



# **FY 2009 BUDGET**

Office of Inspector General  
United States Postal Service

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# Office of Inspector General

## Mission Statement

To conduct and supervise objective and independent audits, reviews, and investigations relating to Postal Service programs and operations to (1) prevent and detect fraud, waste, and misconduct; (2) promote economy, efficiency, and effectiveness; (3) promote program integrity; and (4) keep the United States Postal Service management, Governors, and Congress informed of problems, deficiencies, and corresponding corrective actions.

The OIG's requested funding will be used to provide critical audit and investigative services, assuring the efficiency, effectiveness, and integrity of Postal Service programs and operations.

## Program Summary by Appropriations Account

Dollars in Thousands

Appropriation	FY 2007 Approved Budget	FY 2008 Budget Request	FY 2009 Budget Request
Salaries and Expenses			
Audit	\$65,408	\$70,391	\$71,805
Investigations	\$158,012	\$165,049	\$167,545
<b>Total Appropriated Resources</b>	<b>\$223,420</b>	<b>\$235,440</b>	<b>\$239,350</b>

## FY 2009 Priorities

Our strategic goals are: add value to Postal Service operations, preserve integrity and security for the Postal Service, continually improve OIG products and services, and pursue a highly satisfying, performance-based culture within the OIG. In FY 2007, the OIG identified potential financial impact on Postal Service operations of about \$1.97 billion, recovered over \$24 million to the Postal Service, and identified over \$150 million in workers' compensation program cost avoidance. These results were identified by conducting over 300 audits and over 7,000 investigations.

In FY 2008, the OIG continues its focus on achieving OIG strategic goals. While we cannot predict savings that will be identified in audits and investigations, the risk-based approach to planning our work will address most of Postal Service's

FY 2008 projected budget of \$78 billion. In addition, the OIG plans to increase its workload in the investigative areas to recover over \$30 million to the Postal Service. The FY 2009 priorities of completing over 350 audits and 7,800 investigative cases and 100 percent of mandated audits, and referring over 5,500 fraud, waste or abuse investigative cases for criminal prosecution, civil litigation or administrative action will also be focused on Postal Service high risk areas and achieving OIG strategic goals.

## **Section 1 – Purpose**

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### **1A – Description of OIG Vision and Priorities**

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

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

The OIG has two primary offices, the Office of Audit (OA) and the Office of Investigations (OI) to conduct this work. In FY 2009, the OIG will continue to address the mandated requirements related to the Postal Service financial statements and the investigative work in internal crimes that was transitioned to the OIG from U.S. Postal Service Inspection Service in 2006. These two areas comprise a large percentage of the OIG's workload and, as such, need resources to provide the necessary coverage in these areas. While these areas are important to the Postal Service, many other areas also require audit and investigative oversight.

OA's first audit priority is to address mandated requirements related to financial statements, information security, and cost and revenue systems, and to determine how well the Postal Service is meeting its mission of providing high quality, affordable, universal service. OA plans to focus its attention on four of the most critical management challenge/risk areas of cost savings, revenue generation and protection, financial reporting and controls, and contract management.

*Cost Savings.* The Postal Service continually examines opportunities to reduce costs to keep products affordable and competitive. Several key cost savings initiatives involve using automation to reduce manual processing, optimizing their facility network, and increasing flexibility in transportation. The Postal Service operates one of the largest transportation and logistics networks in the world,

accepting, processing, and transporting more than 200 billion pieces of mail annually. The processing network has over 675 facilities and 15,000 pieces of automated equipment, and costs about \$20 billion annually to operate. Transportation, which is primarily contracted out, costs about \$8 billion annually.

The OIG has been working with the Postal Service to examine opportunities to streamline the existing network as well as strengthen its strategic network realignment initiatives. The OIG's streamlining reviews have identified opportunities to reduce processing work hours worth \$669 million, and transportation costs with an economic impact of more than \$303 million over the last several years. In addition, our reviews of the strategic network realignment initiatives, including area mail processing consolidations, have provided the Postal Service with numerous recommendations to enhance and improve plans and processes.

*Revenue Generation and Protection.* The Postal Service's future financial health depends on its ability to generate sufficient revenue to support its operations. In the past, mail volume growth paid for expansion of the delivery network, but technology is transforming the use of mail. Additionally, the Postal Service can no longer raise rates to make up for any shortfall, as the Postal Accountability and Enhancement Act (Postal Act) of 2006 caps rate increases for the major mail classes at inflation. The OIG has dedicated a team of auditors to review revenue issues at the Postal Service, and to identify ways to prevent revenue leakage. This team will initially focus on those areas that generate significant segments of Postal Service revenue, and on how the Postal Service forecasts its long-term volume and revenue. Further, as part of our annual financial statement audits, our teams review business mail and periodical's postage statements and authorizations for nonprofit mailers and periodical's publications; observe mail acceptance, verification, and clearance processes; and evaluate post office box and caller service fees. The OIG conducts tests to ensure that revenue is properly collected, recorded and supported, as appropriate.

*Financial Reporting and Controls.* The passage of the Postal Act of 2006 had a significant impact on the Postal Service's financial reporting structure and responsibilities. The legislation requires the Postal Service to comply with Section 404 of the Sarbanes-Oxley Act (SOX); comply with Securities and Exchange Commission (SEC) financial reporting requirements by filing forms 10-K, 10-Q and 8-K with the Postal Regulatory Commission (PRC); segregate market dominant and competitive product lines for financial reporting purposes; and compute estimated income tax on the results of operations from competitive product lines. Further, the legislation requires the Postal Service to submit an annual report to the PRC that analyzes costs, revenues, rates, and quality of service for all products.

In support of the independent auditor's opinion on the financial statements of the Postal Service, the OIG performs the vast majority (over 90 percent) of audit work on the general ledger accounts, internal controls and financial reporting systems. The new mandates require an expansion of the financial audit objectives and scope. For example, performing the audit of internal controls over financial reporting (SOX) will require a significant increase in the scope of documentation and testing of key internal controls and changes in the timing of testing. The SEC financial reporting will require additional audit work. The segregation of product lines will also require the OIG to perform additional analysis and testing on the statement of operation, balance sheet and cash flows. Further, the computation of income tax liability will require additional time at year-end to reconcile the differences between Generally Accepted Accounting Principles reporting and the standards set forth by the Department of Treasury to verify the estimated tax liability. Finally, the OIG must regularly audit the 38 data collection systems and procedures utilized in collecting information and preparing the annual report which is submitted to the PRC by the Postal Service.

*Contract Management.* The Postal Service presently manages more than \$42.4 billion in postal contracts. These contracts range from multimillion-dollar national contracts for services such as transportation networks and IT infrastructures, to local contracts for supplies and services at individual postal facilities. The sheer volume of contracts (48,457) and their huge dollar value present challenges to the Postal Service. The OIG annually performs 20 to 25 contract program audits that review major contracts and/or major contract oversight processes. Additionally, the OIG coordinates annually 25 to 35 Defense Contract Audit Agency audits that review specific contract controls, pricing, and costs. These audits have resulted in annual questioned costs ranging from \$32 million to over \$500 million. In addition, during the last 2 years Engineering audits identified savings opportunities associated with operational improvements and program losses due to contractor non-compliance exceeding \$200 million.

OI organizes its work into five major investigative programs -- contract fraud, financial fraud, healthcare fraud, general crimes/employee misconduct, and internal mail theft -- and assignment to these program areas allows OI to more efficiently allocate resources and facilitate data-driven decisions:

- contract fraud
  - frauds by contractors, kickbacks, bribes, conflicts of interest
- financial fraud
  - embezzlement investigations (embezzlements of money, stamps or other products)
  - disbursement card investigations (misuse of government disbursement cards or financial systems)

- healthcare fraud
  - claimant healthcare fraud investigations (committed by employees)
  - provider healthcare fraud investigations (committed by healthcare providers)
  
- general crimes/employee misconduct
  - narcotics investigations (illegal sale, use, possession)
  - computer crime investigations (intrusions, thefts of software/data, misuse)
  - other misconduct investigations (other thefts, falsifications, misconduct or illegal activity related to employment)
  
- internal mail theft (theft, delay or destruction of mail)

The five programs are aligned with OI Postal Service Risk Assessment, which defines the risk universe and helps focus investigative coverage. Contract Fraud, Financial Fraud, and Healthcare Fraud programs address the Postal Service's Financial Risk. The General Crimes/Employee Misconduct and Internal Mail Theft programs address the operational risk of mail security.

### Contract Fraud

The Contract Fraud program involves employee and contractor fraud. The Postal Service presently manages more than \$42.4 billion in postal contracts. These contracts range from multimillion-dollar national contracts for services such as transportation networks and IT infrastructures to local contracts for supplies and services at individual postal facilities. The 48,457 contracts and their dollar value provide opportunities for contractors and employees to defraud the Postal Service. We aid the Postal Service by assessing its management of acquisitions and contracts and investigating allegations of contract improprieties.

### Financial Fraud

The Financial Fraud program involves two main types of cases: embezzlement investigations (money, stamps or other products) and disbursement card investigations (misuse of government disbursement cards or financial systems). The program objectives are to protect postal financial revenue and assets from theft or misuse; review internal controls and identify problems and solutions to prevent the loss of postal revenue and assets; investigate and initiate administrative, civil, or criminal actions against individuals and firms responsible for the theft or misuse of postal revenue and assets; and provide guidance to postal management on reducing risk.

Financial fraud investigations include:

- embezzlement of postal funds
- theft of postal products and service
- IMPAC card fraud
- Voyager card fraud
- Indemnity claim fraud
- eTravel fraud
- eBuy fraud

### Healthcare Fraud

One of the primary risks addressed under the Healthcare Fraud program is workers' compensation fraud. OI investigates two types of cases under this program: claimant fraud and healthcare provider fraud.

The Postal Service funds workers' compensation benefits for employees who sustain job-related injuries. Administered by the Department of Labor (DOL), the workers' compensation program provides benefits to claimants and beneficiaries and payments to healthcare providers. The Postal Service later reimburses the DOL in a process known as "chargeback billing." The Postal Service pays over \$800 million annually to the DOL for workers' compensation expenses. The majority of claimants receive workers' compensation benefits from legitimate job-related injuries. However, a small percentage of postal employees and healthcare providers abuse the system. These schemes cost the Postal Service millions of dollars each year in compensation payments, medical costs, administrative expenses, and enforcement costs. The Office of Investigations works closely with Postal Service injury compensation units and management to identify instances of suspected claimant fraud.

OI initiates criminal investigations when individuals or healthcare providers are suspected of defrauding the workers' compensation program. Criminal prosecutions are an effective deterrent to fraud and permanently prevent the payment of any additional compensation. OI refers any case that may require administrative action to the Postal Service and the DOL. OI agents work closely with injury compensation specialists from the Postal Service on all phases of these investigations.

### General Crimes/Employee Misconduct

The OIG takes seriously any conduct by postal employees that deteriorates the public's trust and reflects negatively on the Postal Service. OI created a new program area, General Crimes and Employee Misconduct, to investigate misconduct by all postal employees. Postal employee misconduct includes

misuse of postal computers; destruction or theft of postal property; falsifying official documents/forgery; theft of funds; abuse of authority; sabotage of operations; narcotics and alcohol abuse; and general miscellaneous employee misconduct.

### Internal Mail Theft

OI addresses mail security through the internal mail theft program. Responsibility for investigation of internal mail theft was transferred to the OIG from the Postal Inspection Service in 2006. Under this program, the OI investigates mail theft by postal employees and postal contractors. The purpose of the internal crimes mail theft program is to protect the Postal Service and its customers from theft, rifling, destruction, mistreatment, or obstruction of the mail. Deterrence and prosecution of these crimes is achieved through the identification, arrest, and prosecution of those responsible. The Postal Service depends on the public's confidence in the sanctity of the mail, and the Postal Service and the public expect and demand a certain level of investigative service in this area.

### **1B – Program History and Future Outlook**

The OIG was established pursuant to provisions of the *Omnibus Consolidated Appropriations Act* of 1997, Public Law 104-208, on September 30, 1996. General OIG authority is derived from the Inspector General Act of 1978, as amended, codified at 5 U.S.C. Appendix §§ 1-12, which provides statutory responsibility to protect the integrity of Postal Service programs and operations, and to ensure that the mail service is administered with maximum economy and efficiency. The *Postal Accountability and Enhancement Act (Postal Act) of 2006* is the first major legislative change to the Postal Service since 1971.

A number of important provisions of the Postal Act impact the OIG.

- Requires the OIG to submit to Congress and the Postal Service, within 6 months of enactment, a report that details and assesses Postal Service progress in improving safety, reducing workplace injuries, and identifying opportunities for improvement.
- Requires the OIG, within 1 year of enactment, to study and submit to the President, the Congress, and the Postal Service a report concerning how the Postal Service administers the assessment of revenue deficiencies for Nonprofit Standard Mail.
- Applies certain provisions of the Sarbanes-Oxley Act to the Postal Service, and requires the Postal Service to conform to certain aspects of



SEC reporting, both of which will require the OIG to conduct substantial audit work.

- Requires the OIG to audit regularly the data collection systems and procedures the Postal Service uses in collecting information used for its report to the PRC.

We will fulfill these statutory responsibilities by completing the first two required audits on time, performing annual SOX-specific work, assessing the adequacy of internal control systems relevant to the collection of information for the report to the PRC over a 5- to 7-year period, and identifying opportunities for improvement.

Additional Postal Act provisions that could impact the OIG's work require the Postal Service to:

- Review workforce plans to achieve modern service standards for market dominant products, and to assess the impact of facility changes on the postal workforce.
- Prepare comprehensive plans for reemployment assistance and early retirement benefits for postal employees who are displaced as a result of network reductions.
- Establish regulations for the safe transportation of hazardous material in the mail.
- Define measures it must take to incorporate affirmative action and equal employment opportunity criteria into the performance appraisals of senior supervisory or managerial employees.
- Transfer the current escrow and any future surplus for civil service retirement to the Postal Service Retiree Health Benefits Fund.
- Establish a new formula for funding retiree health benefits.

The OIG's audit and investigative plans are directly linked to the Postal Service's strategic goals -- reduce costs, generate revenue, achieve results with a customer-focused performance-based culture, and improve service. Each of these strategic goals presents significant challenges to the Postal Service. As such, the OIG's focus in FY 2009 and out years, is to conduct audits and investigations that will assist the Postal Service in trying to achieve these goals.

In FY 2007, OIG efforts resulted in 355 audits completed, 7,880 completed cases, 801 arrests and indictments, 5,419 administrative actions referred,

potential monetary benefits of \$1.968 billion identified, and over \$150 million in workers' compensation cost avoidance.

In FY 2008, OA continues to concentrate in those areas that present a high risk to the Postal Service. We have identified these high risk categories as strategic, financial, and operational. We are committing half of our resources to the financial area, which includes a review of the field financial areas as well as the newly mandated Sarbanes-Oxley work that will be required of the OIG. Also, in FY 2008, the OIG is required to begin audits of data collection systems and procedures, which were mandated in the new Postal Act signed into law in December 2006.

In FY 2009, OI plans to continue investigating reports of fraud, waste and abuse, and other criminal activity within the Postal Service. Over half of OI's work will be in the internal crimes area to include employee mail theft, and financial and general crimes. Responsibility for investigating the internal crimes area was transitioned from the Inspection Service in FY 2006. The OIG received 345 additional positions to conduct this work. The remaining investigative work will be of contract and healthcare fraud as well as hotline allegations.

FY 2009 resource level will allow the OIG to maintain performance at a level generally consistent with FY 2008 with only a small increase in resources to address new legislative mandates.

## Section 2 – Budget Adjustments and Appropriation Language

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### 2.1 - Budget Adjustments Table

Dollars in Thousands  
Appropriation: OIG Salaries &  
Expenses

	FTE	Amount
FY 2007 Approved Budget	1,170	\$223,200,000
*FY 2008 Budget Request to BOG	1,190	\$235,440,000
FY 2009 Budget Request to OMB	1,194	\$239,350,000

### 2A – Budget Increases and Decreases Description

#### Changes from 2008 to 2009 –

**Maintaining Current Levels (MCLs).....\$ 6,850,000/ 0 FTE**

Pay Increases Funds are requested for January 2009 pay increase, pay-for-performance increase, and related benefits costs.

**Program Increases.....\$ 2,500,000 / 4 FTE**

Additional Audit Positions + \$500,000 / 4 FTE Funds for 4 audit positions for performing legislatively mandated work.

Funding for HQs Move + \$500,000 / 0 FTE Funds for beginning the design phase of the planned relocation of the OIG Headquarters. The Headquarters building lease expires in 2010 and preliminary design work will be needed in FY 2009.

Non-Pay Inflation Adjustment + \$1,500,000 / 0 FTE Funds for other non-labor related items such as contracts, travel, supplies, equipment, and rent.

**Program Decreases .....\$ 5,434,000 / 0 FTE**

Depreciation -\$ 5,434,000 / 0 FTE Depreciation is a non-cash item. Depreciation is not part of FY09 Budget Request.

\* On October 12, 2007, USPS Board of Governors approved FY08 OIG Budget of \$233.4M.

## 2.2 - Operating Levels Table

Dollars in Thousands

Appropriation Title: OIG Salaries & Expenses	FY 2007 Budget	FY 2008 Budget	FY 2009 Request Level
<b>FTE</b>	1,170	1,190	1,194
<b>Object Classification:</b>			
11.1 Full-time Permanent Positions	\$118,547	\$125,660	\$130,541
11.3 Other than Full-time Permanent Positions	250	250	260
11.5 Other Personnel Compensation	3,800	4,000	4,100
11.8 Special Personnel services payments	475	533	550
11.9 Personnel Compensation (Total)	<b>\$123,072</b>	<b>\$130,443</b>	<b>\$135,451</b>
12.0 Personnel Benefits	36,932	37,800	40,272
13.0 Benefits to Former Personnel	0	0	0
21.0 Travel	5,752	5,503	5,668
22.0 Transportation of Things	450	700	721
23.1 Rental Payments to GSA	0	0	0
23.2 Rent Payments to Others	8,925	8,075	8,946
23.3 Communications, Utilities, & Misc.	3,304	2,894	2,981
24.0 Printing and Reproduction	148	150	155
25.1 Advisory & Assistance Services	15,697	16,982	16,382
25.2 Other Services	212	390	402
25.3 Purchase of Goods/Serv. From Govt. Accts	0	0	0
25.4 Operation & Maintenance of Facilities	102	300	310
25.5 Research & Development Contracts	0	0	0
25.6 Medical Care	0	0	0
25.7 Operation & Maintenance of Equipment	2,633	2,767	2,850
25.8 Subsistence & Support of Persons	0	0	0
26.0 Supplies and Materials	1,278	1,734	1,786
31.0 Equipment	11,481	15,268	16,216
32.0 Lands and Structures	8,000	7,000	7,210
33.0 Investments & Loans	0	0	0
41.0 Grants, Subsidies	0	0	0
42.0 Insurance Claims & indemnities	0	0	0
43.0 Interest & Dividends	0	0	0
44.0 Refunds	0	0	0
<b>Total Budget Authority</b>	<b>\$217,986</b>	<b>\$230,006</b>	<b>\$239,350</b>
Depreciation	5,434	5,434	-
<b>Subtotal</b>	<b>\$223,420</b>	<b>\$235,440</b>	<b>\$239,350</b>
<b>Budget Activities:</b>			
Audits	\$65,408	\$70,391	\$71,805
Investigations	\$158,012	\$165,049	\$167,545
<b>Total Budget Authority</b>	<b>\$223,420</b>	<b>\$235,440</b>	<b>\$239,350</b>



## 2B – Appropriation Language

Appropriation Language	Explanation of Changes
<p data-bbox="423 453 829 520">United States Postal Service Office of Inspector General</p> <p data-bbox="472 562 781 594">Postal Service Funds</p> <p data-bbox="237 636 1000 888"><i>For expenses necessary for the Office of Inspector General in carrying out the provisions of the Inspector General Act of 1978, as amended, \$239,356,000, to be derived by transfer from the Postal Service Fund and expended as authorized by section 603(b)(3) of the Postal Accountability and Enhancement Act (Public Law 109-475).</i></p>	

## 2C – Legislative Proposals

The OIG has no legislative proposals for FY 2009.

## Section 3 – Budget and Performance Plan

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### 3.1 – Appropriation Detail Table

Dollars in Thousands	FTE	FY 2007	FTE	FY 2008	FTE	FY 2009
Resources Available for Obligation						
<b>New Appropriated Resources:</b>						
Audit	411	\$65,408	431	\$70,391	435	\$71,805
Investigations	759	\$158,012	759	\$165,049	759	\$167,545
<b>Subtotal New Appropriated Resources</b>	<b>1,170</b>	<b>\$223,420</b>	<b>1,190</b>	<b>\$235,440</b>	<b>1,194</b>	<b>\$239,350</b>

#### **3A – Audit** (\$71,805,000 from the Postal Service Fund):

The Office of Audit conducts audits and reviews of Postal Service operations to protect assets and revenue, ensure efficient and economical mail delivery, and safeguard the integrity of the postal system. To facilitate planning and managing audit work, OA designed its structure to address high-risk areas and cover the breath of postal operations and activities. OA aligned its Directorates functionally with the Postal Service as follows:

#### **Mission Operations**

Network Processing  
 Transportation  
 Delivery  
 Network Optimization

#### **Financial Accountability**

Field Financial  
 Financial Reporting

#### **Support Operations**

Supply Management  
 Human Capital  
 Inspection Service & Facilities  
 Engineering  
 Capital Investments

#### **Revenue and Systems**

Sales & Service  
 Cost, Revenue & Rates  
 Information Systems

In FY 2007, OA enhanced its risk assessment approach, and divided the Postal Service's risk universe into three risk categories -- Strategic, Financial and

Operational. Within each category, OA identified and rated risk factors according to likelihood of occurrence and impact if they did occur. The assessment considers the concerns of Congress, Governors, and key stakeholders. OA used the results to identify and prioritize audit work for FY 2008 and will use this approach to plan work each year.

In addition, each program director authors an annual Director's Program Assessment (DPA), which highlights concerns and challenges in their respective areas of responsibility. Furthermore, OA annually works with the Postal Service to identify areas that, with examination, could yield savings and optimize the value added to the Postal Service. A Value Proposition is an agreement between the directors and Postal Service Vice Presidents, consenting to a specific body of work in a specific period. The agreement includes the area of focus, objectives/goals, scope of work, OIG resources, Postal Service resources, anticipated value, and deliverables.

Based on a risk assessment model, Director Program Assessments, and Value Propositions, OA develops an Annual Audit Plan. The plan, however, is a living document that allows unplanned work based on new legislation; new requests from Postal Service management, Governors, and Congress; and strategic changes by the Postal Service.



### 3.2.1 – Audit Budget and Performance Plan

Dollars in Thousands			
	FY 2007	FY 2008	FY 2009
<b>Audit Budget Activity</b>			
<b>Resource Level</b>			
Financial Resources			
Appropriated Resources	\$65,408	\$70,391	\$71,805
<b>Total Operating Level</b>	<b>\$65,408</b>	<b>\$70,391</b>	<b>\$71,805</b>
Human Resources			
Appropriated FTE	411	431	435
<b>Total FTE (direct and reimbursable)</b>	<b>411</b>	<b>431</b>	<b>435</b>

*Description of Performance.* In FY 2007, the Office of Audit completed 355 audits and evaluations, completed all legislatively mandated audits by the required dates and identified potential monetary benefits (cost savings and/or funds put to better use) totaling nearly \$1.97 billion.

In FY 2008, the Office of Audit will continue to conduct audits and evaluations that will provide Postal Service management, Governors, and other stakeholders with the necessary information to make informed decisions regarding Postal Service operations. The Office of Audit will continue to identify audits based on the risk-based audit approach incorporated into the audit planning efforts in FY 2007. These audits and evaluations will target the Postal Service’s strategic goals -- generate revenue; reduce costs; achieve results with a customer-focused, performance-based culture; and improve service.

Similarly for FY 2009, the Office of Audit will continue to identify audits and evaluations based on the risk-based audit approach that was incorporated into the FY 2008 audit planning effort. Audits related to the financial statement area will be completed as well as audits and evaluations directly targeting the strategic goals of the Postal Service. These efforts will be on identifying potential savings to the Postal Service to assist them in meeting their future financial responsibilities.

**3B – Investigations (\$167,545,000 from the Postal Service Fund):** The Office of Investigations conducts administrative, civil, and criminal investigations of alleged employee misconduct, and fraud and misconduct by contractors, against the Postal Service. These investigations are aligned to the program areas of

contract fraud, financial fraud, general crimes/employee misconduct, healthcare fraud, and internal mail theft.

### 3.2.2 – Investigations Budget and Performance Plan

Dollars in Thousands				
		FY 2007	FY 2008	FY 2009
<b>Investigations Budget Activity</b>				
	<b>Resource Level</b>			
Financial Resources				
	Appropriated Resources	\$158,012	\$165,049	\$167,545
<b>Total Operating Level</b>		\$158,012	\$165,049	\$167,545
Human Resources				
	Appropriated FTE	759	759	759
<b>Total FTE (direct and reimbursable)</b>		759	759	759

*Description of Performance:* In FY 2007, the Office of Investigations completed over 7,800 cases and is directly responsible for 801 arrests and indictments. Additionally, over \$24 million was recovered by the Postal Service through criminal prosecution, civil litigation, and other administrative actions. Also, over \$150 million of future workers' compensation payments were avoided due to the direct investigative work of the OIG.

In FY 2008, the Office of Investigations will continue to increase its workload to complete over 7,800 cases and recover over \$30 million to the Postal Service. In addition to reviewing workers' compensation claims, the Office of Investigations will continue with its program of reviewing alleged employee misconduct as well as contractor fraud and misconduct against the Postal Service.

In FY 2009, the Office of Investigations will continue to conduct independent administrative, civil, and criminal investigations of alleged employee misconduct and contractor fraud and misconduct. These investigations will be conducted in a timely manner and all efforts by the Office of Investigations will be to aggressively investigate allegations, and close and refer cases for criminal prosecution, civil litigation or administrative action.

Resources required to support OIG operations for FY 2009 are \$239,350,000 from the Postal Service Fund.

## Section 4 – Supporting Materials

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### 4.1 – Human Resources Table

#### 4.1 -- Human Resources Table

#### Changes in Full Time Equivalent

<u>Direct FTE</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
<u>Base: Year-end Actual from Prior Year</u>	<u>1,170</u>	<u>1,170</u>	<u>1,190</u>
<u>Increases</u>			
Reason: Legislative mandated work	<u>0</u>	<u>20</u>	<u>4</u>
<u>Subtotal, Increases</u>	<u>1,170</u>	<u>1,190</u>	<u>1,194</u>
<u>Year-end Actual/Estimated FTEs</u>	<u>1,170</u>	<u>1,190</u>	<u>1,194</u>
<u>Net Change from prior year SOY to budget year EOY</u>		<u>20</u>	<u>4</u>

### 4A – Human Capital Strategy Description

The OIG has identified two mission critical occupations that closely align to its two budget activities, which are audit and investigations. The OIG has specific hiring plans for these specialized professionals (auditors, criminal investigators) with strategic and annual plan goals and objectives.

The OIG has had an exceptional ability to hire and maintain criminal investigators over the past 3 years. However, the OIG has not been able to maintain its staffing level of auditors due to the current job market in both the private and public sector job opportunities. New recruiting plans have been developed to rectify this situation and increase the staffing of the Office of Audits to the appropriate level.

One of decisions made by the OIG was to hire contractors to perform much of the IT support work instead of hiring full-time government employees. This decision was based on the President's Management Agenda initiatives in competitive sourcing and human capital. This sourcing of the IT support has allowed the OIG to obtain market place skills and abilities with fewer dollars. Also, it allows the OIG to keep pace with what is happening in the IT community by hiring personnel with current skills and abilities and also allows the OIG to compete the IT support contract when needed.

## 4.2 – Summary of IT Resources Table

Dollars in Millions

Information Technology Investments

(in \$ Millions)	<b>FY 2007 Budget</b>	<b>FY 2008 Budget</b>	<b>% Change Increase Requested for FY 09</b>	<b>FY 2009 Request</b>
Major Investments	\$0	\$0		\$0
Subtotal, Major IT Investments	\$0	\$0		\$0
Non-Major IT Investments	—	\$13,500	3.3%	\$13,945
<b>NONE - OIG STEADY STATE OPERATING COSTS</b>				
Infrastructure Investments	\$0	\$0		\$0
Enterprise Architecture	\$0	\$0		\$0
<b>Total IT Investments</b>	<b>\$0</b>	<b>\$13,500</b>		<b>\$13,945</b>

## **4B – Information Technology Strategy**

Currently, we have employees spread across the US in 89 offices, with plans for 109 offices by FY 2009. Current IT funding is critical to the success of our audit and investigative programs over the past several years. The OIG has been on the cutting-edge of technology to provide auditors, investigators, and support personnel with computers and other electronic equipment to perform their duties and responsibilities whether in an office setting, on the road, or working from alternate sites and locations. IT funding has also enhanced the OIG's ability to perform computer forensics during investigations and computer retrievals during legislative mandated audits of the Postal Service systems. The funding also strengthens our OIG-wide programs so we can purchase the necessary security software -- anti-virus detection/protection, anti-spam detection, anti-spy detection, intrusion detection/prevention, monitoring and patch management, and disaster recovery. This funding is critical to ensure that the OIG IT infrastructure operates in a secure manner, and the information collected during audits, and investigations is not susceptible to computer attacks and terrorist activities. Maintaining the OIG IT infrastructure and its IT security program at an acceptable level requires on-going upgrades of tools, technologies, and personnel support. We have leveraged our ability to maintain the IT at a high level with a balance of federal employees and contractors. This employee mix provides the OIG with a unique ability to add expertise quickly if funding is available or reduce contractors if funding becomes limited.

### **4.3 – PART Evaluation Table**

The OIG is not, nor is it scheduled to be, PARTed.