years of supervised release, and restitution of approximately \$276,000 to victims.

- An investigation revealed that an Illinois mail processing clerk stole and fraudulently used a gift card at Kohl's. In an interview with agents, the clerk admitted to the theft of the gift card, as well as insured parcels containing collectible coins. The Postal Service removed the clerk, who subsequently pleaded guilty to theft of mail. In November 2012, the clerk was sentenced to 3 years of probation and 6 months to a community confinement facility. The clerk was also ordered to pay restitution in excess of \$5,000, of which \$3,600 is to be paid to the Postal Service.
- Special agents observed a mail processing clerk stealing gift cards and then confronted the clerk and recovered the stolen mail. Agents executed federal search warrants on the clerk's car and residence, yielding additional stolen mail. The mail processing clerk admitted to stealing from more than 250 victims. In June 2012, the clerk was indicted by a federal grand jury and 2 months later the clerk was removed from the Postal Service. In October 2012, the processing clerk pleaded guilty in U.S. District Court for the District of Maryland to one count of theft of mail by a postal employee. In January, the former mail processing clerk was sentenced to serve 366 days in prison, 3 years of supervised release, a \$100 special assessment, and victim restitution of around \$1,200.
- An OIG investigation determined that a Georgia rural carrier stole mail, credit cards, and other personal information from about 85 postal customers and then opened a variety of financial accounts in the victims' names. The investigation also revealed the rural carrier obtained a job in the Post Office under an identity stolen from another person in 2004. As a result of the investigation, the Postal Service terminated the rural carrier in August 2010. In October 2012, the rural carrier was sentenced for mail theft in federal court to 100 months of federal prison, 5 years of supervised



A California letter carrier admitted to stealing mail from multiple routes and selling items on the Internet. Investigators recovered hundreds of DVDs, multiple boxes of medication, and a flat screen television.



A complaint from a charitable organization prompted an OIG investigation into an Illinois letter carrier, who confessed to stealing envelopes containing charitable donations totaling \$270,000 over a 3-year period.



## OFFICIAL MISCONDUCT



OIG agents execute a search warrant on a letter carrier's vehicle. Agents identified a California letter carrier with a high-volume of mail losses and discovered about 150 Netflix and Blockbuster DVDs, as well as Gamefly mailing envelopes, in the carrier's residence and car.

- release, \$2,900 special assessment. The rural carrier's co-conspirator was sentenced to 78 months of federal prison, 3 years of supervised release and a \$2,700 special assessment. Both the rural carrier and a co-conspirator are jointly liable for paying \$383,000 in restitution.
- A New York supervisor pleaded guilty in federal court in November 2012 to the theft of mail by a postal employee and possession of stolen mail. In February of that year, agents identified a supervisor involved in the theft of mail packages and \$100,000 in postage stamp shipments, which were sold on an Internet auction website. In March 2012, the supervisor was arrested while engaged in the theft of mail from the Post Office. The supervisor admitted to the theft resulting in removal from the Postal Service in October 2012. Two months later, the Postal Service issued the employee a bill for the postage stamp losses.
  - An OIG joint investigation with the Internal Revenue Service-Criminal Investigation Division and the Postal Inspection Service revealed that a New York clerk assisted in a scheme to defraud the government of more than \$2 million dollars in fraudulently filed income tax returns. The investigation determined the clerk stole the fraudulently issued U.S. Treasury checks from the mail and gave them to a co-conspirator in exchange for payment. The clerk pleaded guilty in federal court in November 2012, to one count of theft of mail and conspiracy to defraud the government. Sentencing is pending.
  - In March 2012, OIG agents identified a California letter carrier who had a high volume of mail losses between August 2011, and January 2012. In May 2012, a federal search warrant executed on the carrier's residence and vehicle resulted in the recovery of about 150 Netflix DVD's,

Blockbuster DVDs, Gamefly mailing envelopes containing video games, and other mail matter. That same month, the carrier resigned from the Postal Service. In December 2012, the carrier pleaded guilty to obstruction of mail. The carrier was sentenced in February 2013 to 1 year of federal probation, about \$2,800 restitution, and a \$10 special assessment.

- Two Pennsylvania rural letter carriers pleaded guilty to theft of mail and conspiracy in Pennsylvania in November 2012. Agents determined that the carriers were involved in a fraudulent income tax return/mail theft scheme. The carriers admitted to providing co-conspirators with roughly 100 addresses on their delivery routes to be used in preparing fraudulent federal income tax returns. The carriers stole the fraudulently issued refund checks from the mail in exchange for payment. The carriers were removed from the Postal Service in 2011. Sentencing is pending.
- OIG agents observed an Ohio mail processing clerk rifle and steal multiple pieces of mail. Agents then recovered about 70 pieces of mail, 20 gift cards, and hundreds of dollars in cash. While executing the clerk's arrest, two agents were assaulted. The clerk resigned in October 2012 and 2 months later the former clerk pleaded guilty in federal court to 71 counts of mail theft, 12 counts of receipt of stolen mail matter, and two counts of assault on a federal officer.
- During an OIG investigation, agents recovered about 100 Netflix DVDs from a Kentucky highway contractor's residence that were admittedly stolen from the mail over the course of 2 to 3 years. As a result of the investigation, the contractor was permanently denied access to handle and process the mail. In October 2012, the contractor was sentenced for mail theft in federal court to 8 days in prison, 3 years of supervised release, approximately \$1,600 in restitution, and a \$200 special assessment.
- A December 2012 OIG joint investigation with the local police department identified more than 120 victims of mail theft. During the investigation, agents and local police officers recovered about 10,000 undelivered pieces of mail from a California letter carrier's home and vehicle. The stolen mail consisted of thousands

of packages, rifled letters, and greeting cards. During an interview, the letter carrier admitted he failed to deliver mail and used the stolen gift cards and credit cards. The Postal Service terminated the letter carrier in January 2013.

## Official Misconduct

Postal Service employees commit misconduct when they:

- Misuse Postal Service computers.
- Destroy or steal postal property.
- Lie or forge signatures on official documents.
- Steal funds.
- Abuse authority.
- Sabotage operations.
- Use narcotics or sell drugs while on duty.
- Abuse alcohol while on duty.

During this reporting period special agents completed 282 cases; made 24 arrests; and provided the basis for 232 administrative personnel actions taken by the Postal Service. Following are examples of cases the OIG investigated involving employee misconduct.

- Agents determined that while detailed for 5 years as the Information Technology coordinator, a New York mail handler defrauded the Postal Service by obtaining computer equipment through its procurement system (eBuy), and selling the items for personal gain on eBay. In December 2012, the mail handler was sentenced in U. S. District Court, Eastern District of New York, to 37 months in prison, 3 years of supervised release, and about \$490,000 in restitution to the Postal Service.
- A review of Unemployment Insurance (UI) Benefits revealed a former casual mail handler was fraudulently collecting benefits for the period of October 2008 through March 2012. The review revealed the mail handler fraudulently applied for UI Benefits about 140 times and received approximately \$23,000 in benefits that she was not entitled to. In October 2012, the mail handler pleaded guilty to an information for theft of government funds. In February, the mail handler was sentenced to 3 years of probation, and restitution of approximately \$23,000.

**Contract Fraud**

The Postal Service manages contracts, ranging from multimillion dollar national contracts for services, such as transportation networks and IT infrastructures, to local contracts for supplies and services at individual postal facilities. The OIG aids the Postal Service by investigating allegations of contract fraud, waste, and misconduct. When contract improprieties are documented, special agents present the evidence for criminal and civil prosecution and administrative remedies.

- The OIG developed information revealing that a leasing company engaged in a false billing scheme. A review of 2008 through 2010 Common Area Maintenance (CAM) invoices disclosed several improper line item charges for “wages, salaries or other compensation paid to executive employees, or building managers” and an expense for “management.” The investigation revealed that the Postal Service overpaid \$50,660 for CAM expenses associated with its occupancy of a Rhode Island property. A report was issued to the Postal

Service resulting in a letter of demand to the leasing company in the amount of \$50,660.

- In December 2012, the Postal Service recovered about \$295,000 from a contractor who violated an established highway contract route (HCR) contract. Agents determined the HCR hauled non-Postal Service freight alongside U.S. Mail and used a Voyager fuel card to purchase the fuel. It is against Postal Service policy and a violation of the HCR contract to engage in both practices. When interviewed, the HCR vice president admitted to both violations, which led to the repayment of approximately \$295,000 to the Postal Service.
- The Postal Service realized a recovery of approximately \$16 million as a result of a multi-agency investigation involving government contractor Oracle America Inc. that violated the False Claims Act and the Federal Anti-kickback Act. A civil settlement agreement resolved allegations that Sun Microsystems, a corporation that merged with Oracle in 2010, provided incomplete and inaccurate information

during contract negotiations. These allegations resulted in the Postal Service and other U.S. government agencies entering into contracts with higher prices. The settlement also resolved allegations that the company engaged in an illegal kickback scheme designed to influence the government to purchase the company’s products.

- The OIG initiated an investigation of an HCR in 2010 as a result of allegations of false claims on prevailing wage rates, fringe benefits, and workers’ compensation insurance policies. Initial research determined the HCR included the cost of a workers’ compensation insurance policy which it did not maintain. The HCR owner was arrested and charged by the Pennsylvania State Office of Attorney General with 10 counts of failure to insure and one count of theft by failure to make required disposition of funds received. The HCR owner then pleaded guilty and was sentenced to 7 years of probation, 100 hours of community service, a \$500 fine, and ordered to pay restitution to the Postal Service in the amount of \$172,069.

**Major Fraud Investigations Division**

Government contractor, W.W. Grainger, paid the Postal Service \$4 million from a settlement agreement as a result of a joint investigation by the OIG, the Postal Service Office of General Counsel, and the General Services Administration (GSA) OIG into the company’s billing practices. Grainger reached a settlement with the Justice Department to resolve all allegations against the company that it had submitted false claims under contracts with the Postal Service and GSA.

Grainger sold hardware products and other supplies through GSA’s Multiple Award Schedule, which provides the government and other GSA-authorized purchases with a streamlined process for procurement of commonly used commercial goods and services. The investigation determined that Grainger failed to meet its contractual obligations to provide GSA with current, accurate, and complete information about its commercial sales practices, including discounts afforded to other customers. As a result, government customers of Grainger ended up paying higher prices than necessary.

Grainger also failed to meet its contractual obligation to provide most-favored customer pricing in two Postal Service contracts for sanitation and maintenance supplies. Agents and auditors from the Postal Service OIG discovered that Grainger did not consistently adhere to this requirement, causing the Postal Service to pay more than it should have for purchases made under the two contracts.

The contractor agreed to a settlement of \$70 million, of which \$4 million would be allocated to the Postal Service. The Postal Service also realized a cost avoidance of about \$119 million through the renegotiation of future contracts with the contractor.



A joint investigation by the OIG, the Postal Service, and the General Services Administration OIG into the billing practices of government contractor W.W. Grainger resulted in the company paying the Postal Service \$4 million to settle allegations that it had submitted false claims under contracts with the Postal Service.



## APPENDICES

The Inspector General (IG) Act of 1978 requires semiannual reports on the immediately preceding 6-month periods ending September 30 and March 31. These reports are sent to Congress and made available to the public.

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

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

### APPENDIX A

#### *Reports Issued to Postal Service Management*

For the period October 1, 2012 — March 31, 2013

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

#### *Definitions:*

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

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

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

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

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

## Summary

Strategic Goals	Number of Reports	Funds Put to Better Use	Questioned Costs	Unsupported Questioned Cost	Revenue Impact
Provide High Quality Service	5	—	—	—	—
Generate Net Income	34	\$ 2,679,553	\$ 343,307,032	\$ 342,513,559	\$ 103,345,727
Improve Workplace and Workforce	12	\$ 263,921,877	\$ 42,932,241	\$ 40,457,411	—
Corporate Responsibility	5	—	—	—	—
<b>SUB-TOTAL</b>	<b>56</b>	<b>\$ 266,601,430</b>	<b>\$ 386,239,273</b>	<b>\$ 382,970,970</b>	<b>\$ 103,345,727</b>
<b>PARIS Risk Model Reports</b>	<b>36</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>TOTAL</b>	<b>92</b>	<b>\$ 266,601,430</b>	<b>\$ 386,239,273</b>	<b>\$ 382,970,970</b>	<b>\$ 103,345,727</b>

## Reports with Quantifiable Potential Monetary Benefits

	Funds Put to Better Use	Questioned Costs	Unsupported Questioned Costs	Revenue Impact
<b>GENERATE NET INCOME</b>				
<b>Data Analysis and Performance</b>				
Caller and Reserve Service Operations; DP-AR-13-001; 1/3/2013	—	—	—	\$1,073,064
Express Mail Corporate Account Revenue; DP-AR-13-003; 3/1/2013	\$2,645,553	—	—	\$3,533,161
<b>Finance</b>				
Consigned Vehicle Parts; FT-AR-13-010; 3/18/2013	—	—	—	\$2,193,000
Officer Compensation for Calendar Year 2011; FT-AR-13-001; 10/19/2012	—	\$110,011	—	—
<b>Sales and Marketing</b>				
Advertising Program; MS-AR-13-002; 1/4/2013	—	\$6,981,732	\$6,981,732	—
Federal Shipping; MS-AR-13-004; 1/18/2013	—	—	—	\$73,600,000
Funnel Management Program; MS-MA-13-001; 3/20/2013	—	—	—	\$7,200,000
Military Mail Reimbursements; MS-AR-13-006; 3/21/2013	\$34,000	\$593,462	—	—
<b>Supply Management and Facilities</b>				
Accenture Federal Services Contracts; SM-MA-13-001; 12/17/2012	—	\$8,294,045	\$8,204,045	—
Best Value in the Purchasing Process; CA-AR-13-001; 10/9/2012	—	\$327,327,782	\$327,327,782	—
Hybrid Mail Efforts; SM-MA-13-004; 2/12/2013	—	—	—	\$15,746,502
<b>IMPROVE WORKPLACE AND WORKFORCE</b>				
<b>Information Technology</b>				
Information Technology – Contractor Timecard Approvals in the Program Cost Tracking System; IT-AR-13-001; 10/5/2012	—	\$38,206,232	\$38,206,232	—
<b>Network Processing and Transportation</b>				
Washington Network Distribution Center – Postal Vehicle Service Operations; NO-AR-13-001; 3/21/2013	\$4,767,190	—	—	—
<b>Sales and Marketing</b>				
Flat-Shaped Mail Costs; MS-AR-13-003; 1/4/2013	\$259,154,687	—	—	—
<b>Supply Management and Facilities</b>				
Independent Audit of Florence Manufacturing Company Firm Fixed Price Proposal for Electronic Parcel Locker - Production; SM-CAR-13-002; 11/29/2012	—	\$4,726,009	\$2,251,179	—
<b>TOTAL</b>	<b>\$266,601,430</b>	<b>\$386,239,273</b>	<b>\$382,970,970</b>	<b>\$103,345,727</b>

**Report Listing**

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

For the period October 1, 2012 — March 31, 2013

**PROVIDE HIGH QUALITY SERVICE**

**Delivery and Post Office Operations**

Data Usage in Retail Operations; DR-AR-13-002; 3/8/2013

**Information Technology**

Web Server Security Assessment; IT-AR-13-004; 3/4/2013

**Network Processing and Transportation**

Customer Service Feedback; NO-MA-13-001; 12/17/2012

Federal Express Air Transportation Container Weights; NO-MA-13-002; 12/20/2012

Postal Service Performance During the Fiscal Year 2013 Fall Mailing Season; NO-AR-13-002; 3/29/2013

**GENERATE NET INCOME**

**Data Analysis and Performance**

Caller and Reserve Service Operations; DP-AR-13-001; 1/3/2013

Express Mail Corporate Account Revenue; DP-AR-13-003; 3/1/2013

**Finance**

Bank Secrecy Act Compliance for Fiscal Year 2012; FT-AR-13-002; 11/9/2012

Consigned Vehicle Parts; FT-AR-13-010; 3/18/2013

Fiscal Year 2012 Financial Testing Compliance Oversight Business Reply Mail Reviews; FT-MA-13-004; 1/29/2013

Fiscal Year 2012 Financial Testing Compliance Oversight Business Mail Unit Entry Unit/Staged Detached Mail Unit Reviews; FT-MA-13-006; 2/6/2013

Fiscal Year 2012 Financial Testing Compliance Oversight Continuous Detached Mail Unit Reviews; FT-MA-13-007; 2/4/2013

Fiscal Year 2012 Financial Testing Compliance Oversight Plant Verified Drop Shipment Reviews; FT-MA-13-005; 1/30/2013

Fiscal Year 2012 Postal Service Financial Statements Audit – San Mateo Accounting Services; FT-AR-13-006; 12/20/2012

Fiscal Year 2012 Postal Service Financial Statements Audit – St. Louis Accounting Services; FT-AR-13-005; 12/17/2012

Fiscal Year 2012 Postal Service Financial Statements Audit - Washington, D.C. Headquarters; FT-AR-13-007; 1/4/2013

Fiscal Year 2013 Field Testing Control and Oversight Plant Verified Drop Shipment Reviews; FT-MA-13-008; 2/12/2013

Officer Compensation for Calendar Year 2011; FT-AR-13-001; 10/19/2012

Officers' Travel and Representation Expenses for Fiscal Year 2012; FT-AR-13-004; 12/11/2012

Opinion on the Postal Service's Special-Purpose Financial Statements; FT-AR-13-003; 11/16/2012

Postal Service Board of Governors' Travel and Miscellaneous Expenses for Fiscal Year 2012; FT-AR-13-008; 1/4/2013

Quarter 1 – Fiscal Year 2013 Field Testing Control and Oversight Continuous Detached Mail Unit Reviews; FT-MA-13-011; 2/14/2013

Quarter 1 – Fiscal Year 2013 Field Testing Control and Oversight Business Mail Entry Unit/Staged Detached Mail Unit Reviews; FT-MA-13-010; 2/14/2013

Quarter 4 – Fiscal Year 2012 Field Testing Control and Oversight Business Mail Entry Unit/Staged Detached Mail Unit Reviews; FT-MA-13-001; 10/31/2012

Quarter 4 – Fiscal Year 2012 Field Testing Control and Oversight Business Reply Mail Reviews; FT-MA-13-002; 10/31/2012

Quarter 4 – Fiscal Year 2012 Field Testing Control and Oversight of Continuous Detached Mail Unit Reviews; FT-MA-13-003; 11/1/2012

**Sales and Marketing**

Advertising Program; MS-AR-13-002; 1/4/2013

Federal Shipping; MS-AR-13-004; 1/18/2013

Funnel Management Program; MS-MA-13-001; 3/20/2013

International Small Business Commerce; MS-WP-13-001; 1/30/2013

Military Mail Reimbursements; MS-AR-13-006; 3/21/2013

Residential Customer Service Experiences; MS-AR-13-005; 3/18/2013

**Supply Management and Facilities**

Accenture Federal Services Contract; SM-MA-13-001; 12/17/2012

Best Value in the Purchasing Process; CA-AR-13-001; 10/9/2012

Cartus Corporation's Selling Efforts for Postal Service-Owned Properties; SM-MA-13-003; 2/1/2013

Hybrid Mail Efforts; SM-MA-13-004; 2/12/2013

Independent Report on the Application of Agreed-Upon Procedures for Videojet Technologies, Inc. for Solicitation Number 3CT-12-A-0233; SM-CAR-13-003; 1/18/2013

Trends and Systemic Issues in Defense Contract Audit Agency Audit Work for Fiscal Years 2009-2012; SM-MA-13-002; 3/15/2013

**IMPROVE WORKPLACE AND WORKFORCE**

**Data Analysis and Performance**

Biohazard Detection System Progress; DA-MA-13-001; 10/2/2012

**Delivery and Post Office Operations**

Delivery Operations Data Usage; DR-AR-13-001; 10/11/2012

Lessons Learned from Mail Processing Network Rationalization Initiatives; NO-MA-13-004; 3/27/2013

Lessons Learned from Retail Optimization Initiatives;  
DR-MA-13-001; 3/21/2013

#### **Human Resources and Support**

Workers' Compensation Data Systems;  
HR-AR-13-001; 12/24/2012

#### **Information Technology**

Information Technology – Contractor Timecard  
Approvals in the Program Cost Tracking System;  
IT-AR-13-001; 10/5/2012

#### **Network Processing and Transportation**

Washington Network Distribution Center – Postal  
Vehicle Service Operations; NO-AR-13-001;  
3/21/2013

#### **Sales and Marketing**

Delivery Unit Optimization Initiative; MS-AR-13-001;  
12/6/2012

Flat-Shaped Mail Costs; MS-AR-13-003; 1/4/2013

#### **Supply Management and Facilities**

Financial Capability Risk Assessment Automated  
Control Technologies, LLC; SM-CAR-13-001;  
11/15/2012

Independent Audit of Florence Manufacturing  
Company Firm Fixed Price Proposal for Electronic  
Parcel Locker – Production; SM-CAR-13-002;  
11/29/2012

#### **Network Processing and Transportation**

High-Risk Voyager Policy and Procedure Changes  
for Highway Contract Routes; NO-MA-13-003;  
3/22/2013

### **CORPORATE RESPONSIBILITY**

#### **Data Analysis and Performance**

Controls to Detect Money Order Fraud;  
DP-AR-13-002; 2/7/2013

#### **Finance**

Fiscal Year 2012 Postal Service Financial  
Statements Audit – Eagan Accounting Services;  
FT-AR-13-009; 2/5/2013

Statistical Tests for Fiscal Year 2012;  
FT-MA-13-009; 2/19/2013

#### **Human Resources and Support**

Survey of Environmental Compliance and  
Sustainability; HR-MA-13-001; 12/17/2012

#### **Information Technology**

Fiscal Year 2012 Information Technology Internal  
Controls; IT-AR-13-003; 1/28/2013

Information Technology Data Usage; IT-AR-13-002;  
11/28/2012



**PARIS Risk Models**

Complete listing of all OIG PARIS Risk Models issued to Postal Service management.

For the period October 1, 2012 — March 31, 2013

**Data Analysis and Performance**

Fiscal Year 2012 Cost and Controls Model Quarter 4; DP-ID-13-002; 11/15/2012

Fiscal Year 2012 Workplace Environment Risk Model Quarter 4; DP-ID-13-003; 11/27/2012

**Delivery and Post Office Operations**

Fiscal Year 2012 Business Mail Entry Unit Quarter 4; FT-ID-13-002; 11/19/2012

Fiscal Year 2012 City Delivery Efficiency Model Quarter 4; DR-ID-13-001; 11/14/2012

Fiscal Year 2012 Continuous Auditing of the Postal Service's Bank Secrecy Act Compliance Monitoring System Quarter 4; FT-ID-13-001; 11/14/2012

Fiscal Year 2013 - Continuous Auditing of Postal Services Bank Secrecy Act Program Quarter 1; FT-PM-13-003; 2/13/2013

Fiscal Year 2013 Business Mail Entry Unit Risk Model Quarter 1; FT-PM-13-005; 2/15/2013

Fiscal Year 2013 City Delivery Efficiency Model Quarter 1; DR-PM-13-002; 2/14/2013

Fiscal Year 2013 Financial Cost and Controls Model Quarter 1; FT-PM-13-004; 2/15/2013

**Human Resources and Support**

Fiscal Year 2012 Green Risk Model Quarter 1; HR-PM-13-004; 2/19/2013

Fiscal Year 2012 Green Risk Model Quarter 4; HR-PM-13-003; 2/15/2013

Fiscal Year 2012 Human Capital Optimization Risk Model Quarter 4; HR-ID-13-002; 12/6/2012

Fiscal Year 2012 Mail Security Risk Model Quarter 1; HR-PM-13-005; 2/20/2013

Fiscal Year 2012 Mail Security Risk Model Quarter 4; HR-ID-13-001; 12/5/2012

Fiscal Year 2013 Human Capital Optimization Risk Model Quarter 1; HR-PM-13-007; 2/25/2013

Fiscal Year 2013 Workplace Environment Risk Model Quarter 1; HR-PM-13-006; 2/21/2013

**Information Technology**

Fiscal Year 2012 Information Technology Security Risk Model Quarter 4; IT-ID-13-001; 12/11/2012

Fiscal Year 2012 Information Technology Security Risk Model Quarter 1; IT-PM-13-002; 2/20/2013

**Network Processing and Transportation**

Fiscal Year 2012 Air Transportation Risk Model Quarter 4; NO-ID-13-002; 11/16/2012

Fiscal Year 2012 Machines That Speak Risk Model Quarter 4; NO-PM-13-005; 1/22/2013

Fiscal Year 2012 Risk Model for Network and Delivery Optimization Quarter 4; NO-PM-13-004; 2/20/2013

Fiscal Year 2012 Surface Transportation PARIS Risk Model Quarter 4; NO-ID-13-001; 11/8/2012

Fiscal Year 2013 Air Transportation PARIS Risk Model Quarter 1; NO-PM-13-003; 2/14/2013

Fiscal Year 2013 Machine Model Quarter 1; NO-PM-13-006; 2/28/2013

Fiscal Year 2013 Machines That Speak Model, Quarter 1; NO-PM-13-007; 2/5/2013

Fiscal Year 2013 Surface Transportation PARIS Risk Model Quarter 1; NO-PM-13-001; 2/6/2013

**Sales and Marketing**

Fiscal Year 2012 Retail Customer Service Risk Model Quarter 4; MS-ID-13-002; 11/14/2012

Fiscal Year 2012 Revenue Generation and Protection Quarter 4; MS-ID-13-001; 11/7/2012

Fiscal Year 2013 Cost, Pricing and Rates Quarter 1 MS-PM-13-006; 2/20/2013

Fiscal Year 2013 Cost, Pricing and Rates; Quarter 4; MS-PM-13-005; 2/20/2013

Fiscal Year 2013 Retail Customer Service Risk Model Quarter 1; MS-PM-13-004; 2/15/2013

Fiscal Year 2013 Revenue Generation and Assurance Risk Model Quarter 1; MS-PM-13-003; 2/14/2013

**Supply Management and Facilities**

Fiscal Year 2012 Real Estate Risk Model Report Quarter 4; SM-ID-13-001; 11/16/2012

Fiscal Year 2012 Supplier Solvency Model Quarter 4; SM-ID-13-002; 11/14/2012

Fiscal Year 2013 Real Estate Risk Model Report Quarter 1; SM-PM-13-003; 2/14/2013

Fiscal Year 2013 Supplier Solvency Model Quarter 1; SM-PM-13-004; 2/15/2013

## APPENDIX B

*Findings of Questioned Costs*

For the period October 1, 2012 — March 31, 2013

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	7	\$386,239,273	\$382,970,970
<b>TOTAL</b>	<b>7</b>	<b>\$386,239,273</b>	<b>\$382,970,970</b>
Reports for which a management decision was made during the reporting period (i+ii)	6	\$381,513,264	\$380,719,791
(i) Dollar value of disallowed cost <sup>1</sup>	4	\$342,899,503	\$342,513,559
(ii) Dollar value of cost not disallowed <sup>2</sup>	3	\$38,613,761	\$38,206,232
Reports for which no management decision was made by the end of the reporting period Negotiations are ongoing	1	\$4,726,009	\$2,251,179
<i>Reports for which no management decision was made within 6 months of issuance (See Note 1 for a list of individual reports)</i>	—	—	—
<i>Reports for which no management decision was made within 1 year of issuance (See Note 2 for a list of individual reports)</i>	—	—	—

<sup>1</sup> Management partially agreed with the monetary impact in one audit report.<sup>2</sup> Management partially disagreed with the monetary impact in one audit report.**Note 1 — Reports for which no management decision was made within 6 months of issuance:**

None this report period.

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

None this report period.

**Note 3 — Contract Reports with Significant Audit Finding:**

None this report period.

## APPENDIX C

**Recommendations That Funds Be Put to Better Use**

For the period October 1, 2012 — March 31, 2013

As required by the IG Act, the following pages show 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.

<b>Description</b>	<b>Number of Reports</b>	<b>Dollar Value</b>
Reports for which no management decision was made at the beginning of the reporting period	—	—
Reports issued during the reporting period	4	\$266,601,430
<b>TOTALS</b>	<b>4</b>	<b>\$266,601,430</b>
Reports for which a management decision was made during the reporting period (i&ii)	4	\$266,601,430
(i) Value of recommendations agreed to by management	—	—
(ii) Value of recommendations that were not agreed to by management	4	\$266,601,430
Reports for which no management decision was made by the end of the reporting period	—	—
Reports for which no management decision was made within 6 months of issuance (See Note 1 for a list of individual reports)	—	—
Reports for which no management decision was made within 1 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 for this report period.

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

None for this report period.

## APPENDIX D

### Other Impacts

For the period October 1, 2012 — March 31, 2013

#### Overview

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

	Type of Measure	Value or Amount
<b>IMPROVED SERVICE</b>		
Recommendations that address the Postal Service's efforts to improve the quality and accessibility of its products and services	Number of Recommendations	8
Number of customer service audits conducted	Number of Audits	8
<b>SAFEGUARDING ASSETS</b>		
<b>Assets or Accountable Items at Risk</b>		
Inadequate internal controls put the value of assets or accountable items (e.g., cash and stamps) at risk of loss	Dollar Value	\$62,550,920
<b>Physical Safety and Security</b>		
Dollar value of physical assets (plant, computer equipment, vehicles, etc.) at risk of loss due to inadequate physical protection	Dollar Value	—
Recommendations that address the safety and security of Postal Service employees and/or the work environment	Number of Recommendations	2
Number of employee/facility safety and security audits conducted	Number of Audits	6
<b>Information Technology Security</b>		
Inadequate controls/protection put the value of data, IT assets (software, networks), and employee work time at risk of loss	Dollar Value	—
Dollar value of data at risk	Dollar Value	—
Number of data security/IT security audits conducted	Number of Audits	9
<b>Revenue at Risk</b>		
Dollar value of revenue that the Postal Service is at risk of losing (Mailer seeking alternative solutions for current services)	Dollar Value	\$10,055,307
<b>Disbursements at Risk</b>		
Dollar value of disbursements made where proper Postal Service internal controls and processes were not followed	Dollar Value	\$380,400,000
<b>Goodwill/Branding</b>		
An adverse impact on goodwill is an actual event/problem that harms the Postal Service's reputation or a potential problem that could negatively impact the Postal Service "brand name"	Number of Issues Identified	18
<b>Misallocation of Costs</b>		
A misallocation of costs can occur when Postal Service costs are misclassified as volume variable, product specific, or institutional	Dollar Value	—



	Type of Measure	Value or Amount
<b>Capital Investment Savings Shortfall and Predicted Savings Shortfall</b>		
The difference between the savings predicted by the Decision Analysis Report for capital investment projects and the actual savings realized, and the difference between the savings predicted by the Postal Service for a project (e.g., capital investment, consolidation, etc.) and the actual savings realized or the OIG estimate of savings which will be realized	Dollar Value	—
<b>Potential Additional Revenue</b>		
Revenue the Postal Service potentially generate for goods delivered services rendered based on suggested improvements	Dollar Value	—
<b>RELIABILITY OF DATA</b>		
<b>Records at Risk</b>		
Data at risk of corruption or loss due to inadequate internal controls and/or protection	Number of Data Records at Risk	9
Dollar value of data used to support management decisions that is not fully supported or completely accurate	Dollar Value	\$34,230,374

## APPENDIX E

**Reports with Significant Recommendations Pending Corrective Actions**

For the period through March 2013

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

Report Number	Issued Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
FF-AR-08-131	3/19/2008	<b>Fiscal Year 2007 Financial Installation Audits – Business Mail Entry Units</b> R-2 — Provide proper management oversight and instructions to schedule periodic verifications when Periodicals mailings are received during nonbusiness hours. <b>TID: October 2012</b>
FF-MA-08-001	7/21/2008	<b>Fiscal Year 2008 – Use of No-Fee Money Orders</b> R-2 — Evaluate the feasibility of restricting the use of no-fee money orders for local purchases in order to reduce the Postal Service's exposure to financial loss. <b>TID: September 2013</b>
IS-AR-09-001	10/8/2008	<b>Electronic Travel Voucher System Controls</b> R-1 — Revise Postal Service Handbook F-15, Travel and Relocation, to require travelers to arrange for lodging at the prevailing government lodging rate, whenever practical. <b>TID: February 2013</b> R-2 — Revise Postal Service Handbook F-15, Travel and Relocation, to require travelers to obtain prior approval and justify exceeding the government lodging rate within the notes on the electronic voucher. <b>TID: February 2013</b>
IS-AR-09-004	2/20/2009	<b>Access Controls in the Enterprise Data Warehouse</b> R-3 — Update the Business Impact Assessment for the Enterprise Data Warehouse and recertify the system as required by Postal Service Handbook AS-805-A, Application Information Security Assurance Process. <b>TID: April 2013</b>
EN-AR-09-005	9/28/2009	<b>Performance Goals for Market-Dominant Products</b> R-1 — Document the methodology used to develop future performance goals for market-dominant products. <b>TID: December 2012</b>
NL-AR-09-010	9/30/2009	<b>Fuel Management Consumption Strategies for Surface Network Operations</b> R-1 — Revise the fuel consumption strategy for surface network operations covering Postal Service and Highway Contract Route transportation to ensure that it is comprehensive and implements the industry best practices identified in our audit. <b>TID: June 2011</b> R-2 — Assess and implement all opportunities for owned, leased, and contracted vehicles to use technology to reduce wind resistance and identify the most viable advanced aerodynamics options consistent with industry best practices and adjust contracts as appropriate to account for the reduced fuel need. <b>TID: June 2011</b> R-3 — Establish and implement tire inflation maintenance requirements for its owned heavy-duty vehicle fleet, as well as its leased, and contracted vehicles consistent with industry best practices and adjust contracts as appropriate to account for the reduced fuel need. <b>TID: June 2011</b> R-5 — Evaluate Highway Contract Routes and, where feasible, implement speed limit requirements consistent with industry best practices, without negatively impacting service and adjust contracts as appropriate to account for the reduced fuel need. <b>TID: June 2011</b>

**APPENDIX E**

Report Title, Recommendation Summary  
**R** = Recommendation number  
**TID** = Target Implementation Date

Report Number	Issued Date	Report Title, Recommendation Summary
IS-AR-10-002	12/22/2009	<p><b>General Control Review of Human Resources Shared Service Center</b></p> <p>R-2 — Initiate appropriate security clearance investigations for all employees in sensitive positions at the Human Resources Shared Service Center. <b>TID: December 2012</b></p>
MS-AR-10-001	2/9/2010	<p><b>Plant-Verified Drop Shipment Controls</b></p> <p>R-4 — Provide an electronic reporting solution whereby Postal Service Form 8125, Plant-Verified Drop Shipment Verification and Clearance, information at the destination facility can be compared with the information at the origin location. Discrepancies or incomplete forms should be investigated. <b>TID: October 2013</b></p>
IS-AR-10-008	5/4/2010	<p><b>Certification and Accreditation Process</b></p> <p>R-1 — Provide Corporate Information Security the authority necessary to enforce and execute the responsibilities for managing the Certification and Accreditation process. <b>TID: June 2013</b></p> <p>R-3 — Ensure all portfolio managers receive mandatory training regarding their role, responsibility, and accountability for implementing and reinitiating the Certification and Accreditation process. This training should also be made available to all executive sponsors. <b>TID: June 2013</b></p> <p>R-4 — Hold portfolio managers accountable to complete the Certification and Accreditation process within the Technology Solutions Life Cycle prior to implementing critical applications into the production environment. <b>TID: June 2013</b></p> <p>R-5 — Complete the Certification and Accreditation process for all critical applications currently in production, as required by Handbook AS-805, Information Security. <b>TID: June 2013</b></p> <p>R-6 — Ensure the portfolio managers work with the executive sponsors to initiate the recertification process for critical applications assigned to their functional areas as required by Handbook AS-805, Information Security. <b>TID: June 2013</b></p> <p>R-7 — Develop a formal, centralized mechanism to track the status of all unmitigated residual risks identified in the applications' risk mitigation plan. <b>TID: June 2013</b></p> <p>R-8 — Input unmitigated residual risks identified in the applications' risk mitigation plan into the formal, centralized tracking mechanism and track the risks through resolution. <b>TID: June 2013</b></p> <p>R-9 — Work with executive sponsors to resolve unmitigated residual risks identified in the risk mitigation plans and recertification letters associated with the critical applications. <b>TID: June 2013</b></p> <p>R-12 — Input the Certification and Accreditation documentation for all critical applications into the central repository. <b>TID: June 2013</b></p>
CA-AR-10-004	5/27/2010	<p><b>Contract Payment Terms</b></p> <p>R-1 — Revise the Postal Service's Supplying Principles and Practices, Section 5 12.2, Payment Time Frame, and other sections as necessary, with language stating that when contracting officers negotiate payment terms other than net 30 days they include the business rationale and associated documentation for the payment terms in the contract file. <b>TID: February 2013</b></p>
NO-MA-10-001	6/11/2010	<p><b>Assessment of Overall Plant Efficiency 2010</b></p> <p>R-1 — Reduce 16.2 million workhours by fiscal year 2012 with an associated economic impact of \$743,961,610. <b>TID: December 2012</b></p>
CI-MA-10-001	6/18/2010	<p><b>Civil Service Retirement System Overpayment by the Postal Service</b></p> <p>R-1 — Pursue all necessary actions, including those suggested by the Office of Inspector General, to either secure the return of the \$75 billion overpayment or to otherwise realize the benefit of this overpayment to the Postal Service.</p>
MS-AR-10-004	7/28/2010	<p><b>Efficiency of Retail Customer Service Operations</b></p> <p>R-2 — Explore opportunities to consolidate business mail acceptance operations at post offices, stations, and branches. <b>TID: October 2012</b></p>

Report Number	Issued Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
FT-MA-10-001	8/16/2010	<p><b>Federal Employees Retirement System Overfunding</b></p> <p>R-1 — Pursue legislative action to alter the Postal Service's Civil Service Retirement and Disability Fund contributions for 1 or more years until the Federal Employees Retirement System surplus is extinguished. <b>TID: June 2013</b></p> <p>R-2 — Coordinate with the Office of Personnel Management to identify causes of actual payout differences between the Postal Service and the rest of the federal government and use that information to reduce the risk of future surpluses. <b>TID: June 2013</b></p> <p>R-3 — Pursue legislative action to define future distribution of significant surpluses. <b>TID: June 2013</b></p> <p>R-4 — Coordinate with the Office of Personnel Management to create a sub-account within the Civil Service Retirement and Disability Fund exclusive to the Postal Service. <b>TID: June 2013</b></p>
DA-MA-10-004	8/31/2010	<p><b>Postal Service Patent Management</b></p> <p>R-1 — Establish a strategic plan with timelines to capitalize on the Postal Service's patent inventory strength. <b>TID: June 2012</b></p>
CA-AR-10-005	9/20/2010	<p><b>U.S. Postal Service Purchasing Policies</b></p> <p>R-5 — Take steps to ensure full and accurate tracking and public reporting of noncompetitive contracting actions. Data reported should include, but not be limited to, total dollars committed both competitively and noncompetitively; and the contractor, dollar value, and noncompetitive justifications for noncompetitive contracts. The tracking mechanism should be able to identify when a noncompetitive contract has crossed the review and approval threshold based on modification after initial award. <b>TID: February 2012</b></p>
IS-AR-10-014	9/23/2010	<p><b>Controls Over Payment Card Transaction Data</b></p> <p>R-1 — Finalize and implement a Payment Card Industry remediation plan that includes all associated costs, resources, and milestones needed to achieve and maintain Payment Card Industry-Data Security Standards compliance. <b>TID: December 2014</b></p>
NL-AR-10-010	9/29/2010	<p><b>Air Networks – Federal Express Transportation Agreement – National Analysis</b></p> <p>R-5 — Standardize Postal Service oversight at Terminal Handling Services operations to ensure adequate on-site Postal Service representation to monitor Federal Express operations and ensure local compliance with established processes and procedures. <b>TID: October 2012</b></p>
NL-AR-10-009	9/29/2010	<p><b>Management of Mail Transport Equipment - National Analysis</b></p> <p>R-1 — Further develop, update and reinforce national mail transport equipment policies and procedures contained in the Postal Operations Manual and the Postal Handbook PO-502, Container Methods, which address mail transport equipment inventory and accountability controls, including validating customer mail transport equipment needs as well as tracking and reconciling mail transport equipment loaned to mailers and other external customers. <b>TID: May 2013</b></p>
CA-AR-10-006	9/30/2010	<p><b>Certification Process for Electronic Payments</b></p> <p>R-1 — Develop an oversight mechanism to monitor and ensure contracting officers' and/or designated officials' receipt and certification of invoices. <b>TID: October 2012</b></p> <p>R-2 — Reiterate to contracting officers and/or their designees their roles and responsibilities, and the importance of following Postal Service criteria, policies, and procedures for certification of invoices prior to payment to ensure that invoices are correct and goods and services were received. <b>TID: October 2012</b></p> <p>R-3 — Develop and implement written procedures for receiving invoices for annual highway contract route services and verifying that services were rendered prior to payment. <b>TID: October 2014</b></p> <p>R-5 — Review the \$7.6 million in payments made more than 30 days after contract end dates and collect overpayments. <b>TID: November 2012</b></p> <p>R-8 — Ensure that Utility Management System designated official contact information is accurate and that the system requires positive certification by the designated official before invoice payment. <b>TID: November 2012</b></p>



**APPENDIX E**

Report Title, Recommendation Summary  
**R** = Recommendation number  
**TID** = Target Implementation Date

Report Number	Issued Date	Report Title, Recommendation Summary
FT-MA-10-002	9/30/2010	<p><b>Summary of Substantial Overfunding and Postal Service Pension and Retiree Health Care Funds</b></p> <p>R-1 — Develop a comprehensive legislative strategy to recover overfunded amounts. <b>TID: September 2011</b></p> <p>R-2 — Aggressively pursue and carefully review all available data related to Civil Service Retirement System, Federal Employee Retirement System, and retiree health benefit calculations, including those associated with determining any overfunding situations, to ensure that calculations are reasonable and accurate. <b>TID: September 2011</b></p>
NL-MA-11-001	12/6/2010	<p><b>Surface Mail Classes on Air Transportation Networks</b></p> <p>R-1 — Verify that actions already taken related to minimizing surface mail classes on the FedEx Day-Turn network are applied to other air networks to ensure transportation managers use surface transportation, instead of the FedEx Night-Turn, commercial air carrier, United Parcel Service, and Christmas air transportation networks to move surface mail types where possible. <b>TID: December 2012</b></p> <p>R-2 — Routinely provide headquarters and area management with data, including Transportation Cost System/Cost and Revenue Analysis data, to monitor and track the volume and avoid additional costs for flying surface mail classes on the FedEx Night-Turn, commercial air carrier, United Parcel Service, and Christmas air transportation networks. <b>TID: September 2011</b></p> <p>R-3 — Reinforce existing policies and procedures for the processing and assigning of mail to air and surface transportation. <b>TID: None</b></p>
NO-AR-11-004	12/14/2010	<p><b>Houston, TX Processing and Distribution Center Mail Consolidation</b></p> <p>R-1 — Pursue expansion of the North Houston Processing and Distribution Center and consolidate the Houston Processing and Distribution Center's mail processing operations into the expanded facility, by fiscal year 2013. <b>TID: September 2013</b></p>
FF-AR-11-004	12/15/2010	<p><b>Express Mail Guarantees</b></p> <p>R-5 — Establish a timeframe for and develop a process to analyze Express Mail refunds by origin and destination to evaluate risk and identify necessary changes in service in order to make better business decisions for guarantees. <b>TID: July 2013</b></p>
IT-AR-11-004	3/16/2011	<p><b>Computer Incident Data Reliability</b></p> <p>R-3 — Integrate the Data Loss Prevention and Security Information Manager applications with the security incident management system to ensure a single incident data repository. <b>TID: September 2013</b></p> <p>R-4 — Either modify the existing incident management system or pursue development of a new system that enforces date and time value sequence and data validation. <b>TID: September 2013</b></p>
DA-MA-11-002	4/8/2011	<p><b>Postal Service Patent Management Continuation</b></p> <p>R-1 — Work closely with subject matter experts to review highly rated patents to draft claims as appropriate. <b>TID: September 2013</b></p> <p>R-2 — Develop a comprehensive strategy for developing patent intellectual property that enhances Postal Service products and services and its competitive position in the global marketplace and is a source of income. The strategy should capitalize on patent evaluations performed to date and include an assessment of business options available for achieving the significant financial returns. <b>TID: September 2013</b></p> <p>R-3 — Ensure the Postal Service has an effective patent management process and comprehensive licensing program in place. This establishes control that protects intellectual capital and provides an appropriate return on investment. <b>TID: September 2013</b></p>
CA-AR-11-004	4/27/2011	<p><b>Internal Controls over the Contract Close-out Process</b></p> <p>R-3 — Establish a periodic control to ensure category management center personnel follow records management requirements for contract files, including, but not limited to retaining records for the required 6 years. <b>TID: March 2012</b></p>
NO-MA-11-004	5/20/2011	<p><b>Assessment of Overall Plant Efficiency 2011</b></p> <p>R-1 — Reduce 14,017,630 workhours by fiscal year 2012 with an associated economic impact of \$647,586,823. <b>TID: September 2013</b></p>

Report Number	Issued Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
HR-AR-11-004	5/27/2011	<p><b>Compliance with Occupational Safety and Health Administration Recordkeeping Requirements</b></p> <p>R-2 — Revise the Postal Service Occupational Safety and Health Administration Recordable Date policy to better clarify how to determine Occupational Safety and Health Administration recordable dates when they differ from the initial injury or illness date. <b>TID: March 2012</b></p> <p>R-4 — Establish mandatory training for officials responsible for determining Occupational Safety and Health Administration recordable cases and completing related forms. <b>TID: December 2011</b></p>
DA-AR-11-008	6/8/2011	<p><b>Conflicts of Interest: Facility Leases and Contract Delivery Services</b></p> <p>R-1 — Revise the Postal Service's policy for leasing property under 3,000 square feet from employees or relatives to include an ethics review. <b>TID: June 2013</b></p> <p>R-2 — Evaluate the universe of potential facility lease conflicts and develop an action plan to minimize active and future conflicts. <b>TID: June 2013</b></p> <p>R-3 — Implement a control to systemically identify, monitor, and resolve potential conflicts of interest with facility leases and, if necessary, request waivers for leases that represent conflicts. <b>TID: June 2013</b></p>
DR-MA-11-002	7/19/2011	<p><b>National Assessment of City Delivery Efficiency 2011 - Office Performance</b></p> <p>R-1 — Reduce 2,002,690 workhours during fiscal year 2012 with an associated economic impact of \$88,192,128. <b>TID: None</b></p>
HR-AR-11-005	8/5/2011	<p><b>Postal Service Facility Security</b></p> <p>R-3 — Issue supplemental guidance and enhance internal controls to:</p> <ul style="list-style-type: none"> <li>▪ Ensure security control officers conduct facility security surveys as required.</li> <li>▪ Ensure corrective actions are taken to address security deficiencies.</li> <li>▪ Ensure security control officers and plant managers take the mandatory security training.</li> </ul> <p><b>TID: August 2012</b></p>
HR-AR-11-006	8/8/2011	<p><b>2009 Pay for Performance Program</b></p> <p>R-1 — Clarify policies and procedures to better define the relationship between the national performance assessment and core requirements, and the role of higher level management in the pay for performance process. <b>TID: April 2013</b></p> <p>R-2 — Establish and implement mandatory training events that educate new and existing participants and managers on policy, roles and responsibilities, goal setting, and the program's objectives. <b>TID: April 2013</b></p> <p>R-3 — Evaluate the effectiveness of the current process used to establish and use behavioral core objectives to rate employees' performance. <b>TID: April 2013</b></p>
DA-AR-11-010	8/30/2011	<p><b>Intelligent Mail: Realizing Revenue Assurance Benefits</b></p> <p>R-1 — Establish timeframes for implementing the enhanced/expanded automated verifications as described in the original Intelligent Mail infrastructure Decision Analysis Report. <b>TID: January 2013</b></p> <p>R-2 — Develop a tolerance level for low scan rates to use for exception reporting. <b>TID: January 2013</b></p> <p>R-3 — Develop a process for identifying the cause(s) of low scan rates for customer follow-up as warranted. <b>TID: January 2013</b></p>
FF-AR-11-013	8/30/2011	<p><b>Postal Service Refunds</b></p> <p>R-2 — Analyze and establish an administrative and minimum fee that will cover processing costs. <b>TID: July 2013</b></p> <p>R-4 — Complete the update to the PostalOne! system to enable electronic transmission of Value Added Refund data to accounts payable. <b>TID: April 2013</b></p>
CRR-AR-11-003	9/6/2011	<p><b>Service Performance Measurement Data - Commercial Mail</b></p> <p>R-1 — Establish milestones for implementing recovery of Full-Service Intelligent Mail Barcode discounts provided to mailers when Full-Service mailings do not meet the specific requirements for the discounts received. <b>TID: November 2013</b></p>

**APPENDIX E**

Report Title, Recommendation Summary  
**R** = Recommendation number  
**TID** = Target Implementation Date

Report Number	Issued Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
IT-AR-11-008	9/14/2011	<p><b>Remote Access Controls</b></p> <p>R-1 — Implement two-factor authentication to comply with Handbook AS-805 requirements and to meet Payment Card Industry – Data Security Standards. <b>TID: December 2013</b></p> <p>R-11 — Suspend remote access for all employees or contractors until they complete required security awareness training. <b>TID: December 2013</b></p>
HR-AR-11-002	9/19/2011	<p><b>Postal Service Work Rules</b></p> <p>R-3 — A comprehensive study to determine the optimal incentive-based carrier compensation system. <b>TID: June 2013</b></p>
FF-AR-11-015	9/23/2011	<p><b>Business Mail Acceptance Centralization Process</b></p> <p>R-2 — Require each district to conduct a centralization feasibility study, document the results, and take action based on the results of the study, as appropriate. <b>TID: October 2013</b></p> <p>R-3 — Manage business mail entry workhour usage to achieve 93 percent efficiency and develop tools to monitor performance. <b>TID: October 2013</b></p> <p>R-4 — Establish annual goals for business mail entry workhour efficiency to include measuring performance against goals. <b>TID: October 2013</b></p>
DR-AR-11-007	9/26/2011	<p><b>Follow-up on City Delivery Standard Operating Procedures</b></p> <p>R-1 — Re-evaluate the certification criteria and ensure the criteria require units to meet, at least the national average percent to standard for office operations. <b>TID: February 2013</b></p> <p>R-3 — Establish an annual process to de-certify units that do not maintain performance standards after certification. <b>TID: February 2013</b></p>
CA-AR-11-007	9/30/2011	<p><b>Contract Postal Units Contract Oversight</b></p> <p>R-1 — Require Contract Postal Unit contractors to submit invoices for payment. <b>TID: April 2013</b></p> <p>R-2 — Create a process to ensure the contracting officer or contracting officer's representative validates and certifies invoices prior to payment, using data maintained in the Contract Postal Unit Technology system. <b>TID: April 2013</b></p> <p>R-3 — Establish a mandatory training procedure to ensure all contract officer representatives receive training of appointed duties within 2 weeks of notification of the contracting officer's representative appointment. <b>TID: April 2013</b></p> <p>R-4 — Develop an oversight mechanism to monitor whether contracting officer's representatives conduct quarterly performance and annual financial reviews, obtained completed appointment letters, and retain contract postal unit contracts in the contract administrative files. <b>TID: April 2013</b></p>
HR-AR-11-007	9/30/2011	<p><b>Postal Service Workers' Compensation Program</b></p> <p>R-5 — Develop mandatory and refresher training for Postal Service officials responsible for workers' compensation to ensure they are aware of their roles and responsibilities for workers' compensation. <b>TID: September 2013</b></p>
MS-AR-11-007	9/30/2011	<p><b>Strategic Approaches to Revenue Protection</b></p> <p>R-1 — Work with a broadened group of internal and external stakeholders to prepare for streamlining the entry of business mail, accelerate the timeline for streamlined acceptance and verification, and seek to leverage technology to provide revenue protection for Basic Service Intelligent Mail and non-automated volumes. <b>TID: October 2013</b></p>
IT-AR-12-001	10/21/2011	<p><b>State of Corporate Information Technology Security</b></p> <p>R-2 — Complete the certification and accreditation process for the remaining national applications. <b>TID: December 2013</b></p> <p>R-4 — Implement a corporate-wide encryption solution to enhance the sensitive data protection effort. <b>TID: October 2013</b></p>

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CA-AR-12-001	11/2/2011	<p><b><i>Contracting Opportunities and Impact of the Service Contract Act</i></b></p> <p>R-2 — Review the benefits of outsourcing cleaning/janitorial service positions and postal service vehicle driver positions and work with Supply Management to restructure those positions to achieve the most cost effective solution. <b>TID: March 2013</b></p> <p>R-3 — Working with Supply Management and Postal Service program officials, ensure that appropriate financial data are collected to aid in making in-sourcing/outsourcing decisions. <b>TID: March 2013</b></p>
HR-AR-12-001	11/14/2011	<p><b><i>Postal Service Health and Safety Program</i></b></p> <p>R-1 — Review and revise, as appropriate, supervisor performance measures to place a higher priority on maintaining a safe and healthy work environment; for example: performance measures could be linked to the number of abated and/or unabated safety hazards. <b>TID: October 2011</b></p> <p>R-4 — Establish and implement standard operating procedures for dock operations. <b>TID: May 2012</b></p> <p>R-5 — Perform and oversee preventive maintenance procedures for eyewash and shower units. <b>TID: September 2012</b></p> <p>R-6 — Conduct required safety inspections and abate safety hazards in a timely manner to ensure safe and healthy working conditions for the employees. <b>TID: September 2012</b></p> <p>R-7 — Enter Postal Service Forms 1767 accurately and timely in the Safety Toolkit. <b>TID: September 2012</b></p>
CRR-AR-12-002	12/13/2011	<p><b><i>Management Operating Data System</i></b></p> <p>R-1 — Develop a monthly report that identifies the top Management Operating Data System (MODS) operation numbers and facilities causing MODS errors. <b>TID: March 2012</b></p> <p>R-2 — Expand existing Management Operating Data System exception reports to include observations that exceed maximum machine throughput and manual productivities. <b>TID: March 2012</b></p> <p>R-3 — Issue monthly enhanced exception reports to management at the area, district, and facility level to highlight recurring Management Operating Data System errors at facilities. <b>TID: April 2012</b></p> <p>R-4 — Develop controls within the Management Operating Data System (MODS) that enforce the requirement for facility managers to correct MODS errors in a timely manner. <b>TID: September 2012</b></p> <p>R-6 — Monitor operation numbers where the majority of Management Operating Data System errors occur, and determine the potential impact on applicable cost data. <b>TID: January 2013</b></p> <p>R-7 — Evaluate existing quality assurance procedures to determine whether eliminating Management Operating Data System (MODS) errors at the facility level, and eliminating observations that exceed maximum machine throughputs or manual productivities, would improve the reliability of MODS based productivities. <b>TID: January 2013</b></p>
FI-AR-12-001	12/28/2011	<p><b><i>Expedited Packaging Supplies Program</i></b></p> <p>R-1 — Implement a comprehensive, automated procedure to determine the quantity of expedited packaging supplies retained by major mailers, post offices and other facilities that distribute Postal Service's expedited packaging supplies to customers. <b>TID: January 2013</b></p> <p>R-2 — Develop a comprehensive plan to monitor usage and identify and reduce waste associated with expedited packaging supplies. <b>TID: January 2013</b></p>
IT-AR-12-003	1/9/2012	<p><b><i>Fiscal Year 2011 Information Technology Internal Controls</i></b></p> <p>R-1 — Implement corrective actions to address all open issues noted in this report for fiscal years 2010 and 2011. <b>TID: July 2013</b></p>



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IT-AR-12-002	1/9/2012	<p><b>Patch Management Processes</b></p> <p>R-1 — Ensure that all operating system and database patches are tested, documented, and implemented as required by Handbook AS-805, Information Security. <b>TID: September 2013</b></p> <p>R-2 — Ensure that administrators obtain required policy exception approvals when system patches are not applied. <b>TID: September 2013</b></p> <p>R-3 — Ensure that written procedures are developed to define the patch management process for each group, operating system, and database to include test and back-out plans. <b>TID: September 2013</b></p> <p>R-4 — Ensure that configuration management inventory records are reconciled to the actual servers and databases for their respective group. <b>TID: September 2013</b></p> <p>R-5 — Work together to implement a process to verify that required operating system and database patches distributed to the mail processing plants are applied. <b>TID: September 2013</b></p> <p>R-6 — Implement a common method for all entities to track information technology asset and patch information. <b>TID: July 2014</b></p> <p>R-7 — Ensure vulnerability mediation training is provided to all employees and contractors responsible for enterprise patch management. <b>TID: July 2014</b></p> <p>R-8 — Conduct risk assessments and cost analyses to develop an enterprise-wide migration plan for upgrading unsupported operating systems and databases to vendor-supported software. <b>TID: July 2014</b></p> <p>R-9 — Adopt a method to identify, capture, and report patch management metrics to assist with oversight of the patch management process and facilitate related business and security decisions. <b>TID: July 2014</b></p>
MS-AR-12-002	1/12/2012	<p><b>Mail Verification Procedures at Detached Mail Units</b></p> <p>R-1 — Review automation efforts to date to identify improvements that can be made in the interim while mailers continue to implement Intelligent Mail barcode technologies. <b>TID: June 2013</b></p> <p>R-2 — Continue ongoing mail verification training efforts while detached mail unit employees continue to use manual mail verification processes. <b>TID: October 2013</b></p> <p>R-3 — Enhance automated systems to notify managers when acceptance employees override Mail Evaluation Readability Lookup INSTRUMENT results. <b>TID: June 2013</b></p> <p>R-4 — Develop and implement automated tools that managers can use to monitor and evaluate detached mail unit staffing and scheduling. <b>TID: June 2013</b></p>
NO-AR-12-003	1/20/2012	<p><b>Consolidation of Mail Processing Operations at the Mansfield, OH Customer Service Mail Processing Center</b></p> <p>R-1 — Identify repositioning plans for all impacted employees at the Mansfield Customer Service Mail Processing Center. <b>TID: None</b></p> <p>R-2 — Continue to monitor and take necessary actions to ensure mail is processed timely at the Cleveland Processing and Distribution Center. <b>TID: None</b></p>
CRR-AR-12-003	1/27/2012	<p><b>Revenue, Pieces, and Weight Inputs Into the Cost and Revenue Analysis Report</b></p> <p>R-2 — Explore concentrating sampling and data collection of manually processed mail from delivery units to the serving processing and distribution facilities for Revenue, Pieces, and Weight estimation purposes. <b>TID: October 2014</b></p>

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CI-AR-12-004	2/2/2012	<p><b>Domestic Mail Manual Preparation and Acceptance Mail Instructions</b></p> <p>R-1 — Combine and remove all duplications in the Domestic Mail Manual, Quick Service Guides, Business Mail Acceptance, Job Aids, and Customer Support Rulings; and publish a new document available to all mailers online. <b>TID: November 2013</b></p> <p>R-2 — Migrate to a one permit per customer requirement using PostalOne!. <b>TID: August 2013</b></p> <p>R-3 — Archive all PostalOne! deleted or canceled permits. <b>TID: April 2015</b></p>
NL-AR-12-001	2/2/2012	<p><b>Postal Vehicle Service Transportation Routes – Margaret L. Sellers Processing and Distribution Center</b></p> <p>R-1 — Ensure Margaret L. Sellers Processing and Distribution Center managers follow prescribed fleet management procedures for making postal vehicle service schedule changes more timely including conducting annual schedule and vehicle utilization reviews. <b>TID: November 2012</b></p> <p>R-2 — Verify the reallocation of 2,424 workhours within existing postal vehicle service (PVS) schedules and reallocate an additional 5,728 workhours within PVS schedules to accommodate future Flats Sequencing System implementation. <b>TID: November 2012</b></p>
NL-AR-12-003	3/12/2012	<p><b>Density of First-Class Mail on Air Transportation</b></p> <p>R-1 — Continue to develop optimization processes to increase First-Class Mail density to maximize container space. <b>TID: April 2013</b></p> <p>R-2 — For sites equipped with the Advanced Facer Canceler System series 200 machines, separate First-Class Mail to be transported by air for sorting on a single sorting machine for further processing and dispatch. <b>TID: April 2013</b></p> <p>R-3 — Develop targeted secondary sort programs to process First-Class Mail bound for air transportation to maximize container space. <b>TID: April 2013</b></p>
HR-AR-12-002	3/30/2012	<p><b>Postal Service Mail Security</b></p> <p>R-1 — Develop and implement training to ensure personnel responsible for accountable mail and keys understand their responsibilities. <b>TID: July 2012</b></p> <p>R-2 — Establish policies and procedures requiring responsible personnel to conduct periodic reviews to ensure mail safeguarding and accountability requirements are followed. <b>TID: July 2012</b></p> <p>R-3 — Develop and implement training for contract postal unit personnel to ensure they understand their responsibilities regarding safeguarding mail and accounting for Registered Mail. <b>TID: July 2012</b></p>
HR-AR-12-003	3/30/2012	<p><b>Unauthorized Overtime Usage in Field Operations</b></p> <p>R-5 — Establish and implement proactive monitoring processes that include periodic reminders and a system of accountability, similar to the procedures that have been implemented in the Central Pennsylvania District to minimize unauthorized overtime. <b>TID: September 2012</b></p>
NL-AR-12-005	4/25/2012	<p><b>Postal Vehicle Service — Nationwide Analysis</b></p> <p>R-1 — Instruct area Postal Service officials to follow prescribed fleet management procedures for conducting Postal Vehicle Service schedule and vehicle utilization reviews and make necessary changes to the schedules in a more timely fashion (or at least annually) to match the fluid operational changes. <b>TID: None</b></p> <p>R-2 — Ensure Postal Service officials change schedules when feasible to reduce overall scheduled workhours and staffing by increasing the use of non-traditional full-time employees where fewer than 8 hours of work exists. <b>TID: None</b></p> <p>R-3 — Encourage area Postal Service officials to negotiate the use of split days off with local union officials where possible to reduce operating costs through staff reductions. <b>TID: March 2012</b></p> <p>R-4 — Instruct processing and distribution center management to issue memorandums to drivers reinforcing the use of seat belts, chock blocks, and load restraints; and periodically monitor compliance. <b>TID: April 2012</b></p>

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NO-MA-12-001	4/27/2012	<p><b>Assessment of Overall Plant Efficiency 2012</b></p> <p>R-1 — Reduce 14,268,171 workhours by fiscal year 2014 with an associated economic impact of \$664,997,872. <b>TID: September 2014</b></p>
MS-AR-12-003	5/4/2012	<p><b>Package Delivery Growth</b></p> <p>R-2 — Develop enhancements to the CustomerFirst! system to ensure that the data and information contained within are reliable and useful. <b>TID: January 2015</b></p> <p>R-4 — Evaluate the feasibility of offering a local product the customer either arranges to have picked up or takes to the local Post Office for sortation and delivery without involving a mail processing plant. <b>TID: December 2013</b></p> <p>R-5 — Continue to pursue legislative change that will allow the Postal Service to ship beer and wine. <b>TID: January 2014</b></p> <p>R-6 — Evaluate the feasibility of offering an international service that will allow customers the option of prepaying customs duties and taxes. <b>TID: September 2013</b></p>
NL-AR-12-006	5/29/2012	<p><b>POSTAL SERVICE INITIATIVE: Consolidation of Mail for Transportation Between Network Distribution Centers</b></p> <p>R-3 — Add Jacksonville Network Distribution Center's Puerto Rico Highway Contract Routes 32202 and 32204 into the consolidation initiative. <b>TID: September 2012</b></p> <p>R-4 — Ensure Postal Service managerial oversight at the contract consolidation facilities. <b>TID: July 2012</b></p>
DR-AR-12-001	6/5/2012	<p><b>City Delivery — Street Efficiency San Diego District</b></p> <p>R-1 — Reduce 83,943 workhours to achieve an associated economic impact of more than \$3.3 million annually or \$6.8 million over 2 years. <b>TID: October 2014</b></p>
NO-AR-12-005	6/5/2012	<p><b>Efficiency Review of the Cleveland, OH Processing and Distribution Center</b></p> <p>R-1 — By fiscal year 2017, reduce workhours by 352,388 to produce a cost avoidance of \$22.7 million over the following 2 years, or through consolidations, increase mail volume by 377 million, or a combination of workhours reductions and mail volume increases that will achieve the median productivity level of 1,069 pieces per hour. <b>TID: September 2014</b></p>
FT-MA-12-002	6/14/2012	<p><b>Pension and Retiree Health Care Funding Levels</b></p> <p>R-1 — Pursue legislative action to refund the current pension surplus, and any future pension surpluses, to the Postal Service. <b>TID: January 2013</b></p>
DR-AR-12-002	6/14/2012	<p><b>City Delivery — Excess Routes</b></p> <p>R-1 — Eliminate 33 excess city delivery routes in their respective districts. <b>TID: May 2013</b></p> <p>R-2 — Review delivery units consistently using fewer than projected street hours to make appropriate route adjustments, eliminations, and consolidations. <b>TID: May 2013</b></p> <p>R-3 — Reallocate the 33 assigned Postal Service-owned delivery vehicles from the eliminated city routes to rural routes to achieve an associated economic impact of \$250,110 annual discounted savings or \$500,220 over 2 years. <b>TID: June 2013</b></p>

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IT-AR-12-008	6/25/2012	<p><b>Security Awareness Training Program</b></p> <p>R-1 — Include information security awareness training on the Human Resources mandated training list as part of the Strategic Training Initiative. <b>TID: June 2013</b></p> <p>R-2 — Modify Handbook AS-805, Information Security, to clearly define the users who are required to take the mandatory information security awareness training. <b>TID: July 2013</b></p> <p>R-3 — Establish a monitoring process to track user compliance with Handbook AS-805, Information Security, information security awareness training requirements. <b>TID: July 2013</b></p> <p>R-4 — Work with applicable managers to take appropriate action, including suspending access if necessary, to ensure employees and contractors complete the security awareness training in compliance with Handbook AS-805, Information Security, and regulatory requirements. <b>TID: September 2013</b></p>
DA-MA-12-005	7/16/2012	<p><b>21st Century Post Office: Non-Postal Products and Services</b></p> <p>R-1 — Develop a strategy to identify, evaluate and offer the most promising non-postal products and services, including how to overcome identified barriers, when legislation permits. <b>TID: June 2013</b></p>
NO-AR-12-007	8/3/2012	<p><b>Efficiency Review of the Los Angeles Network Distribution Center</b></p> <p>R-1 — Reduce workhours by 200,019 by fiscal year 2017 to produce an annual cost avoidance of about \$6.5 million, or increase volume by 39 million pieces, or combine workhour reductions and mail volume increases that will achieve the above average median productivity level of 117 pieces per hour. <b>TID: February 2015</b></p>
CA-AR-12-004	8/6/2012	<p><b>Unauthorized Contractual Commitments</b></p> <p>R-2 — Reinforce current policies by training and conducting periodic reviews to ensure that Supply Management contracting personnel follow the ratification process and documentation requirements for unauthorized contractual commitments. <b>TID: March 2013</b></p>
CI-AR-12-006	8/14/2012	<p><b>Delivery Fleet Strategies</b></p> <p>R-2 — Establish an annual new vehicle replacement strategy, as part of a comprehensive fleet management strategy, to replace part of the fleet each year, spread out the expenditures over time, and ensure the overall operational functionality of the fleet. <b>TID: September 2016</b></p>
DR-AR-12-003	8/16/2012	<p><b>City Delivery — Street Efficiency Capital District</b></p> <p>R-1 — Reduce 110,740 workhours to achieve an associated economic impact of \$4.5 million annually, or \$9 million over 2 years. <b>TID: October 2014</b></p>
DR-AR-12-004	8/16/2012	<p><b>City Delivery — Street Efficiency Louisiana District</b></p> <p>R-1 — Reduce 107,550 workhours to achieve an associated impact of more than \$4.4 million annually, or \$8.8 million over 2 years. <b>TID: September 2014</b></p>
EN-AR-12-003	8/17/2012	<p><b>Efficiency of Customer Service Operations</b></p> <p>R-3 — Provide training as needed to customer service managers that would enable them to effectively use managerial reports and tools. <b>TID: September 2013</b></p>
DR-AR-12-005	8/21/2012	<p><b>Carrier Optimal Routing System Phase II</b></p> <p>R-1 — Continue to pursue funding to resolve performance issues with the Web Carrier Optimal Routing system and implement the web-based program nationwide. <b>TID: April 2013</b></p> <p>R-2 — Re-emphasize performing route adjustments using the Carrier Optimal Routing system to achieve an annual economic impact of more than \$84 million. <b>TID: None</b></p> <p>R-3 — Cross-train existing and additional personnel in both Carrier Optimal Routing system database preparation and route adjustment processes to ensure the availability of adequately trained resources. <b>TID: February 2013</b></p>



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FI-MA-12-014	8/22/2012	<p><b>U.S. Postal Service Alternate Health Care Plan Proposal</b></p> <p>R-1 — Revise the Postal Service's alternative health care plan projected savings to include the additional cost of shifting to the appropriate discount rate used for funding obligations for federal employee pension and other retirement benefits.  <b>TID: None</b></p>
DR-MA-12-002	8/24/2012	<p><b>City Delivery Route Optimization Pilot Initiative</b></p> <p>R-2 — Execute a new initiative to maximize savings by using lessons learned and data results from the pilot with the goal of optimizing the full- and part-time staff mix. <b>TID: None</b></p>
DR-AR-12-006	8/24/2012	<p><b>City Delivery Staffing</b></p> <p>R-1 — Balance the number of full-time carriers per route and manage labor cost within established fiscal year budgets.  <b>TID: None</b></p> <p>R-2 — Continue pursuing the ability to increase the number of part-time, non-career flexible employees at installations nationwide in the city letter carrier craft to reduce labor costs. <b>TID: None</b></p>
HR-AR-12-004	8/27/2012	<p><b>Rehabilitation Assignments for Employees Injured on Duty</b></p> <p>R-3 — Establish a training plan for employees on the periodic roll who receive and accept an offer to perform vehicle shuttle service work. <b>TID: None</b></p>
MS-AR-12-007	9/10/2012	<p><b>Customer Complaint Resolution Process</b></p> <p>R-2 — Identify deficiencies and desired enhancements for the Enterprise Consumer Care system and take necessary action to notify the Information Technology department. <b>TID: September 2013</b></p> <p>R-3 — Develop a mechanism for tracking Enterprise Consumer Care system usage and wait times and ensuring that current archiving processes and system outage records are continued. <b>TID: September 2013</b></p>
IT-AR-12-009	9/12/2012	<p><b>Security of File Transfer Protocol Transmissions</b></p> <p>R-1 — Assign a controlling authority the responsibility for managing all electronic file transfer activities and enforcing electronic file transfer policies. <b>TID: September 2017</b></p> <p>R-2 — Publish an enterprise-wide management instruction and implement training on secure electronic file transfer usage to reinforce the requirements of <i>Handbook AS-805, "Information Security."</i> <b>TID: May 2013</b></p> <p>R-3 — Direct the controlling authority identified in Recommendation 1 to develop a business case solution to mitigate and, ultimately, eliminate the use of file transfer protocol transmissions to ensure the protection of sensitive data in accordance with Handbook AS-805, Information Security. <b>TID: May 2013</b></p> <p>R-4 — Conduct periodic security assessments to identify and monitor file transfer protocol usage throughout the Postal Service network. <b>TID: September 2013</b></p> <p>R-5 — Identify, monitor, and remove all unnecessary file transfer protocol services running on all servers and mainframes and identify the related sensitive applications. <b>TID: September 2013</b></p> <p>R-6 — Implement a secure electronic file transfer protocol for receiving manifest files from external business partners.  <b>TID: September 2017</b></p>
HR-AR-12-005	9/12/2012	<p><b>State of Security</b></p> <p>R-1 — Revise procedures to ensure letter carriers clearly understand their responsibilities to identify anonymous mail.  <b>TID: May 2013</b></p> <p>R-2 — Enhance the nationwide anonymous mail seeding program by establishing procedures for identifying problem facilities that fail to detect anonymous mail. <b>TID: May 2013</b></p> <p>R-3 — Require responsible personnel to take additional training to address noncompliance and reduce the failure rate.  <b>TID: May 2013</b></p> <p>R-4 — Establish procedures for conducting follow-up testing of facilities to address noncompliance with anonymous mail requirements. <b>TID: May 2013</b></p>

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EN-AR-12-004	9/14/2012	<p><b>Commercial Mail Entry and Acceptance Initiatives</b></p> <p>R-5 — Develop an action plan to address and correct PostalOne! operational problems affecting the integrity, reliability, and functionality of the system. In addition, conduct thorough testing before releasing and implementing system upgrades. <b>TID: September 2013</b></p>
FI-AR-12-004	9/14/2012	<p><b>Revenue Sharing Agreements</b></p> <p>R-5 — Establish and maintain a central repository for all revenue sharing agreement documentation. <b>TID: February 2013</b></p> <p>R-6 — Develop detailed policies and procedures for creating, designing, and monitoring revenue sharing agreements and disseminate the new procedures to the entire organization. <b>TID: February 2013</b></p>
DA-AR-12-002	9/18/2012	<p><b>Lease Purchase Options for Postal Service Facilities</b></p> <p>R-2 — Establish procedures for assigning lease purchase options to third parties in the real estate market. <b>TID: July 2013</b></p>
NL-AR-12-009	9/21/2012	<p><b>Global Positioning System Technology for Highway Contract Routes</b></p> <p>R-1 — Update and reinforce policies and procedures for the highway contract route Global Positioning System program with employees and suppliers, including re-training personnel as necessary and designating necessary resources at plants to ensure they have an understanding of their roles, responsibilities, and accountability. <b>TID: December 2012</b></p> <p>R-2 — Improve the monitoring and validation process for compliance to ensure the timely entry of all contract service changes in the field, termination of contracts not meeting compliance requirements, and the use of Global Positioning System compliance as criteria for future contract awards. <b>TID: December 2012</b></p> <p>R-3 — Continue to review and update the standard reports available in the Highway Contract Route Tracking Module so compliance and supplier performance can be monitored or reviewed without a contractor preparing special ad hoc reports. <b>TID: November 2012</b></p> <p>R-4 — Expand the Global Positioning System (GPS) program to include additional highway contract routes where feasible and explore an end-to-end GPS platform using industry best practices that includes a full-range of functionality and reports covering applicable contracted transportation. <b>TID: January 2013</b></p> <p>R-5 — Re-evaluate data retention requirements of the Highway Contract Route Tracking Module, including the type of data retained and for how long to include consideration of potential contract and legal challenges to actions taken resulting from non-compliance with the reporting requirements. <b>TID: June 2013</b></p>
HR-AR-12-006	9/21/2012	<p><b>Motor Vehicle Accident Prevention Program</b></p> <p>R-2 — Provide periodic refresher training to supervisors on the Safe Driver Program and ensure employees performing driving observations take the Driver Observation training course. <b>TID: June 2013</b></p> <p>R-3 — Establish and implement proactive monitoring processes that include using Department of Motor Vehicle's databases to validate driver's licenses for employees in driving positions. <b>TID: None</b></p>
NL-AR-12-008	9/21/2012	<p><b>St. Louis Network Distribution Center — Postal Vehicle Service Operations</b></p> <p>R-1 — Periodically assess postal vehicle service spotter truck driver workload and staffing requirements with respect to productivity standards to maintain appropriate staffing levels. <b>TID: July 2012</b></p> <p>R-3 — Ensure that St. Louis Network Distribution Center management re-emphasize the safety policy that drivers must wear safety belts whenever the vehicle is in motion and provide management oversight for enforcement. <b>TID: September 2012</b></p>

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DR-MA-12-004	9/27/2012	<p><b>City Delivery Operations — Brick Main Post Office</b></p> <p>R-1 — Reduce 7,744 office and street workhours in fiscal years 2013 and 2014 to achieve an annual economic impact of \$333,764. <b>TID: September 2014</b></p>
DA-AR-12-004	9/28/2012	<p><b>Accuracy of the Electronic Facilities Management System</b></p> <p>R-1 — Modify the Electronic Facilities Management System to address inconsistency in data entry, including the use of drop-down lists and requiring completion of all data fields. <b>TID: December 2012</b></p> <p>R-2 — Develop a plan to require annual review and validation of all Electronic Facilities Management system data by Facilities Service Office personnel. <b>TID: August 2013</b></p> <p>R-3 — Develop and administer training for the use of Electronic Facilities Management System. <b>TID: None</b></p>
DR-MA-12-003	9/28/2012	<p><b>City Delivery Operations — Lancaster Carrier Annex</b></p> <p>R-1 — Reduce 12,339 office and street workhours in fiscal years 2013 and 2014 to achieve an annualized economic impact of \$515,838, or \$1,031,676 over 2 years. <b>TID: September 2014</b></p>
NL-AR-12-010	9/28/2012	<p><b>First-Class Mail on Air Transportation — Assignment by Weight</b></p> <p>R-1 — Modify the assignment process to assign First-Class Mail to air transportation considering weight where feasible, with the heavier mail being assigned to FedEx and the lighter mail being assigned to United Parcel Service and commercial passenger air carriers – with consideration of contractor service performance and future air transportation contract requirements. <b>TID: March 2013</b></p>
NL-AR-12-011	9/28/2012	<p><b>Mail Transport Equipment – Shortages of Pallets, Tubs, and Trays – Fall 2011 Mailing Season</b></p> <p>R-1 — Finalize procedures, processes, and guidelines to ensure there is effective planning and budgeting for Mail Transport Equipment (MTE) needs for the fall mailing season, taking into consideration operational and customer needs, financial condition, MTE leakage, and MTE condemnation. <b>TID: July 2013</b></p> <p>R-2 — Finalize implementation of prior U.S. Postal Service Office of Inspector General recommendations from the Management of Mail Transport Equipment (MTE) – National Analysis audit (Report Number NL-AR-10-009, dated September 29, 2010) covering an automated inventory and tracking system, ensuring adequate resources for areas and plants, and update policies and procedures that support current MTE operational requirements. <b>TID: October 2013</b></p> <p>R-3 — Finalize processes and procedures (considering costs and benefits) to limit or better control distribution and have visibility of Mail Transport Equipment distributed to mailers and other customers. <b>TID: January 2014</b></p> <p>R-4 — Evaluate the best practices identified in this report and identify any applicable industry best practices for implementation (considering costs and benefits), such as the viability of implementing Radio Frequency Identification technology to control the leakage of plastic pallets and reduce annual purchase of replacement plastic pallets. <b>TID: March 2013</b></p>

Report Number	Issued Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
CA-AR-12-006	9/28/2012	<p><b>Oversight of Equitable Adjustments</b></p> <p>R-1 — Require contracting officers to include a general release of claims in all supplemental agreements that constitute a release by the supplier for additional costs beyond that which is provided for in the contract modification or a more specific release in complex or contentious equitable adjustments. <b>TID: November 2012</b></p> <p>R-3 — Reiterate the contract file tracking process to ensure contract files are not lost when they are transferred from one office to another. <b>TID: November 2012</b></p>
DA-MA-12-006	9/28/2012	<p><b>Partnerships with Other Government Agencies</b></p> <p>R-1 — Clearly define organizational roles and responsibilities for developing and managing partnerships with other federal agencies and establish a written policy to identify, develop, track, and follow-up on potential partnership opportunities. <b>TID: February 2013</b></p>
CI-AR-12-007	9/28/2012	<p><b>Post-Implementation Review Process</b></p> <p>R-1 — Improve the Post-Implementation Review (PIR) process in <i>Handbook PO-408, Area Mail Processing Guidelines</i>, to:</p> <ul style="list-style-type: none"> <li>▪ Identify and separate savings and costs associated with concurrent initiatives from savings and costs directly related to the area mail processing consolidation.</li> <li>▪ Implement the use of automated data calculation and pre-population for PIR worksheets and checklists.</li> <li>▪ Establish a process to allocate savings and costs when multiple consolidations are made into the same gaining facility.</li> <li>▪ Assess whether current PIR timelines should be adjusted.</li> </ul> <p><b>TID: March 2014</b></p>
DA-MA-13-001	10/2/2012	<p><b>Biohazard Detection System Progress</b></p> <p>R-1 — Complete a comprehensive update to the 2002 threat assessment to determine risks to the mail stream prior to procuring new biohazard detection equipment. <b>TID: April 2013</b></p> <p>R-2 — Develop a policy requiring periodic update of threat assessments. <b>TID: April 2013</b></p>
IT-AR-13-001	10/5/2012	<p><b>Information Technology – Contractor Timecard Approvals in the Program Cost Tracking System</b></p> <p>R-2 — Make improvements to the Program Cost Tracking System procedures to ensure program managers validate their assigned project timecards initially approved by Information Technology Business Management. <b>TID: August 2013</b></p>
CA-AR-13-001	10/9/2012	<p><b>Best Value in the Purchasing Process</b></p> <p>R-1 — Direct contracting managers to conduct periodic reviews of electronic and physical contract files to ensure that contracting officials maintain evidence of mandatory evaluations, price analysis, and review and approvals in the contract files. <b>TID: November 2012</b></p> <p>R-2 — Update the contract file transfer process to include a step to require the receiving contract officials to certify that contract files contain required documentation. <b>TID: December 2012</b></p> <p>R-3 — Direct contracting officials and higher-level approvers to ensure the accuracy of CAMS information and to adhere to the Supplying Principles and Practices to obtain appropriate written approval, prior to submitting or approving contract actions. <b>TID: November 2012</b></p>
DR-AR-13-001	10/11/2012	<p><b>Delivery Operations Data Usage</b></p> <p>R-1 — Streamline systems, reports (including exception based reporting) and data (including real-time data) to meet city delivery needs. <b>TID: June 2012</b></p> <p>R-2 — Re-emphasize city delivery operating procedures to new supervisors and managers. <b>TID: October 2012</b></p>

**APPENDIX E**

Report Title, Recommendation Summary  
**R** = Recommendation number  
**TID** = Target Implementation Date

Report Number	Issued Date	Report Title, Recommendation Summary
FT-AR-13-001	10/19/2012	<p><b>Officer Compensation for Calendar Year 2011</b></p> <p>R-1 — Coordinate with the Board to ensure the Postal Service reports to the Office of Personnel Management and Congress a complete list of critical senior executive or equivalent positions allowed to receive total compensation in an amount not to exceed 120 percent of the total annual compensation payable to the vice president of the U.S. <b>TID: September 2013</b></p> <p>R-2 — Request an interpretation from the Government Accountability Office on whether annuity payments are considered in an employee's total compensation and subject to the Postal Act of 2006 compensation caps. <b>TID: September 2013</b></p>
MS-AR-13-001	12/6/2012	<p><b>Delivery Unit Optimization Initiative</b></p> <p>R-1 — Revise delivery unit optimization guidelines to include a well-defined, consistent methodology for projecting cost savings and operational efficiencies. <b>TID: March 2013</b></p> <p>R-2 — Develop a process to ensure the revised guidelines are applied consistently and post consolidation reviews are performed to accurately validate savings and efficiencies. <b>TID: March 2013</b></p>
SM-MA-13-001	12/17/2012	<p><b>Accenture Federal Services Contracts</b></p> <p>R-1 — Direct the manager of the Technology Infrastructure Portfolio to require Accenture to implement corrective actions to address all Defense Contract Audit Agency deficiencies noted in its estimating system. <b>TID: June 2013</b></p> <p>R-3 — Revise the policy and clauses for time and material contract types to include a definition of material handling costs and exclude payment of profit or handling fees on materials. <b>TID: March 2013</b></p> <p>R-5 — Develop and implement a plan to train users and implement the SEER® for Software cost estimating tool into the Enterprise Technical Services proposal evaluation process. <b>TID: September 2013</b></p>
NO-MA-13-001	12/17/2012	<p><b>Customer Service Feedback</b></p> <p>R-1 — Provide Business Service Network representatives training and access to Postal Service data systems such as Intelligent Mail barcode and Web Mail Condition Reporting Systems to enable them to better serve their customers. <b>TID: March 2013</b></p>
NO-MA-13-002	12/20/2012	<p><b>Federal Express Air Transportation Container Weights</b></p> <p>R-1 — To the extent feasible, increase the Postal Service's maximum allowable container weights when negotiating existing or future air transportation FedEx contracts with cubic-foot based compensation. <b>TID: October 2013</b></p>
HR-AR-13-001	12/24/2012	<p><b>Workers' Compensation Data Systems</b></p> <p>R-1 — Provide additional training for personnel responsible for entering and monitoring data in the Employee Health and Safety system. <b>TID: None</b></p> <p>R-2 — Issue supplemental guidance and enhance internal controls to ensure that responsible officials consistently adhere to workers' compensation claims management procedures. <b>TID: None</b></p> <p>R-3 — Assess options to enhance and integrate the reporting capabilities of the Injury Compensation Performance Analysis System to provide management with data necessary for effective analysis and decision making. <b>TID: None</b></p>
DP-AR-13-001	1/3/2013	<p><b>Caller and Reserve Service Operations</b></p> <p>R-1 — Implement, if feasible, an automated process to identify all inactive or unassigned caller and reserve service addresses by linking mailing data systems to the Web Box Activity Tracking System. <b>TID: August 2013</b></p> <p>R-3 — Update caller and reserve service policies and procedures so they are consistent, clear, accurate, and easily located and accessible in one place. <b>TID: July 2013</b></p>



Report Number	Issued Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
MS-AR-13-002	1/4/2013	<p><b>Advertising Program</b></p> <p>R-2 — Ensure that all invoices are properly reviewed, certified, and maintained. <b>TID: February 2013</b></p> <p>R-3 — Ensure that a mechanism is in place for tracking non-core team labor costs. <b>TID: March 2013</b></p> <p>R-4 — Develop a strategy for reasonably allocating costs to specific advertising campaigns. <b>TID: March 2013</b></p> <p>R-5 — Determine a strategy to ensure that certified invoices are retained in accordance with Postal Service policy. <b>TID: February 2013</b></p>
IT-AR-13-003	1/28/2013	<p><b>Fiscal Year 2012 Information Technology Internal Controls</b></p> <p>R-1 — Implement corrective actions as coordinated between the Information Technology Sarbanes-Oxley Compliance Management Office and the U.S. Postal Service Office of Inspector General during the audit relating to monitoring efforts to ensure security monitoring software receives all necessary activity from UNIX servers. <b>TID: September 2013</b></p> <p>R-2 — Implement corrective actions as coordinated between the Information Technology Sarbanes-Oxley Compliance Management Office and the U.S. Postal Service Office of Inspector General during the audit relating to appropriate management of and access to tools used to monitor compliance with requirements for Active Directory implementation. <b>TID: September 2013</b></p> <p>R-3 — Implement corrective actions as coordinated between the Information Technology Sarbanes-Oxley Compliance Management Office and the U.S. Postal Service Office of Inspector General during the audit relating to use of scans, scripts, and monitoring efforts to confirm the installation and reporting of intrusion detection and prevention software or services on all in-scope Windows and UNIX servers. <b>TID: September 2013</b></p> <p>R-4 — Implement corrective actions as coordinated between the Information Technology Sarbanes-Oxley Compliance Management Office and the U.S. Postal Service Office of Inspector General during the audit relating to segregation of duties in the regular reviews of actions taken to assess Guardium log records. <b>TID: September 2013</b></p> <p>R-5 — Implement corrective actions as coordinated between the Information Technology Sarbanes-Oxley Compliance Management Office and the U.S. Postal Service Office of Inspector General during the audit relating to management of user accounts and incident records in the Symantec Security Information Management monitoring tool. <b>TID: September 2013</b></p> <p>R-6 — Implement corrective actions as coordinated between the Information Technology Sarbanes-Oxley Compliance Management Office and the U.S. Postal Service Office of Inspector General during the audit relating to compliance with expected Windows operating system configurations on in-scope servers. <b>TID: September 2013</b></p> <p>R-7 — Implement corrective actions as coordinated between the Information Technology Sarbanes-Oxley Compliance Management Office and the U.S. Postal Service Office of Inspector General during the audit relating to management review of all necessary data for the UNIX Directory Services configurations on in-scope servers. <b>TID: September 2013</b></p> <p>R-8 — Implement corrective actions as coordinated between the Information Technology Sarbanes-Oxley Compliance Management Office and the U.S. Postal Service Office of Inspector General during the audit relating to redesign of the control over UNIX configurations to remove duplication and better reflect expectations for controls over financial reporting. <b>TID: September 2013</b></p> <p>R-9 — Implement corrective actions as coordinated between the Information Technology Sarbanes-Oxley Compliance Management Office and the U.S. Postal Service Office of Inspector General during the audit relating to alignment of the procedures and processes used to test and approve UNIX patches before implementation in the production environment. <b>TID: September 2013</b></p>

**APPENDIX E**

Report Title, Recommendation Summary  
**R** = Recommendation number  
**TID** = Target Implementation Date

Report Number	Issued Date	Report Title, Recommendation Summary
SM-MA-13-004	2/12/2013	<p><b>Hybrid Mail Efforts</b></p> <p>R-1 — Develop a business strategy to increase hybrid mail revenue for small- and medium-sized businesses if profitable and feasible (including transactional mail) and overcome privacy concerns. <b>TID: None</b></p>
IT-AR-13-004	3/4/2013	<p><b>Web Server Security Assessment</b></p> <p>R-3 — Configure and patch operating systems for publicly accessible web servers according to Handbook AS-805, Information Security, requirements. <b>TID: September 2013</b></p> <p>R-4 — Review web server configurations in accordance with policy to ensure servers remain configured according to security standards. <b>TID: September 2013</b></p>
SM-MA-13-002	3/15/2013	<p><b>Trends and Systemic Issues in Defense contract Audit Agency Audit Work for Fiscal Years 2009-2012</b></p> <p>R-1 — Emphasize to contracting officials the importance of requesting Defense Contract Audit Agency audits of contractor accounting systems, significant equitable adjustment and termination claims, labor floor checks, and financial capability, where applicable, prior to contract award. <b>TID: February 2013</b></p>
MS-AR-13-005	3/18/2013	<p><b>Residential Customer Service Experiences</b></p> <p>R-1 — Update the residential Customer Experience Measurement survey to allow customers to provide more definitive location identifiers (for example, Post Office™ name, city, and ZIP Code) that relate to their experiences. <b>TID: March 2014</b></p> <p>R-2 — Develop a process to collect and analyze residential customer experience information from other access channels. <b>TID: March 2014</b></p> <p>R-3 — Develop a strategy to design and implement corrective actions in a more timely and response manner when poor customer service experience scores are identified. <b>TID: December 2013</b></p> <p>R-4 — Ensure that mechanisms are developed and implemented to track residential customer experiences as key operational initiatives are taken to improve the Postal Service's financial condition. <b>TID: December 2013</b></p>
DR-MA-13-001	3/21/2013	<p><b>Lessons Learned From Retail Optimization Initiatives</b></p> <p>R-1 — Process and approve or disapprove the remaining 600 Retail Access Optimization Initiative discontinuance proposals. <b>TID: September 2014</b></p> <p>R-2 — Enhance communication plans with stakeholders by providing consistent, accurate, and timely information that supports retail optimization initiatives. <b>TID: None</b></p> <p>R-3 — Develop and implement a formal post-implementation review that evaluates savings achieved and potential revenue loss associated with retail network realignments. <b>TID: November 2013</b></p>

Report Number	Issued Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
NO-AR-13-001	3/21/2013	<p><b>Washington Network Distribution Center – Postal Vehicle Service Operations</b></p> <p>R-1 — Follow prescribed Postal Service standard operating procedures to the extent possible for live loading mail into trailers for immediate movement from the facility yard and consider the reduction of moves in future workload and staffing analyses. <b>TID: March 2013</b></p> <p>R-2 — Periodically assess Postal Vehicle Service truck driver workload and staffing requirements with respect to productivity standards to maintain appropriate staffing levels. <b>TID: April 2013</b></p> <p>R-3 — Eliminate 3,492 annual workhours associated with improving Postal Vehicle Service truck driver productivity to the Breakthrough Productivity Initiative standard of 40 moves per day, or 200 moves per week. <b>TID: April 2013</b></p> <p>R-4 — Ensure managers within the Capital Metro Area follow prescribed highway contract procedures for making highway contracts efficient, including the continual monitoring and adjustment of trips based on need. <b>TID: May 2013</b></p> <p>R-5 — Verify the elimination or modification of 24 trips from highway contracts initiated by management during our audit for a savings of about \$800,000 annually. <b>TID: March 2013</b></p> <p>R-6 — Eliminate or modify 36 trips from highway contracts identified during our audit for a savings of about \$1.3 million annually. <b>TID: January 2013</b></p> <p>R-7 — Continually re-emphasizes the safety policy that drivers must wear safety belts whenever their vehicles are in motion, and provide management oversight for enforcement. <b>TID: January 2013</b></p> <p>R-8 — Ensure Postal Service management repair exterior doors that have broken locks and security badge readers that do not operate and hold safety talks with all employees to highlight that security policy states exterior doors are not to be propped open with any devices to bypass security. <b>TID: December 2012</b></p>
NO-MA-13-003	3/22/2013	<p><b>High-Risk Voyager Policy and Procedure Changes for Highway Contract Routes</b></p> <p>R-1 — Reverse the 2012 policy change or provide justification for the operational need and identify the costs and benefits for pooling across all contracts. <b>TID: March 2013</b></p> <p>R-2 — Not allow the proposed 2013 policy change, and ensure the policy continues to restrict the use of fuel purchased under the Voyager card program for non-Postal (non-HCR) purposes. <b>TID: March 2013</b></p> <p>R-3 — Provide explanation as to the basis and circumstances surrounding the consideration to remove from policy the requirement to notify the Office of Inspector General of suspicious or fraudulent circumstances. <b>TID: None</b></p>
NO-MA-13-004	3/27/2013	<p><b>Lessons Learned from Mail Processing Network Rationalization Initiatives</b></p> <p>R-1 — Improve the communication process by ensuring accurate and consistent information is shared with stakeholders on consolidation impacts. <b>TID: April 2013</b></p>
NO-AR-13-002	3/29/2013	<p><b>Postal Service Performance During the Fiscal Year 2013 Fall Mailing Season</b></p> <p>R-1 — Coordinate with Area Vice Presidents to ensure that all field personnel properly color-code Standard Mail in accordance with Postal Service policy and store mail transportation equipment to facilitate mail flow. <b>TID: None</b></p>

## **APPENDIX F**

### ***Significant Management Decisions in Audit Resolution***

For the period October 1, 2012 – March 31, 2013

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

None for this report period.

## **APPENDIX G**

### ***Status of Peer Review Recommendations***

Federal audit organizations undergo an external quality control assessment by their peers every 3 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 during the semiannual period; and 2) any outstanding recommendations from any previous or current peer reviews that remain outstanding or have not been fully implemented.

#### ***Office of Audit***

##### **Internal Peer Reviews**

The Postal Service Office of Inspector General underwent an internal peer review during this reporting period. The U.S. Department of Transportation OIG conducted the peer review of our organization for the period covering April 1, 2011 – March 31, 2012, and issued a quality control review report of our audit organization on December 18, 2012. We received a peer review rating of pass and received accolades for our effectively structured TeamMate® library that facilitates compliance with Government Auditing Standards as well as internal OIG policies and procedures. All recommendations from previous peer reviews have been fully implemented as of March 31, 2011.

A copy of this quality control review report, in its entirety, can be viewed on the USPS OIG website, [www.uspsoig.gov](http://www.uspsoig.gov).

##### **External Peer Reviews**

None conducted during this period.

#### ***Office of Investigations***

##### **Internal Peer Reviews**

None conducted during this period.

##### **External Peer Reviews**

None conducted during this period.

## APPENDIX H

*Investigative Statistics\**

For the period October 1, 2012— March 31, 2013

	Investigations Completed	Arrests	Indictments/Informations	Convictions/Pretrial Diversions**	Admin. Action Taken	Cost Avoidance	Fines, Restitution, and Recoveries	Amt. to USPS (from previous column)***	To Mgmt. for Admin. Action
Theft, Delay, or Destruction of Mail By Employees or Contractors	679	146	102	171	356	—	3,550,649	218,971	306
Injury Compensation Fraud	393	31	18	22	80	\$99,453,907	\$1,879,102,957	\$43,672,647	100
Official Misconduct	319	24	10	27	239	\$62,500	\$225,173	\$178,560	210
Financial Fraud and Embezzlement	206	54	43	66	129	\$6,077,320	\$1,761,075	\$1,701,814	136
Contract Fraud	96	5	5	13	56	\$119,684,325	\$132,314,134	\$26,662,436	26
<b>Total</b>	<b>1,693</b>	<b>260</b>	<b>178</b>	<b>299</b>	<b>860</b>	<b>\$225,278,052</b>	<b>\$2,016,953,988</b>	<b>\$72,434,428</b>	<b>778</b>

\* Statistics include joint investigations with other law enforcement agencies.

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

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



**Financial Reporting on  
Investigative Activities for the  
Postal Inspection Service**

<b>Type</b>	
Personnel	\$169,536,156
Nonpersonnel	\$34,128,881
<b>TOTAL</b>	<b>\$203,665,037</b>
Total Capital Commitments	\$258,664

## APPENDIX I

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

For the period October 1, 2012 — March 31, 2013

<b>Type of Scheme</b>	<b>Complaints Filed</b>	<b>Consent Agreements</b>	<b>FROs</b>	<b>Cease &amp; Desist Orders</b>
Advanced Fee	—	—	—	—
Charity	—	—	—	—
Counterfeit Financial Instruments	8	8	1	8
Coupon/Rebate fraud	1	1	—	1
False Billings	11	9	4	11
Fraudulent Postage	1	1	—	1
Identity Theft	—	—	—	—
Medical Product Fraud	—	—	—	—
Merchandise:				
Failure to furnish	3	3	—	3
Failure to pay	13	11	2	11
Misrepresentation	2	2	1	2
Reshipping Scheme	14	14	2	14
Sweepstakes/Lottery	46	41	12	41
Work at home	8	8	—	8
<b>TOTAL</b>	<b>107</b>	<b>98</b>	<b>22</b>	<b>100</b>

#### Other Administrative Actions

Administrative Action Requests	107
Temp. Restraining Orders Requested	—
Temp. Restraining Orders Issued	—
Cases Using Direct Purchase Authority	—
Civil Penalties (Section 3012) Imposed	1
Test Purchases	—
Withholding Mail Orders issued (includes 1 Petition)	7
Voluntary Discontinuances	—

#### Administrative Subpoenas Requested by the Postal Inspection Service

There was one request during the reporting period.

## APPENDIX J

**All Closed Congressional/ PMG/BOG Inquires**

For the period October 1, 2012— March 31, 2013

This appendix lists the congressional, Postmaster General, and Board of Governors inquiries the OIG closed during this reporting period. OIG units reviewed or investigated these inquiries to resolve allegations and disputes, and to help identify systemic issues. Inquires are listed in the chronological order of receipt.

**Inspector General Investigations (47)**

<b>Requestor</b>	<b>Allegation/ Concern</b>	<b>Major Findings</b>	<b>Closure Date</b>
Senator, Indiana	Improprieties in administering an HVAC contract	We determined the contractor inappropriately added labor hours and/or material costs to invoices. The Postal Service failure to include a clear pricing structure and other shortcomings in documentation led to a prosecutorial declination.	11/19/12
Representative, California	Non-receipt of mail containing a diamond ring sent to New York City via Express Mail	We identified a postal employee at fault for numerous thefts. He was prosecuted and sentenced, and resigned from the Postal Service.	11/19/12
Senator, Missouri	Postal management misconduct, including harassment, mail handling irregularities, and falsification of records	We learned Human Resources personnel were aware of and properly responded to harassment issues. We substantiated some allegations about discarded mail and falsified time records, but did not find management had initiated or condoned the practices.	01/08/13
Ranking Member, Senate Committee	Massachusetts letter carrier used friends to help deliver mail and participated in criminal conduct while on duty	Our joint investigation with the Boston Police Department determined the carrier was under the influence of a dangerous substance while on duty; gave a non-postal employee mail to deliver; and stole mail. He was found guilty and sentenced in November.	02/05/13
Representative, Maryland	Non-delivery of mail containing paychecks	We conducted an investigation and found no evidence of employee misconduct.	10/18/12
Representative, Arizona	Mail tampering and misconduct by postmaster, including deliberate disclosure of personal information, leading to complainant's eviction	We did not substantiate the allegation and noted the landlord cited other reasons for the eviction.	12/19/12
Representative, New York	Theft of mail containing gift card or checks	We conducted an investigation and found no misconduct by postal employees. Absent serial numbers from the gift cards, no further investigation into the missing items was possible.	12/05/12
Representative, California	Non-delivery of two mailings containing passports	We found an employee improperly handled the delivery of one passport. The State Department used the wrong ZIP Code in mailing the replacement.	10/18/12
Senator, Nevada	Non-delivery of mail containing gift cards	We conducted interviews, review of records, and controlled testing that produced no evidence of mail theft by a postal employee. The complainant did not respond to our request for additional information that might warrant further investigation.	11/27/12
Senator, Colorado	Postal management misconduct in denying access to a PO Box held by a property owners' association	As the property owners' association left no documentation allowing complainant access to the PO Box, management followed proper protocol.	10/18/12

**APPENDIX J**

<b>Requestor</b>	<b>Allegation/ Concern</b>	<b>Major Findings</b>	<b>Closure Date</b>
Representative, Utah	OIG harassment, stalking, and mail tampering following investigation of injury compensation	While we documented a case culminating in an indictment in 2010, we found nothing to substantiate an active investigation of the complainant.	12/28/12
Representative, Ohio	Non-delivery of mail containing a National Honors Society pin	We found no misconduct by any postal employee. We found it plausible that incorrect packaging by the sender led to machine damage and loss.	11/01/12
Representative, Maryland	Postal employee harassed and intentionally withheld delivery of mail to a postal customer.	Management had already addressed the matter through administrative action; we investigated non-delivery issues and found no pattern on the delivery route.	12/14/12
Councilmember, New York	Non-receipt and irregular delivery of mail	Our investigative efforts produced no evidence to substantiate the allegation that mail delivery was inconsistent and inaccurate.	02/12/13
Representative, Virginia	Non-delivery of mail containing gemstones after tracking information indicated delivery to at PO Box	We conducted an investigation but could not determine the source of the loss.	11/26/12
Senator, New Hampshire	Postal employee misconduct including harassment and mail tampering	Our investigative efforts produced no evidence to substantiate the allegation that a postal employee fraudulently ordered multiple magazine subscriptions in complainant's name or delayed or tampered with mail delivered to her address.	02/12/13
Senator, Maryland	Postal management misconduct including Hatch Act violation	We found no evidence of violations of the Hatch Act, and no attempt to interfere with, or influence, an election or engage in partisan political activity.	03/05/13
Delegate, Virgin Islands	Non-delivery of a postal parcel, and failure to notify sender of recovered mail	We found the Mail Recovery Center (MRC) did not notify the sender in the mistaken belief that her Virgin Islands address lies outside of the United States. The Office of Government Relations intervened with the MRC as to the misstatement. However, we were not able to locate all the missing items.	12/19/12
Representative, Pennsylvania	Postal management and OIG misconduct in regard to her denial of workers' compensation benefits	Our investigation determined the complainant's time on workers' compensation exceeded expectations for this type of injury; she engaged in activities inconsistent with a doctor's restrictions; and she was cleared to return to work but did not. Such matters are subject to grievance. We reviewed OIG agents' activities and, absent any specific allegations, did not find issues warranting further investigation.	11/01/12
Senator, Louisiana	Postal management misconduct including falsification of postal records, improper mail handling, and discrimination	We found no evidence of misconduct or improprieties at the location, but found a record of workplace tension and that management was responding.	03/11/13
Representative, Florida	Non-delivery of a postal parcel containing an automotive turbocharger	We conducted an investigation and placed test packages within the mailing center, and could not account for its disappearance en route to Atlanta from Jacksonville. We found no indication of employee misconduct.	11/14/12
Representative, New York	Postal management misconduct, including failure to comply with protocol related to packages containing hazardous substances, and whistleblower retaliation (WBR)	The Postal Inspection Service previously reviewed safety aspects of the matter. As to WBR, we determined the complainant had made no protected disclosure, a threshold requirement for postal WBR status.	03/11/13
Representative, Georgia	Postal management misconduct, e.g., falsification of records, and hostile work environment	We determined the transfer of employee work hours, for accounting purposes, from a suspended post office to a gaining facility is allowed under postal policy and is not falsification. An involuntary reassignment was not part of a hostile work environment; instead it related to discipline and a manager's failure to follow direction.	01/10/13

<b>Requestor</b>	<b>Allegation/ Concern</b>	<b>Major Findings</b>	<b>Closure Date</b>
Senator, Florida	Hostile work environment and management misconduct	We found no evidence of workplace climate issues related to this one, which involved a verbal altercation between two employees and one of their spouses, and determined there was no evidence of a hostile work environment. We found no misconduct by management relating to delays and performance reporting. However, we did find a discrepancy between local procedures and national policy for timely delivery of PO Box Mail, which we reported to District management for action.	01/29/13
Representative, Louisiana	Postal employee misconduct including mail theft and tampering	We conducted an investigation and could not confirm theft or wrongful changes of address.	11/05/12
Senator, Florida	Postal management harassment, discrimination, and misconduct	The complainant sought administrative relief concerning workplace issues and, as a result, the OIG will not interfere in resolution of those matters. We declined to open a formal investigation of other charges, for which no specifics were provided.	11/30/12
Representative, Michigan	Non-delivery or theft of postal parcel	We confirmed tracking information indicated some of the packages were interrupted in transit. We conducted a mail test, which arrived intact and with no signs of tampering. Postal database searches found no similar complaints during the timeframe or route the packages took.	03/26/13
Senator, New Hampshire	Mail tampering and theft	We found the letter carrier and the customer disagreed about the mail box that is assigned to address, leading to a perceived delay. Management addressed the issue.	02/05/13
Representative, South Carolina	Non-receipt of certified letter and forged signature on mail receipt	We confirmed that the paperwork for the item wrongly indicated delivery and signature at an incorrect address. Management could not account for the ultimate whereabouts of the item, but took the appropriate actions to address operational issues.	01/08/13
Delegate, District of Columbia	Non-receipt of Certified Mail receipt, and non-delivery of Certified Mail occurring in 2011	Due to the passage of time and unavailability of parties, we could not determine the whereabouts of the missing mail and receipts. We established that personnel were knowledgeable as to procedures and policies for handling Certified Mail.	03/11/13
Representative, Florida	Misdelivered mail and malfunctioning Change of Address (COA) system	Because of similarities in a father's and son's first four letters of first and last names, the computerized system feeding into the COA System did not properly record changes for the two. We worked with postal management to resolve the delivery issue.	01/08/13
Senator, Delaware	Postal management misconduct, including mail fraud and delay of mail	We found discrepancies in local procedures and postal policy; learned some mail was delayed after being intentionally hidden; and documented parcels being falsely scanned as "attempted delivery;" management at the post office-level falsified clock rings and entered false signatures on a postal document.	03/26/13
Representative, Maryland	Assistance in obtaining a response from the US Attorney regarding alleged perjury by postal management	We undertook no formal work as the US Attorney declined to file charges and because our investigative jurisdiction ended once the employees separated from the Postal Service in early 2012.	11/26/12
Representative, Maryland	Postal employee misconduct, falsifying a COA request	We determined a postal employee created and forged a COA form, causing the customer's mail to be forwarded to an unrelated party in Texas without her permission.	02/19/13
Representative, Alabama	Management retaliation following complainant's cooperation as a witness in an EEO case.	The matters of the WBR following participation in EEO proceedings are not within OIG jurisdiction. We provided contact information for the EEOC USPS.	11/05/12

**APPENDIX J**

<b>Requestor</b>	<b>Allegation/ Concern</b>	<b>Major Findings</b>	<b>Closure Date</b>
The White House	Misconduct, including invasion of privacy and wiretapping, following complainant filing an OSHA complaint against the Postal Service	Postal investigative agencies could not substantiate through their records that any of the alleged events or surveillance occurred.	12/07/12
Representative, New Jersey	Non-delivery of letter mail	The complainant's mail was in fact missing, found among roughly 1,400 pieces of mail recovered in October 2012. After analyzing the mail, our investigation found that the mail had been abandoned. We reported findings to Postal management for review and action.	03/04/13
Postmaster General	Failure by OIG to properly investigate a retaliation complaint	We previously reviewed the case and the work of the investigators. Complainant provided no basis to reopen the matter.	12/14/12
Senator, South Carolina	Non-receipt, destruction, and tampering of mail parcel	Our investigation documented that one damaged parcel was retaped by a postal employee, with supervisory approval, prior to delivery. Employees recalled other damaged packages arriving at the Post Office for delivery to complainant. We found no link to other investigations or patterns of theft related to this complaint.	03/08/13
Senator, Florida	Postal management misconduct, involving refusal to approve Family and Medical Leave Act-covered leave and falsifying documents; and hostile work environment	The complainant sought administrative relief concerning workplace issues and, as a result, the OIG will not interfere in resolution of those matters.	02/15/13
Representative, Colorado	Failure to conduct proper investigation and cover-up of postal wrong-doing	Complainant in April 2012 sought an investigation of postal officials. We find no basis to reopen our decision in May 2012 to refer the matter to postal management. The Inspector General Act does not require that we investigate every complaint, and accords the agency wide investigative latitude and discretion.	12/21/12
Representative, Massachusetts	Non-receipt, theft, and delay of mail	The matter was referred to OIG in December, and we learned the Postal Service had already resolved the problem.	12/17/12
Representative, Pennsylvania	Postal management misconduct	While we produced no evidence to substantiate the allegations, we learned that a grievance complainant filed is resolving issues concerning back pay for administrative leave hours.	02/19/13
Chairman, Senate Committee	Improper OIG investigation of WBR complaints; and improper handling of mail to a Senate office	Our investigation was terminated following complainant's refusal to cooperate.	12/31/12
Chairman, Senate Committee	Postal management harassment, discrimination, and misconduct	The complainant sought administrative relief concerning workplace issues and, as a result, the OIG will not interfere in resolution of those matters. We declined to open a formal investigation of other charges, for no specifics were provided.	02/12/13
Senator, Ohio	Postal management fraudulently withheld, signed, and cashed complainant's paycheck	Our investigation found the complainant's own error led to an overpayment. Management's effort to recover the overpayment was not fraudulent, but the methods used are under review. As there is a pending grievance, we closed our investigation.	01/29/13
Board of Governors	Mail tampering and destruction by postal employee	Our mail integrity tests all arrived intact. However, we heard comments about misdelivered mail and how a customer might open the mail item by accident.	03/04/13



**Inspector General (IG) Audits / Risks Analysis Research Center Reports (5)**

<b>Requestor</b>	<b>Allegation/Concern</b>	<b>Major Findings/Resolution</b>	<b>Closure Date</b>
Senator, Iowa	Postal management compliance with rules for post office closures and DUO process	We conducted formal work, Audit Report - MS-AR-13-001, Delivery Unit Optimization Initiative. We found management generally complied with DUO guidelines, but the guidelines were limited and did not provide district management a well-defined methodology to project and validate savings and efficiencies. A detailed review of five sites found mixed results.	12/06/12
Representative, Connecticut	Postal management issues affecting postmasters	We provided a copy of Audit Report - MS-AR-13-001, Delivery Unit Optimization Initiative. We also invited confidential complaints via our Hotline.	12/26/12
Representative, California	Request a review of the involuntary reassignments as result of postal management steps to consolidate operations at the Midway and Margaret Sellers facilities	The National Postal Mail Handlers Union (NPMHU) asked for an assessment of workplace environment at the Margaret Sellers location. We did not find a basis for investigation, and asked the Office of Audit (OA) whether they had relevant work underway. OA suggested they review our work on the shortcomings in postal efforts to adjust workhours as mail volumes decline, and other efforts to achieve all possible efficiencies in mail processing operations.	12/17/12
Chairman, House Committee	Request assessment to identify specific IG opportunities for savings to combat waste in the federal bureaucracy	We recommended, in short term, reducing workhours for network optimization; moving to curbside delivery; restructuring city delivery workforce; matching federal health care employee contribution rates; and reducing workhours for retail optimization. In the longer term, we recommended 5-day delivery; pursuing legislative action relevant to the current pension and future pension surpluses; reforming FECA for retirement age employees; replacing manual processing for revenue, pieces, and weights data collection; outsourcing opportunities.	12/28/12
Co-chairs, Bicameral Task Force	Request assessment of the extent of the Postal Service efforts to prepare and respond to the threat from climate change	Reviewed the U.S. Postal Service efforts, assessed the progress towards legislated goals, and provided a guide to prior relevant audit work.	03/29/13

**General Counsel and Support Functions (9)**

<b>Requestor</b>	<b>Allegation/ Concern</b>	<b>Major Findings/ Resolution</b>	<b>Closure Date</b>
Ranking Members, Two Senate Committees	Requested periodic reports to support oversight activities	We provided listings of our unpublished investigations, certain prosecutorial declinations, status of audit recommendations, and other items.	12/20/12
Representative, North Carolina	FOIA request for mail theft investigative records	The FOIA Office redacted and released documents.	11/13/12
Chairman, Senate Committee	Report on First-Class Mail on Air Transportation	We provided the report, a briefing, and updates: NL-AR-12-003, Density of First-Class Mail on Air Transportation.	11/27/12
Ranking Member, Senate Committee	SEC investigation report	Report sent.	11/27/12
Ranking Member, Senate Committee	SEC investigation report	Report sent.	11/29/12
Representative, Florida	OIG management failure to assist in personnel matters	OIG Human Resources personnel resolved this issue.	02/04/13
Representative, Maryland	Wrongful termination from the OIG	Our Human Resources personnel responded about agency action and employee rights and remedies.	01/22/13
Representative, New York	Guidance pertaining to the Law Enforcement Officers Safety Act of 2004	We provided Human Resources personnel contact information.	02/14/13
Senator, Maryland	Postal Service misconduct, falsification of delivery confirmation of package sent to OIG	We found that the package had in fact been delivered to the OIG of the U.S. Equal Employment Opportunity Commission (EEOC) and not the Postal Service Office of Inspector General.	03/08/13

**Referrals (1)**

<b>Requestor</b>	<b>Allegation/ Concern</b>	<b>Major Findings/ Resolution</b>	<b>Closure Date</b>
Senator, Idaho	Non-delivery and theft of mail	Loss appears to have occurred outside of the jurisdiction of the Postal Service and OIG; referred to the Inspection Service.	03/28/13

## SUPPLEMENTAL INFORMATION

### Freedom of Information Act

The OIG's 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."

For the period October 1, 2012, to March 31, 2013

<b>Requests</b>	<b>Number of Requests</b>
Carryover from prior period	24
Received during period	319
<b>Total on hand during period</b>	<b>343</b>

<b>Actions</b>	<b>Number of Requests</b>
<b>Processed during the period</b>	<b>316</b>
Requests denied in full	8
Requests granted in full	11
Requests denied in part	119
No records	25
Requests referred	46
Requests withdrawn	16
Fee-related reasons	9
Records not reasonably described	—
Not a proper FOIA request for some other reason	9
Not an agency record	67
Duplicate request	6

<b>Balance</b>	<b>Number of Requests</b>
Balance at the end of the period (pending)	27

<b>Processing Days</b>	<b>Number of Days</b>
Median processing days to respond to a FOIA request	5

### Workplace Environment

The OI Workplace Environment unit reviews workplace environment and operational issues that may affect workplace climate in postal facilities through 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.

### Activities

For the period October 1, 2012 - March 31, 2013

<b>Complaints Received</b>	<b>Total</b>
Carryover from prior period	40
Complaints received from OIG Hotline, Congress, governors, management, internal, and other	204
<b>Total on hand during this period</b>	<b>244</b>

<b>Workplace Environment Actions</b>	<b>Total</b>
Complaints reviewed and closed during the period	201
Referred to Postal Inspection Service	1
Referred to Office of Audit	1
Referred to Office of Investigations	1
Referred to Workplace Environment	56
Referred to Hotline	1
Referred to Summary of findings to Congress/BOG/Postal Service Management	93
Referred to FOIA	—
Referred to AIG for Investigations	—
Referred to Database for statistical analysis and possible systemic review	48
<b>Complaints pending at the end of the period</b>	<b>3</b>

## Acronym Guide

Here is a quick guide to acronyms used in this reporting period.

<b>APPS:</b> Automated Package Processing System	<b>NALC:</b> National Association of Letter Carriers
<b>APWU:</b> American Postal Workers Union	<b>NCSC:</b> National Customer Support Center
<b>C&amp;A:</b> certification and accreditation	<b>NDC:</b> network distribution center
<b>CSRS:</b> Civil Service Retirement System	<b>NPV:</b> net present value
<b>CSS:</b> customer service supervisor	<b>OA:</b> Office of Audit
<b>DBCS:</b> Delivery Barcode Sorter	<b>OI:</b> Office of Investigations
<b>DOL:</b> U.S. Department of Labor	<b>OWCP:</b> Office of Workers' Compensation Programs
<b>DEA:</b> Drug Enforcement Administration	<b>P&amp;DC:</b> processing and distribution center
<b>DWC:</b> distribution window clerk	<b>P&amp;DF:</b> processing and distribution facility
<b>eCBM:</b> Electronic Conditional Based Maintenance	<b>PAEA:</b> Postal Accountability and Enhancement Act of 2006 (also known as the Postal Act of 2006)
<b>EDDI:</b> Electronic Data Distribution Infrastructure	<b>PKI:</b> Public Key Infrastructure
<b>EDI:</b> Electronic Data Interchange	<b>PRC:</b> Postal Regulatory Commission
<b>EIR:</b> Enterprise Information Repository	<b>PVS:</b> Postal Vehicle Services
<b>FEGLI:</b> Federal Employees' Group Life Insurance	<b>RARC:</b> Risk Analysis Research Center
<b>FEHB:</b> Federal Employees Health Benefits	<b>SBOC:</b> Stations and Branches Optimization Consolidation
<b>FSS:</b> Flats Sequencing System	<b>SSA:</b> sales and services associate
<b>GMU:</b> George Mason University	<b>TACS:</b> Time and Attendance Collection System
<b>HCR:</b> highway contract route	<b>VMF:</b> Vehicle Maintenance Facility
<b>LLV:</b> long-life vehicles	
<b>MTE:</b> mail transport equipment	

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# Who do I call?

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

**Contact: 888-877-7644**  
[www.uspsoig.gov](http://www.uspsoig.gov)



## 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

**Contact: 877-876-2455**  
<http://postalinspectors.uspis.gov>





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