



SEMIANNUAL REPORT TO CONGRESS

SPRING 2019 • OCTOBER 1, 2018 — MARCH 31, 2019





A MESSAGE FROM THE INSPECTOR GENERAL

Once again, this SARC period contained some significant opportunities and challenges. Of note, effective November 29, 2018, I was appointed the third Inspector General of the United States Postal Service. I am very grateful for this opportunity and look forward to continuing to lead our office in

ensuring efficiency, accountability, and integrity while advancing excellence for a thriving Postal Service.

During this period, we, along with various other parts of the federal government, experienced the longest shutdown in history. The impact on our office was significant and was most concentrated in the audit, research, and support areas, as our investigators continued to work in an excepted status. We are still recovering from the effects of the furlough and some work that we had hoped to talk about in the first half of the year will have to wait until the next SARC period.

Our audits focused on operational issues, of course, but they also covered a wide range of topics, including improvements to the Postal Service's ethics program, effects from changes in the operational window, and new ways to invest postal retirement

funds. Some of our work was especially topical, such as the audit in response to congressional requests to review Postal Service controls over the release of personnel information.

Our investigations continue to illustrate the growing challenge of illicit drugs in the mail and mail theft generally. We are seeing a steady increase in mail theft complaints and, in the case of illicit narcotics, we are finding more outsiders that deliberately enlist the aid of postal workers to divert drug packages sent through the mail. These outsiders can include sophisticated drug trafficking organizations, which can increase the danger substantially.

This report, submitted pursuant to the Inspector General Act, outlines our work and activities for the six-month period ending March 31, 2019. During this period, we issued 36 audit reports, management advisories, PARIS risk models and white papers, and the Postal Service accepted 87 percent of our recommendations. We completed 1,199 investigations that led to 396 arrests and nearly \$67 million in fines, restitutions, and recoveries, more than \$26.5 million of which was turned over to the Postal Service.

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

SUMMARY OF PERFORMANCE

Mission Statement

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

SUMMARY of PERFORMANCE

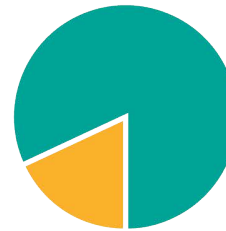
For the Period October 1, 2018 — March 31, 2019

AUDITS and WHITEPAPERS

Questioned Costs:
\$617,636,651

Revenue Impact:
\$2,781,473,463

Funds put to better use:
\$0



Total:
\$3,399,110,114

Reports Issued: **36**

Recommendations Issued: **83**

Total Reports with Financial Impact: **9**

INVESTIGATIONS¹

Amount to the Postal Service²: **\$26,584,996**

Cost Avoidance: **\$127,586,066**

Fines, Restitution, and Recovery: **\$66,938,765**

Investigations Completed: **1,199**

Arrests: **396**

Indictments/Informations: **424**

Convictions/Pretrial Diversions³: **508**

Administrative Actions: **948**

Telephone Calls: **565**

Email: **9,590**

Webforms: **23,365**

Standard Mail: **744**

Voice Mail Messages: **1,444**

Facsimile: **156**

Total Contacts: **35,864**

¹ Statistics include joint investigations with other law enforcement agencies.

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

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

CONTENTS

| | |
|---|----|
| A Message from the Inspector General..... | 2 |
| Summary of Performance..... | 3 |
| Audits and Whitepapers | 5 |
| Investigations | 15 |
| Appendices | 23 |
| Who do I Contact — Report Fraud Waste Abuse | 63 |
| OIG Contact Information..... | 64 |



AUDITS AND WHITEPAPERS

| | |
|--|----|
| Finance, Pricing, & Investments | 6 |
| Mission Operations | 7 |
| Planning and Operations | 8 |
| Retail, Delivery, & Marketing | 9 |
| Supply Management and Human Resources..... | 11 |
| Technology..... | 12 |
| Risk Analysis Research Center..... | 13 |

The Office of Audit (OA) and the Risk Analysis Research Center (RARC) adhere to professional standards and present their work to Postal Service management for comments prior to issuing a final report. Unless otherwise noted, management has agreed or partially agreed with our recommendations and is taking or has already taken corrective action to address the issues raised. OIG white papers explore strategic ideas for ways to enhance the viability and efficiency of the Postal Service.

SUMMARY of PERFORMANCE

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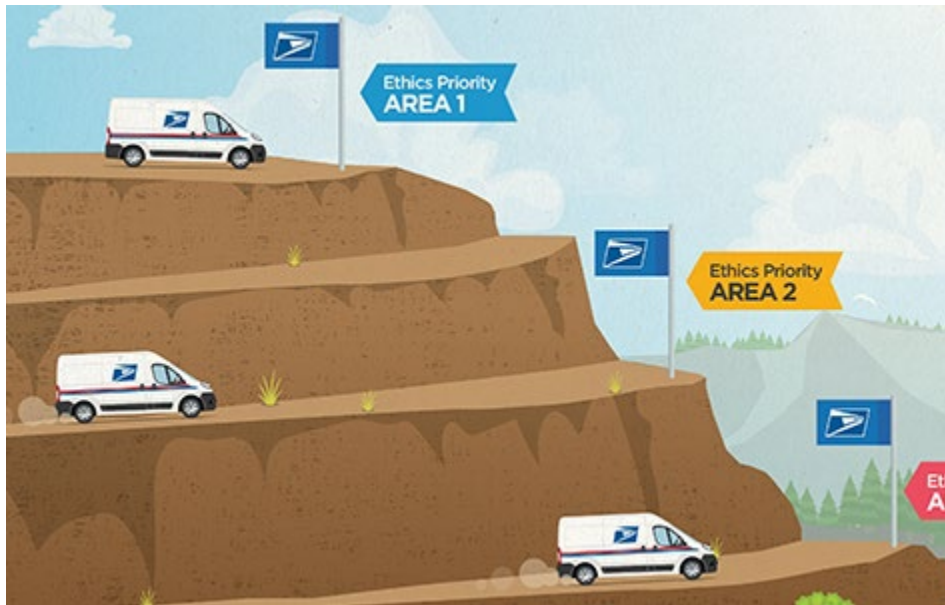
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Finance, Pricing, & Investments

A Broader Perspective for the Postal Service Ethics Program



The Office of Government Ethics (OGE) oversees the executive branch ethics program and, currently, the Postal Service is compliant with OGE requirements. We took a broader approach to the Postal Service's ethics program to determine if it could reach beyond the requirements and structure ethical efforts in a comprehensive, integrated manner that actively contributes to the organization's mission.

We focused on three areas: 1) agency goals and metrics; 2) accountability and consistency; and 3) cause and prevention. The Postal Service demonstrated a maturity level between defined (middle of the scale) and mature, with some indicators of world class (top of the scale) within agency goals and metrics as well as accountability and consistency. The Postal Service does not specifically focus on cause and prevention, which identifies root

causes of unethical conduct and uses the information to prevent further lapses.

We concluded the ethics program could be more comprehensive, and integrated. We recommended management establish a cross-functional committee to create and oversee an organization-wide, integrated approach to such a program. We also recommended management adopt an approach to identifying priority areas and desired maturity levels and designing goals. Finally, we recommended management devise metrics and apply relevant data analysis to monitor progress toward the desired maturity level.

Treasury Inflation-Protected Securities

The Postal Service participates in three retirement benefit programs: the Civil Service Retirement System, the Federal Employees Retirement System, and the Federal Employees Health Benefits Program. The Office of Personnel Management (OPM) administers these programs and, in conjunction with the Department of the Treasury, manages retirement investments. Investments are restricted to safe, fixed-rate Treasury securities. However, the cost of this safety is a low rate of return unlikely to generate enough income to meet future obligations, especially when considering inflation.

Returns on retirement investments have declined in recent years, and current investments offer limited protection against inflation. But returns on Treasury Inflation-Protected Securities (TIPS) investments increase with inflation, countering inflation's effects. By investing in TIPS, the Postal Service could effectively reduce the inflation risk and increase returns on retirement funds. We estimated that the Postal Service retirement funds could earn about \$2.8 billion over the next two years by exchanging a portion of their fixed-rate Treasury securities for TIPS.

Finance, Pricing, & Investments

We recommended management determine an allocation strategy that includes TIPS investments and then request approval from the Secretary of the Treasury and OPM to redeem fixed-rate Treasury securities and invest the proceeds in TIPS. Management agreed

to review the investment policies of the retirement funds and is currently working with Treasury and OPM to better understand the existing investment process and possible strategies that could increase returns on retirement investments.

Mission Operations

Highway Contract Route Optimization Initiative Savings Calculation Methodology and Accuracy

The Postal Service implemented the Zero-Base Highway Contract Route (HCR) initiative in fiscal year (FY) 2014 (renamed HCR Optimization in FY 2017) to reduce surface transportation costs by identifying, adjusting, and eliminating unnecessary HCR trips.

The Postal Service Vice President, Network Operations, sets the HCR cost-reduction goal annually based on total HCR costs. For FY 2017, the goal was \$44.4 million.

We found the HCR optimization cost-savings methodology was not documented and was inconsistently followed and inadequate, resulting in no nationwide cost-savings for FY 2017. The FY 2017 reported cost-savings of about \$67 million included errors resulting in a net overstatement of about \$82 million. Specifically, the reported savings calculations:

We found the methodology the Postal Service used for the savings calculations included errors

Overstating reported savings by about

\$119 million

and understating them by about

\$37 million

resulting in a net overstatement of about

\$82 million

- Excluded 8,819 of 9,100 (97 percent) service change requests, resulting in an overstatement of about \$82 million.
- Included 104 terminated routes and 31 service change requests subject to exclusion rules, resulting in an overstatement of about \$36 million.
- Excluded 763 of the 930 (82 percent) terminated routes from the savings, resulting in an understatement of about \$36 million.
- Inaccurately calculated savings for 56 service change requests, resulting in an understatement of about \$800,000.

We recommended management reevaluate continuing the HCR optimization cost-savings calculation and, if continued, develop standard operating procedures and automate the calculation and validation of reported savings.

Mission Operations

Operational Window Change Savings

The Postal Service revised its First-Class Mail service standards in 2015. The revisions, known as the operational window change (OWC), enabled USPS to expand its mail processing operational window to process mail on fewer machines, thus using less facility space. The Postal Service projected these changes would save over \$805 million annually.

We found the Postal Service did not achieve its projected \$1.6 billion of OWC savings for FYs 2016 and 2017; we could verify only \$324 million in OWC savings and cost avoidance. When projecting savings, the Postal Service did not develop an annual tracking methodology for the savings or account for changes

in mail volume, labor, and transportation costs. Postal Service management stated it could not determine the actual amount of OWC savings achieved because significant declines in letter and flats mail volume and increases in package volume, skewed the data. We concluded it is unlikely the Postal Service will ever achieve its original projected savings.

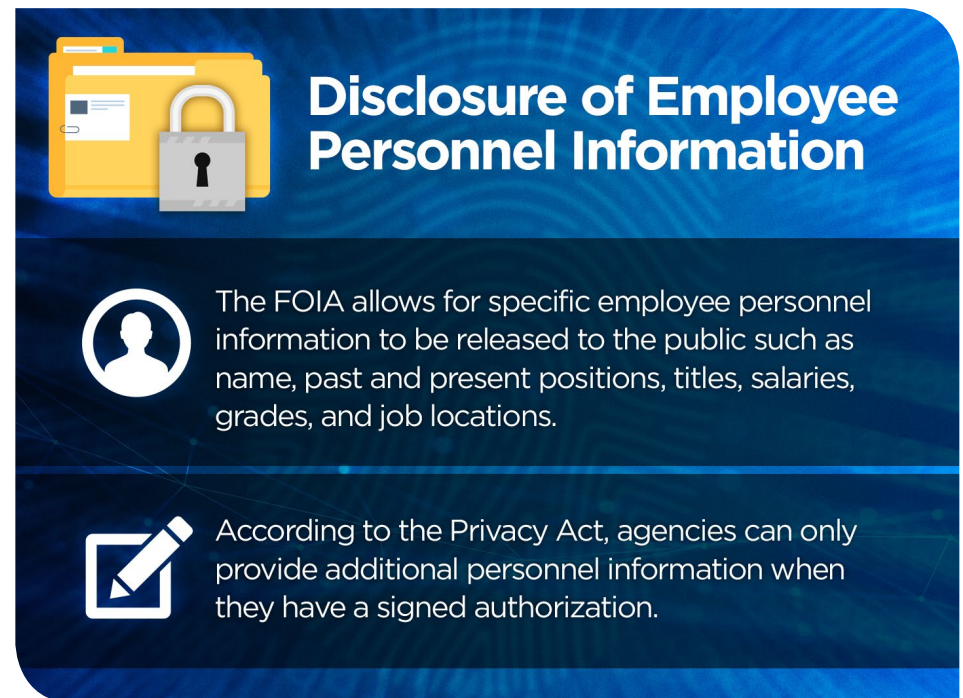
We recommended management develop and implement annual tracking methodologies for any significant projected operational costs or savings and use a sensitivity analysis to account for impacts such as changes in mail volume as well as labor and transportation costs. Management disagreed with the finding and recommendation.

Planning and Operations

Controls Over the Release of Personnel Information

The report responded to two congressional requests to investigate the Postal Service's release of the Official Personnel File (OPF) of former U.S. Postal Inspection Service employee Abigail Spanberger, then the Democratic candidate for Virginia's 7th Congressional District and now its Representative. We evaluated the Postal Service's past and current processes for disseminating employee information in response to Freedom of Information Act (FOIA) requests and how planned Postal Service enhancements may prevent future unauthorized disclosures.

We found the Postal Service did not have adequate controls to ensure proper release of employee information. As a result, the Postal Service released not only Ms. Spanberger's OPF, but also the OPFs of six other former employees without proper authorization. The unauthorized releases violated federal law and Postal Service policy and puts these former employees at risk of identity theft and financial fraud. The Postal Service took initial



Disclosure of Employee Personnel Information

The FOIA allows for specific employee personnel information to be released to the public such as name, past and present positions, titles, salaries, grades, and job locations.

According to the Privacy Act, agencies can only provide additional personnel information when they have a signed authorization.

Planning and Operations

corrective action, but opportunities exist to further reduce the risk of future unauthorized releases.

We recommended management train staff responsible for handling personnel information, establish a monthly supervisory

Retail, Delivery, & Marketing

Tort Claims Management — Capital and Houston Districts

A tort is a wrongful act, injury, or damage not involving breach of contract, for which a civil lawsuit may be brought. Two of the most common accidents resulting in tort claims are motor vehicle accidents involving vehicles operated by Postal Service employees, resulting in injury to a private party or damage to private property; and trips and falls in and around buildings owned, leased, or used by the Postal Service. The Delivery and Retail Operations audit team selected the Capital and Houston districts for this audit based on the high number and cost of tort claim payments in FYs 2016 and 2017, most of which were related to motor vehicle accidents. The Capital and Houston districts paid about \$1.2 million for 576 tort claims in FYs 2016 and 2017.

Our audit found that 36 percent of claim payments were not supported with evidence of damages, 100 percent had missing and/or incomplete forms and documentation, and 59 percent were inaccurately recorded in the Tort Claims System. In addition, tort claim coordinators (TCCs) in the Capital and Houston districts settled and paid 545 claims for up to \$5,000 each, totaling almost \$1 million, without second-level management approval. As a result, we estimated the Capital and Houston districts incurred unsupported questioned costs of about \$211,000 annually for improperly adjudicated tort claim payments.

We recommended management 1) conduct periodic management review of the tort claim process to ensure TCCs are adjudicating

review of FOIA responses for personnel information, develop an annual training plan, and evaluate the effectiveness of the new procedures after they are fully operational.



Retail, Delivery, & Marketing

claims correctly; 2) ensure employees processing or reviewing tort claims are trained and receive periodic refresher training; 3) direct supervisors to ensure facility employees are completing all required accident investigation forms and develop a checklist/guide to ensure district coordinators include all required documents and forms in the tort claim files; 4) reinforce the importance of recording accurate information in the Tort Claims System and updating the system with accurate data with the coordinators; and 5) establish a second-level approval of tort claim payments authorized by coordinators.

U.S. Postal Service's Customer Service to Non-English Speaking Customers

U.S. census data shows that the percentage of the U.S. population speaking a language other than English grew annually from 19.6 to 21.1 percent between 2009 and 2016. Spanish speakers

represent the largest non-English-speaking group, and other languages commonly spoken in homes include Chinese, Tagalog, Vietnamese, Arabic, French, and Korean.


The Postal Service has established ways to communicate with non-English-speaking customers, but we found several areas for improvement. We selected urban area sites in the continental U.S. likely to have non-English-speaking customers and determined that retail clerks at half the sites we visited were unable to assist us when we approached them as Spanish-speaking customers. Price boards, forms, signs, marketing posters, and register receipt invitations to take a customer service survey were completely or mostly in English, even in Puerto Rico. Some resources available in Spanish had portions in English or poorly translated Spanish.

These conditions occurred because the Postal Service did not have centralized programs to identify and meet the needs of non-English-speaking customers, did not provide sufficient oversight, and had not used industry best practices. As a result,

U.S. Census Data Shows...

The percentage of the U.S. population that speaks a language other than English grew annually from


19.6 % to **21.1 %**



between **2009** and **2016**

The percentage of the U.S. population who speaks Spanish, which is the most common non-English language spoken in the U.S., has more than quadrupled since 1970

increasing from **9.6 million** in **1970** to **39.1 million** in **2016**



This accounts for **13 %** of the nation's population

Other non-English languages spoken include:

- Chinese
- Tagalog
- Vietnamese
- Arabic
- French
- Korean

Retail, Delivery, & Marketing

non-English-speaking customers may opt to use competitors' products, negatively affecting Postal Service revenue and customer satisfaction. We recommended management train staff; develop new policies, tools, and resources; and address specific deficiencies identified in our report.

Management has already made some corrections in response to our recommendations, but disagreed in full or in part with other recommendations to develop new ways to overcome communication barriers.

Management Alert — Inbound International Mail Operations — [Redacted] and Nearby Offsite Facilities

The Postal Service coordinates its international inbound mail acceptance operations with the U.S. Customs and Border Protection's (CBP) inspection efforts. A key part of these efforts is the availability and use of advanced electronic data (AED), which accompanies many inbound international mailings. We reviewed how effectively the Postal Service was fulfilling CBP's AED-based hold requests for select inbound international mailings at nearby facilities used by one of the Postal Service's International Service

Centers (ISC) as secondary processing sites to sort mail to domestic destinations. These facilities process significantly less international inbound mail volume than the ISC. We initiated this alert based on our audit work on *Advance Electronic Data Holds and Reliability*.

We found significant weaknesses at the secondary international mail acceptance sites. The Postal Service missed multiple AED-based hold requests at the secondary inbound mail acceptance facilities, because the mailings did not receive a Receipt Verification System (RVS) scan, or there was no record of the hold notification message. We also found frequent technical issues arising from data transmission errors hindered efficient RVS scanning operations at this facility — data showed over 5,700 “time-out” errors occurring between May and June 2018.

We recommended the Postal Service develop and implement solutions to address reporting and data transmission limitations at the inbound mail acceptance facility and deploy item-level scanning equipment, ensure AED-based hold policy awareness, and develop mechanisms for tracking AED-based hold performance information at the respective offsite facilities.

Supply Management and Human Resources

Congressional Mandate on Excess Space

This audit responded to the requirement set forth in the Federal Property Management Reform Act of 2016 that the OIG evaluate the excess space identified and reported by the Postal Service to Congress in September 2017. In its report, the Postal Service identified 369 properties with over 1.2 million square feet of excess space. As of October 1, 2018, the Postal Service owned over 8,400 properties and leased over 23,100 properties with annual rents of more than \$800 million.

We determined the excess space the Postal Service reported to Congress was generally accurate. Of the 369 facilities, we noted that 317 (86 percent) had excess space totaling more than 1.1 million square feet that may be repurposed and increase co-location with other federal agencies. We also determined the other 52 properties (14 percent) did not have 76,432 square feet of excess space as reported, because the space was needed for postal operations, occupied by lessors, or not suitable for outleasing.

Supply Management and Human Resources

We recommended management increase collaboration with the General Services Administration in identifying opportunities to co-locate with other federal agencies and conduct a feasibility study

to identify viable business opportunities to reduce excess space. Overall, management was in agreement with the findings and recommendations in the report.

Technology

Cybersecurity Decision Analysis Reports Review

The Postal Service has made significant investments in information security. For example, in 2015, USPS approved millions of dollars in investments for Cybersecurity Decision Analysis Report (DAR) I and DAR II. Each DAR's total approved investment amount comprises a capital investment, deployment investment expenses, and first year operating expenses.

Overall, the Postal Service's investment strategies have been effective in strengthening its enterprise cybersecurity program and achieving strategic objectives. However, the Postal Service could enhance its financial commitments to the long-term capabilities of administering the cybersecurity program by establishing continued budgets to fund annual operating expenses. We found that expenses associated with day-to-day operations to sustain ongoing cybersecurity operations, such as rent, software licenses and services, and employee and contractor support, should not be considered investments per Postal Service investment policy.

This misclassification of operating expenses as investments occurred because the Postal Service has not performed financial long-range planning or effectively administered the cybersecurity program. Without an ongoing cybersecurity operating budget, the Postal Service may not be able to appropriately secure the enterprise to ensure uninterrupted service delivery, preserve customer and employee trust, and maintain competitive products in the digital marketplace. Additionally, using multiple finance numbers to manage the investments has made it difficult for management to oversee DARs.



Furthermore, the Corporate Information Security Office (CISO) did not track line item expenditures with sufficient detail throughout the DAR II investment. This occurred because CISO considered all approved operating expenses as a single budget and not subject

Technology

to annual budgetary limits. As a result, CISO could not readily determine whether millions of dollars in overspending for DAR II was the result of operational or deployment expenses.

We recommended management create and execute a program/ administrative budget to adequately plan and administer an ongoing cybersecurity program and manage and track DAR II spending against cash flow line items throughout the investments.

Risk Analysis Research Center

Advertising Effectiveness and Age

To stay competitive, companies need to segment customers and tailor their advertising accordingly. One key measure is age, since even products and services with broad appeal might require different marketing strategies for distinct age groups. With the rise of digital media, companies must assess whether and how their advertising efforts resonate with younger, digital-native consumers. At the same time, baby boomers represent over a third of U.S. consumer expenditures, and it is crucial to know how best to reach them. The OIG conducted a neuromarketing study with Temple University to compare physical and digital advertising's effectiveness with



consumers ranging in ages from 18 to 68. The objective included assessing the effectiveness of different ad design categories — functional, emotional, or metaphorical — across age groups.

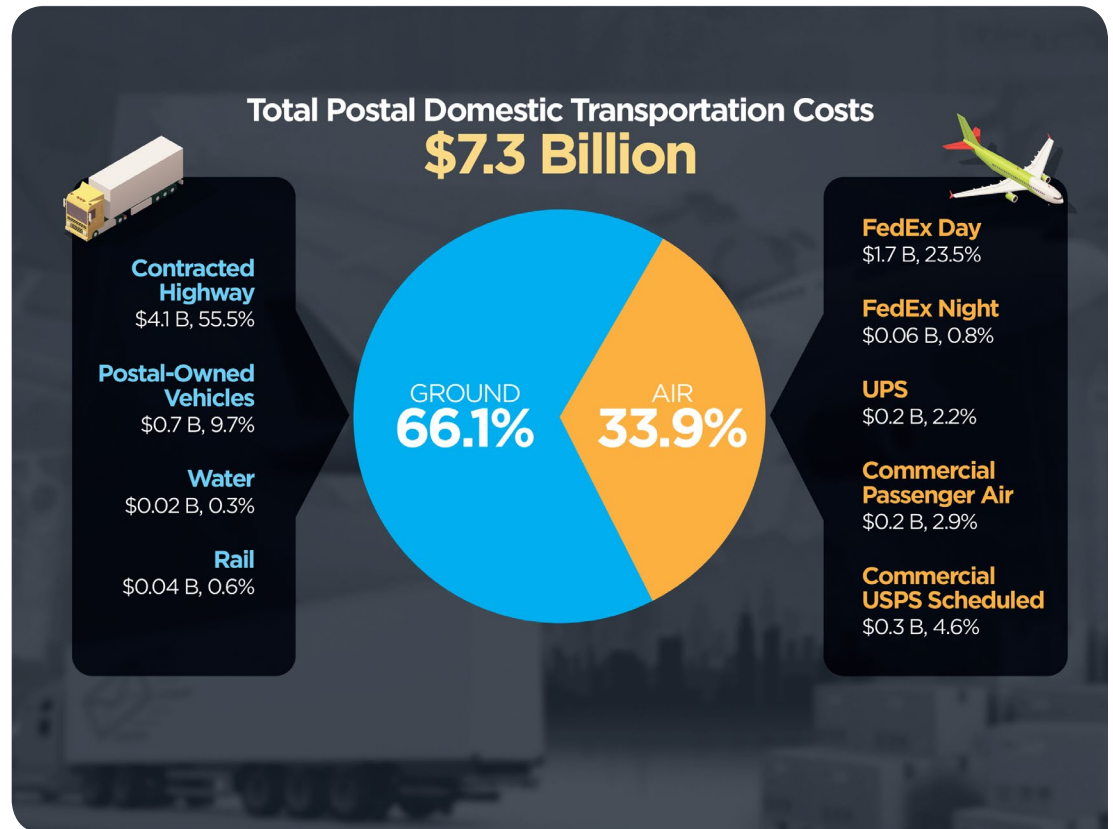
Similar to prior OIG neuromarketing studies, we found that physical advertising leaves a lasting impression on both younger and older participants. This study also revealed interesting differences regarding the effectiveness of an ad's category across age groups. For younger participants, the ads designed to elicit an emotional response were generally more effective than those that focused on describing a product's function. Yet, this was not the case for older adults, for whom the functional appeals were more effective, especially when presented in print format. Ads that used metaphors were consistently effective across all ages.

Because ad mail is a crucial source of revenue for the Postal Service — \$20 billion in fiscal year 2017 — it is important that the Postal Service continue to research and identify how, when, and with whom mail is an effective advertising medium. This research can help the Postal Service better understand mail's enduring value, and can inform future advertising effectiveness research.

What's Driving Postal Transportation Costs?

Postal transportation costs have been steadily rising over the last 10 years despite an overall decline of mail volume. The OIG examined how much transportation costs should have been expected to increase over the 10-year period from fiscal years 2008 to 2017 as a result of: (1) changes in mail volume, encompassing both the decline in letters and flats and the increase in parcels; and (2) the general increase in transportation-related input costs across the country, including rising fuel costs and driver wages. By isolating the impact of these two factors, we were able to identify that 39 percent of the growth in transportation costs over the 10-year period increased beyond what was expected, and therefore warrants further explanation. Management noted additional factors that may account for some of the unexpected cost increase, such as a concerted effort to move more mail to ground transportation. A better understanding of what is driving these costs could help the Postal Service find ways to contain them in the future.

In addition, our analysis allowed us to identify the transportation components with the largest cost increase that cannot be explained solely by volume and transportation related input costs. These are the contracted highway transportation components designed to serve the Postal Service's mail processing facilities.



INVESTIGATIONS

| | |
|---|----|
| Mail Theft..... | 16 |
| Narcotics | 17 |
| Health Care Provider Fraud..... | 18 |
| Health Care Claimant Fraud | 19 |
| Financial Fraud | 20 |
| Contract Fraud..... | 20 |
| Senior Executive Investigations | 21 |
| Internal Affairs: | 22 |
| Whistleblower Reprisal Investigations:..... | 22 |

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

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

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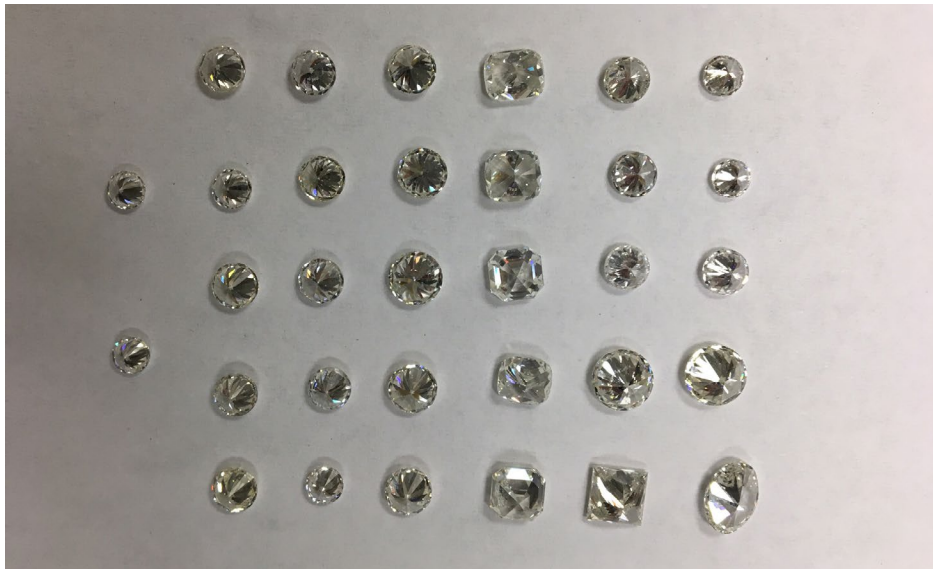
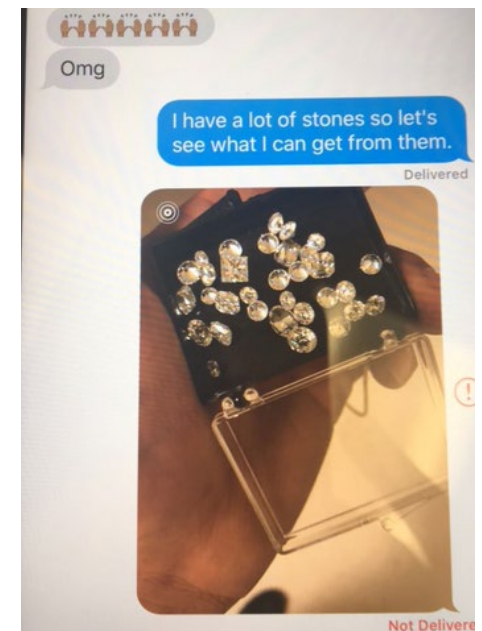
In this section, we highlight work conducted by the OI during this reporting period that contributed to safeguarding the Postal Service’s revenue and assets and helped deter postal crimes, ultimately helping to maintain a stable and sound Postal Service.

Mail Theft

Postal management in Alameda, CA, notified the OIG that 13 Express Mail parcels addressed to the Jewelry District were missing. Postal management suspected a city carrier, who had been previously caught with inappropriately opened parcels inside his work vehicle. OIG agents approached the city carrier while he was delivering mail and discovered a tub containing six Express Mail parcels bearing an address in the Jewelry District outside his assigned route.

Agents also discovered a bundle of seven inappropriately opened Express Mail parcels along with a bundle of Gemological Institute of America certified diamond certificates. During an interview, the city carrier confessed to stealing 32 diamonds valued at almost \$90,000 in addition to \$5,000 in cash, all concealed inside his mail satchel.

In September 2018, the city carrier pleaded guilty to mail theft and was sentenced to two years in prison, followed by three years' supervised release.



Mail Theft

The Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) notified the OIG of a missing firearm that had been mailed to a post office in Fort Worth, TX. ATF and the OIG jointly focused on a post office Sales and Services Associate (SSA) suspected of mail theft. The investigation established that the SSA conspired with an associate (not a postal employee) to steal Federal Firearm License (FFL) shipments that arrived for delivery.

The SSA admitted her role in the conspiracy, telling agents that she frequently scouted the mail for FFL parcels and placed them

into parcel lockers for later pickup by her co-conspirator. During an interview with agents, the co-conspirator admitted to stealing a total of 48 firearms, which he said he then sold on the street.

The SSA was arrested and charged with one count of mail theft. In October 2018, she was later sentenced to 30 months' imprisonment and three years' probation after release. The court further ordered her to pay approximately \$6,500 in restitution to victims of the thefts. Her co-conspirator was sentenced to 27 months' incarceration, followed by three years' probation.

Narcotics

A year-long joint investigation by the OIG, the South Florida High Intensity Drug Trafficking Area Task Force, the U.S. Postal Inspection Service, Immigration and Customs Enforcement's Homeland Security Investigations, and Customs and Border Protection determined that a Miami-Dade County resident ordered multiple kilograms of fentanyl and Pentylone analogues from China via the dark web.



Working for a drug trafficking organization, the Miami-Dade County resident enlisted a rural carrier and a rural carrier associate to divert drug packages from the mail stream for illicit sale and distribution. During a post-arrest interview, the rural carrier told federal agents he agreed to receive and deliver narcotics for cash payments, sometimes as much as \$1,000 per package. On days he was not working, the rural carrier associate diverted the packages.

In October 2018, the Miami-Dade resident pleaded guilty to conspiracy to import a controlled substance analogue and was sentenced to more than six years in prison. The former rural carrier pleaded guilty to conspiracy to possess with intent to distribute a controlled substance analogue and was sentenced to four years in prison. The rural carrier associate pleaded guilty to mail theft and was sentenced to probation.

In August 2017, the OIG began investigating a mail handler assistant in Ohio who was profiling mail for parcels containing marijuana and providing their tracking numbers to an alleged gang member, who paid cash for the information.

Shortly afterward, investigators learned two more co-conspirators were involved. A juvenile robbed a Postal Service letter carrier

Narcotics

at gun point, taking a suspected parcel of marijuana; security cameras captured the juvenile entering a vehicle owned by the mail handler assistant. Monitored phone calls later revealed that another postal employee, a mail processing clerk, was driving the vehicle during the robbery.

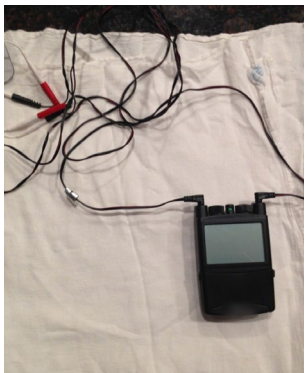
All four individuals admitted to involvement and were convicted. The two former postal employees were sentenced to nearly two years in prison, the alleged gang member to more than nine years, and the juvenile to three years at a juvenile detention facility.

While off-duty because of an injury, a city carrier assistant (CCA) contacted the carrier who was temporarily replacing him and arranged to take possession of a parcel addressed to a location on the CCA's normal route. The temporary carrier thought this was suspicious and notified the Postal Inspection Service,



which in turn informed the OIG. OIG agents then surveilled the off-duty CCA and eventually observed him and a co-conspirator (not a USPS employee) attempt to gain possession of another suspicious package, later found to contain almost 10 pounds of marijuana. Both the CCA and the co-conspirator were arrested, and in November 2018 they pleaded guilty to possession with intent to distribute marijuana and criminal conspiracy to deliver a controlled substance. They were each sentenced to two years of probation, and the CCA was removed from the Postal Service.

Health Care Provider Fraud



The OIG investigated a Scottsdale, AZ, medical equipment company suspected of submitting fraudulent medical claims involving Postal Service employees to the Department of Labor's Office of Workers' Compensation Program (OWCP). Specifically, evidence dating from January 2009 through January 2016 indicated the medical equipment company billed for nearly \$11,000 of Transcutaneous Electrical Nerve Stimulation (TENS) units and

Health Care Provider Fraud

supplies that patients never received. In December 2018, both the company and its owner were excluded from participating in the Federal Employees' Compensation Act (FECA) program, resulting in a total cost-savings of more than \$212,000 to the Postal Service.

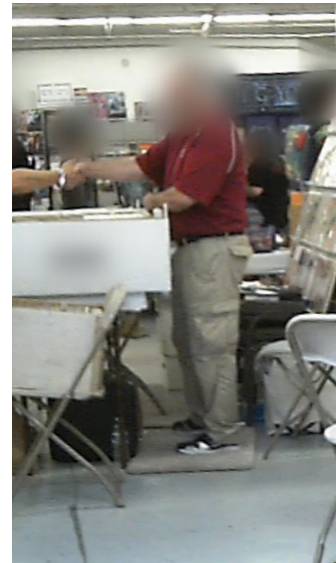
The OIG initiated an investigation into a Licensed Clinical Social Worker suspected of submitting fraudulent claims to the Office of Workers' Compensation Program (OWCP) for psychotherapy treatment provided to a postal employee. OIG agents executed a

search warrant at the social worker's office, and the social worker later confessed to fraudulently billing the OWCP, the Federal Employee Health Benefit (FEHB) program, and other insurance programs for mental health services that he did not render to patients. The social worker pleaded guilty to one count of health care fraud and was sentenced to 18 months' incarceration, followed by three years' supervised release. He was further ordered to pay restitution of more than \$514,000. Additionally, his medical license was suspended, and he was excluded from billing any federal health care plans for five years.

Health Care Claimant Fraud

A rural carrier received disability benefits for back and neck injuries sustained in October 2006. The OIG learned that the carrier failed to disclose eventual improvement in his medical condition to his treating physician, and as a result he received more than \$87,000 in OWCP disability benefits to which he was not entitled. The carrier also failed to disclose, as required by OWCP, his involvement in business activities related to the sale of comic books on eBay and at public events.

The former carrier pleaded guilty to one count of false statement or fraud to obtain federal employees' compensation. He was sentenced to six months' home confinement and three years' probation, and was ordered to pay restitution of the approximately \$87,000 he should not have received. OWCP terminated the former carrier's benefits, saving the Postal Service nearly \$836,000 in future benefits.



Financial Fraud

The OIG determined that 20 Postal Service money orders went missing from a post office in Stafford Spring, CT, and were later redeemed for \$13,300. OIG agents focused on one employee, a sales and service associate (SSA), who later admitted to fraudulently imprinting and subsequently cashing the money orders at various USPS locations in Hartford. The SSA

was arrested by the Hartford Police Department and removed from employment with the Postal Service. In December 2018, the former SSA pleaded guilty to one count of larceny and was sentenced in Connecticut State Court to two years' imprisonment followed by two years' probation.

Contract Fraud

An OIG investigation determined that a Postal Service contractor providing technology support services as part of an Enterprise Technology Services (ETS) contract was improperly billing USPS. The contractor was supposed to provide personnel to perform information and technology services and bill their services at fixed hourly rates associated with labor billing categories to which the employee was assigned. However, the investigation revealed that between January 1, 2009, and December 31, 2016, the contractor billed the Postal Service

for labor services in categories that did not meet the requisite education and/or experience required by the contract.

In December 2018, on behalf of the Postal Service, the Department of Justice signed a civil settlement agreement with the contractor for more than \$5.2 million, of which \$4.1 million was paid to the Postal Service in restitution. As a result of the OIG investigation, the Postal Service replaced its ETS contract with a new one that added controls associated with billing categories, resulting in a cost-savings to USPS of \$136 million.

Senior Executive Investigations

During the reporting period, three instances of misconduct by a Postal Career Executive Service (PCES) employee were substantiated. The PCES grade encompasses the GS-15 (equivalent) and above.

Substantiated allegations:

- A. We investigated an allegation that a Postal Service district manager allowed his fiancée, who is also a postal employee, to work at home in lieu of securing child care for their children. While the investigation was not referred for prosecution, the OIG provided its Report of Investigation (ROI) to the Postal Service's vice president for appropriate action.

The manager entered into a settlement agreement with the Postal Service and relinquished his position as district manager.

- B. We investigated an allegation that, while on travel for a business meeting, a Postal Service manager purchased marijuana "gummies" and insisted that subordinate employees eat them. The manager also directed the employees, who were in a government vehicle, to take gummies back to the manager's duty station.

The investigation was referred for prosecution, but not accepted. The OIG provided its ROI to the Postal Service for appropriate action. The manager was removed from the Postal Service.

- C. We investigated an allegation that a district manager approved the production and use of unauthorized parking placards for Postal Service employees to park in prohibited or metered spaces to avoid parking tickets. The placards were produced by a Postal Service print shop.

The investigation was not referred for prosecution. The OIG

provided its ROI to the Postal Service for appropriate action. The district manager was given a formal discussion. In addition, the print shop was closed.

Unsubstantiated allegations:

During the reporting period, three instances of alleged misconduct by a Postal Career Executive Service (PCES) employee were unsubstantiated.

- A. We investigated an anonymous allegation that an executive caused workplace environment issues, failed to pay employees correctly, and committed travel fraud.

The OIG conducted investigative steps that included but were not limited to email and travel record reviews and database searches for any additional complaints. The steps did not disclose any information to substantiate the allegations.

- B. We investigated an allegation that a Postal Service executive was reportedly observed having sexual relations with another postal employee in a postal facility administrative office. The investigation revealed that the executive was engaged in a personal relationship with the employee, but the allegation was not substantiated. During the investigation, it was discovered that the executive used his government-issued phone to view and store sexually explicit images.

The investigation was not referred for prosecution. The OIG provided its ROI to the Postal Service for appropriate action. For the misuse of the assigned phone, the executive was downgraded.

- C. We investigated an allegation that a postal executive's relationship with a director of a foreign postal operator caused the appearance of a lack of impartiality related to the executive's involvement in a Postal Service debt-settlement

Senior Executive Investigations

agreement with the foreign post. The investigation confirmed that the executive had a personal relationship with the director of the foreign postal operator, but did not substantiate a lack of impartiality.

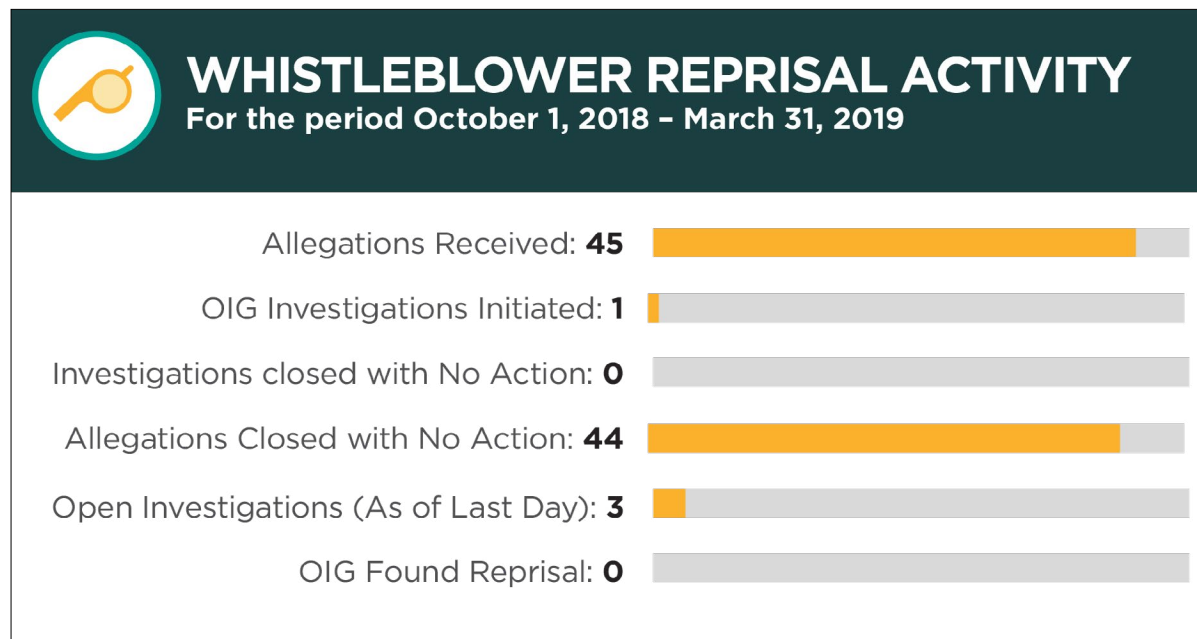
The investigation was not referred for prosecution. The OIG provided its ROI to the Postal Service for appropriate action. Postal Service management instituted a new process requiring multiple levels of review and approval for external correspondence concerning financial matters.

Internal Affairs:

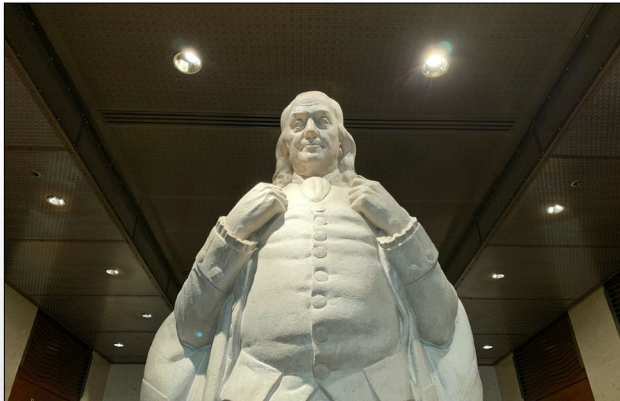
There are no investigations to report in this category for this reporting period.

Whistleblower Reprisal Investigations:

During the reporting period, there were no substantiated Whistleblower Reprisal (WbR) allegations.



APPENDICES



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

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

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

| | |
|---|-----------|
| APPENDIX A: Products Issued to Postal Service Management..... | 24 |
| APPENDIX B: Findings of Questioned Costs | 28 |
| APPENDIX C: Recommendations That Funds Be Put to Better Use | 29 |
| APPENDIX D: Other Impacts | 30 |
| APPENDIX E: Reports with Recommendations Pending Corrective Actions..... | 31 |
| APPENDIX F: Management Decisions in Audit Resolution | 49 |
| APPENDIX G: Status of Peer Review Recommendations | 55 |
| APPENDIX H: Investigative Statistics..... | 56 |
| APPENDIX I: Summary of U.S. Postal Inspection Service Actions Under 39 USC § 3005 and 3007 | 57 |
| APPENDIX J: Congressional/PMG/Board of Governors Inquiries | 58 |
| APPENDIX K: Attempt to Interfere with OIG Independence | 58 |
| Supplemental Information | 59 |
| Reporting Requirements..... | 61 |
| Acronym Guide..... | 62 |

APPENDIX A: Products Issued to Postal Service Management

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

Definitions

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

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

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

Revenue Impact. Amounts from revenue-generating functions such as retail sales, rent, leases, or fees that were underpaid or not

realized. In addition, this category includes increased revenue from existing functions and generating revenue from new sources.

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

Summary

For the period: October 1, 2018 – March 31, 2019

| Risk Categories | Number of Reports | Funds Put To Better Use | Questioned Costs | Unsupported Questioned Costs ¹ | Revenue Impact |
|---------------------------------------|-------------------|-------------------------|----------------------|---|------------------------|
| Finance and Pricing | 13 | — | — | — | \$2,781,473,463 |
| Mission Operations | 6 | — | \$3,581,972 | — | — |
| Planning and Operations | 2 | — | — | — | — |
| Retail, Delivery, and Marketing | 6 | — | \$433,131 | \$433,131 | — |
| Supply Management and Human Resources | 4 | — | \$613,621,548 | \$613,621,548 | — |
| Technology | 3 | — | — | — | — |
| Sub-Total | 34 | — | \$617,636,651 | \$614,054,679 | \$2,781,473,463 |
| RARC White Papers | 2 | — | — | — | — |
| Total | 36 | — | \$617,636,651 | \$614,054,679 | \$2,781,473,463 |

¹ Unsupported Questioned Costs is a subset of the total of Questioned Costs.

APPENDIX A: Reports with Quantifiable Potential Monetary Benefits

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

For the period: October 1, 2018 – March 31, 2019

| | Funds Put to Better Use | Questioned Costs | Unsupported Questioned Costs | Revenue Impact |
|--|----------------------------|---------------------|------------------------------------|----------------------|
| Finance and Pricing | | | | |
| Finance | | | | |
| No-Fee Post Office Boxes, FT-AR-19-004, 11/26/2018 | — | — | — | [Redacted] |
| Treasury Inflation-Protected Securities, FT-AR-19-003, 11/26/2018 | — | — | — | 2,781,473,463 |
| Mission Operations | | | | |
| Network Processing | | | | |
| Delayed Mail at the Denver, CO, Processing and Distribution Center, NO-AR-19-002, 11/21/2018 | — | 231,575 | — | — |
| Transportation | | | | |
| Postal Vehicle Service Driver Overtime – Houston District, NL-AR-19-001, 12/11/2018 | — | 3,328,531 | — | — |
| Postal Vehicle Service Tire Usage and Failures, NL-AR-19-003, 02/04/2019 | — | 21,866 | — | — |
| Retail, Delivery, and Marketing | | | | |
| Delivery and Retail Operations | | | | |
| Mail Delivery and Customer Service Issues – Bushwick Station, Brooklyn, NY, DR-AR-19-003, 02/26/2019 | — | 4,692 | 4,692 | — |
| Mail Delivery Issues – Heritage Station, San Antonio TX, DR-AR-19-002, 11/21/2018 | — | 6,487 | 6,487 | — |
| Tort Claims Management – Capital and Houston Districts, DR-AR-19-001, 11/26/2018 | — | 421,952 | 421,952 | — |
| Supply Management and Human Resources | | | | |
| Supply Management and Facilities | | | | |
| Oversight of Highway Contract Routes – Insurance, SM-AR-19-002, 03/22/2019 | — | 613,621,548 | 613,621,548 | — |
| Total | — | 617,636,651 | 614,054,679 | 2,781,473,463 |

APPENDIX A: Report Listing

Complete listing of all OIG reports issued to Postal Service management. For the period: October 1, 2018 – March 31, 2019

Finance and Pricing

Finance

A Broader Perspective for the Postal Service Ethics Program; FT-AR-19-001; 11/6/2018

Business Reply Mail Refunds – Memphis, TN, Main Post Office; FCS-FM-19-005; 3/26/2019

Fiscal Year 2018 Officers' Travel and Representation Expenses; FT-AR-19-005; 12/18/2018

Fiscal Year 2018 Review of Form 10-K; FT-FQ-19-001; 11/12/2018

Fiscal Year 2018 Selected Financial Activities and Accounting Records; FT-AR-19-006; 1/30/2019

Fiscal Year 2019 Review of Form 10-Q; FT-FQ-19-002; 2/6/2019

No Sale Transactions – Bloomfield, NJ, Main Office; FCS-FM-19-004; 2/6/2019

No-Fee Post Office Boxes; FT-AR-19-004; 11/26/2018

Opinion on the U.S Postal Service's Fiscal Year 2018 Closing Package Financial Statements; FT-AR-19-002; 11/16/2018

Treasury Inflation-Protected Securities; FT-AR-19-003; 11/26/2018

No Sale Transactions – Bainbridge Island, WA, Station; FCS-FM-19-003; 12/7/2018

No Sale Transactions – Dallas, TX, Mockingbird Finance Station; FCS-FM-19-001; 11/21/2018

No Sale Transactions – Los Angeles, CA, LAX - Village Station; FCS-FM-19-002; 12/7/2018

Mission Operations

Network Processing

Delayed Mail at the Denver, CO, Processing and Distribution Center; NO-AR-19-002; 11/21/2018

Maintenance Workhour Charges at Southern Area Processing Facilities; NO-AR-19-003; 12/12/2018

Operational Window Change Savings; NO-AR-19-001; 10/15/2018

Transportation

Highway Contract Route Optimization Initiative Savings Calculation Methodology and Accuracy; NL-AR-19-002; 1/30/2019

Postal Vehicle Service Driver Overtime – Houston District; NL-AR-19-001; 12/11/2018

Postal Vehicle Service Tire Usage and Failures; NL-AR-19-003; 2/4/2019

Planning and Operations

Audit Operations

Fiscal Year 2018 Decision Analysis Report Summary; AO-CAP-19-001; 3/25/2019

Strategic Assessment

Controls Over the Release of Personnel Information; SAT-AR-19-001; 12/14/2018

Retail, Delivery, and Marketing

Delivery and Retail Operations

Mail Delivery Issues – Heritage Station, San Antonio TX; DR-AR-19-002; 11/21/2018

Mail Delivery Issues – Barrington Station, Los Angeles, CA; DR-AR-19-004; 3/6/2019

Mail Delivery and Customer Service Issues – Bushwick Station, Brooklyn, NY; DR-AR-19-003; 2/26/2019

Tort Claims Management – Capital and Houston Districts; DR-AR-19-001; 11/26/2018

Sales, Marketing, and International

Inbound International Mail Operations – [Redacted] and Nearby Offsite Facilities; MS-MT-19-001; 11/14/2018

U.S. Postal Service's Customer Service to Non-English Speaking Customers; MS-AR-19-001; 11/2/2018

Supply Management and Human Resources

Human Resources and Support

Underground Storage Tanks; HR-AR-19-001; 2/5/2019

Supply Management and Facilities

Congressional Mandate on Excess Space; SM-AR-19-001; 12/14/2018

Examination of Northrop Grumman's Security Systems, LLC Examination of Price Proposal; SM-CAR-19-001; 2/15/2019

Oversight of Highway Contract Routes – Insurance; SM-AR-19-002; 3/22/2019

Technology

Information Technology

CyberSecurity Decision Analysis Reports Review; IT-AR-19-002; 11/19/2018

Informed Visibility Vulnerability Assessment; IT-AR-19-001; 10/12/2018

Northeast Area Environmental and Physical Controls Site Security Review; IT-AR-19-003; 1/31/2019

APPENDIX A: White Paper Listing

Complete listing of all OIG White Papers issued to Postal Service management. For the period: October 1, 2018 – March 31, 2019

Risk Analysis Research Center

Advertising Effectiveness and Age, RARC-WP-19-001; 2/25/2019

What's Driving Postal Transportation Costs?; RARC-WP-19-002, 3/18/2019

Reports/Memoranda Issued During the Period but Were Not Disclosed to the Public

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

Office of Audit

Data Analysis Memorandums

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

Data Analysis Memorandum – US Postal Service Network Maps; IT-PM-19-001; 12/3/2018

Data Analysis Memorandum – FY 2018 PARIS Vehicle Maintenance Efficiency Risk Model; DR-PM-19-001; 12/19/2018

Data Analysis Memorandum – Fiscal Year 2019 Vehicle Maintenance Efficiency for Quarter 1; DR-PM-19-002; 3/25/2019

Data Analysis Memorandum – Fiscal Year 2018 Field Financial Risk Model; FT-PM-19-001; 2/26/2019

Data Analysis Memorandum – Postal Service Grievance Activity; HR-PM-19-001; 12/17/2018

Data Analysis Memorandum – Fiscal Years 2014 – 2018 Transportation Expenses; NL-PM-19-001; 3/21/2019

Review of Form 10-Q

The following letters are not publicly available as they are provided to the Board of Governors to assist them in determining whether to release the financial statements and disclosures, with the accompanying opinion, to the public.

Fiscal Year 2018 Review of Form 10-K; FT-FQ-19-001; 11/12/2018

Fiscal Year 2019 Review of Form 10-Q; FT-FQ-19-002; 2/6/2019

Audits of Costs Incurred

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

Examination of Northrop Grumman's Security Systems, LLC

Examination of Price Proposal; SM-CAR-19-001; 2/15/2019

Referrals to Postal Management

Referrals made to USPS management for action that did not warrant the OIG to investigate or conduct an audit.: **806**

APPENDIX B: Findings of Questioned Costs

For the Period: October 1, 2018 – March 31, 2019

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

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

| Description | Number of Reports | Questioned Costs | Unsupported Costs Included in Questioned Costs |
|--|-------------------|----------------------|--|
| Reports for which no management decision was made at the beginning of the reporting period | — | — | — |
| Reports requiring management decision that were issued during the reporting period | 7 | \$617,636,651 | \$614,054,679 |
| Totals | 7 | \$617,636,651 | \$614,054,679 |
| Reports for which a management decision was made during the reporting period (i+ii) | 7 | \$617,636,651 | \$614,054,679 |
| (i) Dollar Value of disallowed cost | 5 | \$4,010,411 | \$428,439 |
| (ii) Dollar value of cost not disallowed | 2 | \$613,626,240 | \$613,626,240 |
| Reports for which no management decision was made by the end of the reporting period. | — | — | — |

[Note 1 — Reports for which no management decision was made within 6 months of issuance:](#)

None this report period.

[Note 2 — Reports for which no management decision was made within 1 year of issuance:](#)

None this report period.

APPENDIX C: Recommendations That Funds Be Put to Better Use

For the Period: October 1, 2018 – March 31, 2019

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.

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

[Note 1 — Reports for which no management decision was made within 6 months of issuance:](#)

None this report period.

[Note 2 — Reports for which no management decision was made within 1 year of issuance:](#)

None this report period.

APPENDIX D: Other Impacts

For the Period: October 1, 2018 – March 31, 2019

Overview

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

| Description and Reports | Number of Recommendations |
|--|---------------------------|
| Assets or Accountable Items at Risk | |
| Mail Delivery and Customer Service Issues – Bushwick Station, Brooklyn, NY, DR-AR-19-003, 02/26/2019 | 1 |
| Mail Delivery Issues – Heritage Station, San Antonio TX, DR-AR-19-002, 11/21/2018 | 1 |
| Improved Service | |
| Delayed Mail at the Denver, CO, Processing and Distribution Center, NO-AR-19-002, 11/21/2018 | 3 |
| Mail Delivery and Customer Service Issues – Bushwick Station, Brooklyn, NY, DR-AR-19-003, 02/26/2019 | 1 |
| Mail Delivery Issues – Barrington Station, Los Angeles, CA, DR-AR-19-004, 03/06/2019 | 2 |
| Mail Delivery Issues – Heritage Station, San Antonio TX, DR-AR-19-002, 11/21/2018 | 5 |
| No-Fee Post Office Boxes, FT-AR-19-004, 11/26/2018 | 3 |
| U.S. Postal Service's Customer Service to Non-English Speaking Customers, MS-AR-19-001, 11/02/2018 | 9 |
| Physical Safety and Security | |
| Inbound International Mail Operations – [Redacted] and Nearby Offsite Facilities, MS-MT-19-001, 11/14/2018 | 2 |
| Northeast Area Environmental and Physical Controls Site Security Review, IT-AR-19-003, 01/31/2019 | 4 |
| Underground Storage Tanks, HR-AR-19-001, 02/05/2019 | 2 |
| Revenue at Risk | |
| Delayed Mail at the Denver, CO, Processing and Distribution Center, NO-AR-19-002, 11/21/2018 | 1 |
| No-Fee Post Office Boxes, FT-AR-19-004, 11/26/2018 | 1 |
| Disbursements at Risk | |
| Business Reply Mail Refunds – Memphis, TN, Main Post Office, FCS-FM-19-005, 03/26/2019 | 1 |
| Misallocation of Costs | |
| Maintenance Workhour Charges at Southern Area Processing Facilities, NO-AR-19-003, 12/12/2018 | 1 |
| Data Integrity | |
| Congressional Mandate on Excess Space, SM-AR-19-001, 12/14/2018 | 1 |

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

Improved Service: Report Numbers FT-AR-19-004; MS-AR-19-001

Revenue at Risk: Report Number FT-AR-19-004

APPENDIX E: Reports with Recommendations Pending Corrective Actions

For the period: October 1, 2018 – March 31, 2019

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

| Report Number | Issue Date | Monetary Impact | Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date |
|---------------|------------|-----------------|---|
| NL-AR-12-010 | 09/28/2012 | — | <p>First-Class Mail on Air Transportation — Assignment by Weight</p> <p>R-1 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: December 2020</p> |
| NO-MA-13-005 | 04/04/2013 | \$11,955,046 | <p>Supervisor Workhours and Span of Control</p> <p>R-2 — Fill vacant supervisor positions up to the appropriate span of control level and reduce supervisor replacement workhours accordingly. TID: July 2019</p> |
| NO-AR-14-009 | 08/28/2014 | — | <p>Consolidation of the Toledo, OH, Processing & Distribution Center</p> <p>R-1 — Re-evaluate cost savings to include additional transportation costs and update data as necessary and adjust the Area Mail Processing proposal based on the post-implementation review. TID: June 2019</p> |
| HR-AR-15-001 | 11/20/2014 | — | <p>Security Clearances for Postal Service Contract Drivers</p> <p>R-1 — Establish formal procedures to track and monitor contract driver security clearances to ensure drivers have the appropriate clearance and are re-screened, as required. This should include a process to notify appropriate management officials when security clearances have not been renewed. TID: August 2019</p> <p>R-2 — Establish a formal centralized system that allows for the tracking and monitoring of contract driver security clearances. TID: August 2019</p> <p>R-3 — Establish mandatory and refresher training requirements for Postal Service officials responsible for security clearances to ensure they are aware of their roles and responsibilities regarding the security clearance process. TID: August 2019</p> <p>R-4 — Establish a formal oversight process for contracting officers to validate contract drivers have security clearances when renewing contracts. TID: August 2019</p> |
| HR-AR-15-004 | 03/06/2015 | — | <p>Badges for Postal Service Contractors</p> <p>R-1 — Revise national policy to ensure responsible personnel develop comprehensive and uniform standard operating procedures to manage contractor badges, including procedures for issuing, tracking, and monitoring badges. TID: August 2019</p> <p>R-2 — Provide formal training including periodic refresher training to responsible personnel to ensure they understand their roles and responsibilities for managing contractor badges. TID: August 2019</p> <p>R-3 — Establish an oversight process to strengthen controls and accountability of the contractor badge program to ensure it is effectively managed. TID: August 2019</p> |

APPENDIX E: Reports with Recommendations Pending Corrective Actions

| Report Number | Issue Date | Monetary Impact | Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date |
|---------------|------------|-----------------|--|
| | | | Area Mail Processing Consolidations |
| NO-AR-15-007 | 06/05/2015 | — | R-1 — Include guidelines for determining a timeframe for implementing an area mail processing consolidation once a feasibility study is approved. TID: March 2019 |
| | | — | R-2 — Define “substantive change” with respect to changes that warrant revisions to area mail processing feasibility studies and specify timeframes for evaluating a feasibility study to determine whether substantive change(s) occurred. TID: March 2019 |
| | | | Substantial Increase in Delayed Mail |
| NO-MA-15-004 | 08/13/2015 | — | R-4 — Establish criteria for determining if the network has stabilized and ensure the criteria are met prior to resuming the Phase II consolidations or conducting any other optimization efforts. TID: March 2019 |
| | | | U.S. Postal Service Handling of Inbound International Mail at the [Redacted] International Service Center |
| NO-MA-15-006 | 09/03/2015 | — | R-4 — To ensure scanned data is accurate, complete, and reliable. TID: July 2018 |
| | | | Postal Inspection Service Mail Covers Program Phase II |
| HR-AR-15-007 | 09/15/2015 | — | R-2 — Establish formal procedures to monitor and track accountable mail cover documents for postal inspectors to ensure they are properly completed, submitted, and maintained at the Postal Inspection Service’s Criminal Investigations Service Center (CISC). These procedures should include requiring inspectors to return all mail cover documents to the CISC within 60 days of the mail cover end date. TID: September 2019 |
| | | — | R-3 — Conduct a study to determine how using electronic media, including spreadsheets will impact the confidentiality and security of mail cover information. Based on study results, clarify policies and procedures regarding completing Postal Service Form 2009, Information Regarding Mail Matter, for each mailpiece related to interdiction mail covers and for mail covers that are automatically generated, approved, and closed. TID: September 2019 |
| | | | Address Management Licensing Agreements |
| SM-AR-16-004 | 12/29/2015 | — | R-2 — Periodically evaluate licensing agreement templates to determine whether provisions are consistent, up-to-date, and adequately protect the Postal Service’s best interests. TID: October 2019 |
| | | | Rock Springs, WY, Customer Service Mail Processing Center Consolidation |
| NO-AR-16-006 | 01/07/2016 | — | R-1 — Re-evaluate management workhour, maintenance, and transportation savings contained in the Rock Springs Area Mail Processing feasibility study during the first post-implementation review. TID: December 2018 |
| | | — | R-2 — Determine and document the impact of excluding the automated flat volume from the Rock Springs Area Mail Processing feasibility study during the first post-implementation review. TID: December 2018 |
| | | | Access Controls over Mail Imaging Systems |
| IT-AR-16-004 | 01/14/2016 | — | R-2 — Require passwords for all mail imaging systems accounts in accordance with Handbook AS-805. TID: May 2019 |
| | | — | R-3 — Delete all accounts that have not been used in more than 365 days and all guest accounts on the mail imaging systems. TID: May 2019 |
| | | — | R-4 — Require users to change passwords for all administrative accounts at least every 30 days and for all non-administrative accounts at least every 90 days for the mail imaging systems. TID: May 2019 |

APPENDIX E: Reports with Recommendations Pending Corrective Actions

| Report Number | Issue Date | Monetary Impact | Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date |
|---------------|------------|-----------------|---|
| DR-AR-16-002 | 01/20/2016 | \$64,263,499 | Review of City Carrier Office Efficiency – Colorado/Wyoming District R-1 — Eliminate 179,619 workhours at delivery units. TID: April 2019 |
| HR-AR-16-002 | 04/07/2016 | — | Postal Service's Handling of Office of Workers' Compensation Claim Forms R-1 — Develop a more comprehensive electronic claims process to ensure claims forms are completed accurately and in timely manner. TID: December 2019 |
| NO-AR-16-008 | 05/04/2016 | \$93,101,614 | New York Morgan Processing and Distribution Center Efficiency R-1 — Reduce 385,365 workhours over the next five years by evaluating operational efficiency and adjusting workhours to workload. TID: May 2021 |
| NL-AR-16-003 | 07/01/2016 | \$230,362,977 | Package Processing Machine Capacity R-1 — Develop a plan to operate package processing machines at full operational performance levels in order to reduce the amount of manual processing and to support continued package growth. TID: May 2019 |
| IT-AR-16-010 | 08/10/2016 | — | PostalOne!-Business Customer Support System Availability R-6 — Develop a plan to calculate PostalOne!-Business Customer Support System availability in accordance with best practices and include blackout maintenance hours on the daily chief information officer scorecards reported to the Postal Service Executive Leadership Team. TID: July 2019 |
| NO-AR-16-009 | 09/02/2016 | — | Mail Processing and Transportation Operational Changes R-1 — Re-evaluate and update the projected operational and transportation financial impacts associated with the operational window change. TID: December 2016 R-2 — Develop and implement a strategy to improve mail processing productivity in the new operational window before any additional nationwide operational changes or consolidations are implemented. TID: March 2019 |
| CP-AR-16-010 | 09/08/2016 | — | Postmaster Cost Segment R-3 — Communicate to the Postal Regulatory Commission the status of the Post Office Structure Plan and develop a timeline and approach for updating the postmaster variability study. TID: April 2019 |
| NO-AR-16-012 | 09/29/2016 | \$465,165,928 | Continuous Improvement of Mail Processing Operations R-1 — Reduce 11.5 million workhours from projected fiscal year 2016 levels where possible and when planning for 2017 projected workhours by evaluating operational efficiency, adjusting staffing levels/workhours to workload, and ensuring overtime workhours do not exceed budgeted levels. TID: September 2019 |
| NL-AR-16-006 | 09/30/2016 | — | Management and Oversight of Highway Contract Routes R-5 — Update Postal Service Handbook PO-501, Highway Contract Route (HCR) Administration, to include required annual highway contract route training for administrative officials, enforce the national process for administrative officials to report and contracting officers to manage HCR contractor irregularities, implement an annual policy review process, and ensure the policy is available on the Postal Service's PolicyNet. TID: November 2017 |

APPENDIX E: Reports with Recommendations Pending Corrective Actions

| Report Number | Issue Date | Monetary Impact | Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date |
|---------------|------------|-----------------|---|
| | | | Packages Suspected of Containing Marijuana |
| HR-AR-17-001 | 10/12/2016 | — | R-1 — Implement a nationwide policy for handling, tracking, and providing additional security for packages suspected of containing marijuana to reduce the risk of these packages being lost or stolen. The tracking should be comprehensive to include initial retrieval from the mail to resolution, and reporting all packages suspected of being lost or stolen and related employee misconduct to the Office of Inspector General. TID: March 2019 |
| | | — | R-2 — Develop training to ensure responsible personnel understand their roles and responsibilities for identifying, handling, safeguarding, and tracking packages suspected of containing marijuana. TID: March 2019 |
| | | | Use of Independent Contractor Studies |
| CP-AR-17-002 | 10/14/2016 | — | R-2 — Store and share final study results in a centralized location accessible to an identified level of management. TID: March 2019 |
| | | — | R-3 — Establish a retention policy for contracted external studies. TID: July 2019 |
| | | | Function 4 Efficiency in the Colorado/Wyoming District |
| MS-AR-17-001 | 12/08/2016 | \$5,301,358 | R-1 — Coordinate units' integrated operating plans and mail arrival profiles. TID: April 2019 |
| | | — | R-2 — Actively monitor employees to manage workload and ensure they are processing mail efficiently. TID: April 2019 |
| | | | Mail Processing Operations at the Roanoke, VA, Processing and Distribution Center |
| NO-AR-17-003 | 01/17/2017 | — | R-2 — Re-evaluate transportation savings in the Roanoke, VA, Processing and Distribution Center area mail processing feasibility study during the first post-implementation review. TID: June 2019 |
| | | | Accuracy of Grievance Settlement Payments |
| HR-AR-17-003 | 01/27/2017 | \$3,443,354 | R-1 — Finalize resolution of outstanding underpayments and collect outstanding overpayments for the Global Remedy settlement. TID: December 2017 |
| | | \$77,553 | R-2 — Finalize resolution of outstanding underpayments and collect outstanding overpayments for the Kelly Services settlement. TID: December 2017 |
| | | | Privileged Account Management |
| IT-AR-17-003 | 04/05/2017 | — | R-2 — Develop and continuously maintain a complete and accurate listing of privileged accounts for Postal Service systems. TID: March 2019 |
| | | — | R-3 — Define business practices and responsibilities for monitoring privileged accounts and implement privileged access management tools. TID: May 2019 |
| | | | Postal Inspection Service Consumer Fraud Fund |
| HR-AR-17-006 | 05/04/2017 | — | R-1 — Develop a requirement to evaluate the effectiveness of Consumer Fraud Fund expenditures using measurable performance goals. TID: May 2019 |
| | | — | R-2 — Develop formal written procedures for management of Consumer Fraud Fund requests and for tracking, monitoring, and reconciling expenditures. TID: May 2019 |
| | | | Prohibited Inbound International Mailings |
| MS-AR-17-008 | 07/18/2017 | — | R-3 — Conduct a formal cost analysis comparing various disposal options for the Postal Service's handling of prohibited mailings and determine which is the most cost effective. TID: None |

APPENDIX E: Reports with Recommendations Pending Corrective Actions

| Report Number | Issue Date | Monetary Impact | Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date |
|---------------|------------|-----------------|--|
| SM-AR-17-006 | 08/07/2017 | \$361,759,002 | Appointment of Contracting Officers' Representatives |
| | | | R-1 — Validate contracting officers' representatives training and certification and ensure it is documented. TID: December 2018 |
| | | | R-2 — Validate contracting officers' representatives (COR) appointments are official via COR letters of appointments. TID: December 2018 |
| | | | R-4 — Update the Contract Authoring Management System with current contracting officers and contracting officers' representatives information and ensure that information is accurately completed by mandating completion of the fields noted in our review. TID: December 2018 |
| | | | R-5 — Develop a process to timely notify contracting officers when contracting officers' representatives are reassigned or have resigned. TID: May 2019 |
| NO-AR-17-011 | 08/10/2017 | — | Delayed Mail Validation R-3 — Establish a formal process to integrate data from the Mail History Tracking System and Enterprise Data Warehouse, specifically delayed mail and mail processed after the processing cut-off time, into the Mail Condition Reporting System. TID: None |
| DR-AR-17-007 | 08/30/2017 | — | City Carriers Returning After 6 P.M. – Bay Valley District R-4 — Develop and execute a plan to review current package volume data for city delivery units, beginning with the oldest route adjustment dates and modify route base package volumes and route values through the Route Count and Inspection process or minor route adjustments. TID: June 2019 |
| NL-AR-17-009 | 09/05/2017 | — | Surface Visibility Scanning – Western Area R-4 — Assess the SV scan network environment in all Western Area Processing & Distribution Centers to identify and resolve wireless connectivity issues that affect SV scanning. TID: None |
| MS-AR-17-009 | 09/07/2017 | — | Delayed Inbound International Mail R-2 — Develop a mechanism for incorporating available data into its inbound mail monitoring and reporting processes. TID: None |
| NL-AR-17-010 | 09/07/2017 | — | Highway Contract Route Irregularity Reporting – Jacksonville Network Distribution Center |
| | | | R-1 — Update Postal Service Handbook PO-501, Highway Contract Administration, dated June 1981, with instructions for classifying and charging irregularities, and establish manual procedures for the submission of Postal Service Form 5500, Contract Route Irregularity Report, for all potential irregularities when the Yard Management System is not operational. TID: None |
| | | | R-3 — Amend the Electronic Records Information Management System Postal Service Form 5500, Contract Route Irregularity Report, retention schedule from one-year to match Highway Contract Route contract terms. TID: None |
| HR-AR-17-014 | 09/14/2017 | \$308,402,033 | Management of Overtime in the Northeast Area R-1 — Develop an action plan to promote accountability in managing the planned percentage of overtime and planned overtime hours. That action plan should address the contributing factors to overtime, to include but not limited to, unscheduled leave and inactive employees, and assess the effectiveness of management actions related to non-career employee retention and increased package volume growth. TID: None |

APPENDIX E: Reports with Recommendations Pending Corrective Actions

| Report Number | Issue Date | Monetary Impact | Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date |
|---------------|------------|-----------------|--|
| | | | Insider Threat Program |
| | | — | R-1 — Continue to develop and fully implement an insider threat program for national security information in accordance with National Insider Threat Policy minimum standards. TID: October 2019 |
| IT-AR-17-007 | 09/18/2017 | — | R-2 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: September 2019 |
| | | — | R-3 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: May 2019 |
| | | | Assessing Postal Service Employee Engagement Activities |
| HR-AR-17-013 | 09/21/2017 | — | R-1 — Require managers and supervisors to create action plans to address Postal Pulse Survey results and implement a process to monitor and assess progress on the activities identified in action plans. TID: None |
| | | — | R-2 — Expand the Postal Service's social media strategy, which is currently customer-focused, to include a process to monitor and respond to employee comments on employee-focused social media websites. TID: September 2018 |
| | | | Mobile System Review |
| IT-AR-17-009 | 09/21/2017 | — | R-3 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: July 2019 |
| | | — | R-4 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: July 2019 |
| | | — | R-5 — Implement security standards for the mobile Point-of-Sale devices and application. TID: August 2019 |
| | | | Software License Management |
| IT-AR-17-008 | 09/25/2017 | — | R-1 — Complete implementation of the centrally managed software license program that complies with Postal Service policy and best practices. TID: March 2020 |
| | | | Highway Contract Route Contracting Practices and Conflicts of Interest |
| NL-AR-18-001 | 10/10/2017 | — | R-3 — Revise the time period for resolving Department of Transportation unsatisfactory ratings to be, at a minimum, in compliance with the Title 49, U.S. Code of Federal Regulations. TID: May 2019 |
| | | | Package Delivery Scanning – Nationwide |
| DR-AR-18-001 | 10/27/2017 | — | R-2 — Develop a process that will allow carriers to scan multiple packages to a single delivery address to provide accurate delivery information to customers. TID: None |
| | | — | R-4 — Develop a Mobile Delivery Device warning message/alert to deter carriers from applying street delivery scan events at delivery units. TID: May 2019 |
| | | — | R-5 — Create a reason code for stop-the-clock scans entered using the manual input mode for the Mobile Delivery Device (MDD) and include this data on the Manual Entries report to track MDD malfunctions by reason codes. TID: None |
| | | | Review of Mobile Applications |
| IT-AR-18-001 | 12/20/2017 | — | R-1 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: December 2018 |

APPENDIX E: Reports with Recommendations Pending Corrective Actions

| Report Number | Issue Date | Monetary Impact | Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date |
|---------------|------------|-----------------|--|
| | | | Postal Vehicle Service Fuel Cost and Consumption Strategies |
| NL-AR-18-003 | 01/03/2018 | — | R-2 — Reevaluate their Viability of Compressed Natural Gas (CNG)-Fueled Vehicles Versus Diesel PVS fuel assessment for alternative fuels by considering the replacement of high fuel usage sites within proximity of public CNG refueling. TID: None |
| | | \$7,718,392 | R-3 — Evaluate the benefits of telematics in conjunction with Global Positioning System information on all Postal Vehicle Service vehicles. TID: None |
| | | | Delivery Charge Codes |
| | | — | R-1 — Reiterate to delivery personnel the importance of charging work hours to appropriate operation numbers and labor distribution codes. TID: None |
| | | — | R-2 — Modify the Time and Attendance Collection System to establish controls that flag invalid time codes on Sundays for supervisor correction. In the interim, develop a process to monitor the accuracy of clock rings and hold the delivery management team accountable for ensuring Sunday delivery work hours are charged to the proper operation numbers and labor distribution codes. TID: None |
| CP-AR-18-002 | 01/19/2018 | — | R-3 — Revise Postal Service guidance to 1) require delivery managers justify and support all clock ring adjustments; 2) include an appropriate retention period for documenting clock ring adjustments; and 3) establish periodic monitoring of clock ring adjustments to ensure employee work hour changes are accurate, justified, and supported. TID: None |
| | | — | R-4 — Modify the Time and Attendance Collection System to include a field where managers must annotate reasons for making clock ring adjustments to enhance visibility and oversight and to ensure compliance with policy. TID: None |
| | | — | R-5 — Establish automated controls that ensure delivery supervisors identify missing and incorrect end tour clock rings and make the necessary and timely corrections in the Time and Attendance Collection System. TID: None |
| | | | Terminal Handling Services – Capital Metro Area |
| NL-AR-18-004 | 02/02/2018 | — | R-1 — Resolve mail processing facilities' lack of adherence to the volume arrival profile (VAP) for all Capital Metro Area mail processing facilities. TID: March 2018 |
| | | | National Recycling Program |
| | | \$16,477 | R-1 — Strengthen controls of the National Recycling Program operations and coordinate with Managers, Greensboro and Suncoast Districts, to implement financial monitoring and operational oversight responsibilities over the facilities to the district. TID: September 2018 |
| HR-AR-18-002 | 02/22/2018 | — | R-2 — Reassess and adjust National Recycling Program goals as necessary, based on delays in the execution plan to appropriately set program expectations at district levels. TID: September 2019 |
| | | — | R-3 — Implement a control or oversight mechanism to validate accuracy of general ledger account entries, reiterate standard operating procedure guidance to appropriate personnel, and provide additional general ledger account entry training, as necessary. TID: September 2018 |
| | | | Highway Contract Route Irregularity Reporting – Chicago Network Distribution Center |
| NL-AR-18-005 | 02/22/2018 | \$888,839 | R-1 — Reconcile the differences between the Transportation and Contract Delivery Service Terms and Conditions, Postal Service Form 5500, Contract Route Irregularity Report, and the 2017 training requirements for chargeable irregularities and the inconsistency between what a contractor can charge and what the Postal Service can charge. TID: None |

APPENDIX E: Reports with Recommendations Pending Corrective Actions

| Report Number | Issue Date | Monetary Impact | Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date |
|---------------|------------|-----------------|--|
| HR-AR-18-003 | 03/01/2018 | — | Postal Service's Limited Duty and Rehabilitation Programs Return to Work Processes in the Southern and Pacific Areas |
| | | | R-2 — Assess if the staffing to caseload ratio aligns with requirements established by management. TID: None |
| | | | R-3 — Implement a control to validate work searches are conducted and supporting documentation is retained. TID: September 2018 |
| IT-AR-18-002 | 03/19/2018 | — | R-4 — Assess the feasibility of implementing an automated or other solution to promote process efficiency and satisfy the special job bank requirement. TID: None |
| | | | Western Area Physical Security and Environmental Controls |
| | | | R-3 — Direct the senior plant manager to implement compensating controls for doors without a functioning card reader. TID: March 2019 |
| | | | R-4 — Direct the senior plant manager to communicate access procedures to the resource management personnel to ensure employees without a Postal Service badge do not gain access to the facility west entrance. TID: March 2019 |
| | | | R-6 — Direct the senior plant manager to implement security controls for the facility parking lots and repair surveillance security cameras. TID: March 2019 |
| SM-AR-18-001 | 03/20/2018 | \$4,536,971 | R-8 — Direct the senior plant manager to implement environmental controls for protecting information technology assets against water damage in the information system office. TID: March 2019 |
| | | | R-9 — Direct the senior plant manager to recharge the fire suppression system in the IT server room. TID: March 2019 |
| | | | Oversight of Contract Extensions |
| | | | R-1 — Revise policy to establish restrictions on the number of option years included after contract award. TID: None |
| | | | R-2 — Revise policy to clarify the use of contract clauses when exercising option years, and revise the current review and approval process to ensure appropriate clauses are used when extending contracts. TID: August 2019 |
| | | | R-3 — Reiterate through formal communication the requirements for renewal clauses, and revise the current review and approval process to ensure renewals are used appropriately. TID: August 2019 |
| SM-AR-18-002 | 03/26/2018 | \$98,482,250 | R-4 — Reiterate through formal communication the proper inclusion of required contract clauses in the contract language, and revise the current review and approval process to ensure mandatory clauses are included in contracts. TID: May 2019 |
| | | | R-5 — Reconcile existing policy and clause language to clarify written notification requirements for Clause 2-19: Option to Extend. TID: August 2019 |
| | | | R-6 — Close the remaining six open contracts and reiterate to contract officers the importance of closing contracts properly. TID: August 2019 |
| | | | Controls Over Time and Materials and Labor Hour Contracts |
| NO-AR-18-003 | 03/29/2018 | — | R-1 — Revise policy to better define ceiling price and the requirement to document the ceiling price in the Schedule; reiterate the requirement to contracting officers when executing Time and Materials and Labor Hour contracts. TID: June 2019 |
| | | | Maintenance Optimization – Northeast Area |
| | | | R-2 — Ensure Human Resources and mail processing facilities coordinate the review of maintenance employee assignments to confirm they are assigned to the correct labor distribution code. TID: None |
| | | | R-3 — Establish a plan to ensure maintenance supervisors monitor and correct maintenance employee operation number selections as needed so that the correct labor distribution code is used for the work being performed. TID: None |

APPENDIX E: Reports with Recommendations Pending Corrective Actions

| Report Number | Issue Date | Monetary Impact | Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date |
|---------------|------------|-----------------|--|
| NO-AR-18-004 | 03/30/2018 | — | Mail Processing Facilities Staffing R-1 — Establish nationwide criteria for using Function 1 Scheduler results. TID: None |
| | | \$420,133,963 | R-2 — Include Function 1 Scheduler results in headquarters' annual budget process. TID: None |
| | | — | R-3 — Implement and document the Verification, Validation, and Accreditation process for the Function 1 Scheduler. TID: None |
| FT-AR-18-007 | 04/02/2018 | \$1,152,177 | Credit for Disputed Voyager Card Transactions R-1 — Implement a process to reconcile, at least quarterly, all disputed transactions nationwide. TID: September 2019 |
| NL-AR-18-006 | 04/12/2018 | — | Surface Visibility Scanning – Capital Metro Area and Capping Report R-2 — Require Processing and Distribution Center managers to ensure that Mail Transport Equipment Labeler (MTEL) plastic sleeves are always used for mail containers with MTEL placards. TID: None |
| | | — | R-3 — Develop procedures to ensure mail container visibility during Mail Transport Equipment Labeler system trip updates. TID: None |
| | | — | R-4 — Update Mail Transport Equipment Labeler software to resolve the 24-hour system trip update delay. TID: None |
| | | — | R-5 — Ensure through training and monitoring that Processing and Distribution Center managers provide adequate oversight of scanning operations to ensure Mail Transport Equipment Labeler placards are attached and all mail is scanned as required. TID: None |
| | | — | |
| CP-AR-18-004 | 04/20/2018 | — | Inbound International Parcel Volume Variance R-3 — Develop a methodology to estimate and track mail volume for Letter Class Untracked Packets in the Enterprise Data Warehouse. TID: September 2018 |
| | | — | R-4 — Develop a built-in report within the Enterprise Data Warehouse that Postal Service functional areas can use to obtain reliable and complete inbound international mail volume and weight data. TID: None |
| DR-AR-18-004 | 05/08/2018 | \$97,409 | Tort Claims Management – Western Area R-1 — Issue a directive instructing districts to ensure tort claim payments and related supporting documentation are reviewed periodically. TID: September 2019 |
| | | — | R-5 — Require the Central Plains, Dakotas, Hawkeye, and Portland Districts to establish a second level approval of tort claim payments authorized by the Tort Claim Coordinator. TID: None |
| MI-AR-18-001 | 05/17/2018 | — | Review of Expansion of Package Sorters Investment R-2 — Establish decision analysis report performance metrics that are reasonable and can be used to evaluate program performance. TID: April 2019 |
| | | — | R-3 — Develop and implement a process to ensure performance metrics are tracked and reported in accordance with policy. TID: April 2019 |
| NO-AR-18-006 | 05/22/2018 | — | First-Class Mail Service Performance Measurement – Northeast Area R-1 — Establish an ongoing process to ensure all Hoshin plans are complete and current as required by Postal Service guidance. TID: None |
| | | — | R-2 — Assess and implement Hoshin training to ensure that those employees involved with the Hoshin plans fully understand their responsibilities based on Postal Service guidance. TID: None |
| | | — | R-3 — Evaluate and determine the relevance of current First-Class Mail service performance goals considering the service pairs that do not meet goals. TID: None |

APPENDIX E: Reports with Recommendations Pending Corrective Actions

| Report Number | Issue Date | Monetary Impact | Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date |
|---------------|------------|-----------------|---|
| NL-AR-18-008 | 05/24/2018 | \$606,602 | <p>Highway Contract Route Fuel Price Index Program Effectiveness</p> <p>R-1 — Establish periodic review processes to ensure Surface Transportation Category Management Center personnel are following the March 2017 procedural guidance for establishing the contract baseline fuel price per gallon. TID: May 2019</p> |
| HR-AR-18-004 | 05/29/2018 | — | <p>Employee Background Screening: San Francisco, Bay-Valley, and Sierra Coastal Districts</p> <p>R-3 — Assess the need for conducting a new electronic National Agency Check with Inquiries for the 33 missing Certificates of Completion. TID: September 2018</p> |
| SM-AR-18-004 | 06/07/2018 | \$41,921,741 | <p>Domestic Preference in Vehicle Contracts</p> <p>R-1 — Revise Supplying Principles and Practices Section 2-36 to include Provision 1-2: Domestic Source Certificate – Supplies (March 2006), and Clause 1-9: Preference for Domestic Supplies (March 2006), and reiterate the prescription for including Clause 4-2, Contract Terms and Conditions Required to Implement Policies, Statutes, or Executive Orders in renewed contracts. TID: June 2019</p> <p>R-2 — Revise the domestic preference certification process for proposals to make the supplier certification more explicit in affirming end products are domestic, and ensure deviation letters are developed for identified exceptions. TID: June 2019</p> |
| HR-AR-18-006 | 06/18/2018 | — | <p>Opioid Safety Preparedness</p> <p>R-1 — Reinforce current suspicious mail protocols and issue communication specific to synthetic opioids to all employees. TID: None</p> <p>R-2 — Identify which hazardous and suspicious mail Learning Management System courses should be mandatory, and promote completion to intended employee audiences to reinforce compliance with protocols. TID: None</p> <p>R-5 — Develop a communication strategy to ensure approved mailers of controlled substances are aware of Postal Service Publication 52: Hazardous, Restricted, and Perishable Mail. TID: March 2019</p> |
| DR-AR-18-006 | 07/03/2018 | \$116,297,744 | <p>City Carriers Returning After 6 P.M. – South Florida District</p> <p>R-1 — Conduct a study of district mail processing operations at the three Processing and Distribution Centers and improve mail flow within and between the plants, and to delivery units. TID: March 2019</p> <p>R-3 — Direct Plant Managers and Manager, Operation Program Support update mail arrival profiles and integrated operating plans with agreement by plant and delivery unit management, that reflect accurate mail arrival times and mail mix. TID: March 2019</p> |
| DR-AR-18-008 | 07/03/2018 | \$2,989,381 | <p>Management of VMF Undistributed Labor – Capital Metro and Great Lakes Area</p> <p>R-1 — Ensure managers are aware of and trained on SEAM processes, tools, and reports to improve monitoring and oversight of operations. TID: April 2019</p> <p>R-2 — Direct vehicle maintenance facilities managers to follow guidance in Handbook PO 701, Fleet Management, to rectify and address time charges to ensure timecards and work orders are accurate. TID: April 2019</p> <p>R-3 — Issue a directive to VMF managers to investigate, rectify, and address undistributed labor below negative 3 percent. TID: April 2019</p> <p>R-4 — Direct VMF managers to review and monitor the entering of workhours onto work orders to ensure hours are recorded accurately. TID: April 2019</p> |

APPENDIX E: Reports with Recommendations Pending Corrective Actions

| Report Number | Issue Date | Monetary Impact | Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date |
|---------------|------------|-----------------|---|
| | | | Flats Sequencing System Performance in the Capital Metro Area |
| NO-AR-18-008 | 07/26/2018 | — | R-1 — Track and address the causes of flats leakage and, where possible, implement operational changes to ensure flats leakage mail is processed on the Flats Sequencing System. TID: None |
| | | — | R-2 — Determine the operational cost and savings Flats Sequencing System (FSS) currently provides to the Postal Service to fully understand the financial and operational impact of FSS on the Postal Service and customers. TID: None |
| | | — | R-3 — Monitor and ensure that supervisors are reviewing staff Flats Sequencing System labor code selections daily for correctness. TID: None |
| | | — | R-4 — Establish a process to ensure the electronic Mail Improvement Reporting system is being used to report all flats mail problems and these problems are resolved within 30 days of reporting. TID: None |
| | | | Terminal Handling Services – Southern Area |
| NL-AR-18-009 | 07/27/2018 | — | R-1 — Ensure all Southern Area mail processing facilities follow their respective volume arrival profiles. TID: None |
| | | | Marketing Mail Letters Workshare Discounts |
| CP-AR-18-006 | 08/01/2018 | — | R-1 — Direct the Manager, Cost Attribution, to document the periodic review of non-recurring inputs in the Marketing Mail letters cost model, to include conducting and maintaining documentation of cost-benefit and sensitivity analyses. TID: March 2019 |
| | | | Timecard Adjustments at Facilities in the Greater Boston District |
| HR-AR-18-007 | 08/01/2018 | \$20,345 | R-1 — Improve training to supervisors to include procedures for disallowing time, deleting clock rings and extending lunch times. TID: April 2019 |
| | | — | R-2 — Establish a formal oversight process at the district and facility levels to ensure supervisors disallow time, delete clock rings, and extend lunches properly. TID: None |
| | | — | R-3 — Assess the feasibility of using systems controls in the Time and Attendance Collection System (TACS) to ensure supervisors disallow time, delete clock rings, and extend lunch times in accordance with Postal Service policy. If management deems enhancing TACS controls unfeasible, we recommend designing mitigating controls to prevent supervisors from improperly adjusting timecards. TID: September 2019 |
| | | | Change of Address Identity Verification Internal Controls |
| MS-AR-18-005 | 08/24/2018 | — | R-1 — Develop and implement a national policy requiring customers to present a government-issued form of identification for review when submitting a hardcopy Change of Address request. TID: August 2019 |
| | | — | R-2 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: September 2019 |
| | | | Contractual Support Services for the U.S. Postal Service’s Continuous Improvement Program |
| NO-AR-18-009 | 08/31/2018 | \$9,080,950 | R-1 — Develop and implement specific and measurable goals for the Continuous Improvement Program. TID: None |

APPENDIX E: Reports with Recommendations Pending Corrective Actions

| Report Number | Issue Date | Monetary Impact | Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date |
|---------------|------------|-----------------|---|
| | | | Access Issues Identified in the Mail Processing Environment |
| IT-MT-18-001 | 09/05/2018 | — | R-1 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: October 2019 |
| | | — | R-3 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: October 2019 |
| | | — | R-4 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: October 2019 |
| | | — | R-5 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: October 2019 |
| | | | Accuracy of Grievances in the Grievance Arbitration Tracking System – Houston District |
| HR-AR-18-009 | 09/11/2018 | — | R-1 — Modify the Time and Attendance Collection System to leverage automation when processing After 5 payments, or revise the policy regarding the use of Grievance and Arbitration Tracking System to include processing and separately reporting non-grievance payments. TID: None |
| | | — | R-2 — Limit user access in GATS to levels appropriate for user oversight responsibilities via automated controls, or compensating manual controls. TID: None |
| | | | Review of Availability of Tier 1 Business Critical Services |
| IT-AR-18-004 | 09/11/2018 | — | R-2 — Should establish and document availability targets and acceptable hours for planned and unplanned downtime for each application or service considered to be a Tier 1 business critical service. TID: September 2019 |
| | | | Postal Service Accident Safety Policies and Procedures – Great Lakes Area |
| HR-AR-18-010 | 09/17/2018 | — | R-3 — Ensure the Counseling at Risk Employees Tracking Tool system includes all eligible employees by conducting periodic reconciliations of employees who meet the program participation criteria with employees who participated in the program. TID: None |
| | | — | R-4 — Should assess the available Occupational Safety and Health Administration safety and health training available regarding safety recordkeeping practices and provide applicable refresher training to facility managers in the Great Lakes Area. TID: None |
| | | | Use of Intelligent Mail Barcodes for First-Class Mail Letters' Processing Costs |
| CP-AR-18-007 | 09/25/2018 | — | R-1 — Should develop a strategic plan to assess how Intelligent Mail barcode and Informed Visibility technologies can be enhanced to support costing and, based on that assessment, determine how and when the technologies can be leveraged to improve costing. TID: September 2019 |
| | | — | R-2 — Should coordinate with the Vice President, Enterprise Analytics, to create and provide access to detailed Intelligent Mail barcode data reports or dashboards in Informed Visibility for use by costing personnel. TID: June 2019 |
| | | — | R-3 — Should use Intelligent Mail barcode and Informed Visibility technologies to evaluate the impact of unexpected or nonstandard mail flows on First-Class Mail letter cost model estimates and, based on the evaluation, consider filing a petition with the Postal Regulatory Commission to use Intelligent Mail barcode and Informed Visibility data to update the model. TID: June 2019 |
| | | | Electronic Verification System Internal Controls |
| MS-AR-18-006 | 09/25/2018 | — | R-4 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: April 2019 |

APPENDIX E: Reports with Recommendations Pending Corrective Actions

| Report Number | Issue Date | Monetary Impact | Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date |
|---------------|------------|-----------------|--|
| FT-AR-18-009 | 09/28/2018 | — | Export Controls for Outbound Mail at International Service Centers |
| | | | R-1 — Reestablish ownership or oversight of the Export Controls Program to make decisions for the program. TID: March 2019 |
| | | | R-2 — Incorporate strategic activities into the Export Controls Program, including 1) developing an overall strategic plan and a written risk assessment; 2) conducting regular cost benefit analyses to assess effectiveness and value, and 3) proactively monitoring emerging issues and analyzing export compliance data collected from electronic and physical screenings. TID: None |
| | | | R-4 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: None |
| IT-AR-18-005 | 09/28/2018 | — | Capital Metro Physical and Environmental Controls Site Security Review |
| | | | R-5 — Complete the capital project to replace the closed-circuit television cameras that were non-operational or displayed unrecognizable images, and install the cameras in the retail area in accordance with Postal Service policy. TID: August 2019 |
| SAT-AR-18-001 | 09/28/2018 | — | Customer Retail Experience |
| | | | R-1 — Work with the Postal Service's Executive Leadership Team to reevaluate the proportion of a unit's National Performance Assessment score that is directly attributable to retail customer service at all units. TID: None |
| | | | R-2 — Take steps to cultivate and integrate into daily operations at all retail units a strong retail customer service culture, including assessing individual customer service skills prior to awarding retail associate positions to adequately prepare employees to effectively engage with customers. TID: None |
| | | | R-3 — Develop and provide annual customer service training for all retail associates emphasizing their role in the customer experience. TID: September 2019 |

APPENDIX E: Reports with Recommendations Pending Corrective Actions

| Report Number | Issue Date | Monetary Impact | Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date |
|---------------|------------|-----------------|--|
| | | | Use of Postal Service Network to Facilitate Illicit Drug Distribution |
| SAT-AR-18-002 | 09/28/2018 | — | R-1 — Work with Congress to develop legislative changes that would result in the Postal Inspection Service being authorized to open and inspect domestic packages suspected of containing illicit drugs. TID: None |
| | | — | R-2 — Work with relevant executive agencies such as the Department of Justice and Congress to develop legislative changes that would establish separate and enhanced criminal penalties for using the U.S. mail system to distribute illicit drugs. TID: None |
| | | — | R-3 — Designate an officer to consolidate existing efforts and lead the implementation of a unified, comprehensive organizational strategy to combat the role of the postal network in facilitating illicit drug distribution. TID: None |
| | | — | R-4 — Enhance USPIS data analytics, including routine integration of the results of package inspections to further enrich its data model. TID: None |
| | | — | R-5 — Establish a process to more efficiently divert packages suspected of containing illicit drugs to centralized inspection locations for evaluation in an isolated and secure site. TID: None |
| | | — | R-6 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: None |
| | | — | R-7 — Institute a comprehensive Commercial Mail Receiving Agencies (CMRA) program to increase adherence to existing CMRA procedures and improve existing policies. Specifically, the program should be centralized and automated to ensure postal employees are following CMRA documentation requirements and conducting oversight of CMRAs. TID: April 2019 |
| | | | Informed Visibility Vulnerability Assessment |
| IT-AR-19-001 | 10/12/2018 | — | R-1 — Develop a process to ensure that Informed Visibility server configurations comply with the established configuration baseline. TID: March 2019 |
| | | — | R-2 — Review the controls identified in the Center for Internet Security benchmarks and consider them for inclusion into the published standard. TID: None |
| | | — | R-3 — Include communication protocols in future IV web application configuration reviews and address any control weaknesses identified. TID: None |
| | | — | R-4 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: June 2019 |
| | | — | R-5 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: June 2019 |
| | | — | R-6 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: None |
| | | | Operational Window Change Savings |
| NO-AR-19-001 | 10/15/2018 | — | R-1 — Develop and implement, at a minimum, annual tracking methodologies for any significant projected operational costs or savings and use a sensitivity analysis to account for such impacts as changes in mail volume and labor and transportation costs. TID: None |

APPENDIX E: Reports with Recommendations Pending Corrective Actions

| Report Number | Issue Date | Monetary Impact | Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date |
|---------------|------------|-----------------|--|
| MS-AR-19-001 | 11/02/2018 | — | U.S. Postal Service's Customer Service to Non-English-Speaking Customers |
| | | | R-2 — Develop proactive policies and procedures, including the use of demographic data, to create and display non-English signs, posters, and product displays. TID: September 2019 |
| | | | R-3 — Develop a plan to integrate translations among the web links that revert to English to ensure consistency and continued oversight. TID: September 2019 |
| | | | R-5 — Coordinate with the appropriate Postal Service groups to utilize industry best practices for automated self-service machines to expand the available kiosk language content and ensure all included product information is available in Spanish. TID: None |
| | | | R-7 — Add other languages to the automated Interactive Voice Response system. TID: March 2019 |
| FT-AR-19-001 | 11/06/2018 | — | A Broader Perspective for the Postal Service Ethics Program |
| | | | R-3 — Devise metrics, collect necessary data, expand analyses, and connect related metrics in each ethics program priority area to monitor progress toward the target maturity level and the goals of the organization's ethics program. TID: March 2019 |
| MS-MT-19-001 | 11/14/2018 | — | Inbound International Mail Operations – [Redacted] and Nearby Offsite Facilities |
| IT-AR-19-002 | 11/19/2018 | — | R-5 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: March 2019 |
| | | | CyberSecurity Decision Analysis Reports Review |
| FT-AR-19-003 | 11/26/2018 | \$2,781,473,463 | R-1 — Create and execute a program/administrative budget to adequately plan and administer an ongoing cybersecurity program. TID: January 2019 |
| | | | R-2 — Manage and track Decision Analysis Report II spending against cash flow line items throughout the investment. TID: January 2019 |
| FT-AR-19-003 | 11/26/2018 | \$2,781,473,463 | Treasury Inflation-Protected Securities |
| | | | R-1 — Determine a strategy regarding the allocation of the U.S. Postal Service Civil Service Retirement System, Federal Employees Retirement System and Retiree Health Benefits Fund investments in Treasury Inflation-Protected Securities. TID: September 2019 |
| FT-AR-19-004 | 11/26/2018 | [Redacted] | R-2 — Request approval from the Secretary of Treasury and the U.S. Office of Personnel Management (OPM) to redeem fixed-rate Treasury securities in Postal Service retirement funds and invest proceeds and other fund inflows in Treasury Inflation-Protected Securities. TID: September 2019 |
| | | | No-Fee Post Office Boxes |
| FT-AR-19-004 | 11/26/2018 | — | R-2 — Enhance the Web Box Activity Tracking System to identify different street address formats as exceptions and disallow invalid addresses. TID: November 2018 |
| | | | R-3 — Implement procedures to ensure customer application and annual verification information is completely documented and retained, manually or electronically, to support customer eligibility and Web Box Activity Tracking System data. TID: April 2019 |

APPENDIX E: Reports with Recommendations Pending Corrective Actions

| Report Number | Issue Date | Monetary Impact | Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date |
|---------------|------------|------------------|--|
| FCS-FM-19-003 | 12/07/2018 | — | No Sale Transactions – Bainbridge Island, WA, Station R-1 — Direct unit management to document all stamp stock count results on Postal Service Form 3368-P, Accountability Examination Record, and to maintain a current PS Form 3977, Duplicate Key, Combination and Password Envelope, for unit personnel. TID: November 2018 |
| NL-AR-19-001 | 12/11/2018 | — \$3,328,531 | Postal Vehicle Service Driver Overtime – Houston District R-1 — Develop a plan to address long-term vacancies and expedite the hiring of part-time flexible drivers. TID: March 2019 R-2 — Develop Postal Vehicle Services schedules that align with operational windows and needs. TID: March 2019 |
| SAT-AR-19-001 | 12/14/2018 | — | Controls Over the Release of Personnel Information R-1 — Require the Privacy and Records Management Office staff to handle all official personnel files when responding to requests for personnel information until the Standing Operating Procedures HR-HQ Requests for Personnel Records are fully implemented and Human Resources Headquarters staff are fully trained on the Freedom of Information Act and Privacy Act. TID: December 2018 R-2 — Establish a process that requires the director of national Human Resources to conduct a monthly supervisory review of personnel information requests that ensures the requests are properly documented and their dispositions are accurate. TID: May 2019 R-4 — Evaluate the effectiveness of the new procedures three months after they are fully operational, and annually thereafter, to identify and implement any needed changes. TID: March 2019 |
| FT-AR-19-006 | 01/30/2019 | — | Fiscal Year 2018 Selected Financial Activities and Accounting Records R-1 — Strengthen procedures to ensure proper key internal controls testing, documenting, and reporting. TID: March 2019 |
| NL-AR-19-002 | 01/30/2019 | — | Highway Contract Route Optimization Initiative Savings Calculation Methodology and Accuracy R-1 — Reevaluate the continuation of the Highway Contract Route optimization initiative savings calculation and, if the program is continued, develop standard operating procedures and automate the methodology for calculating and validating the savings calculation to account for the timing differences, ensure consistent application, and avoid manual calculation errors. TID: April 2019 |
| NL-AR-19-003 | 02/04/2019 | — \$21,866 | Postal Vehicle Service Tire Usage and Failures R-1 — Review the feasibility of updating the Solution for Enterprise Asset Management system or develop other alternatives to allow tire maintenance personnel to include additional data entry fields needed to ensure that employees can record proper tire tread depth for all vehicle tires and reasons for tire replacements into the system. TID: March 2019 R-2 — Instruct vehicle maintenance facility personnel to follow Postal Service policies on the use of retreaded tires. TID: None R-3 — Update and clarify guidance on tire pressure requirements to include information for current vehicles in the Postal Vehicle Service Fleet. TID: March 019 |
| HR-AR-19-001 | 02/05/2019 | — | Underground Storage Tanks R-1 — Establish an oversight mechanism to ensure adherence to policies and procedures relating to underground storage tank inspections. TID: June 2019 R-2 — Establish an oversight mechanism to ensure underground storage tank Class C operators complete annual refresher training as required. TID: June 2019 |

APPENDIX E: Reports with Recommendations Pending Corrective Actions

| Report Number | Issue Date | Monetary Impact | Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date |
|----------------|------------|-----------------|--|
| DR-AR-19-003 | 02/26/2019 | \$4,692 | Mail Delivery and Customer Service Issues – Bushwick Station, Brooklyn, NY R-3 — Require Bushwick Station management to manage and resolve customer complaints in timely manner. TID: None |
| DR-AR-19-004 | 03/06/2019 | — | Mail Delivery Issues – Barrington Station, Los Angeles, CA R-1 — Develop a plan to ensure timely supervisory review and approval of eCC cases and use of the information, as appropriate, to improve unit operations. TID: March 2019 R-2 — Update Mail Arrival Profile and the Integrated Operating Plan for Barrington Station and the Los Angeles Processing and Distribution Center to reflect accurate mail arrival times and mail mix. TID: March 2019 |
| SM-AR-19-002 | 03/22/2019 | \$613,621,548 | Oversight of Highway Contract Routes – Insurance R-1 — Incorporate Highway Contract Route contract insurance compliance reviews into the Supply Management and Infrastructure periodic review process. TID: July 2019 R-2 — Require Clause 7-4: Insurance to be included in the Terms and Conditions of all Highway Contract Route contracts. TID: March 2020 R-3 — Reinforce through formal communication and refresher training, the policy for contracting officers to maintain documentation in the Transportation Contracting Support System. TID: September 2019 R-4 — Incorporate inclusion of Clause B-39: Indemnification into negotiation of Highway Contract Route contracts. TID: March 2020 R-5 — Revise Supplying Principles and Practices to require the use of Clause B-39: Indemnification in all Highway Contract Route contracts. TID: March 2020 R-6 — Develop a process to ensure outdated templates are archived and filed separately from the current Terms and Conditions template. TID: September 2019 |
| FCS-FM-19-005 | 03/26/2019 | — | Business Reply Mail Refunds – Memphis, TN, Main Post Office R-1 — Reiterate and train applicable unit personnel on the procedures for properly refunding postage affixed Business Reply Mail, the related destruction process, and the daily closeout process. TID: April 2019 R-2 — Reiterate to applicable unit personnel the procedures for pre-addressed stamped envelope exchanges. TID: March 2019 |
| RARC-WP-18-010 | 07/23/2018 | — | Postal Partnerships: The Complex Role of Middlemen and Discounts in the USPS Package Business R-1 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: None R-2 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: September 2019 R-3 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: None R-4 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. TID: None |

APPENDIX E: Reports with Recommendations Pending Corrective Actions

| Report Number | Issue Date | Monetary Impact | Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date |
|----------------|------------|-----------------|---|
| RARC-WP-18-012 | 08/20/2018 | — | Improving the Customer Experience with USPS Customer Care Centers |
| | | | R-1 — Evaluate whether efforts to make package tracking messages more customer friendly are reducing unnecessary calls to the Customer Care Centers. TID: June 2019 |
| | | | R-2 — Expand use of call back technology to reduce customer wait times on hold and abandoned calls. TID: June 2019 |
| | | — | R-3 — Develop and implement a Customer Care Center (CCC) staffing plan to decrease customer wait time to speak to an agent. TID: June 2019 |

Total Number of Reports: **103**

Total Number of Recommendations: **222**

Total Monetary Impact: **\$5,646,225,705²**

² Excludes the redacted Monetary Impact from FT-AR-19-004.

APPENDIX F: Management Decisions in Audit Resolution

For the period: October 1, 2018 – March 31, 2019

Revised Management Decisions

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

Recommendations in Disagreement

Section 5(a)(12) requires the OIG to report information concerning any significant management decision with which the OIG is in disagreement. The following list 39 reports in which the OIG disagreed with management decisions.

| Report Number | Issue Date | Monetary Impact | Report Title, Recommendation Summary R = Recommendation Number |
|---------------|------------|-----------------|--|
| MS-AR-17-008 | 07/18/2017 | — | Prohibited Inbound International Mailings R-3 — Conduct a formal cost analysis comparing various disposal options for the Postal Service's handling of prohibited mailings and determine which is the most cost effective. |
| NO-AR-17-011 | 08/10/2017 | — | Delayed Mail Validation R-3 — Establish a formal process to integrate data from the Mail History Tracking System and Enterprise Data Warehouse, specifically delayed mail and mail processed after the processing cut-off time, into the Mail Condition Reporting System. |
| NL-AR-17-009 | 09/05/2017 | — | Surface Visibility Scanning – Western Area R-4 — Assess the SV scan network environment in all Western Area Processing & Distribution Centers to identify and resolve wireless connectivity issues that affect SV scanning. |
| NL-AR-17-010 | 09/07/2017 | — | Highway Contract Route Irregularity Reporting – Jacksonville Network Distribution Center R-1 — Update Postal Service Handbook PO-501, Highway Contract Administration, dated June 1981, with instructions for classifying and charging irregularities, and establish manual procedures for the submission of Postal Service Form 5500, Contract Route Irregularity Report, for all potential irregularities when the Yard Management System is not operational. R-3 — Amend the Electronic Records Information Management System Postal Service Form 5500, Contract Route Irregularity Report, retention schedule from one-year to match Highway Contract Route contract terms. |
| MS-AR-17-009 | 09/07/2017 | — | Delayed Inbound International Mail R-2 — Develop a mechanism for incorporating available data into its inbound mail monitoring and reporting processes. |
| HR-AR-17-014 | 09/14/2017 | 308,402,033.00 | Management of Overtime in the Northeast Area R-1 — Develop an action plan to promote accountability in managing the planned percentage of overtime and planned overtime hours. That action plan should address the contributing factors to overtime, to include but not limited to, unscheduled leave and inactive employees, and assess the effectiveness of management actions related to non-career employee retention and increased package volume growth. |
| HR-AR-17-013 | 09/21/2017 | — | Assessing Postal Service Employee Engagement Activities R-1 — Require managers and supervisors to create action plans to address Postal Pulse Survey results and implement a process to monitor and assess progress on the activities identified in action plans. |

APPENDIX F: Management Decisions in Audit Resolution

| Report Number | Issue Date | Monetary Impact | Report Title, Recommendation Summary R = Recommendation Number |
|---------------|------------|-----------------|---|
| DR-AR-18-001 | 10/27/2017 | — | <p>Package Delivery Scanning – Nationwide</p> <p>R-2 — Develop a process that will allow carriers to scan multiple packages to a single delivery address to provide accurate delivery information to customers.</p> <p>R-5 — Create a reason code for stop-the-clock scans entered using the manual input mode for the Mobile Delivery Device (MDD) and include this data on the Manual Entries report to track MDD malfunctions by reason codes.</p> |
| NL-AR-18-003 | 01/03/2018 | 7,718,392.00 | <p>Postal Vehicle Service Fuel Cost and Consumption Strategies</p> <p>R-2 — Reevaluate their Viability of Compressed Natural Gas (CNG)-Fueled Vehicles Versus Diesel PVS fuel assessment for alternative fuels by considering the replacement of high fuel usage sites within proximity of public CNG refueling.</p> <p>R-3 — Evaluate the benefits of telematics in conjunction with Global Positioning System information on all Postal Vehicle Service vehicles.</p> |
| CP-AR-18-002 | 01/19/2018 | — | <p>Delivery Charge Codes</p> <p>R-1 — Reiterate to delivery personnel the importance of charging work hours to appropriate operation numbers and labor distribution codes.</p> <p>R-2 — Modify the Time and Attendance Collection System to establish controls that flag invalid time codes on Sundays for supervisor correction. In the interim, develop a process to monitor the accuracy of clock rings and hold the delivery management team accountable for ensuring Sunday delivery work hours are charged to the proper operation numbers and labor distribution codes.</p> <p>R-3 — Revise Postal Service guidance to 1) require delivery managers justify and support all clock ring adjustments; 2) include an appropriate retention period for documenting clock ring adjustments; and 3) establish periodic monitoring of clock ring adjustments to ensure employee work hour changes are accurate, justified, and supported.</p> <p>R-4 — Modify the Time and Attendance Collection System to include a field where managers must annotate reasons for making clock ring adjustments to enhance visibility and oversight and to ensure compliance with policy.</p> <p>R-5 — Establish automated controls that ensure delivery supervisors identify missing and incorrect end tour clock rings and make the necessary and timely corrections in the Time and Attendance Collection System.</p> |
| NL-AR-18-005 | 02/22/2018 | 888,839.00 | <p>Highway Contract Route Irregularity Reporting – Chicago Network Distribution Center</p> <p>R-1 — Reconcile the differences between the Transportation and Contract Delivery Service Terms and Conditions, Postal Service Form 5500, Contract Route Irregularity Report, and the 2017 training requirements for chargeable irregularities and the inconsistency between what a contractor can charge and what the Postal Service can charge.</p> |
| HR-AR-18-003 | 03/01/2018 | — | <p>Postal Service's Limited Duty and Rehabilitation Programs Return to Work Processes in the Southern and Pacific Areas</p> <p>R-2 — Assess if the staffing to caseload ratio aligns with requirements established by management.</p> <p>R-4 — Assess the feasibility of implementing an automated or other solution to promote process efficiency and satisfy the special job bank requirement.</p> |
| SM-AR-18-001 | 03/20/2018 | — | <p>Oversight of Contract Extensions</p> <p>R-1 — Revise policy to establish restrictions on the number of option years included after contract award.</p> |

APPENDIX F: Management Decisions in Audit Resolution

| Report Number | Issue Date | Monetary Impact | Report Title, Recommendation Summary R = Recommendation Number |
|---------------|------------|-----------------|---|
| NO-AR-18-003 | 03/29/2018 | — | Maintenance Optimization – Northeast Area |
| | | | R-2 — Ensure Human Resources and mail processing facilities coordinate the review of maintenance employee assignments to confirm they are assigned to the correct labor distribution code. R-3 — Establish a plan to ensure maintenance supervisors monitor and correct maintenance employee operation number selections as needed so that the correct labor distribution code is used for the work being performed. |
| NO-AR-18-004 | 03/30/2018 | — | Mail Processing Facilities Staffing |
| | | | R-1 — Establish nationwide criteria for using Function 1 Scheduler results. R-2 — Include Function 1 Scheduler results in headquarters' annual budget process. R-3 — Implement and document the Verification, Validation, and Accreditation process for the Function 1 Scheduler. |
| | | | Surface Visibility Scanning – Capital Metro Area and Capping Report |
| NL-AR-18-006 | 04/12/2018 | — | R-2 — Require Processing and Distribution Center managers to ensure that Mail Transport Equipment Labeler (MTEL) plastic sleeves are always used for mail containers with MTEL placards. R-3 — Develop procedures to ensure mail container visibility during Mail Transport Equipment Labeler system trip updates. R-4 — Update Mail Transport Equipment Labeler software to resolve the 24-hour system trip update delay. R-5 — Ensure through training and monitoring that Processing and Distribution Center managers provide adequate oversight of scanning operations to ensure Mail Transport Equipment Labeler placards are attached and all mail is scanned as required. |
| | | | Inbound International Parcel Volume Variance |
| | | | R-4 — Develop a built-in report within the Enterprise Data Warehouse that Postal Service functional areas can use to obtain reliable and complete inbound international mail volume and weight data. |
| | | | Tort Claims Management – Western Area |
| DR-AR-18-004 | 05/08/2018 | — | R-5 — Require the Central Plains, Dakotas, Hawkeye, and Portland Districts to establish a second level approval of tort claim payments authorized by the Tort Claim Coordinator. |
| NO-AR-18-006 | 05/22/2018 | — | First-Class Mail Service Performance Measurement – Northeast Area |
| | | | R-1 — Establish an ongoing process to ensure all Hoshin plans are complete and current as required by Postal Service guidance. R-2 — Assess and implement Hoshin training to ensure that those employees involved with the Hoshin plans fully understand their responsibilities based on Postal Service guidance. R-3 — Evaluate and determine the relevance of current First-Class Mail service performance goals considering the service pairs that do not meet goals. |
| | | | Domestic Preference in Vehicle Contracts |
| SM-AR-18-004 | 06/07/2018 | 41,921,741.00 | R-1 — Revise Supplying Principles and Practices Section 2-36 to include Provision 1-2: Domestic Source Certificate – Supplies (March 2006), and Clause 1-9: Preference for Domestic Supplies (March 2006), and reiterate the prescription for including Clause 4-2, Contract Terms and Conditions Required to Implement Policies, Statutes, or Executive Orders in renewed contracts. TID: June 2019 |

APPENDIX F: Management Decisions in Audit Resolution

| Report Number | Issue Date | Monetary Impact | Report Title, Recommendation Summary R = Recommendation Number |
|---------------|------------|-----------------|--|
| HR-AR-18-006 | 06/18/2018 | — | <p>Opioid Safety Preparedness</p> <p>R-1 — Reinforce current suspicious mail protocols and issue communication specific to synthetic opioids to all employees.</p> <p>R-2 — Identify which hazardous and suspicious mail Learning Management System courses should be mandatory, and promote completion to intended employee audiences to reinforce compliance with protocols.</p> |
| NO-AR-18-008 | 07/26/2018 | — | <p>Flats Sequencing System Performance in the Capital Metro Area</p> <p>R-1 — Track and address the causes of flats leakage and, where possible, implement operational changes to ensure flats leakage mail is processed on the Flats Sequencing System.</p> <p>R-2 — Determine the operational cost and savings Flats Sequencing System (FSS) currently provides to the Postal Service to fully understand the financial and operational impact of FSS on the Postal Service and customers.</p> <p>R-3 — Monitor and ensure that supervisors are reviewing staff Flats Sequencing System labor code selections daily for correctness.</p> <p>R-4 — Establish a process to ensure the electronic Mail Improvement Reporting system is being used to report all flats mail problems and these problems are resolved within 30 days of reporting.</p> |
| NL-AR-18-009 | 07/27/2018 | — | <p>Terminal Handling Services – Southern Area</p> <p>R-1 — Ensure all Southern Area mail processing facilities follow their respective volume arrival profiles.</p> |
| HR-AR-18-007 | 08/01/2018 | 20,345.00 | <p>Timecard Adjustments at Facilities in the Greater Boston District</p> <p>R-1 — Improve training to supervisors to include procedures for disallowing time, deleting clock rings and extending lunch times. TID: April 2019</p> <p>R-2 — Establish a formal oversight process at the district and facility levels to ensure supervisors disallow time, delete clock rings, and extend lunches properly.</p> |
| NO-AR-18-009 | 08/31/2018 | 9,080,950.00 | <p>Contractual Support Services for the U.S. Postal Service's Continuous Improvement Program</p> <p>R-1 — Develop and implement specific and measurable goals for the Continuous Improvement Program.</p> |
| HR-AR-18-009 | 09/11/2018 | — | <p>Accuracy of Grievances in the Grievance Arbitration Tracking System – Houston District</p> <p>R-1 — Modify the Time and Attendance Collection System to leverage automation when processing After 5 payments, or revise the policy regarding the use of Grievance and Arbitration Tracking System to include processing and separately reporting non-grievance payments.</p> <p>R-2 — Limit user access in GATS to levels appropriate for user oversight responsibilities via automated controls, or compensating manual controls.</p> |
| HR-AR-18-010 | 09/17/2018 | — | <p>Postal Service Accident Safety Policies and Procedures – Great Lakes Area</p> <p>R-3 — Ensure the Counseling at Risk Employees Tracking Tool system includes all eligible employees by conducting periodic reconciliations of employees who meet the program participation criteria with employees who participated in the program.</p> <p>R-4 — Should assess the available Occupational Safety and Health Administration safety and health training available regarding safety recordkeeping practices and provide applicable refresher training to facility managers in the Great Lakes Area.</p> |
| MS-AR-18-006 | 09/25/2018 | — | <p>Electronic Verification System Internal Controls</p> <p>R-4 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act.</p> |

APPENDIX F: Management Decisions in Audit Resolution

| Report Number | Issue Date | Monetary Impact | Report Title, Recommendation Summary R = Recommendation Number |
|---------------|------------|-----------------|--|
| SAT-AR-18-002 | 09/28/2018 | — | Use of Postal Service Network to Facilitate Illicit Drug Distribution |
| | | | R-1 — Work with Congress to develop legislative changes that would result in the Postal Inspection Service being authorized to open and inspect domestic packages suspected of containing illicit drugs. |
| | | | R-2 — Work with relevant executive agencies such as the Department of Justice and Congress to develop legislative changes that would establish separate and enhanced criminal penalties for using the U.S. mail system to distribute illicit drugs. |
| | | | R-3 — Designate an officer to consolidate existing efforts and lead the implementation of a unified, comprehensive organizational strategy to combat the role of the postal network in facilitating illicit drug distribution. |
| | | | R-4 — Enhance USPIS data analytics, including routine integration of the results of package inspections to further enrich its data model. |
| | | | R-5 — Establish a process to more efficiently divert packages suspected of containing illicit drugs to centralized inspection locations for evaluation in an isolated and secure site. |
| | | | R-6 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. |
| SAT-AR-18-001 | 09/28/2018 | — | Customer Retail Experience |
| | | | R-1 — Work with the Postal Service's Executive Leadership Team to reevaluate the proportion of a unit's National Performance Assessment score that is directly attributable to retail customer service at all units. |
| | | | R-2 — Take steps to cultivate and integrate into daily operations at all retail units a strong retail customer service culture, including assessing individual customer service skills prior to awarding retail associate positions to adequately prepare employees to effectively engage with customers. |
| IT-AR-18-005 | 09/28/2018 | — | Capital Metro Physical and Environmental Controls Site Security Review |
| | | | R-3 — Ensure entrance gates are monitored and have traffic arms, computerized card access systems, and intercoms are installed at the entrance gates. |
| FT-AR-18-009 | 09/28/2018 | — | Export Controls for Outbound Mail at International Service Centers |
| | | | R-1 — Reestablish ownership or oversight of the Export Controls Program to make decisions for the program. TID: March 2019 |
| | | | R-2 — Incorporate strategic activities into the Export Controls Program, including 1) developing an overall strategic plan and a written risk assessment; 2) conducting regular cost benefit analyses to assess effectiveness and value, and 3) proactively monitoring emerging issues and analyzing export compliance data collected from electronic and physical screenings. |
| | | | R-4 — Develop and implement policies and procedures to screen for licensing requirements for mailpieces sent to all countries. |
| IT-AR-19-001 | 10/12/2018 | — | Informed Visibility Vulnerability Assessment |
| | | | R-2 — Review the controls identified in the Center for Internet Security benchmarks and consider them for inclusion into the published standard. |
| | | | R-3 — Include communication protocols in future IV web application configuration reviews and address any control weaknesses identified. |
| | | | R-4 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. |
| | | | R-6 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. |

APPENDIX F: Management Decisions in Audit Resolution

| Report Number | Issue Date | Monetary Impact | Report Title, Recommendation Summary R = Recommendation Number |
|----------------|------------|-----------------|--|
| NO-AR-19-001 | 10/15/2018 | — | Operational Window Change Savings R-1 — Develop and implement at a minimum annual tracking methodologies for any significant projected operational costs or savings and use a sensitivity analysis to account for such impacts as changes in mail volume and labor and transportation costs. |
| MS-AR-19-001 | 11/02/2018 | — | U.S. Postal Service's Customer Service to Non-English-Speaking Customers R-5 — Coordinate with the appropriate Postal Service groups to utilize industry best practices for automated self-service machines to expand the available kiosk language content and ensure all included product information is available in Spanish. |
| FT-AR-19-004 | 11/26/2018 | [Redacted] | No-Fee Post Office Boxes R-2 — Enhance the Web Box Activity Tracking System to identify different street address formats as exceptions and disallow invalid addresses. TID: November 2018 |
| NL-AR-19-003 | 02/04/2019 | 21,866.00 | Postal Vehicle Service Tire Usage and Failures R-2 — Instruct vehicle maintenance facility personnel to follow Postal Service policies on the use of retreaded tires. |
| DR-AR-19-003 | 02/26/2019 | 4,692.00 | Mail Delivery and Customer Service Issues – Bushwick Station, Brooklyn, NY R-3 — Require Bushwick Station management to manage and timely resolve customer complaints. |
| RARC-WP-18-010 | 07/23/2018 | — | Postal Partnerships: The Complex Role of Middlemen and Discounts in the USPS Package Business R-1 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. R-3 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. R-4 — Some or all of the recommendation is not publicly available due to concerns with information protected under the Freedom of Information Act. |

Total Number of Reports: **39**

Total Number of Recommendations: **75**

Total Monetary Impact: **\$788,192,821¹**

¹ We removed the redacted Monetary Impact from FT-AR-19-004.

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

Office of Audit

Peer Reviews Conducted on USPS OIG

The latest review conducted on us was completed on March 29, 2019, by the U.S. Department of Homeland Security Office of Inspector General. We received a rating of pass.

Peer Reviews Conducted by USPS OIG

None during the reporting period

Office of Investigations

Peer Reviews Conducted on USPS OIG

None during the reporting period.

Peer Reviews Conducted by USPS OIG

None during the reporting period

APPENDIX H: Investigative Statistics

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

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

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

For the period October 1, 2018 – March 31, 2019

| | Investigations Closed | Arrests | Indictments / Information / Complaints | Civil Judgments / Settlements | Convictions | Admin Actions Taken | Cost Avoidances | Judgements/Fines / Restitution and Recoveries | Amount to USPS | To Mgmt. for Admin Action | To Mgmt. for Admin Action (FY) | Number of referrals for prosecution |
|----------------------------|-----------------------|------------|--|-------------------------------|-------------|---------------------|--------------------|---|-------------------|---------------------------|--------------------------------|-------------------------------------|
| Computer Crimes | 7 | 1 | 3 | — | 2 | 5 | — | 15,000 | — | 2 | 2 | 3 |
| Contract Fraud | 20 | 4 | 10 | 3 | 5 | 8 | 96,805,720 | 14,828,734 | 10,504,695 | 5 | 6 | 2 |
| Financial Fraud | 168 | 55 | 60 | 1 | 71 | 145 | 2,602,500 | 3,169,791 | 3,157,291 | 124 | 127 | 67 |
| General Crimes | 227 | 12 | 11 | — | 23 | 166 | 4,169 | 38,798 | 28,658 | 117 | 122 | 28 |
| Health Care Claimant Fraud | 99 | 15 | 18 | — | 22 | 8 | 24,808,454 | 438,227 | 314,538 | 3 | 3 | 31 |
| Health Care Provider Fraud | 22 | 9 | 14 | 3 | 10 | 2 | 3,365,223 | 46,068,603 | 12,346,000 | — | — | 13 |
| Internal Mail Theft | 587 | 215 | 243 | — | 315 | 542 | — | 1,314,911 | 220,428 | 417 | 430 | 289 |
| Narcotics | 69 | 85 | 65 | — | 60 | 72 | — | 1,064,701 | 13,386 | 61 | 65 | 88 |
| Total | 1,199 | 396 | 424 | 7 | 508 | 948 | 127,586,066 | 66,938,765 | 26,584,996 | 729 | 755 | 521 |

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

For the period October 1, 2018 — March 31, 2019

| Type of Scheme | Complaints Filed | Consent Agreements | FROs | C&D Orders |
|------------------------|------------------|--------------------|----------|------------|
| Advance Fee | — | — | — | — |
| Counterfeit Check | 2 | 2 | — | 2 |
| Facsimile Checks | — | — | — | — |
| Failure to Pay | 1 | 1 | — | 1 |
| Foreign Lottery | 55 | 55 | — | 55 |
| Invoice Schemes | — | — | — | — |
| Lottery | 5 | 5 | — | 5 |
| Other | 4 | 4 | — | 4 |
| Reshipping Scheme | 1 | 1 | — | 1 |
| USPS Revenue Fraud | — | — | — | — |
| Identity Theft - Other | — | — | — | — |
| TOTAL | 68 | 68 | 0 | 68 |

Other Administrative Actions

| | |
|--|---|
| Temp. Restraining Orders Requested | — |
| Temp. Restraining Orders Imposed | — |
| Cases Using Direct Purchase Authority | — |
| Civil Penalties (Section 3012) Imposed | — |
| Test Purchases | — |
| Withholding Mail Orders Issued | 3 |
| Voluntary Discontinuances | This area is not tracked by Office of Counsel |

Financial Reporting on Investigative Activities for the Postal Inspection Service

| Type | Total |
|--------------------------------|----------------------|
| Total Personnel Comp | \$186,360,418 |
| Total Nonpersonnel Expense | \$44,806,893 |
| Total Operating Expense | \$231,167,311 |
| Total Capital Commitments | \$5,397,216 |

Administrative Subpoenas Requested by the Postal Inspection Service.

There were none requested during this reporting period.

APPENDIX J: Congressional/PMG/Board of Governors Inquiries

For the period October 1, 2018 — March 31, 2019

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

From October 1, 2018, through March 31, 2019, the OIG received 70 new inquiries, 10 of which we referred to the Postal Service Office of Government Relations and five to the

Postal Inspection Service for review. We closed 56 inquiries during this reporting period. Of those, we referred 35 to our Office of Investigations and six to our Office of Audit for further review.

Congressional Testimony

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

APPENDIX K: Attempt to Interfere with OIG Independence

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

The Office of Audit initiated an audit to evaluate whether suppliers were compliant with the insurance requirements of their contracts. During the audit, the auditors had repeated discussions with Postal Service managers related to the absence and/or incompleteness of the supplier insurance documentation in the contract files, and the associated impact of the missing documents. Managers did not conduct a comprehensive search for the documents until after the discussion draft report was provided to them. As a result,

significant changes to the report were required, once documents were found and provided to the team. The failure to provide the requested documentation in a timely manner led to the unnecessary delays and additional costly work by audit staff. When asked why this happened, management attributed the delays to miscommunication and the OIG's failure to ask the right people.

Supplemental Information

Freedom of Information Act

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

Activities

For the period October 1, 2018 — March 31, 2019

| Requests | Number of Requests |
|---|--------------------|
| Carryover from prior period | 5 |
| Received during period | 258 |
| Total on hand during period | 263 |
| Actions | Number of Requests |
| Processed during the period | 256 |
| Requests Denied in Full | 13 |
| Requests Granted in Full | 6 |
| Requests Denied in Part | 60 |
| Not a proper FOIA request for some other reason | 3 |
| No Records | 39 |
| Not an agency record | 49 |
| Requests Referred | 79 |
| Requests Withdrawn | 7 |
| Fee-Related Reasons | — |
| Duplicate Request | — |
| Balance | Number of Requests |
| Balance at the end of the period (pending) | 7 |
| Processing Days | Number of Days |
| Median processing days to respond to a FOIA request | 1 |

Workplace Environment

The OI Workplace Environment unit reviews workplace environment and operational issues that may affect workplace climate in postal facilities throughout the country. The OIG Hotline is the usual source for complaints, but occasionally members of Congress, the Governors, and postal management will raise concerns or forward complaints appropriate for review by the unit. Complaint topics range from sexual harassment and discrimination to workplace safety.

Workplace Environment reviews are designed to identify systemic, rather than individual, issues and foster postal management efforts toward providing employees a stress and adversity free work environment. The unit accepts complaints from any postal employee, including OIG and Postal Inspection Service staff. Reviews may result in fact-finding reports to management or referral for specific suggested action, such as climate assessments.

For the period October 1, 2018 — March 31, 2019

Total complaints reviewed and closed: **511**

Whistleblower Reprisal Activity

| | |
|--------------------------------------|----|
| Allegations Received | 45 |
| OIG Investigations Initiated | 1 |
| Investigations closed with no action | — |
| Allegations closed with no action | 44 |
| Open Investigations (As of Last Day) | 3 |
| OIG found reprisal | — |

Supplemental Information

Summary of Performance

For the period October 1, 2018 — March 31, 2019

Audits

| | |
|--|------------------------|
| Reports issued (Excluding RARC white papers) | 34 |
| RARC White Papers issued | 2 |
| Recommendations issued | 83 |
| Total reports with financial impact | 9 |
| Funds put to better use | \$0 |
| Questioned costs | \$617,636,651 |
| Revenue Impact | \$2,781,473,463 |
| Total | \$3,399,110,114 |

Investigations¹

| | |
|--|---------------|
| Investigations Completed | 1,199 |
| Arrests | 396 |
| Indictments/Informations | 424 |
| Convictions/pretrial diversions ² | 508 |
| Administrative actions | 948 |
| Cost Avoidance | \$127,586,066 |
| Fines, Restitution, and Recoveries | \$66,938,765 |
| Amount to the Postal Service ³ | \$26,584,996 |

OIG Hotline Contacts

| | |
|-----------------------|---------------|
| Telephone calls | 565 |
| E-Mail | 9,590 |
| Webforms | 23,365 |
| Standard Mail | 744 |
| Voice Mail Messages | 1,444 |
| Facsimile - FAX | 156 |
| Total Contacts | 35,864 |

¹ Statistics include joint investigations with other law enforcement agencies.

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

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

Reporting Requirements

| Act Section | Requirement | Page |
|-------------|--|-----------------------|
| 5(a)(1) | Significant problems, abuses, and deficiencies | throughout |
| 5(a)(2) | Recommendations with respect to significant problems, abuses, and deficiencies | throughout |
| 5(a)(3) | Recommendations described in previous semiannual reports on which corrective action has not been completed | listed on pages 31-48 |
| 5(a)(4) | Matters referred to prosecutive authorities and the prosecutions and convictions that have resulted | 56, 60 |
| 5(a)(5) | Summary reports made to the head of the establishment under section 6(b)(2) of instances where information was refused | n/a |
| 5(a)(6) | Listing of audit, inspection, and evaluation reports and, if applicable, the total dollar value of questioned costs and recommendations that funds be put to better use | 3, 5, 15, 60 |
| 5(a)(7) | Summary of particularly significant reports | throughout |
| 5(a)(8) | Statistical tables showing total number of audit, inspection, and evaluation reports containing questioned costs | 24-27 |
| 5(a)(9) | Status of management decisions for audit and evaluation reports containing recommendations that funds be put to better use | 29 |
| 5(a)(10) | Summary of audit and evaluation reports issued prior to the beginning of the reporting period for which (a) no management decision had been made; (b) no management comment was received within 60 days of issuing the draft report; and (c) there were any unimplemented recommendations, including the aggregate potential cost savings of those recommendations, at the end of the reporting period | 28, 29 |
| 5(a)(11) | Description and explanation of the reasons for any significant revised management decisions | 49 |
| 5(a)(12) | Information concerning any significant management decisions with which the Inspector General disagreed | 49 |
| 5(a)(13) | Information under 804(b) Federal Financial Management Improvement Act of 1996 | n/a |
| 5(a)(14) | Results of any peer review conducted by another Office of the Inspector General during the reporting period, and if none, a statement of the date of the last peer review | 55 |
| 5(a)(15) | List of outstanding recommendations from any peer review conducted by another Office of the Inspector General, including a statement describing the status of the implementation and why implementation is not complete | n/a |
| 5(a)(16) | List of any outstanding recommendations made from any previous peer review that remain outstanding or have not been fully implemented | n/a |
| 5(a)(17) | Statistical table showing the total number during the reporting period of (a) investigative reports issued, (b) persons referred to the Department of Justice for criminal prosecution, (c) persons referred to state and local prosecuting authorities for criminal prosecution, and (d) indictments and criminal information resulting from any prior referral to prosecuting authorities | 15, 56 |
| 5(a)(18) | Description of the metrics used to develop the data in the statistical tables under Section 5(a)(17) | 56 |
| 5(a)(19) | Report on investigations in which allegations of misconduct involving a senior government employee ² were substantiated including a detailed description of the facts and circumstances of the investigation, and the status and dispositions of the matter, including if the matter was referred to the DOJ, the date of the referral, and if the DOJ declined the referral, the date of the declination | n/a |
| 5(a)(20) | Detailed description of any instances of whistleblower retaliation, including information about the official found to have engaged in retaliation, and what, if any, consequences the establishment imposed to hold the official accountable | 22, 59 |
| 5(a)(21) | Detailed description of any attempts to interfere with the independence of the Office of the Inspector General including with budget constraints designed to limit the capabilities of the OIG, and incidents where the establishment has resisted or objected to oversight activities of the OIG or restricted or significantly delayed access to information, including the justification for such action | 58 |
| 5(a)(22) | Detailed descriptions of the circumstances of each audit, inspection, or evaluation that was closed and not disclosed to the public and investigation conducted involving a senior government employee that was closed and not disclosed to the public | 27 |

Acronym Guide

APPS: Automated Package Processing System

APWU: American Postal Workers Union

C&A: certification and accreditation

CSRS: Civil Service Retirement System

CSS: customer service supervisor

DBCS: Delivery Barcode Sorter

DOL: U.S. Department of Labor

DEA: Drug Enforcement Administration

DWC: distribution window clerk

eCBM: Electronic Conditional Based Maintenance

EDDI: Electronic Data Distribution Infrastructure

EDI: Electronic Data Interchange

EIR: Enterprise Information Repository

FEGLI: Federal Employees' Group Life Insurance

FEHB: Federal Employees Health Benefits

FSS: Flats Sequencing System

GMU: George Mason University

HCR: highway contract route

LLV: long-life vehicles

MTE: mail transport equipment

NALC: National Association of Letter Carriers

NCSC: National Customer Support Center

NDC: network distribution center

NPV: net present value

OA: Office of Audit

OI: Office of Investigations

OWCP: Office of Workers' Compensation Programs

P&DC: processing and distribution center

P&DF: processing and distribution facility

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

PKI: Public Key Infrastructure

PRC: Postal Regulatory Commission

PVS: Postal Vehicle Services

RARC: Risk Analysis Research Center

SBOC: Stations and Branches Optimization Consolidation

SSA: sales and services associate

TACS: Time and Attendance Collection System

VMF: Vehicle Maintenance Facility

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WHO DO I CONTACT — REPORT FRAUD WASTE ABUSE

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

Office of Inspector General

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

<https://www.uspsoig.gov/form/file-online-complaint>

Contact: 888-877-7644

Postal Inspection Service

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

<https://postalinspectors.uspis.gov/contactUs/filecomplaint.aspx>

Contact: 877-876-2455



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