



# Office of Inspector General Semiannual Report to Congress

October 1, 2011 — March 31, 2012



## MISSION STATEMENT

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

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

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

About the Cover: gopost™, a new concept introduced by the Postal Service earlier this year, is currently being tested in Northern Virginia. The gopost units are automated, secured, self-service parcel lockers placed in convenient locations where customers will be able to pick up or ship packages at their convenience. For more information go to [www.gopost.com](http://www.gopost.com).

## A MESSAGE FROM THE INSPECTOR GENERAL

The Postal Service is an invaluable part of the nation's communications infrastructure. For more than 230 years, the Postal Service has served to bind the nation together, promote democracy, and enable commerce. Its mission remains largely unchanged despite the rapid changes in the way we communicate and share information. In fact, its role as a reliable, secure, and trusted delivery provider may be needed more than ever.

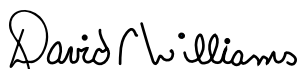
The Postal Service's challenges are considerable, but its opportunities are great. Its 5-year business plan and its efforts to realign its physical and human infrastructure are among the steps the Postal Service is taking to position itself as a 21st century communications provider. Through our own mission of promoting integrity and accountability, the Office of Inspector General (OIG) supports the overall mission of the Postal Service. Our goal is to deliver optimal value to our joint stakeholders through independent audits and investigations.

In our semiannual report, submitted pursuant to the Inspector General Act, we outline our work and activities for the 6-month period ended March 31, 2012. In the first section, we highlight audits and reviews that address risks in areas around the Postal Service's strategic goals: improve service, improve financial performance, and improve safety and employee engagement. The second section highlights investigations conducted during this reporting period that contributed to safeguarding the Postal Service's revenue and assets and helped deter postal crimes.

Postal Service executives often work closely with their OIG counterparts to identify problems and collaborate on solutions, which this report highlights. These efforts have resulted in significant savings opportunities. During this period, we issued 64 audit reports and management advisories that resulted in about \$1.9 billion in monetary impact, and the Postal Service accepted 95 percent (80 of 84) of the OIG's significant recommendations.

We also fulfill our traditional OIG role of rooting out fraud, waste, and misconduct to protect the Postal Service's bottom line and maintain confidence in the mail. Our dedication to integrity, accountability, and transparency means that no person in the organization is above the law or immune from the ethical standards set by the Postal Service. In this period, we completed 1,648 investigations that led to 250 arrests and more than \$315 million in fines, restitutions, and recoveries, of which more than \$48 million went to the Postal Service.

The OIG — with the support of the Governors, Congress, and Postal Service management — 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 through its audit and investigative body of work.



David C. Williams  
Inspector General

*The Postal Service's challenges  
are considerable, but its  
opportunities are great.*

# SUMMARY OF PERFORMANCE

For the Period October 1, 2011— March 31, 2012

## AUDITS

Reports issued	64
Significant recommendations issued	84
Total reports with financial impact	13
Funds put to better use	\$1,047,184,458
Questioned costs	\$777,383,244
Revenue Impact	\$105,058,258
<b>TOTAL</b>	<b>\$1,929,625,960</b>

## INVESTIGATIONS <sup>1</sup>

Investigations Completed	1,648
Arrests	250
Indictments/Informations	290
Convictions/pretrial diversions <sup>2</sup>	324
Administrative actions	800
Cost Avoidance	\$85,774,919
Fines, Restitution, and Recoveries	\$315,481,668
Amount to the Postal Service <sup>3</sup>	\$48,428,097

## OIG HOTLINE CONTACTS

Telephone calls	38,916
E-Mail	21,558
Standard Mail	1,366
Voice Mail Messages	389
Facsimile - FAX	312
National Law Enforcement Communications Center	289
<b>TOTAL CONTACTS</b>	<b>62,830</b>

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

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

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

# TABLE OF CONTENTS

<b>INTRODUCTION.....</b>	<b>3</b>
<b>OFFICE OF AUDIT .....</b>	<b>5</b>
Goal 1: Improve Service.....	6
Goal 2: Improve Financial Performance.....	7
Goal 3: Improve Safety and Employee Engagement .....	11
<b>REGULATORY STUDIES AND REPORTING OBLIGATIONS .....</b>	<b>11</b>
<b>PRESERVING ACCOUNTABILITY.....</b>	<b>12</b>
<b>OFFICE OF INVESTIGATIONS .....</b>	<b>17</b>
Financial Crimes .....	18
Healthcare Fraud .....	20
Mail Theft .....	21
Official Misconduct .....	22
Contract Fraud.....	23
<b>APPENDICES.....</b>	<b>25</b>
APPENDIX A — Reports with Quantifiable Potential Monetary Benefits .....	26
Report Listing .....	27
APPENDIX B — Findings of Questioned Costs .....	30
APPENDIX C — Recommendations That Funds Be Put to Better Use.....	31
APPENDIX D — Other Impacts .....	32
APPENDIX E — Reports with Significant Recommendations Pending Corrective Actions .....	34
APPENDIX F — Significant Management Decisions in Audit Resolution .....	52
APPENDIX G — Status of Peer Review Recommendations.....	52
APPENDIX H — Investigative Statistics.....	53
APPENDIX I — Summary of U.S. Postal Inspection Service Investigative Activities Under Title 39 USC 3005 & 3007 .....	54
APPENDIX J — Closed Congressional and Board of Governors' Inquiries.....	55
<b>SUPPLEMENTAL INFORMATION .....</b>	<b>61</b>
Freedom of Information Act.....	61
Workplace Environment.....	61
Acronym Guide .....	62

# Introduction



*The Postal Service, as a trusted provider of delivery services, continues to have a vital role to play as a part of the nation's communications infrastructure.*

The communications revolution, the digital age, and globalism are having an enormous impact on the Postal Service. The ways in which Americans communicate today are different not just from a decade ago, but from a few years ago – some might argue from a few minutes ago. Social networking and smart devices are changing communications and commerce, as an increasing number of American consumers rely on handheld devices to shop, bank, and interact with businesses.

While the digital revolution is remarkable, it is also imperfect, leaving gaps in security, privacy, and inclusion. The Postal Service, as a trusted provider of delivery services, continues to have a vital role to play as a part of the nation's communications infrastructure. The Postal Service has begun the difficult task of reinventing its business model and refocusing its network. The path forward probably will require a merging of traditional postal services with new services that fill the gaps left by the digital age.

As the cover of our semiannual report to Congress illustrates, the transition from traditional services to innovative ideas has already begun. Retail transactions are taking place in new ways, whether through online sales or through the use of gopost automated lockers for sending or receiving packages. Meanwhile, the traditional Post Office continues to play a pivotal role in providing services to citizens.

The Postal Service also has taken innovative steps with some of its new product offerings, such as Priority Mail Flat Rate boxes, the Intelligent Mail barcode, and simplified addressing.

Yet, innovation needs further cultivation. In December 2011, we issued a report that reviewed innovation best practices and processes among 14 organizations recognized as innovation leaders. Our work with these organizations identified 19 best practices that the Postal Service should consider implementing to foster and institutionalize a strong culture of innovation. By using these best practices, and partnering with stakeholders, the Postal Service could tap into new revenue streams.

We also issued a report that recommended the Postal Service provide its underused retail space to federal, state and municipal agencies to expand citizens' access to service and to increase revenue and potentially lower lease

costs. In a separate report, we recommended the Postal Service explore partnerships with commercial internet service providers to increase broadband coverage in areas they do not currently serve by offering master lease agreements to Postal Service real estate and installing wireless fidelity hot spots.

As the Postal Service optimizes its network and assembles a lean delivery system for mail and parcels, it should also take steps to enter the digital market, perhaps by making digital communications stronger and safer. This would help fill the void left by the shortcomings of the digital revolution. In our white paper, *eMailbox and eLockbox: Opportunities for the Postal Service*, we suggest that the Postal Service engage quickly and proactively to adapt to new technologies and new market conditions. We offer two specific ideas, a Postal Service-sponsored, secure e-mail service (eMailbox) and an accompanying secure data storage service (eLockbox) to provide new options to residential customers and businesses, while leveraging key address management tools and other assets of the Postal Service.

All of these ideas play against a backdrop of considerable challenges for the Postal Service. Its net loss from fiscal year 2007 through FY 2011 was \$25 billion and its volume decline in that period was 39 billion pieces of mail. In a report on the Postal Service's finances, we underscored the Postal Service's financial challenges, including its ongoing liquidity concerns. An improved financial outlook remains tied to legislative action and stakeholder cooperation.

In the meantime, the Postal Service must continue to work toward positioning itself for success in a fast-changing communications environment. Its mission to support the communication and commercial needs of Americans remains vital, but it is also broader than paper and envelopes in this digital age.

Office of  
**Audit**





## **ASSESSING PROGRESS TOWARD STRATEGIC GOALS**

In this section, the Office of Audit (OA) assesses the Postal Service's progress toward the strategic goals articulated in its 2011 Annual Report to Congress and Comprehensive Statement on Postal Operations - Delivering the New Reality. The Postal Service publishes a number of reports that are responsive to different legislative requirements. They provide stakeholders with an accounting of their activities and results. To avoid duplication and improve consistency, their Annual Report to Congress, the Comprehensive Statement on Postal Operations, and their Annual Performance Report and Plan are combined in this single document. The chapter, the 2011 Annual Performance Report and 2012 Annual Performance Plan, lists the Postal Service's strategic goals as follows: to improve service, improve financial performance, and improve safety and employee engagement. We have organized our audit work in line with these goals. We also present work on the issues of regulatory studies and reporting obligations, and preserving accountability.

### **Management Response to Audit Work**

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

## **GOAL 1: IMPROVE SERVICE**

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



Postage and other postal products and services are sold at retail outlets around the country. The Postal Service has 32,000 retail offices, but more than 35 percent of its retail revenue comes from expanded access locations, such as grocery stores, drug stores, self-service kiosks, and [www.usps.com](http://www.usps.com).

### **Retail Facilities Discontinuance Program**

The Postal Service could benefit from an integrated retail network optimization strategy that includes short- and long-term plans, milestones, and goals. While the Postal Service has implemented new regulations, policies, and procedures, it is unclear what specific changes will be made, how long it will take to make them, and their anticipated benefits. Management stated that they have a strategy to expand alternate channel access as part of their plan to reduce the retail infrastructure, but did not establish specific goals for closing and consolidation initiatives.

### **Standardization of Mail Processing Equipment at Processing and Distribution Centers**

The Postal Service achieved considerable standardization of letter and flat machines at the facilities reviewed. Overall, the Postal Service generally matched machine deployment to mail volume, although opportunities for further standardization exist at some facilities. Management agreed with our recommendation to periodically compare equipment to mail volumes at processing and distribution centers (P&DC), and to redeploy excess mail processing equipment to those sites where equipment deficiencies exist. The Postal Service told us that they consistently review and analyze the capacity of their equipment, have removed more than 1,500 pieces of equipment over the past 3 years, and continue to identify areas for improvement.

### **Mail Verification Procedures at Detached Mail Units**

Our report determined that Postal Service mail verification procedures were not always adequate to ensure that business mailings contained sufficient postage or met Postal Service specifications. We also found that Postal Service employees sometimes overrode system-generated notifications that mailings did not contain sufficient postage or meet specifications without verifying whether these notifications were valid. We further noted that detached mail unit staffing was inconsistent and did not always align with mailers' production levels, resulting in idle staff time at some locations and heavy workload at others.

### **Global Business Systems International Dispatch**

Our report determined that Global Business Systems (GBS) Dispatch controls over outbound international mail are adequate. However, controls within the Surface Air Management System do not always prevent outbound international mail from exceeding air carrier capacities. Additionally, GBS Dispatch does not detect destination country discrepancies between mailpieces scanned into Point of Service (POS) ONE terminals in the retail environment and the enhanced distribution barcode scanned during dispatch.

### **Domestic Mail Manual Preparation and Acceptance Mail Instructions**

Our audit determined that the Postal Service has an opportunity to simplify mail preparation and acceptance instructions. There presently are more than 2,300 pages of instructions in the Domestic Mail Manual<sup>1</sup> (DMM) Furthermore, mailers are required to complete postage statements ranging from five to 25 pages. In addition, there are about 800,000 mailing permits in the PostalOne<sup>1</sup> System but only 39 percent are active. Our analysis revealed that the Postal Service could reduce the number of active permits from 300,000 to a range of 4,600 to 10,000 by eliminating multiple permits.

### **Postal Service Pricing Strategy**

Our report found that the Postal Service has more than 7,600 domestic prices for the three product lines and almost 50 percent of them contain low to no mail volume. In addition, the volume and revenue data used to support product pricing is about 140 days old and, by comparison, its domestic competition has real-time product data. Management is currently reviewing its costing systems and revenue and volume reporting procedures, and plans to optimize pricing.

<sup>1</sup> These 2,300 pages of instructions include the DMM, Quick Service Guides Handbook DM-109, Job Aids, and Customer Service Rulings.

**Contract Delivery Service Cost Controls in the Suncoast District**

Our audit in the Suncoast District determined that contracts were appropriately awarded based on active deliveries. However, administrative officials did not always perform route surveys to verify the actual number of deliveries. Without current and accurate survey information, it may be difficult for contract officials to negotiate an accurate price for a contract. We recommended that management complete the route surveys, train administrative officials on their responsibilities, monitor completion of the surveys, and clarify the policy on performing route surveys. Management took immediate action in implementing these recommendations

**GOAL 2: IMPROVE FINANCIAL PERFORMANCE**

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

**Contracting Opportunities and Impact of the Service Contract Act**

In response to a congressional request, we reviewed potential cost savings that could be achieved if the Postal Service did not have to comply with the Service Contract Act (SCA) and took advantage of additional contracting out opportunities. Postal Service market research indicated that opportunities exist for cost savings if the agency did not have to comply with the SCA. In addition, our analysis showed that Postal Service wages for cleaning/janitorial and postal vehicle service (PVS) driver positions were higher than SCA rates. We estimate that the Postal Service could save about \$675 million annually if it outsourced cleaning/janitorial and PVS driver positions. Barriers to outsourcing the positions include labor union agreements, workforce retention issues, fluctuations in market or economic conditions, and the potential for congressional constituency concerns.



The Postal Service consistently reviews and analyzes the capacity of its equipment and it has removed more than 1,500 pieces of equipment over the past 3 years. The organization continues to identify areas for improvement.

**Postal Service Financial Condition**

**Volume Loss** - In recent years the Postal Service has experienced significant financial challenges. The Postal Service had over \$25 billion in net losses for the period of October 2007 through September 2011. The net loss was \$3.3 billion for the 3 months ending December 31, 2011, compared to a net loss of \$329 million for the same period last year (SPLY). For the 3 months ending December 31, 2011, combined First-Class Mail and Standard Mail, which represent about 95 percent of the Postal Service's total mail volume, decreased 2.7 billion pieces, or 6.2 percent, compared to SPLY, with an associated drop in revenue of \$650 million, or 4.8 percent. These losses were primarily caused by the economic recession and the continuing changes in consumer preferences for electronic media over hard copy correspondence and transactions.

**Liquidity Concerns** - Amid challenging economic conditions, technological changes, and declining mail volumes, the Postal Service may not have sufficient revenues to cover its financial obligations. Current financial projections indicate that it will not be able to make the required \$11.1 billion prefunding payment for retiree health benefits (PSRHBF) due in FY 2012<sup>2</sup>. Current projections also indicate that the Postal Service will have a precariously low level of cash and liquidity on September 30, 2012. Even without making the PSRHBF payments in 2012, the Postal Service may not be able to meet all of its financial obligations in October 2012 when it is required to make a payment of about \$1.3 billion to the Department of Labor (DOL) for workers' compensation.

**Business Plan** - In 2011, to address its financial challenges, the Postal Service initiated aggressive cost-cutting plans, increased financial controls, and streamlined processes in an effort to reduce its annual operational expenses by \$20 billion by 2015. These initiatives consisted of a variety of actions and future plans, such as: increasing pricing for mailing services, restructuring its health care programs, eliminating Saturday delivery, expanding access to retail services, establishing a more flexible workforce, expanding products and services, and redesigning administrative functions by reducing the number of area and district offices and further decreasing the number of administrative, supervisor, and postmaster positions. Many of these actions require legislation and stakeholder cooperation.

<sup>2</sup> The 2012 Consolidated Appropriations Act, the most recent law affecting the PSRHBF payment, changed the due date of the \$5.5 billion originally due September 30, 2011 to August 1, 2012. As a result, the total required PSRHBF payment in 2012 is \$11.1 billion: \$5.5 billion due by August 1, 2012, and \$5.6 billion due by September 30, 2012.

**Past Network Optimization Initiatives**



The Postal Service uses Handbook PO-408, *Area Mail Processing Guidelines*, to consolidate mail processing operations and perform post-implementation reviews. Area mail processing (AMP) consolidations are designed to make more efficient use of Postal Service assets. The Postal Service expanded the AMP process to include a headquarters initiated top-down process using computer modeling. The top-down process provides increased flexibility and more consistent and standardized data analysis.

Between FY 2004 and FY 2011, the Postal Service initiated 418 AMP studies, 103 of which were implemented. The Postal Service halted 66 studies due to service issues, inadequate savings, and stakeholder opposition; and it has 249 in various stages of approval. During the same period, the OIG issued 39 audit reports concerning AMP initiatives. The OIG issued two status reports on the Postal Service’s optimization initiatives, five reports about the consolidation process, and 32 reports about individual consolidations. We determined that a

valid business case exists for 31 of the 32 AMPs (97 percent) we reviewed. These business cases were supported by adequate capacity, increased efficiency, reduced workhours and mail processing costs, and improved service standards.

Since FY 2004, the Postal Service improved the AMP process by updating feasibility studies and stakeholder communications. This resulted in better data consistency, planning, and implementation as well as a better review process. We noted that the projected AMP annual savings for the 33 completed post-implementation reviews was about \$94 million. The reviews indicate that the Postal Service realized annual savings of about \$323 million. A variance of more than \$229 million occurred because concurrent initiatives’ savings were included with AMP consolidation savings. There are 14 post-implementation reviews past due. Management plans to further enhance the AMP communication plan to incorporate stakeholder input and will ensure resources are allocated to complete reviews in a timely manner.

**Consolidation Reviews**

In response to requests from Congress, we conducted the following reviews to assess the business case for consolidation and the impact on customer service. An AMP consolidation involves moving all originating and/or destinating mail from one or more facilities into other processing facilities to improve operational efficiency and/or service. In our reviews, consolidations were supported and complied with established policies; however, we identified opportunities for improvement.

***Flint, MI, P&DC Consolidation***

We reviewed the consolidation of mail processing operations from the Flint P&DC into the Michigan Metroplex P&DC and found that a valid business case exists to consolidate destinating mail processing operations. Our analysis indicated that (1) adequate capacity exists to process additional mail volumes at the gaining facility; (2) customer service will be minimally impacted; (3) efficiency at the Michigan Metroplex P&DC should continue to improve with the addition of mail volume from the Flint P&DC; (4) no career employee will lose their job with the Postal Service; however, some reassignments will occur; and (5) equipment relocation costs were overstated, but had no material impact on the business case.

***Industry, CA, P&DC Originating Mail Consolidation***

We determined that a valid business case existed to consolidate originating mail processing operations from the Industry P&DC to the Santa Ana P&DC, resulting in a projected cost savings of about \$1.32 million annually. Our analysis also indicated that adequate machine and facility capacity exists to process mail at the gaining facility; customer service will be minimally impacted; no career employees will be laid off, although some reassignments will occur; the Santa Ana P&DC is more efficient and processes its mail volume at a higher productivity level than the Industry P&DC; and AMP policies and guidelines were generally followed.

***Mansfield, OH, Mail Processing Center Consolidation***

Our report determined that there is a business case supporting the consolidation, producing a first year savings of about \$4.8 million if the Postal Service successfully repositions affected employees. Our analysis also indicated that there would be some staff reduction at the facility, there is adequate capacity at the Cleveland P&DC, and customer service would be negatively impacted for some service, while others would be upgraded. Finally, some AMP policies and guidelines were not followed, but this did not impact the business case supporting the consolidation.

**Oxnard, CA, Processing and Distribution Facility Destinating Mail Consolidation**

Our report determined that a business case exists to support the consolidation of the Oxnard, CA, processing and distribution facility (P&DF) destinating mail into the Santa Barbara, CA, P&DC, and that the consolidation should produce substantial cost savings. We also determined that the Santa Barbara P&DC needs to optimize staffing.

**21st Century Post Office: Share Excess Resources**

Our report determined that Post Offices nationwide have surplus space, window, and retail workhour capacity to perform additional government transactions. We recognize the Postal Service's need to optimize its network through consolidations and closures and believe management could employ underused Post Office resources to maintain or expand the reach of government departments to citizens. Providing these services could save much needed resources, expand public access to government services, and provide revenue to the Postal Service.

**21st Century Post Office: Aligning with the National Broadband Infrastructure Initiative**

Our report determined that for-profit Internet service providers (ISP) have provided thorough broadband coverage in areas of the U.S. that would garner economic profit. However, there are areas (mostly rural) in the U.S. that do not have service due to the negative financial return involved when entering those markets. The Postal Service can assist the National Broadband Infrastructure (NBI) Initiative through a public/private partnership with commercial ISPs to provide facilities and land for the expansion of the broadband infrastructure.

Management disagreed with our findings and recommendations to offer a master lease agreement to Postal Service real estate and install Wi-Fi hotspots in areas without service. However, management generally agreed that a public/private partnership could at some point further the interests of the NBI Initiative.

**Integrating Sustainable Energy in Facilities**

Our report determined that the Postal Service has not measured the performance of currently installed alternative energy systems and that additional alternative energy projects might not be economically viable for the Postal Service at this time. However, there might be future opportunities to integrate state-of-the-art alternative energy technologies to provide potential savings and other benefits. We determined that the Postal Service needs to establish and monitor performance metrics for any new alternative energy systems it implements to determine whether these systems are successful.

The OIG conducted a number of reviews to assess the business case for consolidation of mail processing facilities and to determine the potential impact on customer service.

**Innovation Best Practices Analysis**

This audit's objective was to identify and learn about innovation best practices the Postal Service can consider using. We noted that, despite facing regulatory and market constraints to innovation, the Postal Service has introduced innovations such as Priority Mail® Flat Rate Boxes, the Intelligent Mail® barcode, and simplified addressing. However, the Postal Service does not have

its own formal innovation process or strategy or one that encourages partnering with stakeholders to grow new revenue streams. With the assistance of Kaiser Associates, we conducted best practices/processes research at 14 companies representing a variety of industries.

We identified 19 best practices the Postal Service could use, of which management identified

six as aligning with its DRIVE<sup>3</sup> (Delivering Results, Innovation, Value and Efficiency) initiative.

We recommended that the remaining 13 best practices be phased in over the subsequent 2 years, and that management incorporates innovation into the Postal Service's strategic plan by March 30, 2012.



<sup>3</sup> DRIVE is a data-driven management system designed to improve USPS business strategy. It manages 36 key initiatives in a way that provides streamlined reporting and accountability <http://blue.usps.gov/wps/portal>

## IMPROVE FINANCIAL PERFORMANCE



The Postal Service could have saved more than \$27 million in a year if it maximized First-Class Mail container density before tendering the containers for transport by air.

Packaging for expedited services (Express Mail and Priority Mail) is available for free to customers. Our review determined that the Postal Service needs an efficient and effective process to identify and reduce waste associated with its expedited packaging supply program.



### Density of First-Class Mail on Air Transportation

Our audit disclosed that some First-Class Mail was being transported by air in less-than-full mail containers bound for the same destinations across the country. Overall, the Postal Service could have saved at least \$27.3 million if it maximized First-Class Mail container density before tendering them for transport by air from April 1, 2010, through March 31, 2011.

### Postal Vehicle Services Transportation Routes – Margaret L. Sellers P&DC

Our report determined that Margaret L. Sellers P&DC management appropriately reviewed and adjusted Postal Vehicle Service (PVS) schedules due to the implementation of the Flats Sequencing System. However, P&DC officials could more effectively manage PVS transportation processes and schedules to reduce driver workhours, fuel use, and damage claims. Additionally, we verified that management properly cancelled or consolidated underutilized trips from highway contract routes that serve the P&DC.

### Standardization of Integrated Mail Handling System Loaders at Network Distribution Centers

Our report determined that 247 of the 524 Integrated Mail Handling System loaders at Network Distribution Centers (NDC) have been modified to accommodate over-the-road (OTR) mail containers. Once the remaining loaders are modified, the Postal Service would gain consistent use of the equipment in the NDC network and be able to improve the flow and redistribution of OTR containers, reduce cardboard purchases, avoid unnecessary transportation of empty OTR containers, and eliminate a safety hazard.

### Inbound International Parcel Mail

The Postal Service did not always identify, record, and bill foreign posts for inbound international parcel mail. As a result, the Postal Service did not collect \$10.9 million in revenue for inbound international parcel mail received and delivered in the U.S. between calendar years 2008 and 2010. While the Postal Service significantly improved the completeness of its billing records in 2010 after the Foreign Post Settlement System replaced the International Accounting Branch Settlement System in December 2009, improvements are needed over internal controls designed to identify, record, and bill for inbound international mail.

### Expedited Packaging Supplies Program

Our review disclosed that the Postal Service did not have an efficient and effective process in place to identify and reduce waste associated with its expedited packaging supply program. Specifically, the Postal Service could not account for at least 370 million Express and Priority Mail boxes and envelopes, at a cost of about \$87 million, from FYs 2008 through 2010. This represents 19 percent of the total expedited packaging supplies produced for this timeframe.

Management stated that it is implementing comprehensive automated procedures to improve the efficiency and effectiveness of its expedited packaging supplies program. SEAM (Solution for Enterprise Asset Management), a system to improve inventory management forecasting and auto replenishing of expedited packaging supplies at Post Offices, will be piloted beginning June 25, 2012, in the Central Plains and Western Pennsylvania Districts, with a national launch currently scheduled for September 7, 2012.

Further, pilot testing for integrating SEAM into the Point-of-Sale (POS) System began May 4, and will be fully released in POS in May 2012. Integrating SEAM into POS will add significant efficiency through "cycle count functionality," which utilizes past ordering history to generate automated replenishment orders.

In addition, management noted the specialized and customized ordering and fulfillment validation procedures have been improved. All specialized (\$50,000 minimum revenue) and customized (\$250,000 minimum) orders and reorders are now validated through PostalOne!, the Revenue, Pieces and Weights System, and/or the National Meter Accounting & Tracking System to ensure customers qualify and are using packaging.

**GOAL 3: IMPROVE SAFETY AND EMPLOYEE ENGAGEMENT**

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

**Health and Safety Program**

Our report determined that the Postal Service has processes in place to minimize health and safety hazards and assist with Occupational Safety and Health Administration compliance. However, employees do not always follow these processes, as we identified hazards and unsafe conditions at locations we visited. We also identified opportunities to improve safety processes and procedures.

**Unauthorized Overtime**

The Postal Service has procedures to assist supervisors with monitoring and controlling unauthorized overtime; however, at the 12 locations we visited during our audit, management did not always follow the prescribed procedures. Specifically, they did not always properly complete and maintain records for employees who requested or incurred unauthorized overtime. Our audit disclosed that some of the unauthorized overtime workhours recorded in the Time and Attendance Collection System (TACS) may have been informally authorized by management. However, management did not track and we were unable to segregate informally authorized overtime from the unauthorized overtime workhours recorded in TACS. As a result, we classified the entire amount recorded in TACS as unsupported questioned costs. Lastly, we identified controls in the Central Pennsylvania District that should be considered best practices throughout the Postal Service. These best practices include active daily monitoring of unauthorized overtime by supervisors and active oversight by managers and the district TACS office.

**Mail Processing Allegation**

In response to a congressional request, we determined that Biohazard Detection System (BDS) stop times varied on a daily basis and that there was no evidence the P&DC manager bypassed the BDS while processing mail, as was alleged by a Postal Service employee.

**REGULATORY STUDIES AND REPORTING OBLIGATIONS**

The Postal Accountability and Enhancement Act of 2006 requires the Postal Service to conduct certain regulatory studies and mandates a number of reporting obligations. The Postal Service uses special financial studies to attribute costs to the various categories of mail and special services, and to develop workshare cost avoidance estimates.

**Management Operating Data System**

This audit’s objective was to determine the impact Management Operating Data System (MODS) data errors and other excluded MODS data would have on MODS-based productivities and their associated cost avoidance models and the attribution of costs to products. The MODS is a web-based application that collects data from the Time and Attendance Collection System (TACS) and the Web End-of-Run (WebEOR). It uses this data to report on mail volume, workhours, and machine usage at

major mail processing facilities. The accuracy of MODS data is critical both operationally for planning and tracking and for cost attribution.

We determined that the Postal Service must take additional steps to provide accurate mail processing and cost avoidance estimates. Management should focus corrective actions on the MODS operation numbers and facilities creating the most significant number of errors. Additionally, management could improve data quality review

procedures and use alternative methodologies to further minimize the effect of MODS errors. We analyzed the impact of alternative methodologies on two cost avoidance models and estimated that the revised workshare discounts could have resulted in \$86.8 million in reduced workshare discounts and increased revenue.

However, management did not agree with our calculation of monetary impact stating it is incorrect to claim any monetary impact (positive

or negative) by adjusting discounts or adjusting the price gaps between products in mail classes. The monetary impact we calculated is dependent on corrective actions taken on MODS data quality and could be realized depending on management decisions regarding product pricing made within the limitations of the Consumer Price Index price cap and unused rate authority available at that time.

**Revenue, Pieces, and Weight Inputs into the Cost and Revenue Analysis Report**

Our report determined that the Postal Service could significantly reduce manual data collection for revenue, pieces, and weights estimation by modifying existing automated processes to collect mailpiece images for analysis and moving sampling from delivery units to supporting processing plants. The Postal Service could make the hardware changes needed with existing technology, which would benefit both operational needs and statistical sampling efforts. We estimate that the Postal Service could save about \$13 million in annual data collection costs. Management agreed with our recommendations; but disagreed with our assessment of the state of automated data and the cost savings estimate.

## **PRESERVING ACCOUNTABILITY**

During this period we audited Postal Service financial transactions. We also assessed the accuracy of management data to help preserve the integrity of Postal Service processes and personnel.

### **Financial Audits**

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

#### **FY 2011 Financial Statements Audits**

These reports present the results of our audit of the financial activities and accounting records at headquarters, and Eagan, St. Louis, and San Mateo Accounting Services for FY 2011. We noted that the Postal Service's financial accounting policies and procedures provide for an adequate internal control structure and comply with generally accepted accounting principles. Further, accounting transactions impacting the general ledger account balances for assets, liabilities, equity, income, and expenses are fairly stated, general ledger account balances conform with the general classification of accounts of the Postal Service on a basis consistent with that of the previous year, and except for one instance of noncompliance related to the suspension of the employer Federal Employees Retirement System obligation, the Postal Service complied with laws and regulations that have a direct and material effect on the financial statements taken as a whole. For these audits, we did not propose any adjustments. However, throughout the year, we reviewed internal controls over financial reporting and identified various control deficiencies that we brought to management's attention at the time of discovery to assist them with their responsibility for establishing and maintaining an adequate internal control structure over financial reporting.

#### **FY 2011 Financial Testing Compliance Group Oversight Reviews**

To comply with Sarbanes-Oxley Act requirements, the Postal Service must report on the effectiveness of the agency's internal controls to ensure accurate financial reporting. It must submit an annual assessment to the Postal Regulatory Commission. The Postal Service established the financial testing compliance group to conduct tests of key financial reporting controls. We conducted oversight reviews, at the request of the independent public accountants, to assist the Postal Service in determining whether they can rely on the results from their field-level internal control testing. During this reporting period, we issued 158 management advisories that concluded on whether analysts properly conducted and documented their examinations of key financial reporting controls. Although significant improvements in the group's testing of key controls were made from the prior year, we did not always agree with the results of the testing. We noted the group did not identify testing errors in four site reviews, did not perform steps in accordance with their program in three site reviews, and did not adequately document their work in two site reviews.

### **Information Technology Security**

We conducted this audit to assess the Postal Service's current state of information technology (IT) security. A successful IT security program ensures the confidentiality, integrity, and availability of critical information resources. We found that Corporate Information Security has made progress to enhance and execute the Postal Service's information security program. However, we identified ongoing challenges and areas where management should strengthen security controls surrounding critical information resources to support the organization's information security goals and prevent damage to the Postal Service brand.

### **Bad Check Prevention and Collection**

Our audit determined that the Postal Service's policies and procedures to prevent and collect bad checks were effective and efficient. In FY 2011, the Postal Service collected about 69 percent of bad check debt, and bad checks represented 0.14 percent of retail check payments. In addition, we determined that the collection process for bad checks was cost effective, and that staffing to process and collect bad checks decreased concurrently with bad check volume.

### **International Air Mail Records Units**

#### ***Los Angeles International Service Center***

The Los Angeles International Service Center (ISC) records unit generally processed international mail transactions to ensure that the St. Louis accounting branch was able to timely bill foreign postal administrations. However, the records unit did not maintain supporting documentation, such as manifests or verification notes, to help ensure accurate billing. Also, the records unit did not always perform a complete weekly audit of verification notes, and management did not always perform a complete review of System for International Revenue and Volume, Inbound (SIRVI) test data, used in the billing to and collection of payments made by foreign postal administrations for the delivery of foreign mail, or review



and approve SIRVI tests daily. Such reviews and approvals are necessary to ensure that country-specific volume estimates used to determine the terminal dues paid to the Postal Service for the delivery of foreign country incoming mail are correct.

**J.T. Wecker (Chicago) ISC**

The J.T. Wecker ISC records unit generally processed international mail transactions timely and accurately to ensure that the St. Louis accounting branch correctly and timely billed the foreign postal administrations. However, system access safeguards could be improved. Also, we found a records unit clerk did not modify a letter post dispatch record when the unit later received supporting documentation from the San Francisco ISC to support a greater weight for the dispatch.

**New York ISC**

The New York ISC records unit processed international mail transactions to ensure that the St. Louis accounting branch billed foreign postal administrations timely. However, management did not always completely review SIRVI test data. Additionally, system access safeguards could be improved.

**Travel and Other Expenses**

We assessed whether the travel and miscellaneous expenses (including external professional fees) of the Board of Governors were properly supported, reasonable, and in compliance with Postal Service policies and procedures and board policies. We also assessed whether travel and representation expenses claimed by Postal Service officers were properly supported and in compliance with policies and procedures. We found that these expenses for the Board of Governors were properly supported, reasonable, and in compliance with Postal Service and board policies. However, Postal Service officers did not always comply with the guidelines when claiming expenses incurred during official travel and for representation. We reviewed 68 of 972 reimbursements and found 17 issues regarding reimbursement claims, international travel approval letters, travel deviation requests, alcohol purchases, and parking fees. These instances did not materially affect the overall financial statements. In response to our findings, management stated that they will select a permanent accountant with appropriate training to advise the officers and their administrative assistants on the revised guidelines by September 2012.



Photo by Michael Zara

Mail that is destined for or coming from foreign countries is handled through one of the Postal Service's International Service Centers located at airports in five major cities. Proper supporting documentation is essential to ensure the Postal Service accurately bills and collects payments from foreign postal administrations for delivery of cross-border mail.

**RISK ANALYSIS RESEARCH CENTER**

**Budget Scoring and Postal Service**

By law, the Postal Service's finances are separate from the rest of the federal budget, but efforts to solve the Postal Service's financial problems continue to be caught up in budget scoring considerations. Budget scoring is a required procedure that evaluates proposed legislation for its effect on the federal deficit. It is part of the broader budget enforcement process. For example, budget scoring is making it difficult to enact legislation to fix the recognized overfunding of the Postal Service's Federal Employees' Retirement System (FERS) obligations.



The Postal Service Office of Inspector General (OIG) explored these obstacles in an August 2009 white paper entitled *Federal Budget Treatment of the Postal Service*. In a white paper released in February 2012, *Budget Enforcement Procedures and the Postal Service*, the OIG updated budget events since the 2009 paper, which had laid out the limited advantages conferred by the way the Postal Service's off-budget status is implemented. The new paper provides a detailed description of the federal budget process and argues that until Postal Service finances and the federal budget can be disentangled, it is important for the Postal Service and its stakeholders to understand the current budget landscape and its potential to affect comprehensive postal reform.

**eMailbox and eLockbox**

Digital media and technologies continue to offer both new challenges to physical mail and important potential areas of growth for the Postal Service. A Postal Service-sponsored, secure e-mail service (“eMailbox”) and an accompanying secure data storage service (“eLockbox”) would provide new options to residential customers and businesses, while leveraging key address management tools and other assets of the Postal Service. The Postal Service could offer an eMailbox that links a current physical address to a permanent electronic address for every individual or business. This eMailbox could be the cornerstone of a secure and confidential communications network that would be accessible to users anytime, anywhere through a personal computer, tablet, or smartphone.

Under this concept, users’ postal e-mail addresses and physical addresses would be linked, utilizing current Postal Service assets, including the Address Management System (AMS) and National Change of Address (NCOA) System databases. This linkage would let consumers decide whether to receive their mail digitally or physically. It would also strengthen the Postal Service’s role as a bridge between the digital and physical worlds. Users would be validated under a multifactor authentication process, their data held confidentially, and privacy maintained.



The eMailbox could also support new digital commercial and government services. An eLockbox could offer related digital storage, including storage of legal documents, medical records, and other personal records, as well as sentimental photographs and multimedia files.

The paper *eMailbox and eLockbox: Opportunities for the Postal Service* suggests that the Postal Service must engage quickly and proactively to adapt to new technologies and commensurate new market conditions. Together, these two services could provide a sound base for other applications on a secure postal platform and would help maintain and expand the Postal Service’s reputation as a trusted third party entity and facilitator of communication, whether digital or physical.

**Risk Analysis Research Center**

The OIG’s Risk Analysis Research Center (RARC) conducts in-depth research and analysis about postal issues. The group also conducts economic and academic studies as well as coordinates guest lectures by experts in the postal

community. The RARC research group has three separate teams, Mission Operations, Support Operations, and Financial Operations. Some of the issues covered in RARC whitepapers have included the cost and revenue structures of the

Postal Service, the federal budget and the Postal Service, and a series of papers on the Postal Service’s role in the digital age.



**Postal Service Revenue: Structure, Facts, and Future Possibilities**

The Postal Service’s future financial health depends on its ability to cut costs and generate sufficient revenue to support its operations. In the past, volume growth paid for expansion of the delivery network. This is no longer true. Now, new digital technologies are transforming the communications marketplace by delivering information instantaneously, regardless of distance, at a lower cost. Because of this profound change, postal services operate in a new business environment that simultaneously threatens traditional mail segments and creates novel opportunities. Equally challenging, the economic recession triggered decreases in spending and declines in mail volume as mailers, looking to cut costs and increase time responsiveness, accelerated their transition to electronic delivery alternatives.

In the context of this very difficult financial situation, the white paper, *Postal Service Revenue: Structure, Facts, and Future Possibilities*, analyzed the major components of the Postal Service’s revenue structure in fiscal year (FY) 2010 as well as substantive product, business segment, and customer trends. One key finding is that the Postal Service’s main product lines — First-Class Single Piece, First-Class Workshare, Standard Regular, and Standard Enhanced Carrier Route (ECR) — provided 75 percent of revenue, 94 percent of volume, and 86 percent of contribution in FY 2010. Also, we noted that advertising mail is a strong, potentially significant growth opportunity.

The paper also highlighted that although the Postal Service infrastructure serves the entire nation, large business mailers generate the majority of revenue. Despite encouraging growth, the Expedited and Package Services (EPS) segment contains strong competitors with significant market power. The Postal Service earned 15 percent of its revenue from these categories in FY 2010. Thus, even with robust growth, it is extremely unlikely that EPS revenue could offset the projected declines in First-Class Mail (FCM).

Finally, most foreign posts view diversification as necessary to survival and derive at least 40 percent of their revenue outside the traditional hard-copy mail business. The Postal Service has a less diversified portfolio with only about 13 percent of its revenue from non-mail sources. Our analysis suggests that in the long term, the Postal Service must have the flexibility to reduce costs and increase revenue or risk greatly narrowing the scope of self-funded, hard-copy universal service for the American people.

Many foreign posts have diversified their offerings beyond mail services and now derive at least 40 percent of their revenue from outside the traditional hard-copy mail business.



Office of

# Investigations



*The Postal Service relies on the investigative efforts of the Office of Investigations' special agents.*

To protect the mail and to ensure the integrity of postal processes, finances, and personnel, the Postal Service relies on the investigative efforts of the Office of Investigations' (OI) special agents. These special agents are stationed in offices nationwide. Their charge is to investigate allegations of internal crimes and frauds committed by postal employees and contractors against the Postal Service and employee misconduct. Following is work conducted by the OI during this reporting period that contributed to safeguarding the Postal Service's revenue and assets and helped deter postal crimes, ultimately helping to maintain a stable and sound Postal Service.



**FINANCIAL CRIMES**

A portion of the \$66 billion in revenue generated by the Postal Service last year is handled at the 32,000 postal retail locations. Employees who allegedly embezzle funds, kite or otherwise misuse money orders, or steal and misuse postal-issued credit cards receive investigative attention from our special agents.

- A former New York lead sales and service associate was sentenced in November 2011 after pleading guilty in federal court to misappropriation of funds and obstruction of justice. The sales associate was sentenced to serve 12 months of home confinement and ordered to pay about \$187,000 in restitution to the Postal Service. In January 2009, OIG agents investigated irregularities in stamp stock shortages in a New York Post Office and concluded that the sales associate performed fraudulent refunds on legitimate register transactions for stamp purchases. The associate also falsified and destroyed documents to disguise the thefts from the Postal Service register. During an interview, the associate admitted to stealing approximately \$100,000 in Postal Service funds by performing fictitious stamp refunds. As a result of the investigation, the Postal Service terminated the sales associate in April 2009.
- The OIG initiated an investigation into suspicious Postal Service Voyager credit card transactions at a Pennsylvania Post Office location, after being advised that excessive charges were discovered while reconciling Voyager card expenses. The reconciliation showed that the suspicious charges occurred at one particular service station that performed routine maintenance on the Postal Service vehicles. The investigation revealed that a Postal Service supervisor allowed the service station to physically retain the Voyager card for over a year and during that time at least two station employees conducted 48 fraudulent transactions totaling \$21,171. Both service station employees admitted to the fraudulent use of the Voyager card and in October 2011 and November 2011, respectively, the two service station employees pled guilty to one count of theft by deception and one count of criminal conspiracy to theft by deception. The employees were sentenced to a maximum of 23 months home confinement, 2 years' probation, and \$21,912 in restitution. In February 2011, the Postal Service Vehicle operations management assistant received a 7-day suspension for failing to properly reconcile Voyager card statements. In May 2011, the supervisor was issued a 7-day suspension for leaving a Postal Service Voyager Card at the service station.
- A highway contract route (HCR) supervisor in New Jersey was sentenced to 5 years of probation and ordered to pay \$365,416 in restitution to the Postal Service for theft of government property and aiding and abetting in October 2011. Another HCR employee involved in the same scheme was previously sentenced in August 2011 to 5 years of probation and ordered to pay \$335,972 in restitution. The OIG launched the investigation predicated on information it received on the contractor purchasing 17,251 gallons of fuel above the authorized amount in the contract. The OIG conducted surveillance and determined that one of the contractors used several Voyager cards at gas stations near his home to purchase fuel for his personal benefit. The employee admitted to using Voyager cards to make numerous unauthorized purchases of fuel for his personal use, sale to other persons at a discounted price, and for a towing business. As part of the scheme, the employee installed a large rubber bladder in his personal truck which held about 100 gallons of fuel. The employee informed the OIG that he had an agreement with his supervisor to purchase and resell large amounts of fuel utilizing the Voyager cards. The employee recorded consensually monitored conversations he had with the supervisor for the OIG. The supervisor eventually admitted to using Voyager cards to make numerous unauthorized purchases of fuel and purchases of cartons of cigarettes for his personal use, as well as affirming that he allowed the employee to use the Voyager cards for personal gain. The supervisor received thousands of dollars in cash payments and services from the employee.
- A New Jersey postmaster devised a scheme to embezzle Postal Service funds by offsetting the daily bank deposit with erroneous invoices for local transportation and office and custodial supplies. The postmaster used the funds to purchase money orders, which were used to pay personal expenses. On September 30, 2010, the postmaster resigned from the Postal Service, while under investigation. A year later, the former New Jersey postmaster pled guilty in federal court to misappropriation of Postal Service funds and was sentenced to 6 months of home confinement, 4 years of probation and ordered to pay about \$69,000 in restitution to the Postal Service.

- A former California sales and service associate (SSA) was convicted in October 2011, on one count of theft of public money and seven counts of passing counterfeit U.S. obligations, following a 3-day federal jury trial. During the investigation, which was conducted jointly with the U.S. Secret Service, the sales associate was observed on several occasions sorting, separating, and switching what appeared to be \$100 bills from his cash drawer. Additionally, the associate was observed on several occasions placing a “window closed” sign on his counter, then proceeding to print Postal Service money orders without any customers present. The SSA issued and cashed the money orders in his name. In June 2011, the Postal Service issued the sales associate letters of demand (an invoice for the amount owed) totaling about \$45,200, which was followed by an issuance of a Notice of Removal in August 2011. After the associate’s arrest in April 2011, the U.S. Secret Service seized and forfeited two of his luxury sports utility vehicles.



A sales associate was observed sorting, separating and switching what appeared to be \$100 bills from his cash drawer and printing Postal Service money orders without any customers present and a “window closed” sign at his counter. A joint OIG-U.S. Secret Service investigation determined the associate had issued and cashed the money orders in his own name.

- An OIG investigation determined that a postal manager in New York created fraudulent cleaning service invoices and submitted them to the Postal Service, resulting in check disbursements that the postal manager intercepted and cashed. The postal manager also stole third-party customer checks from the mail and inappropriately cashed them for personal use. OIG agents determined that the postal manager stole about \$227,000, over a 3-year period. The postal manager admitted he intercepted and cashed Postal Service customer checks and also created fraudulent custodial cleaning services invoices, submitted them to the Postal Service for payment, then cashing the checks to use on personal expenses. As a result of the investigation, the postal manager resigned from the Postal Service in November 2010. A year later, the former New York postal manager pled guilty in federal court to misappropriation of Postal Service funds. Sentencing is pending.
- OIG agents investigated the source of irregularities in a Postal Service money order reconciliation report for a Maine Post Office and determined the sales and service associate embezzled \$35,518, by inappropriately altering and cashing Postal Service money orders for personal use. During an interview with the OIG, the sales associate admitted he used a Postal Service money order scheme to steal Postal Service funds to pay off his personal credit cards and a car loan. As a result of the investigation, the Postal Service terminated the sales associate in August 2010. In November 2011, the former associate pled guilty in federal court to one count of misappropriation of funds and was sentenced in February 2012, to serve 45 days in prison, a year of probation, and pay approximately \$18,130 in restitution.
- An investigation by the OIG into an Oregon postmaster relief led to a guilty plea in December 2011. The former Oregon employee pled guilty in the Circuit Court of the State of Oregon to two counts of theft in the first degree. The former employee was sentenced to 24 months supervised probation, 3 days incarceration, and \$6,379 in restitution to the Postal Service for kiting Postal Service money orders to conceal her embezzlement of Postal Service funds through the issuance of money orders without remittance. The former employee admitted to embezzling Postal Service funds and kiting money orders. She resigned in lieu of removal due to the OIG investigation.
- In December 2011, a former Missouri officer in charge pled guilty to four counts of embezzlement of money orders and was sentenced to 5 years of probation and ordered to pay about \$11,200 in restitution to the Postal Service. The investigation revealed the employee kited 155 postal money orders in the amount of about \$52,500. The employee admitted using postal funds to pay vendors at a restaurant she operated with her son. The Postal Service removed the worker in March 2011.
- A sales and service associate in Puerto Rico pled guilty in March 2012 in federal court to one count of embezzlement of postal funds. He was sentenced to serve 24 months of probation and ordered to pay \$6,436 in restitution to the Postal Service. The investigation determined that the sales associate improperly voided about \$6,436 in valid retail merchandise and stamp sale transactions in Postal Service registers to steal money for his personal use. The associate admitted he voided legitimate register transactions to help make up for cash drawer shortages.

**Workers' Compensation Fraud Investigative Results**

October 1, 2011 —  
March 31, 2012

- 388 fraud investigations resolved
- \$84 million in compensation payments avoided
- 13 arrests
- 18 indictments
- 16 convictions
- 73 personnel actions taken by management



An OIG investigation determined that a former employee who had filed four workers' compensation claims was working in a family charter fishing business while claiming to be totally disabled. The former employee admitted to her role in a workers' compensation fraud scheme and was sentenced to 12 months probation and ordered to pay restitution.

**HEALTHCARE FRAUD**

The monetary and medical benefits paid by the Postal Service to workers' compensation claimants (employees who sustained job-related injuries) in FY 2011 totaled more than \$1.3 billion and its estimated total liability for future workers' compensation costs is more than \$15.1 billion. Administered by the U.S. Department of Labor (DOL), the Office of Workers' Compensation Programs (OWCP) provides direct compensation to providers, claimants, and beneficiaries. The Postal Service later reimburses the OWCP in a process known as "charge-back billings." Investigative efforts during this reporting period resulted in more than \$84 million in cost savings or avoidances, 13 arrests, and 73 administrative personnel actions, including removals and suspensions and termination of benefits.

- A former Ohio letter carrier was sentenced in January 2012 to 366 days of imprisonment, followed by 2 years of supervised release, and ordered to pay \$71,887 in restitution to the DOL. The investigation determined the former letter carrier misrepresented her physical condition to her treating physician and DOL OWCP officials. OIG agents observed the letter carrier engaging in activities exceeding her reported physical limitations. The former letter carrier failed to fully disclose her self-employment, owning and operating an alpaca farm and a cosmetics business. In March 2009, OIG agents conducted surveillance of the employee on a 7-day Caribbean cruise, where she was observed gambling for hours, riding a motor scooter, walking long distances, sitting for long periods, carrying heavy suitcases, and other activities. Pursuant to the criminal conviction, the DOL terminated the former letter carrier's workers compensation benefits, resulting in a cost savings to the Postal Service of about \$1,000,000.
- An OIG investigation determined that a former Michigan letter carrier was involved in a workers' compensation health care fraud scheme and the theft of a Voyager card. In December 2011, the letter carrier pled guilty in federal court to making false statements to obtain federal workers' compensation benefits and was sentenced to 3 years of probation and ordered to pay approximately \$14,000 in restitution. Investigators determined the letter carrier's Voyager card-personal identification number was used on 17 occasions for gas purchases totaling more than \$600. An interview with the letter carrier's treating physician revealed medical documents and forms provided to the Postal Service and DOL, with the doctor's signature, were fraudulent and were not prepared by the physician. During an interview with OIG agents, the letter carrier admitted she stole the Voyager card on her last day of work and used the card to purchase fuel for her personal vehicle. The letter carrier admitted she created medical documents and forged the doctor's signature, which resulted in the employee receiving \$12,852 in fraudulent benefits.
- An investigation revealed that a former Michigan letter carrier filed four workers' compensation claims regarding alleged injuries to her neck and shoulder. The investigation determined the former letter carrier was working in a family charter fishing business while claiming to be totally disabled. OIG agents observed the former employee exceeding her physical restrictions while working on a fishing expedition. The former letter carrier admitted to her role in a workers' compensation fraud scheme. As a result of the investigation, DOL terminated her workers' compensation benefits, yielding a cost avoidance of more than \$695,000. In February 2012, the letter carrier was sentenced in federal court to 12 months of probation and ordered to pay \$14,625 in restitution.
- The OIG closed out its investigation of an Illinois mail processing clerk in December 2011 after the clerk pled guilty and was sentenced in federal court to one count of theft of government funds following an OIG investigation into a fraudulent workers' compensation claim. The clerk was sentenced to 5 years of probation, 6 months home confinement, 500 hours community service, and ordered to pay \$101,178 in restitution. An OIG investigation determined the clerk submitted inflated and fraudulent medical travel refund requests for mileage reimbursements to DOL. During an interview with the OIG, the clerk admitted she submitted false travel reimbursements to DOL for about 1 year. In September 2011, the DOL terminated the clerk's workers' compensation benefits resulting in \$898,598 in cost avoidance. The Postal Service terminated the clerk's employment in February 2011.
- A former California clerk was arrested and pled guilty in federal court in October 2011 to making a false material statement in an insurance claim involving workers' compensation. The clerk received a sentence of 1 year in prison, 3 years of supervised release, and was ordered to pay about \$80,000 in restitution. The OIG investigation determined the clerk filed a fraudulent claim for allegedly suffering a neck and shoulder injury while on duty, which allowed her to receive workers' compensation benefits. OIG agents observed the clerk exceeding her medical restrictions by riding and caring for her horses, to include brushing and saddling. In November 2007, the Postal Service terminated the clerk's employment. A year later, the DOL terminated the employee's workers' compensation benefits and the Postal Service realized a cost avoidance in excess of \$630,000.



- The State of Florida Circuit Court sentenced, in February 2011, a Florida rural carrier associate to 2 days in jail and 1 year probation, and ordered him to pay \$11,362 in restitution, after he was found guilty of one count of attempted workers' compensation fraud. The carrier alleged total disability from a work-related injury; however, the investigation determined the carrier was employed as a newspaper delivery person and as a bank teller. In June 2011, the DOL removed the rural carrier associate from the periodic roll, realizing a cost avoidance of more than \$450,000 for the Postal Service. The carrier later resigned from the Postal Service.

## MAIL THEFT

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

- This OIG opened the investigation of an Illinois letter carrier after receiving a complaint from a citizen that someone established a bank checking account through identity theft. The investigation revealed that merchandise fraudulently purchased with a debit card linked to the unauthorized checking account was mailed to the letter carrier's residence. The carrier admitted stealing the bank debit card and pin number addressed to the complainant and using it to purchase merchandise from various retailers. The carrier also accepted responsibility for stealing U.S. Treasury Checks totaling \$2,798 and one check issued by the State of Illinois Comptroller's Office in the amount of \$1,016. The carrier resigned from the Postal Service during the investigation. In November 2011, the former letter carrier was sentenced in federal court to 21 months imprisonment followed by 3 years' supervised release, and ordered by the court to pay restitution in the amount of \$37,363.
- In January 2012, the State of Indiana Superior Court sentenced an Indiana sales and service associate to 10 years imprisonment and placed him on supervised probation for 545 days following a 2-year home detention period. In September 2011, the sales associate pled guilty to dealing a controlled substance and official misconduct. The OIG received approximately 17 complaints from military veterans reporting the Postal Service failed to deliver shipments of pain medication mailed to them by the Department of Veterans Affairs (VA). OIG agents observed the sales associate open two parcels containing medication from the VA. OIG agents searched the associate and discovered medicine bottles and the packaging for the two parcels on his person. A search of the associate's work locker and residence resulted in the recovery of additional VA parcels and prescription bottles belonging to other VA patients. Further investigation determined the sales associate was selling the stolen pain medication. The Postal Service terminated the sales associate in April 2011.
- A Washington flex carrier stole prescription narcotics from the mail, an OIG investigation disclosed. The OIG observed the flex carrier stealing a U.S. Department of Veterans Affairs pharmaceutical package from a Postal Service safe. During an interview with OIG agents, the employee confessed to stealing at least 20 parcels containing prescription narcotic Hydrocodone. As a result of the investigation, the flex carrier resigned from the Postal Service in April 2011. In December 2011, the flex carrier was sentenced in federal court to 2 years of supervised release, 3 months of home confinement, and 150 hours of community service.
- In November 2011, a Washington custodian was sentenced in federal court to 7 days in federal custody, 3 years of supervised release, 90 days of home confinement, 120 hours of community service, and ordered to pay restitution of \$5,685. During the investigation, OIG agents recovered 766 First-Class Mail greeting cards that were stolen from the mail and rifled in the custodian's home. During an interview with OIG agents, the employee admitted to the thefts from the Post Office. As a result of the investigation, the Postal Service terminated the custodian in April 2010.
- The loss of eight prescription medication packages from the Post Office in January 2010 prompted an OIG investigation, in which an OIG agent observed an employee enter the Postal Service accountable cage and steal a VA package. During an interview, the letter carrier admitted he stole VA medication packages for about a year. As a result of the OIG investigation, the employee resigned from the Postal Service in May 2011. The former Idaho letter carrier pled guilty in federal court to mail theft and was sentenced in January 2012 to 2 years of probation and ordered to pay a \$3,000 fine and approximately \$255 in restitution.



Employees who attempt to defraud the workers' compensation program are criminally prosecuted. This former clerk was arrested and pled guilty in federal court to making false material statements in an insurance claim involving workers' compensation. The former employee was seen riding and caring for horses, which exceeded her medical restrictions.

Special agents investigate allegations of postal employees stealing mail. In this case, an OIG agent observed an employee enter the mail accountable cage and steal a Department of Veterans Affairs (VA) prescription medication package. The employee admitted he stole VA packages for about a year.



## OFFICIAL MISCONDUCT

*During this reporting period, we conducted 69 contract fraud investigations, resulting in four arrests and more than \$44 million in monetary benefits to the Postal Service.*

- An Oregon letter carrier was sentenced in federal court in November 2011 to 5 month's home detention, 60 months of probation, and ordered to pay restitution. The letter carrier previously pled guilty to one count of mail theft. An investigation by the OIG and an Oregon Police Department determined the carrier stole large volumes of First-Class Mail and parcels instead of delivering them to Postal Service customers. During the interview with OIG and local police officers, the carrier admitted to opening many of the mail pieces and removing much of the contents in search of cash and gift cards. Additionally, the carrier admitted to discarding large amounts of mail and failing to deliver significant amounts of bulk business mail. A search of the letter carrier's residence uncovered more than 465 pieces of First Class Mail, and about 25 U.S. Mail tubs filled with bulk business mail, as well as 127 empty mail tubs. As result of the investigation, the letter carrier retired from the Postal Service in January 2011.
- OIG agents, working with the Federal Bureau of Investigation (FBI) and the Internal Revenue Service-Criminal Investigations Division (IRS-CID), determined that a New York letter carrier was engaged in a federal tax return scheme, filing false taxes and having the IRS mail tax refund checks to addresses along his assigned mail route. The letter carrier then stole and cashed the checks for personal use. As a result of the investigation, the Postal Service removed the letter carrier in August 2010. In December 2011, he was found guilty in federal court of conspiracy to defraud the United States and conspiracy to steal and receive stolen mail matter. The former letter carrier received a sentence of 3 years in prison, 3 years of probation, and was ordered to pay about \$2.4 million in restitution for his involvement in a fraudulent tax return scheme.
- In April 2011, the OIG, as part of a multi-agency taskforce with the FBI and IRS-CID, began investigating a New York letter carrier involved in a conspiracy to obtain U.S. Treasury checks that were to be mailed and addressed to various individuals in Jamaica, New York. In August of that year, the letter carrier was arrested for providing U.S. Treasury checks to a co-conspirator as part of an ongoing scheme involving the fraudulent use of Social Security numbers to submit false federal tax returns and obtain tax refunds via the mail. The letter carrier admitted his involvement in the scheme and resigned from the Postal Service in December 2011. The next month, the former letter carrier pled guilty in federal court to conspiracy to defraud the government and theft of mail by employee.

## OFFICIAL MISCONDUCT

Postal Service employees commit misconduct when they:

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

During this reporting period special agents investigated 335 cases of employees suspected of selling, possessing, or using illegal drugs on duty; made 18 arrests; and the Postal Service took 239 administrative personnel actions.

**CONTRACT FRAUD**

The Postal Service manages contracts, ranging from multimillion dollar national contracts for services such as transportation networks and IT infrastructures to local contracts for supplies and services at individual postal facilities. The OIG aids the Postal Service by investigating allegations of contract fraud, waste, and misconduct. When contract improprieties are documented, special agents present the evidence for criminal and civil prosecution and administrative remedies. During this reporting period, we conducted 69 contract fraud investigations, resulting in four arrests and more than \$44 million in monetary benefits to the Postal Service.

The Postal Service Facilities Real Estate and Assets Office issued a letter of demand to a contractor in December 2011, ordering a repayment of \$96,876. The contractor leased space from Postal Service for a cellular telephone tower on the roof of a postal facility. The contractor subcontracts with various cellular telephone providers, including Sprint/Nextel, for their equipment installation and use of the tower. The lease with the contractor, initiated about 10 years earlier, required the individual subcontracting cellular telephone companies to pay for their own power and mandated they install an electric meter to measure and account for their power usage. Sprint/Nextel installed equipment on the Postal Service roof in October 2001; however, they did not install a meter to measure electricity used to power their equipment until June 2010. As a result, in conflict with the lease, Postal Service paid for Sprint/Nextel's electricity usage during that time. A Postal Service manager negotiated with the contractor; however, a settlement could not be reached. The OIG investigation assessed the estimated charge for the electricity used by Sprint/Nextel during this period as \$50,502. According to the contract, late charges are assessed a fee of 1.5% interest monthly, compounded daily. The additional interest charges amounted to \$46,374, for a total of \$96,876.

**Major Fraud Investigations Division**



The president of a private mailing company was sentenced in September 2011 to 51 month's incarceration, 3 years supervised release, and ordered to pay restitution to the Postal Service. An OIG investigation determined that between January 2005 and December 2006, a postal mailer devised a scheme to defraud the Postal Service. The mailer directed and submitted numerous fraudulent postage statements for Standard Mail, indicating that a certain number of pre-cancelled stamps were used in mailings when the mailer knew it to be false. The mailer paid a Missouri postmaster a bribe with checks totaling \$20,000 and paid a postal customer service supervisor a separate bribe of \$10,000 in cash. The loss of revenue to the Postal Service from the scheme to defraud was estimated to be between \$2 million and \$4 million. The

president of the mailing company and one additional employee, along with the postal customer service supervisor and the postmaster, were prosecuted in federal court. In June 2011, the mailing company employee was sentenced to 3 years of probation, 80 hours community service, and ordered to pay restitution. That same month, the customer service supervisor was sentenced to one count of bribery and received 2 years of probation and 60 hours community service. Also in June, a jury found the postmaster guilty of bribery and accepting a gratuity. In August 2011, the postmaster was sentenced to 24 months in prison and 1 year of supervised release. This case, which the OIG officially closed on February 22, 2012, resulted in an approximate total of \$3,894,630 in restitution to the Postal Service.



## APPENDICES

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

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

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

### APPENDIX A

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

For the period October 1, 2011— March 31, 2012

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) or management advisory (MA) reports in accordance with the identified needs of the project.

#### *Summary*

<b>Strategic Goals</b>	<b>Number of Reports</b>	<b>Funds Put to Better Use</b>	<b>Questioned Costs</b>	<b>Unsupported Questioned Costs</b>	<b>Revenue Impact</b>
Improve Service	7	—	\$1,115,430	\$1,115,430	\$10,310,906
Improve Financial Performance	20	\$919,304,263	\$27,304,758	—	\$8,256,408
Improve Safety and Employee Engagement	4	—	\$717,473,875	\$717,473,875	—
Regulatory Studies and Reporting Obligations	2	\$127,880,195	—	—	\$86,490,944
Preserving Accountability	31	—	\$31,489,181	\$30,902,002	—
<b>SUB-TOTAL</b>	<b>64</b>	<b>\$1,047,184,458</b>	<b>\$777,383,244</b>	<b>\$749,491,307</b>	<b>\$105,058,258</b>
<b>PARIS Risk Model Reports</b>	<b>30</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>TOTAL</b>	<b>94</b>	<b>\$1,047,184,458</b>	<b>\$777,383,244</b>	<b>\$749,491,307</b>	<b>\$105,058,258</b>

**Definitions:**

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

**Unsupported Questioned 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 Systems (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 changing 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.

**Reports with Quantifiable Potential Monetary Benefits**

	Funds Put to Better Use	Questioned Costs	Unsupported Questioned Costs	Revenue Impact
<b>IMPROVE SERVICE</b>				
<b>Marketing and Service</b>				
Mail Verification Procedures at Detached Mail Units; MS-AR-12-002; 1/12/2012	—	—	—	\$10,310,906
<b>Supply Management</b>				
Contract Delivery Service Cost Controls in the Suncoast District; CA-MA-12-001; 2/27/2012	—	\$1,115,430	\$1,115,430	—
<b>IMPROVE FINANCIAL PERFORMANCE</b>				
<b>Marketing and Service</b>				
Inbound International Parcel Mail; MS-AR-12-001; 11/23/2011	—	—	—	\$8,256,408
<b>Supply Management</b>				
Contracting Opportunities and Impact of the Service Contract Act; CA-AR-12-001; 11/2/2011	\$675,043,634	—	—	—
<b>Transportation</b>				
Density of First-Class Mail on Air Transportation; NL-AR-12-003; 3/12/2012	\$239,902,579	\$27,304,758	—	—
Postal Vehicle Service Transportation Routes – Margaret L. Sellers Processing and Distribution Center; NL-AR-12-001; 2/2/2012	\$4,358,050	—	—	—
<b>IMPROVE SAFETY AND EMPLOYEE ENGAGEMENT</b>				
<b>Human Resources and Security</b>				
Unauthorized Overtime Usage in Field Operations; HR-AR-12-003; 3/30/2012	—	\$717,473,875	\$717,473,875	—
<b>REGULATORY STUDIES AND REPORTING OBLIGATIONS</b>				
<b>Cost, Pricing, and Rates</b>				
Management Operating Data System; CRR-AR-12-002; 12/13/2011	—	—	—	\$86,490,944
Revenue, Pieces, and Weight Inputs Into the Cost and Revenue Analysis Report; CRR-AR-12-003; 1/27/2012	\$127,880,195	—	—	—
<b>PRESERVING ACCOUNTABILITY</b>				
<b>Financial</b>				
Bad Check Prevention and Collection; FI-AR-12-002; 1/10/2012	—	\$577,115	—	—

	Funds Put to Better Use	Questioned Costs	Unsupported Questioned Costs	Revenue Impact
<b>Financial Reporting</b>				
Fiscal Year 2011 Postal Service Financial Statements Audit – Eagan Information Technology and Accounting Service Center; FT-AR-12-007; 12/19/2011	—	\$28,758,859	\$28,758,859	—
Fiscal Year 2011 Postal Service Financial Statements Audit – St. Louis Information Technology and Accounting Service Center; FT-AR-12-010; 1/18/2012	—	\$861,075	\$851,011	—
<b>Information Technology</b>				
USPS.com Data Breach; IT-AR-12-004; 3/15/2012	—	\$1,292,132	\$1,292,132	—
<b>TOTAL</b>	<b>\$1,047,184,458</b>	<b>\$777,383,244</b>	<b>\$749,491,307</b>	<b>\$105,058,258</b>

## Report Listing

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

For the period October 1, 2011— March 31, 2012

### IMPROVE SERVICE

#### Cost, Revenue, and Rates

Global Business Systems International Dispatch; CRR-AR-12-001; 11/8/2011

#### Marketing and Service

Mail Verification Procedures at Detached Mail Units; MS-AR-12-002; 1/12/2012

#### Network Processing

Standardization of Mail Processing Equipment at Processing and Distribution Centers; NO-AR-12-001; 10/4/2011

#### Planning, Innovation, and Optimization

Domestic Mail Manual Preparation and Acceptance Mail Instructions; CI-AR-12-004; 2/2/2012

Postal Service Pricing Strategy; CI-AR-12-002; 12/9/2011

#### Retail, Business, and International

Postal Service-Operated Retail Facilities Discontinuance Program; EN-AR-12-002; 12/1/2011

#### Supply Management

Contract Delivery Service Cost Controls in the Suncoast District; CA-MA-12-001; 2/27/2012

### IMPROVE FINANCIAL PERFORMANCE

#### Facilities, Environmental, and Sustainability

21st Century Post Office: Aligning with the National Broadband Infrastructure Initiative; DA-MA-12-002; 1/23/2012

21st Century Post Office: Opportunities to Share Excess Resources; DA-MA-12-003; 2/9/2012

Integrating Sustainable Energy in Facilities; DA-MA-12-001; 12/19/2011

#### Financial

Expedited Packaging Supplies Program; FI-AR-12-001; 12/28/2011

#### Marketing and Service

Inbound International Parcel Mail; MS-AR-12-001; 11/23/2011

#### Network Processing

Consolidation of Mail Processing Operations at the Mansfield, OH, Customer Service Mail Processing Center; NO-AR-12-003; 1/20/2012

Industry, CA, Processing and Distribution Center Originating Mail Consolidation; NO-AR-12-002; 10/17/2011

Oxnard, CA, Processing and Distribution Facility Destinating Mail Consolidation; NO-AR-12-004; 3/6/2012

### Planning, Innovation, and Optimization

Innovation Best Practices Analysis; CI-AR-12-001; 12/19/2011

U.S. Postal Service Past Network Optimization Initiatives; CI-AR-12-003; 1/9/2012

### Retail, Business, and International

Cancelled Postage Statements - St. Paul, MN, Business Mail Entry Unit; EN-MA-12-001; 3/22/2012

Flint, MI, Processing and Distribution Center Consolidation; EN-AR-12-001; 10/6/2011

### Supply Management

Contracting Opportunities and Impact of the Service Contract Act; CA-AR-12-001; 11/2/2011

Detailed Financial Condition Risk Assessment - Eagle Express Lines; CA-CAR-12-004; 1/24/2012

Financial Capability Audit - Carter Control Systems, Inc.; CA-CAR-12-005; 1/31/2012

Financial Capability Risk Assessment - Kalitta Air; CA-CAR-12-003; 1/24/2012

Technical Support to Negotiation of Siemens AG, Industry, Mobility, Infrastructure and Logistics Subcontract Proposal; CA-CAR-12-002; 11/9/2011

## APPENDIX A

### Transportation

Density of First-Class Mail on Air Transportation; NL-AR-12-003; 3/12/2012

Postal Vehicle Service Transportation Routes – Margaret L. Sellers Processing and Distribution Center; NL-AR-12-001; 2/2/2012

Standardization of Integrated Mail Handling System Loaders at Network Distribution Centers; NL-AR-12-002; 2/28/2012

### IMPROVE SAFETY AND EMPLOYEE ENGAGEMENT

#### Facilities, Environmental, and Sustainability

Dayton, OH, Processing and Distribution Center Congressional Request; DA-MA-12-004; 3/5/2012

#### Human Resources and Security

Postal Service Mail Security; HR-AR-12-002; 3/30/2012

Unauthorized Overtime Usage in Field Operations; HR-AR-12-003; 3/30/2012

U.S. Postal Service's Health and Safety Program; HR-AR-12-001; 11/14/2011

### REGULATORY STUDIES AND REPORTING OBLIGATIONS

#### Cost, Pricing, and Rates

Management Operating Data System; CRR-AR-12-002; 12/13/2011

Revenue, Pieces, and Weight Inputs into the Cost and Revenue Analysis Report; CRR-AR-12-003; 1/27/2012

### PRESERVING ACCOUNTABILITY

#### Financial

Bad Check Prevention and Collection; FI-AR-12-002; 1/10/2012

Fiscal Year 2011 Financial Testing Compliance Business Mail Entry Unit Oversight Reviews – Birmingham Business Mail Entry Unit, Birmingham, AL; FF-MA-12-001; 10/4/2011

Fiscal Year 2011 Financial Testing Compliance Business Mail Entry Unit Oversight Reviews – Ft. Lauderdale Business Mail Entry Unit, Ft. Lauderdale, FL; FF-MA-12-002; 10/11/2011

Fiscal Year 2011 Financial Testing Compliance Business Mail Entry Unit Oversight Reviews –

South Hackensack Business Mail Entry Unit, South Hackensack, NJ; FF-MA-12-007; 10/28/2011

Fiscal Year 2011 Financial Testing Compliance Detached Mail Unit Oversight Reviews – Broadridge Financial Solutions, Inc. Detached Mail Unit, Edgewood, NY; FF-MA-12-008; 11/2/2011

Fiscal Year 2011 Financial Testing Compliance Detached Mail Unit Oversight Reviews – Brown Printing Company Detached Mail Unit, East Greenville, PA; FF-MA-12-006; 10/28/2011

Fiscal Year 2011 Financial Testing Compliance Detached Mail Unit Oversight Reviews - DHL Global Mail Detached Mail Unit – Rutherford, NJ; FF-MA-12-004; 10/25/2011

Fiscal Year 2011 Financial Testing Compliance Detached Mail Unit Oversight Reviews – Freedom Graphics Systems Detached Mail Unit, Grand Prairie, TX; FI-MA-12-001; 10/14/2011

Fiscal Year 2011 Financial Testing Compliance Detached Mail Unit Oversight Review – Harte Hanks Detached Mail Unit, Grand Prairie, TX; FI-MA-12-002; 10/24/2011

Fiscal Year 2011 Financial Testing Compliance Detached Mail Unit Oversight Reviews - Instant Web Companies Direct Detached Mail Unit, Hamburg, PA; FF-MA-12-005; 10/28/2011

Fiscal Year 2011 Financial Testing Compliance Detached Mail Unit Oversight Reviews – RR Donnelley Detached Mail Unit, Logan, UT; FF-MA-12-003; 10/24/2011

Fiscal Year 2011 Financial Testing Compliance Detached Mail Unit Oversight Reviews – WA Wilde Detached Mail Unit, Holliston, MA; FF-MA-12-009; 11/9/2011

Fiscal Year 2011 Financial Testing Compliance Oversight Reviews; FI-MA-12-003; 1/20/2012

Postal Service Mail Volume Reporting; FF-AR-12-002; 3/7/2012

Quarter 1, Fiscal Year 2012, Field Testing Control and Oversight Business Mail Entry Unit/Staged Detached Mail Unit Reviews; FI-MA-12-005; 3/1/2012

Quarter 1, Fiscal Year 2012, Field Testing Control and Oversight Plant Verified Drop Shipment Reviews; FI-MA-12-004; 2/10/2012

### Financial Reporting

Fiscal Year 2011 Postal Service Financial Statements Audit – Eagan Information Technology and Accounting Service Center; FT-AR-12-007; 12/19/2011

Fiscal Year 2011 Postal Service Financial Statements Audit – San Mateo Accounting Service Center; FT-AR-12-009; 1/18/2012

Fiscal Year 2011 Postal Service Financial Statements Audit – St. Louis Information Technology and Accounting Service Center; FT-AR-12-010; 1/18/2012

Fiscal Year 2011 Postal Service Financial Statements Audit – Washington, D.C., Headquarters; FT-AR-12-005; 12/12/2011

J.T. Weeker (Chicago) International Service Center - International Airmail Records Unit; FT-AR-12-002; 10/31/2011

Los Angeles International Service Center - International Airmail Records Unit; FT-AR-12-001; 10/26/2011

New York International Service Center – International Airmail Records Unit; FT-AR-12-006; 12/19/2011

Officers' Travel and Representation Expenses for Fiscal Year 2011; FT-AR-12-008; 12/19/2011

Opinion on the Postal Service's Special-Purpose Financial Statements; FT-AR-12-003; 11/15/2011

Postal Service Board of Governors' Travel and Miscellaneous Expenses for Fiscal Year 2011; FT-AR-12-004; 12/6/2011

### Information Technology

Fiscal Year 2011 Information Technology Internal Controls; IT-AR-12-003; 1/9/2012

Patch Management Processes; IT-AR-12-002; 1/9/2012

SAP Human Capital Management System Security Assessment; IT-AR-12-005; 3/19/2012

State of Corporate Information Technology Security; IT-AR-12-001; 10/21/2011

USPS.com Data Breach; IT-AR-12-004; 3/15/2012



## PARIS Risk Models

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

For the period October 1, 2011— March 31, 2012

### Cost, Pricing, and Rates

Fiscal Year 2011 Cost, Revenue, and Rates Risk Model Quarter 4; CRR-ID-12-001; 11/15/2011

Fiscal Year 2012 Cost, Pricing, and Rates Risk Model Quarter 1; CRR-ID-12-002; 2/15/2012

### Delivery

Fiscal Year 2011 City Delivery Efficiency Risk Model Quarter 4; DR-ID-12-001; 11/17/2011

Fiscal Year 2012 City Delivery Efficiency Risk Model Quarter 1; DR-ID-12-002; 2/21/2012

### Facilities, Environmental, and Sustainability

Fiscal Year 2011 Green Risk Model Quarter 4; DA-ID-12-003; 11/23/2011

Fiscal Year 2011 Maintenance Risk Model Quarter 4; DA-ID-12-001; 11/23/2011

Fiscal Year 2011 Real Estate Risk Model Quarter 4; DA-ID-12-002; 11/23/2011

Fiscal Year 2012 Green Risk Model Quarter 1; DA-ID-12-004; 2/14/2012

Fiscal Year 2012 Real Estate Risk Model Quarter 1; DA-ID-12-005; 2/15/2012

### Financial

Fiscal Year 2011 10K Review; FI-ID-12-001; 1/5/2012

Fiscal Year 2011 Audit of Confidential Funds; FF-ID-12-001; 11/2/2011

Fiscal Year 2011 Cost and Controls Risk Model Quarter 4; FF-ID-12-002; 11/14/2011

Fiscal Year 2012 Business Mail Entry Unit Risk Model Quarter 1; FI-ID-12-002; 3/15/2012

Fiscal Year 2012 Cost and Controls Risk Model Quarter 1; FF-ID-12-004; 3/1/2012

### Financial Reporting

Fiscal Year 2011 Bank Secrecy Act Risk Model Quarter 4; FT-ID-12-001; 11/8/2011

Fiscal Year 2011 General Ledger Risk Model Quarter 4; FT-ID-12-002; 12/7/2011

Fiscal Year 2012 Bank Secrecy Act Risk Model Quarter 1; FT-ID-12-003; 2/13/2012

Fiscal Year 2012 General Ledger Risk Model Quarter 1; FT-ID-12-004; 2/16/2012

### Human Resources and Security

Fiscal Year 2012 Human Capital Risk Model Quarter 1; HR-ID-12-001; 3/29/2012

### Information Technology

Fiscal Year 2012 Information Technology Security Model Quarter 1; IT-ID-12-002; 2/7/2012

Information Technology Rationalization; IT-ID-12-001; 1/9/2012

### Marketing and Services

Fiscal Year 2011 Retail Customer Service Risk Model Quarter 4; MS-ID-12-001; 11/15/2011

Fiscal Year 2012 Retail Customer Service Risk Model Quarter 1; MS-ID-12-002; 2/15/2012

### Network Processing

Fiscal Year 2011 Operations Risk Model Quarter 4; NO-ID-12-001; 11/10/2011

### Planning, Innovation, and Optimization

Fiscal Year 2011 Workplace Environment Risk Model Quarter 4; CI-ID-12-005; 12/15/2011

Fiscal Year 2012 Workplace Environment Risk Model Quarter 1; CI-ID-12-012; 2/28/2012

### Retail, Business, and International

Fiscal Year 2011 Revenue Generation and Assurance Risk Model Quarter 4; EN-ID-12-001; 12/12/2011

Fiscal Year 2012 Revenue Generation and Assurance Risk Model Quarter 1; EN-ID-12-002; 3/15/2012

### Supply Management

Fiscal Year 2011 Supplier Solvency Risk Model Quarter 4; CA-ID-12-001; 11/9/2011

Fiscal Year 2012 Supplier Solvency Risk Model Quarter 1; CA-ID-12-002; 2/13/2012

### Transportation

Fiscal Year 2011 Air Transportation Risk Model Quarter 4; NL-ID-12-001; 11/15/2011

Fiscal Year 2011 Surface Transportation Risk Model Quarter 4; NL-ID-12-002; 11/15/2011

Fiscal Year 2012 Air Transportation Risk Model Quarter 1; NL-ID-12-004; 2/15/2012

Fiscal Year 2012 Surface Transportation Risk Model Quarter 1; NL-ID-12-003; 2/7/2012

**APPENDIX B**

**APPENDIX B**

**Findings of Questioned Costs**

For the period October 1, 2011— March 31, 2012

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.

<b>Description</b>	<b>Number of Reports</b>	<b>Questioned Costs</b>	<b>Unsupported Costs Included in Questioned Costs</b>
Reports for which no management decision was made at the beginning of the reporting period	9	\$ 156,986,822	\$ 143,509,693
Reports requiring management decision that were issued during the reporting period	7	\$ 777,383,244	\$ 749,491,307
<b>TOTAL</b>	<b>16</b>	<b>\$ 934,370,066</b>	<b>\$ 893,001,000</b>
Reports for which a management decision was made during the reporting period (i & ii)	16	\$ 934,370,066	\$ 893,001,000
(i) Dollar Value of disallowed cost		\$ 776,379,434	\$ 747,357,164
(ii) Dollar value of cost not disallowed		\$ 157,990,632	\$ 145,643,836
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 6 months of issuance <i>(See Note 1 for a list of individual reports)</i>	—	—	—
Reports for which no management decision was made within 1 year of issuance <i>(See Note 2 for a list of individual reports)</i>	—	—	—
Contract reports with a significant audit finding <i>(See Note 3 for a list of individual reports)</i>	—	—	—

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

None for this report period

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

None for this report period

**Note 3 — Contract reports with a significant audit finding:**

None for this report period

## APPENDIX C

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

For the period October 1, 2011— March 31, 2012

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

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

<b>Description</b>	<b>Number of Reports</b>	<b>Dollar Value</b>
Reports for which no management decision was made at the beginning of the reporting period	—	—
Reports issued during the reporting period	4	\$ 1,047,184,458
<b>TOTAL</b>	<b>4</b>	<b>\$ 1,047,184,458</b>
Reports for which a management decision was made during the report period (i & ii)	4	\$ 1,047,184,458
(i) Value of recommendations agreed to by management	—	\$ 244,260,629
(ii) Value of recommendations that were not agreed to by management	—	\$ 802,923,829
Reports for which no management decision was made by the end of the reporting period	—	—
Reports for which no management decision was made within 6 months of issuance <i>(See Note 1 for a list of individual reports)</i>	—	—
Reports for which no management decision was made within 1 year of issuance <i>(See Note 2 for a list of individual reports)</i>	—	—

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

None for this report period

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

None for this report period

## APPENDIX D

### APPENDIX D

#### Other Impacts

For the period October 1, 2011— March 31, 2012

#### Overview

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

	Type of Measure	Value or Amount
<b>IMPROVED SERVICE</b>		
Recommendations that address the Postal Service's efforts to improve the quality and accessibility of its products and services	Number of Recommendations	30
Number of customer service audits conducted	Number of Audits	9
<b>SAFEGUARDING ASSETS</b>		
<b>Assets or Accountable Items at Risk</b>		
Inadequate internal controls put the value of assets or accountable items (such as cash and stamps) at risk of loss	Dollar Value	\$64,592,682
<b>Physical Safety and Security</b>		
Dollar value of physical assets (plant, computer equipment, vehicles, and so forth) at risk of loss due to inadequate physical protection	Dollar Value	—
Recommendations that address the safety and security of Postal Service employees and/or the work environment	Number of Recommendations	23
Number of employee/facility safety and security audits conducted	Number of Audits	14
<b>Information Technology Security</b>		
Inadequate controls/protection put the value of data, IT assets (software, networks), and employee work time at risk of loss	Dollar Value	—
Dollar value of data at risk	Dollar Value	\$171,696,941
Number of data security/IT security audits conducted	Number of Audits	13
<b>Revenue at Risk</b>		
Dollar value of revenue that the Postal Service is at risk of losing. (Mailers seeking alternative solutions for current services)	Dollar Value	\$53,633,883
<b>Disbursements at Risk</b>		
Dollar value of disbursements made where proper Postal Service internal controls and processes were not followed	Dollar Value	—
<b>Goodwill/Branding</b>		
An "adverse impact" on goodwill is an actual event/problem that harms the Postal Service's reputation or a potential problem that could negatively impact the Postal Service "brand name"	Number of Issues Identified	19
<b>Misallocation of Costs</b>		
A misallocation of costs can occur when Postal Service costs are misclassified as volume variable, product specific, or institutional costs	Dollar Value	—
<b>Predicted Savings Shortfall</b>		
The difference between the savings predicted by the Decision Analysis Report for capital investment projects and the actual savings realized	Dollar Value	\$9,718,224
<b>Potential Additional Revenue</b>		
Revenue the Postal Service could potentially generate for goods delivered or services rendered based on suggested improvements	Dollar Value	—

	Type of Measure	Value or Amount
<b>RELIABILITY OF DATA</b>		
<b>Records at Risk</b>		
Data at risk of corruption or loss due to inadequate internal controls and or protection	Number of Data Records at Risk	2,099,721
Dollar value of data used to support management decisions that is not fully supported or completely accurate	Dollar Value	\$1,178,077,000

## APPENDIX E

**Reports with Significant Recommendations Pending Corrective Actions**

For the period through March 31, 2012

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	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
IS-AR-07-017	8/29/2007	<b>Separation of Duties at the Eagan, MN; San Mateo, CA; and St. Louis, MO, Information Technology and Accounting Service Centers</b>  R-4 — Notify the Postal Inspection Service when a new Information Technology and Accounting Service Center position is created, a new employee is hired, or an employee is promoted to a new position, to make certain the proper clearance level is attributed to the employee. <b>TID: June 2012</b>
FF-AR-08-131	3/19/2008	<b>Fiscal Year 2007 Financial Installation Audits – Business Mail Entry Units</b>  R-2 — Provide proper management oversight and instructions to schedule periodic verifications when Periodicals mailings are received during non-business hours. <b>TID: October 2012</b>
FF-MA-08-001	7/21/2008	<b>Fiscal Year 2008 – Use of No-Fee Money Orders</b>  R-2 — Evaluate the feasibility of restricting the use of no-fee money orders for local purchases in order to reduce the Postal Service's exposure to financial loss. <b>TID: June 2012</b>
SA-AR-08-013	8/22/2008	<b>Security Clearances for Postal Service Employees</b>  R-2 — Revise the <i>Administrative Support Manual</i> , as appropriate, to reflect changes to the list of positions requiring a security clearance. <b>TID: May 2012</b>
IS-AR-08-016	8/29/2008	<b>Identity Theft Potential in the Change of Address Process</b>  R-1 — Update the Internet and Telephone Change of Address applications to eliminate acceptance of anonymous prepaid credit cards. <b>TID: June 2012</b>
IS-AR-09-001	10/8/2008	<b>Electronic Travel Voucher System Controls</b>  R-1 — Revise Postal Service Handbook F-15, <i>Travel and Relocation</i> , to require travelers to arrange for lodging at the prevailing government lodging rate, whenever practical. <b>TID: May 2012</b>  R-2 — Revise Postal Service Handbook F-15, <i>Travel and Relocation</i> , to require travelers to obtain prior approval and justify exceeding the government lodging rate within the notes on the electronic voucher. <b>TID: April 2012</b>
FF-AR-09-055	12/26/2008	<b>Fiscal Year 2008 Financial Installation Audits – Post Offices, Stations, and Branches</b>  R-5 — Issue guidance to the field to destroy all copies of Postal Service Form 1096, Customer Receipt, and determine when this has been completed. <b>TID: March 2012</b>
IS-AR-09-004	2/20/2009	<b>Access Controls in the Enterprise Data Warehouse</b>  R-3 — Update the Business Impact Assessment for the Enterprise Data Warehouse and recertify the system as required by Postal Service Handbook AS-805-A, <i>Application Information Security Assurance (ISA) Process</i> . <b>TID: June 2012</b>
EN-AR-09-005	9/28/2009	<b>Performance Goals for Market-Dominant Products</b>  R-1 — Document the methodology used to develop future performance goals for market-dominant products. <b>TID: December 2012</b>

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
NL-AR-09-010	9/30/2009	<p><b>Fuel Management Consumption Strategies for Surface Network Operations</b></p> <p>R-1 — Revise the fuel consumption strategy for surface network operations covering Postal Service and Highway Contract Route transportation to ensure that it is comprehensive and implements the industry best practices identified in our audit. <b>TID: June 2011</b></p> <p>R-2 — Assess and implement all opportunities for owned, leased, and contracted vehicles to use technology to reduce wind resistance and identify the most viable advanced aerodynamics options consistent with industry best practices and adjust contracts as appropriate to account for the reduced fuel need. <b>TID: June 2011</b></p> <p>R-3 — Establish and implement tire inflation maintenance requirements for its owned heavy-duty vehicle fleet, as well as its leased, and contracted vehicles consistent with industry best practices and adjust contracts as appropriate to account for the reduced fuel need. <b>TID: June 2011</b></p> <p>R-5 — Evaluate Highway Contract Routes and, where feasible, implement speed limit requirements consistent with industry best practices and adjust contracts as appropriate to account for the reduced fuel need. <b>TID: June 2011</b></p>
IS-AR-10-002	12/22/2009	<p><b>General Control Review of Human Resources Shared Service Center</b></p> <p>R-2 — Initiate appropriate security clearance investigations for all employees in sensitive positions at the Human Resources Shared Service Center. <b>TID: May 2012</b></p>
MS-AR-10-001	2/9/2010	<p><b>Plant-Verified Drop Shipment Controls</b></p> <p>R-4 — Provide an electronic reporting solution whereby PS Form 8125, Plant-Verified Drop Shipment (PVDS) Verification and Clearance, information at the destination facility can be compared with the information at the origin location. Discrepancies or incomplete forms should be investigated. <b>TID: December 2012</b></p>
EN-AR-10-003	2/12/2010	<p><b>Manasota Processing and Distribution Center Consolidation</b></p> <p>R-1 — Ensure the implementation activities of processing and distribution center consolidations begin immediately after area mail processing proposal approval and require headquarters' approval when implementation is delayed more than 3 months. <b>TID: May 2011</b></p>
DR-AR-10-003	3/16/2010	<p><b>Rural Delivery Christmas Operations</b></p> <p>R-1 — Renegotiate with the National Rural Letter Carriers Association (NRLCA) to eliminate the supplemental Christmas Overtime Pay Provision, Article 9.2(k), set forth in the NRLCA Agreement expiring in November 2010 and any subsequent NRLCA agreements. <b>TID: December 2012</b></p>

**APPENDIX E**

Report Number	Issue Date	Report Title, Recommendation Summary <b>R</b> = Recommendation number <b>TID</b> = Target Implementation Date
IS-AR-10-008	5/4/2010	<p><b>Certification and Accreditation Process</b></p> <p>R-1 — Provide Corporate Information Security the authority necessary to enforce and execute the responsibilities for managing the Certification and Accreditation process. <b>TID: December 2012</b></p> <p>R-3 — Ensure all portfolio managers receive mandatory training regarding their role, responsibility, and accountability for implementing and reinitiating the Certification and Accreditation process. This training should also be made available to all executive sponsors. <b>TID: December 2012</b></p> <p>R-4 — Hold portfolio managers accountable to complete the Certification and Accreditation process within the Technology Solutions Life Cycle prior to implementing critical applications into the production environment. <b>TID: December 2012</b></p> <p>R-5 — Complete the Certification and Accreditation process for all critical applications currently in production, as required by Handbook AS-805, Information Security. <b>TID: December 2012</b></p> <p>R-6 — Ensure the portfolio managers work with the executive sponsors to initiate the recertification process for critical applications assigned to their functional areas as required by Handbook AS-805, Information Security. <b>TID: December 2012</b></p> <p>R-7 — Develop a formal, centralized mechanism to track the status of all unmitigated residual risks identified in the applications' risk mitigation plan. <b>TID: December 2012</b></p> <p>R-8 — Input unmitigated residual risks identified in the applications' risk mitigation plan into the formal, centralized tracking mechanism and track the risks through resolution. <b>TID: December 2012</b></p> <p>R-9 — Work with executive sponsors to resolve unmitigated residual risks identified in the risk mitigation plans and recertification letters associated with the critical applications. <b>TID: December 2012</b></p> <p>R-12 — Input the Certification and Accreditation documentation for all critical applications into the central repository. <b>TID: December 2012</b></p>
CA-AR-10-004	5/27/2010	<p><b>Contract Payment Terms</b></p> <p>R-1 — Revise the Postal Service's <i>Supplying Principles and Practices</i>, Section 5 12.2, Payment Time Frame, and other sections as necessary, with language stating that when contracting officers negotiate payment terms other than net 30 days they include the business rationale and associated documentation for the payment terms in the contract file. <b>TID: February 2012</b></p>
NO-MA-10-001	6/11/2010	<p><b>Assessment of Overall Plant Efficiency 2010</b></p> <p>R-1 — Reduce 16.2 million workhours by FY 2012 with an associated economic impact of \$743,961,610. <b>TID: December 2012</b></p>
CI-MA-10-001	6/18/2010	<p><b>Civil Service Retirement System Overpayment by the Postal Service</b></p> <p>R-1 — Pursue all necessary actions, including those suggested by the Office of Inspector General, to either secure the return of the \$75 billion overpayment or to otherwise realize the benefit of this overpayment to the Postal Service. <b>TID: None</b></p>
MS-AR-10-004	7/28/2010	<p><b>Efficiency of Retail Customer Service Operations</b></p> <p>R-1 — Implement best practices for Retail Customer Service operations at all facilities. <b>TID: October 2011</b></p> <p>R-2 — Explore opportunities to consolidate business mail acceptance operations at post offices, stations, and branches. <b>TID: October 2011</b></p> <p>R-4 — Re-deploy employees, as appropriate, to facilities where there is sufficient workload to support the workhours. <b>TID: October 2011</b></p>



Report Number	Report Number	Report Title, Recommendation Summary <b>R</b> = Recommendation number <b>TID</b> = Target Implementation Date
FT-MA-10-001	8/16/2010	<p><b>Federal Employees Retirement System Overfunding</b></p> <p>R-1 — Pursue legislative action to alter the Postal Service’s Civil Service Retirement and Disability Fund Contributions for 1 or more years until the Federal Employees Retirement System surplus is extinguished. <b>TID: September 2011</b></p> <p>R-2 — Coordinate with the Office of Personnel Management to identify causes of actual payout differences between the Postal Service and the rest of the federal government and use that information to reduce the risk of future surpluses. <b>TID: September 2011</b></p> <p>R-3 — Pursue legislative action to define future distribution of significant surpluses. <b>TID: September 2011</b></p> <p>R-4 — Coordinate with the Office of Personnel Management to create a sub-account within the Civil Service Retirement and Disability Fund exclusive to the Postal Service. <b>TID: September 2011</b></p>
DA-MA-10-004	8/31/2010	<p><b>Postal Service Patent Management</b></p> <p>R-1 — Establish a strategic plan with timelines to capitalize on the Postal Service’s patent inventory strength. <b>TID: June 2012</b></p>
IS-MA-10-001	9/2/2010	<p><b>Securing Sensitive Data on Postal Inspection Service Laptops</b></p> <p>R-1 — Create and maintain an inventory of all existing Inspection Service laptops. <b>TID: March 2012</b></p> <p>R-2 — Install full disk encryption on all new Inspection Service laptop computers before deployment. <b>TID: March 2012</b></p> <p>R-3 — Develop an expedited deployment schedule to reduce the risk of sensitive data loss from the unencrypted laptops. <b>TID: March 2012</b></p> <p>R-4 — Remove and destroy hard drives, or completely degauss, all sensitive data stored on the older Postal Inspection Service laptops before disposing of the equipment. <b>TID: March 2012</b></p> <p>R-5 — Enter all new laptops in the centralized inventory system upon deployment to Inspection Service users. <b>TID: March 2012</b></p>
EN-AR-10-006	9/17/2010	<p><b>Southeast Area Processing and Distribution Center Consolidations</b></p> <p>R-1 — Complete the full consolidation feasibility study on the Daytona Beach Processing and Distribution Facility into the Mid-Florida Processing and Distribution Center and take action to eliminate excess space in the Mid-Florida Processing and Distribution Center <b>TID: December 2011</b></p> <p>R-2 — Determine alternate uses of excess space at the Birmingham Processing and Distribution Center and annex. <b>TID: June 2011</b></p>
FF-AR-10-224	9/20/2010	<p><b>Postal Service Area and District Office Field Structure</b></p> <p>R-2 — Implement one or more of the three options, or combinations of portions of these options, for consolidating the area and district field structure:</p> <ul style="list-style-type: none"> <li>▪ Consolidate district offices that are within 50 miles of one another.</li> <li>▪ Consolidate area and district offices that have less than the mean mail volume and workhours.</li> <li>▪ Relocate area offices to headquarters.</li> </ul> <p><b>TID: None</b></p> <p>R-3 — Develop a policy and process for performing a comprehensive evaluation of the area and district office structure at least every 5 years. <b>TID: March 2012</b></p> <p>R-4 — Develop a policy and procedures to maintain adequate supporting documentation for all area and district consolidations or expansions as part of a comprehensive strategic plan. <b>TID: March 2012</b></p>

**APPENDIX E**

Report Number	Issue Date	Report Title, Recommendation Summary <b>R</b> = Recommendation number <b>TID</b> = Target Implementation Date
CA-AR-10-005	9/20/2010	<p><b><i>U.S. Postal Service Purchasing Policies</i></b></p> <p>R-5 — Take steps to ensure full and accurate tracking and public reporting of noncompetitive contracting actions. Data reported should include, but not be limited to, total dollars committed both competitively and noncompetitively; and the contractor, dollar value, and noncompetitive justifications for noncompetitive contracts. The tracking mechanism should be able to identify when a noncompetitive contract has crossed the review and approval threshold based on modification after initial award. <b>TID: February 2012</b></p> <p>R-6 — Revoke delegations of authority for contracts that acquire goods and services for the Postal Service and bring these contracts into compliance with all Postal Service purchasing policies. <b>TID: February 2012</b></p> <p>R-9 — Institute an oversight mechanism to ensure and track compliance with updated noncompetitive contracting policies. <b>TID: March 2012</b></p>
IS-AR-10-014	9/23/2010	<p><b><i>Controls Over Payment Card Transaction Data</i></b></p> <p>R-1 — Finalize and implement a Payment Card Industry remediation plan that includes all associated costs, resources, and milestones needed to achieve and maintain Payment Card Industry-Data Security Standards compliance. <b>TID: September 2013</b></p>
NL-AR-10-010	9/29/2010	<p><b><i>Air Networks – Federal Express Transportation Agreement – National Analysis</i></b></p> <p>R-5 — Standardize Postal Service oversight at Terminal Handling Services operations to ensure adequate on-site Postal Service representation to monitor Federal Express operations and ensure local compliance with established processes and procedures. <b>TID: March 2011</b></p>
NL-AR-10-009	9/29/2010	<p><b><i>Management of Mail Transport Equipment - National Analysis</i></b></p> <p>R-1 — Further develop, update and reinforce national Mail Transport Equipment policies and procedures contained in the <i>Postal Operations Manual (POM)</i> and the Postal Handbook PO-502, <i>Container Methods</i>, which address Mail Transport Equipment inventory and accountability controls, including validating customer Mail Transport Equipment needs as well as tracking and reconciling Mail Transport Equipment loaned to mailers and other external customers. <b>TID: May 2012</b></p> <p>R-2 — Continue pursuing implementation of a planned automated Mail Transport Equipment management system and ensure its functionality for inventory and accountability processes and for enhancing the Postal Service’s visibility into Mail Transport Equipment internally and at mailers. <b>TID: June 2011</b></p> <p>R-4 — Ensure that Area Distribution Networks’ Offices have appropriate resources assigned responsibly to monitor and manage Mail Transport Equipment, and maintain compliance with <i>Postal Operations Manual</i> requirements. <b>TID: March 2012</b></p> <p>R-5 — Document the current process for identifying annual, routine Mail Transport Equipment purchase requirements and ensure the process includes Mail Transport Equipment Service Center network information and facility and mailer inventory data, to ensure that only the necessary amount of Mail Transport Equipment is purchased. <b>TID: June 2011</b></p>

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
CA-AR-10-006	9/30/2010	<p><b>Certification Process for Electronic Payments</b></p> <p>R-1 — Develop an oversight mechanism to monitor and ensure contracting officers' and/or designated officials' receipt and certification of invoices. <b>TID: March 2012</b></p> <p>R-2 — Reiterate to contracting officers and/or their designees their roles and responsibilities, and the importance of following Postal Service criteria, policies, and procedures for certification of invoices prior to payment to ensure that invoices are correct and goods and services were received. <b>TID: March 2012</b></p> <p>R-3 — Develop and implement written procedures for receiving invoices for annual HCR services and verifying that services were rendered prior to payment. <b>TID: March 2012</b></p> <p>R-4 — Identify and notify the contracting officers to oversee and administer all HCR payments in the Postal Service Accounts Payable Excellence system. <b>TID: February 2012</b></p> <p>R-5 — Review the \$7.6 million in payments made more than 30 days after contract end dates and collect overpayments. <b>TID: March 2012</b></p> <p>R-6 — Provide detailed, consistent training for all designated officials on their roles and responsibilities and the usage of the Utility Management System. <b>TID: August 2011</b></p> <p>R-8 — Ensure that Utility Management System designated official contact information is accurate and that the system requires positive certification by the designated official before invoice payment. <b>TID: August 2011</b></p>
FT-MA-10-002	9/30/2010	<p><b>Summary of Substantial Overfunding and Postal Service Pension and Retiree Health Care Funds</b></p> <p>R-1 — Develop a comprehensive legislative strategy to recover overfunded amounts. <b>TID: September 2011</b></p> <p>R-2 — Aggressively pursue and carefully review all available data related to Civil Service Retirement System, Federal Employee Retirement System, and retiree health benefit calculations, including those associated with determining any overfunding situations, to ensure that calculations are reasonable and accurate. <b>TID: September 2011</b></p>
CA-AR-11-001	11/23/2010	<p><b>Information Technology Contract Payment Oversight</b></p> <p>R-1 — Ensure that proper personnel have a contracting officer's representatives (CORs) letter of designation that allows them to certify invoices for payment. <b>TID: August 2011</b></p> <p>R-2 — Require contracting officers' representatives to reconcile invoices to receiving documents prior to certification for payment. <b>TID: August 2011</b></p>
NL-MA-11-001	12/6/2010	<p><b>Surface Mail Classes on Air Transportation Networks</b></p> <p>R-1 — Verify that actions already taken related to minimizing surface mail classes on the FedEx Day-Turn network are applied to other air networks to ensure transportation managers use surface transportation, instead of the FedEx Night-Turn, commercial air carrier, United Parcel Service, and Christmas air transportation networks to move surface mail types where possible. <b>TID: None</b></p> <p>R-2 — Routinely provide headquarters and area management with data, including Transportation Cost System/Cost and Revenue Analysis data, to monitor and track the volume and avoid additional costs for flying surface mail classes on the FedEx Night-Turn, commercial air carrier, United Parcel Service, and Christmas air transportation networks. <b>TID: September 2011</b></p> <p>R-3 — Reinforce existing policies and procedures for the processing and assigning of mail to air and surface transportation. <b>TID: None</b></p>
NO-AR-11-004	12/14/2010	<p><b>Houston, TX Processing and Distribution Center Mail Consolidation</b></p> <p>R-1 — Pursue expansion of the North Houston Processing and Distribution Center and consolidate the Houston Processing and Distribution Center's mail processing operations into the expanded facility, by fiscal year 2013. <b>TID: September 2013</b></p>

**APPENDIX E**

Report Number	Issue Date	Report Title, Recommendation Summary <b>R</b> = Recommendation number <b>TID</b> = Target Implementation Date
FF-AR-11-004	12/15/2010	<p><b>Express Mail Guarantees</b></p> <p>R-5 — Establish a timeframe for and develop a process to analyze Express Mail refunds by origin and destination to evaluate risk and identify necessary changes in service in order to make better business decisions for guarantees.  <b>TID: October 2012</b></p>
DR-MA-11-001	3/14/2011	<p><b>The Effects of the Flats Sequencing System on Delivery Operations – Arizona District</b></p> <p>R-1 — Continue to collaborate with business mailers to ensure flat mailpieces meet automation requirements and reduce the amount of unworked flat mail sent to delivery units. <b>TID: None</b></p>
IT-AR-11-004	3/16/2011	<p><b>Computer Incident Data Reliability</b></p> <p>R-3 — Integrate the Data Loss Prevention and Security Information Manager applications with the security incident management system to ensure a single incident data repository. <b>TID: October 2012</b></p> <p>R-4 — Either modify the existing incident management system or pursue development of a new system that enforces date and time value sequence and data validation. <b>TID: October 2012</b></p>
NL-AR-11-002	3/18/2011	<p><b>Postal Vehicle Service – Scheduling and Staffing – Connecticut Valley District</b></p> <p>R-1 — Ensure that Southern Connecticut Processing and Distribution Center and Springfield Processing and Distribution Center managers follow prescribed fleet management procedures for making Postal Vehicle Service schedules effective, including conducting schedule and vehicle utilization reviews. <b>TID: None</b></p> <p>R-2 — Verify elimination from the Postal Vehicle Service trip schedules of 7,245 workhours from the Southern Connecticut Processing and Distribution Center and 2,856 workhours from the Springfield Processing and Distribution Center identified during our audit and already agreed to by management. <b>TID: March 2011</b></p> <p>R-3 — Reassess the remaining 4,562 workhours identified in our audit and eliminate the workhours as indicated by the reassessment, or document the reasons for retaining the workhours. <b>TID: May 2011</b></p>
HR-AR-11-001	3/31/2011	<p><b>Allegations of Inaccurate Time and Attendance Records</b></p> <p>R-2 — Issue supplemental guidance emphasizing the importance of completing Postal Service Form 1017-A, Time Disallowance Record, and PS Form 3971, Request for or Notification of Absence. <b>TID: July 2012</b></p> <p>R-3 — Establish a review and approval process to ensure time disallowances are appropriate and documented as required.  <b>TID: July 2012</b></p> <p>R-4 — Establish periodic monitoring of clock ring deletions to ensure employee workhours are recorded accurately.  <b>TID: July 2012</b></p> <p>R-5 — Provide periodic refresher training to managers, postmasters, supervisors, and acting supervisors on the Time and Attendance Collection System. <b>TID: July 2012</b></p> <p>R-6 — Issue supplemental guidance to supervisors and managers regarding the appropriate use of operation codes associated with recording safety talks and informational meetings in the Time and Attendance Collection System.  <b>TID: July 2012</b></p>
HR-AR-11-003	3/31/2011	<p><b>Overtime Usage</b></p> <p>R-2 — Ensure significant changes impacting operations and resources are accounted for in the budget plan. <b>TID: None</b></p>

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
DA-MA-11-002	4/8/2011	<p><b>Postal Service Patent Management Continuation</b></p> <p>R-1 — Work closely with subject matter experts to review highly rated patents to draft claims as appropriate. <b>TID: June 2012</b></p> <p>R-2 — Develop a comprehensive strategy for developing patent intellectual property that enhances Postal Service products and services and its competitive position in the global marketplace and is a source of income. The strategy should capitalize on patent evaluations performed to date and include an assessment of business options available for achieving the significant financial returns. <b>TID: June 2012</b></p> <p>R-3 — Ensure the Postal Service has an effective patent management process and comprehensive licensing program in place. This establishes control that protects intellectual capital and provides an appropriate return on investment. <b>TID: June 2012</b></p>
HR-MA-11-001	4/22/2011	<p><b>Retirement for U.S. Postal Service Employees on Workers' Compensation</b></p> <p>R-1 — Continue to pursue legislative change to reform the Federal Employees' Compensation Act to reduce workers' compensation benefits for retirement age employees. <b>TID: None</b></p>
CA-AR-11-004	4/27/2011	<p><b>Internal Controls over the Contract Close-out Process</b></p> <p>R-1 — Establish standardized contract close-out policies and procedures. This should include a system alert requiring contracting staff to complete Contract Authoring Management System close-out reports before they close-out a contract and ensuring that remaining funds are promptly decommitted when the contract is completed and closed. <b>TID: September 2012</b></p> <p>R-3 — Establish a periodic control to ensure category management center personnel follow records management requirements for contract files, including, but not limited to retaining records for the required 6 years. <b>TID: March 2012</b></p>
NO-MA-11-004	5/20/2011	<p><b>Assessment of Overall Plant Efficiency 2011</b></p> <p>R-1 — Reduce 14,017,630 workhours by FY 2012 with an associated economic impact of \$647,586,823. <b>TID: September 2013</b></p>
HR-AR-11-004	5/27/2011	<p><b>Compliance with Occupational Safety and Health Administration Recordkeeping Requirements</b></p> <p>R-2 — Revise the Postal Service Occupational Safety and Health Administration Recordable Date policy to better clarify how to determine Occupational Safety and Health Administration recordable dates when they differ from the initial injury or illness date. <b>TID: March 2012</b></p> <p>R-4 — Establish mandatory training for officials responsible for determining Occupational Safety and Health Administration recordable cases and completing related forms. <b>TID: December 2011</b></p>

**APPENDIX E**

Report Number	Issue Date	Report Title, Recommendation Summary <b>R</b> = Recommendation number <b>TID</b> = Target Implementation Date
NL-AR-11-003	6/7/2011	<p><b>Management of the Highway Contract Route Voyager Card Program</b></p> <p>R-1 — Further develop, update, and reinforce requirements for the Postal Service and HCR suppliers to enhance systems infrastructure, including incorporating systems edits and automation tools where possible, and monitor fuel transactions as necessary to avoid unauthorized purchases and ensure adherence to contract gallon limits. <b>TID: October 2011</b></p> <p>R-2 — Ensure that contracting officers apply pooling in accordance with established requirements and ensure pools are appropriately documented and approved. <b>TID: October 2011</b></p> <p>R-3 — Perform and document all outstanding reconciliations for prior periods to determine excess purchased fuel gallons and collect resultant overpayments. <b>TID: October 2011</b></p> <p>R-4 — Implement controls over the contractors that include:</p> <ul style="list-style-type: none"> <li>▪ Strengthening procedures for safeguarding and securing HCR Voyager Cards; ensuring suppliers use available tools to effectively manage the cards; and requiring that suppliers maintain an inventory of issued cards.</li> <li>▪ Coordinating with the U.S. Bank to limit the number of HCR Voyager Cards issued to highway suppliers; establish a secure activation protocol for mailed HCR Voyager Cards and unique personal identification numbers; and implement a periodic review of new, cancelled, and extra HCR Voyager Cards to identify potential patterns of mismanagement or misuse.</li> </ul> <p><b>TID: June 2012</b></p> <p>R-5 — Continue to pursue funding when feasible for enhancing the functionality of the Fuel Asset Management System and Enterprise Data Warehouse eFuel modules and to ensure the systems are user-friendly and enable management to more efficiently and effectively monitor authorized gallons, identify excess gallons, and recover any related excess payments. <b>TID: None</b></p> <p>R-6 — Periodically assess the financial and operational viability of the HCR Voyager Card program, including performing a formal cost-benefit analysis based on complete and recent data, considering the costs of implementing controls to address deficiencies identified in this report as appropriate. <b>TID: September 2011</b></p> <p>R-7 — Continue to identify and evaluate other fuel management program best practices used in the transportation industry, and perform a comparative analysis against the existing HCR Voyager Card program, where possible. <b>TID: None</b></p>
DA-AR-11-008	6/8/2011	<p><b>Conflicts of Interest: Facility Leases and Contract Delivery Services</b></p> <p>R-1 — Revise the Postal Service’s policy for leasing property under 3,000 square feet from employees or relatives to include an ethics review. <b>TID: March 2012</b></p> <p>R-2 — Evaluate the universe of potential facility lease conflicts and develop an action plan to minimize active and future conflicts. <b>TID: June 2012</b></p> <p>R-3 — Implement a control to systemically identify, monitor, and resolve potential conflicts of interest with facility leases and, if necessary, request waivers for leases that represent conflicts. <b>TID: March 2012</b></p> <p>R-4 — Evaluate the universe of potential delivery service contract conflicts and develop an action plan to minimize active and future conflicts. <b>TID: February 2012</b></p> <p>R-5 — Implement a control to systemically identify, monitor, and resolve contract delivery service regulatory and policy violations in a timely manner. <b>TID: February 2012</b></p>
DR-MA-11-002	7/19/2011	<p><b>National Assessment of City Delivery Efficiency 2011 - Office Performance</b></p> <p>R-1 — Reduce 2,002,690 workhours during fiscal year 2012 with an associated economic impact of \$88,192,128. <b>TID: None</b></p>

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
NL-AR-11-004	7/25/2011	<p><b>Postal Vehicle Service Transportation Routes – Baltimore Processing and Distribution Center</b></p> <p>R-1 — Ensure that Baltimore Processing and Distribution Center managers follow prescribed fleet management procedures for making Postal Vehicle Service schedules effective, including conducting schedule and vehicle utilization reviews. <b>TID: None</b></p> <p>R-2 — Verify elimination of the 11,789 workhours identified in our audit - and already agreed to by management - from the Postal Vehicle Service trip schedules. <b>TID: None</b></p> <p>R-3 — Reassess the remaining 7,273 workhours and eliminate the workhours as indicated by the reassessment or document the reasons for retaining them. <b>TID: August 2011</b></p> <p>R-4 — Eliminate from highway contracts 24 trips identified in our audit and already agreed to by local and area management. <b>TID: None</b></p>
HR-AR-11-005	8/5/2011	<p><b>Postal Service Facility Security</b></p> <p>R-3 — Issue supplemental guidance and enhance internal controls to:</p> <ul style="list-style-type: none"> <li>▪ Ensure security control officers conduct facility security surveys as required.</li> <li>▪ Ensure corrective actions are taken to address security deficiencies.</li> <li>▪ Ensure security control officers take the mandatory security training.</li> </ul> <p><b>TID: August 2012</b></p>
HR-AR-11-006	8/8/2011	<p><b>2009 Pay for Performance Program</b></p> <p>R-1 — Clarify policies and procedures to better define the relationship between the national performance assessment and core requirements, and the role of higher level management in the pay for performance process. <b>TID: July 2012</b></p> <p>R-2 — Establish and implement mandatory training events that educate new and existing participants and managers on policy, roles and responsibilities, goal setting, and the program's objectives. <b>TID: July 2012</b></p> <p>R-3 — Evaluate the effectiveness of the current process used to establish and use behavioral core objectives to rate employees' performance. <b>TID: July 2012</b></p>
HR-MA-11-003	8/12/2011	<p><b>Stand-by Time</b></p> <p>R-1 — Assess the inappropriate use of stand-by overtime nationwide, especially in function one, and implement internal controls to address usage and recording issues identified. <b>TID: September 2011</b></p> <p>R-2 — Enhance management controls to ensure employees and supervisors accurately report and record stand-by time. <b>TID: September 2011</b></p>
CA-AR-11-005	8/24/2011	<p><b>Contract Funding Approval</b></p> <p>R-1 — Direct program office officials to submit eBay requisitions for contract funding approval for transportation contracts within Contract Authoring Management System prior to contractual commitments. <b>TID: March 2012</b></p>

Report Number	Issue Date	Report Title, Recommendation Summary <b>R</b> = Recommendation number <b>TID</b> = Target Implementation Date
MS-AR-11-006	8/24/2011	<p><b>Effects of Compliance Rules on Mailers</b></p> <p>R-1 — Estimate and consider mailing industry costs as part of cost-benefit analyses, where practical, to determine whether the benefits of new initiatives and rule changes are justified in light of total industry costs. <b>TID: None</b></p> <p>R-2 — Further involve stakeholder groups in formal dialogue during the strategic planning phase of new initiatives. <b>TID: None</b></p> <p>R-3 — Enhance transparency and accountability by documenting Postal Service collaborative efforts (discussions, action items, resolutions, milestones). <b>TID: None</b></p>
DA-AR-11-010	8/30/2011	<p><b>Intelligent Mail: Realizing Revenue Assurance Benefits</b></p> <p>R-1 — Establish timeframes for implementing the enhanced/expanded automated verifications as described in the original Intelligent Mail infrastructure Decision Analysis Report. <b>TID: January 2013</b></p> <p>R-2 — Develop a tolerance level for low scan rates to use for exception reporting. <b>TID: January 2013</b></p> <p>R-3 — Develop a process for identifying the cause(s) of low scan rates for customer follow-up as warranted. <b>TID: January 2013</b></p>
FF-AR-11-013	8/30/2011	<p><b>Postal Service Refunds</b></p> <p>R-2 — Analyze and establish an administrative and minimum fee that will cover processing costs. <b>TID: January 2013</b></p> <p>R-4 — Complete the update to the <i>PostalOne!</i> System to enable electronic transmission of Value Added Refund data to accounts payable. <b>TID: October 2012</b></p>
CRR-AR-11-003	9/6/2011	<p><b>Service Performance Measurement Data - Commercial Mail</b></p> <p>R-1 — Establish milestones for implementing recovery of Full-Service Intelligent Mail Barcode discounts provided to mailers when Full-Service mailings do not meet the specific requirements for the discounts received. <b>TID: January 2013</b></p>
NO-AR-11-008	9/13/2011	<p><b>Timely Processing of Mail at the Richmond, VA, Processing and Distribution Center</b></p> <p>R-1 — Promptly assess the current mail volume and swiftly adjust workhours, assignments, sort plans, transportation, and any other operational requirements to ensure the Richmond P&amp;DC meets customer service commitments. <b>TID: August 2011</b></p>
IT-AR-11-009	9/14/2011	<p><b>Project Phoenix</b></p> <p>R-1 — Modify the Technology Solution Life Cycle process to require the identification, documentation, and analysis of applicable back-end business processes and information technology systems during the technology solution requirements, analysis, and design phases. <b>TID: June 2012</b></p>
IT-AR-11-008	9/14/2011	<p><b>Remote Access Controls</b></p> <p>R-1 — Implement two-factor authentication to comply with Handbook AS-805 requirements and to meet Payment Card Industry – Data Security Standards. <b>TID: December 2012</b></p> <p>R-2 — Configure remote access firewalls according to Handbook AS-805 and applicable firewall security standards. <b>TID: March 2012</b></p> <p>R-11 — Suspend remote access for all employees or contractors until they complete required security awareness training. <b>TID: October 2012</b></p>



Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
HR-AR-11-002	9/19/2011	<p><b>Postal Service Work Rules and Compensation Systems</b></p> <p>R-1 — Additional increased flexibility to temporarily assign employees across crafts. <b>TID: None</b></p> <p>R-2 — Improved workforce flexibility through non-traditional career options, such as emphasizing part-time employment as a career choice or modifying full-time assignments. <b>TID: None</b></p> <p>R-3 — A comprehensive study to determine the optimal incentive-based carrier compensation system. <b>TID: None</b></p>
FF-AR-11-015	9/23/2011	<p><b>Business Mail Acceptance Centralization Process</b></p> <p>R-1 — Adopt a standardized, clear process to guide each district on how to conduct a centralization feasibility study and update the Business Mail Entry Centralization Standard Operating Procedure accordingly. <b>TID: April 2012</b></p> <p>R-2 — Require each district to conduct a centralization feasibility study, document the results, and take action based on the results of the study, as appropriate. <b>TID: October 2013</b></p> <p>R-3 — Manage business mail entry workhour usage to achieve 93 percent efficiency and develop tools to monitor performance. <b>TID: September 2012</b></p> <p>R-4 — Establish annual goals for business mail entry workhour efficiency to include measuring performance against goals. <b>TID: September 2012</b></p>
FF-AR-11-014	9/23/2011	<p><b>Government Relations Operations</b></p> <p>R-1 — Establish procedures to gather workload statistics on all functions within the Office of Government Relations and Public Policy, periodically monitor those statistics, and make appropriate adjustments to the organizational structure, as needed. <b>TID: March 2012</b></p> <p>R-2 — Develop written policies and procedures to guide operations within the Office of Government Relations and Public Policy. <b>TID: March 2012</b></p> <p>R-3 — Review placement of the Stamp Services organization within the Office of Government Relations and Public Policy to determine whether it is properly aligned within the Postal Service based on Stamp Services' primary mission. <b>TID: None</b></p>
NL-AR-11-006	9/23/2011	<p><b>Mail Transport Equipment – Needs, Distribution, and Use</b></p> <p>R-1 — Perform a comprehensive mail transport equipment needs analysis for the network distribution center network to determine the amount of rolling stock, by type, needed on a daily basis to meet operational requirements. <b>TID: October 2011</b></p> <p>R-2 — Monitor the purchases of cardboard containers (other than Postal Paks) for network distribution center facilities to ensure they make only necessary purchases and are the best mail transport equipment option for the Postal Service given rolling stock inventory in the network. <b>TID: September 2011</b></p> <p>R-3 — Reissue over-the-road container policy to reflect the present and future operational needs and use of the containers within and outside the network. <b>TID: October 2011</b></p>
CA-MA-11-002	9/26/2011	<p><b>Contract Delivery Service Cost Controls</b></p> <p>R-1 — Instruct administrative officials to complete route surveys for the 47 contract delivery service routes identified in this audit. <b>TID: November 2011</b></p>

Report Number	Issue Date	Report Title, Recommendation Summary <b>R</b> = Recommendation number <b>TID</b> = Target Implementation Date
DR-AR-11-007	9/26/2011	<p><b>Follow-up on City Delivery Standard Operating Procedures</b></p> <p>R-1 — Re-evaluate the certification criteria and ensure the criteria require units to meet, at least the national average percent to standard for office operations. <b>TID: December 2012</b></p> <p>R-3 — Establish an annual process to de-certify units that do not maintain performance standards after certification. <b>TID: December 2012</b></p>
NL-AR-11-008	9/27/2011	<p><b>Evaluation of Major Transportation Technology Initiatives</b></p> <p>R-1 — Ensure that Network Operations sponsors and project managers follow the Postal Service’s technology solution life cycle guidelines. <b>TID: October 2011</b></p> <p>R-2 — Require operational deficiencies be identified for corrective action and addressed prior to project closeout. <b>TID: November 2011</b></p> <p>R-3 — Facilitate the inclusion of a robust risk assessment, risk mitigation, system data migration, and transition planning best practices into investment planning policies. <b>TID: October 2011</b></p> <p>R-4 — Ensure establishment and maintenance of the proper line of authority, funding, and oversight for key programs by responsible sponsors and management officials. <b>TID: October 2011</b></p> <p>R-5 — Ensure comprehensive training is provided for employees throughout the technology’s life cycle. <b>TID: May 2012</b></p>
CA-AR-11-007	9/30/2011	<p><b>Contract Postal Units Contract Oversight</b></p> <p>R-1 — Require CPU contractors to submit invoices for payment. <b>TID: None</b></p> <p>R-2 — Create a process to ensure the contracting officer or contracting officer’s representative validates and certifies invoices prior to payment, using data maintained in the Contract Postal Unit Technology system. <b>TID: None</b></p> <p>R-3 — Establish a mandatory training procedure to ensure all contract officer representatives receive training of appointed duties within 2 weeks of notification of the contracting officer’s representative appointment. <b>TID: March 2012</b></p> <p>R-4 — Develop an oversight mechanism to monitor whether contracting officer’s representatives conduct quarterly performance and annual financial reviews, obtained completed appointment letters, and retain contract postal unit contracts in the contract administrative files. <b>TID: March 2012</b></p>
HR-AR-11-007	9/30/2011	<p><b>Postal Service Workers’ Compensation Program</b></p> <p>R-1 — Continue to pursue legislative change to transform the Federal Employees’ Compensation Act into a modernized workers’ compensation program that includes best practices for increasing program effectiveness and efficiencies and reducing costs. <b>TID: None</b></p> <p>R-2 — Pursue legislative change to amend Federal Employees’ Compensation Act to allow recovery of continuation of pay benefits in third-party cases. <b>TID: None</b></p> <p>R-3 — Pursue legislative change to reform Federal Employees’ Compensation Act to allow employing agencies to present evidence at hearings when fraud is alleged. <b>TID: None</b></p> <p>R-4 — Clearly define organizational responsibilities for detecting workers’ compensation fraud: <ul style="list-style-type: none"> <li>▪ Establish requirements for Department of Labor to respond to reports of investigations within 45 days after receiving them.</li> <li>▪ Establish a provider compliance program.</li> <li>▪ Revise the method used to determine the administrative fee to ensure the fee is based on actual costs to administer Postal Service Workers’ Compensation Program.</li> </ul> <b>TID: None</b> </p> <p>R-5 — Develop mandatory and refresher training for Postal Service officials responsible for workers’ compensation to ensure they are aware of their roles and responsibilities for workers’ compensation. <b>TID: September 2012</b></p>

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
MS-AR-11-007	9/30/2011	<p><b>Strategic Approaches to Revenue Protection</b></p> <p>R-1 — Work with a broadened group of internal and external stakeholders to prepare for streamlining the entry of business mail, accelerate the timeline for streamlined acceptance and verification, and seek to leverage technology to provide revenue protection for Basic Service Intelligent Mail and non-automated volumes. <b>TID: January 2013</b></p>
IT-AR-12-001	10/21/2011	<p><b>State of Corporate Information Technology Security</b></p> <p>R-2 — Complete the certification and accreditation process for the remaining national applications. <b>TID: December 2013</b></p> <p>R-4 — Implement a corporate-wide encryption solution to enhance the sensitive data protection effort. <b>TID: September 2012</b></p>
CA-AR-12-001	11/2/2011	<p><b>Contracting Opportunities and Impact of the Service Contract Act</b></p> <p>R-2 — Review the benefits of outsourcing cleaning/janitorial service positions and postal service vehicle driver positions and work with Supply Management to restructure those positions to achieve the most cost effective solution. <b>TID: May 2011</b></p> <p>R-3 — Ensure that appropriate financial data is collected to aid in making in-sourcing/outsourcing decisions. <b>TID: None</b></p>
HR-AR-12-001	11/14/2011	<p><b>Postal Service Health and Safety Program</b></p> <p>R-1 — Review and revise, as appropriate, supervisor performance measures to place a higher priority on maintaining a safe and healthy work environment; for example: performance measures could be linked to the number of abated and/or unabated safety hazards. <b>TID: October 2011</b></p> <p>R-4 — Establish and implement standard operating procedures for dock operations. <b>TID: May 2012</b></p> <p>R-5 — Perform and oversee preventive maintenance procedures for eyewash and shower units. <b>TID: September 2012</b></p> <p>R-6 — Conduct required safety inspections and abate safety hazards in a timely manner to ensure safe and healthy working conditions for the employees. <b>TID: September 2012</b></p> <p>R-7 — Enter Postal Service Forms 1767 accurately and timely in the Safety Toolkit. <b>TID: September 2012</b></p>
EN-AR-12-002	12/1/2011	<p><b>Postal Service-Operated Retail Facilities Discontinuance Program</b></p> <p>R-1 — Develop and implement an integrated retail network optimization strategy to include specific goals and milestones. <b>TID: None</b></p> <p>R-2 — Develop and implement an economic model that determines market demand, including projected financial, geographic, market, and demographic data. <b>TID: February 2012</b></p> <p>R-3 — Improve the reliability and usefulness of retail facilities data by validating, correcting, and updating information in the database. <b>TID: None</b></p> <p>R-5 — Direct headquarters employees to assess the closing of offices whose operations have been suspended prior to FY 2010. <b>TID: June 2012</b></p>

**APPENDIX E**

Report Number	Issue Date	Report Title, Recommendation Summary <b>R</b> = Recommendation number <b>TID</b> = Target Implementation Date
CRR-AR-12-002	12/13/2011	<p><b>Management Operating Data System</b></p> <p>R-1 — Develop a monthly report that identifies the top Management Operating Data System (MODS) operation numbers and facilities causing MODS errors. <b>TID: March 2012</b></p> <p>R-2 — Expand existing MODS exception reports to include observations that exceed maximum machine throughput and manual productivities. <b>TID: March 2012</b></p> <p>R-3 — Issue monthly enhanced exception reports to management at the area, district, and facility level to highlight recurring MODS errors at facilities. <b>TID: April 2012</b></p> <p>R-4 — Develop controls within the MODS that enforce the requirement for facility managers to correct MODS errors in a timely manner. <b>TID: September 2012</b></p> <p>R-5 — Direct district and facility managers to mitigate and correct MODS errors. <b>TID: December 2011</b></p> <p>R-6 — Monitor operation numbers where the majority of MODS errors occur, and determine the potential impact on applicable cost data. <b>TID: July 2012</b></p> <p>R-7 — Evaluate existing quality assurance procedures to determine whether eliminating MODS errors at the facility level, and eliminating observations that exceed maximum machine throughputs or manual productivities, would improve the reliability of MODS-based productivities. <b>TID: July 2012</b></p>
CI-AR-12-001	12/19/2011	<p><b>Innovation Best Practices Analysis</b></p> <p>R-1 — Incorporate innovation planning into the Postal Service strategic plan by March 30, 2012. <b>TID: November 2011</b></p> <p>R-2 — Develop a time-phased plan to implement the first six best practices listed by September 30, 2012. <b>TID: None</b></p> <p>R-3 — Develop a time-phased plan to implement the remaining 13 best practices over the subsequent 24 months after implementing the first six best practices. <b>TID: None</b></p>
FI-AR-12-001	12/28/2011	<p><b>Expedited Packaging Supplies Program</b></p> <p>R-1 — Implement a comprehensive, automated procedure to determine the quantity of expedited packaging supplies retained by major mailers, Post Offices and other facilities that distribute Postal Service's expedited packaging supplies to customers. <b>TID: None</b></p> <p>R-2 — Develop a comprehensive plan to monitor usage and identify and reduce waste associated with expedited packaging supplies. <b>TID: September 2012</b></p> <p>R-3 — Include clear and concise return procedures on each order and update the Publication 22 to reflect current changes in return policies. <b>TID: January 2012</b></p>
IT-AR-12-003	1/9/2012	<p><b>Fiscal Year 2011 Information Technology Internal Controls</b></p> <p>R-1 — Implement corrective actions to address all open issues noted in this report for fiscal years 2010 and 2011. <b>TID: July 2012</b></p> <p>R-2 — Implement procedures with timelines to ensure corrective actions are taken to address all open issues from prior fiscal years before control testing resumes in the subsequent fiscal year. <b>TID: July 2012</b></p>

Report Number	Issue Date	Report Title, Recommendation Summary <b>R</b> = Recommendation number <b>TID</b> = Target Implementation Date
IT-AR-12-002	1/9/2012	<p><b>Patch Management Processes</b></p> <p>R-1 — Ensure that all operating system and database patches are tested, documented, and implemented as required by Handbook AS-805, <i>Information Security</i>. <b>TID: June 2012</b></p> <p>R-2 — Ensure that administrators obtain required policy exception approvals when system patches are not applied. <b>TID: March 2012</b></p> <p>R-3 — Ensure that written procedures are developed to define the patch management process for each group, operating system, and database to include test and back-out plans. <b>TID: June 2012</b></p> <p>R-4 — Ensure that configuration management inventory records are reconciled to the actual servers and databases for their respective group. <b>TID: June 2012</b></p> <p>R-5 — Work together to implement a process to verify that required operating system and database patches distributed to the mail processing plants are applied. <b>TID: May 2012</b></p> <p>R-6 — Implement a common method for all entities to track information technology asset and patch information. <b>TID: September 2012</b></p> <p>R-7 — Ensure vulnerability mediation training is provided to all employees and contractors responsible for enterprise patch management. <b>TID: September 2012</b></p> <p>R-8 — Conduct risk assessments and cost analyses to develop an enterprise-wide migration plan for upgrading unsupported operating systems and databases to vendor-supported software. <b>TID: September 2012</b></p> <p>R-9 — Adopt a method to identify, capture, and report patch management metrics to assist with oversight of the patch management process and facilitate related business and security decisions. <b>TID: September 2012</b></p>
FI-AR-12-002	1/10/2012	<p><b>Bad Check Prevention and Collection</b></p> <p>R-1 — Increase the bad check service charge to the national retail median of \$30. <b>TID: June 2012</b></p>
MS-AR-12-002	1/12/2012	<p><b>Mail Verification Procedures at Detached Mail Units</b></p> <p>R-1 — Review automation efforts to date to identify improvements that can be made in the interim while mailers continue to implement Intelligent Mail barcode technologies. <b>TID: June 2013</b></p> <p>R-2 — Continue ongoing mail verification training efforts while DMU employees continue to use manual mail verification processes. <b>TID: January 2013</b></p> <p>R-3 — Enhance automated systems to notify managers when acceptance employees override Mail Evaluation Readability Lookup Instrument results. <b>TID: June 2013</b></p> <p>R-4 — Develop and implement automated tools that managers can use to monitor and evaluate detached mail unit staffing and scheduling. <b>TID: June 2013</b></p>
NO-AR-12-003	1/20/2012	<p><b>Consolidation of Mail Processing Operations at the Mansfield, OH, Customer Service Mail Processing Center</b></p> <p>R-1 — Identify repositioning plans for all impacted employees at the Mansfield Customer Service Mail Processing Center. <b>TID: None</b></p> <p>R-2 — Continue to monitor and take necessary actions to ensure mail is processed timely at the Cleveland Processing and Distribution Center. <b>TID: None</b></p>
CRR-AR-12-003	1/27/2012	<p><b>Revenue, Pieces, and Weight Inputs Into the Cost and Revenue Analysis Report</b></p> <p>R-2 — Explore concentrating sampling and data collection of manually processed mail from delivery units to the serving processing and distribution facilities for Revenue, Pieces, and Weight estimation purposes. <b>TID: June 2012.</b></p>

**APPENDIX E**

Report Number	Issue Date	Report Title, Recommendation Summary <b>R</b> = Recommendation number <b>TID</b> = Target Implementation Date
CI-AR-12-004	2/2/2012	<p><b>Domestic Mail Manual Preparation and Acceptance Mail Instructions</b></p> <p>R-1 — Combine and remove all duplications in the Domestic Mail Manual, Quick Service Guides, Business Mail Acceptance, Job Aids, and Customer Support Rulings; and publish a new document available to all mailers online. <b>TID: November 2013</b></p> <p>R-2 — Migrate to a one permit per customer requirement using <i>PostalOne!</i>: <b>TID: April 2012</b></p> <p>R-3 — Archive all <i>PostalOne!</i> deleted or canceled permits. <b>TID: April 2012</b></p>
NL-AR-12-001	2/2/2012	<p><b>Postal Vehicle Service Transportation Routes – Margaret L. Sellers Processing and Distribution Center</b></p> <p>R-1 — Ensure ML Sellers Processing &amp; Distribution Center managers follow prescribed fleet management procedures for making PVS schedule changes more timely including conducting annual schedule and vehicle utilization reviews <b>TID: November 2012</b></p> <p>R-2 — Verify the reallocation of 2,424 workhours within existing PVS schedules and reallocate an additional 5,728 workhours within PVS schedules to accommodate future FSS implementation. <b>TID: November 2012</b></p>
DA-MA-12-003	2/9/2012	<p><b>21st Century Post Office: Opportunities to Share Excess Resources</b></p> <p>R-1 — Develop and implement a strategy to share surplus Post Office resources with appropriate federal, state, and municipal government agencies. <b>TID: None</b></p>
CA-MA-12-001	2/27/2012	<p><b>Contract Delivery Service Cost Controls in the Suncoast District</b></p> <p>R-4 — Establish a monitoring system to ensure route surveys are completed accurately and timely. <b>TID: None</b></p> <p>R-5 — Clarify the policy for completing route surveys in Handbook SP-1, <i>Highway Contract Routes - Contract Delivery Service</i>. <b>TID: April 2012</b></p>
NL-AR-12-002	2/28/2012	<p><b>Standardization of Integrated Mail Handling System Loaders at Network Distribution Centers</b></p> <p>R-1 — Direct network distribution centers to modify Integrated Mail Handling System loaders to safely accept over-the-road containers, while continuing to accept Postal Paks, as designed. <b>TID: July 2012</b></p>
NL-AR-12-003	3/12/2012	<p><b>Density of First-Class Mail on Air Transportation</b></p> <p>R-1 — Continue to develop optimization processes to increase First-Class Mail density to maximize container space. <b>TID: April 2013</b></p> <p>R-2 — For sites equipped with the Advanced Facer Canceled System series 200 machines, separate First-Class Mail to be transported by air for sorting on a single sorting machine for further processing and dispatch. <b>TID: April 2013</b></p> <p>R-3 — Develop targeted secondary sort programs to process First-Class Mail bound for air transportation to maximize container space. <b>TID: April 2013</b></p> <p>R-4 — For sites equipped with automated flat sorting equipment, adjust sensors to ensure flat tubs are filled to maximum capacity prior to discharge or removal from the machine. <b>TID: April 2012</b></p> <p>R-5 — Require that processing and distribution center managers use half-size, 1-foot letter trays in manual outgoing letter-sorting operations to optimize container space as necessary for mail dispatched on air transportation. <b>TID: April 2012</b></p>
IT-AR-12-004	3/15/2012	<p><b>USPS.com Data Breach</b></p> <p>R-2 — Implement consistent language in Handbook AS-805, <i>Information Security</i>, to clarify the timeframe required to notify the Computer Incident Response Team of security incidents. <b>TID: December 2012</b></p>
IT-AR-12-005	3/19/2012	<p><b>SAP Human Capital Management System Security Assessment</b></p> <p>R-1 — Encrypt human resources data at rest and in transit according to Handbook AS-805, <i>Information Security</i>, requirements. <b>TID: None</b></p>

Report Number	Issue Date	Report Title, Recommendation Summary <b>R</b> = Recommendation number <b>TID</b> = Target Implementation Date
HR-AR-12-002	3/30/2012	<p><b>Postal Service Mail Security</b></p> <p>R-1 — Develop and implement training to ensure personnel responsible for accountable mail and keys understand their responsibilities. <b>TID: July 2012</b></p> <p>R-2 — Establish policies and procedures requiring responsible personnel to conduct periodic reviews to ensure mail safeguarding and accountability requirements are followed. <b>TID: July 2012</b></p> <p>R-3 — Develop and implement training for contract postal unit personnel to ensure they understand their responsibilities regarding safeguarding mail and accounting for Registered Mail. <b>TID: July 2012</b></p>
HR-AR-12-003	3/30/2012	<p><b>Unauthorized Overtime Usage in Field Operations</b></p> <p>R-1 — Issue supplemental guidance to supervisors and managers to emphasize the importance of: completing and maintaining PS Forms 1017-B, Unauthorized Overtime Record, for employees who incur unauthorized overtime; approving and disapproving PS Forms 3996, Carrier Auxiliary Control, before carriers leave for their routes and reviewing the forms to assess actual time used when they return; and following badge control and clock ring procedures to help prevent unauthorized overtime. <b>TID: September 2012</b></p> <p>R-2 — Develop a consolidated report, or revise an existing report, to include the Time and Attendance Collection System and Unauthorized Overtime Reports; and require supervisors to review the consolidated report to ensure the accuracy of the timekeeping data and improve monitoring of unauthorized overtime. <b>TID: September 2012</b></p> <p>R-3 — Provide periodic refresher training for supervisors to emphasize their responsibilities for time and attendance, including monitoring unauthorized overtime and using PS Form 3996, Carrier Auxiliary Control, for managing delivery operations. <b>TID: September 2012</b></p> <p>R-4 — Develop and implement performance measures or other management controls to hold managers and supervisors accountable for failing to address unauthorized overtime. <b>TID: September 2012</b></p> <p>R-5 — Establish and implement proactive monitoring processes that include periodic reminders and a system of accountability, similar to the procedures that have been implemented in the Central Pennsylvania District to minimize unauthorized overtime. <b>TID: September 2012</b></p>

## **APPENDIX F AND G**

### **APPENDIX F**

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

For the period October 1, 2011 — March 31, 2012

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

None for this report period.

### **APPENDIX G**

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

Federal audit organizations undergo an external quality control assessment by their peers every 3 years. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 requires an appendix reporting on 1) any Office of Inspector General peer reviews conducted during the semiannual period; and 2) any outstanding recommendations from any previous or current peer review that remain outstanding or have not been fully implemented.

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

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

The Postal Service Office of Inspector General did not undergo an internal peer review during this reporting period. The Department of Defense OIG conducted the last peer review of our organization for the period covering April 1, 2008 – March 31, 2009, and issued a quality control review report of our audit organization on March 31, 2010. We received a peer review rating of pass and implemented all recommendations as of March 31, 2011.

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

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

None conducted during this period.

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

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

None conducted during this period.

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

None conducted during this period.



## APPENDIX H

*Investigative Statistics\**

For the period October 1, 2011— March 31, 2012

	<b>Investigations Completed</b>	<b>Arrests</b>	<b>Indictments/ Informations</b>	<b>Convictions/ Pretrial Diversions**</b>	<b>Admin. Action Taken</b>	<b>Cost Avoidance</b>	<b>Fines, Restitution, and Recoveries</b>	<b>Amt. to USPS (from previous column)***</b>	<b>To Mgmt. for Admin. Action</b>
Theft, Delay, or Destruction of Mail by Employees or Contractors	646	160	179	180	352	—	\$21,490,456	\$113,147	326
Injury Compensation Fraud	388	13	18	16	73	\$84,344,307	\$246,881,254	\$1,410,650	99
Official Misconduct	280	17	15	47	211	\$642,950	\$271,474	\$140,397	192
Financial Fraud and Embezzlements	265	56	69	74	133	—	\$2,380,862	\$2,307,270	133
Contract Fraud	69	4	9	7	31	\$787,661	\$44,457,622	\$44,456,633	24
<b>TOTAL</b>	<b>1,648</b>	<b>250</b>	<b>290</b>	<b>324</b>	<b>800</b>	<b>\$85,774,919</b>	<b>\$315,481,668</b>	<b>\$48,428,097</b>	<b>774</b>

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

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

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

## APPENDIX I

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

For the period October 1, 2011— March 31, 2012

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

Type	
Personnel	\$170,883,696
Nonpersonnel	\$33,242,523
<b>TOTAL</b>	<b>\$204,126,219</b>
Capital obligations	\$489,077

Type of Scheme	Complaints Filed	Consent Agreements	FROs	Cease & Desist Orders	Withholding of All Mail Orders
Advance fee	1	1	1	1	—
Charity	1	1	—	1	—
Contests/sweepstakes	10	10	3	10	1
Coupon fraud	8	8	—	8	1
False billings	6	6	2	6	2
Internet Auction	—	—	—	—	—
Lotteries (foreign and domestic)	5	5	—	5	—
Merchandise:					
Failure to furnish	8	8	2	8	—
Failure to pay	7	7	—	7	—
Misrepresentation	14	14	—	14	—
Miscellaneous	13	13	—	13	17
Telemarketing	—	—	—	—	—
Work at home	3	3	—	3	—
<b>TOTAL</b>	<b>76</b>	<b>76</b>	<b>8</b>	<b>76</b>	<b>21</b>

**Other Administrative Actions**

Administrative Action Requests	—
Temporary Restraining Orders Requested	—
Temporary Restraining Orders Issued	—
Cases Using Direct Purchase Authority	—
Civil Penalties (Section 3012) Imposed	—
Test Purchases	4
Withholding Mail Orders Issued	21
Voluntary Discontinuances	11

*Administrative Subpoenas Requested by the Postal Inspection Service*

There were three requests during the reporting period.

## APPENDIX J

***Closed Congressional and Board of Governors' Inquiries***

For the period October 1, 2011— March 31, 2012

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

***Inspector General Investigations (49)***

<b>Requestor</b>	<b>Allegation/Concern</b>	<b>Major Findings/Resolution</b>	<b>Closure Date</b>
Representative, Maryland	Non-receipt of a package containing designer clothing after a postal employee logged the package as delivered.	An investigation confirmed the loss, but found no evidence of misconduct by individual postal employees.	12/01/11
Senator, New York	Postal employees are selling pirated media at a postal plant.	An investigation elicited no witnesses of the sales or evidence to substantiate the allegation.	12/07/11
Representative, New York	Hostile workplace environment, favoritism, and fraudulent scanning of Express Mail as delivered.	Our workplace review confirmed tensions remain, but management had already taken actions to address workplace climate. Another investigation found improper postal protocols on date and time information on scans, but the scanning of Express Mail was within reasonable limits.	12/12/11
Senator, Maryland	Postal contractor alleges discrimination in the competition of a contract.	OIG audited and investigated the allegations. The reviews found no postal misconduct or irregularities as the Postal Service scaled up its contract.	03/19/12
Representative, New York	Unauthorized changes on mail-hold form at a Post Office.	An investigation confirmed a postal employee changed the end date of a mail-hold form. A report of the findings was sent to postal management for action deemed appropriate.	11/15/11
Representative, California	Postal employee stole jewelry and cash from a package mailed to Arizona.	An investigation did not substantiate the allegation of postal employee misconduct.	10/18/11
Senator, Michigan	Non-receipt of a package.	An investigation did not identify any suspects, reveal misconduct by postal employees, or locate the package.	10/05/11
Representative, Ohio	Non-receipt of collector's coins valued at more than \$60,000; last scan occurred in a P&DC.	Our extensive investigation did not develop evidence of misconduct by postal employees; efforts to develop leads in the coin market were inconclusive.	01/31/12
Senator, Texas	Non-receipt of greeting cards containing cash.	An investigation found no misconduct by postal employees and did not locate the missing items.	11/09/11
Representative, New York	Hostile work environment at a Post Office.	An investigation found the behavior in the allegations did not rise to the level of harassment.	10/18/11
Senator, Michigan	Non-receipt of official mail (from Social Security Administration and the Secretary of State, Driver's License Bureau).	An investigation found no postal employee involvement with the non-receipt of mail; the postal Mail Recovery Center was also checked, but routinely destroys documents that can be re-issued, such as checks, as a security measure.	12/12/11
Senator, North Carolina	Theft of donation checks.	An investigation found recipient had erred in alleging the specifics of the loss; our mail integrity test produced no losses.	11/22/11
Senator, Virginia	Plant managers mislabeled mail in an attempt to delay the mail and set the complainant up for discipline.	We did not substantiate the allegation, but found a sorting machine had been programmed with a new plan affecting labels and performance.	11/08/11
Representative, Florida	Privacy Act violation.	We confirmed the allegation and referred our findings to management for administrative action.	10/14/11

**APPENDIX J**

<b>Requestor</b>	<b>Allegation/Concern</b>	<b>Major Findings/Resolution</b>	<b>Closure Date</b>
Senator, Oregon	Mail theft by a postal employee at a Post Office.	An on-going investigation did not reveal the reason for the losses, found no misconduct by postal employees, and was unable to locate the missing items.	12/20/11
Representative, Georgia	Forged documents affecting survivor benefits were in deceased husband's official personnel folder.	A court order granting power of attorney to the surviving spouse may not have prevented him from taking actions affecting his benefits. Our investigation did not substantiate the allegation of forgery or alteration.	12/08/11
Representative, Florida	Package not received.	We developed no evidence of misconduct by any postal employee and no explanation for the loss.	01/10/12
Representative, South Carolina	Harassment and retaliation by co-workers and supervisors at a Post Office.	We declined to investigate three allegations of a hostile work environment due to a pending union grievance on the issues. Management disclosed an employee climate survey rated the worksite as respectful and professional. As to the alleged harassment and assault, we confirmed local police or the Inspection Service reviewed the incidents and took no formal action.	11/15/11
Senator, Montana	Impropriety in applications to bid on a highway contract route.	An investigation determined the award to a postal spouse was both erroneous and quickly reversed.	11/22/11
Senator, Michigan	Management is deliberately destroying mail at a processing and distribution center in Lansing by placing non-machinable mail into the Advanced Facer Cancellor System.	We did not substantiate the allegation of intentional destruction of mail, but found employees concerned about improper loading of bulky mail on the machines. Our review revealed no complaints of damaged or destroyed mail in the area.	01/09/12
Senator, Maryland	Continued harassment by postal inspectors and other groups since complainant retired from the Postal Service.	We did not substantiate the allegation, and could not confirm any contacts with the complainant from the agencies allegedly involved.	12/01/11
Representative, Florida	Management failed to properly address an OIG finding of whistleblower reprisal (WBR) in 2010; further reprisal; and fear of reprisal when complainant returns to duty.	The complainant's Equal Employment Opportunity (EEO) claim was based on the same facts as the current WBR complaint; therefore OIG deferred to the EEO process. As to complainant's concerns about a 2010 WBR complaint we substantiated, the OIG has no authority to compel or review administrative actions taken at the conclusion of the investigation. As to complainant's concern about returning to work, we learned his former supervisors now report to other facilities.	12/12/11
Representative, Illinois	Postal drivers are filling up postal trucks and receiving bonus points at a gas station, and converting the points to personal use.	An investigation found that postal employees refueling postal vehicles were using the gas station reward points for personal use. We found management was unaware of the activity, or that the points could have benefited the Postal Service. We advised the employees and managers of the postal policy and reported our findings for action deemed appropriate.	10/20/11
Representative, Wisconsin	Delay or theft of mail by a postal employee.	The allegation was unfounded.	10/05/11
Senator, Alabama	Household items and cash were missing from package; complainant did not suspect package had been damaged, but found when package arrived, it included items sender denies mailing.	An investigation was conducted which included interviews, searching the Postal Service Mail Recovery Center (MRC), and a review of records and procedures. Postal personnel who had seen the package believed it to be worn and easily subject to damage in processing. We found no history of tampering complaints from the delivery area; our search at the MRC produced no results.	02/17/12
Senator, Texas	Hostile work environment and delayed mail at a Post Office.	Our workplace evaluators discussed progress of threat assessment and employee meetings that were underway. We also reviewed EEO complaints as a possible indicator of workplace stress and found no basis for further OIG review, noting managerial reassignments may have resolved some issues. We reviewed mail reporting system entries for delayed and curtailed mail. We found no indication of falsification of volumes or incidents of delayed mail.	12/16/11
Representative, Texas	Postal vendor alleges license to sell uniforms was suspended without proper notification.	An investigation found that the contractor distributing gift certificates violated the licensing agreement with the Postal Service. The gift certificates allowed Postal Service employees to make purchases with Uniform Allowance Program funds after allotment expiration date and remaining funds should have been returned to the Postal Service. The contractor reimbursed the Postal Service.	12/07/11

<b>Requestor</b>	<b>Allegation/Concern</b>	<b>Major Findings/Resolution</b>	<b>Closure Date</b>
Representative, Texas	Tampering and theft of a package containing a prescribed controlled substance.	We did not substantiate the allegation and found minimal instances, and no patterns, of similar thefts.	11/15/11
Representative, Massachusetts	Non-receipt of mail containing a money order and gift card.	We learned the identity of the person who used the gift card, but we found no connection to postal employees; we were not able to establish how the loss occurred.	03/26/12
Representative, Idaho	Theft of coins from a package.	An investigation found that there was no misconduct by postal employees or evidence of theft. OIG was unable to find the missing coins.	11/16/11
Senate, New York	Torn and smeared mail indicates tampering.	We did not find records of similar complaints, nor were we able to replicate the problems the recipient reported.	03/26/12
Senate Committee	Extension of detail of OIG employee to committee staff.	Extension granted.	10/07/11
Representative, Wisconsin	A postal employee tampered with an estranged spouse's mail.	We did not substantiate the allegation.	08/15/11
Representative, Arizona	A 6-year pattern of non-receipt of greeting cards and packages.	The OIG investigation confirmed some of the losses but found no patterns of theft in the Arizona area or reports within the Federal Crimes Database (FCD) for missing mail to assist in further review.	02/09/12
Chairman, House Subcommittee	Do federal privacy policies hinder agencies in setting up interdisciplinary or interagency task forces, such as could have produced better results in the Tampa, FL, IRS fraudulent tax refund scheme?	The OIG identified the lack of computer matching agreements, or difficulties in establishing them, as the biggest impediment to cultivating leads in the areas of identity theft and tax fraud.	11/14/11
Representative, West Virginia	Workplace issues including an employee working off the clock at a Post Office while in off-duty status.	OIG confirmed an employee was working off the clock, in apparent violation of postal regulations. We alerted the Labor Relations manager for action deemed appropriate.	01/27/12
Representative, Illinois	Customer was overcharged for mail services.	Our investigation verified the customer was charged an amount inconsistent with the size, weight, and class of his mailings, leading to a presumption of a mistake by the employee rating the mail for postage. We reported our findings to management for administrative action.	01/13/12
Senator, Colorado	Employee claims hostile work environment and fears for her safety at a postal plant.	An investigation was conducted and did not find a hostile work environment. Management noted elevated tension due to pending closure and consolidation of the plant.	03/01/12
Senator, South Carolina	Employee seeks resolution of Workers' Compensation overpayment claim.	An investigation found that the employee frequently filed for state unemployment insurance benefits by underreporting income. The investigation led to a two-count grand jury indictment. The matter is now within the jurisdiction of the United States Attorney.	01/13/12
Representative, California	Non-receipt of certified mail.	We determined the carrier did not scan and obtain a signature for one item found to have been received. We did not find a pattern of losses in the delivery areas; management advised proper procedures would be reinforced at employee briefings.	03/26/12
Chairman, Senate Committee	Requesting an unredacted copy of an OIG investigative report.	The Office of Investigations provided the committee the requested report and a summary letter.	12/02/11
Representative, Kentucky	Postal employee claims postmaster created a hostile work environment at a Post Office.	We learned the district staff conducted a climate assessment of the facility, noted lack of trust and communications problems, and established a plan to address the issues and monitor progress.	02/09/12
Senator, Oklahoma	Conflict of interest in management of postal training.	We did not substantiate the allegation and found outside employment had been properly reported.	03/26/12
Chairman, House Committee	Request for a briefing on whistleblower reprisal allegations involving a contract award.	Office of Investigations provided the requested briefing.	12/09/11
Representative, Florida	Delays in receiving restitution for mail theft loss.	In July 2011, we referred our findings concerning the underlying complaint to the United States Attorney's Office (USAO) for prosecution. Complainant is properly listed as a victim on the documentation we presented. OIG does not have jurisdiction over restitution. If and when the court determines restitution, we expect the USAO will rely on our information.	02/09/12

**APPENDIX J**

<b>Requestor</b>	<b>Allegation/Concern</b>	<b>Major Findings/Resolution</b>	<b>Closure Date</b>
Senator, Washington	Employee reports harassment by postal employees.	As part of a Postal Service response, we advised that the complainant was not a subject of any current or recent investigative activities.	12/09/11
Representative, Washington	Employee reports harassment by postal employees.	As part of a Postal Service response, we advised that the complainant was not a subject of any current or recent investigative activities.	12/09/11
Representative, Florida	Mail tampering by Post Office employee.	We did not substantiate the allegations.	03/09/12
Senator, Oklahoma	OIG failed to act on a complaint concerning theft of mail and stalking by a letter carrier.	Through the Office of Government Relations, we responded that the OIG made numerous attempts to contact the complainant, who placed unreasonable restrictions on our proposed interview. We had already investigated his allegations, reported to postal management, and learned of completed administrative actions.	01/31/12

**Inspector General Audits/Risk Analysis Research Center Reports (29)**

<b>Requestor</b>	<b>Allegation/Concern</b>	<b>Major Findings/Resolution</b>	<b>Closure Date</b>
Representative, Michigan	Proposal to consolidate the Flint P&DC into the Michigan Metroplex P&DC may have relied on false cost savings projections, and not properly accounted for service reductions.	Office of Audit (OA) found a valid business case exists to consolidate destinating mail processing operations, including adequate capacity, minimal expected customer service impacts, and higher efficiency at the receiving facility because of the increased mail volume. Auditors noted equipment relocation costs were overstated but had no material impact on the business case.	10/07/11
Representative, Ohio	The OIG should conduct an independent study of the proposal to move processing operations from Mansfield to Cleveland and Columbus, to ensure integrity and accountability of postal operations is maintained and service not compromised.	OA found a business case for the consolidation, first year savings exceeding \$4 million, and adequate capacity at the receiving facility, but that some customer service would be negatively impacted.	02/01/12
Multiple Members, California	The OIG should conduct an expedited audit of the consolidation of processing from Industry into Santa Ana, to ensure expected savings materialize and service levels are maintained.	OA found a business case to support the consolidation, including annual savings exceeding \$1 million, and adequate capacity at the receiving facility, which has higher efficiency and productivity levels.	10/18/11
Representative, Missouri	A potential subcontractor was shut out of competition under a request for proposals issued by a postal contractor.	The Postal Service planned to re-compete the contract and invite the complaining company to compete.	12/13/11
Representative, California	An expedited audit of the ongoing consolidation of mail processing and distribution from Oxnard into Santa Barbara is needed because of issues of job loss, environmental impact, and lack of transparency in the process not adequately addressed by the Postal Service.	OA found a business case for the consolidation, first year savings exceeding \$2 million, and adequate capacity at the receiving facility, but that some customer service was negatively impacted.	03/07/12
Senator, Ohio	Audit of consolidation affecting Mansfield.	OA found a business case for the consolidation, first year savings exceeding \$4 million, and adequate capacity at the receiving facility, but that some customer service would be negatively impacted.	02/01/12
Representative, Massachusetts	OIG's official rebuttal to the Governmental Accountability Office (GAO) report about overfunding of CSRS.	We provided a copy of our October 11, 2011, letter to GAO's Lorelei St. James, Director, Physical Infrastructure.	10/18/11
Representative, West Virginia	Execution of the Postal Service plan to close retail postal facilities in southern West Virginia.	Because of the breadth of the proposal to reduce the postal retail footprint, our Office of Audit has undertaken a review of the nationwide plan.	12/06/11
Representative, Ohio	OIG should conduct an independent study of Area Mail Processing (AMP) proposal consolidating the Toledo P&DC into the Michigan Multiplex.	OA added a review of this consolidation to its ongoing work on the future of the processing network.	11/18/11
Representative, Michigan	OIG should audit the consolidation of the Kingsford, MI, P&DC into Green Bay, WI.	OA added a review of this consolidation to its ongoing work on the future of the processing network.	12/06/11
Alaska delegation	Inaccuracies in the OIG report titled Alaska Bypass: Beyond its Original Purpose prepared by RARC.	We responded, noting that while Alaska has special challenges due to its lack of adequate road and highway infrastructure, we believe the associated costs should be borne by state or federal taxpayers rather than postal customers. We also responded to the nine specific points of inquiry.	12/14/11

<b>Requestor</b>	<b>Allegation/Concern</b>	<b>Referred To</b>	<b>Closure Date</b>
Representative, Louisiana	Request for an OIG audit into the consolidation of the Lafayette P&DC with the Baton Rouge P&DC.	OA added a review of this consolidation to its ongoing work on the future of the processing network.	12/15/11
Representative, Ohio	Plant management, in an effort to have all raw mail done by 9:30 p.m., is stopping cancellation and processing, bundling the remaining mail and entering it into the mail stream. This bypasses the Biohazard Detection System (BDS).	Our audit reviewed Advanced Facer Cancellor System runtime data and made on-site observations and interviews with plant personnel. We concluded the allegation that mail bypassed the BDS was not substantiated.	03/05/12
Representative, Illinois	Request for an OIG review of the postal study of consolidating the Rockford, IL, P&DC into Madison, WI.	OA added a review of this consolidation to its ongoing work on the future of the processing network.	12/15/11
Ranking Member, Senate Committee	Analysis of executive compensation and other issues.	Financial data and operations observations provided as requested.	01/05/12
Senator, Pennsylvania	Requesting an OIG audit into the consolidation of the Scranton P&DF into the Lehigh Valley P&DC, and expressing concerns about impacts on the postal workforce and business community.	OA added a review of this consolidation to its ongoing work on the future of the processing network.	02/24/12
Senator, Vermont	Compilation of audit report data, including effect of eliminating the requirement for the Postal Service to make annual \$5.5 billion payments to its retiree health benefit fund.	We provided our analysis of the effect eliminating the requirement would have, including an estimated growth in the retiree healthcare fund over 21 years from \$44 billion to \$90 billion, which is the estimated current liability. We also provided observations about the frequency and levels of pre-funding in retiree health care and pension funds in the public and private sectors.	02/06/12
Representative, Kentucky	OIG should perform an independent review of the Postal Service decision to consolidate the Lexington, KY, P&DC into Louisville, KY, and Knoxville, TN, P&DCs	OA added a review of this consolidation to its ongoing work on the future of the processing network.	03/02/12
Senator, Pennsylvania	Requests an independent review of the proposal to consolidate Greensburg P&DF into the Pittsburgh P&DC to ensure that the decisions reached accurately and effectively enhance postal operations without harming customers or workforce.	OA added a review of this consolidation to its ongoing work on the future of the processing network.	03/26/12
Senator, Pennsylvania	Requesting an independent review of the proposed consolidation of the Reading P&DC into the Harrisburg P&DC to ensure that the decisions reached accurately and effectively enhance postal operations without harming its customers or workforce.	OA added a review of this consolidation to its ongoing work on the future of the processing network.	03/26/12
Representative, Pennsylvania	Requests the OIG review the postal decision to consolidate the Southeastern with the Philadelphia P&DC.	OA added a review of this consolidation to its ongoing work on the future of the processing network.	02/29/12
Representative, New York	Requests an independent review of the way in which the Postal Service conducted the large set of AMP studies nationwide, and the Buffalo P&DC study in particular.	OA added a review of this consolidation to its ongoing work on the future of the processing network.	03/13/12
Senator & Representative, Pennsylvania	Requesting audit of the consolidation of the New Castle P&DF into the Pittsburgh P&DC, and expressing concerns about impacts on the postal workforce, business community, and service standards.	OA added a review of this consolidation to its ongoing work on the future of the processing network.	03/12/12
Senator & Representative, Pennsylvania	Requesting audit of the consolidation of the Southeastern P&DC into the Philadelphia P&DC, and expressing concerns about impacts on the postal workforce, business community, and service standards.	OA added a review of this consolidation to its ongoing work on the future of the processing network.	03/12/12
Representative, Missouri	Requests the OIG investigate the Postal Service decision to close the Springfield P&DC and consolidate the work at the Kansas City, MO, plant.	OA added a review of this consolidation to its ongoing work on the future of the processing network.	03/13/12
Senator, Pennsylvania	Requests we review studies proposing consolidation of the Altoona, PA, P&DC into the Johnstown P&DC, to ensure that the decisions reached accurately and effectively enhance USPS operations without harming its customers or workforce.	OA added a review of this consolidation to its ongoing work on the future of the processing network.	03/13/12
Senator, Pennsylvania	Requests we review studies proposing consolidation of the Williamsport, PA, P&DC into the Harrisburg P&DC, to ensure that the decisions reached accurately and effectively enhance USPS operations without harming its customers or workforce.	OA added a review of this consolidation to its ongoing work on the future of the processing network.	03/13/12

**APPENDIX J**

<b>Requestor</b>	<b>Allegation/Concern</b>	<b>Referred To</b>	<b>Closure Date</b>
Representative, Pennsylvania	Requests an independent review of the methodology and decision-making process behind the decision to consolidate Southeastern into Philadelphia P&DC.	OA added a review of this consolidation to its ongoing work on the future of the processing network.	03/26/12
Chairman, House Committee	Access to an unredacted audit report.	We provided OIG audit, September 3, 2010, Follow-up Review of the Postal Service's Employee Benefits Programs (HR-MA-10-001).	03/28/12

**Referrals and Similar (9)**

<b>Requestor</b>	<b>Allegation/Concern</b>	<b>Referral to or Other Action</b>	<b>Closure Date</b>
Representative, Florida	Unjust removal from a postal position.	This matter did not fall under jurisdiction of the OIG, however the correspondence has been forwarded to the U.S. Postal Service Government Relations Office (GRO).	11/08/11
Senator, North Carolina	Mail fraud.	This matter did not fall under jurisdiction of the OIG, however the correspondence has been referred to the U.S. Postal Inspection Service (IS).	10/12/11
Representative, Illinois	Employment issues.	GRO	11/02/11
Representative, Kentucky	Employment issues.	GRO	11/08/11
Representative, Colorado	The issue of a lost coin from December 2009 was not resolved.	Postal Service Office of Consumer Affairs responded and included a copy of OIG's previously released investigative records.	12/02/11
Representative, Pennsylvania	A letter carrier put a letter supporting a partisan candidate for local office into mailboxes on the carrier's route, in an apparent violation of the Hatch Act.	Referred as required by postal rules to the U.S. Office of Special Counsel.	12/28/11
Representative, New York	Mail fraud scheme.	IS	12/28/11
Senator, Ohio	Management failure to implement grievance settlements; and snow emergency safety issue.	We declined to interfere in the on-going grievance resolution process.	03/20/12
Representative, Ohio	Management is fraudulently accounting for scheduled and unscheduled leave, and providing financial benefits to employees who appear not to have taken unscheduled leave.	GRO	03/14/12



## SUPPLEMENTAL INFORMATION

### Freedom of Information Act

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

For the period October 1, 2011 — March 31, 2012

Requests	Number of Requests
Carryover from prior period	18
Received during period	310
<b>Total on hand during period</b>	<b>328</b>

Actions	Number of Requests
<b>Processed during the period</b>	<b>307</b>
Requests denied in full	8
Requests denied in part	84
Requests granted in full	9
No records	31
Requests referred*	133
Requests withdrawn	9
Fee-related reasons	—
Records not reasonably described	1
Not a proper FOIA request for some other reason	7
Not an agency record	23
Duplicate request	2

Balance	Number of Requests
Balance at the end of the period (pending)	21

Processing Days	Number of Days
Median processing days to respond to a FOIA request	2

### Workplace Environment

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

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

### Activities

For the period October 1, 2011 - March 31, 2012

Complaints Received	Total
Carryover from prior period	18
Complaints received from OIG Hotline, Congress, governors, management, internal, and other	237
<b>Total on hand during this period</b>	<b>255</b>

Workplace Environment Actions	Total
Complaints reviewed and closed during the period	226
Referred to Postal Inspection Service	1
Referred to Office of Audit	—
Referred to Office of Investigations	2
Referred to Workplace Environment	32
Referred to Hotline	5
Referred to Summary of findings to Congress/BOG/Postal Service Management	36
Referred to FOIA	—
Referred to AIG for Investigations	—
Referred to Database for statistical analysis and possible systemic review	147
<b>Complaints pending at the end of the period</b>	<b>3</b>

## Acronym Guide

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

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

*The following are among the many trademarks owned by the United States Postal Service: United States Postal Service®, U.S. Postal Service®, USPS®, First-Class Mail®, usps.com®, Click-N-Ship®, Automated Postal Center®, APC®, Express Mail®, Priority Mail®, Standard Mail®, Parcel Post®, Media Mail®, Customized MarketMail®, Intelligent Mail®, Parcel Select®, Express Mail International®, Quick, Easy, Convenient®, United States Postal Service Office of Inspector General®, Post Office™, Postal Service™, Signature Confirmation™, Certified Mail®, Delivery Confirmation™, Registered Mail™, ZIP Code™, Carrier Pickup™, Priority Mail International®, First-Class Mail International®, Premium Forwarding Service®, Forever Stamp® and Postmaster General™.*

*Note: USPS Delivery Confirmation® and Approved by the Postmaster General® are registered marks also owned by the United States Postal Service.*



# Who do I call?

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



## Office of Inspector General

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

**Contact: 888-USPS-OIG**  
[www.uspsoig.gov](http://www.uspsoig.gov)



## Postal Inspection Service

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

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

U.S. POSTAL SERVICE OFFICE OF INSPECTOR GENERAL  
1735 N. Lynn Street, Arlington, VA 22209-2020  
1-888-USPS-OIG (1-888-877-7644) Fax: 703-248-2291 [www.uspsig.gov](http://www.uspsig.gov)

