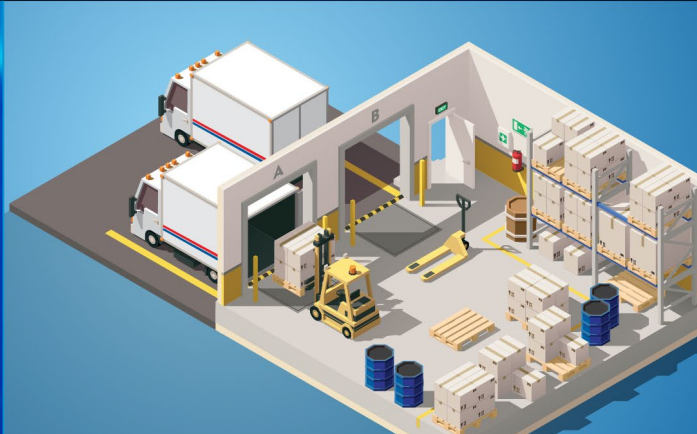
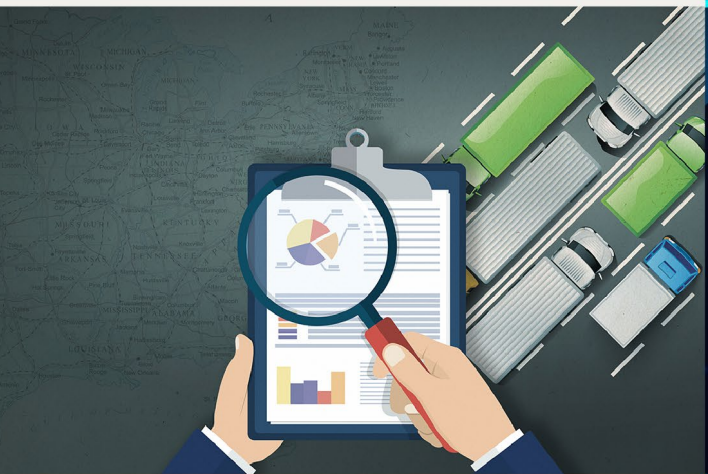
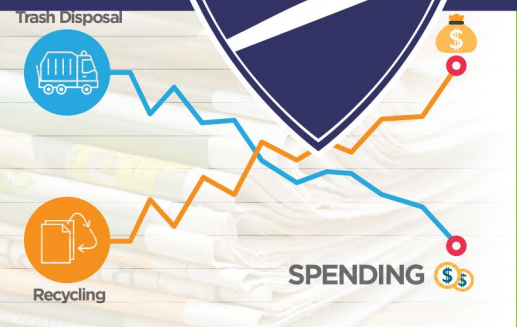




SPRING 2018

SEMIANNUAL REPORT TO CONGRESS

OCTOBER 1, 2017 — MARCH 31, 2018





A Message from the Acting Inspector General

For over 200 years, the U.S. Postal Service has been delivering mail for American consumers and businesses. But as the worlds of commerce and communications keep changing — and as customer expectations continue to rise — delivery is more than just getting mail or a package from point A to point B.

Customers today expect real-time visibility, so accurate scanning of mail and packages is critical. They also demand a positive overall experience, whether that's getting a delivery when expected or visiting a post office to make a transaction. They want services at the lowest possible cost, which means all aspects of mail processing, handling, and delivery need to be as efficient as possible.

Our audits and white papers featured in this Semiannual Report to Congress for the period ending March 31, 2018, focus on many of these important issues around delivery, efficiency, and satisfaction. For example, our audit report on nationwide package delivery scanning looked at two billion package scans during a six-month period to identify improper “stop the clock” deliveries — that is, scans that occurred somewhere other than at the door when the package was delivered.

Another report looked at how the Postal Service measures customer satisfaction on mail delivery and offered enhancements to the survey design, as well as sample techniques that could increase the accuracy of the surveys. Our research confirmed that the Postal Service's Delivery Survey provides it with valuable customer feedback, but adjustments could make it even better.

All told for this period, we issued 61 audit reports, management advisories, and PARIS risk models, and the Postal Service accepted 79 percent of our recommendations.

As always, this semiannual report also includes our investigative work for the six-month period. Our investigations can be grouped around a handful of broad focus areas: health care fraud (claimant and provider); mail theft; contract fraud; financial fraud; and narcotics. Our special agents are active in all of these areas, but narcotics allegations are rapidly becoming the area of greatest focus. We see an increasing number of narcotics cases nationwide and a growing sophistication on the part of traffickers on how to avoid detection.

However, we also see opportunities for data to be a useful tool in uncovering not just fraud, waste, and misuse, but also illegal activity around narcotics in the mail. We have invested in building an analytical, evidence-based culture, which has proved so successful that we are now extremely reliant on data analytics for many of our most important audits and investigations.

In this period, we completed 1,141 investigations that led to 329 arrests and nearly \$53 million in fines, restitutions, and recoveries, \$23 million of which was turned over to the Postal Service.

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


Tammy L. Whitcomb
Acting Inspector General

Mission Statement

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

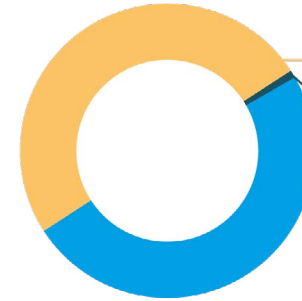
SUMMARY of PERFORMANCE

For the Period October 1, 2017 - March 31, 2018



Audit

Reports Issued: **61**
 Recommendations Issued: **128**
 Total Reports with Financial Impact: **23**



Questioned Costs:
\$322,238,720
 Revenue Impact:
\$20,114
 Funds put to better use:
\$315,096,510
Total:
\$637,355,344



Investigations¹



Amount to the Postal Service:²
\$23,163,640

Investigations Completed: **1,141**
 Arrests: **329**
 Indictments/Informations: **394**



Cost Avoidance:
\$102,879,250

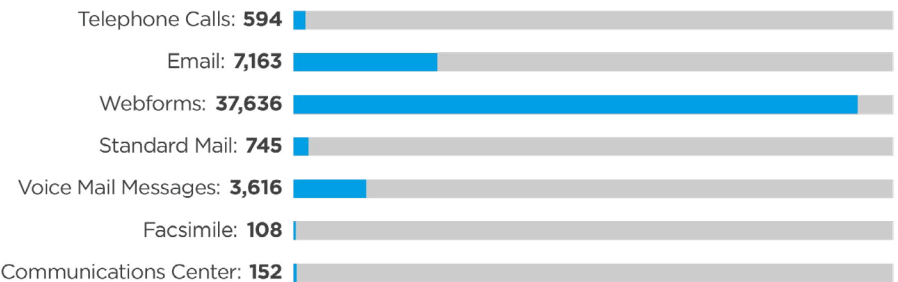


Fines, Restitution, and Recovery:
\$52,907,213

Convictions/Pretrial Diversions:³ **80**
 Administrative Actions: **1,305**



OIG Hotline Contacts



¹ Statistics include joint investigations with other law enforcement agencies.

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

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

CONTENTS

A Message from the Acting Inspector General.....	I
Summary of Performance.....	II
Audits and White Papers	1
Investigations.....	13
Appendices	22
Who Do I Contact — Report Fraud Waste and Abuse	63
Contact Information.....	64

AUDITS AND WHITE PAPERS

» Information Technology	2	» Finance, Pricing, and Investments	7
» Supply Management and Human Resources	3	» Mission Operations	7
» Retail, Delivery, and Marketing	4	» Risk Analysis Research Center	11

Management Response to Audit Work

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

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

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



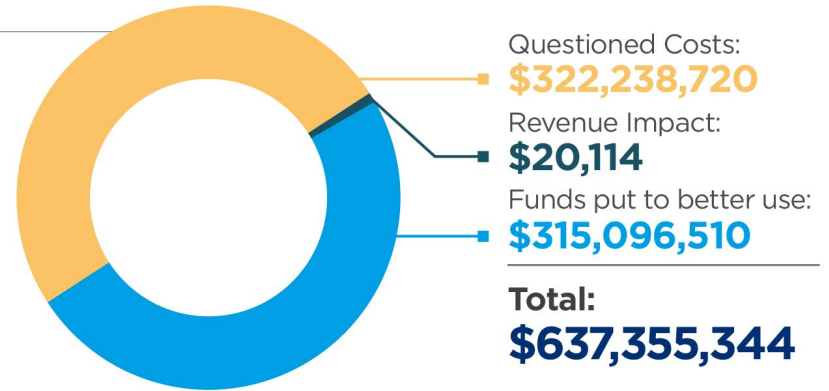
Audit SUMMARY of PERFORMANCE

For the Period October 1, 2017 - March 31, 2018

Reports Issued: **61**

Recommendations Issued: **128**

Total Reports with Financial Impact: **23**



Information Technology

Western Area P&DC Physical and Environmental Security Controls

The Postal Service has the mail processing resources, information technology (IT) network, and transportation infrastructure necessary to deliver mail to every residential and business address in the country. These resources include facilities, equipment, and systems that allow processing, transfer, and storage of data vital for business operations. USPS implements physical and environmental security controls to reduce the risk of system and equipment failure,

damage from environmental hazards, and unauthorized access to its facilities and assets.

The Postal Service did not implement effective physical security and environmental controls at the Western Area Processing & Distribution Center. We noted excessive access to IT assets and controlled areas. In addition, employees did not verify the identity of individuals without Postal Service badges prior to granting them access to the facility. Also, retail store and business mail entry unit employees allowed unauthorized individuals to enter controlled areas unchallenged and unescorted. Finally,

facility management did not implement environmental controls to protect IT assets against water and fire damage in the information system office and the IT server room.

We recommended facility management conduct a badge access review for all controlled areas and communicate access policy requirements to all personnel. We also recommended facility management implement environmental controls to protect IT assets from water damage in the information system office and from fire damage in the IT server room.

Supply Management and Human Resources

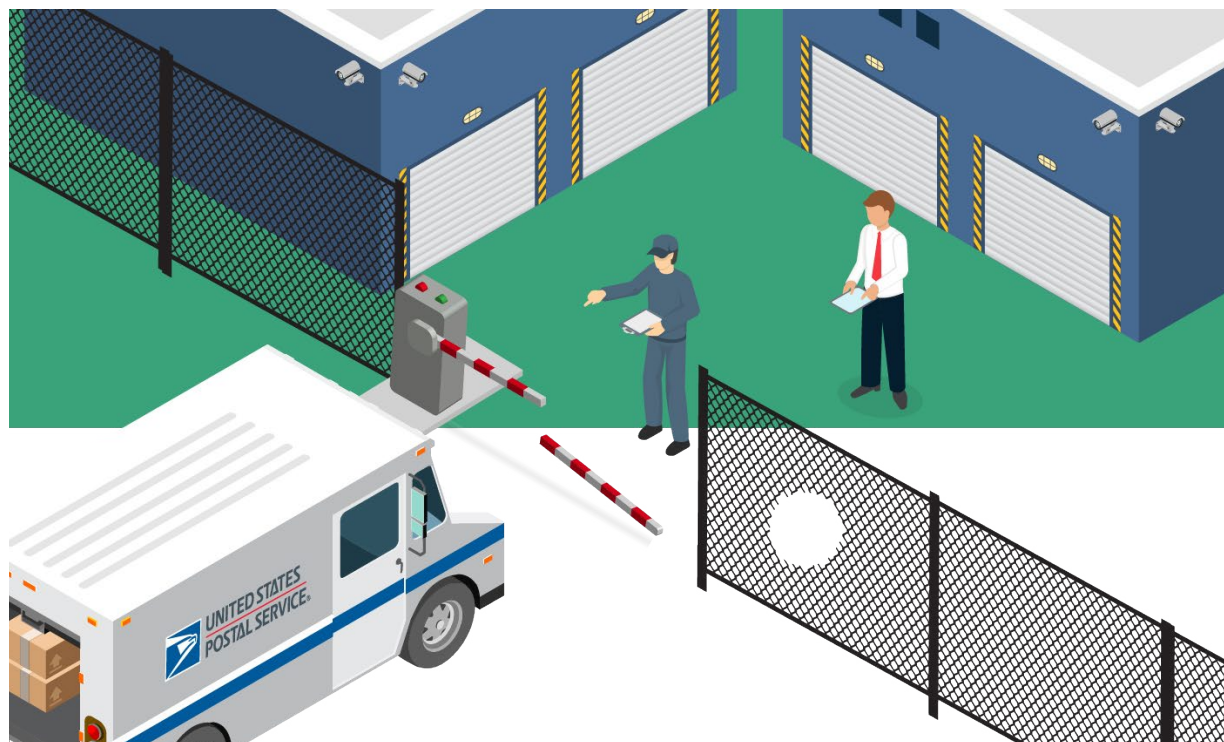
Facility Security at Network Distribution Centers

A Network Distribution Center (NDC) is a highly mechanized Postal Service mail processing plant that distributes standard mail and provides package services. As of December 2017, there were 21 NDCs nationwide. The U.S. Postal Inspection Service (USPIS) and Postal Service are responsible for security at those locations, primarily through use of the Vulnerability Risk Assessment Tool (VRAT).

We found the Postal Service and Postal Inspection Service did not consistently address and monitor security deficiencies effectively at the 11 NDCs we assessed. Specifically:

- Security officials did not always address security deficiencies identified during assessments in a timely manner.
- Installation heads did not always monitor the status of identified deficiencies, track the progress of corrective actions taken, or close out deficiencies when resolved.
- Installation heads did not always provide deficiency status updates to appropriate security personnel.

VRAT assessments identified 139 security deficiencies at the 11 NDCs we reviewed. Deficiencies included obstructed, damaged, or inoperable gates, fences, doors, locks, and closed-circuit television systems.



In addition, security officials did not consistently conduct assessments at the prescribed frequencies, nor was the security assessment policy updated to reflect use of VRAT, which replaced the annual security survey in fiscal year 2012. These conditions occurred because internal controls were not sufficient to ensure responsible officials effectively addressed, monitored, and communicated security deficiencies or conducted assessments, as required.

We recommended management establish standard operating procedures and timeframes to address, monitor, and communicate identified security deficiencies. We also recommended management establish an oversight mechanism to promote accountability and ensure compliance with VRAT requirements and update policy to reference the assessment. Management disagreed with portions of the finding about conducting VRAT assessments, but agreed with the recommendations.

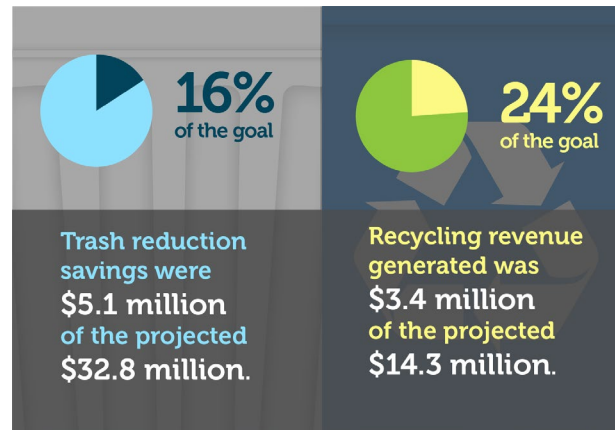
Supply Management and Human Resources

National Recycling Program

In fiscal year (FY) 2014, the Postal Service approved \$33 million for the National Recycling Program (NRP) as part of an overarching initiative to drive waste and cost out of operations, generate revenue, and provide better stewardship of the environment. The goal of the NRP is to reduce trash disposal costs and increase recycling revenue from office mixed-paper, undeliverable standard mail, and discarded lobby mail. As of September 2017, the Postal Service has implemented the NRP at 149 of 178 planned sites, with full implementation targeted for March 2019.

The Postal Service did not effectively manage the NRP to ensure goals and objectives were achieved. Specifically, as of September 2017:

- Trash reduction savings were \$5.1 million of the projected \$32.8 million, just 16 percent of goal.
- Recycling revenue generated was \$3.4 million of the projected \$14.3 million — 24 percent of goal.



In addition, facility employees did not accurately record recycling revenue and expenses within designated general ledger accounts. These issues occurred because 1) there was ineffective monitoring by headquarters; 2) the program execution plan was not fully rolled out; and 3) there were no controls to ensure accurate recording of revenue/cost activity.

We recommended the Chief Sustainability Officer strengthen controls of the National Recycling Program operations and coordinate with managers at the Greensboro and Suncoast Districts to implement financial monitoring and operational oversight responsibilities over the facilities to the district. We also recommended management implement a control to validate accuracy of general ledger account entries, reiterate standard operating procedures to appropriate personnel, and provide additional general ledger account entry training, as necessary.

Retail, Delivery, and Marketing

Package Delivery Scanning Nationwide

As part of its commitment to providing customers with real-time visibility of their mail and package delivery services, the Postal Service has a goal of scanning all barcoded mailpieces (flats, letters,

and packages) and tracking them to the point of delivery. From July 1 through December 31, 2016, the Postal Service scanned over two billion packages sent to more than 136 million delivery locations on more than 227,092 routes.

Of these scans, we identified 25.5 million that occurred between 7 p.m. and when the carrier clocked out of the office to start delivery the following morning. We found that 15.3 million of these (60 percent) were performed at a location outside of the delivery unit; however,

Retail, Delivery, and Marketing

TOTAL
1.9
MILLION
IMPROPER SCANS



800,000

packages improperly scanned between 12:01 a.m. and within 10 minutes of the carrier leaving the delivery unit.



1.1 million

packages improperly scanned between 7:00 p.m. and 12:00 a.m., after the carriers returned from street delivery.

8.3 million packages with Delivery Scans and No Location Data

about 1.9 million (7 percent) were improper stop-the-clock scans that occurred at delivery units, not delivery locations. An additional 8.3 million delivery scans (33 percent) had no corresponding location data; therefore, there was no way to determine whether they were improper. Finally, we identified additional concerns with 105 million of the two billion scans. Management has taken or initiated corrective action to address these issues.

To increase scan accuracy, we recommended management 1) continue reinforcing the importance of adhering to package scanning guidelines and policies; 2) develop a process that allows carriers to scan multiple packages to a single delivery address to provide customers with accurate delivery information; 3) develop a Mobile Delivery Device warning message/alert to deter scans at delivery units; 4) create a reason code for manual entry of stop-the-clock scans to identify reasons for the manual scans; and 5) update the Scan Data Integrity report to track improper scans performed at delivery units.

Management agreed with the recommendations to reinforce package scanning guidelines and policies and also develop a process for carriers to scan multiple packages delivered to large apartment complexes, but only partially agreed with recommendations to develop a Mobile Delivery Device warning message/alert and update the Scan Data Integrity report. Management disagreed with recommendations to develop a process to allow carriers to scan multiple packages to a single delivery address and create a reason code for manual entry scans.

International Exchange Offices

The Postal Service recorded about 621 million inbound international mailpieces in FY 2016. Inbound international mail typically arrives at one of five USPS International Service Centers (ISCs) located in Chicago, Los Angeles, Miami, New York, and San Francisco. Postal Service policy at the time of our audit also listed 22 International Exchange Offices (IEOs) that accept international mail; it also

described verification processes for accepting inbound international mail at both IEOs and ISCs. The processes include mail preparation requirements and actions for identifying and handling authorized mailings, and coordinating with U.S. Customs and Border Protection (CBP).

We found the Postal Service accepted inbound international mail at only four of the 22 facilities listed as IEOs: 1) the New Jersey International NDC in Newark; 2) the Honolulu P&DC; 3) the Pago Pago Main Office in American Samoa; and 4) the Barrigada Post Office in Guam. None of the 18 remaining IEO facilities accepted international mail, and three were closed; the 15 open IEOs performed various domestic mail operations.

The Postal Service had not updated its policy governing acceptance of inbound international mail to include changes in acceptance operations at these facilities. Postal Service management acknowledged the policy was outdated.

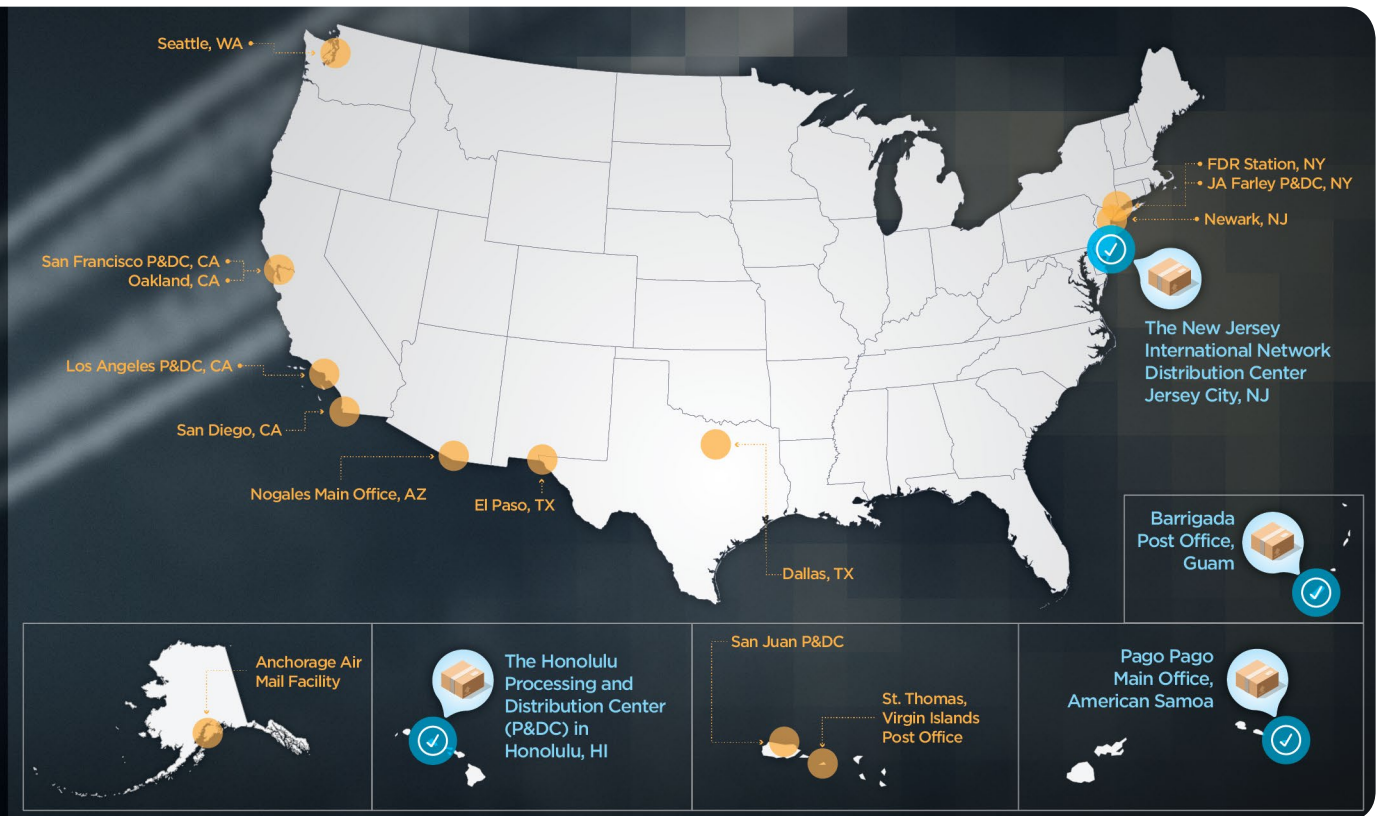
Retail, Delivery, and Marketing



International Exchange Office Operations

The Postal Service accepted inbound international mail at only four of the **22 facilities** listed as IEOs in its policy.

- The New Jersey International Network Distribution Center in Newark, NJ.
- The Honolulu Processing and Distribution Center (P&DC) in Honolulu, HI.
- The Pago Pago Main Office in American Samoa.
- The Barrigada Post Office in Guam.



We also noted during our observations at the San Juan P&DC that CBP officers were not able to scan packages selected for further inspection into the Postal Service's Global Business System (GBS) due to invalid login credentials provided by the Postal Service. CBP and Postal Service officials both acknowledged that CBP officers should have access to GBS to scan and document packages held for inspection.

The Postal Service and its customers may not be able to determine the location of packages selected for CBP inspection that are not scanned and documented in GBS in a timely manner.

We recommended management update Postal Service policies governing the facilities that accept inbound international mail and provide CBP officers with valid login credentials to access GBS.

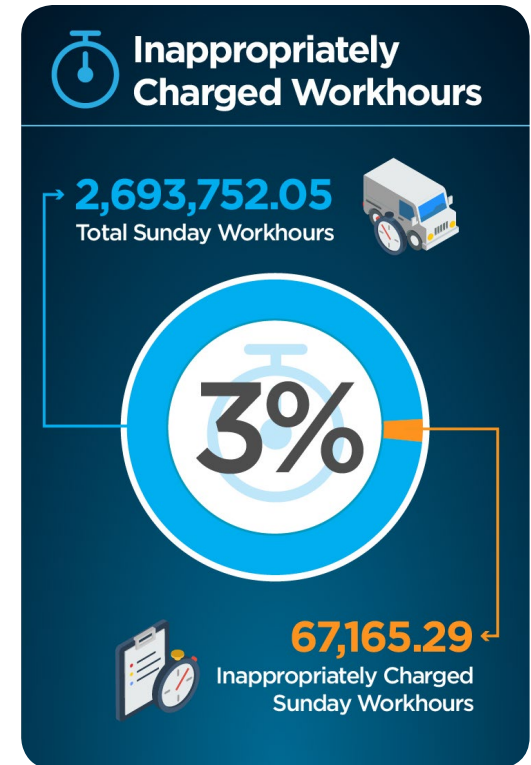
Finance, Pricing, and Investments

Delivery Charge Codes

On June 30, 2017, the Postal Service submitted a proposal to use Time and Attendance Collection System (TACS) data instead of In-Office Cost System sampling data to determine the share of city carrier costs allocated to letter routes and special purpose routes. As a result, we assessed the reliability and accuracy of TACS data and determined improvements could be made. We found delivery personnel did not consistently charge Sunday delivery time to operations associated with the Sunday delivery labor distribution code or maintain support documentation for clock-ring adjustments. In addition, we identified potential anomalies in TACS data, such as carriers not having an end-tour clock-ring on a day they delivered mail or a last delivery scan that preceded their end-tour clock-ring.

If the Postal Regulatory Commission approves the use of TACS data in city carrier labor costing, inappropriately charged work hours and the risk of improper, unsubstantiated adjustments could impact the accuracy and reliability of cost attribution in the future.

We recommended management 1) reiterate clock-ring policy; 2) monitor clock-ring accuracy; 3) require all clock-ring adjustments be justified, monitored, and include a documentation retention period; 4) include a system selection menu for adjustments; and 5) establish controls over end-tour clock-rings. Postal Service management disagreed with all recommendations and findings because they view existing controls as sufficient. The OIG will pursue this matter through audit resolution.



Mission Operations

Small Package Sorting System Performance

Since 2015, the Postal Service has deployed 33 Small Package Sorting System (SPSS) machines nationwide at a cost of over \$141 million. The SPSS machine was designed to provide automated package-sorting capability and reduce manual sorting.

We found that, on average, from January 1, 2016, through July 31, 2017, the SPSS machines exceeded the throughput performance goal by about 5 percent but were falling short of the productivity goal by about 17 percent. Throughput is based on the average number of packages sorted in an hour, and productivity is based on the average number of packages sorted compared

to employee workhours. We conducted site observations from May to August 2017 at one high-performing site and at four low-performing sites. At the low-performing sites we observed a lack of supervision and planning that resulted in inadequate training and instructions, staffing not aligned to mail volume, and incorrect workhour reporting.

Mission Operations

We calculated the Postal Service would save about \$24.8 million in labor costs annually by correcting the causes of low productivity nationally. We recommended management provide adequate instructions for supervisors and staff, align staffing to package volume, and monitor and correct labor code selection for reporting workhours. Management agreed with the findings and recommendations but not the monetary impact. Management planned to implement corrective actions by December 31, 2017.

Mail Processing Facilities Staffing

The Function 1 (F1) Scheduler is a modeling tool the Postal Service uses at 265 mail processing facilities around the country to create job assignments for mail processing operations by employee labor code. The tool takes into account mail volume, the number and type of mail processing machines, transportation schedules, and productivity.

We determined that mail processing facilities are not optimally staffed based on use of the F1 Scheduler. At the beginning of FY 2018, the actual nationwide mail processing complement was more than 6 percent higher than what the F1 Scheduler determined to be optimal,

resulting in about \$420 million in additional labor costs. The Postal Service does not have nationwide criteria or a requirement that facilities match actual staff levels to F1 Scheduler results. When the Postal Service does not optimally staff its mail processing facilities using the F1 Scheduler, there is an increased risk of additional overtime and lower productivity.

The Postal Service does not use the results of the F1 Scheduler when determining a facility's

mail processing workhour budget. When the F1 Scheduler and budget process are not combined, budgeted workhours will not align with facility staff levels, and the Postal Service will not realize savings from staff realignment.

While we concluded that the F1 Scheduler is useful, the Postal Service has not completed a Verification, Validation, and Accreditation process for the F1 to determine if it is functioning as intended. Ensuring the F1 functions as intended would help

Postal Service management validate that processing facilities have adequate staff to meet operational and budget requirements.

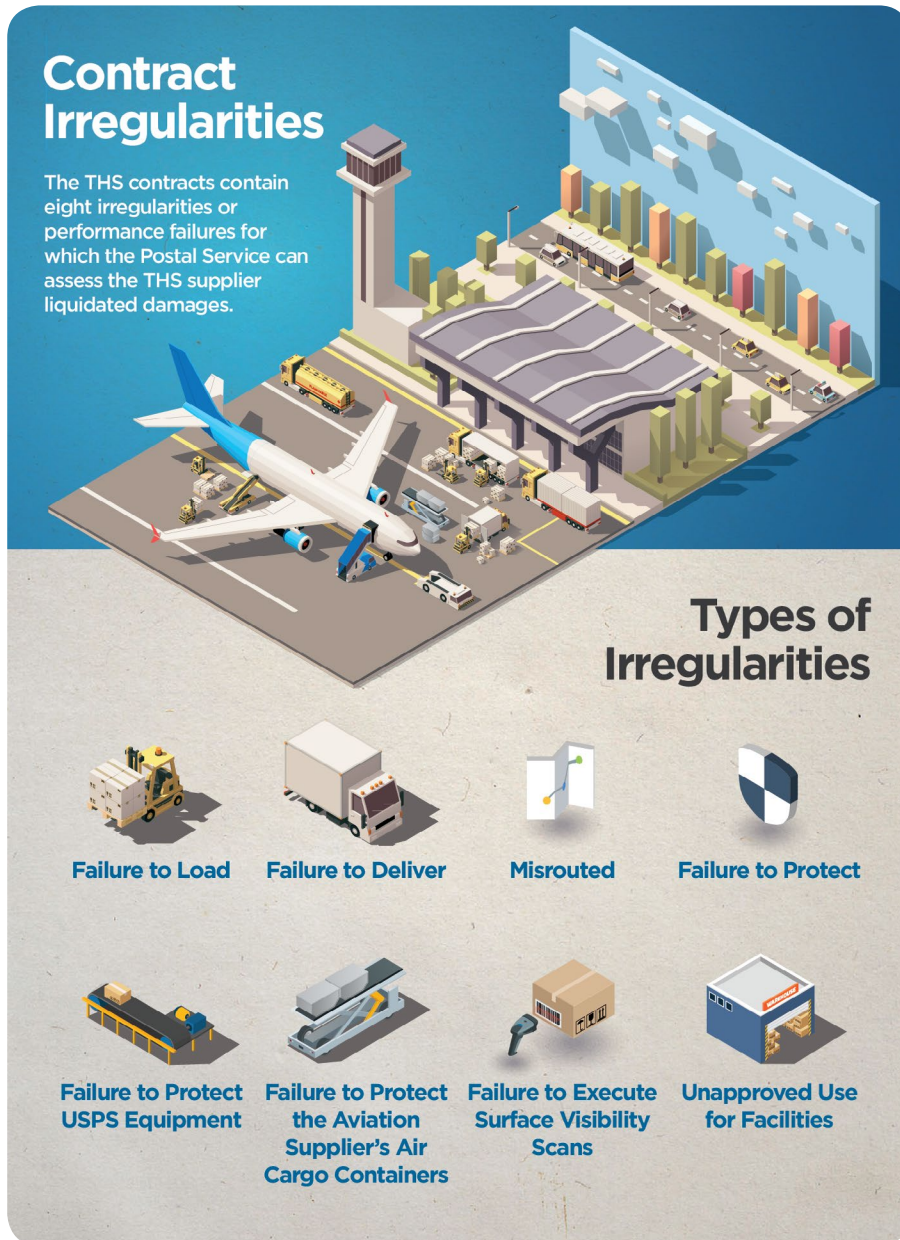
We recommended management establish nationwide criteria for using F1 Scheduler results, include F1 Scheduler results in headquarters' annual budget process, and implement and document the Verification, Validation, and Accreditation process for the F1. Management disagreed with the findings, recommendations, and monetary impact.



Mission Operations

Contract Irregularities

The THS contracts contain eight irregularities or performance failures for which the Postal Service can assess the THS supplier liquidated damages.



Types of Irregularities



Failure to Load



Failure to Deliver



Misrouted



Failure to Protect



Failure to Protect USPS Equipment



Failure to Protect the Aviation Supplier's Air Cargo Containers



Failure to Execute Surface Visibility Scans



Unapproved Use for Facilities

Terminal Handling Services – Capital Metro Area

We found that the effectiveness of the Capital Metro Area Terminal Handling Services (THS) could be improved with better Postal Service oversight of mail arrival profiles and THS contractual operations. During our Atlanta, Baltimore, and Charlotte site visits, we observed:

- Postal Service mail processing facilities did not always adhere to the mail volume arrival profile (VAP) for the three THS sites. The VAP is a predetermined mail volume percentage sent from mail processing facilities to THS sites.
- Atlanta and Charlotte THS suppliers did not always meet the required mail delivery time to FedEx.
- The Atlanta THS did not always meet delivery time to the Postal Service for mail coming from FedEx flights.
- The three THS suppliers did not always load mail into air containers according to the THS contract.
- The Baltimore THS supplier incorrectly sorted incoming packages and sacks from FedEx.

Additionally, THS suppliers were supposed to self-report contract performance irregularities with monetary penalties; however, even when reported, the Postal Service had not developed a system for tracking and collecting irregularity penalties.

We estimated that failure-to-load and misrouted mail penalties never charged to the THS supplier and owed to the Postal Service could be more than \$5.1 million for FY 2016, and more than \$4.3 million for 2017 for the three Capital Metro THS suppliers. We also calculated unplanned paid FedEx sort-costs of over \$430,000 for FY 2016 and more than \$372,000 for FY 2017. If oversight issues are not corrected, we estimated sort-costs and irregularity penalties of more than \$5.2 million in FY 2018 and over \$5.4 million in FY 2019.

Mission Operations

Management agreed to 1) resolve issues with the VAP; 2) not allow suppliers to load bypass mail into mixed mail air containers without approval; 3) ensure suppliers use the required mail transport equipment container placards; 4) train on-site Postal Service THS representatives on their contractual authority; 5) resolve contractual conflicts; and 6) determine and collect all outstanding contractual penalties. Management officials disagreed with our monetary impact because they believe the OIG assumed that each impact was solely the result of THS personnel.

Highway Contract Route Contracting Practices and Conflicts of Interest

We found that the Postal Service's Highway Contract Route (HCR) contracting practices were not always in compliance with USPS policies and procedures regarding conflicts of interest. Under certain circumstances and with specific supplier disclosures, and in consultation with ethics counsel, the Postal Service can award HCR contracts to Postal Service employees, their relatives, or individuals residing in the same household. However, HCR suppliers must disclose this information during both the contract award and renewal processes. USPS contracting officers (COs) then must consult with the Postal Service's Ethics Office to determine if any conflicts of interest exist.

Of the 337 contracts in place as of September 1, 2016, showing a supplier and Postal Service employee had matching addresses, we identified only 51 contracts for which requests were forwarded to the Ethics Office for the required conflict of interest review. The Ethics Office determined there were no issues with these 51 contracts. However, we found no documentation in the remaining 286 contract files of an Ethics Office review. These contracts either did not have the required disclosure forms, suppliers failed to disclose their relationship with a Postal Service employee, or the CO did not forward the disclosure to the Ethics Office. As a result, the Postal Service is at risk of conflicts of interest that can result in fraud, waste, and abuse. We also estimated the Postal Service incurred unsupported questioned costs of about \$34.7 million over two years for HCR contract awards and renewals that were not in compliance

Additionally, we found that the Postal Service allows HCR suppliers six months to resolve an unsatisfactory safety rating from the Federal Motor Carrier Safety Administration. However, the U.S. Code of Federal Regulations only allows 60 days. Finally, we determined that the Postal Service's current HCR minimum vehicle

insurance requirement of \$750,000 was lower than the current industry standard of \$1 million.

Management agreed to correct and resolve the identified potential conflicts of interest. However, management disagreed with establishing an annual review process and the monetary impact. Additionally, management said that resolution of unsatisfactory Federal Motor Carrier Safety Administration ratings had already been updated in the standard HCR terms and conditions, and they would delete any conflicting language found in the Transportation Contracting Support System. Management disagreed with the \$1 million minimum insurance because the Postal Service follows the current federal minimum insurance requirement.



Risk Analysis Research Center

Delivering the Best Customer Experience

The Postal Service measures customer satisfaction with delivery through a national survey sent to residences and also small- and medium-businesses (SMBs). To understand how customers rate their delivery service, the OIG analyzed responses to a USPS Delivery Survey from FY 2016 and 2017, and found that roughly three in four customers were satisfied.

Our analysis highlighted three particular groups of customers who are less satisfied than their counterparts: SMBs, centralized delivery customers, and people aged 25 to 34. When prompted for ways USPS could improve delivery, customers most often wrote about misdelivery, inconsistent delivery times, delivery location, and damage to mail and packages.

Conversations with field managers revealed that the surveys often do not yield enough

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

Delivery Satisfaction Report Card

Performance Measurement	FY 15	FY 16	FY 17
Recent USPS Delivery Performance	77%	76%	74% ⁿ
Letter Carrier Performance Over Last 30 Days	-	79%*	76%
Delivery Accuracy	84%	84%	81%
Mail and Package Condition	91%	91%	90%
Carrier Friendliness and Courtesy	88%	87%	83%
Letter Carrier Job Performance	83%	83%	-
Tracking Information Accuracy	84%	84%	79%
PO Box Satisfaction Over Last 30 Days	-	81%*	77%
PO Box Meeting Needs	-	86%*	86%
Delivered on Expected Date	-	-	81% ⁿ
Clear Missed-Delivery Instructions	-	-	66% ⁿ

*Grade calculated using survey responses May 7 - September 30, 2016.

ⁿ Grade calculated using survey responses March 31 - September 30, 2017.

Grades in **RED** have gone down from the previous year.

"-" means the question was not asked in that year.

Risk Analysis Research Center

information to address customer frustrations, or that the potential remedies are out of their control. We suggested some enhancements to the survey design as well as sample techniques that could help increase the accuracy of the survey so that it provides the most actionable feedback. We also suggested that a headquarters review of survey data, including detailed analysis of customers' narrative comments, could give valuable insight into macro changes to policies and procedures that would address customer concerns if the cost-benefit analyses determine they are feasible and affordable.

Management disagreed with some of the OIG's characterizations and specific suggestions.

Our research confirmed that the Delivery Survey provides the Postal Service with valuable customer feedback. But adjustments to it and how it is used could help improve the delivery experience.

Delivering Peace of Mind: Certified Mail and the U.S. Postal Service

From its introduction in 1955, Certified Mail was designed to provide peace of mind for customers mailing their most important business and legal documents with visibility and accountability. Today, Certified Mail is an essential tool for citizens and businesses and an important source of revenue, generating the most of any USPS Ancillary Service —

\$670 million in FY 2016. When base postage and other services commonly purchased with Certified Mail, such as Return Receipts, are included, these mailpieces accounted for roughly \$1 billion in revenue.

However, use of Certified Mail has declined, losing nearly one-quarter of its volume since 2010. Some losses are likely due to external trends affecting all mail volume, namely electronic diversion. Certified Mail is also likely losing some volume to alternatives that present themselves as cheaper and easier, but do not provide the same level of legal assurance as Certified Mail.

The OIG observed a number of effective best-practices at local delivery stations and post offices with large Certified Mail volumes. The wider adoption of such practices, as well as closer adherence to current, well-designed Postal Service operating policies, could greatly improve the efficiency and customer perception of Certified Mail.

Although such improvements alone would not be sufficient to reverse current declines, Certified Mail could also

be modernized through various technological advancements. The OIG conducted a nationally representative survey and found that a majority said four technological improvements would make them more likely to use Certified Mail: digitizing the sender's receipt; taking a picture of the recipient; providing automatic tracking updates to senders through a mobile phone app; and offering a completely digital document transmission service with the benefits of Certified Mail.

Management expressed some disagreements with the findings of this paper but agreed to continue replicating identified best practices where appropriate.

REGISTERED MAIL	CERTIFIED MAIL
<ul style="list-style-type: none">Provides sender with a mailing receipt; delivery confirmation available on requestProtects mail in locked drawers, cabinets, safes, or registry sectionsUses a system of records to track the movement and custody of mailed items through the entire mail streamAllows the addition of up to \$50,000 worth of insurance	<ul style="list-style-type: none">Provides sender with a mailing receipt; delivery confirmation available on requestHandles in transit as ordinary mailMaintains record of delivery, including signature of the recipientAllows the addition of up to \$5,000 worth of insurance

INVESTIGATIONS

» Health Care Claimant Fraud.....	15	» Contract Fraud	19
» Health Care Provider Fraud.....	16	» Financial Fraud	19
» Narcotics.....	17	» Senior Executive Investigations	20
» Mail Theft.....	18	» Whistleblower Reprisal (WbR) Investigations	21

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

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

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

What Does the Office of Investigations Investigate?

Postal employees or contractors involved in:



Internal Mail Theft

Single envelopes to large amounts of mail, including packages.



Mail Delay and Destruction

Intentionally delaying, destroying or otherwise disposing of mail.



Financial Fraud

Stealing/embezzling cash, manipulating postal money orders.



Health Care Fraud

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



Contract Fraud

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



Employee Misconduct

Offenses like abuse of authority or position.



Narcotics

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



Workplace Environment Violations

Sexual harassment, discrimination, or compromised workplace safety.



Computer Crimes

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



Investigations SUMMARY of PERFORMANCE

For the Period October 1, 2017 - March 31, 2018

Investigations Completed: **1,141**
 Arrests: **329**
 Indictments/Informations: **394**
 Convictions/Pretrial Diversions: **80**
 Administrative Actions: **1,305**



Amount to the Postal Service:
\$23,163,640



Cost Avoidance:
\$102,879,250



Fines, Restitution, and Recovery:
\$52,907,213

Health Care Claimant Fraud

In a 2014 investigation of USPS employees who file claims for workers' compensation, agents discovered that a former city carrier from Idaho had been making false statements about her physical capabilities and also submitting fraudulent requests for travel reimbursement. The carrier was observed feeding horses, lifting hay bales, jogging, clearing land, running chainsaws, removing stumps from fallen trees, building fences, and mowing a lawn. The carrier also went on a three-day kayaking trip, during which she paddled approximately 30 miles in open water.

In August 2017, the carrier was found guilty on four counts of fraud involving workers' compensation benefits. On November 30, the U.S. District Court in Montana sentenced the



A city carrier, who claimed limited physical capability, observed kayaking.

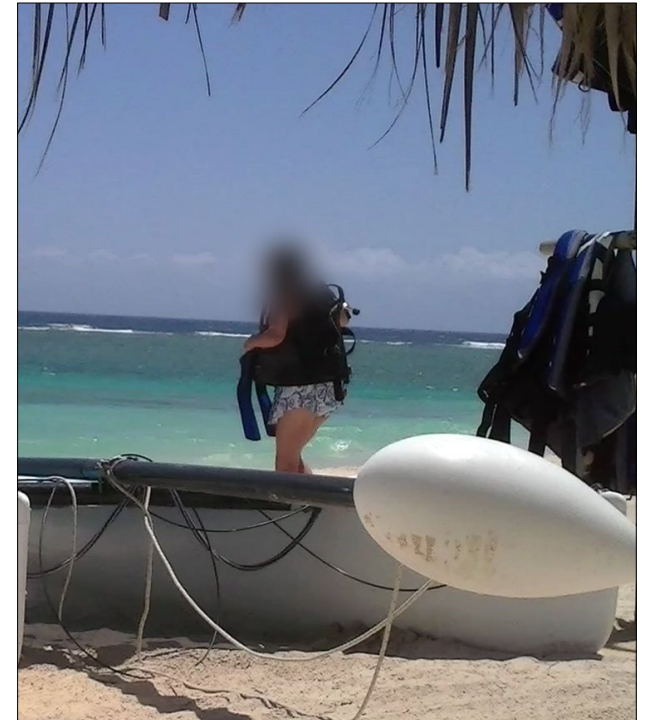
former carrier to 15 months in prison, two years of supervised release, and ordered her to pay more than \$900,000 in restitution and forfeiture.

The Department of Labor (DOL) terminated the carrier's benefits, saving the Postal Service over \$800,000 in future benefits

Health Care Claimant Fraud

A rural mail carrier in Florida misrepresented her medical condition and physical limitations to her physician to obtain federal workers' compensation benefits. During an OIG investigation, agents observed the carrier scuba diving, boating, and riding 40-foot-tall waterslides – activities inconsistent with her stated condition. In December 2017, a U.S. District Court found the carrier guilty on one count of theft of government funds and two counts of false statement or fraud to obtain federal employees' compensation.

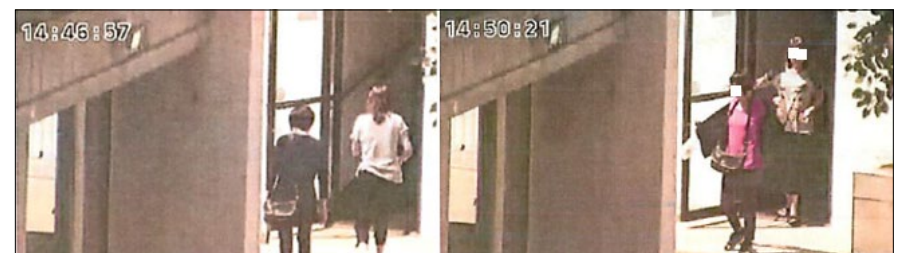
In March 2018, the carrier received a sentence of three years' probation, 100 hours' community service, and 30 days at the Brevard County work camp. The court further ordered the carrier to pay restitution of nearly \$113,000. DOL terminated the carrier's benefits, saving the Postal Service more than \$1.1 million in future payouts.



A rural carrier, who claimed limited physical capability, went scuba diving and riding 40-foot tall waterslides.

Health Care Provider Fraud

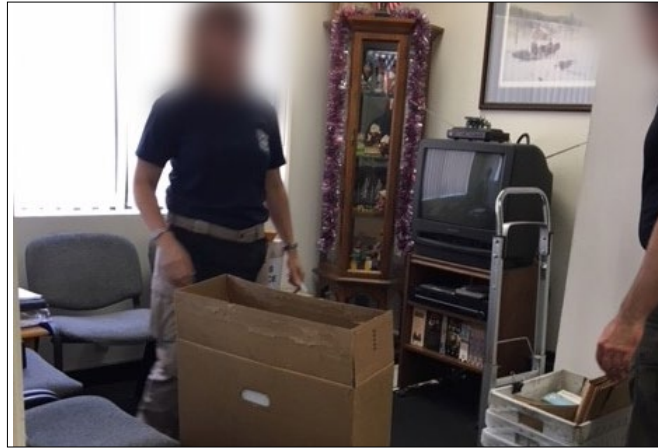
In December 2013, the OIG opened an investigation into a psychologist based in Glendora, CA, after an OIG review of medical claims identified suspected fraudulent billings involving Postal Service employees receiving treatment for workers' compensation claims. Video surveillance and witness interviews revealed the psychologist billed and was paid for services not rendered, and had been billing some claimants for 24 years.



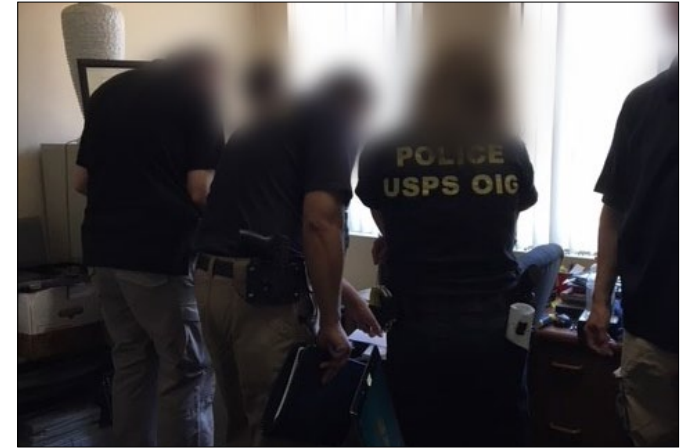
Outside the psychologist's office.

Health Care Provider Fraud

On February 26, 2018, the psychologist was sentenced to 18 months' incarceration and also ordered to pay restitution of approximately \$330,000 to DOL. Further, the psychologist was ordered to pay a fine of \$100,000 to the Postal Service. A request to the U.S. Department of Health and Human Services for the psychologist to be excluded from billing federal healthcare programs is pending. As a result, the cost avoidance to the Postal Service is estimated at more than \$1.7 million.



Inside the psychologist's office.



Narcotics



Methamphetamine.

In March 2017, the OIG began a joint investigation with the Postal Inspection Service into missing Priority and Priority Express Mail parcels that were destined for Akron, OH, and suspected of containing illegal narcotics. The investigation revealed that an acting manager and an acting supervisor conspired with two non-employees to profile, steal, and sell the contents of approximately 20 parcels containing narcotics. Agents eventually uncovered two kilograms of methamphetamine and approximately six pounds of marijuana.

On November 7, 2017, the acting manager was sentenced to six months' incarceration, two years' supervised release, plus six months' home detention with location monitoring, in addition to being ordered to pay a \$2,000 fine. The acting supervisor was sentenced to 37 months' incarceration and ordered to surrender to the Bureau of Immigration and Customs Enforcement (ICE) for deportation proceedings following his incarceration. The two non-employees were each sentenced to two years' probation with six months' and eight months' home detention, respectively.

Narcotics

A joint investigation between the OIG and Homeland Security Investigations culminated in June 2016 with the arrest of a city carrier in the Bronx borough of New York City for trafficking drugs through the mail. The investigation revealed the city carrier was involved with four non-employee co-conspirators in mailing cocaine from Puerto Rico to New York. The city carrier received cash – sometimes as much as \$5,000 at a time – to intercept multiple parcels containing cocaine and then deliver them to the co-conspirators.

The city carrier later pleaded guilty to one count of conspiracy to distribute cocaine. On October 24, 2017, the carrier was sentenced to five years' incarceration followed by five years' supervised release and also ordered to pay restitution of \$12,500.



Cocaine.

Mail Theft

A former letter carrier from Columbus, GA, was convicted by a federal jury in September 2017 for mail fraud, embezzlement of mail, and conspiring to file fraudulent claims for tax refunds. The letter carrier provided addresses from his assigned delivery route to a co-conspirator, who would in turn create fraudulent tax returns associated with those addresses. In exchange for cash, the former letter carrier would intercept the incoming tax refund checks and provide them to the co-conspirator.

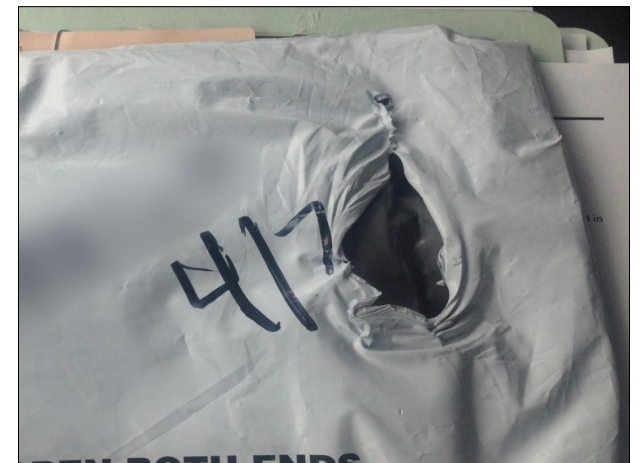
During the course of the scheme, the carrier intercepted and transferred to the co-conspirator more than 1,600 fraudulent tax refund checks totaling over \$2.5 million. In December 2017, the former letter carrier was

sentenced to 97 months in Federal prison and ordered to pay approximately \$900,000 in restitution to the Internal Revenue Service.

In March 2016, the OIG began an investigation into stolen Veteran's Administration (VA) packages destined for Charleston, WV. The investigation revealed a Postal Support Employee (PSE) was opening VA medication packages and stealing Oxycodone and Hydrocodone pills. OIG agents confronted the PSE, who then confessed to stealing approximately 700 pills from numerous VA medication packages for personal use.

The PSE resigned from the Postal Service in June 2016. In May 2017, the former PSE was

indicted for mail theft. In October, the former employee pleaded guilty and in January 2018 was sentenced to five years' probation.



Stolen package containing prescription drugs.

Contract Fraud

After receiving information from a U.S. Attorney's office, the OIG opened an investigation into a USPS-contracted trucking company regarding allegations that the company routinely 1) had drivers exceed the daily number of driving hours legally permissible; 2) misused postal credit cards to buy fuel for non-postal use; and 3) instructed drivers to use postal-marked trucks to drive non-postal routes and make non-postal-related deliveries.

On March 16, 2017, in U.S. District Court, the postal contractor and four corporate officers were charged in a 126-count indictment, including

money laundering and defrauding drivers of their pay. Following guilty pleas, the trucking contractor and a related holding company were jointly sentenced in November 2017 to forfeit \$2 million of fraudulently obtained funds and to pay approximately \$1 million in restitution to drivers. Both companies were also sentenced to three years of corporate probation and ordered to pay a \$250,000 fine. The four corporate officers were sentenced to serve between three and six months of home confinement plus two years of supervised release.

Financial Fraud

From June 2014 through July 2015, a former postal employee who worked as a tractor-trailer operator in Maryland used two USPS Voyager fuel credit cards to fraudulently purchase over 20,000 gallons of fuel for his and others' personal vehicles. On December 22, 2017, the former employee was sentenced to 100 days in prison, three years of supervised probation, and three months of home detention. He was also ordered to pay \$58,000 in restitution to the Postal Service.

An Iowa Sales & Service Associate (SSA) was removed from the Postal Service in November 2016 after an OIG investigation determined she had embezzled more than \$100,000 through fraudulently obtained refunds for USPS money orders. The employee admitted that, from October 2014 through March 2016, she used postal money order funds to pay for jewelry, vacations, and her mortgage. On October 16, 2017, the former employee was sentenced to five years' probation and ordered to pay restitution of \$100,000.

Senior Executive Investigations

October 1, 2017 – March 31, 2018

During the reporting period, four out of seven instances of misconduct involving Postal Career Executive Service (PCES) employees were substantiated. One instance of misconduct involving an OIG manager was substantiated. The PCES grade encompasses the GS-15 (equivalent) and above.

- We investigated an allegation that a former field manager failed to act impartially in the management of Postal Service contracts. While the investigation was not referred for prosecution, the OIG provided its Report of Investigation (ROI) to a Headquarters Vice President for appropriate action.

Per a settlement agreement with the Postal Service, the manager agreed to retire and also refrain from seeking future employment with the Postal Service. Additionally, the Postal Service contractors who the manager worked with were debarred from conducting further business with the Postal Service.
- We investigated an allegation that a field manager attempted to influence the promotion of a relative to a supervisory position. While the investigation was not referred for prosecution, the OIG provided its ROI to field management for appropriate action. The manager received a Letter of Warning in Lieu of 14-Day Suspension for improper conduct.
- We investigated an allegation that a field manager misused travel funds and official time. The investigation was not referred for prosecution, but the OIG provided its ROI to field management for appropriate action. The manager was issued a letter of warning.
- We received an allegation that, while in official capacity, a field manager participated in a matter which had a direct and predictable effect on the financial interests of a close relative. Our ensuing investigation was not referred for prosecution, but we provided our ROI to field management for appropriate action. Per an agreement, the manager agreed to voluntarily resign or retire from the Postal Service.
- We investigated an allegation that an Office of Inspector General manager on numerous occasions improperly used a personal toll transponder in the High Occupancy Vehicle mode while driving an assigned government vehicle to avoid paying tolls. While the investigation was not accepted for prosecution, the employee was removed from the OIG.
- We investigated an allegation of a field manager involved in a misuse of position related to promotions and downgrades of employees in the manager's district. The investigation did not substantiate the allegation, but the OIG provided its ROI to field management for appropriate action. The manager received an official discussion emphasizing the need to be scrupulous in conduct and to cooperate with the OIG.
- We investigated an allegation that a field manager violated Postal Service policy by allowing delayed mail to be improperly stored and also instructing other managers to falsify scans and employee clock-rings. The investigation did not substantiate the allegations, and the case was closed without a referral to management.
- We investigated an allegation that a manager instructed Human Resources to allow an employee's salary to remain at an erroneous level. The investigation did not substantiate the allegations, and the case was closed without a referral to management.

Whistleblower Reprisal (WbR) Investigations

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

WHISTLEBLOWER REPRISAL ACTIVITY For the period October 1, 2017 — March 31, 2018

Allegations Received: **116**

OIG Investigations Initiated: **1**

Investigations closed with No Action: **0**

Allegations Closed with No Action: **115**

OIG Found Reprisal: **0**



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



APPENDICES

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

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

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

» APPENDIX A: Reports Issued to Postal Service Management.....	23
» APPENDIX B: Findings of Questioned Costs	29
» APPENDIX C: Recommendations That Funds Be Put to Better Use	30
» APPENDIX D: Other Impacts	31
» APPENDIX E: Reports with Recommendations Pending Corrective Actions	33
» APPENDIX F: Management Decisions in Audit Resolution.....	52
» APPENDIX G: Status of Peer Review Recommendations.....	56
» APPENDIX H: Investigative Statistics	57
» APPENDIX I: Summary of U.S. Postal Inspection Service Actions Under 39 USC § 3005 and 3007	58
» APPENDIX J: Congressional/PMG/BOG Inquiries	59
» APPENDIX K: Instances of Agency Interference	59
» Supplemental Information.....	60
» Acronym Guide.....	62

APPENDIX A:

Reports Issued to Postal Service Management

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

Definitions

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

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

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

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

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

Summary

For the period: October 1, 2017 — March 31, 2018

Risk Categories	Number of Reports	Funds Put To Better Use	Questioned Costs	Unsupported Questioned Costs	Revenue Impact
Finance, Pricing and Investments	22	—	\$424,562	\$416,596	—
Mission Operations	9	\$315,096,510	\$209,636,298	\$34,693,409	\$3,637
Retail, Delivery, and Marketing	4	—	\$2,655,208	\$1,928,676	—
Technology	4	—	—	—	—
Supply Management and HR	7	—	\$109,522,652	\$109,522,652	\$16,477
SUB-TOTAL	46	\$315,096,510	\$322,238,720	\$146,561,333	\$20,114
PARIS Risk Model Reports	15	—	—	—	—
TOTAL	61	\$315,096,510	\$322,238,720	\$146,561,333	\$20,114

Appendix A:

Reports with Quantifiable Potential Monetary Benefits

Complete listing of all OIG reports issued to Postal Service management. For the period: October 1, 2017 — March 31, 2018

	Funds Put to Better Use	Questioned Costs	Unsupported Questioned Costs	Revenue Impact
Finance and Pricing				
Finance				
U.S. Postal Service's High-Risk Purchase Card Transactions; FT-AR-18-001; 11/7/2017	—	\$11,617	\$11,617	—
Financial Controls				
Internal Controls Over Voyager Card Transactions and Reconciliation Process – Southeast Austin, TX, Station; FCS-FM-18-001; 11/3/2017	—	\$7,199	—	—
Internal Controls Over Local Purchases and Payments – Summerland Key, FL, Post Office; FCS-FM-18-004; 12/27/2017	—	\$59,852	\$59,852	—
Internal Controls Over Local Purchases and Payments – Hartford, CT, Main Office; FCS-FM-18-005; 12/29/2017	—	\$3,692	\$3,692	—
Internal Controls Over Walk-in Revenue Refunds – Kissimmee, FL, Main Office; FCS-FM-18-007; 2/12/2018	—	\$244,114	\$244,114	—
Internal Controls Over Permit Postage and Fee Refunds – Palm Coast, FL, Branch; FCS-FM-18-008; 3/6/2018	—	\$96,551	\$96,551	—
Express Mail Failure Refunds – Chicago, IL, Loop Station; FCS-FM-18-010; 3/28/2018	—	\$1,537	\$770	—
Mission Operations				
Network Processing				
Network Operations Continuous Improvement Processes; NO-AR-18-001; 10/17/2017	—	\$10,935	\$10,935	—
Small Package Sorting System Performance; NO-AR-18-002; 11/29/2017	\$37,140,078	—	—	—
Mail Processing Facilities Staffing; NO-AR-18-004; 3/30/2018	\$259,569,584	\$160,564,379	—	—
Transportation				
Highway Contract Route Contracting Practices and Conflicts of Interest; NL-AR-18-001; 10/10/2017	—	\$34,682,474	\$34,682,474	—
Consolidation of Mail for Chicago and San Francisco Network Distribution Centers; NL-AR-18-002; 10/27/2017	—	\$3,150,112	—	—
Postal Vehicle Service Fuel Cost and Consumption Strategies; NL-AR-18-003; 1/3/2018	\$7,718,392	—	—	—
Terminal Handling Services – Capital Metro Area; NL-AR-18-004; 2/2/2018	\$10,668,456	\$10,339,559	—	\$3,637
Highway Contract Route Irregularity Reporting – Chicago Network Distribution Center; NL-AR-18-005; 2/22/2018	—	\$888,839	—	—

Appendix A:

Reports with Quantifiable Potential Monetary Benefits

	Funds Put to Better Use	Questioned Costs	Unsupported Questioned Costs	Revenue Impact
Retail, Delivery, and Marketing				
Delivery and Retail Operations				
Voyager Fleet Card Management – Great Lakes Area; DR-AR-18-002; 2/23/2018	—	\$1,928,676	\$1,928,676	—
Sales, Marketing, and International				
Function 4 Efficiency – Suncoast District; MS-AR-18-002; 1/2/2018	—	\$726,532	—	—
Supply Management and Human Resources				
Human Resources and Support				
National Recycling Program; HR-AR-18-002; 2/22/2018	—	—	—	\$16,477
Postal Service's Limited Duty and Rehabilitation Programs Return to Work Processes in the Southern and Pacific Areas; HR-AR-18-003; 3/1/2018	—	\$68,200	\$68,200	—
Supply Management and Facilities				
Examination of Price Proposal by Siemens Postal, Parcel, and Airport Logistics, LLC, Under Proposal No. CCQ 17-0135R5; SM-CAR-18-001; 2/15/2018	—	\$6,581	\$6,581	—
Oversight of Contract Extensions; SM-AR-18-001; 3/20/2018	—	\$4,536,971	\$4,536,971	—
Audit of Costs Incurred by Magellan Healthcare, Inc., Under Contract No. 2BEMME-12-B-0479; SM-CAR-18-002; 2/15/2018	—	\$26,396	\$26,396	—
Controls Over Time and Materials and Labor Hour Contracts; SM-AR-18-002; 3/26/2018	—	\$104,884,504	\$104,884,504	—
Total	\$315,096,510	\$322,238,720	\$146,561,333	\$20,114

Appendix A:

Report Listing

Complete listing of all OIG reports issued to Postal Service management. For the period: October 1, 2017 — March 31, 2018

Finance and Pricing

Cost and Pricing

Accuracy of In-Office Cost System Data; CP-AR-18-001; 10/18/2017

Delivery Charge Codes; CP-AR-18-002; 1/19/2018

Inbound ePackets Cost Attribution; CP-AR-18-003; 1/23/2018

Finance

Internal Controls for Voyager Card Transactions & Reconciliation Process – Southeast Austin, TX, Station; FCS-FM-18-001; 11/3/2017

U.S. Postal Service's High-Risk Purchase Card Transactions; FT-AR-18-001; 11/7/2017

Fiscal Year 2017 Review of Form 10-K; FT-FQ-18-001; 11/9/2017

Fiscal Year 2017 Statistical Tests; FT-FO-18-001; 12/19/2017

Internal Controls Over Stamp Stock Shipments – San Juan, PR; FCS-FM-18-002; 11/7/2017

Opinion on the U.S. Postal Service's Fiscal Year 2017 Closing Package Financial Statements; FT-AR-18-002; 11/16/2017

Fiscal Year 2018, Quarter 1 Draft Form 10-Q Financial Report Dated February 6, 2018; FT-FQ-18-002; 2/6/2018

Internal Controls Over Voyager Card Transactions and Reconciliation Process – Loch Raven Branch, Towson, MD; FCS-FM-18-003; 11/9/2017

Postal Service Board of Governors' Travel and Miscellaneous Expenses for Fiscal Year 2017; FT-AR-18-003; 11/21/2017

Financial Controls MSP

Officers' Travel and Representation Expenses for Fiscal Year 2017; FT-AR-18-004; 11/28/2017

Internal Controls Over Local Purchases and Payments – Summerland Key, FL, Post Office; FCS-FM-18-004; 12/27/2017

Fiscal Year 2017 Selected Financial Activities and Accounting Records; FT-AR-18-005; 12/29/2017

Internal Controls Over Local Purchases and Payments – Hartford, CT, Main Office; FCS-FM-18-005; 12/29/2017

Fiscal Year 2017 Bank Secrecy Act Program; FT-AR-18-006; 1/17/2018

Internal Controls Over Contract Postal Unit – Gold Tree Contract Postal Unit, Sarasota, FL; FCS-FM-18-006; 1/31/2018

Internal Controls Over Walk-in Revenue Refunds – Kissimmee, FL, Main Office; FCS-FM-18-007; 2/12/2018

Internal Controls Over Permit Postage and Fee Refunds – Palm Coast, FL, Branch; FCS-FM-18-008; 3/6/2018

Internal Controls Over Refunds for Walk-In Revenue – Carmel Mountain Postal Store, San Diego, CA; FCS-FM-18-009; 3/22/2018

Express Mail Failure Refunds – Chicago, IL, Loop Station; FCS-FM-18-010; 3/28/2018

Mission Operations

Network Processing

Network Operations Continuous Improvement Processes; NO-AR-18-001; 10/17/2017

Small Package Sorting System Performance; NO-AR-18-002; 11/29/2017

Maintenance Optimization – Northeast Area; NO-AR-18-003; 3/29/2018

Mail Processing Facilities Staffing; NO-AR-18-004; 3/30/2018

Transportation

Highway Contract Route Contracting Practices and Conflicts of Interest; NL-AR-18-001; 10/10/2017

Consolidation of Mail for Chicago and San Francisco Network Distribution Centers; NL-AR-18-002; 10/27/2017

Postal Vehicle Service Fuel Cost and Consumption Strategies; NL-AR-18-003; 1/3/2018

Terminal Handling Services – Capital Metro Area; NL-AR-18-004; 2/2/2018

Highway Contract Route Irregularity Reporting – Chicago Network Distribution Center; NL-AR-18-005; 2/22/2018

Retail, Delivery and Marketing

Delivery and Retail Operations

Package Delivery Scanning – Nationwide; DR-AR-18-001; 10/27/2017

Voyager Fleet Card Management – Great Lakes Area; DR-AR-18-002; 2/23/2018

Appendix A:

Report Listing

Sales, Marketing and International

International Exchange Offices; MS-AR-18-001; 12/11/2017
Function 4 Efficiency – Suncoast District; MS-AR-18-002; 1/2/2018

Supply Management and Human Resources

Human Resources and Support

Facility Security at Network Distribution Centers;
HR-AR-18-001; 12/27/2017
National Recycling Program; HR-AR-18-002; 2/22/2018
Postal Service's Limited Duty and Rehabilitation Programs
Return to Work Processes in the Southern and Pacific Areas;
HR-AR-18-003; 3/1/2018

Supply Management and Facilities

Examination of Price Proposal by Siemens Postal, Parcel, and
Airport Logistics, LLC, Under Proposal No. CCQ 17-0135R5;
SM-CAR-18-001; 2/15/2018
Audit of Costs Incurred by Magellan Healthcare, Inc., Under Contract
No. 2BEMME-12-B-0479; SM-CAR-18-002; 2/15/2018
Oversight of Contract Extensions; SM-AR-18-001; 3/20/2018
Controls Over Time and Materials and Labor Hour Contracts;
SM-AR-18-002; 3/26/2018

Technology

Information Technology

Review of Mobile Applications; IT-AR-18-001; 12/20/2017
Utilization of Automated Tools to Improve Compliance Activities;
IT-MA-18-001; 12/20/2017
Western Area Physical Security and Environmental Controls;
IT-AR-18-002; 3/19/2018

Major Investments

Fiscal Year 2017 Decision Analysis Report Summary;
MI-CAP-18-001; 2/15/2018

Appendix A:

PARIS Risk Models

Complete listing of all OIG PARIS Risk Models issued to Postal Service management. For the period: October 1, 2017 — March 31, 2018

Cost and Pricing

Fiscal Year 2017 Cost and Pricing Risk Model, Quarter 4;
CP-PM-18-001; 11/30/2017

Delivery and Retail Operations

Fiscal Year 2017 City Delivery Efficiency Risk Model, Quarter 4 ;
DR-PM-18-001; 12/8/2017

Fiscal Year 2017 Vehicle Maintenance Efficiency Model, Quarter 4 ;
DR-PM-18-002; 12/12/2017

Finance

Fiscal Year 2017 Field Financial Risk Model, Quarter 4;
FT-PM-18-001; 12/12/2017

Human Resources and Support

Fiscal Year 2017 Human Resources Risk Model, Quarter 4;
HR-PM-18-001; 11/30/2017

Fiscal Year 2017 Security Risk Model, Quarter 4 ;
HR-PM-18-002; 12/14/2017

Information Technology

Fiscal Year 2017 Information Technology and Security Risk Model,
Quarter 4 ; IT-PM-18-001; 11/17/2017

Advisory Report – Spam Emails; IT-PM-18-002; 2/20/2018

Network Processing

Fiscal Year 2017 Network Processing Risk , Quarter 4;
NO-PM-18-001; 11/17/2017

Major Investments

Fiscal Year 2017 Major Investments Risk Model, Quarter 4;
MI-PM-18-001; 1/19/2018

Sales, Marketing, and International

Fiscal Year 2017 Retail Customer Service Risk Model, Quarter 4;
MS-PM-18-001; 12/11/2017

Fiscal Year 2017 Revenue Generation and Assurance Risk Model,
Quarter 4; MS-PM-18-002; 12/12/2017

Supply Management and Facilities

Fiscal Year 2017 Facilities Risk Model, Quarter 4;
SM-PM-18-001; 11/29/2017

Lease Cost Savings Opportunities in the Postal Service ;
SM-PM-18-002; 3/12/2018

Transportation

Fiscal Year 2017 Transportation Risk Model, Quarter 4;
NL-PM-18-001; 11/28/2017

APPENDIX B:

Findings of Questioned Costs

For the period: October 1, 2017 — March 31, 2018

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

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

Description	Number of Reports	Questioned Costs	Unsupported Costs Included in Questioned Costs
Reports for which no management decision was made at the beginning of the reporting period	—	—	—
Reports requiring management decision that were issued during the reporting period	20	\$322,238,720	\$146,561,333
Totals	20	\$322,238,720	\$146,561,333
Reports for which a management decision was made during the reporting period (i+ii)	20	\$322,238,720	\$146,561,333
(i) Dollar Value of disallowed cost ¹	13	\$13,723,955	\$12,989,457
(ii) Dollar value of cost not disallowed	11	\$308,514,765	\$133,571,876
Reports for which no management decision was made by the end of the reporting period. Negotiations are ongoing.	—	—	—
Reports for which no management decision was made within six months of issuance	—	—	—
Reports for which no management decision was made within one year of issuance	—	—	—

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

None this report period.

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

None this report period.

Note 3 — Contract Reports with Significant Audit Finding:

SM-CAR-18-001 – Examination of Price Proposal by Siemens Postal, Parcel, and Airport Logistics, LLC, [redacted]

SM-CAR-18-002 – Audit of Costs Incurred by Magellan Healthcare, Inc., Under Contract No. 2BEMME-12-B-0479

¹ Management partially agreed with the monetary impact of four audit reports.

APPENDIX C:

Recommendations That Funds Be Put to Better Use

For the period: October 1, 2017 — March 31, 2018

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

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

Description	Number of Reports	Dollar Value
Reports for which no management decision was made at the beginning of the reporting period	—	—
Reports issued during the reporting period	4	\$315,096,510
Totals	4	\$315,096,510
Reports for which a management decision was made during the report period	4	\$315,096,510
(i) Value of recommendations agreed to by management	—	—
(ii) Value of recommendations that were not agreed to by management	4	\$315,096,510
Reports for which no management decision was made by the end of the reporting period.	—	—
Reports for which no management decision was made within six months of issuance ²	—	—
Reports for which no management decision was made within one year of issuance ³	—	—

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

None this report period.

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

None this report period.

APPENDIX D:

Other Impacts

For the period: October 1, 2017 — March 31, 2018

Overview

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

Description and Reports	Number of Recommendations
Assets or Accountable Items at Risk¹	
Internal Controls Over Contract Postal Unit – Gold Tree Contract Postal Unit, Sarasota, FL, FCS-FM-18-006, 1/31/2018	1
Internal Controls Over Walk-in Revenue Refunds – Kissimmee, FL, Main Office, FCS-FM-18-007, 2/12/2018	1
Voyager Fleet Card Management – Great Lakes Area, DR-AR-18-002, 2/23/2018	1
Oversight of Contract Extensions, SM-AR-18-001, 3/20/2018	1
Revenue at Risk²	
Inbound ePackets Cost Attribution, CP-AR-18-003, 1/23/2018	1
Disbursements at Risk³	
Highway Contract Route Irregularity Reporting – Chicago Network Distribution Center, NL-AR-18-005, 2/22/2018	1
Predicted Savings Shortfall⁴	
Small Package Sorting System Performance, NO-AR-18-002, 11/29/2017	1
Misallocation of Costs	
Maintenance Optimization – Northeast Area, NO-AR-18-003, 3/29/2018	1
Data Integrity⁵	
Network Operations Continuous Improvement Processes, NO-AR-18-001, 10/17/2017	1
Accuracy of In-Office Cost System Data, CP-AR-18-001, 10/18/2017	1
Internal Controls Over Stamp Stock Shipments – San Juan, PR, FCS-FM-18-002, 11/7/2017	2
Internal Controls Over Local Purchases and Payments – Hartford, CT, Main Office, FCS-FM-18-005, 12/29/2017	1
Delivery Charge Codes, CP-AR-18-002, 1/19/2018	1

¹ Recommendations that address assets or accountable items (for example, cash, stamps, and money orders) that are at risk of loss because of inadequate internal controls.

² Recommendations that address revenue the Postal Service is at risk of losing (for example, a mailer seeks alternative solutions for services currently provided by the Postal Service).

³ Recommendations that address disbursements made where proper Postal Service internal controls and processes were not followed.

⁴ Recommendations that address difference between the savings predicted by the Postal Service for a project and the actual savings realized, or the OIG estimate of savings which will be realized.

⁵ Recommendations that address the consistency, accuracy, and completeness of data used by the Postal Service.

Appendix D:

Other Impacts

Description and Reports	Number of Recommendations
Inbound ePackets Cost Attribution, CP-AR-18-003, 1/23/2018	1
National Recycling Program, HR-AR-18-002, 2/22/2018	1
Internal Controls Over Refunds for Walk-In Revenue – Carmel Mountain Postal Store, San Diego, CA, FCS-FM-18-009, 3/22/2018	1
Express Mail Failure Refunds – Chicago, IL, Loop Station, FCS-FM-18-010, 3/28/2018	1

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

Asset at Risk: Report Number SM-AR-18-001

Disbursements at Risk: Report Number NL-AR-18-005

Predicted Savings Shortfall: Report Number NO-AR-18-002

Misallocation of Cost: Report Number NO-AR-18-003

Data Integrity: Report Number CP-AR-18-002

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

Data Integrity: Report Number CP-AR-18-001

Revenue at Risk: Report Number CP-AR-18-003

APPENDIX E:

Reports with Recommendations Pending Corrective Actions

For the period: October 1, 2017 — March 31, 2018

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

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
Security of File Transfer Protocol Transmissions			
IT-AR-12-009	09/12/2012	—	R-5 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: September 2018
First-Class Mail on Air Transportation — Assignment by Weight			
NL-AR-12-010	09/28/2012	—	R-1 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: December 2020
Supervisor Workhours and Span of Control			
NO-MA-13-005	04/04/2013	\$11,955,046	R-2 — Fill vacant supervisor positions up to the appropriate span of control level and reduce supervisor replacement workhours accordingly. TID: June 2018
U.S. Postal Service Data Governance			
DP-AR-13-004	04/23/2013	—	R-1 — Direct the vice president, Information Technology, to implement a formal, enterprise-wide data governance program. TID: July 2018
Missing Leased Trailers in the Northeast Area			
NO-MA-14-004	08/25/2014	—	R-2 — Develop a process to identify trailers that are not being used and ensure unused trailers are promptly returned to suppliers to avoid unnecessary lease expenses. TID: March 2018
		—	R-5 — Ensure all leased trailers are equipped with satellite-tracking devices and issue policy and provide training on the features and functionality of the satellite-tracking system for leased trailers, including functionality of the related web-based management system to help track and manage leased trailers. TID: March 2018
Consolidation of the Toledo, OH, Processing & Distribution Center			
NO-AR-14-009	08/28/2014	—	R-1 — Re-evaluate cost savings to include additional transportation costs and update data as necessary and adjust the Area Mail Processing proposal based on the post-implementation review. TID: June 2018
Management of Cloud Computing Contracts and Environment			
IT-AR-14-009	09/04/2014	—	R-8 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: April 2018

Appendix E:

Reports with Recommendations Pending Corrective Actions

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
Security Clearances for Postal Service Contract Drivers			
HR-AR-15-001	11/20/2014	—	R-1 — Establish formal procedures to track and monitor contract driver security clearances to ensure drivers have the appropriate clearance and are re-screened, as required. This should include a process to notify appropriate management officials when security clearances have not been renewed. TID: August 2018
		—	R-2 — Establish a formal centralized system that allows for the tracking and monitoring of contract driver security clearances. TID: August 2018
		—	R-3 — Establish mandatory and refresher training requirements for Postal Service officials responsible for security clearances to ensure they are aware of their roles and responsibilities regarding the security clearance process. TID: August 2018
		—	R-4 — Establish a formal oversight process for contracting officers to validate contract drivers have security clearances when renewing contracts. TID: August 2018
Badges for Postal Service Contractors			
HR-AR-15-004	03/06/2015	—	R-1 — Revise national policy to ensure responsible personnel develop comprehensive and uniform standard operating procedures to manage contractor badges, including procedures for issuing, tracking, and monitoring badges. TID: August 2018
		—	R-2 — Provide formal training including periodic refresher training to responsible personnel to ensure they understand their roles and responsibilities for managing contractor badges. TID: August 2018
		—	R-3 — Establish an oversight process to strengthen controls and accountability of the contractor badge program to ensure it is effectively managed. TID: August 2018
City Delivery Office Efficiency – Greater Boston District			
DR-AR-15-007	05/28/2015	\$24,698,590	R-1 — Eliminate 265,462 workhours at delivery units. TID: March 2018
Area Mail Processing Consolidations			
NO-AR-15-007	06/05/2015	—	R-1 — Include guidelines for determining a timeframe for implementing an area mail processing consolidation once a feasibility study is approved. TID: June 2018
		—	R-2 — Define “substantive change” with respect to changes that warrant revisions to area mail processing feasibility studies, and specify timeframes for evaluating a feasibility study to determine whether substantive change(s) occurred. TID: June 2018
Software Inventory Management – Greater Boston District			
IT-AR-15-007	07/13/2015	—	R-1 — Update policies to provide specific roles and responsibilities for managing the software inventory process, and provide instructions for detecting and removing unauthorized software to all districts. TID: December 2017
		—	R-5 — Remove unauthorized software identified on the Greater Boston District network. TID: December 2017
Management of Unauthorized Software			
IT-MA-15-003	07/14/2015	—	R-1 — Assign responsibility for identifying and reviewing unauthorized software products on the network, and if applicable remove these products or add them to the approved software listing. TID: December 2017
		—	R-2 — Assign personnel to coordinate with district Information Technology staff on a quarterly basis to monitor, identify, and remove unauthorized software from the network. TID: December 2017

Appendix E:

Reports with Recommendations Pending Corrective Actions

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
U. S. Postal Service Cybersecurity Functions			
IT-AR-15-008	07/17/2015	—	R-5 — Adequately staff cybersecurity operations functions based on the organization's risk tolerance. Specifically, staffing levels should support business requirements to: a) ensure the Security Operations Center provides skilled cyber threat and intrusion analysis and experienced threat remediation and response management staff; b) expand Computer Incident Response Team functions to include comprehensive incident management and response, including anomalous activity detection; c) create centralized network operations center capabilities and require participation as part of a cybersecurity incident response with the security operations center and Computer Incident Response Team; and d) expand the existing vulnerability management program to encompass the federal objectives for continuous monitoring, including penetration testing. TID: May 2018
Substantial Increase in Delayed Mail			
NO-MA-15-004	08/13/2015	—	R-4 — Establish criteria for determining if the network has stabilized and ensure the criteria are met prior to resuming the Phase II consolidations or conducting any other optimization efforts. TID: March 2018
Leased Trailer Damage Payments			
NO-MA-15-005	09/01/2015	\$2,028,170	R-1 — Review and update damage claims policy and procedures. TID: October 2018
U.S. Postal Service Handling of Inbound International Mail at the [Redacted] International Service Center			
NO-MA-15-006	09/03/2015	—	R-1 — To enhance the system application for automation to identify mail requested by U.S. Customs and Border Protection. TID: July 2018
		—	R-4 — To ensure scanned data is accurate, complete, and reliable. TID: July 2018
Postal Inspection Service Mail Covers Program Phase II			
HR-AR-15-007	09/15/2015	—	R-2 — Establish formal procedures to monitor and track accountable mail cover documents for postal inspectors to ensure they are properly completed, submitted, and maintained at the Postal Inspection Service's Criminal Investigations Service Center (CISC). These procedures should include requiring inspectors to return all mail cover documents to the CISC within 60 days of the mail cover end date. TID: June 2018
		—	R-3 — Conduct a study to determine how using electronic media, including spreadsheets will impact the confidentiality and security of mail cover information. Based on study results, clarify policies and procedures regarding completing Postal Service Form 2009, Information Regarding Mail Matter, for each mailpiece related to interdiction mail covers and for mail covers that are automatically generated, approved, and closed. TID: June 2018
[Redacted] Software Contract and Compliance Review			
IT-AR-15-009	09/18/2015	\$7,347,706	R-2 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: May 2018
U.S. Postal Service Building Occupancy Data			
CP-AR-16-002	12/08/2015	—	R-1 — Conduct and document a new facility space usage study that reflects current network and facility operations. TID: October 2018
		—	R-2 — Establish documented procedures for updating facility space usage data on an annual basis and establish criteria for determining when to conduct new facility space usage studies. TID: October 2018
Unsupported Operating Systems			
IT-AR-16-003	12/24/2015	—	R-2 — Develop a current inventory of unsupported operating systems and either document acceptance of the risk of continued usage or migrate to a supported operating system. TID: January 2018

Appendix E:

Reports with Recommendations Pending Corrective Actions

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
SM-AR-16-004	12/29/2015	—	Address Management Licensing Agreements R-2 — Periodically evaluate licensing agreement templates to determine whether provisions are consistent, up-to-date, and adequately protect the Postal Service's best interests. TID: July 2018
NO-AR-16-006	01/07/2016	—	Rock Springs, WY, Customer Service Mail Processing Center Consolidation R-1 — Re-evaluate management workhour, maintenance, and transportation savings contained in the Rock Springs Area Mail Processing feasibility study during the first post-implementation review. TID: June 2018 R-2 — Determine and document the impact of excluding the automated flat volume from the Rock Springs Area Mail Processing feasibility study during the first post-implementation review. TID: June 2018
IT-AR-16-004	01/14/2016	—	Access Controls over Mail Imaging Systems R-2 — Require passwords for all mail imaging systems accounts in accordance with Handbook AS-805. TID: May 2018 R-3 — Delete all accounts that have not been used in more than 365 days and all guest accounts on the mail imaging systems. TID: May 2018 R-4 — Require users to change passwords for all administrative accounts at least every 30 days and for all non-administrative accounts at least every 90 days for the mail imaging systems. TID: May 2018
DR-AR-16-002	01/20/2016	\$64,263,499	Review of City Carrier Office Efficiency – Colorado/Wyoming District R-1 — Eliminate 179,619 workhours at delivery units. TID: June 2018
IT-AR-16-005	01/26/2016	—	Firewall Security Review R-4 — Review current firewall rules and remove those that are permissive or duplicative and; review firewall rules every six months according to Handbook AS-805, Information Security, and document the results of the review. TID: September 2018
HR-AR-16-002	04/07/2016	—	Postal Service's Handling of Office of Workers Compensation Claim Forms R-1 — Develop a more comprehensive electronic claims process to ensure claims forms are completed accurately and timely. TID: December 2018
NO-AR-16-008	05/04/2016	\$93,101,614	New York Morgan Processing and Distribution Center Efficiency R-1 — Reduce 385,365 workhours over the next five years by evaluating operational efficiency and adjusting workhours to workload. TID: May 2021
IT-AR-16-008	06/24/2016	—	Electronic Media Disposal R-1 — Review and update policy and implement procedures to ensure proper accountability of media once it is identified for disposal and a reconciliation process to ensure it is disposed of properly. TID: June 2018
NL-AR-16-003	07/01/2016	\$230,362,977	Package Processing Machine Capacity R-1 — Develop a plan to operate package processing machines at full operational performance levels in order to reduce the amount of manual processing and to support continued package growth. TID: June 2018

Appendix E:

Reports with Recommendations Pending Corrective Actions

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
PostalOne!-Business Customer Support System Availability			
IT-AR-16-010	08/10/2016	—	R-6 — Develop a plan to calculate PostalOne!-Business Customer Support System availability in accordance with best practices and include blackout maintenance hours on the daily chief information officer scorecards reported to the Postal Service Executive Leadership Team. TID: September 2018
Mail Processing and Transportation Operational Changes			
NO-AR-16-009	09/02/2016	—	R-1 — Re-evaluate and update the projected operational and transportation financial impacts associated with the operational window change. TID: December 2016
		—	R-2 — Develop and implement a strategy to improve mail processing productivity in the new operational window before any additional nationwide operational changes or consolidations are implemented. TID: March 2018
		—	R-4 — Create and use a nationwide system to track and report the amount, cause, and origin of late arriving mail. TID: March 2018
Postmaster Cost Segment			
CP-AR-16-010	09/08/2016	—	R-3 — Communicate to the Postal Regulatory Commission the status of the Post Office Structure Plan and develop a timeline and approach for updating the postmaster variability study. TID: July 2018
Highway Contract Route Survey Compliance – Eastern Transportation Category Management Team			
NL-AR-16-005	09/28/2016	—	R-1 — Establish formalized annual training for administrative officials on conducting and completing Highway Contract Route surveys. TID: June 2018
		\$237,277,604	R-2 — Develop a centralized management tool for administrative officials to report and contract officers to manage Highway Contract Route survey compliance. TID: June 2018
Continuous Improvement of Mail Processing Operations			
NO-AR-16-012	09/29/2016	\$465,165,928	R-1 — Reduce 11.5 million workhours from projected fiscal year 2016 levels where possible and when planning for 2017 projected workhours by evaluating operational efficiency, adjusting staffing levels/workhours to workload, and ensuring overtime workhours do not exceed budgeted levels. TID: September 2019
		—	R-4 — Direct district managers to ensure that plant managers make certain automated processing begins promptly after employees start work. TID: January 2018
Management and Oversight of Highway Contract Routes			
NL-AR-16-006	09/30/2016	—	R-2 — Review and determine the adequacy of the administrative official's oversight of highway contract routes. TID: January 2018
		—	R-3 — Develop a centralized process, such as an online spreadsheet, for administrative officials to report and contracting officers to manage highway contract route irregularities. TID: May 2018
		—	R-4 — Implement annual formal training for administrative officials who report highway contract route irregularities. TID: June 2017
		—	R-5 — Update Postal Service Handbook PO-501, Highway Contract Route (HCR) Administration, to include required annual highway contract route training for administrative officials, enforce the national process for administrative officials to report and contracting officers to manage HCR contractor irregularities, implement an annual policy review process, and ensure the policy is available on the Postal Service's PolicyNet. TID: November 2017
		\$2,964,933	R-6 — Ensure global positioning system (GPS) equipment is compatible with the Logistics Condition Reporting System Program so that collected highway contract route performance information is accurate and can be used to manage these contracts and examine opportunities to expand the use of GPS and other electronic data to manage HCR contracts. TID: March 2018
		—	

Appendix E:

Reports with Recommendations Pending Corrective Actions

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
Trailer Lease Reduction Projects			
NL-AR-16-007	09/30/2016	\$1,591,251	R-1 — Finish the 11 remaining trailer lease reduction projects as planned by addressing staff changes, inadequate global positioning system information, and ongoing trailer lease contracts revisions. TID: April 2018
Packages Suspected of Containing Marijuana			
HR-AR-17-001	10/12/2016	—	R-1 — Implement a nationwide policy for handling, tracking, and providing additional security for packages suspected of containing marijuana to reduce the risk of these packages being lost or stolen. The tracking should be comprehensive to include initial retrieval from the mail to resolution, and reporting all packages suspected of being lost or stolen and related employee misconduct to the Office of Inspector General. TID: June 2018
		—	R-2 — Develop training to ensure responsible personnel understand their roles and responsibilities for identifying, handling, safeguarding, and tracking packages suspected of containing marijuana. TID: June 2018
Use of Independent Contractor Studies			
CP-AR-17-002	10/14/2016	—	R-1 — Develop a method to efficiently identify and access external studies. TID: March 2018
		—	R-2 — Store and share final study results in a centralized location accessible to an identified level of management. TID: March 2019
		—	R-3 — Establish a retention policy for contracted external studies. TID: July 2019
Consolidation of Mail for Transportation – Memphis Network Distribution Centers			
NL-AR-17-001	12/02/2016	—	R-2 — Implement the Postal Service Headquarters' Consolidation Deconsolidation Facility Network's Standard Operating Procedures, which provides instructions on site reviews and modification decisions. TID: March 2018
		\$5,816,528	R-3 — Re-evaluate the need for the Memphis consolidation deconsolidation facilities and modify the contract accordingly. TID: March 2018
Function 4 Efficiency in the Colorado/Wyoming District			
MS-AR-17-001	12/08/2016	\$5,301,358	R-1 — Coordinate units' integrated operating plans and mail arrival profiles. TID: February 2018
		—	R-2 — Actively monitor employees to manage workload and ensure they are processing mail efficiently. TID: February 2018
Establishing New Retail Access Points			
MS-AR-17-002	12/12/2016	—	R-1 — Develop comprehensive data analytic capabilities across all retail channels to evaluate proposals for new retail access points. TID: May 2018
		—	R-3 — Update existing policies for evaluating the need for new retail access points. TID: May 2018
Most Favored Customer Pricing			
SM-AR-17-002	12/14/2016	—	R-1 — Enhance existing policy to instruct contracting officers when to include the most favored customer pricing clause, how to implement the clause, as well as to include specific terms and conditions in the contract regarding how the clause will be enforced. TID: July 2018
		—	R-2 — Review and modify the contract templates that contain the most favored customer pricing clause to determine applicability and delete the clause where it is not applicable. TID: June 2017

Appendix E:

Reports with Recommendations Pending Corrective Actions

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
MS-AR-17-003	12/30/2016	—	Inbound Mail Operations – [Redacted] Service Center R-1 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: April 2018
NO-AR-17-003	01/17/2017	—	Mail Processing Operations at the Roanoke, VA, Processing and Distribution Center R-2 — Re-evaluate transportation savings in the Roanoke, VA, Processing and Distribution Center area mail processing feasibility study during the first post-implementation review. TID: February 2018
HR-AR-17-003	01/27/2017	\$3,443,354 \$77,553	R-1 — Finalize resolution of outstanding underpayments and collect outstanding overpayments for the Global Remedy settlement. TID: December 2017 R-2 — Finalize resolution of outstanding underpayments and collect outstanding overpayments for the Kelly Services settlement. TID: December 2017
CP-AR-17-006	03/08/2017	—	Market Dominant Billing Determinants: Process Review R-2 — Properly encrypt, password protect, or otherwise secure billing determinant spreadsheets and the supporting data. TID: March 2018
CP-AR-17-007	03/22/2017	—	Cost Segment 3 – Clerks and Mail Handlers R-1 — Develop enhanced procedures or system capabilities to limit or track Management Operating Data System (MODS) data adjustments made after the fiscal year closing period. Until the enhancements are made, include the MODS data file and the date it was extracted with the Cost Segment 3 Cost Pools and Other Related Information in future Annual Compliance Report filings to enhance transparency of the cost development process. TID: December 2017 R-2 — Enhance the current documented procedures to provide greater transparency into the cost development process and prevent the loss of institutional knowledge. The procedures should include steps for extracting data to perform mail processing cost calculations; a disclosure statement explaining why Management Operating Data System (MODS) data is subject to change; a list of finance numbers to compute cost pool totals; the methodology for aligning MODS operations to cost pools and labor distribution codes; and steps for calculating cost adjustments. TID: December 2017
IT-AR-17-003	04/05/2017	—	Privileged Account Management R-1 — Continue to develop overarching guidance and controls for managing privileged accounts to include establishing a consistent method for identifying all privileged accounts. TID: May 2018 R-2 — Develop and continuously maintain a complete and accurate listing of privileged accounts for Postal Service systems. TID: June 2018 R-3 — Define business practices and responsibilities for monitoring privileged accounts and implement privileged access management tools. TID: September 2018
NL-AR-17-004	04/24/2017	\$162,654,722	Fuel Consumption and Cost Risk Mitigation R-1 — Develop a comprehensive plan to mitigate risk of projected future fuel price increases, which could include: a) enhancing contract negotiations to achieve the lowest price per gallon and minimum gallons needed; b) incentivizing highway contract route suppliers to convert to alternative fuels by sharing cost savings; c) establishing a tiered contract pricing strategy based on fuel type and miles per gallon; d) establishing a fuel fund reserve; and e) seeking Congressional approval for fuel surcharges TID: April 2018
HR-AR-17-006	05/04/2017	—	Postal Inspection Service Consumer Fraud Fund R-1 — Develop a requirement to evaluate the effectiveness of Consumer Fraud Fund expenditures using measurable performance goals. TID: April 2018 R-2 — Develop formal written procedures for management of Consumer Fraud Fund requests and for tracking, monitoring, and reconciling expenditures. TID: April 2018

Appendix E:

Reports with Recommendations Pending Corrective Actions

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
Shortpaid PC Postage Parcels			
MS-AR-17-007	05/09/2017	—	R-2 — Develop a strategy for refocusing the shortpaid controls to the segment of PC Postage parcels that will not be tested by the Automated Package Verification system once it is implemented. TID: August 2018
Facility Condition Reviews – Eastern Area			
SM-AR-17-004	05/10/2017	—	R-1 — Develop and implement an action plan to address all building safety and security, maintenance, workplace environment and violence policy, and handicap accessibility issues identified during our review. This plan should include a timeline for completing items. TID: December 2017
Consolidation of Mail for Dallas and New Jersey Network Distribution Centers			
NL-AR-17-007	05/15/2017	\$10,437,292	R-2 — Evaluate the Dallas and New Jersey consolidation deconsolidation facilities to determine transportation needs and modify the contracts as necessary. TID: March 2018
Automated Vehicle Utilization System – Southern Area			
DR-AR-17-006	05/25/2017	\$100,555,731	R-1 — Review route base mileage and make the necessary corrections in the Automated Vehicle Utilization System, Delivery Operations Information System, and e-Postal Service Form 4003 systems. TID: September 2017
		—	R-2 — Provide training to existing, newly promoted, and temporary supervisors on maintaining route base mileage, monitoring daily mileage and variances, and documenting daily mileage deviations. TID: None
		—	R-3 — Automated solutions for recording vehicle mileage, which could include modifications to separate carrier and vehicle activity on delivery routes or use of vehicle sensors. TID: None
Mail Processing Variance Model			
NO-AR-17-010	06/19/2017	\$239,283,926	R-1 — Develop and implement a Mail Processing Variance (MPV) model policy and mail processing manager training for use in fiscal year 2018 to increase MPV model usage and improve operational efficiency. TID: April 2018
		—	R-2 — Evaluate developing specific Mail Processing Variance targets for similar mail processing facilities based on types of mail processed, types of processing machines used, mail volume, and facility size. TID: April 2018
		—	R-3 — Update Handbook M-32, Management Operating Data System, in the next 90 days to reflect all current mail processing operation numbers. TID: June 2018
Global Positioning System Trailer Visibility			
NL-AR-17-008	06/26/2017	—	R-1 — Suspend the Global Positioning System (GPS) implementation except for the Enterprise Transportation Analytics (ETA) systems module development and establish initiative milestones in the following sequence: test and validate the ETA system when all modules are fully operational; conduct a pilot program with the fully operational ETA system and the GPS trailer units to validate the complete technology solution; develop a plan with established and validated performance metrics using ETA system and GPS data; and deploy the remaining GPS units based on decision points from the above analytics. TID: None
		\$2,487,581	R-2 — Identify and validate specific cost savings to support the \$18.5 million Global Positioning System technology investment. TID: None

Appendix E:

Reports with Recommendations Pending Corrective Actions

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
			Carrier Leave without Pay for Union Activities
HR-AR-17-008	07/05/2017	\$90,682	R-1 — Adhere to the Postal Service policy to assess operational needs prior to granting or denying leave without pay for union activities and communicate deviations to appropriate Operations and Labor Relations personnel. TID: None
		—	R-2 — Establish communication protocols between Labor Relations and Delivery Operations to coordinate employee participation in union initiatives. TID: December 2017
			Assessing Marketers' Barriers to Direct Mail
MS-MA-17-001	07/05/2017	—	R-2 — Develop and implement a strategy to expand partnerships throughout the marketing industry. TID: December 2017
			Registered Mail
FT-AR-17-008	07/14/2017	—	R-3 — Update the manual portions of the Registered Mail process, considering the options discussed in this report. TID: March 2018
		—	R-4 — Monitor technology to modernize the Registered Mail process, considering the options discussed in this report. TID: May 2018
			Prohibited Inbound International Mailings
		—	R-1 — Work with Congress and key stakeholders to clarify legal provisions related to handling prohibited mailings, agency responsibilities, and cost allocation. TID: None
MS-AR-17-008	07/18/2017	—	R-3 — Conduct a formal cost analysis comparing various disposal options for the Postal Service's handling of prohibited mailings and determine which is the most cost effective. TID: None
		—	R-5 — Develop procedures for coordinating with foreign postal operators when significant amounts of prohibited inbound mailings from those countries are identified. TID: July 2018
		—	R-6 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: February 2019
			Fiscal Year 2015 Pay for Performance Program
HR-AR-17-010	07/31/2017	—	R-1 — Update Handbook EL-312, to ensure it aligns with the current process. TID: March 2018
			Appointment of Contracting Officers' Representatives
		—	R-1 — Validate contracting officers' representatives training and certification and ensure it is documented. TID: April 2018
SM-AR-17-006	08/07/2017	\$361,759,002	R-2 — Validate contracting officers' representatives (COR) appointments are official via COR letters of appointments. TID: April 2018
		—	R-4 — Update the Contract Authoring Management System with current contracting officers and contracting officers' representatives information and ensure that information is accurately completed by mandating completion of the fields noted in our review. TID: April 2018
		—	R-5 — Develop a process to notify contracting officers in timely manner when contracting officers' representatives are reassigned or have resigned. TID: June 2018
			Delayed Mail Validation
NO-AR-17-011	08/10/2017	—	R-3 — Establish a formal process to integrate data from the Mail History Tracking System and Enterprise Data Warehouse, specifically delayed mail and mail processed after the processing cut-off time, into the Mail Condition Reporting System. TID: None

Appendix E:

Reports with Recommendations Pending Corrective Actions

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
Field Material Handling Projects			
NO-AR-17-012	08/23/2017	—	R-3 — Update Postal Service Handbook F-66, General Investment Policies and Procedures, to define review and approval procedures, validation, and compliance report requirements for all investments, including field material handling projects. TID: March 2018
		—	R-4 — Develop and implement a supervisory process to ensure that the Manager, Network Operations Engineering, provides the oversight needed to ensure field material handling project performance tracking is conducted after implementation in accordance with policy. TID: October 2018
City Carriers Returning After Six PM – Bay Valley District			
DR-AR-17-007	08/30/2017	—	R-3 — Direct the Mail Arrival Quality – Plant Arrival Quality committee; to evaluate the impact and cost of late mail arrival and improper mail mix dispatched to delivery units and take appropriate action. TID: September 2017
		—	R-4 — Develop and execute a plan to review current package volume data for city delivery units, beginning with the oldest route adjustment dates and modify route base package volumes and route values through the Route Count and Inspection process or minor route adjustments. TID: June 2019
Surface Visibility Scanning – Western Area			
NL-AR-17-009	09/05/2017	—	R-3 — Direct district managers to ensure that all Processing & Distribution Center managers adjust staffing and scheduling to ensure adequate coverage during peak Surface Visibility scanning periods. TID: September 2017
		—	R-4 — Assess the SV scan network environment in all Western Area Processing & Distribution Centers to identify and resolve wireless connectivity issues that affect SV scanning. TID: None
Facility Condition Reviews – Pacific Area			
SM-AR-17-007	09/06/2017	—	R-1 — Develop and implement an action plan to address all building safety and security, maintenance, workplace environment and violence policy, and handicap accessibility issues identified during our review. This plan should include a timeline for completing items. TID: December 2017
		—	R-5 — Establish an oversight mechanism to ensure that local management at retail facilities adhere to Postal Service policies and procedures relating to: a) maintenance and housekeeping standards to improve the customer retail experience; b) maintenance and inspection of fire extinguishers; c) security standards for facilities and vehicles to protect Postal Service employees, property, and the mail; d) consistent display of required posters so they are available to employees; and e) maintenance of devices and ramps that are installed for handicap accessibility. TID: September 2017
		—	R-6 — Provide safety inspection training to district safety personnel and local management. TID: November 2017
Oversight of Contracting Officer Authority			
SM-AR-17-008	09/06/2017	\$20,305,340	R-1 — Ratify the 13 unauthorized contractual commitments identified in the audit. TID: April 2018
		—	R-2 — Assess the feasibility of using the systems controls in the Contract Authoring and Management System to prevent contracting officers from committing contract actions that exceed their delegated contracting authority. TID: March 2018
		—	R-3 — If CAMS systems controls are deemed not feasible to implement, design mitigating controls to prevent contracting officers from committing contract actions that exceed their delegated contracting authority, to include: a) expanding the quarterly compliance review process to include sampling from all contracting actions; b) adopting the Facilities portfolio practice of conducting quarterly reconciliations of contracting actions with the contracting officer list; or c) restricting contracting officers from exceeding their authorized delegation of authority for all contract actions except indefinite delivery indefinite quantity contracts and ordering agreements. TID: None

Appendix E:

Reports with Recommendations Pending Corrective Actions

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

Appendix E:

Reports with Recommendations Pending Corrective Actions

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

Appendix E:

Reports with Recommendations Pending Corrective Actions

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
Mobile System Review			
IT-AR-17-009	09/21/2017	—	R-1 — Review user accounts with access to the mobile Point-of-Sale application and disable or remove any unnecessary accounts; implement a process to ensure accounts are maintained in accordance with Postal Service policy. TID: None
		—	R-2 — Document and implement a process to ensure that employees receive mobile Point-of-Sale (mPOS) training prior to granting access to the mPOS application. TID: None
		—	R-3 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: June 2018
		—	R-4 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: June 2018
		—	R-5 — Implement security standards for the mobile Point-of-Sale devices and application. TID: August 2018
Software License Management			
IT-AR-17-008	09/25/2017	—	R-1 — Complete implementation of the centrally managed software license program that complies with Postal Service policy and best practices. TID: March 2020
		\$22,491,323	R-2 — Review current Information Technology (IT) software contracts and modify those that do not include the required IT-related provision and clauses. TID: April 2018
		—	R-3 — Implement a process to ensure that future Information Technology (IT) software contracts include the required IT-related provision and clauses. TID: April 2018
Internal Controls Over Stamp Stock Shipments – James Crews Station, Kansas City, MO			
FT-FM-17-034	09/29/2017	—	R-1 — Instruct the unit management to develop a procedure to ensure stamp stock shipments for all stamp accountabilities are received timely in Retail System Software to avoid in-transit adjustments. TID: October 2017
		—	R-2 — Reiterate policies in Handbook F-101, Field Accounting Procedures, for receiving stock; maintaining required documentation; and researching and resolving financial discrepancies. TID: October 2017
Highway Contract Route Contracting Practices and Conflicts of Interest			
NL-AR-18-001	10/10/2017	\$34,682,474	R-1 — Correct and resolve all Office of Inspector General-identified potential conflicts of interest in accordance with the requirements of Supplying Principles and Practices Section 7.12. TID: June 2018
		—	R-2 — Establish, at a minimum, an annual review process to ensure the contracting requirements of Supplying Principles and Practices Section 7.12 are carried out. TID: None
		—	R-3 — Revise the time-period for resolving Department of Transportation unsatisfactory ratings to be, at a minimum, in compliance with the Title 49, U.S. Code of Federal Regulations. TID: March 2018
Accuracy of In-Office Cost System Data			
CP-AR-18-001	10/18/2017	—	R-1 — Establish automated controls in the Computerized On-site Data Entry System Web-Based Unit that validate In-Office Cost System telephone readings are rescheduled according to policy. TID: March 2018
		—	R-2 — Verify employees' activities and location at the time of In-Office Cost System telephone readings and report discrepancies with Time and Attendance Collection System data to facility supervisors if corrections to clock rings are needed. TID: April 2018
		—	R-4 — Confirm the completeness of the final In-Office Cost System data set used for cost attribution prior to submission to the Postal Regulatory Commission. TID: March 2018

Appendix E:

Reports with Recommendations Pending Corrective Actions

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
Package Delivery Scanning – Nationwide			
DR-AR-18-001	10/27/2017	—	R-1 — Reinforce to delivery unit personnel the importance of adhering to package scanning guidelines. TID: October 2017
		—	R-2 — Develop a process that will allow carriers to scan multiple packages to a single delivery address to provide accurate delivery information to customers. TID: None
		—	R-3 — Review the results of the Delivery Partners Program for Colleges and Universities and the USPS Partner Mobile Application Pilot and consider implementing any best practices for drop houses TID: March 2018
		—	R-4 — Develop a Mobile Delivery Device warning message/alert to deter carriers from applying street delivery scan events at delivery units. TID: July 2018
		—	R-5 — Create a reason code for stop-the-clock scans entered using the manual input mode for the Mobile Delivery Device (MDD) and include this data on the Manual Entries report to track MDD malfunctions by reason codes. TID: None
		—	R-6 — Update the Scan Data Integrity report to identify improper scans performed at delivery units. TID: September 2017
Consolidation of Mail for Chicago and San Francisco Network Distribution Centers			
NL-AR-18-002	10/27/2017	—	R-1 — Update Postal Service Headquarters standard operating procedures to clarify the frequency of inspections and establish standards to assess the need for consolidation deconsolidation facility trips. TID: January 2018
		\$3,150,112	R-2 — Evaluate the Chicago and San Francisco consolidation deconsolidation facilities to determine transportation needs and modify the contracts as necessary. TID: April 2018
Internal Controls Over Voyager Card Transactions and Reconciliation Process – Loch Raven Branch, Towson, MD			
FCS-FM-18-003	11/09/2017	—	R-2 — Revise the Voyager Fleet Card Standard Operating Procedure to provide clear and concise guidance for site managers on timely reporting of fraudulent Voyager activity. TID: June 2018
Small Package Sorting System Performance			
NO-AR-18-002	11/29/2017	\$37,140,078	R-1 — Ensure adequate supervisor and staff SPSS training that includes standard Small Package Sorting System machine set-up and restart instructions, including proper use of spinner racks and mail alignment at induction stations. TID: April 2018
		—	R-2 — Require management to match staffing to package volume management, including run plan generation and employee staffing and scheduling. TID: April 2018
		—	R-3 — Ensure management is monitoring and correcting staff labor code selection for reporting workhours. TID: April 2018
		—	R-4 — Determine the nationwide applicability of Columbus, OH, Lean Six Sigma project. TID: April 2018
Review of Mobile Applications			
IT-AR-18-001	12/20/2017	—	R-1 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: September 2018
		—	R-2 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: September 2018
Utilization of Automated Tools to Improve Compliance Activities			
IT-MA-18-001	12/20/2017	—	R-1 — Evaluate implementing automated tools into existing compliance activities. TID: April 2018

Appendix E:

Reports with Recommendations Pending Corrective Actions

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
Facility Security at Network Distribution Centers			
HR-AR-18-001	12/27/2017	—	R-1 — Establish standard operating procedures detailing steps and timeframes for Network Distribution Center and area personnel to address, monitor, and communicate identified security deficiencies. TID: February 2018
		—	R-2 — Establish an oversight mechanism to promote accountability and help ensure compliance with the Vulnerability Risk Assessment Tool requirements. TID: September 2018
		—	R-3 — Update the Administrative Support Manual to reflect the requirements to conduct Vulnerability Risk Assessment Tool assessments. TID: September 2018
Postal Vehicle Service Fuel Cost and Consumption Strategies			
NL-AR-18-003	01/03/2018	—	R-1 — Develop a plan including annual targets to reduce the Postal Vehicle Service fleet's reliance on petroleum-based fuels, reduce greenhouse gas emissions, and increase the use of alternative fuels. TID: None
		—	R-2 — Reevaluate their Viability of Compressed Natural Gas (CNG)-Fueled Vehicles Versus Diesel PVS fuel assessment for alternative fuels by considering the replacement of high fuel usage sites within proximity of public CNG refueling. TID: None
		\$7,718,392	R-3 — Evaluate the benefits of telematics in conjunction with Global Positioning System information on all Postal Vehicle Service vehicles. TID: None
Delivery Charge Codes			
CP-AR-18-002	01/19/2018	—	R-1 — Reiterate to delivery personnel the importance of charging work hours to appropriate operation numbers and labor distribution codes. TID: None
		—	R-2 — Modify the Time and Attendance Collection System to establish controls that flag invalid time codes on Sundays for supervisor correction. In the interim, develop a process to monitor the accuracy of clock-rings and hold the delivery management team accountable for ensuring Sunday delivery work hours are charged to the proper operation numbers and labor distribution codes. TID: None
		—	R-3 — Revise Postal Service guidance to a) require delivery managers justify and support all clock-ring adjustments; b) include an appropriate retention period for documenting clock-ring adjustments, and c) establish periodic monitoring of clock-ring adjustments to ensure employee work hour changes are accurate, justified, and supported. TID: None
		—	R-4 — Modify the Time and Attendance Collection System to include a field where managers must annotate reasons for making clock-ring adjustments to enhance visibility and oversight and to ensure compliance with policy. TID: None
		—	R-5 — Establish automated controls that ensure delivery supervisors identify missing and incorrect end-tour clock-rings and make the necessary and timely corrections in the Time and Attendance Collection System. TID: None

Appendix E:

Reports with Recommendations Pending Corrective Actions

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
Inbound ePackets Cost Attribution			
CP-AR-18-003	01/23/2018	—	R-1 — The Vice President, Pricing and Costing, should coordinate with Vice President, Network Operations, to establish procedures to track returns of undeliverable inbound ePackets. TID: December 2018
		—	R-2 — The Vice President, Pricing and Costing, should include the outbound international transportation costs and terminal dues paid to return inbound ePackets in ePacket proxy calculations, and attribute those costs to ePackets. TID: December 2018
		—	R-3 — The Vice President, Pricing and Costing, should evaluate the costs of returning inbound ePackets and consider including a provision in future ePacket bilateral agreements that requires foreign posts to pay a service fee for ePacket returns. TID: September 2018
		—	R-4 — The Vice President, Pricing and Costing, should use the proxy ePacket cost estimate to report total costs and cost coverage for inbound ePackets as a separate line item in future fiscal years' Annual Compliance Report. TID: December 2018
Terminal Handling Services – Capital Metro Area			
NL-AR-18-004	02/02/2018	—	R-1 — Resolve mail processing facilities' lack of adherence to the volume arrival profile (VAP) for all Capital Metro Area mail processing facilities. TID: March 2018
		\$1,235,440	R-2 — Ensure that THS suppliers are not loading bypass mail into mixed mail air containers at all Capital Metro Area mail processing facilities. TID: September 2018
		\$9,104,119	R-3 — Ensure the Baltimore terminal handling services supplier is using the required mail transport equipment container placards. TID: June 2018
		—	R-4 — Develop and implement a training program for all on-site THS Postal Service representatives to ensure they understand their contractual authority. TID: September 2018
		\$10,672,093	R-5 — Resolve the conflict between the failure to load contract requirement and the penalty assessment formula, finalize the automated terminal handling services supplier irregularity collection process, and determine and collect all outstanding contractual penalties. TID: December 2018
National Recycling Program			
HR-AR-18-002	02/22/2018	\$16,477	R-1 — Strengthen controls of the National Recycling Program operations and coordinate with Managers, Greensboro and Suncoast Districts, to implement financial monitoring and operational oversight responsibilities over the facilities to the district. TID: September 2018
		—	R-2 — Reassess and adjust National Recycling Program goals as necessary, based on delays in the execution plan to appropriately set program expectations at district levels. TID: September 2019
		—	R-3 — Implement a control or oversight mechanism to validate accuracy of general ledger account entries, reiterate standard operating procedure guidance to appropriate personnel, and provide additional general ledger account entry training, as necessary. TID: September 2018
Highway Contract Route Irregularity Reporting – Chicago Network Distribution Center			
NL-AR-18-005	02/22/2018	\$888,839	R-1 — Reconcile the differences between the Transportation and Contract Delivery Service Terms and Conditions, Postal Service Form 5500, Contract Route Irregularity Report, and the 2017 training requirements for chargeable irregularities and the inconsistency between what a contractor can charge and what the Postal Service can charge. TID: None
		—	R-2 — Ensure Postal Service Form 5500, Contract Route Irregularity Report, are forwarded within an established timeframe to the administrative officers managing the highway contract route when irregularities occur. TID: September 2018

Appendix E:

Reports with Recommendations Pending Corrective Actions

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
Voyager Fleet Card Management – Great Lakes Area			
DR-AR-18-002	02/23/2018	\$1,928,676	R-1 — Direct district managers to ensure site managers, permanent or detailed, follow the Voyager Standard Operating Procedures for Monthly Reconciliations and provide access to FAMS. TID: March 2018
		—	R-2 — Direct district managers to ensure site managers/reconcilers report all missing Voyager fleet cards to Voyager/US Bank. TID: March 2018
		—	R-3 — Direct district managers to ensure site managers/reconcilers complete the eFleet Card for Site Manager training, where needed. TID: March 2018
		—	R-4 — Direct district managers to provide Voyager Fleet Commander Online training to sites, where needed. TID: March 2018
Postal Service’s Limited Duty and Rehabilitation Programs Return to Work Processes in the Southern and Pacific Areas			
HR-AR-18-003	03/01/2018	—	R-1 — Promote awareness and use of the Employee Health and Safety system — 546 report through training to district health and resource management employees. TID: June 2018
		—	R-2 — Assess if the staffing-to-caseload ratio aligns with requirements established by management. TID: None
		—	R-3 — Implement a control to validate work searches are conducted and supporting documentation is retained. TID: September 2018
		—	R-4 — Assess the feasibility of implementing an automated or other solution to promote process efficiency and satisfy the special job bank requirement. TID: None
		—	R-5 — Develop a methodology to include accurate work statuses in the Employee Health and Safety system for employees who receive vocational rehabilitation training or work outside the Postal Service, and provide training on the updated methodology and coding of employees with multiple cases. TID: June 2018
		\$68,200	R-6 — Reiterate the Department of Labor adjudication policy and guidance, emphasizing the importance of compliance. TID: March 2018
Internal Controls Over Permit Postage and Fee Refunds – Palm Coast, FL, Branch			
FCS-FM-18-008	03/06/2018	\$96,551	R-1 — To provide Business Reply Mail Refresher training for destroying business reply mail with postage affixed to the bulk mail technician. TID: March 2018
Western Area Physical Security and Environmental Controls			
IT-AR-18-002	03/19/2018	—	R-1 — Direct the senior plant manager to communicate badge access review policy requirements to managers. TID: November 2017
		—	R-2 — Direct the senior plant manager to require responsible managers to complete badge access reviews. TID: November 2017
		—	R-3 — Direct the senior plant manager to implement compensating controls for doors without a functioning card reader. TID: September 2018
		—	R-4 — Direct the senior plant manager to communicate access procedures to the resource management personnel to ensure employees without a Postal Service badge do not gain access to the facility west entrance. TID: September 2018
		—	R-5 — Direct the senior plant manager to enforce emergency exit and exterior door security policy requirements to employees. TID: January 2018
		—	R-6 — Direct the senior plant manager to implement security controls for the facility parking lots and repair surveillance security cameras. TID: September 2018
		—	R-7 — Direct the senior plant manager to communicate policy requirements for challenging and escorting unauthorized individuals in controlled areas. TID: March 2018
		—	R-8 — Direct the senior plant manager to implement environmental controls for protecting information technology assets against water damage in the information system office. TID: May 2018
		—	R-9 — Direct the senior plant manager to recharge the fire suppression system in the IT server room. TID: May 2018

Appendix E:

Reports with Recommendations Pending Corrective Actions

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
Oversight of Contract Extensions			
SM-AR-18-001	03/20/2018	—	R-1 — Revise policy to establish restrictions on the number of option years included after contract award. TID: None
		\$4,536,971	R-2 — Revise policy to clarify the use of contract clauses when exercising option years, and revise the current review and approval process to ensure appropriate clauses are used when extending contracts. TID: December 2018
		—	R-3 — Reiterate through formal communication the requirements for renewal clauses, and revise the current review and approval process to ensure renewals are used appropriately. TID: December 2018
		—	R-4 — Reiterate through formal communication the proper inclusion of required contract clauses in the contract language, and revise the current review and approval process to ensure mandatory clauses are included in contracts. TID: December 2018
		—	R-5 — Reconcile existing policy and clause language to clarify written notification requirements for Clause 2-19: Option to Extend. TID: December 2018
		—	R-6 — Close the remaining six open contracts and reiterate to contract officers the importance of closing contracts properly. TID: July 2018
Controls Over Time and Materials and Labor Hour Contracts			
SM-AR-18-002	03/26/2018	\$98,482,250	R-1 — Revise policy to better define ceiling price and the requirement to document the ceiling price in the Schedule, and reiterate the requirement to contracting officers when executing Time and Materials and Labor Hour contracts. TID: March 2019
		\$6,402,254	R-2 — Assess the universe of Time and Materials and Labor Hour Contracts and bring those contracts without Clause 2-38 into compliance; reiterate through formal communication, and refresher training, the proper inclusion of required contract clauses in the contract language for Time and Materials and Labor Hour contracts; and revise the current review and approval process to ensure adherence and accountability for contracting officers. TID: November 2018
		—	R-3 — Emphasize to contracting officers, through formal communication, requirements on documenting ceiling price changes in Time and Materials and Labor Hour contracts. TID: May 2018
		—	R-4 — Emphasize to contracting officers through formal communication the requirements for proper application of the Clause 2-38 payment retainage provision. TID: May 2018
Maintenance Optimization – Northeast Area			
NO-AR-18-003	03/29/2018	—	R-1 — Establish and communicate to all Northeast Area mail processing facilities a plan that outlines the Labor Distribution Code 37 maintenance optimization initiative, its goals, and how to achieve the associated work hour savings. TID: None
		—	R-2 — Ensure Human Resources and mail processing facilities coordinate the review of maintenance employee assignments to confirm they are assigned to the correct labor distribution code. TID: None
		—	R-3 — Establish a plan to ensure maintenance supervisors monitor and correct maintenance employee operation number selections as needed so that the correct labor distribution code is used for the work being performed. TID: None

Appendix E:

Reports with Recommendations Pending Corrective Actions

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
			Mail Processing Facilities Staffing
NO-AR-18-004	03/30/2018	—	R-1 — Establish nationwide criteria for using Function 1 Scheduler results. TID: None
		\$420,133,963	R-2 — Include Function 1 Scheduler results in headquarters' annual budget process. TID: None
		—	R-3 — Implement and document the Verification, Validation, and Accreditation process for the Function 1 Scheduler. TID: None

Total Number of Reports: 103

Total Number of Recommendations: 238

Total Monetary Impact: \$3,020,918,689

APPENDIX F:

Management Decisions in Audit Resolution

For the period through 10/01/2017 - 03/31/2018

Revised Management Decisions

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

Recommendations in Disagreement

Section 5(a)(12) requires the OIG to report information concerning any significant management decision with which the OIG is in disagreement. The following list 19 reports in which the OIG disagreed with management decisions.

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation Number
Global Positioning System Trailer Visibility			
NL-AR-17-008	06/26/2017	—	R-1 — Suspend the Global Positioning System (GPS) implementation except for the Enterprise Transportation Analytics (ETA) systems module development and establish initiative milestones in the following sequence: Test and validate the ETA system when all modules are fully operational; Conduct a pilot program with the fully operational ETA system and the GPS trailer units to validate the complete technology solution; Develop a plan with established and validated performance metrics using ETA system and GPS data; and Deploy the remaining GPS units based on decision points from the above analytics.
		\$2,487,581	R-2 — Identify and validate specific cost savings to support the \$18.5 million Global Positioning System technology investment.
Carrier Leave without Pay for Union Activities			
HR-AR-17-008	07/05/2017	\$90,682	R-1 — Adhere to the Postal Service policy to assess operational needs prior to granting or denying leave without pay for union activities and communicate deviations to appropriate Operations and Labor Relations personnel.
Prohibited Inbound International Mailings			
MS-AR-17-008	07/18/2017	—	R-1 — Work with Congress and key stakeholders to clarify legal provisions related to handling prohibited mailings, agency responsibilities, and cost allocation.
		—	R-3 — Conduct a formal cost analysis comparing various disposal options for the Postal Service's handling of prohibited mailings and determine which is the most cost effective.
Delayed Mail Validation			
NO-AR-17-011	08/10/2017	—	R-3 — establish a formal process to integrate data from the Mail History Tracking System and Enterprise Data Warehouse, specifically delayed mail and mail processed after the processing cut-off time, into the Mail Condition Reporting System.
Surface Visibility Scanning - Western Area			
NL-AR-17-009	09/05/2017	—	R-4 — Assess the SV scan network environment in all Western Area Processing & Distribution Centers to identify and resolve wireless connectivity issues that affect SV scanning.

Appendix F:

Management Decisions in Audit Resolution

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation Number
MS-AR-17-009	09/07/2017	—	<p>Delayed Inbound International Mail</p> <p>R-2 — Develop a mechanism for incorporating available data into its inbound mail monitoring and reporting processes.</p>
NL-AR-17-010	09/07/2017	—	<p>Highway Contract Route Irregularity Reporting - Jacksonville Network Distribution Center</p> <p>R-1 — Update Postal Service Handbook PO-501, Highway Contract Administration, dated June 1981, with instructions for classifying and charging irregularities, and establish manual procedures for the submission of Postal Service Form 5500, Contract Route Irregularity Report, for all potential irregularities when the Yard Management System is not operational.</p> <p>R-3 — Amend the Electronic Records Information Management System Postal Service Form 5500, Contract Route Irregularity Report, retention schedule from one-year to match Highway Contract Route contract terms.</p>
HR-AR-17-014	09/14/2017	\$308,402,033	<p>Management of Overtime in the Northeast Area</p> <p>R-1 — Develop an action plan to promote accountability in managing the planned percentage of overtime and planned overtime hours. That action plan should address the contributing factors to overtime, to include but not limited to, unscheduled leave and inactive employees, and assess the effectiveness of management actions related to non-career employee retention and increased package volume growth.</p>
HR-AR-17-013	09/21/2017	—	<p>Assessing Postal Service Employee Engagement Activities</p> <p>R-1 — Require managers and supervisors to create action plans to address Postal Pulse Survey results and implement a process to monitor and assess progress on the activities identified in action plans.</p>
IT-AR-17-009	09/21/2017	—	<p>Mobile System Review</p> <p>R-1 — Review user accounts with access to the mobile Point-of-Sale application and disable or remove any unnecessary accounts; and implement a process to ensure accounts are maintained in accordance with Postal Service policy.</p> <p>R-2 — Document and implement a process to ensure that employees receive mobile Point-of-Sale (mPOS) training prior to granting access to the mPOS application.</p>
NL-AR-18-001	10/10/2017	—	<p>Highway Contract Route Contracting Practices and Conflicts of Interest</p> <p>R-2 — Establish, at a minimum, an annual review process to ensure the contracting requirements of Supplying Principles and Practices Section 7.12 are carried out.</p>
DR-AR-18-001	10/27/2017	—	<p>Package Delivery Scanning – Nationwide</p> <p>R-2 — Develop a process that will allow carriers to scan multiple packages to a single delivery address to provide accurate delivery information to customers.</p> <p>R-5 — Create a reason code for stop-the-clock scans entered using the manual input mode for the Mobile Delivery Device (MDD) and include this data on the Manual Entries report to track MDD malfunctions by reason codes.</p>

Appendix F:

Management Decisions in Audit Resolution

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation Number
Postal Vehicle Service Fuel Cost and Consumption Strategies			
NL-AR-18-003	01/03/2018	—	R-1 — Develop a plan including annual targets to reduce the Postal Vehicle Service fleet's reliance on petroleum-based fuels, reduce greenhouse gas emissions, and increase the use of alternative fuels.
		—	R-2 — Reevaluate their Viability of Compressed Natural Gas (CNG)-Fueled Vehicles versus Diesel PVS fuel assessment for alternative fuels by considering the replacement of high fuel usage sites within proximity of public CNG refueling.
		\$7,718,392	R-3 — Evaluate the benefits of telematics in conjunction with Global Positioning System information on all Postal Vehicle Service vehicles.
Delivery Charge Codes			
CP-AR-18-002	01/19/2018	—	R-1 — Reiterate to delivery personnel the importance of charging work hours to appropriate operation numbers and labor distribution codes.
		—	R-2 — Modify the Time and Attendance Collection System to establish controls that flag invalid time codes on Sundays for supervisor correction. In the interim, develop a process to monitor the accuracy of clock rings and hold the delivery management team accountable for ensuring Sunday delivery work hours are charged to the proper operation numbers and labor distribution codes.
		—	R-3 — Revise Postal Service guidance to (1) require delivery managers justify and support all clock ring adjustments, (2) include an appropriate retention period for documenting clock ring adjustments, and (3) establish periodic monitoring of clock ring adjustments to ensure employee work hour changes are accurate, justified, and supported.
		—	R-4 — Modify the Time and Attendance Collection System to include a field where managers must annotate reasons for making clock ring adjustments to enhance visibility and oversight and to ensure compliance with policy.
		—	R-5 — Establish automated controls that ensure delivery supervisors identify missing and incorrect end tour clock rings and make the necessary and timely corrections in the Time and Attendance Collection System.
Highway Contract Route Irregularity Reporting - Chicago Network Distribution Center			
NL-AR-18-005	02/22/2018	\$888,839	R-1 — Reconcile the differences between the Transportation and Contract Delivery Service Terms and Conditions, Postal Service Form 5500, Contract Route Irregularity Report, and the 2017 training requirements for chargeable irregularities and the inconsistency between what a contractor can charge and what the Postal Service can charge.
Postal Service's Limited Duty and Rehabilitation Programs Return to Work Processes in the Southern and Pacific Areas			
HR-AR-18-003	03/01/2018	—	R-2 — Assess if the staffing to caseload ratio aligns with requirements established by management
		—	R-4 — Assess the feasibility of implementing an automated or other solution to promote process efficiency and satisfy the special job bank requirement.
Oversight of Contract Extensions			
SM-AR-18-001	03/20/2018	—	R-1 — Revise policy to establish restrictions on the number of option years included after contract award.

Appendix F:

Management Decisions in Audit Resolution

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation Number
			Maintenance Optimization - Northeast Area
NO-AR-18-003	03/29/2018	—	R-1 — Establish and communicate to all Northeast Area mail processing facilities a plan that outlines the Labor Distribution Code 37 maintenance optimization initiative, its goals, and how to achieve the associated work hour savings.
		—	R-2 — Ensure Human Resources and mail processing facilities coordinate the review of maintenance employee assignments to confirm they are assigned to the correct labor distribution code.
		—	R-3 — Establish a plan to ensure maintenance supervisors monitor and correct maintenance employee operation number selections as needed so that the correct labor distribution code is used for the work being performed.
			Mail Processing Facilities Staffing
NO-AR-18-004	03/30/2018	—	R-1 — Establish nationwide criteria for using Function 1 Scheduler results.
		\$420,133,963	R-2 — Include Function 1 Scheduler results in headquarters' annual budget process.
		—	R-3 — Implement and document the Verification, Validation, and Accreditation process for the Function 1 Scheduler.

APPENDIX G:

Status of Peer Review Recommendations

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

Office of Audit

External Peer Reviews

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

The latest review we conducted was completed on March 30, 2018 on the Department of Health and Human Services (HHS OIG). They received a rating of pass.

Office of Investigations

Internal Peer Reviews

None

External Peer Reviews

None

APPENDIX H:

Investigative Statistics

For the period through 10/01/2017 - 03/31/2018

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

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

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

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

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

	Investigations Closed	Arrests	Indictments / Information / Complaints	Conviction	Admin Action Taken	Cost Avoidance	Fines / Restitution, and Recoveries	Amount to Postal	To Mgmt. for Admin Action	To Mgmt. for Admin Action (FY)	Number of persons referred to DOJ for criminal prosecution	Number of persons referred to State and Local authorities for criminal prosecution presentations	Criminal Indictments / Information	Number of investigative reports issued
Computer Crimes	—	1	—	1	—	—	689,452	—	—	—	1	—	—	—
Contract Fraud	26	3	5	—	20	52,178,371	22,391,770	18,890,125	3	3	11	2	4	13
Financial Fraud	148	51	60	18	220	1,108,000	1,517,147	838,486	145	152	54	35	45	208
General Crimes	256	14	17	7	261	—	290,097	34,391	169	175	13	28	5	323
Healthcare Claimant Fraud	98	12	13	2	76	41,345,192	2,902,659	1,293,649	11	12	20	15	9	58
Healthcare Provider Fraud	9	15	20	—	15	7,186,877	23,082,775	1,966,063	—	—	13	—	20	4
Internal Mail Theft	551	195	232	50	616	1,060,810	1,961,328	123,917	482	497	267	84	148	726
Narcotics	53	38	47	2	97	—	71,985	17,009	55	56	28	11	34	66
Total	1,141	329	394	80	1,305	102,879,250	52,907,213	23,163,640	865	895	407	175	265	1,398

APPENDIX I:

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

For the period 10/01/2017 - 03/31/2018

Type of Scheme	Complaints Filed	Consent Agreements	FROs	C&D Orders
Advance Fee	—	—	—	—
Counterfeit Check	7	7	—	7
Facsimile Checks	1	1	—	1
Failure to Pay	—	—	—	—
Foreign Lottery	34	34	—	34
Invoice Schemes	1	1	—	1
Lottery	1	1	—	1
Other	2	2	—	2
Reshipping Scheme	5	5	—	5
USPS Revenue Fraud	—	—	—	—
Identity Theft - Other	2	2	—	2
TOTAL	53	53	—	53

Other Administrative Actions

Temp. Restraining Orders Requested	—
Temp. Restraining Orders Imposed	—
Cases Using Direct Purchase Authority	—
Civil Penalties (Section 3012) Imposed	—
Test Purchases	—
Withholding Mail Orders Issued	1

Voluntary Discontinuances This area is not tracked by Office of Counsel

Administrative Subpoenas Requested by the Postal Inspection Service.

There was no request during this reporting period.

Financial Reporting on Investigative Activities for the Postal Inspection Service

Type	Total
Total Personnel Comp	\$188,147,757
Total Nonpersonnel Expense	\$43,157,094
Total Operating Expense	\$231,305,094
Total Capital Commitments	\$9,889,186

APPENDIX J:

Congressional/PMG/Board of Governors Inquiries

For the period 10/01/2017 - 03/31/2018

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

From October 1, 2017 through March 31, 2018, the OIG received 83 new inquiries. Out of the 83 inquiries, we referred nine to the U.S. Postal Service Office of Government Relations and two to the Postal Inspection Service for review. We closed 72 inquiries during this reporting period. Out of the 72 inquiries, 50 were referred to our Office of Investigations and 7 were referred to our Office of Audit for further review.

Congressional Testimony

Since its inception, the OIG has testified before Congress on various matters. From October 1, 2017 through March 31, 2018, the OIG testified at one congressional hearing.

On January 25, 2018, Acting Deputy Inspector General William Siemer testified before the Senate Permanent Subcommittee on Investigations at a hearing on “Combating the Opioid Crisis: Exploiting Vulnerabilities in International Mail.” Acting Deputy IG Siemer provided information on the OIG’s extensive audit work on inbound international mail operations, how the OIG is using data analytics to address narcotics issues, and the importance of cross-agency collaboration in identifying and intercepting shipments of illegal drugs.

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

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

APPENDIX K:

Instances of Agency Interference

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

None to report during this period.

SUPPLEMENTAL INFORMATION

Freedom of Information Act

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

Activities

For the period 10/01/2017 - 03/31/2018

Requests	Number of Requests
Carryover from prior period	20
Received during period	370
Total on hand during period	390
Actions	Number of Requests
Processed during the period	372
Requests Denied in Full	9
Requests Granted in Full	6
Requests Denied in Part	74
No Records	35
Requests Referred	137
Requests Withdrawn	36
Fee-Related Reasons	—
Records not reasonably described	—
Not a proper FOIA request for some other reason	4
Not an agency record	71
Duplicate Request	—
Balance	Number of Requests
Balance at the end of the period (pending)	18
Processing Days	Number of Days
Median processing days to respond to a FOIA request	2

Workplace Environment

The OI Workplace Environment unit reviews workplace environment and operational issues that may affect workplace climate in postal facilities throughout the country. The OIG Hotline is the usual source for the complaints, but occasionally members of Congress, the Governors, and postal management will raise concerns or forward complaints appropriate for review by the unit. Complaint topics range from sexual harassment and discrimination to workplace safety. Workplace Environment reviews are designed to identify systemic, rather than individual, issues and foster postal management efforts toward providing employees a stress- and adversity-free work environment. The unit accepts complaints from any postal employee, including OIG and Postal Inspection Service staff. Reviews may result in fact-finding reports to management or referral for specific suggested action, such as climate assessments.

For the period: October 1, 2017 – March 31, 2018

Total complaints on hand for this period: 1,101

Whistleblower Reprisal Activity

Allegations Received	116
OIG Investigations Initiated	1
Investigations closed with no action	0
Allegations with closed with no action	115
OIG found reprisal	0

Supplemental Information

Summary of Performance

For the period 10/01/2017 - 03/31/2018

Audits

Reports issued	61
Recommendations issued	128
Total reports with financial impact	23
Funds put to better use	\$315,096,510
Questioned costs	\$322,238,720
Revenue Impact	\$20,114
Total	\$637,355,344

Investigations¹

Investigations Completed	1,141
Arrests	329
Indictments/Informations	394
Convictions/pretrial diversions ²	80
Administrative actions	1,305
Cost Avoidance	\$102,879,250
Fines, Restitution, and Recoveries	\$52,907,213
Amount to the Postal Service ³	\$23,163,640

OIG Hotline Contacts

Telephone calls	594
E-Mail	7,163
Webforms	37,636
Standard Mail	745
Voice Mail Messages	3,616
Facsimile - FAX	108
National Law Enforcement Communications Center	152
Total Contacts	50,014

¹ Statistics include joint investigations with other law enforcement agencies.

² Convictions reported in this period may be related to arrests in prior reporting periods.

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

ACRONYM GUIDE

APPS: Automated Package Processing System

APWU: American Postal Workers Union

C&A: certification and accreditation

CSRS: Civil Service Retirement System

CSS: customer service supervisor

DBCS: Delivery Barcode Sorter

DOL: U.S. Department of Labor

DEA: Drug Enforcement Administration

DWC: distribution window clerk

eCBM: Electronic Conditional Based Maintenance

EDDI: Electronic Data Distribution Infrastructure

EDI: Electronic Data Interchange

EIR: Enterprise Information Repository

FEGLI: Federal Employees' Group Life Insurance

FEHB: Federal Employees Health Benefits

FSS: Flats Sequencing System

GMU: George Mason University

HCR: highway contract route

LLV: long-life vehicles

MTE: mail transport equipment

NALC: National Association of Letter Carriers

NCSC: National Customer Support Center

NDC: network distribution center

NPV: net present value

OA: Office of Audit

OI: Office of Investigations

OWCP: Office of Workers' Compensation Programs

P&DC: processing and distribution center

P&DF: processing and distribution facility

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

PKI: Public Key Infrastructure

PRC: Postal Regulatory Commission

PVS: Postal Vehicle Services

RARC: Risk Analysis Research Center

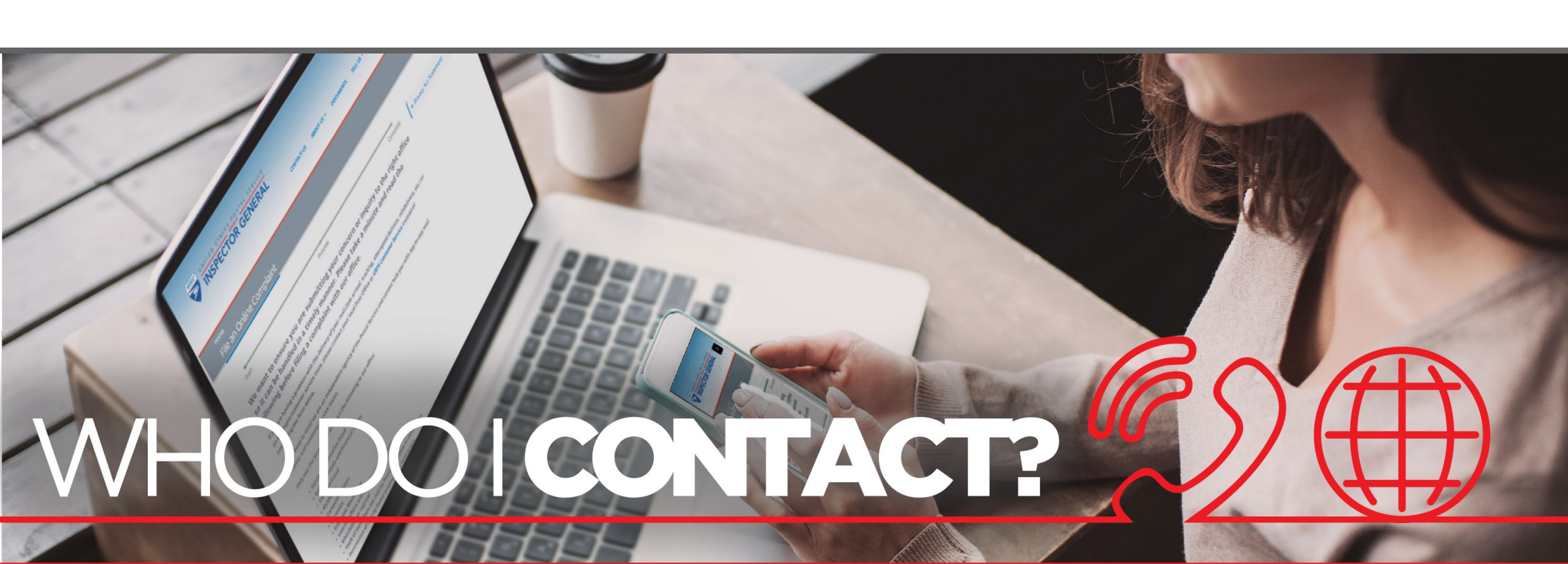
SBOC: Stations and Branches Optimization Consolidation

SSA: sales and services associate

TACS: Time and Attendance Collection System

VMF: Vehicle Maintenance Facility

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WHO DO I CONTACT?

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



Office of Inspector General

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

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



Postal Inspection Service

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

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



UNITED STATES POSTAL SERVICE

OFFICE OF

INSPECTOR GENERAL

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