



UNITED STATES POSTAL SERVICE

OFFICE OF

INSPECTOR GENERAL

The Office of Inspector General plays a key role in maintaining the integrity and accountability of the nation's Postal Service, its revenue and assets, and its employees through our audit and investigative work.

Spring 2016 Fact Sheet

*To view our entire
Semiannual Report
to Congress*

Semiannual Report to Congress

October 1, 2015 — March 31, 2016



go to www.uspsoig.gov.

83 Reports Issued

2,069 Investigations Completed

326 Arrests

\$5.3 Million Returned to the Postal Service

\$2.4 Billion Total Monetary Impact

Special Feature Story: Compound Drug Costs Skyrocketing

The U.S. Department of Labor (DOL) Office of Workers' Compensation Program (OWCP) allows charges for compound drugs, which licensed pharmacists create by combining, mixing, or altering ingredients of a drug to meet the specific needs of a patient. OIG auditors and investigators have noted the U.S. Postal Service's self-funded

workers' compensation program has experienced unprecedented rising costs for compound drugs. We estimated the Postal Service incurred over \$81.8 million in excessive compound drug costs and nearly \$4.1 million in related excessive administrative fees paid to the DOL for FYs 2014 and 2015. OIG auditors also estimated that

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Audit

The Office of Audit's mission is to protect assets and revenue, ensure efficient and economical mail delivery and operations, and safeguard the integrity of the postal system. Postal Service executives often work closely with their OIG counterparts to identify problems and collaborate on solutions. These efforts have resulted in significant savings opportunities.

Reports Issued

83

Recommendations

119

Reports With
Financial Impact

12

Funds Put
To Better Use

\$1.4 Billion

Questioned Costs

\$879 Million

Revenue Impact

\$1.27 Million

**TOTAL
MONETARY
IMPACT**

**\$2.39
Billion**

Lost and Found Department Needs Improved Management

Postal Service Mail Recovery Center

The Mail Recovery Center (MRC) is the official lost and found department for the Postal Service. In FY 2014 it received 88 million items, processed 12 million for possible return to customers, and returned 2.5 million. We found the MRC did not effectively handle inquiries or manage undeliverable items it received because it did not have adequate policies or did not follow them. For example, the MRC did not track inquiries resulting in items returned to customers, return or dispose of certain items in a timely manner. We also found that retail clerks did not provide customers with clear instructions for filing search inquiries. We recommended the Postal Service enhance policies and procedures for handling these and other related issues we identified.

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if the DOL does not do anything to control compound drug costs, they and related administrative fees could accumulate to over \$1.2 billion and over \$60.3 million, respectively, over the next 3 years. OA recommended management coordinate with the DOL to identify and implement best practices for controlling compound drug costs and authorizing payments for only Food and Drug Administration-approved drugs.

OA also recommended management inform and educate Congress on the impact of the DOL's failure to address escalating compound drug costs on the Postal Service. The OIG Office of Investigations has several ongoing fraud investigations involving compound drugs and has also established a working group to address the issue.

Investigations



The OIG Office of Investigations fulfills its traditional role of rooting out fraud, waste, and misconduct to protect the Postal Service's bottom line and maintain confidence in the mail. The OIG's dedication to integrity, accountability, and transparency means that no person in the organization is above the law or immune from the ethical standards set by the Postal Service.

Internal Mail Theft

OIG investigators determined that a Florida Letter Carrier was part of a tax fraud scheme. Using stolen personal identity information, the carrier's co-conspirators applied for numerous debit cards, which would then be issued and sent to addresses along the carrier's route. The carrier was paid to intercept the cards and give them to the co-conspirators, who then filed fraudulent tax returns seeking refunds, which the IRS would credit to the debit cards.

The employee was removed from the Postal Service in July 2013 and later pled guilty. In November 2015 the former carrier was sentenced to 46 months of incarceration and ordered to pay, along with the co-conspirators, \$2,203,447 in restitution.



391

Arrests

326

Indictments/
Informations

427

Convictions/
Pretrial Diversions

1,358

Administrative
Actions

2,069

Investigations
Closed

\$135 Million

Cost Avoidance

\$21 Million

Fines, Restitution,
and Recoveries

**\$5.3
Million**

**AMOUNT
TO THE POSTAL
SERVICE**

OA recommended and management agreed to coordinate with DOL to identify and implement best practices for controlling compound drug costs, authorize payments for only Food and Drug Administration-approved drugs, and inform and educate Congress on the impact of the DOL's failure to address escalating compound drug costs on the Postal Service.

Management also stated in its response that DOL is sole administrator of the Federal Employees Compensation Act (FECA) and therefore has exclusive control over the FECA-claims process. The Postal Service has no authority to approve or deny any FECA claims and therefore cannot unilaterally control its own compound-drug costs. Only DOL can.



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Mission Statement

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

- Prevent and detect fraud, theft, and misconduct;
- Promote economy, efficiency, and effectiveness;
- Promote program integrity; and
- Keep the Governors, Congress, and Postal Service management informed of problems, deficiencies, and corresponding corrective actions.

Let Us Hear From You!

The OIG sponsors a blog and audit projects forum to collect feedback and ideas from our stakeholders and the general public. We encourage you to share your ideas, concerns, and comments at:

- Pushing the Envelope Blog:
www.uspsoig.gov/blog
- Audit Project Pages:
www.uspsoig.gov/audit-asks

To report fraud, waste, or misconduct involving postal employees or contractors contact us:

www.uspsoig.gov
888-877-7644

RISK ANALYSIS RESEARCH CENTER

Advertising Mail: Past and Present

Direct mail advertising is one of the Postal Service's most important and profitable services, especially considering the decline of First-Class Mail correspondence and transactions mail. Spending on ad mail has decreased as a share of GDP since the Great Recession of 2007 – 2009, and ad mail is failing to track with GDP as it had in the past. Advertising Mail: Past and Present examines why this is the case, looking at ad mail revenues and trends since 1980 in the face of significant societal and economic changes, as well as the changing dynamics of the overall ad market itself.

Some decline in the size of ad mail's market share relates to macroeconomic factors such as lower median household income, which lowers potential consumer spending. Other factors include lower ad prices driven by digital technology and the growth of nontraditional advertising such as social media, which is virtually free.

Finally, advertising itself may be more effective today than in the past because of improved analytics. Ironically, this phenomenon parallels the computer technology boom in the 1980s, which, along with worksharing, helped spur the initial growth of ad mail to 9.8 percent per year between 1980 and 1988. Computer technology allowed fine-tuning of mailing lists and more sophisticated targeting than had been possible in prior years. The paper suggests five strategies for ad mail in the context of growing digital advertising and omnichannel marketing.

OIG HOTLINE CONTACT OVERVIEW

October 1, 2015 – March 31, 2016



Phone Calls **14,138**



Letters **916**



Voice Mails **2,606**



Faxes **177**



E-Mails **30,571**



Ntl. Law Enforcement Communications Center **200**