



Office of Inspector General

Semiannual Fact Sheet

Fall 2012

The U.S. Postal Service Office of Inspector General plays a key role in maintaining the integrity and accountability of America's Postal Service, its revenue and assets, and its employees.

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

The Office of Inspector General (OIG) supports the overall mission of the Postal Service through its own mission of maintaining the integrity and accountability of America's Postal Service, its revenue and assets, and its employees. The OIG's goal is to deliver optimal value to joint stakeholders through independent audits and investigations.

Leveraging innovative technologies to detect fraud, waste, and abuse

The OIG relies on data modeling tools to detect fraud, waste, and abuse. The OIG's Countermeasures and Performance Evaluations (CAPE) team, in partnership with the Office of Investigations and the Office of Audit, leverages innovative technologies and subject matter expertise to develop analytic tools, including data mining, risk assessments, and predictive

analytics, to generate investigation and audit leads that have high potential for identifying fraud and money savings.

Using these services, the OIG has modernized its capability to synthesize data and information on postal operations, and to turn the data into insight on identifying root causes of and

solutions to weaknesses in postal operations. We are transforming data and information into shared knowledge to focus our efforts on work of value and high-risk areas of the Postal Service. The OIG has deployed risk assessment models supporting investigators and auditors working in the areas of healthcare fraud, mail theft, financial fraud, contract fraud, and lease renewals.



We need your help. Report postal crimes or misconduct.

Contact: 888-877-7644
www.uspsoig.gov



The Office of Audit's mission

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. During this period, the OIG issued 144 audit reports and management advisories that resulted in about \$10.1 billion in monetary impact.

Evaluation of the External First-Class Measurement System

The Postal Service measures the on-time performance of First-Class Mail delivery to determine whether it meets mail delivery standards and to provide the Postal Regulatory Commission (PRC) and the general public with information on its service performance. The Postmaster General requested a review to determine whether a less costly method exists to implement this process, known as the External First-Class (EXFC) measurement system.

The law generally requires the measurement system to be external to ensure objectivity and integrity. Accordingly, the Postal Service measures on-time performance using contractor studies. We identified ways to reduce EXFC costs, such as reducing its sampling costs by using EXFC for its primary purpose of service performance measurement or, with PRC approval, replacing contractors with an internal group, or competing future contracts.

When negotiating the last EXFC contract, management intended to transition from the current, manual process to an automated process.

However, the Postal Service has not yet developed a plan to automate this process. Without automation, the Postal Service will have to continue to pay the costs associated with manual reporting of test pieces.

We recommended the Postal Service use EXFC only to meet statutory requirements, develop a comprehensive plan to replace the current EXFC activities with an automated solution...



When developed, the automation plan should explore technological solutions such as using

Highlighted Statistics

For the period April 1—September 30, 2012

AUDITS

Reports issued	144
Significant recommendations issued	116
Total reports with financial impact	39
Funds put to better use	\$8,244,406,067
Questioned costs	\$1,202,383,722
Revenue Impact	\$696,415,496

TOTAL

\$10,143,205,285

The Office of Audit uses a risk-based planning approach to identify audit work that will provide the best value to the Postal Service. This process identifies key areas to focus on, and then assigns work via risk deployment. For this reporting period, we highlight audits and reviews that address risks in the strategic, financial, and operational areas.

barcodes and hand held scanners to provide an effective end-to-end alternative to the current process. These technological solutions should also help to reduce costs and provide more reliable service performance measurement results.

We also identified issues that affect program reliability. Specifically, EXFC is vulnerable to "gaming" as management and staff often give potential test pieces preferential treatment to raise scores.

We recommended the Postal Service use EXFC only to meet statutory requirements, develop a comprehensive plan to replace the current EXFC activities with an automated solution, and develop controls to eliminate unauthorized special treatment of test pieces.

Management disagreed with our recommendation to use the EXFC contract to meet statutory requirements only and reduce the sample size accordingly, noting that they lacked an internal system so EXFC was needed to gain end-to-end performance measurement on retail letters, cards, and flats to drive service improvements. Management also said they have administrative controls in place to guard against unauthorized special treatment of potential test pieces and did not need to develop further controls.

The Office of Investigations mission

The OIG also 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. In this period, the OIG's Office of Investigations completed 2,045 investigations that led to 286 arrests and more than \$22 million in fines, restitutions, and recoveries, that went to the Postal Service.

Workers' Compensation Fraud Investigative Results

April 1 — September 30, 2012

- 487 fraud investigations resolved
- \$92 million in compensation payments avoided
- 19 arrests
- 30 indictments
- 24 convictions
- 83 personnel actions taken by management

Joint Investigation Nets Historic Healthcare Fraud Settlement

OIG special agents investigated a case that resulted in the largest healthcare fraud settlement in United States history. Multiple *qui tam*¹ complaints filed against a United Kingdom-based pharmaceutical company, Glaxo-SmithKline (GSK), were investigated jointly by the USPS OIG, the Department of Health and Human Services OIG, the FBI, the Defense Criminal Investigative Service, the Food and Drug Administration (FDA) Office of Criminal Investigations, the Office of Personnel Management OIG and the offices of various state Attorneys General. The investigation determined that from 1994 through 2010, the pharmaceutical company promoted its best-selling antidepressants for unapproved uses, failed to report safety data about a top diabetes drug, and improperly marketed a half-dozen other drugs.

In July 2012, the company pled guilty to two counts of introducing misbranded drugs into interstate commerce and one count of failing to report safety data about another drug to the FDA. Under the terms of the plea agreement, the company paid a total of \$1 billion, including a criminal fine exceeding \$956 million and forfeiture exceeding \$43 million. The criminal plea agreement also included non-monetary compliance

commitments and certifications by the company's U.S. president and board of directors.

The portion of the criminal fine payable to the Postal Service will be \$6 million²

In addition to the criminal fines, GSK also paid \$2 billion to resolve its civil liabilities with the federal government under the False Claims Act, as well as the various state Attorneys General. The civil settlement resolves claims relating to specific drugs, and also resolves pricing fraud allegations.

The portion of the criminal fine payable to the Postal Service will be \$6 million². In addition, the Postal Service will receive about \$200,000 in civil damages related to payments made on behalf of postal employees who received the drugs through workers' compensation benefits. The exact asset forfeiture amount payable to the Postal Service has yet to be determined.

¹*Qui tam* actions are filed by private entities who stand in the place of the government. Similar to whistleblower actions, *qui tams* resulting in monetary judgments entitle the plaintiff to a share. The False Claims Act (31 U.S.C. §§ 3729–3733) authorizes *qui tam* actions on behalf of the federal government.

²The Postal Service OIG's financial statistics for the FY2012 SARC (April through September) reporting period does not reflect GSK's total \$3 billion settlement, due to continued assessments and evaluations on how the money will be distributed to the affected parties and the government. Therefore, portions of the settlement amount will be reflected in the FY2013 SARC (October through March).*

Investigative Statistics*

For the period April 1 — September 30, 2012

	Investigations Completed	Arrests	Indictments/Informations	Convictions/Pretrial Diversions**	Admin. Action Taken	Cost Avoidance	Fines, Restitution, and Recoveries	Amt. to USPS (from previous column)**
Theft, Delay, or Destruction of Mail by Employees or Contractors	876	171	162	198	337	\$1,546	\$5,761,232	\$514,969
Injury Compensation Fraud	487	19	30	24	83	\$92,957,005	\$1,938,517,726 ¹	\$16,693,816
Official Misconduct	336	25	26	22	235	\$200,000	\$698,865	\$77,462
Financial Fraud and Embezzlements	252	58	65	79	131	\$1,335,700	\$777,751	\$742,682
Contract Fraud	94	13	10	8	93	\$8,924,095	\$20,040,051	\$4,066,068
TOTAL	2,045	286	293	331	879	\$103,418,346	\$1,965,795,625	\$22,094,997

* Statistics include joint investigations with other law enforcement agencies.

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

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

¹ Amount under Fines, Restitutions, and Recoveries includes \$1.9 billion from one pharmaceutical investigation.



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▶ 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: blog.uspsig.gov
- Audit Project Pages: auditprojects.uspsig.gov

Service Performance Measurement Data — Commercial Mail

The Postal Act of 2006 requires the Postal Service to establish modern service standards for its market-dominant mail products and to measure the service performance of these products using an objective external measurement system. The Postal Service must report the results to the PRC. However, with PRC approval, an internal measurement system may be implemented instead of an external system. Our objective was to determine whether the data used for service performance measurement (SPM) of commercial mail is reliable. In addition, we reviewed Postal Service actions to address the issues identified in our interim report to determine whether they were successful in increasing the effectiveness of the SPM process.



Our report determined the data used for service performance measurement of commercial mail is generally reliable. The Postal Service increased the volume of full-service Intelligent Mail barcode mail, resulting in a higher representation of commercial mail included in

the measurement of service performance; however, coverage levels remain low for four of the 13 categories used to assess whether the data used is representative of the overall population of full-service commercial mail. In addition, the SPM system is complex and the Postal Service uses proxy data from the External First-Class Measurement System for the last-mile calculation across all mail classes, which may distort actual results. We recommended the Postal Service simplify the scoring process used for measuring service performance of commercial mail and use actual commercial mail data in the last-mile calculation.



Highlighted Statistics

For the period April 1— September 30, 2012

TOTAL OIG HOTLINE CONTACTS 49,257



To view the entire Semiannual Report to Congress, go to www.uspsig.gov or call 888-877-7644.