



UNITED STATES POSTAL SERVICE

OFFICE OF

INSPECTOR GENERAL



Executive Summary

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Governance of the U.S. Postal Service

Observations

RARC Report
Report Number RARC-WP-17-002
November 10, 2016

Appendices



SPRING SEMI-ANNUAL REPORT TO CONGRESS
2017 October 1, 2016 – March 31, 2017

Auction

Our objective was to evaluate the U.S. Postal Service's process for additional information about this audit.

The Postal Service has the country's largest retail network—large 40,000+ physical retail access points (see Table 1). These access points include traditional (brick-and-mortar) post offices and (approved airports) *

Table 1. Total Retail Access Points, Fiscal Year (FY)

TYPE	Post Offices	CPUs
Post Offices		
CPUs		
Total		



A Message from the ACTING INSPECTOR GENERAL

The first six months of our fiscal year has put us on course for a year like no other. In December, the U.S. Postal Service Board of Governors

lost its last remaining presidentially-appointed governor when his holdover term expired. The Board, which operates much like a corporate board of directors, is now without any independent governors for the first time since the Postal Reorganization Act of 1970 created the governing body. By law, we report to the Governors and to Congress.

A paper we issued in this reporting period, *The Governance of the U.S. Postal Service*, noted the ramifications of having no independent governors. The Board — which is made up of the postmaster general, deputy postmaster general, and nine independent governors appointed by the president and approved by the Senate — can delegate many tasks to the postmaster general, but, by law, only the presidentially appointed governors can conduct certain actions. These include authorizing rate and fee changes for postal products, and requesting the Postal Regulatory Commission add, remove, or reclassify products.

As our work presented here indicates, we continue to be driven by the mission of ensuring efficiency, accountability, and integrity in the Postal Service — no matter what is happening around us. Our follow-up

work on compound pharmaceuticals is a good example of how our work is providing strong value to stakeholders. In 2016 alone, the Postal Service paid more than \$173 million in workers' compensation costs for these kinds of prescriptions, a dramatic increase from the \$9 million it paid in 2013. Working with the Postal Service, we together drove programmatic changes at the Department of Labor in October 2016, which resulted in over 86 percent billing decreases for compound drugs. These changes also will protect the entire government from billions of dollars in future fraud.

In this Semiannual Report to Congress for the period ending March 31, 2017, we issued 84 audit reports, management advisories, PARIS risk models and white papers, and the Postal Service accepted 84 percent of our recommendations. We completed 1,394 investigations that led to 345 arrests and nearly \$20 million in fines, restitutions, and recoveries, \$3 million of which was turned over to the Postal Service.

I look forward to working with all 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.

A handwritten signature in black ink that reads "Tammy L. Whitcomb". The signature is written in a cursive, flowing style.

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, 2016 — March 31, 2017

Audit

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



Questioned Costs:
\$382,110,505

Funds put to better use:
\$1,107,710,049

Total:
\$1,489,820,554

Investigations¹



Amount to the Postal Service:²
\$3,340,161



Cost Avoidance:
\$85,109,881



Fines, Restitution, and Recovery:
\$19,952,851

Investigations Completed: **1,394**
 Arrests: **345**
 Indictments/Informations: **289**

Convictions/Pretrial Diversions:³ **396**
 Administrative Actions: **1,080**

OIG Hotline Contacts

Telephone Calls: **1,027**

Email: **45,472**

Standard Mail: **801**

Voice Mail Messages: **3,961**

Facsimile: **151**

National Law Enforcement Communications Center: **200**

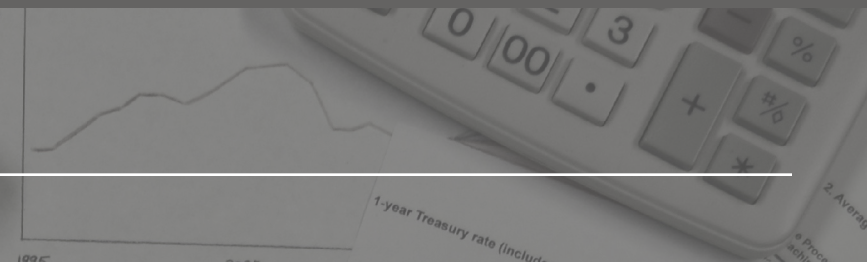
¹ Statistics include joint investigations with other law enforcement agencies.

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

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

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1-year Treasury rate (includes administrative fee of 0.125 percent)

FYs	Amount Unpaid	Annual Appropriation	Interest Rate	Loan Balance (Annual Appropriation)	Loan Balance (Annual Appropriation)	Cumulative Interest (Loan Balance x Interest Rate)
1994	\$29,000,000	\$29,000,000	3.52%	\$1,218,000,000	\$1,218,000,000	\$41,703,350
1995	\$29,000,000	\$29,000,000	6.24%	\$1,230,793,350	\$1,230,793,350	\$77,931,815
1996	\$29,000,000	\$29,000,000	5.72%	\$1,230,793,350	\$1,230,793,350	\$71,307,493
1997	\$29,000,000	\$29,000,000	5.88%	\$1,276,725,165	\$1,276,725,165	\$73,209,353
1998	\$29,000,000	\$29,000,000	5.59%	\$1,319,032,859	\$1,319,032,859	\$74,517,416
1999	\$110,200	\$29,000,000	4.25%	\$1,363,242,012	\$1,363,242,012	\$74,517,416
2000	\$63,800	\$29,000,000	5.59%	\$1,438,330,216	\$1,438,330,216	\$80,983,495
2001	\$188,500	\$29,000,000	5.59%	\$1,487,734,831	\$1,487,734,831	\$85,570,789
2002	\$171,100	\$29,000,000	6.14%	\$1,548,295,927	\$1,548,295,927	\$95,665,610
2003	\$232,000	\$29,000,000	2.48%	\$1,556,594,642	\$1,556,594,642	\$98,158,031
2004	\$290,000	\$29,000,000	1.78%	\$1,554,901,293	\$1,554,901,293	\$1,642,207,836
2005	\$29,000,000	\$29,000,000	1.38%	\$1,547,055,889	\$1,547,055,889	\$1,681,365,867
2006	\$29,000,000	\$29,000,000	2.36%	\$1,554,043,588	\$1,554,043,588	\$1,657,059,950
2007	\$29,000,000	\$29,000,000	4.31%	\$1,590,599,178	\$1,590,599,178	\$1,657,059,950
2008	\$29,000,000	\$29,000,000	5.14%	\$1,681,365,867	\$1,681,365,867	\$1,681,365,867
2009	\$29,000,000	\$29,000,000	4.23%	\$1,677,894,820	\$1,677,894,820	\$1,681,365,867
2010	\$29,000,000	\$29,000,000	1.55%	\$1,657,059,950	\$1,657,059,950	\$1,657,059,950
2011	\$29,000,000	\$29,000,000	0.50%	\$1,651,121,296	\$1,651,121,296	\$1,651,121,296
2012	\$29,000,000	\$29,000,000	0.31%	\$1,655,001,431	\$1,655,001,431	\$1,655,001,431
2013	\$29,000,000	\$29,000,000	0.25%	\$1,660,049,185	\$1,660,049,185	\$1,660,049,185
2014	\$29,000,000	\$29,000,000	0.23%	\$1,664,116,305	\$1,664,116,305	\$1,664,116,305
2015	\$29,000,000	\$29,000,000	0.36%	\$1,638,795,317	\$1,638,795,317	\$1,638,795,317
2016	\$29,000,000	\$29,000,000	0.36%	\$1,608,785,317	\$1,608,785,317	\$1,615,993,029

OFFICE OF INSPECTOR GENERAL UNITED STATES POSTAL SERVICE

Officers' Travel and Representation Expenses for Fiscal Year 2016

Audit Report

Report Number FT-AR-17-005
February 9, 2017

AUDITS AND WHITE PAPERS

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

Management Response to Audit Work

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

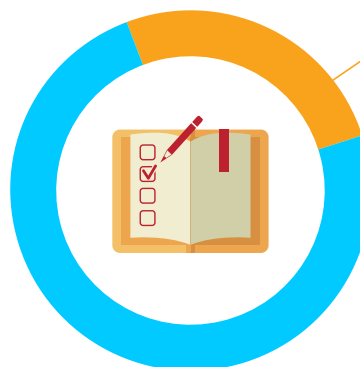
OIG white papers explore strategic ideas for ways to enhance the viability and efficiency of the Postal Service. These white papers are presented to Postal Service management for consideration and contain no recommendations.



Audit **SUMMARY of PERFORMANCE**

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Information Technology

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

Developing a Successful Information Security Policy

An information security policy is a baseline on how an organization plans to protect its information technology resources from threats caused by malicious internal and external attackers. Developing a successful information security policy is a balancing act; too many security requirements can paralyze an organization, while not having enough can leave the organization vulnerable.

The Corporate Information Security Office (CISO) is responsible for developing and communicating information security policies to the U.S. Postal Service. CISO has a project underway to redesign its information security policies, procedures, and standards. As part of the effort to redesign its information security policies, CISO requested the

OIG review the existing Handbook AS-805 and its supplemental handbooks and determine if there were opportunities for improvement.

The OIG believes the Postal Service would benefit from using a framework such as National Institute of Standards and Technology (NIST) SP 800-53 or International Organization for Standardization (ISO) 27001 as guidance to update and modernize its information security policies. As a result, the Postal Service could improve business and system owners' ease of use, provide consistent policy application, and modernize the organization's overall security posture. With an information security framework based on industry best-practices in place, the Postal Service would ensure that it maintains confidentiality, integrity, and the availability of information technology.

Supply Management and Human Resources

Environmental Conditions at Michigan Metroplex Processing and Distribution Center

The American Postal Workers Union and a Postal Service contractor raised concerns about the safety of the Michigan Metroplex Processing and Distribution Center. We issued a management alert, February 22, 2016, regarding the malfunction of the methane detection system. The U.S. Department of Labor (DOL) Occupational Safety and Health Administration (OSHA) and independent contractors found that methane concentrations within the facility did not exceed methane exposure limits, and that other hazardous air pollutants detected within the facility were below permissible levels.

However, additional testing disclosed methane levels of the building subslab sampled from two vent pipe locations exceeded the concentrations considered when the building was designed. Postal Service officials stated they would initiate modifications to the current methane detection system by making the subslab venting “active” on the two vent stacks.

We also found that management did not calibrate or check the methane detection system’s sensors for eight months. Postal Service officials were not sufficiently trained to perform their responsibilities with

the system, and management did not update the methane venting and detection systems operating manual when system components were modified.

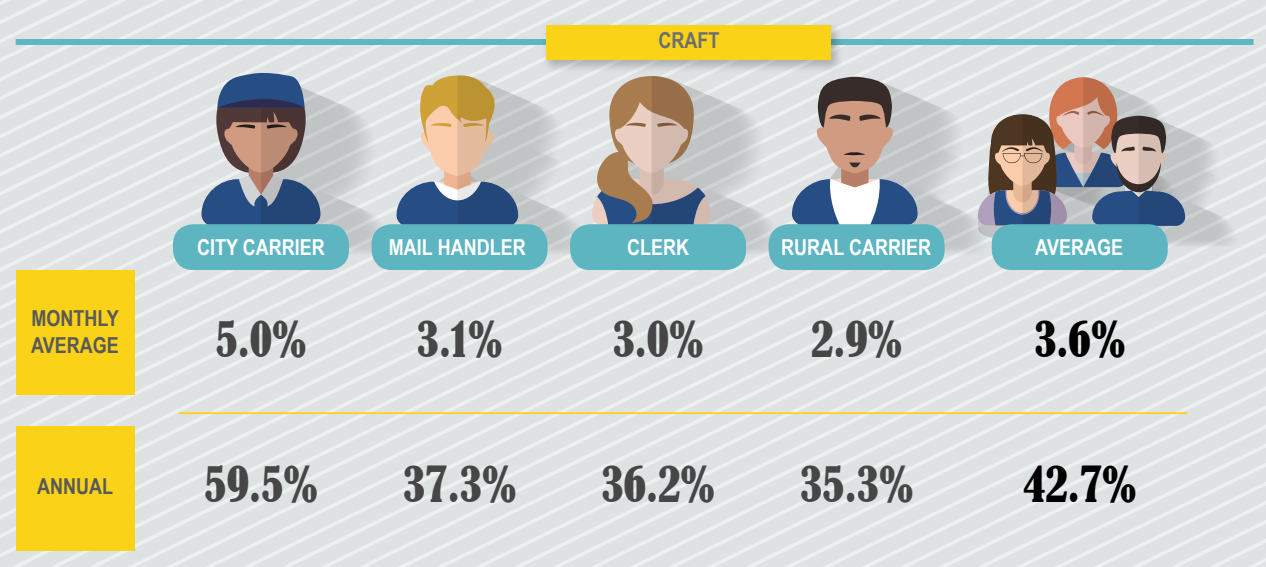
We recommended management finalize conversion of the methane venting system from passive to active, develop a process to check the sensor calibration, provide training on the methane detection system to responsible personnel, and update the operating manual. Management partially agreed with our recommendation to convert the venting system from active to passive but agreed with all of the remaining recommendations.

Non-Career Employee Turnover

The Postal Service hires non-career employees to supplement its regular workforce and reduce staffing costs. Non-career employees are temporary workers who do not receive full employee benefits and privileges. In fiscal year (FY) 2016, the Postal Service employed an average of about 130,000 non-career employees.

Four crafts constitute the non-career employee portfolio: (1) the mail handler assistant position, responsible for unloading and moving mail in plants, (2) the postal support employee position, responsible for processing mail and selling

FY 2016 Non-Career Turnover Rates



Supply Management and Human Resources

postage at post offices, (3) the city carrier assistant position, responsible for delivering mail on designated city routes, and (4) the rural carrier associate position, responsible for delivering mail on designated rural routes.

Opportunities exist to reduce non-career employee turnover by addressing factors such

as scheduling flexibility, physical demands of the job, and supervisory relationships that contributed to non-career employee turnover. We recommended management establish a comprehensive strategic plan for non-career employee retention for all crafts that addresses contributing factors to turnover identified by Postal Service data and an oversight process to

ensure areas and districts implement retention activities. We also recommended management institute formal requirements for unit managers to evaluate workhour reports to identify and timely remove separated employees. Management agreed with the findings and partially agreed with our recommendations.

Retail, Delivery, and Marketing

Establishing New Retail Access Points

The Postal Service’s retail network is larger than McDonald’s, Starbucks, and Walmart combined — with about 46,000 physical retail access points, where customers can purchase USPS products. The Postal Service’s Retail and Customer Service Operations group and other headquarters and field staff are involved in establishing new retail access points. The Postal Service opened 591 new retail access points in FY 2016.

We found USPS did not always factor in its entire retail network or those of its competitors when assessing the need for new retail access points. The Postal Service also did not have robust data analytics capabilities to evaluate new retail access point proposals or a centralized system for tracking and recording the proposals, related documentation,



TYPE	NUMBER	NEWLY ADDED IN FY 2016
Post Offices	31,585	0
CPUs	2,396	102
CPOs	489	0
VPOs	857	16
SSKs	2,837	0
Approved Shippers	8,253	473
Total	46,417	591

and decisions. Postal Service policies for establishing retail access points also did not reflect best industry practices.

We recommended management develop comprehensive data analytic capabilities across

all retail channels to evaluate proposals for new retail access points; develop a centralized system for tracking and recording new retail access point proposals, key documentation, and decisions; and update existing policies for evaluating the need for new retail access

Retail, Delivery, and Marketing

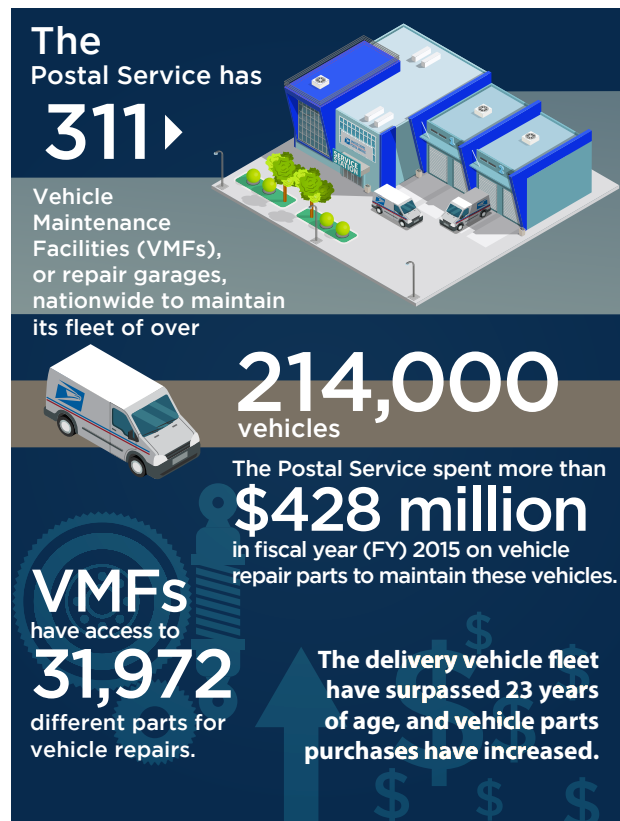
points. Management disagreed with the characterizations made in the report, but agreed with all recommendations.

Vehicle Parts Purchasing and Inventory Management Process

The Postal Service manages and maintains 31,972 repair parts through its Solution for Enterprise Asset Management (SEAM) system

and uses consignment suppliers to acquire repair parts from two national suppliers. The Postal Service has 311 VMFs, or repair garages, nationwide, to maintain its fleet of over 214,000 vehicles: it spent more than \$428 million in FY 2015 on vehicle repair parts for maintenance. The delivery vehicle fleet, which mainly consists of Long Life Vehicles (LLVs), are more than 23 years old, and vehicle-parts purchases have increased.

commercially purchased fuel, oil, and routine maintenance expenses up to the \$300 transaction limit. The Postal Service also has several fleet specialty credit cards. The most commonly used of these cards, the Z credit card, is used to pay for maintenance or repairs over \$300 and can also be used to pay for fuel or repairs for vehicles with lost, stolen, or damaged fleet credit cards.



We found vehicle-parts purchasing and inventory management processes were not always effective. The two consignment suppliers delivered requested parts to the VMFs; however, personnel did not always select and purchase repair parts priced and aligned with the best-value product guidelines. Additionally, eight of 14 VMFs we visited (57 percent) did not have adequate physical security and access controls.

We recommended management develop a SEAM Business Intelligence report showing a comparison of vehicle part numbers and prices offered by both consignors and reinforce procedures with VMF managers to ensure physical access control and safeguard of vehicle-parts in facilities.

Fleet Specialty Credit Cards – Eastern Area

Every postal-owned vehicle is assigned one fleet credit card that can be used to pay for

We found controls over fleet specialty credit cards in the Eastern Area were not always effective. We reviewed a statistical sample of 207 transactions for fuel and non-fuel purchases and determined that 86 (42 percent) were not supported by invoices or receipts. Of the 207 transactions we reviewed, 149 were non-fuel transactions, and 103 of those (69 percent) were not included in vehicle maintenance records in SEAM. Further, at 17 of 22 delivery units visited, we found that management did not secure or update personal identification number (PIN) lists, and some PINs were assigned to merchants. Management also did not properly safeguard fleet specialty credit cards at 13 of 22 delivery units.

We recommended management issue a directive instructing site managers to ensure fleet specialty credit card transactions and related supporting documentation are reviewed at least monthly, maintained for two years, and provided to the appropriate VMFs. We also

Retail, Delivery, and Marketing

recommended management follow fleet specialty credit card guidance to properly manage and secure PINs and fleet specialty credit cards. Additionally, we recommended management direct unit managers to

conduct periodic reviews to ensure controls over fleet specialty credit cards are being followed. Management agreed with our finding but disagreed with our recommendation to conduct periodic reviews.

Mission Operations

Use of the Run Plan Generator

We found that Postal Service mail processing facilities are not using the Run Plan Generator (RPG) to maximize processing efficiency because there are no specific criteria to measure its performance. The Boston and Northern New Jersey Processing and Distribution Centers (P&DCs), which did not use the RPG, usually had lower machine throughput, productivity, and service performance and more delayed mail than the Pittsburgh and Minneapolis P&DCs, which did use the RPG.

During our site visits to the Boston and Northern New Jersey P&DCs, we observed that new employees were assigned to generate run plans but there was no feedback mechanism to improve the accuracy of run plan models. As a result, projected mail volume was not accurate, and the P&DC managers could not obtain machine throughput projections. We also found run plans were not always available

to operational managers and supervisors at the beginning of their shift or managers and supervisors considered the run plans unreliable and cumbersome to disseminate.

Therefore, managers and supervisors (1) did not discuss daily run plans with employees and (2) staffed machinery based on the number of employees available rather than the RPG. We identified opportunities to save about \$1.8 million over three quarters by improving machine throughput at the Boston and Northern New Jersey P&DCs to the national averages.

We recommended the vice president, Network Operations, take actions to improve the usage and effectiveness of the RPG. Management agreed with our findings and recommendations, but disagreed with the Boston and Northern New Jersey P&DCs being able to achieve all of the calculated savings.

Fuel Price Index Program — Southern Transportation Category Management Team

The Postal Service Transportation Category Management Teams (TCMT) are required to negotiate and evaluate in writing with the highway contract route (HCR) suppliers to establish the contract's baseline fuel price-per-gallon (ppg). The negotiations and evaluations are intended to establish the HCR supplier's market cost of fuel at the time of contract negotiations.

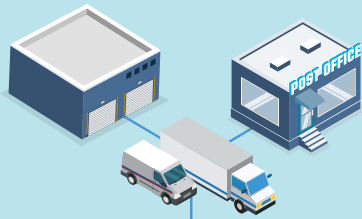
We found that the Postal Service did not effectively establish the contract baseline fuel ppg. The Southern TCMT did not ensure the established contract baseline fuel ppg reflected local market conditions, and the baseline was largely unsupported. Specifically, we found 176, or 86 percent, of the 204 statistically sampled contracts reviewed did not have documentation to support the negotiated contract baseline fuel ppg and found no

Mission Operations

FINDINGS

HCR Fuel Price Index Program Eastern Transportation Category Management Team

The Postal Service uses supplier-operated HCR to transport mail and equipment between plants, post offices, or other designated points that receive or dispatch mail.



The Eastern TCMT did not ensure that established contract baseline fuel price per gallons reflected local market conditions and the baseline was largely unsupported.



84%

We found that 163 of the 195 Eastern TCMT contracts reviewed, or 84 percent, did not have sufficient documentation to support the contract baseline fuel ppg.



We also found that 189 of the 195 contracts, or 97 percent, did not have sufficient justification and documentation for evaluating and ensuring that contract baseline fuel ppg reflected local market conditions.

documentation for 204 contacts to evaluate and modify the contract baseline fuel ppg against local market conditions.

We recommended management develop and implement a national policy and procedures for establishing the contract baseline fuel price-per-gallon to ensure adequate oversight and documentation for current and future contracts. In addition, we recommended management develop and document market analysis to determine the lowest fuel price-per-gallon for each highway contract route that incorporates at a minimum the U.S. Department of Energy regional fuel index as well as local market fuel pricing. If the

negotiated price is greater than the market analysis, the contracting officer must provide supplier documentation and written evaluation substantiating that this is the best value.

Management agreed with the findings and monetary impact and agreed in part with the recommendations

Consolidation of Mail for Transportation — Memphis Network Distribution Center

The Postal Service has 21 network distribution centers (NDCs) it uses to increase operational efficiency by consolidating mail processing and dispatch. In addition, at 19 of the NDCs there

are also consolidation deconsolidation facilities (CDFs). The CDFs originated from a FY 2010 pilot that used contractors to combine the contents of two or more NDC trailers of mail into one when the combined mail contents of the trailers exceed 100 percent of the trailer's floor space. This is known as bed-loading, which utilizes a trailer's vertical cubic space as well as floor space.

We determined the Postal Service's consolidation (loading, unloading, and trailer utilization) of HCRs at the Memphis NDC is not efficient. Memphis NDC personnel were automatically sending trucks to the CDF, even when they could have consolidated the mail at the NDC because the combined mail contents of the trailers did not exceed 100 percent of the trailer's floor space.

We recommended management update the NDC Standard Operating Procedure (SOP) to include specific instructions for sending HCR trucks to the CDF for consolidations. We also recommended that management implement Postal Service Headquarters' CDF Network's SOP, which provides instructions on site reviews and modification decisions; and that management re-evaluate the need for the CDF and modify the contract accordingly in coordination with Postal Service Headquarters and the area office. Management disagreed with our findings and monetary impact, but agreed with our recommendations.

Risk Analysis Research Center

The Risk Analysis Research Center (RARC) conducts in-depth research and analysis on postal issues to identify opportunities for revenue growth and increased operational efficiencies. OIG white papers explore strategic ideas for ways to enhance the viability and efficiency of the Postal Service. These white papers are presented to Postal Service management for consideration and contain no recommendations.

Public Perception of Drone Delivery in the United States

Organizations around the world are actively developing and testing systems that would turn the once mind-bending concept of delivery by flying drones into a reality. This burgeoning technology holds the potential to offer substantial cost-savings to delivery companies while also drastically improving consumers' ecommerce experience. However, filling the public airspace with merchandise-laden robots also raises concerns for many citizens.

If in the future the Postal Service intends to consider the option of incorporating drones into its operations, tracking the public's rapidly evolving perception of this new mode of delivery will be essential to shaping the groundwork of the Postal Service's strategy. The OIG administered a nationally representative survey to examine the public's evolving views on the topic.

Analysis of the survey results yielded several key findings, including:

- The American public anticipates that drone delivery will be offered within the next five to 10 years.
- More Americans like the concept of drone delivery than dislike it, but a large number have yet to decide.

- Drone malfunction is the public's primary concern — far more than fears about intentional misuse.
- Exposure to information about drone delivery correlates with greater interest in the idea.
- Different age groups, genders, important postal customer groups, geographic regions, and residents of urban, suburban, and rural areas all display differing levels of interest in drone delivery.



The report includes summaries of key findings and detailed data for both the national sample and several key subgroups, along with extensive details regarding the survey's methodology and the full text of the survey's questionnaire. Postal management stated they are very interested in exploring the potential for this delivery method as well as understanding the potential market. They also acknowledged that they have many of the same issues that both intrigue and concern the general

Risk Analysis Research Center

public and that public safety is of the utmost importance. In addition, postal management believes that drone delivery must offer a way for the Postal Service to become either more efficient and/or generate additional revenue before they further embrace the technology.

Governance of the U.S. Postal Service

The Postal Service is overseen by a Board of Governors, which is similar to a corporate board of directors. The law dictates that the Postal Service be led by nine presidentially-appointed governors, who provide postal management with strategic direction and ensure that the organization operates in the public interest. However, the last remaining governor left the board on December 8, 2016, when his holdover term expired, leaving the Postal Service in the unprecedented situation of having no presidentially-appointed governors.

Without presidentially-appointed, Senate confirmed governors, the authority of the Postal Service to change prices or significantly alter products is questionable. Furthermore, without any presidentially-appointed, Senate confirmed governors, in whom the authority rests, there can be no appointment or removal of the postmaster general, deputy postmaster general, or inspector general. In addition, the Constitution requires that executive branch



agencies, including the Postal Service, be run by presidential appointees — a requirement that is not fulfilled without appropriately appointed governors.

Our review also examined five decades of research on the Postal Service's governance

model as well as corporate governance best practices from the private sector. A strong, active, and diverse Board informed by these best practices could help the Postal Service navigate its operational, economic, regulatory, and political challenges.

Risk Analysis Research Center

Tuned In: The Brain's Response to Ad Sequencing

From email and online ads to traditional print and direct mail, companies today have more media channels than ever to reach consumers. For the Postal Service — which still generates significant revenue from advertising mail — it is critical to understand the relative strengths of physical and digital advertising in order to define the role of mail in the Digital Age.

The OIG partnered with Temple University's Center for Neural Decision Making to conduct neuromarketing research. Neuromarketing is a scientific method that explores consumers' subconscious response — beyond stated preferences — to advertising stimuli. In other words, neuromarketing methods measure consumer neurophysiological responses, as opposed to stated answers to survey questions.

A 2015 OIG-Temple study revealed numerous strengths for both physical and digital media. In February 2017, the OIG published a follow-up study to understand the effect of sequenced advertising, where consumers view multiple ads, in a combination of formats, for the same product. The follow-up found that: Physical ads, shown twice, led to better memory and higher desirability than any other tested sequence of ads, including a solely digital sequence and a mix of digital and physical ads.



- Single-media advertising sequences (physical-physical and digital-digital) generally had stronger results than mixed-media sequences, including for ad and brand recognition.
- Faces in ads spurred higher recall rates than scenes or words.
- The physical-physical sequence was particularly effective for brand-building messages.

Physical advertising's apparent strength for brand recall, a marketing objective for which mail is less frequently used, suggests an opportunity for the Postal Service to promote advertising mail's inclusion within brand awareness campaigns. Overall, this research helps the Postal Service and marketers understand how different media interact, and where mail retains unique value.

INVESTIGATIONS

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

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

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

What Does the Office of Investigations Investigate?

Postal employees or contractors involved in:



Internal Mail Theft

Single envelopes to large amounts of mail, including packages.



Contract Fraud

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



Mail Delay and Destruction

Intentionally delaying, destroying or otherwise disposing of mail.



Employee Misconduct

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



Financial Fraud

Stealing/embezzling cash, manipulating postal money orders.



Workplace Environment Violations

Sexual harassment, discrimination, or compromised workplace safety.



Health Care Fraud

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



Computer Crimes

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

Health Care Provider Fraud

- An OIG joint investigation with Army Criminal Investigations Division (CID), FBI, and Department of Labor (DOL) OIG revealed a scam in which the owner of a Texas pharmacy gave more than \$800,000 in kickbacks to a physician who referred patients to his pharmacy. The pharmacy owner also filed a fraudulent tax return. The owner pled guilty to willful offer and payment of illegal remuneration in relation to a federal health care program, as well as making and filing a false income tax return. Sentencing is pending.



Texas pharmacy owner who committed fraud, spending lavishly aboard private plane with bundles of cash and a gun.

- In September 2014, agents from USPS OIG, DOL OIG, Veterans Affairs OIG, and Social Security Administration OIG executed a search warrant at a health care facility in Texas, seizing records and interviewing facility staff and other witnesses. The investigation determined the owner of the facility falsely claimed to have provided counseling to patients on days where he was on travel or away from the office. In particular, seized documents revealed the owner billed for services while he was hospitalized for personal medical reasons. The owner further asked patients to falsify medical documentation, indicating they had received services on days when they had not. The patients received \$100 for each form they completed.

In May 2016, the facility owner pled guilty in federal court to one count of conspiracy to commit health care fraud and was sentenced to 78 months in prison and three years of supervised release; he was also ordered to pay restitution of \$7.7 million jointly and severally with three convicted co-conspirators. Prosecution of other co-conspirators and patients who falsified medical forms continues.

- In June 2016, a Texas chiropractor was sentenced to 14 years in federal prison and

ordered to pay over \$17 million in restitution to DOL. We conducted the investigation with the U.S. Army Criminal Investigation Command's Major Procurement Fraud Unit, FBI, IRS CID, and DOL OIG.

The case began in March 2010, when reports from a Texas Injury Compensation Office indicated the Postal Service was being billed for therapy that postal employees did not receive. After an extensive investigation, agents determined that a pharmacy owner paid \$5.3 million in kickbacks to a chiropractor from March to December of 2015. The chiropractor organized and controlled multiple health care-related entities, including eight clinics in Texas that derived substantial revenue from DOL health care benefit programs.

The investigation determined the kickbacks were for referring federally insured employees in need of prescriptions and for influencing physicians to prescribe compounded medications, which the pharmacy then provided. In November 2016, the pharmacy owner pled guilty in federal court to willful offer and payment of illegal remuneration in relation to a federal health care program. The pharmacy owner faces up to five years in federal prison and has agreed to pay more than \$5 million in restitution.

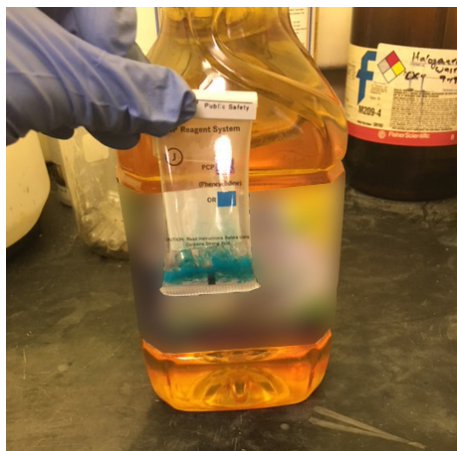
Narcotics



Liquid PCP shipped in fruit juice bottles.

- A joint investigation by the OIG, the U.S. Postal Inspection Service, and DEA discovered that a drug trafficker mailed parcels containing PCP to addresses on a specific carrier's delivery route. The carrier scanned the parcels as having been delivered but provided them to the drug trafficker, who was not affiliated with the Postal Service. Some parcels were left at addresses where a co-conspirator retrieved them soon after delivery.

During an interview in April 2016, the carrier admitted to the scheme and, in November 2016, pled guilty in the U.S. District Court for the Western District of Missouri to conspiracy to distribute narcotics.



Test showing substance is positive for PCP.

- Two former Cleveland carriers along with three other mail carriers delivered parcels bearing various names and addresses and also containing illegal narcotics to a drug dealer and received money for their participation in the scheme. In February 2017, all five carriers pled guilty to accepting bribes. Four of the five carriers were sentenced in the U.S. District Court, Northern District of Ohio to three years' probation followed by three-to-eight months' home confinement. The remaining carrier was sentenced to three years' probation and six months' home confinement.



One of six marijuana bundles found inside a drug dealers vehicle.



Parcels found inside the drug dealer's vehicle.



Mail Theft



City Carrier riffling First-Class Mail.

- After learning that a Tampa, FL, city carrier was allegedly stealing U.S. Treasury checks and turning them over to a co-conspirator, we initiated a joint investigation with the Postal Inspection Service and IRS Criminal Investigation and determined a city carrier unlawfully opened and riffling First-Class Mail.

During an interview, the city carrier admitted to a two-year scheme of stealing Treasury checks from the mail while on duty and being paid by a co-conspirator. The city carrier subsequently resigned from the Postal Service.

In January, 2017, the U.S. District Court, Middle District of Florida, sentenced the former city carrier to 18 months in prison and 36 months of supervised release; he was further ordered to pay nearly \$21,000 in restitution and a \$300 special assessment related to stealing tax-return checks and other First-Class Mail.

- In May 2015, FBI advised the OIG that a suspect arrested for possessing stolen U.S. Treasury checks had identified a Florida postal maintenance mechanic working at a processing and distribution center as the source of the checks. During surveillance at the postal facility, OIG agents observed the maintenance mechanic stealing 187 Treasury checks. The mechanic pled guilty in federal court to theft of government funds and theft of mail matter. In July 2016, the court ordered a forfeiture money judgment of \$101,725 against the mechanic, who, in August 2016, was sentenced to 60 months in prison, followed by four years of supervised release.



Maintenance mechanic stealing First-Class Mail.

Financial Fraud

- After learning of numerous complaints of postal money orders purchased and mailed at a Pennsylvania Post Office that were not being delivered to intended addressees, the OIG identified a sales and service associate (SSA) who was selling and later redeeming the missing postal money orders. During an investigative interview, the SSA admitted to his involvement in the scheme, which ran from December 2013 through May 2015 and caused \$105,000 in losses for the Postal Service, according to reports and corresponding video.

In August 2016, the SSA pled guilty to misappropriation of postal funds and was later sentenced to three months' imprisonment followed by three months' home confinement and three years' probation. The SSA was also ordered to pay restitution of \$105,000.



Sales and service associate misappropriating postal funds while working.

Health Care Claimant Fraud

- By March 2012, a Maryland mail processing clerk had recovered enough from a work-related injury to return to work in a partial capacity, but did not. From September 2012 through April 2013, she was observed and videotaped mowing her lawn, weed-whacking, lifting and lowering a garage door, operating a chainsaw, maneuvering a wheelbarrow, washing her vehicle, and carrying items of various weights — activities inconsistent with the physical restrictions of her condition prior to recovery.

A federal jury convicted the clerk on charges of false statement and fraud to obtain federal employees' compensation, theft of government property, and false statements. On January 19, 2017, the clerk appeared before the U.S. District Court for the District of Baltimore and was sentenced to a year in prison and three years of supervised release. She must also pay \$214,227 in restitution for benefits fraudulently received and a \$300 special court assessment.

Contract Fraud

- OIG analysis of a supplier's sales data from January 2, 2013 through November 30, 2013, revealed the Postal Service paid more than \$981,000 above what General Service Administration (GSA) would have paid for the same items, an apparent violation of the current USPS-supplier contract, which includes a Most Favored Customer Pricing (MFCP) clause.

Sales and rebate data were analyzed, comparing all Postal Service sales with sales to GSA and other customers who bought the same items from the concerned supplier. As a result, the OIG identified approximately \$11 million in overcharges to the Postal Service regarding identical items bought by other customers. In lieu of pursuing civil litigation, the USPS contracting officer used the sales analysis developed from this investigation to enter in price renegotiations with the supplier in February 2017, resulting in a cost avoidance to the Postal Service of almost \$11 million.

Senior Executive Investigations

During the reporting period, there were no allegations of misconduct by a Postal Career Executive Service-II (PCES-II) Officer.

CRIME SCENE

Contract Fraud Invoice

Cost to the Postal Service

- ✓ Overcharging
- ✓ Double Billing
- ✓ Kickbacks
- ✓ Bribes
- ✓ Services Not Rendered

Contract fraud is a crime that costs the U.S. Postal Service millions of dollars each year. As you know, every dollar counts. Make sure we get our money's worth! If you are aware of irregularities or questionable charges, contact the Office of Inspector General.

1-888-USPS-OIG
1-888-877-7644
www.uspsoig.gov

OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

June 2012

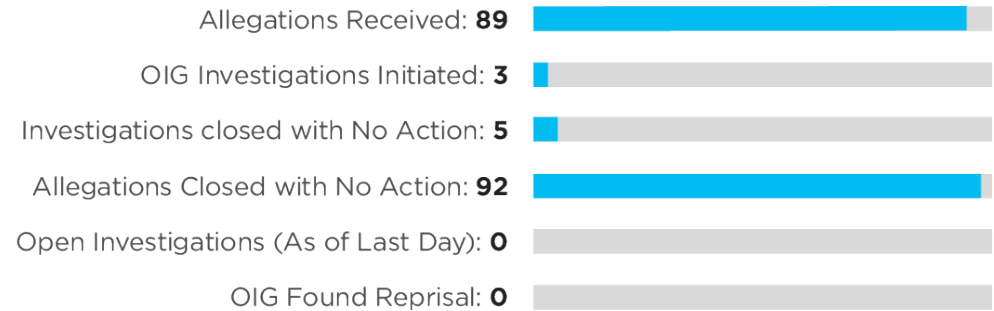
Whistleblower Reprisal (WbR) Investigations:

During the reporting period, there were no substantiated WbR allegations. One investigation was unsubstantiated.

- A Postal Service manager allegedly retaliated against an employee after the employee disclosed that a processing and distribution center falsified surface visibility scans. The investigation did not substantiate the allegations. Additionally, the employee decided to file an equal employment opportunity complaint with the same set of facts. The complaint was referred to USPS management for action deemed appropriate.



WHISTLEBLOWER REPRISAL ACTIVITY



Investigations SUMMARY of PERFORMANCE

For the Period October 1, 2016 — March 31, 2017



Amount to the Postal Service:
\$3,340,161



Cost Avoidance:
\$85,109,881



Fines, Restitution, and Recovery:
\$19,952,851

Investigations Completed: **1,394**
Arrests: **345**
Indictments/Informations: **289**
Convictions/Pretrial Diversions: **396**
Administrative Actions: **1,080**

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 Postal Service programs and operations during the reporting period.

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

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APPENDIX A:

Reports Issued to Postal Service Management

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

Risk Categories	Number of Reports	Funds Put To Better Use	Questioned Costs	Unsupported Questioned Costs	Revenue Impact
Finance, Pricing and Investments	31	\$1,044,703,922	\$7,774,669	\$134,667	—
Retail Delivery and Marketing	7	\$18,244,057	\$32,006,304	\$26,704,946	—
Supply Management and Human Resources	9	\$40,456,373	\$26,687,324	\$3,537,451	—
Technology	3	—	—	—	—
Mission Operations	8	\$4,305,697	\$315,642,208	\$312,331,736	—
SUB-TOTAL	58	\$1,107,710,049	\$382,110,505	\$342,708,800	—
PARIS Risk Model Reports	26	—	—	—	—
TOTAL	84	\$1,107,710,049	\$382,110,505	\$342,708,800	—

Appendix A:

Reports with Quantifiable Potential Monetary Benefits

Complete listing of all OIG reports issued to Postal Service management. For the Period: October 1, 2016 — March 31, 2017

	Funds Put to Better Use	Questioned Costs	Unsupported Costs Included in Questioned Costs	Revenue Impact
Finance, Pricing and Investments				
Cost, Pricing and Investments				
International Cost and Revenue Analysis Report; CP-AR-17-005; 12/19/2016	\$7,918,545	\$7,581,077	—	—
Finance				
Internal Controls Over Local Purchases and Payments – Gloucester, VA, Post Office; FT-FM-17-007; 1/4/2017	—	\$34,020	\$34,020	—
Internal Controls Over Local Purchases and Payments – Norwalk, CT, Main Office; FT-FM-17-012; 3/17/2017	—	\$58,925	—	—
Internal Controls Over Local Purchases and Payments – Pottstown, PA, Post Office; FT-FM-17-008; 1/25/2017	—	\$38,099	\$38,099	—
Internal Controls Over Postage Label Refunds – Quartz Hill Contract Postal Unit, Lancaster, CA; FT-FM-17-013; 3/21/2017	—	\$2,049	\$2,049	—
Internal Controls over Segmented Inventory – Houston Long Point Station; Houston, TX; FT-FM-17-002; 10/18/2016	—	\$60,499	\$60,499	—
Measurement of Days of Operating Cash on Hand; FT-AR-17-001; 10/20/2016	\$1,036,785,377	—	—	—
Retail, Delivery and Marketing				
Delivery				
Fleet Specialty Credit Cards – Eastern Area; DR-AR-17-002; 3/27/2017	—	\$9,963,140	\$9,963,140	—
Vehicle Parts Purchasing and Inventory Management Process; DR-AR-17-001; 10/7/2016	\$18,244,057	\$16,741,806	\$16,741,806	—
Retail, Marketing and International				
Function 4 Efficiency in the Colorado/Wyoming District; MS-AR-17-001; 12/8/2016	—	\$5,301,358	—	—
Supply Management and Human Resources				
Human Resources and Support				
Accuracy of Grievance Settlement Payments; HR-AR-17-003; 1/27/2017	—	\$3,520,907	\$3,520,907	—
Non-Career Employee Background Screening in the Los Angeles District; HR-AR-17-004; 3/3/2017	—	\$16,544	\$16,544	—
Non-Career Employee Turnover; HR-AR-17-002; 12/20/2016	\$29,827,948	\$23,149,873	—	—

Appendix A:

Reports with Quantifiable Potential Monetary Benefits

	Funds Put to Better Use	Questioned Costs	Unsupported Costs Included in Questioned Costs	Revenue Impact
Supply Management and Facilities				
Facility Condition Reviews – Northeast Area; SM-AR-17-001; 11/9/2016	\$10,628,425	—	—	—
Mission Operations				
Network Processing				
Kaizen Project at the West Valley Processing and Distribution Center, Phoenix, AZ; NO-AR-17-005; 3/8/2017	—	\$11,786	\$11,786	—
Use of Run Plan Generator; NO-AR-17-004; 1/26/2017	\$1,799,640	—	—	—
Transportation				
Consolidation of Mail for Transportation – Memphis Network Distribution Center; NL-AR-17-001; 12/2/2016	\$2,506,057	\$3,310,472	—	—
Highway Contract Route Fuel Price Index Program – Southern Transportation Category Management Team; NL-AR-17-002; 12/9/2016	—	\$7,533,747	\$7,533,747	—
Highway Contract Routes Survey Compliance – Southern Transportation Category Management Team; NL-AR-17-006; 3/10/2017	—	\$304,786,203	\$304,786,203	—
Total	\$1,107,710,049	\$382,110,505	\$342,708,800	—

Appendix A:

Report Listing

Complete listing of all OIG reports issued to Postal Service management. For the Period: October 1, 2016 — March 31, 2017

Finance Pricing and Investments

Cost, Pricing and Investments

Cost Segment 14 - Transportation; CP-AR-17-003; 12/6/2016

Cost Segment 3 - Clerks and Mail Handlers;
CP-AR-17-007; 3/22/2017

Fiscal Year 2016 Decision Analysis Report Summary;
CP-CAP-17-001; 12/27/2016

International Cost and Revenue Analysis Report;
CP-AR-17-005; 12/19/2016

Market Dominant Billing Determinants: Process Review;
CP-AR-17-006; 3/8/2017

Postal Service's Delivering Results, Innovation, Value, and Efficiency
Program Capping; CP-AR-17-001; 10/7/2016

Self-Certification Process for Domestic Competitive Product
Negotiated Service Agreements; CP-AR-17-004; 12/16/2016

Use of Independent Contractor Studies; CP-AR-17-002; 10/14/2016

Finance

Contract Postal Unit Operations Oversight; FT-AR-17-002; 11/3/2016

Fiscal Year 2016 Postal Service Board of Governors' Travel and
Miscellaneous Expenses; FT-AR-17-004; 12/6/2016

Fiscal Year 2016 Postal Service Selected Financial Activities and
Accounting Records; FT-AR-17-006; 3/16/2017

Fiscal Year 2016 Officers' Travel and Representation Expenses;
FT-AR-17-005; 2/9/2017

Fiscal Year 2016 Opinion on the Postal Service's Closing Package
Financial Statements; FT-AR-17-003; 11/16/2016

Fiscal Year 2016 Statistical Tests; FT-FO-17-001; 12/22/2016

Fiscal Year 2016, 10-K Financial Report; FT-FQ-17-001; 11/11/2016

Internal Controls Over Financial Differences – Cardiss Collins Postal
Store, Chicago, IL; FT-FM-17-011; 3/1/2017

Internal Controls Over Financial Differences – James A. Farley Station,
New York, NY; FT-FM-17-010; 2/28/2017

Internal Controls Over Local Purchases and Payments – Gloucester,
VA, Post Office; FT-FM-17-007; 1/4/2017

Internal Controls Over Local Purchases and Payments – Norwalk, CT,
Main Office; FT-FM-17-012; 3/17/2017

Internal Controls Over Local Purchases and Payments – Pottstown,
PA, Post Office; FT-FM-17-008; 1/25/2017

Internal Controls Over Postage Label Refunds – Quartz Hill Contract
Postal Unit, Lancaster, CA; FT-FM-17-013; 3/21/2017

Internal Controls Over Retail Sales Transactions – Norman, OK,
Main Office; FT-FM-17-009; 2/23/2017

Internal Controls Over Segmented Inventory – Brooklyn Greenpoint
Station, Brooklyn, NY; FT-FM-17-001; 10/6/2016

Internal Controls Over Segmented Inventory – Bronx Hillside Finance
Station, Bronx, NY; FT-FM-17-005; 12/7/2016

Internal Controls Over Segmented Inventory – Carrollton Main Office,
Carrollton, TX; FT-FM-17-004; 11/23/2016

Internal Controls Over Segmented Inventory – Laughlin Post Office,
Laughlin, NV; FT-FM-17-006; 12/20/2016

Internal Controls Over Segmented Inventory – Houston Long Point
Station, Houston, TX; FT-FM-17-002; 10/18/2016

Internal Controls Over Segmented Inventory – Jacksonville
Main Office, Jacksonville, NC; FT-FM-17-003; 11/22/2016

Internal Controls Over Single Drawer Accountability – Lacona, IA,
Post Office; FT-FM-17-015; 3/27/2017

Internal Controls Over Single Drawer Accountability – [Redacted]
Post Office; FT-FM-17-014; 3/24/2017

Measurement of Days of Operating Cash on Hand;
FT-AR-17-001; 10/20/2016

Retail, Delivery and Marketing

Delivery

Fleet Specialty Credit Cards – Eastern Area;
DR-AR-17-002; 3/27/2017

Vehicle Parts Purchasing and Inventory Management Process;
DR-AR-17-001; 10/7/2016

Retail, Marketing and International

Congressional Inquiries – Gateway District; MS-AR-17-004;
3/14/2017

Establishing New Retail Access Points; MS-AR-17-002; 12/12/2016

Extraterritorial Offices of Exchange; MS-WP-17-001; 3/31/2017

Function 4 Efficiency in the Colorado/Wyoming District;
MS-AR-17-001; 12/8/2016

Inbound International Mail Operations – [Redacted] International
Service Center; MS-AR-17-003; 12/30/2016

Supply Management and HR

Human Resources and Support

Accuracy of Grievance Settlement Payments;
HR-AR-17-003; 1/27/2017

Environmental Conditions at Michigan Metroplex Processing and
Distribution Center; HR-MA-17-001; 1/25/2017

Appendix A:

Report Listing

Hiring Custodians in Des Moines Post Offices;
HR-AR-17-005; 3/6/2017

Non-Career Employee Background Screening in the Los Angeles District; HR-AR-17-004; 3/3/2017

Non-Career Employee Turnover; HR-AR-17-002; 12/20/2016

Packages Suspected of Containing Marijuana;
HR-AR-17-001; 10/12/2016

Security of Mail Transported on Trailers; HR-MT-17-001; 12/7/2016

Supply Management and Facilities

Facility Condition Reviews – Northeast Area;
SM-AR-17-001; 11/9/2016

Most Favored Customer Pricing; SM-AR-17-002; 12/14/2016

Technology

Information Technology

Internet-Facing Devices; IT-AR-17-001; 11/3/2016

Developing a Successful Enterprise Information Security Policy;
IT-WP-17-001; 1/9/2017

Information Technology Continuity of Operations Plans;
IT-AR-17-002; 3/29/2017

Mission Operations

Network Processing

A3 Events at the Denver, CO, Processing and Distribution Center;
NO-AR-17-002; 11/2/2016

Kaizen Project at the West Valley Processing and Distribution Center,
Phoenix, AZ; NO-AR-17-005; 3/8/2017

Mail Processing Operations at the Roanoke, VA, Processing and Distribution Center; NO-AR-17-003; 1/17/2017

Timeliness of First Class Mail Flats; NO-AR-17-001; 10/6/2016

Use of Run Plan Generator; NO-AR-17-004; 1/26/2017

Transportation

Consolidation of Mail for Transportation – Memphis Network Distribution Center; NL-AR-17-001; 12/2/2016

Highway Contract Route Fuel Price Index Program – Southern Transportation Category Management Team;
NL-AR-17-002; 12/9/2016

Highway Contract Routes Survey Compliance – Southern Transportation Category Management Team;
NL-AR-17-006; 3/10/2017

Appendix A:

PARIS Risk Models

Complete listing of all OIG PARIS Risk Models issued to Postal Service management. For the Period: October 1, 2016 — March 31, 2017

Cost, Pricing and Investments

Fiscal Year 2016 Cost and Pricing Risk Model Quarter 4;
CP-PM-17-002; 11/16/2016

Fiscal Year 2016 Major Investments Risk Model Report Quarter 4;
CP-PM-17-001; 10/21/2016

Fiscal Year 2017 Cost and Pricing Risk Model Quarter 1;
CP-PM-17-003; 2/14/2017

Fiscal Year 2017 Major Investments Risk Model Report Quarter 1;
CP-PM-17-004; 2/14/2017

Delivery

Fiscal Year 2016 City Delivery Efficiency Risk Model Quarter 4;
DR-PM-17-002; 12/14/2016

Fiscal Year 2016 Vehicle Maintenance Risk Model Quarter 4;
DR-PM-17-001; 12/7/2016

Fiscal Year 2017 City Delivery Efficiency Risk Model Quarter 1;
DR-PM-17-004; 3/1/2017

Fiscal Year 2017 Vehicle Maintenance Efficiency Risk Model
Quarter 1; DR-PM-17-003; 3/1/2017

Finance

Fiscal Year 2016 Field Financial Risk Model Quarter 4;
FT-PM-17-001; 1/10/2017

Fiscal Year 2017 Field Financial Risk Model Quarter 1;
FT-PM-17-002; 3/31/2017

Human Resources and Support

Fiscal Year 2016 Human Resources Risk Model Quarter 4;
HR-PM-17-001; 11/25/2016

Fiscal Year 2016 Security Risk Model Quarter 4;
HR-PM-17-002; 12/16/2016

Fiscal Year 2017 Human Resources Risk Model Quarter 1;
HR-PM-17-003; 2/10/2017

Fiscal Year 2017 Security Risk Model Quarter 1;
HR-PM-17-004; 2/23/2017

Information Technology

Fiscal Year 2016 Information Technology Security Risk Model
Quarter 4; IT-PM-17-001; 11/30/2016

Fiscal Year 2017 Information Technology Security Risk Model
Quarter 1; IT-PM-17-002; 3/1/2017

Network Processing

Fiscal Year 2016 Network Processing Risk Model Quarter 4;
NO-PM-17-001; 11/21/2016

Fiscal Year 2017 Network Processing Risk Model Quarter 1;
NO-PM-17-002; 2/13/2017

Retail, Marketing and International

Fiscal Year 2016 Revenue Generation and Assurance Risk Model
Quarter 4; MS-PM-17-002; 11/28/2016

Fiscal Year 2017 Retail and Customer Service Risk Model Quarter 1;
MS-PM-17-004; 3/2/2017

Fiscal Year 2017 Revenue Generation and Assurance Risk Model
Quarter 1; MS-PM-17-003; 3/2/2017

Fiscal Year 2016 Retail Customer Service Risk Model Quarter 4;
MS-PM-17-001; 11/23/2016

Supply Management and Facilities

Fiscal Year 2016 Facilities Risk Model Quarter 4;
SM-PM-17-001; 12/16/2016

Fiscal Year 2017 Facilities Risk Model Quarter 1;
SM-PM-17-003; 3/3/2017

Transportation

Fiscal Year 2016 Transportation Risk Model Quarter 4;
NL-PM-17-001; 11/29/2016

Fiscal Year 2017 Transportation Risk Model Quarter 1;
NL-PM-17-002; 2/27/2017

APPENDIX B:

Findings of Questioned Costs

For the period October 1, 2016 — March 31, 2017

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

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

Description	Number of Reports	Questioned Costs	Unsupported Costs Included in Questioned Costs
Reports for which no management decision was made at the beginning of the reporting period	—	—	—
Reports requiring management decision that were issued during the reporting period	16	\$382,110,505	\$342,708,800
Totals	16	\$382,110,505	\$342,708,800
Reports for which a management decision was made during the reporting period (i+ii)	16	\$382,110,505	\$342,708,800
(i) Dollar Value of disallowed cost	7	\$317,684,223	\$312,382,865
(ii) Dollar value of cost not disallowed	10	\$64,426,282	\$30,325,935
Reports for which no management decision was made by the end of the reporting period. Negotiations are ongoing.	—	—	—
Reports for which no management decision was made within six months of issuance	—	—	—
Reports for which no management decision was made within one year of issuance	—	—	—

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

None this report period.

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

None this report period.

Note 3 — Contract Reports with Significant Audit Finding:

None this report period.

APPENDIX C:

Recommendations That Funds Be Put to Better Use

For the period October 1, 2016 — March 31, 2017

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

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

Description	Number of Reports	Dollar Value
Reports for which no management decision was made at the beginning of the reporting period	—	—
Reports issued during the reporting period	7	\$1,107,710,049
Totals	7	\$1,107,710,049
Reports for which a management decision was made during the report period	7	\$1,107,710,049
(i) Value of recommendations agreed to by management	—	—
(ii) Value of recommendations that were not agreed to by management	7	\$1,107,710,049
Reports for which no management decision was made by the end of the reporting period.	—	—
Reports for which no management decision was made within six months of issuance (See Note 1 for a list of individual reports)	—	—
Reports for which no management decision was made within one year of issuance (See Note 2 for a list of individual reports)	—	—

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

None for this report period.

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

None for this report period.

APPENDIX D:

Other Impacts

For the period October 1, 2016 — March 31, 2017

Overview

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

Description and Reports	Number of Recommendations
Improved Services¹	
Timeliness of First Class Mail Flats; NO-AR-17-001; 10/6/2016	2
Vehicle Parts Purchasing and Inventory Management Process; DR-AR-17-001; 10/7/2016	1
A3 Events at the Denver, CO, Processing and Distribution Center; NO-AR-17-002; 11/2/2016	1
Facility Condition Reviews – Northeast Area; SM-AR-17-001; 11/9/2016	2
Function 4 Efficiency – Colorado/Wyoming District; MS-AR-17-001; 12/8/2016	4
Establishing New Retail Access Points; MS-AR-17-002; 12/12/2016	3
Postal Service's Negotiated Service Agreements Self Certification Process; CP-AR-17-004; 12/16/2016	1
Mail Processing Operations at the Roanoke, VA, Processing and Distribution Center; NO-AR-17-003; 1/17/2017	2
Congressional Inquiry – Gateway District; MS-AR-17-004; 3/14/2017	2
Assets or Accountable Items at Risks²	
Internal Controls Over Segmented Inventory – Brooklyn Greenpoint Station, Brooklyn, NY; FT-FM-17-001; 10/6/2016	1
Vehicle Parts Purchasing and Inventory Management Process; DR-AR-17-001; 10/7/2016	1
Internal Controls Over Segmented Inventory – Houston Long Point Station, Houston, TX; FT-FM-17-002; 10/18/2016	1
Internal Controls Over Segmented Inventory – Jacksonville Main Office, Jacksonville, NC; FT-FM-17-003; 11/22/2016	1
Internal Controls Over Segmented Inventory – Carrollton Main Office, Carrollton, TX; FT-FM-17-004; 11/23/2016	1
Internal Controls Over Segmented Inventory – Bronx Hillside Finance Station, Bronx, NY; FT-FM-17-005; 12/7/2016	1
Security of Mail Transported on Trailers; HR-MT-17-001; 12/7/2016	1
Internal Controls Over Retail Sales Transactions at the Norman Main Office, Norman, OK; FT-FM-17-009; 2/23/2017	2
Fleet Specialty Credit Cards - Eastern Area; DR-AR-17-002; 3/17/2017	1
Internal Controls Over Single Drawer Accountability – Lacona, IA, Post Office; FT-FM-17-015; 3/27/2017	1

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

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

Appendix D:

Other Impacts

Description and Reports	Number of Recommendations
Revenue at Risk³	
Timeliness of First Class Mail Flats; NO-AR-17-001; 10/6/2016	1
Disbursements at Risk⁴	
Most Favored Customer Pricing; SM-AR-17-002; 12/14/2016	1
Officers' Travel and Representation Expenses for Fiscal Year 2016; FT-AR-17-005; 2/9/2017	4
Physical Safety and Security⁵	
Facility Condition Reviews – Northeast Area; SM-AR-17-001; 11/9/2016	2
Internal Controls Over Segmented Inventory – Jacksonville Main Post Office, Jacksonville, NC; FT-FM-17-003; 11/22/2016	1
Internal Controls Over Segmented Inventory – Carrollton Main Office, Carrollton, TX; FT-FM-17-004; 11/23/2016	1
Environmental Conditions at Michigan Metroplex P&DC; HR-MA-17-001; 1/25/2017	4
Non-Career Employee Background Screening in the Los Angeles District; HR-AR-17-004; 3/3/2017	1
Information Technology Security⁶	
Internet-Facing Devices; IT-AR-17-001; 11/3/2016	5
Information Technology Continuity of Operations Plans; IT-AR-17-002; 3/29/2017	2
Predicted Savings Shortfall⁷	
U.S. Postal Service's Delivering Results, Innovation, Value, and Efficiency Program Capping; CP-AR-17-001; 10/7/2016	1
Mail Processing Operations at the Roanoke, VA, Processing and Distribution Center; NO-AR-17-003; 1/17/2017	1
Kaizen Project at the West Valley Processing and Distribution Center, Phoenix, AZ; NO-AR-17-005; 3/8/2017	1
Potential Additional Revenue⁸	
U.S. Postal Service's Delivering Results, Innovation, Value, and Efficiency Program Capping; CP-AR-17-001; 10/7/2016	1

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

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

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

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

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

⁸ Recommendations that address revenue the Postal Service could potentially generate for goods delivered or services rendered based on suggested improvements.

Appendix D:

Other Impacts

Description and Reports	Number of Recommendations
Data Integrity⁹	
Cost Segment 14 – Transportation; CP-AR-17-003; 12/6/2016	1
Self-Certification Process for Domestic Competitive Product Negotiated Service Agreements; CP-AR-17-004; 12/16/2016	1
Internal Controls Over Financial Differences – James A. Farley Station, New York, NY; FT-FM-17-010; 2/28/2017	1
Internal Controls Over Financial Differences – Cardiss Collins Postal Store, Chicago, IL; FT-FM-17-011; 3/1/2017	1
Market Dominant Billing Determinants: Process Review; CP-AR-17-006; 3/8/2017	1
Cost Segment 3 – Clerks and Mail Handlers; CP-AR-17-007; 3/22/2017	1
Management did not agree with the impact recommendations in the following reports:	
Assets or Accountable Items at Risk: Report Number FT-FM-17-009	
Predicted Savings Shortfall: Report Number NO-AR-17-003	
Data Integrity: Report Numbers FT-FM-17-010 and FT-FM-17-011	

⁹ Recommendations that address data used to support management decisions that is not fully supported or completely accurate.

APPENDIX E:

Reports with Recommendations Pending Corrective Actions

For the period October 1, 2016 — March 31, 2017

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

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
			Management of Mail Transport Equipment – National Analysis
NL-AR-10-009	09/29/2010	\$29,058,088	R-1 — Further develop, update and reinforce national mail transport equipment policies and procedures contained in the Postal Operations Manual and the Postal Handbook PO-502, Container Methods, which address mail transport equipment inventory and accountability controls, including validating customer mail transport equipment needs as well as tracking and reconciling mail transport equipment loaned to mailers and other external customers. TID: April 2017
			Patch Management Processes
IT-AR-12-002	01/09/2012		These recommendations are not publicly available due to concerns with information protected under the Freedom of Information Act.
			Fiscal Year 2011 Information Technology Internal Controls
IT-AR-12-003	01/09/2012		This recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.
			Efficiency Review of the Los Angeles Network Distribution Center
NO-AR-12-007	08/03/2012	\$13,036,879	R-1 — Reduce workhours by 200,019 by fiscal year 2017 to produce an annual cost avoidance of about \$6.5 million, or increase volume by 39 million pieces, or combine workhour reductions and mail volume increases that will achieve the above average median productivity level of 117 pieces per hour. TID: February 2017
			Security of File Transfer Protocol Transmissions
IT-AR-12-009	09/12/2012		These recommendations are not publicly available due to concerns with information protected under the Freedom of Information Act.
			First-Class Mail on Air Transportation – Assignment by Weight
NL-AR-12-010	09/28/2012	\$32,168,472	This recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.
			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 2017
			U.S. Postal Service Data Governance
DP-AR-13-004	04/23/2013		R-1 — Direct the vice president, Information Technology, to implement a formal, enterprise-wide data governance program. TID: July 2018
			Revenue Generation Patents
HR-MA-13-004	09/26/2013	\$183,382,092	R-1 — Work closely with subject matter experts to review patents with revenue generation potential and draft claims as appropriate. TID: December 2014

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Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
			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: October 2017 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: October 2017
			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: February 2018
			Management of Cloud Computing Contracts and Environment
IT-AR-14-009	09/04/2014		R-8 — Complete the Certification and Accreditation process to either accept or mitigate the risks for [redacted]. TID: April 2017
			Contract Postal Units
DR-AR-15-001	11/13/2014	\$1,082,720	R-1 — Conduct annual evaluations of contract postal units to ensure they are cost effective. TID: October 2017
		\$1,241,683	R-2 — Convert firm-fixed-price contracts for contract postal units, where cost effective, to performance-based contracts to optimize revenue performance. TID: October 2017
			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 2017 R-2 — Establish a formal centralized system that allows for the tracking and monitoring of contract driver security clearances. TID: August 2017 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 2017 R-4 — Establish a formal oversight process for contracting officers to validate contract drivers have security clearances when renewing contracts. TID: August 2017
			Internal Controls and Transportation Associated With the Atlanta, GA, Mail Transport Equipment Service Center
NO-AR-15-002	12/12/2014	\$3,392,128	R-3 — Ensure management monitors compliance with established mail transport equipment policies and procedures to minimize risk of accidents and injuries to personnel handling this equipment and ensure proper dispatching and use of over-the-road containers. TID: April 2017 R-5 — Reassess mail transport equipment standing orders and transportation schedules for all processing facilities to ensure they are up-to-date and efficient given the operational changes and imbalance of mail transport equipment flow. TID: February 2017

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Reports with Recommendations Pending Corrective Actions

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
			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 2017
			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 2017
			R-3 — Establish an oversight process to strengthen controls and accountability of the contractor badge program to ensure it is effectively managed. TID: August 2017
			Strategies for Reducing Undeliverable as Addressed Mail
MS-MA-15-006	05/01/2015		R-1 — Work with mailers to leverage new technologies to promote compliance with address standards and more accurately attribute actual undeliverable-as-addressed mail costs. TID: September 2017
			Internal Controls and Transportation Associated with the Dallas, TX, Mail Transport Equipment Service Center
NO-AR-15-005	05/22/2015		R-4 — Ensure over-the-road containers are not incorrectly sent to the Dallas, TX, Mail Transport Equipment Service Center in order to reduce unnecessary handling costs. TID: April 2017
			R-5 — Establish a policy and procedures for securing and handling mail mistakenly sent to mailers' facilities. TID: April 2017
			R-6 — Reassess mail transport equipment standing orders and transportation schedules for all processing facilities. Ensure orders are up-to-date and transportation is efficiently scheduled by coordinating customers' orders with mail transport equipment facilities' dispatches to the Dallas Mail Transport Equipment Service Center. TID: April 2017
			City Delivery Office Efficiency – Greater Boston District
DR-AR-15-007	05/28/2015	\$24,698,590	R-1 — Eliminate 265,462 workhours at delivery units. TID: September 2017
			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: September 2017
			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: September 2017
			Software Development Processes
IT-AR-15-006	07/13/2015	\$4,500,000	R-2 — Implement guidance and training to business owners for the customer testing process and ensure that testing teams are following requirements in Handbook AS-805, Information Security. TID: March 2017
			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

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Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
			Management of Unauthorized Software
IT-MA-15-003	07/14/2015		R-1 — Assign responsibility for identifying and reviewing unauthorized software products on the network and if applicable remove these products or add them to the approved software listing. TID: December 2017 R-2 — Assign personnel to coordinate with district Information Technology staff on a quarterly basis to monitor, identify, and remove unauthorized software from the network. TID: December 2017
			U. S. Postal Service Cybersecurity Functions
IT-AR-15-008	07/17/2015		R-3 — Separate the joint duties of the chief information security officer and vice president of Digital Solutions and designate a senior-level chief information security officer with information security as the primary duty. TID: September 2017 R-4 — Provide adequate resources for cybersecurity operations, including: a.) Funding commitments to enable proactive prevention, detection, response, and mitigation of sophisticated cyber threats; b.) Providing visibility into fragmented cybersecurity funding to facilitate a coordinated approach to reducing business risk. TID: September 2017 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; d.) Expand the existing vulnerability management program to encompass the federal objectives for continuous monitoring, including penetration testing. TID: September 2017
			Retail Systems Software – Business Process Controls
FT-AR-15-008	07/21/2015		R-1 — Implement controls to prevent multiple scans on prepaid barcodes or to alert retail associates when multiple scans occur. TID: August 2017 R-7 — Reiterate to retail associates that they must use Retail Systems Software to accept prepaid mail at the retail counter. TID: August 2017
			Oversight of Expense Purchase Cards
SM-AR-15-006	08/07/2015		R-2 — Update Handbook AS-709, Local Buying and Purchase Card Policies and Procedures, to: a.) Require refresher training for all cardholders and credit card approving officials; b.) Require credit card approving officials to verify and certify their review of approved eBuy2 requests prior to approving cardholder expense purchase card monthly statements; c.) Incorporate the new eAccess purchase card account setup process; d.) Implement a process to verify that all cardholders and credit card approving officials have completed required training and all cardholders have a delegation of authority. TID: March 2017
			Substantial Increase in Delayed Mail
NO-MA-15-004	08/13/2015		R-4 — Establish criteria for determining if the network has stabilized and ensure the criteria are met prior to resuming the Phase II consolidations or conducting any other optimization efforts. TID: September 2017
			Utilization of Data by the Chief Operating Officer and Executive Vice President
DR-AR-15-009	08/25/2015		R-1 — Connect metrics to the strategic plan which will enable Operations to provide insight into ongoing progress in executing strategy. TID: February 2017 R-2 — Evaluate and update metrics annually to evolve alongside the organization's priorities and strategic goals. TID: February 2017 R-3 — Include predictive metrics in data tools, which enable proactive or forward-focused decision-making. TID: February 2017 R-4 — Identify, develop, and implement systems, data, and reporting tools which cover additional internal and external data sources and have the capability to collect and report real-time actionable data. TID: February 2017

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Reports with Recommendations Pending Corrective Actions

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
Leased Trailer Damage Payments			
NO-MA-15-005	09/01/2015	\$2,028,170	R-1 — Review and update damage claims policy and procedures. TID: April 2017
Postal Service Handling of Inbound International Mail at the [redacted] International Service Center in [redacted]			
NO-MA-15-006	09/03/2015		R-1 — Enhance the system application for automation to identify mail requested by U.S. Customs and Border Protection. TID: June 2017 R-2 — Coordinate with U.S. Customs and Border Protection to clarify their inspection requirements and establish a process to ensure compliance. TID: June 2017 R-4 — Ensure scanned data is accurate, complete, and reliable. TID: June 2017
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: July 2017 R-3 — Conduct a study to determine how using electronic media, including spreadsheets, will impact the confidentiality and security of mail cover information. Based on study results, clarify policies and procedures regarding completing Postal Service Form 2009, Information Regarding Mail Matter, for each mailpiece related to interdiction mail covers and for mail covers that are automatically generated, approved, and closed. TID: July 2017
[Redacted] Contract and Compliance Review			
IT-AR-15-009	09/18/2015	\$7,347,706	R-2 — Complete the Certification and Accreditation process for the [redacted] software — [redacted] and [redacted] and obtain the physical location of Postal Service information associated with these applications. TID: March 2017
U.S. Postal Service Building Occupancy Data			
CP-AR-16-002	12/08/2015		R-1 — Conduct and document a new facility space usage study that reflects current network and facility operations. TID: October 2018 R-2 — Establish documented procedures for updating facility space usage data on an annual basis and establish criteria for determining when to conduct new facility space usage studies. TID: October 2018
Capital Projects Return on Investment			
MI-AR-16-002	12/22/2015	\$73,766,488	R-1 — Update Postal Service Handbook F-66, General Investment Policies and Procedures, to require: Program managers to update cash flows and report on any significant operating changes that will impact the capital investment's return on investment; and perform interim cost studies on all capital investments approved by the Investment Review Committee. TID: March 2017
Unsupported Operating Systems			
IT-AR-16-003	12/24/2015		R-2 — Develop a current inventory of unsupported operating systems and either document acceptance of the risk of continued usage or migrate to a supported operating system. TID: September 2017
Address Management Licensing Agreements			
SM-AR-16-004	12/29/2015		R-2 — Periodically evaluate licensing agreement templates to determine whether provisions are consistent, up-to-date, and adequately protect the Postal Service's best interests. TID: January 2018

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Reports with Recommendations Pending Corrective Actions

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
			Assessing Controls Over the Utility Payment Process
SM-AR-16-003	12/30/2015		R-1 — Develop comprehensive formal policies and procedures to help ensure utility payments are properly made through the Utility Management System and eBuy2. TID: April 2017
			Rock Springs, WY, Customer Service Mail Processing Center Consolidation
NO-AR-16-006	01/07/2016		R-1 — Re-evaluate management workhour, maintenance, and transportation savings contained in the Rock Springs Area Mail Processing feasibility study during the first post-implementation review. TID: January 2018
			R-2 — Determine and document the impact of excluding the automated flat volume from the Rock Springs Area Mail Processing feasibility study during the first post-implementation review. TID: January 2018
			Access Controls over Mail Imaging Systems
IT-AR-16-004	01/14/2016		R-1 — Remove administrative privileges for shared accounts on all mail imaging systems. TID: April 2017
			R-2 — Require passwords for all mail imaging systems accounts in accordance with Handbook AS-805. TID: April 2017
			R-3 — Delete all accounts that have not been used in more than 365 days and all guest accounts on the mail imaging systems. TID: April 2017
			R-4 — Require users to change passwords for all administrative accounts at least every 30 days and for all non-administrative accounts at least every 90 days for the mail imaging systems. TID: April 2017
			Review of City Carrier Office Efficiency – Colorado/Wyoming District
DR-AR-16-002	01/20/2016	\$64,263,499	R-1 — Eliminate 179,619 workhours at delivery units. TID: September 2017
			Firewall Security Review
IT-AR-16-005	01/26/2016		R-4 — Review current firewall rules and remove those that are permissive or duplicative, and review firewall rules every six months according to Handbook AS-805, Information Security, and document the results of the review. TID: September 2017
			Management of Post Office Box Services
FT-AR-16-004	02/23/2016		R-1 — Develop and implement controls to ensure personnel complete the daily Post Office box receipt reconciliation between Postal Service Form 1412, Daily Financial Report, and the Web Box Activity Tracking System Receipts by Date Report. TID: May 2017
			Controls over Multiple Award Indefinite Delivery, Indefinite Quantity Contracts
SM-AR-16-007	03/28/2016	\$18,339,900	R-1 — Update contract policy to clarify ordering procedures for contracting officers issuing orders against indefinite delivery, indefinite quantity contracts. TID: February 2017
			Delayed Mail Data in the Enterprise Data Warehouse
NO-MA-16-002	03/29/2016		R-1 — Coordinate with Information Technology to include the two Web Mail Condition Reporting System delayed Standard Mail data elements in the Enterprise Data Warehouse Network Operations Data Mart by June 30, 2016. TID: April 2017

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Reports with Recommendations Pending Corrective Actions

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
			Postal Service's Handling of Office of Workers Compensation Claim Forms
HR-AR-16-002	04/07/2016		R-1 — Develop a more comprehensive electronic claims process to ensure claims forms are completed accurately and timely. TID: March 2017 R-2 — Establish mandatory training to ensure Health and Resource Management specialists are aware of policies and procedures for handling claims processing forms. TID: December 2016 R-4 — Evaluate the Employee Health and Safety module to enhance usability and efficiency to ensure accidents and incidents are recorded accurately and timely. TID: March 2017
			New York Morgan Processing and Distribution Center Efficiency
NO-AR-16-008	05/04/2016	\$93,101,614	R-1 — Reduce 385,365 workhours over the next five years by evaluating operational efficiency and adjusting workhours to workload. TID: May 2021
			Security Information Management System
IT-MA-16-001	05/10/2016		R-1 — Establish procedures to regularly identify and manage false positives found in malware event reporting tools and incorporate these practices into the redesign of incident management and monitoring processes. TID: March 2017
			Electronic Media Disposal
IT-AR-16-008	06/24/2016		R-1 — Review and update policy and implement procedures to ensure proper accountability of media once it is identified for disposal and a reconciliation process to ensure it is disposed of properly. TID: January 2017
			Retail System Software Help Desk
CP-AR-16-006	06/27/2016		R-1 — Re-evaluate help desk metrics for the upcoming contract or extension to establish an average handling-time performance target and adjust the abandoned call rate and average speed to answer performance target. TID: October 2017
			Package Processing Machine Capacity
NL-AR-16-003	07/01/2016	\$230,362,977	R-1 — Develop a plan to operate package processing machines at full operational performance levels in order to reduce the amount of manual processing and to support continued package growth. TID: July 2017
			Market Dominant Billing Determinants: Standard Mail
CP-AR-16-007	07/11/2016		R-2 — Explore the cost-benefit of fully automating the process or further leveraging Microsoft Excel tools to prepare billing determinant spreadsheets. TID: March 2017 R-3 — Complete ongoing efforts to validate that all Standard Mail billing determinant spreadsheets are produced using documented and repeatable processes to minimize errors and include a higher level internal review. TID: March 2017
			Market Dominant Billing Determinants: Package Services
CP-AR-16-009	08/05/2016		R-2 — Explore the cost-benefit of fully automating the process or further leveraging Microsoft Excel tools to prepare billing determinant spreadsheets. TID: March 2017 R-3 — Complete ongoing efforts to validate that all Package Services billing determinant spreadsheets are produced using documented and repeatable procedures to minimize errors and include a higher level internal review. TID: March 2017

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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-3 — Establish policies and procedures that define enterprise-wide system availability statuses for downtime, uptime, and outages. TID: December 2016
			R-5 — Establish and execute protocols for notifying all users when the PostalOne!-Business Customer Support System (BCSS) is unavailable, including posting notifications on the PostalOne!-BCSS Business Customer Gateway and the Rapid Information Bulletin Board System; and provide near real-time availability information to customers on a continuous basis. TID: September 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: March 2017
		\$7,783,620	R-7 — Include all required information technology clauses in the three PostalOne!- Business Customer Support System contracts. TID: March 2017
			U.S. Postal Pilot Programs
MS-AR-16-005	08/16/2016		R-1 — Develop a streamlined pilot process to rapidly fund, create a prototype of, and test new ideas on a smaller scale. TID: November 2017
			City Delivery Office Efficiency – Greensboro District
DR-AR-16-008	08/22/2016	\$29,712,126	R-1 — Eliminate 85,304 workhours at delivery units. TID: March 2017
			R-2 — Eliminate inefficient office practices such as sorting through delivery point sequence mail on office time. TID: March 2017
			R-3 — Increase mail arrival efficiency by preparing up-to-date integrated operating plans with facility processing managers. TID: July 2017
			Mail Processing and Transportation Operational Changes
NO-AR-16-009	09/02/2016		R-1 — Re-evaluate and update the projected operational and transportation financial impacts associated with the operational window change. TID: December 2016
			R-2 — Develop and implement a strategy to improve mail processing productivity in the new operational window before any additional nationwide operational changes or consolidations are implemented. TID: September 2017
			R-3 — Develop a plan to ensure adequate air transportation capacity is available for mail to meet its critical entry times. TID: May 2017
			R-4 — Create and use a nationwide system to track and report the amount, cause, and origin of late arriving mail. TID: September 2017
			R-5 — Establish a nationwide database to capture and share the Lean Six Sigma team's lessons learned. TID: October 2017
			Facility Condition Reviews – Great Lakes Area
SM-AR-16-010	09/02/2016		R-1 — Develop an action plan to address all building maintenance, safety, security, workplace environment, and workplace violence policy issues identified during our review. This plan should include a timeline for when items will be completed. TID: October 2016
			R-2 — Enforce the requirement of Handbook MS-47, Housekeeping Postal Facilities, to have all facility personnel perform housekeeping inspections, as required, and designate officials to ensure inspections are performed. TID: February 2017
			R-3 — Coordinate training to reinforce Postal Service policies and procedures relating to: a.) Maintenance and housekeeping standards to improve the customer retail experience; b.) Safety standards to prevent injuries to employees and customers and to reduce the Postal Service's exposure to Occupational Safety and Health Administration fines; c.) Security standards of facilities, yards, and vehicles to protect employees, Postal Service property, and mail; d.) Maintenance of customer complaint logs so customer complaints are recorded, tracked, and resolved timely. TID: February 2017

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Reports with Recommendations Pending Corrective Actions

Report Number	Issue Date	Monetary Impact	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
			Postmaster Cost Segment
CP-AR-16-010	09/08/2016		R-1 — Conduct an annual review and reconciliation of expense account assignment and descriptions, that includes revising applicable guidance for communicating roles and responsibilities. TID: October 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
			Automated Vehicle Utilization System (AVUS) Mileage Use – Pacific Area
DR-AR-16-010	09/15/2016	\$23,001,080	R-1 — Review and conduct route base mileage and variance analyses and make the necessary corrections in AVUS and DOIS. TID: October 2016 R-2 — Provide training to existing, newly promoted, and temporary supervisors on maintaining route base mileage, and monitoring and documenting daily mileage use and deviations. TID: May 2017
			City Carriers Returning After 6 P.M. – Los Angeles District
DR-AR-16-011	09/15/2016	\$116,610,241	R-1 — Evaluate actual package volume data for city delivery units and modify route base package volume estimates on routes through route adjustments or minor route adjustments. TID: March 2017 R-2 — Fill vacancies for supervisors within six months. TID: September 2017 R-3 — Provide city delivery supervisory training to all promoted and temporary supervisors, where appropriate. TID: September 2017 R-5 — Direct the Mail Arrival Quality/Plant Arrival Quality committee to conduct a study to evaluate the impact and cost of late mail arrival and improper mail mix dispatched to delivery units and take appropriate action. TID: May 2017
			Oversight of Oil and Gas Mineral Rights
SM-AR-16-011	09/20/2016		R-1 — Develop a process to identify and track owned properties with mineral rights and determine if the Postal Service is entitled to royalty payments. TID: September 2017 R-2 — Develop a policy that outlines the responsibilities for overseeing mineral rights, including managing oil and gas leases; collecting, tracking and validating royalty payments; and evaluating whether to acquire or dispose of mineral rights before buying or selling a property. TID: September 2017 R-3 — Review and update all oil and gas leases, including signatures and current tenant information. TID: March 2017 R-4 — Collaborate with the Department of the Interior to identify opportunities and best practices for collecting, tracking, and validating royalty payments. TID: September 2017
			Inbound International Mail Operations – [Redacted] Center
MS-MT-16-003	09/21/2016		R-1 — Coordinate with U.S. Customs and Border Protection (CBP) to establish a memorandum of understanding stating CBP's mail presentation requirements. TID: February 2017
			Highway Contract Route Survey Compliance – Eastern Transportation Category Management Team
NL-AR-16-005	09/28/2016	\$237,277,604	R-1 — Establish formalized annual training for administrative officials on conducting and completing Highway Contract Route surveys. TID: June 2017 R-2 — Develop a centralized management tool for administrative officials to report and contract officers to manage Highway Contract Route survey compliance. TID: October 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
Continuous Improvement of Mail Processing Operations			
NO-AR-16-012	09/29/2016	\$465,165,928	R-1 — Reduce 11.5 million workhours from projected fiscal year 2016 levels where possible and when planning for 2017 projected workhours by evaluating operational efficiency, adjusting staffing levels/workhours to workload, and ensuring overtime workhours do not exceed budgeted levels. TID: September 2019
			R-4 — Direct district managers to ensure that plant managers make certain automated processing begins promptly after employees start work. TID: November 2017
			R-5 — Direct district managers to ensure that plant managers make certain employees clock into the operation number where work is being performed. TID: November 2017
Management and Oversight of Highway Contract Routes			
NL-AR-16-006	09/30/2016		R-2 — Review and determine the adequacy of the administrative official's oversight of highway contract routes. TID: April 2017
			R-3 — Develop a centralized process, such as an online spreadsheet, for administrative officials to report and contracting officers to manage highway contract route irregularities. TID: October 2017
		\$2,964,933	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: June 2017
			R-6 — Ensure global positioning system (GPS) equipment is compatible with the Logistics Condition Reporting System Program so that collected highway contract route performance information is accurate and can be used to manage these contracts and examine opportunities to expand the use of GPS and other electronic data to manage HCR contracts. TID: October 2017
Trailer Lease Reduction Projects			
NL-AR-16-007	09/30/2016	\$1,591,251	R-1 — Finish the 11 remaining trailer lease reduction projects as planned by addressing staff changes, inadequate global positioning system information, and ongoing trailer lease contracts revisions. TID: June 2017
Timeliness of First Class Mail Flats			
NO-AR-17-001	10/06/2016		R-1 — Improve communication between dock door and processing personnel. TID: April 2017
			R-2 — Follow standard operating procedures for rehandled mail. TID: April 2017
			R-3 — Improve monitoring, tracking, and oversight of mail transport equipment. TID: April 2017
Vehicle Parts Purchasing and Inventory Management Process			
DR-AR-17-001	10/07/2016	\$34,985,863	R-1 — Develop a Solution Enterprise Asset Management Business Intelligence report showing a comparison of vehicle part numbers and prices offered by both consignors. TID: March 2017
			R-2 — Reinforce procedures with Vehicle Maintenance Facility managers to ensure physical access control and safeguard of vehicle parts in facilities. TID: May 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
			Packages Suspected of Containing Marijuana
HR-AR-17-001	10/12/2016		R-1 — Implement a nationwide policy for handling, tracking, and providing additional security for packages suspected of containing marijuana to reduce the risk of these packages being lost or stolen. The tracking should be comprehensive to include initial retrieval from the mail to resolution, and reporting all packages suspected of being lost or stolen and related employee misconduct to the Office of Inspector General. TID: October 2017 R-2 — Develop training to ensure responsible personnel understand their roles and responsibilities for identifying, handling, safeguarding, and tracking packages suspected of containing marijuana. TID: October 2017
			Use of Independent Contractor Studies
CP-AR-17-002	10/14/2016		R-1 — Develop a method to efficiently identify and access external studies. TID: March 2018 R-2 — Store and share final study results in a centralized location accessible to an identified level of management. TID: March 2018 R-3 — Establish a retention policy for contracted external studies. TID: March 2018
			Contract Postal Unit Operations Oversight
FT-AR-17-002	11/03/2016		R-1 — Enhance formal policies and procedures for district oversight of host administrative offices that includes follow-up and accountability for compliance issues. TID: April 2017
			Internet-Facing Devices
IT-AR-17-001	11/03/2016		R-5 — Continue reviewing current firewall rules to determine if Internet control messaging protocol traffic should be allowed from the Internet and remove any deemed unnecessary. TID: January 2017
			Facility Condition Reviews – Northeast Area
SM-AR-17-001	11/09/2016		R-1 — Develop an action plan to address all building maintenance, safety, security, workplace environment, and workplace violence policy issues identified during our review. This plan should include a timeline for when items will be completed. TID: December 2016 R-2 — Coordinate training to reinforce Postal Service policies and procedures relating to the issues identified during our review. Specifically: Maintenance and housekeeping standards to improve the customer retail experience; safety standards to prevent injuries to employees and customers and to reduce the Postal Service's exposure to Occupational Safety and Health Administration fines; security standards of facilities, yards, and vehicles to protect employees, Postal Service property, and mail; maintenance of customer complaint logs so customer complaints are recorded, tracked, and resolved timely; consistent display of required posters so they are available to employees. TID: November 2016
			Consolidation of Mail for Transportation – Memphis Network Distribution Centers
NL-AR-17-001	12/02/2016	\$5,816,529	R-1 — Update the Memphis Network Distribution Center's Standard Operating Procedures to include specific instructions on when highway contract route trucks are sent to consolidation deconsolidation facilities for consolidation activities. TID: March 2017 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 2017 R-3 — Re-evaluate the need for the Memphis consolidation deconsolidation facilities and modify the contract accordingly. 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
Cost Segment 14 – Transportation			
CP-AR-17-003	12/06/2016		R-1 — Enhance the current documented procedures to ensure the Transportation Cost Segment is consistently prepared and prevents loss of institutional knowledge. The procedures should include a list of relevant and accessible variability studies; steps for extracting financial data to perform account adjustments; and documented changes that could affect allocation of costs. TID: July 2017
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: July 2017 R-2 — Actively monitor employees to manage workload and ensure they are processing mail efficiently. TID: July 2017 R-3 — Evaluate unit workroom layout and use. TID: February 2017
Highway Contract Route Fuel Price Index Program – Southern Transportation Category Management Team			
NL-AR-17-002	12/09/2016	\$7,533,747	R-1 — Develop and implement as soon as practical a national policy and procedures for establishing the highway contract route contract baseline fuel price per gallon to ensure adequate oversight and documentation for current and future contracts. TID: November 2017 R-2 — Develop and document market analysis to determine the lowest fuel price per gallon for each highway contract route that incorporates at a minimum the U.S. Department of Energy regional fuel index as well as local market fuel pricing. If the negotiated price is greater than the market analysis, the contracting officer must provide supplier documentation and written evaluation substantiating that this is the best value. TID: November 2017
Establishing New Retail Access Points			
MS-AR-17-002	12/12/2016		R-1 — Develop comprehensive data analytic capabilities across all retail channels to evaluate proposals for new retail access points. TID: December 2017 R-2 — Develop a centralized system for tracking and recording new retail access point proposals, key documentation, and decisions. TID: June 2017 R-3 — Update existing policies for evaluating the need for new retail access points. TID: December 2017
Most Favored Customer Pricing			
SM-AR-17-002	12/14/2016		R-1 — Enhance existing policy to instruct contracting officers when to include the most favored customer pricing clause, how to implement the clause, as well as to include specific terms and conditions in the contract regarding how the clause will be enforced. TID: November 2017 R-2 — Review and modify the contract templates that contain the most favored customer pricing clause to determine applicability and delete the clause where it is not applicable. TID: June 2017 R-3 — Develop procedures to instruct contracting officers, who use Contract Authoring Management System to manage their contracts, to utilize the system to develop solicitation and contract documents to ensure the most favored customer pricing clause is properly included in the contract. TID: August 2017
Self-Process for Domestic Competitive Product Negotiated Service Agreements			
CP-AR-17-004	12/16/2016		R-1 — Coordinate with Sales and Finance and Planning to develop a formal, comprehensive document that outlines roles and responsibilities, communication, and accountability among personnel required to execute the Negotiated Service Agreement self-certification process. TID: July 2017
Non-Career Employee Turnover			
HR-AR-17-002	12/20/2016	\$52,997,821	R-1 — Establish and implement a comprehensive non-career employee strategic plan for all crafts that would help the Postal Service identify, recruit, and retain highly qualified individuals. This plan should include strategies to minimize the contributing factors identified by Postal Service data. TID: March 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
			International Inbound Mail Operations – [Redacted] Service Center
MS-AR-17-003	12/30/2016		R-1 — Implement controls to ensure that [redacted]. These could include using [redacted] that have already been dispatched from the International Service Center. TID: August 2017 R-2 — Take actions to obtain additional advance electronic data from international mailers, such as requesting it in future bilateral agreements. TID: March 2017
			Mail Processing Operations at the Roanoke, VA, Processing and Distribution Center
NO-AR-17-003	01/17/2017		R-2 — Re-evaluate transportation savings in the Roanoke, VA, Processing and Distribution Center area mail processing feasibility study during the first post-implementation review. TID: February 2018
			Environmental Conditions at Michigan Metroplex P&DC
HR-MA-17-001	01/25/2017		R-1 — Finalize conversion of the methane venting system from passive to active with the addition of in-line blowers. TID: June 2017 R-2 — Develop a process to check for a response to specific levels of calibrated methane gas at least every six months for all methane sensors. TID: November 2016
			Use of Run Plan Generator
NO-AR-17-004	01/26/2017	\$1,799,640	R-1 — Ensure operational managers and supervisors use the Run Plan Generator. TID: April 2017 R-2 — Establish nationwide criteria for Run Plan Generator usage. TID: April 2017 R-3 — Ensure that personnel assigned to produce run plans are adequately trained. TID: April 2017 R-4 — Improve communication of Run Plan Generator performance to all levels of plant personnel, especially between operations support and mail processing personnel to allow feedback on volume and throughput projections to improve accuracy of run plans. TID: April 2017 R-5 — Ensure that Run Plan Generator volume projections are accurate and target throughputs are attainable when producing run plans. TID: June 2017 R-6 — Ensure run plans are available to operational managers and supervisors. TID: April 2017 R-7 — Adjust staffing and scheduling to correspond with Run Plan Generator plans. TID: June 2017
			Accuracy of Grievance Settlement Payments
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
			Officers' Travel and Representation Expenses for Fiscal Year 2016
FT-AR-17-005	02/09/2017		R-1 — Enforce or revise existing travel policy requirements for submitting travel reimbursement claims when officers deviate from travel policies and ensure these claims are properly approved. TID: June 2017 R-2 — Implement controls to ensure the manager, Travel and Relocation, timely reviews credit card balance refunds. TID: March 2017 R-3 — Implement controls to ensure Sloan Fellows Program participants are placed in the eTravel officer group before any program expenses are incurred, particularly during employee transitions. TID: March 2017 R-4 — Implement a control to ensure security deposits for Sloan Fellow Program participants are reimbursed as required. TID: March 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
			Internal Controls Over Retail Sales Transactions at the Norman Main Office, Norman, OK
FT-FM-17-009	02/23/2017		R-1 — Coordinate with Information Technology to resolve the Retail Systems Software error and monitor future transactions in the Retail Systems Software for accuracy. TID: None
			Internal Controls Over Financial Differences at the Cardiss Collins Postal Store, Chicago, IL
FT-FM-17-011	03/01/2017		R-1 — Research and resolve outstanding financial differences and implement controls to ensure continuous monitoring and timely resolution. TID: March 2017
			Non-Career Employee Background Screening in the Los Angeles District
HR-AR-17-004	03/03/2017		R-1 — Develop written guidance for district Human Resources officials to use as a reference for the background screening process to help ensure compliance, consistency, and accuracy in execution. TID: June 2017
		\$16,544	R-2 — Establish a process to conduct and document periodic quality reviews of the pre-employment files to ensure Human Resources officials assess applicants appropriately, follow up on investigative results, and maintain the files in accordance with established policies. TID: May 2017
			R-3 — Establish a process for Human Resources officials to ensure PS Form 1750, Employee Evaluations and Probationary Reports, are completed and forwarded to responsible officials for review and action. TID: June 2017
			R-4 — Re-evaluate the suitability and eligibility of the 11 employees with automatic motor vehicle infractions and the seven employees with disqualifying criminal suitability who were screened by LA District officials in fiscal years 2015-2016 but for whom there is no documented justification. TID: May 2017
			Market Dominant Billing Determinants: Process Review
CP-AR-17-006	03/08/2017		R-1 — Finalize the current, documented billing determinant procedures so that processes are sufficiently detailed and repeatable to internally validate the billing determinant data. TID: None
			R-2 — Properly encrypt, password protect, or otherwise secure billing determinant spreadsheets and the supporting data. TID: December 2017
			R-3 — Implement automation options to improve data accuracy and revenue calculation techniques. TID: May 2017
			Kaizen Project at the West Valley Processing and Distribution Center, Phoenix, AZ
NO-AR-17-005	03/08/2017	\$11,786	R-1 — Ensure all Kaizen teams follow Kaizen project process requirements. TID: February 2017
			R-2 — Ensure the required Kaizen team segregation of duties for roles and responsibilities is established and followed according to the project charter. TID: February 2017
			R-3 — Ensure Kaizen project documentation is reviewed and retained as required; project goals, projections, and sustained benefits are independently reviewed; and responsibility for monitoring project benefits is transitioned to the process owner. TID: February 2017
			Internal Controls Over Postage Label Refunds – Quartz Hill Contract Postal Unit, Lancaster, CA
FT-FM-17-013	03/21/2017		R-1 — Provide financial reporting training to the Quartz Hill Contract Postal Unit employees. TID: March 2017
		\$2,049	R-2 — Verify all required supporting documentation is submitted with applications for postage label refunds before approving. TID: March 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
Cost Segment 3 – Clerks and Mail Handlers			
CP-AR-17-007	03/22/2017		<p>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</p> <p>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</p>
Internal Controls Over Single Drawer Accountability – [Redacted], Post Office			
FT-FM-17-014	03/24/2017		<p>R-1 — Provide refresher training on financial reporting for single drawer accountability to all employees responsible for financial reporting at the [redacted] Post Office. TID: March 2017</p> <p>R-2 — Require the postmaster to review and verify all financial reports at the [redacted] Post Office. TID: April 2017</p>
Fleet Specialty Credit Cards - Eastern Area			
DR-AR-17-002	03/27/2017	\$9,963,140	<p>R-1 — Issue a directive instructing site managers to ensure fleet specialty credit card transactions and related supporting documentation are reviewed at least monthly, maintained for 2 years, and provided to the appropriate vehicle maintenance facilities. TID: April 2017</p> <p>R-2 — Direct all site managers to follow fleet specialty credit card guidance to properly manage and physically secure personal identification numbers and credit cards. TID: April 2017</p>
Information Technology Continuity of Operations Plans			
IT-AR-17-002	03/29/2017		<p>R-1 — Develop and implement a policy, which includes annual reviews, updates, and testing for managing the Functional Workgroup Annex plans based on federal directives and industry best practices. TID: September 2017</p> <p>R-2 — Require annual training for all personnel with Functional Workgroup Annex responsibilities in accordance with requirements outlined in Federal Continuity Directive 1. TID: September 2017</p>

APPENDIX F:

Management Decisions in Audit Resolution

For the period October 1, 2016 — March 31, 2017

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

No recommendations found.

APPENDIX G:

Status of Peer Review Recommendations

Federal audit organizations undergo an external quality control assessment by their peers every three years. The Inspector General Empowerment Act of 2017 requires an appendix reporting on 1) the results of any peer reviews conducted by another Office of Inspector General (OIG) on us during the semiannual period, or if no peer review was conducted during the reporting period, a statement identifying the date of the last peer review; 2) any recommendations from previous or current peer reviews that remain outstanding or have not been fully implemented; and 3) any peer reviews conducted by us of another OIG during the reporting period, including a list of any outstanding recommendations.

Office of Audit

Internal Peer Reviews

The latest review conducted on us was completed on September 22, 2015, by the U.S. Department of Housing and Urban Development Office of Inspector General. We received a rating of pass. There are no outstanding recommendations.

External Peer Reviews

None conducted during this period.

Office of Investigations

Internal Peer Reviews

None conducted during this period.

The last review conducted of us was completed on January 31, 2014, by the U.S. Department of Agriculture Office of Inspector General. We were deemed compliant with the quality standards established by Council of Inspectors General on Integrity and Efficiency and the applicable Attorney General guidelines. There are no outstanding recommendations to be implemented.

External Peer Reviews

The most recent review we conducted was completed in October 2012 on the U.S. Department of Health and Human Services Office of Inspector General. They were deemed compliant with the quality standards established by the Council of Inspectors General on Integrity and Efficiency and the applicable Attorney General guidelines. We are scheduled to conduct a peer review of TIGTA in June 2017.

APPENDIX H:

Investigative Statistics

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

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

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

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

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

For the period October 1, 2016 — March 31, 2017

	Investigations Closed	Arrests	Indictments / Information / Complaints	Convictions	Admin Action Taken	Cost Avoidance	Fines / Restitution, and Recoveries	Amount to USPS	To Mgmt. for Admin Action	To Mgmt. for Admin Action (FY)	Number of persons referred to DOJ for criminal prosecution	Number of persons referred to State and Local authorities for criminal prosecution presentations	Criminal Indictments / Information	Number of investigative reports issued
Contract Fraud	29	5	11	2	3	11,395,269	504,160	447,002	2	2	13	4	10	12
Financial Fraud	143	55	53	66	138	433,050	836,949	743,372	137	148	60	41	44	244
General Crimes	329	20	10	14	275	—	46,936	32,994	219	231	19	28	9	406
Health Care Claimant Fraud	204	19	13	34	23	54,266,662	2,234,811	1,534,983	12	13	51	18	13	111
Health Care Provider Fraud	28	25	29	19	4	19,014,900	14,678,905	336,979	—	—	19	1	29	7
Internal Mail Theft	615	181	143	234	595	—	1,645,609	244,831	538	577	222	69	133	853
Narcotics	46	40	30	27	42	—	5,481	—	61	61	33	13	29	67
Total	1,394	345	289	396	1,080	85,109,881	19,952,851	3,340,161	969	1,032	417	174	267	1,700

APPENDIX I:

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

For the period October 1, 2016 — March 31, 2017

Type of Scheme	Complaints Filed	Consent Agreements	FROs	C&D Orders
Advance Fee	—	—	—	—
Counterfeit Check	1	7	—	7
Failure to Pay	—	1	—	1
Foreign Lottery	9	16	—	17
Identity Theft-Other	1	2	—	2
Invoice Schemes	—	—	—	—
Lottery	2	8	—	8
Reshipping Scheme	—	2	—	2
USPS Revenue Fraud	—	—	—	—
Work at Home-Other	—	1	—	1
TOTAL	13	37	—	38

Other Administrative Actions

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

Administrative Subpoenas Requested by the Postal Inspection Service.

There was no request during this reporting period.

Financial Reporting on Investigative Activities for the Postal Inspection Service

Type	Total
Total Personnel Comp	\$182,077,130
Total Nonpersonnel Expense	\$42,306,590
Total Operating Expense	\$224,383,719
Total Capital Commitments	\$4,958,836

APPENDIX J:

Congressional/PMG/BOG Inquiries

For the period October 1, 2016 — March 31, 2017

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

From October 1, 2016, through March 31, 2017, the OIG received 100 new inquiries. Out of the 100 inquiries, we referred nine to the U.S. Postal Service Office of Government Relations and one to the U.S. Postal Inspection Service for review. We closed 85 inquiries during this reporting period. Out of the 85 inquiries, 68 were referred to our Office of Investigations and 12 were referred to our Office of Audit for further review.

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

Report Number	Issue Date	Report Title, Audit Summary
		Mail Processing Operations at the Roanoke, VA, Processing and Distribution Center
NO-AR-17-003	01/17/2017	We determined the partial consolidation of Roanoke Processing and Distribution Center (P&DC) mail processing operations into the Greensboro P&DC did not adversely affect customer service scores, and a business case existed to support the area mail processing (AMP) consolidation. Overall, we found that the Roanoke P&DC First-Class Mail service scores as measured against new standards were largely unchanged after the partial consolidation compared to scores from the same period a year earlier. However, we found some specific periods of time with more significant service issues. We recommended management train Greensboro P&DC employees to count all delayed mail and ensure it is correctly reported on the daily mail condition report and re-evaluate transportation savings in the Roanoke P&DC AMP feasibility study.
		Environmental Conditions at Michigan Metroplex Processing and Distribution Center
HR-MA-17-001	01/25/2017	This report presents the results of our follow-up to the management alert issued February 22, 2016, regarding the malfunction of the methane detection system observed at the Postal Service Michigan Metroplex Processing and Distribution Center in Pontiac, MI. The Occupational Safety and Health Administration and three contractors found that methane concentrations within the facility did not exceed methane exposure limits, and that other hazardous air pollutants detected within the facility were below permissible levels. Consequently, the facility was considered safe relative to methane exposure. We recommended management finalize conversion of the methane venting system from passive to active, develop a process to check the sensor calibration, provide training on the methane detection system to responsible personnel, and update the operating manual.

Appendix J:

Congressional/PMG/BOG Inquiries

Report Number	Issue Date	Report Title, Audit Summary
		Hiring Custodians in Des Moines Post Offices
HR-AR-17-005	03/06/2017	The Postal Service complied with applicable postal policies and federal law in hiring applicants for custodian positions and managing reasonable accommodation requests in Des Moines. The Postal Service also did not eliminate any job classifications reserved for disabled veterans or inappropriately manage reasonable accommodation requests from disabled veterans in fiscal year 2015 or 2016. Management hired preference-eligible veterans in Des Moines in accordance with applicable laws, policies, and procedures; therefore, we are not making any recommendations at this time.
		Congressional Inquiries – Gateway District
MS-AR-17-004	03/14/2017	The Gateway District effectively handled and coordinated the 61 formal congressional inquiries, responding in an average of seven days. In addition, the district was generally responsive to informal inquiries regarding the Stonington Post Office, but did not adequately respond to several informal inquiries about the Waggoner Post Office due to a lack of information from headquarters' Facilities staff. Specifically, Facilities staff was unable to provide complete information to the district about the timeline or estimated opening of the Waggoner office in response to various inquiries. We recommended Facilities management provide the Gateway District timelines and a potential estimated opening date for the Waggoner Post Office and, upon receipt, the Gateway District management should provide the information to the congressional member's office.

Congressional Testimony

Since its inception, the OIG has testified before Congress on various matters. While the OIG did not provide written statements to Congress during this reporting period, the OIG has in the past provided testimony and statements highlighting significant work and identifying opportunities for the Postal Service to improve accountability and public trust. These testimonies and statements can be found in their entirety on the [OIG's website](#).

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 October 1, 2016 — March 31, 2017

Requests	Number of Requests
Carryover from prior period	23
Received during period	374
Total on hand during period	397
Actions	Number of Requests
Processed during the period	378
Requests Denied in Full	22
Requests Granted in Full	13
Requests Denied in Part	101
No Records	78
Requests Referred	73
Requests Withdrawn	35
Fee-Related Reasons	—
Records not reasonably described	1
Not a proper FOIA request for some other reason	1
Not an agency record	54
Duplicate Request	—
Balance	Number of Requests
Balance at the end of the period (pending)	19
Processing Days	Number of Days
Median processing days to respond to a FOIA request	4

Workplace Environment

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

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

Complaints received	Total
Carried over from previous quarter(s)	66
Complaints received from OIG Hotline, Congress, Governors, management, internal, and other	1008
Total on hand during this period	1074

Workplace Environment Actions

	Number of Complaints
Total Complaints reviewed and closed during the period	998
Carried over from previous quarters is not included in total reviewed & closed count	
Carried over from previous quarter(s)	66
Closed Determination as No Action	1
Office of Audit	2
Summary of findings to Congress/BOG/Postal Service Management	57
FOIA	—
Hotline	4
AIG for Investigations	—
Postal Inspection Service	22
Database for statistical analysis and possible symentic review	585
Office of Investigations	8
WorkPlace Environment	320

ACRONYM GUIDE

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

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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



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