



Office of Inspector General Semiannual Report to Congress

April 1 — September 30, 2012



**UNITED STATES
POSTAL SERVICE®**

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.

About the Cover

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.

A MESSAGE FROM THE INSPECTOR GENERAL

This report, submitted pursuant to the Inspector General Act, outlines our work and activities for the 6-month period ending September 30, 2012. In the first section of this issue, we highlight audits and reviews that address risks in the strategic, financial, and operational areas of the U.S. Postal Service. The second section highlights investigations conducted during this reporting period that contributed to safeguarding the Postal Service's revenue and assets and helped deter postal crimes.

Postal Service executives often work closely with their Office of Inspector General (OIG) counterparts to identify problems and collaborate on solutions. These efforts have resulted in significant savings opportunities. During this period, we issued 144 audit reports, management advisories, and Performance and Results Information Systems (PARIS) risk models, and the Postal Service accepted 91 percent (106 of 116) of the OIG's significant recommendations.

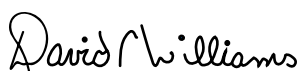
In addition, we conducted 2,045 investigations that led to 286 arrests, and \$22 million in fines, restitutions, and recoveries that went to the Postal Service. We also participated with other agencies in a significant investigation that resulted in the largest healthcare fraud settlement in U.S. history.

This was an historic year for the Postal Service. It was forced to default on two of its prefunding payments into the Retiree Health Benefits Fund due to its liquidity crisis. Without legislative change or other significant action, the Postal Service expects to lose more than \$18 billion by 2015. While the situation is desperate, we do not think it is catastrophic. In fact, our work has indicated that the Postal Service has many opportunities to reduce its costs and position itself for new revenue opportunities. The savings from these efforts, some of which would require legislative action, would exceed the Postal Service's projected shortfalls.

We issued a number of reports that considered ways the Postal Service could reduce its strategic and financial risk, improve efficiencies, and lower operational costs. For example, our report on overall plant efficiency identified opportunities for the Postal Service to reduce workhours and attain further efficiencies in mail processing operations for an associated economic impact of almost \$665 million. We also issued a report on city delivery staffing and a separate report on the efficiency of customer service operations, both of which identified savings opportunities of more than \$100 million.

On the revenue side, we issued a report that included recommendations for growing the package business. In a strategic white paper, we considered opportunities for the Postal Service to carve out a niche in providing digital identity services.

The OIG — with the support of the Governors, Congress, and Postal Service management — will continue to play a key role in maintaining the integrity and accountability of America's postal service, its revenue and assets, and its employees through its audit and investigative body of work.



David C. Williams
Inspector General

SUMMARY OF PERFORMANCE

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

INVESTIGATIONS ¹

Investigations Completed	2,045
Arrests	286
Indictments/Informations	293
Convictions/pretrial diversions ²	331
Administrative actions	879
Cost Avoidance	\$103,418,346
Fines, Restitution, and Recoveries ³	\$1,965,795,625
Amount to the Postal Service ⁴	\$22,094,997

OIG HOTLINE CONTACTS

Telephone calls	31,576
E-Mail	15,584
Standard Mail	1,046
Voice Mail Messages	394
Facsimile - FAX	307
National Law Enforcement Communications Center	350
TOTAL CONTACTS	49,257

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

⁴ Amounts include case results of joint investigations with other OIG, federal, state, and local law enforcement entities.

TABLE OF CONTENTS

OFFICE OF AUDIT	6
Audit Work by Risk Category	7
Strategic Risk	7
Financial Risk	9
Operational Risk	15
OFFICE OF INVESTIGATIONS	22
Financial Crimes	23
Healthcare Fraud	24
Mail Theft	26
Contract Fraud	28
General Crimes	29
Executive Investigations and Internal Affairs	29
SPECIAL FEATURES	11
In-Office Cost System Inputs into the Cost and Revenue Analysis Report	11
Work Assignments for Limited Duty/Rehabilitation Employees	12
Employee Retirement Options; Review of Fiscal Years 2012 and 2013 Liquidity; Alternative Health Care Plan	14
City Delivery — Street Efficiency	21
Joint Investigation Nets Historic Healthcare Fraud Settlement	25
APPENDICES	31
APPENDIX A — Reports Issued to Postal Service Management	32
Reports with Quantifiable Potential Monetary Benefits	33
Report Listing	35
APPENDIX B — Findings of Questioned Costs	38
APPENDIX C — Recommendations That Funds Be Put to Better Use	39
APPENDIX D — Other Impacts	40
APPENDIX E — Reports with Significant Recommendations Pending Corrective Actions	42
APPENDIX F — Significant Management Decisions in Audit Resolution	60
APPENDIX G — Status of Peer Review Recommendations	61
APPENDIX H — Investigative Statistics	62
APPENDIX I — Summary of U.S. Postal Inspection Service Investigative Activities Under Title 39 USC § 3005 & 3007	63
APPENDIX J — Closed Congressional and Board of Governors' Inquiries	64
SUPPLEMENTAL INFORMATION	69
Freedom of Information Act	69
Workplace Environment	69
Acronym Guide	70

Office of Audit



Return to the filter results

EAST GREENBUSH PO

1 Facility	Potential Savings	\$46,170.51
Lease Amount	Lease Expiration	\$106,645.00 04/30/2020
Dollars at Risk	Risk Weighted	\$3.6m

Riskiest Facility Score

	Lease	Fraud	Capacity	Worth
Safety Rate	8.0	8.9	10.0	7.0
Risk	16.0	17.7	20.0	7.0

FINANCIAL UNIT DATA

Annual Lease Amount	\$106,645.00
Total Potential Savings	\$46,170.51
Non-Building Lease Savings	\$0.00
Dollar at Risk - Safety	\$3.6m

MAIN OFFICE LEASE DETAIL

Lease Id	020000047842
Lease Effective Date	07/01/2009
Lease Expiration	04/30/2020
Lease Termination Clause	No

MAIN OFFICE RISK PROFILE

Metric	Risk Score
Safety	7.0
Lease Rate	16.0
Fraud Risk	17.7
Capacity	7.0
Worth	7.0

MAIN OFFICE

Area (District)	Northeast (Albany)
Congressional District	21
Site Type	Customer Service
Service Type	Retail and Delivery
Indoor Square Feet	5540
Age	12 years
Historic Code	U
Node Study Alert	No
Asbestos	Very High Risk
Lead Paint	Low Risk
Malformed Tax Id	No
Employee Owned Facility	No
Deceased Lessor Id	Yes

SIGNIFICANT AUDIT WORK BY RISK CATEGORY

Audit Synopses

For the reporting period April 1—September 30, 2012

The Office of Audit (OA) 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.

STRATEGIC RISK

The Strategic Risk category covers issues that impact the Postal Service's overarching strategic direction. Strategic risk factors are those affecting the Postal Service's ability to ensure that its products and services are self-sustaining and balance legal considerations and stakeholder views. The following audit work addresses strategic risk.

Cost of Appeals for Closing Postal Service-Operated Retail Facilities

Since fiscal year (FY) 2009, the Postal Service has increased efforts to optimize the retail network. As a result, the number of final determinations to discontinue retail operations has increased from 118 to 362 (307 percent) from FY 2010 to FY 2011. On May 9, 2012, the Postal Service announced a new strategy for preserving post offices in rural America and achieving cost savings. The OIG and the Postal Regulatory Commission (PRC) OIG conducted this joint audit to assess the costs to the Postal Service and the PRC to process, administer, and manage closure appeals for Postal Service-operated retail facilities.

The Postal Service Law Department is responsible for tracking, monitoring, and processing all retail facility closure appeal cases opened by the PRC. The PRC's Office of General Counsel processes and advises PRC commissioners on appeal cases. In addition, the PRC appoints a public representative to represent the interests of the public in each case. The Postal Service OIG estimated the average costs and staff hours the law department needs to process each appeal are about \$1,365 and 15 hours, respectively. The PRC's costs to process an appeal range from \$1,806 to \$2,496 and its staff hours range from 19 to 29 hours. The OIG review found the law department did not consistently track attorney and staff hours spent on individual appeals. The law department recognizes the need for additional resources to handle the estimated workload and, accordingly, issued a statement of work to obtain support through contracting. Finally, from July through November 2011, the Postal Service withdrew four final determinations after appeals were filed with the PRC, although it did not disclose the factors that led to the withdrawals. We estimated the Postal Service could have realized cost savings if it considered those facts before the final determinations. The report contained no recommendations.

Customer Complaint Resolution Process

Postal Service customers can initiate complaints through a variety of mechanisms, including the Postal Service's Internet site (USPS.com) or toll-free number (1-800-ASK-USPS), at retail units, and through congressional representatives and letters. The Postal Service received about 3 million customer complaints in FY 2011 from residential and small business customers throughout the country. Our report found that

Management Response to Audit Work

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

STRATEGIC RISK

the Postal Service is not efficiently and effectively resolving customer complaints. Specifically, staff members are closing complaints before customers consider their cases resolved. We estimated the Postal Service could have avoided costs of \$8.8 million for the 12-month period ending March 31, 2012, had it handled complaints more efficiently. The Postal Service also did not adequately monitor complaint resolution partially because system performance and data issues, including outages and slow performance, have hindered the ability to do so. We recommended the Postal Service develop a mechanism to incorporate customer feedback regarding complaint resolution into the system; require current policies and procedures to be followed until planned updates are finalized; identify system deficiencies and desired enhancements and work to correct them; develop a strategy for reducing repeat complaints; and develop a mechanism for tracking system usage and response wait times and ensuring that ongoing actions related to archiving data and monitoring outages continue.

Delivery Fleet Strategies

The Postal Service owns and manages the world's largest civilian vehicle fleet with about 200,000 vehicles, which are used primarily to support mail delivery. About 85 percent of its fleet is right-hand drive vehicles, including about 142,000 long-life vehicles (LLVs). The expected service life of an LLV is 24 years, and the Postal Service's LLVs are now between 18 and 25 years old. Our objective was to assess delivery fleet strategies — using industry comparative analysis — that the Postal Service could apply.

Our report determined the Postal Service does not have a comprehensive fleet management strategy but has some elements of a strategy in place. In June 2011, management developed a plan to purchase new vehicles; however, the Postal Service's continuing financial situation prevents it from implementing the plan. After examining delivery fleet practices at organizations with a wide spectrum of fleet management expertise, we identified 32 best practices that fall into three categories: strategy, asset optimization, and asset acquisition categories. We recommended that management develop and implement a comprehensive fleet management strategy, which a dedicated team of specialists at headquarters would manage using identified best practices. We also recommended that management establish an annual new vehicle replacement strategy, as part of a comprehensive strategy, to replace part of the fleet each year, spread out the expenditures over time, and ensure the overall operational functionality of the fleet.

Management disagreed with our finding that the Postal Service does not have a comprehensive fleet management strategy in place and our recommendation that it implement a comprehensive strategy managed by a headquarters team. The Postal Service stated that it has recently undergone an organization-wide restructuring and that its fleet strategy is not contained in one department but is a cooperative venture among various departments.

Every Door Direct Mail-Retail



The Postal Service's market test of its Every Door Direct Mail – Retail product proved highly successful, with sales growing faster than expected. Our report reviewed the planned transition from market test to permanent product offering.

Federal law allows the Postal Service to test experimental products under certain conditions. The law limits the experimental time to 24 months and revenue to \$10 million in any given 12-month period, but authorizes the PRC to grant an exemption of up to \$50 million. On January 12, 2011, the Postal Service filed a notice announcing its intent to initiate a market test of an experimental market-dominant product, Every Door Direct Mail-Retail (EDDM-R). The PRC approved the market test and the Postal Service launched EDM-R in March 2011. Because sales of the EDM-R product grew more quickly than anticipated, the Postal Service requested the PRC grant an exemption to the \$10 million revenue cap, which the PRC granted.

Our objective was to evaluate the status of the planned transition of EDM-R from an experimental product to a permanent market-dominant product. Our report determined EDM-R is rapidly approaching the experimental-product annual revenue cap. Consequently, the Postal Service must act quickly to transition the product from experimental to permanent status to avoid disrupting marketing momentum. In transitioning the product, the Postal Service could improve its methodology for measuring product success, strengthen controls over acceptance and verification, and better monitor product costs. We recommended management provide a timely request to the PRC to add EDM-R as a permanent product; develop better sources and methodologies to measure how well the product is meeting goals; evaluate, monitor, and test controls; continue efforts to strengthen controls and streamline acceptance procedures; and monitor and evaluate product costs. The Postal Service adopted such recommendations and filed for a permanent classification with the PRC, which it granted on September 7. The product will be implemented with the annual price changes in January 2013.

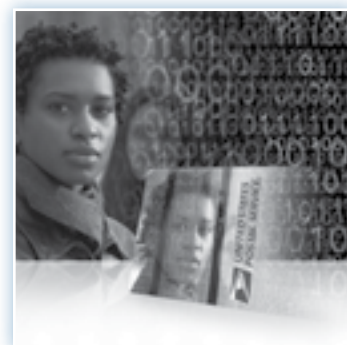
Package Delivery Growth

The Postal Service offers a variety of package products, such as First-Class Parcels, Non-Flat Machinables, Standard Parcels, Single-Piece Parcel Post, Express Mail, Priority Mail, Parcel Select, Parcel Return Service, and International Mail and Services. In FY 2011, the Postal Service's total package volumes of 2.9 billion resulted in \$11.5 billion in revenue and

a \$2 billion profit. Some of these products are considered market-dominant for rate-making purposes, while others are considered competitive. Although the volumes of each category are roughly 50 percent of the Postal Service's total package volume, market-dominant products account for only 23 percent of total package revenue, while competitive products account for 77 percent. Our objectives were to assess the effectiveness of the Postal Service's strategies for increasing its package delivery business, identify opportunities for growth, and estimate the resulting potential additional net revenue if the Postal Service increased its market share. Our report determined that the Postal Service's strategies for growing its package business have helped it keep pace with competitors in growing domestic and international package markets. The strategies are sound, but their effectiveness has been impacted by the lack of a strategic decision-making process for evaluating new sales opportunities, sales tracking system shortcomings, and chronic sales staff vacancies. The Postal Service could grow its package business by stabilizing sales staffing levels and adding new products. We recommended the Postal Service establish a strategic decision-making process for evaluating new sales opportunities, enhance the CustomerFirst! System, reassess sales staffing levels, continue to pursue legislative change that will allow it to ship beer and wine, and evaluate offering prepayment of customs duties and taxes and a local delivery product.

Digital Identity: Opportunities for the Postal Service

This white paper discusses gaps in the digital marketplace and the need for strengthened digital identity, authentication procedures, and increased privacy protection for users. The Postal Service is well-positioned to fill these gaps by virtue of its history, reputation for trustworthiness, and nationwide infrastructure. For example, acting as a trusted third party, the Postal Service could verify individual or business mailing addresses. Further, enhanced digital identity authentication would allow new eGovernment and eCommerce opportunities. The Postal Service could facilitate and build on joint public-private sector initiatives, which are currently hindered by the inability to tie a user's digital identity to a physical identity, such as a verifiable address. Use of such identity services would be entirely voluntary, with clear, comprehensible, and concise privacy guidelines. In addition, the Postal Service could offer its own digital identity service as a provider utilizing standards currently under development. With its network of post offices and carriers, the Postal Service could provide in-person verification services, building on its current passport services.



The Postal Service is well-positioned to fill the gaps in the digital marketplace by virtue of its history, reputation for trustworthiness, and nationwide infrastructure. On OIG white paper noted a particular opportunity in digital identity authentication services.

Strategic Advantages of Moving Mail by Rail

The Postal Service has used trains to transport mail since the early 1800s, but in recent years it shifted nearly all of its long-distance surface transportation to contracted highway trucks. In 2011, the Postal Service spent more than \$3.3 billion on highway contracts and \$40 million on freight rail contracts. However, over the last decade the Postal Service's competitors in the private sector have shifted much of their long-distance transportation to rail. The freight rail industry achieved significant improvements in service, cost, and fuel efficiency since it was deregulated more than 30 years ago. Its intermodal rail service can often meet the same service standards as highway transportation, but at lower rates and with four times the fuel efficiency. By increasing its use of intermodal rail, the Postal Service could save on transportation costs, reduce greenhouse gas emissions, reduce its exposure to fuel price volatility, and make its processing and transportation network more robust and sustainable over the long-term. Shifting a portion of mail volume to intermodal rail could yield annual cost savings of about \$100 million without any changes to the Postal Service's network. Further, broad-scale recommitment to intermodal rail could yield greater savings.

A Framework for Delivery Network Optimization

This paper demonstrates how operational research methodology can be used to rationalize the facility space for delivery operations. This analytical model examines consolidation opportunities within the existing carrier facility footprint, while balancing the need for space that is near delivery routes against costs. The analysis shows that a much smaller network of delivery units is sufficient to meet existing delivery needs and could reduce Postal Service annual costs. Modeling tools like this can aid the Postal Service's assessment of its delivery network needs.



A letter carrier cases mail to prepare it for delivery on her route.

FINANCIAL RISK

The Financial Risk category includes issues that have a clear financial impact, particularly those related to cost control and revenue generation. The greatest opportunities to reduce financial risks are in the areas of maximizing the cost-effectiveness of contracts, and improving internal controls in financial systems, processes, and benefit programs.

The Postal Service faces a critical financial risk as it deals with the economic slowdown affecting the nation. While the Postal Service made progress in reducing costs, the possibility of further declines in volume means that it is still confronted by a major challenge to find ways to cut costs and increase revenues.

Carrier Contributions to Revenue Generation and Customer Service

Currently, letter carriers primarily deliver mail to three types of delivery points: door-to-door, curbside, and centralized. City carriers deliver mail in populated areas, while rural carriers deliver mail in areas more traditionally considered rural

FINANCIAL RISK



Carriers contribute to Postal Service revenue through the Customer Connect® and Rural Reach® programs by identifying sales leads for the Postal Service's sales staff. If the Postal Service could grow these programs by 5 percent, it could increase annual revenue by nearly \$19 million, an OIG report indicated.

or remote. Carriers contribute to Postal Service revenue through the Customer Connect® and Rural Reach® programs by identifying sales leads for the Postal Service's sales staff. Carriers' level of participation in these programs varies among districts, but if districts with low participation adopt the best practices of districts with high participation, there might be an opportunity to increase the number and quality of sales leads and, thus, revenue. Our objective was to evaluate carrier contributions to revenue generation and customer service. We estimate that if the Postal Service could grow these programs by 5 percent, it could increase revenue by \$18.7 million annually. Management could also enhance the process for collecting data on the services that carriers provide to allow better evaluation of delivery changes and measure rural customers' needs. We recommended management implement best practices for sales lead programs and enhance data collection and reporting efforts to identify whether a lead results in new revenue for the Postal Service or diverts revenue from another product.

Domestic Air Mail Irregularities

Irregularities occur when air carrier personnel fail to protect or safeguard the mail from, among other things, inclement weather, loss, destruction, or other hazards while in the air carrier's control or custody. The Postal Service's commercial air contract addresses domestic air mail irregularities and states that it will assess monetary penalties for damaged or unprotected mail. Postal Service personnel at commercial air stops record irregularities when they occur and transportation personnel adjudicate the irregularities or approve them for further processing. If approved, a penalty is assessed and the amount paid to the air carrier for transporting mail is reduced. The Postal Service paid about \$194 million for transporting mail from October 1, 2010, through May 31, 2012, but only processed about \$44,000 in claims over nearly the same time period.

We determined that domestic air mail irregularities processing was not effective. Specifically, management did not monitor whether the field knew how to record problems or whether claim deductions were calculated accurately. Also, Postal Service personnel did not always record irregularities for adjudication and assess applicable penalties when they occurred. Further, management did not accurately calculate domestic air mail irregularity penalty amounts.

In addition to network and personnel changes, these issues occurred because management did not consider this program a high priority and did not obtain data necessary to monitor the process. Also, comprehensive written procedures for processing domestic air mail irregularities did not exist and penalty amounts were automatically calculated based on outdated contract data. As a result, Postal Service personnel did not always assess or correctly assess penalties to air carriers, and the air carriers were not always held accountable for safeguarding the mail. We were not able to determine the reasonableness of the \$44,000 of irregularity claims processed.

We recommended management implement a process to readily obtain data to monitor whether recording problems exist or claim deductions were calculated accurately. We also recommended implementing procedures for processing irregularities, and providing all airports the means to report irregularities and verify functionality on a regular basis.

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 PRC and the general public with information on its service performance. The postmaster general requested a review to determine whether a less costly way exists to implement this process, known as the External First-Class (EXFC) measurement system.

The Postal Service, which uses EXFC data to plan, execute, and evaluate its internal processes, increased the sample size beyond what is necessary to meet the program's statutory requirements to measure service performance. Internally, the Postal Service uses the data to support the National Performance Assessment and diagnose delivery problems at plants, delivery units and, in some instances, carrier routes. However, other internal reports already produced can provide alternative data to meet needs to reduce the costly sampling associated with EXFC.

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.

When developed, the automation plan should explore technological solutions such as using 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 using EXFC only to meet statutory requirements, developing a comprehensive plan to replace the current EXFC activities with an automated solution, and developing 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. Management stated they did not have an internal system to provide end-to-end performance measurement and used EXFC to gain information on retail letters, cards, and flats to drive service improvements. Alternative systems have limitations, management said. Management also disagreed with our recommendation to develop controls to eliminate the unauthorized special treatment of the potential test pieces, saying they have administrative controls in place to guard against this.

Service Performance Measurement Data — Commercial Mail

The Postal Act of 2006 requires the Postal Service to measure service performance for market-dominant products and report the results to the PRC. The law also requires the Postal Service to establish modern service standards for its market-dominant mail products. According to law, these standards should be designed “to provide a system of objective external performance measurements for each market-dominant product as a basis for measurement of Postal Service performance.” 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.

Revenue Sharing Agreements

A strategic alliance is a cooperative arrangement between the Postal Service and one or more private entities. Some strategic alliances include revenue sharing, which allows the Postal Service and its partner to share the generated revenue from a strategic alliance. The Postal Service enters into revenue sharing agreements with various partners that are more efficient at providing certain services and products.

In-Office Cost System Inputs into the Cost and Revenue Analysis Report

The Postal Service annually prepares the Cost Revenue and Analysis (CRA) report, a key component of the Postal Service’s Annual Compliance report provided to the PRC to determine whether the Postal Service complied with the statutory requirement that each class or type of mail service bear the direct and indirect costs attributable to that class or service. The Postal Service’s accounting systems do not accumulate financial data by mail category so the Postal Service uses PRC-approved methods, including apportionment factors derived from operational and statistical systems to prepare the reports. Data collectors conduct more than 800,000 data collection readings a year to provide data for these systems. Special studies and operational information provide additional data required for cost development. The Postal Service spends about \$69 million a year

to manually collect statistical data for analysis and prepare the CRA report. This includes about \$13 million for In-Office Cost System (IOCS) data collection, \$1.3 million of which is spent on 61,574 data collection readings in automated operations at mail processing facilities.

The mail processing portion of labor costs could be attributed to products and services using available automated data and, with additional system enhancements, the Postal Service could use data from mail processing systems to determine the mail processing portion of labor costs for product categories. Product category information could be obtained from data extracted from mailpiece images and mail volume and workhour information from Management Operating Data System. The Postal Service could combine this data with

labor rates from the payroll system to compute the per unit labor cost of processing mailpieces on automated machines, reducing the need for manual data collection in the mail processing area.

Using census data to determine mail processing labor costs per piece would enable the Postal Service to reduce 61,574 data collection readings a year, resulting in net savings of \$4.29 million over a 10-year period. Implementing the system enhancements to use automated data for costing purposes will also result in additional operational advantages. For example, the near real-time availability of per unit mail processing costs for mail products will help the Postal Service to better control processing costs and manage operations more efficiently.

FINANCIAL RISK

We reviewed agreements to determine whether Postal Service management and alliance partners are complying with agreement controls, revenue share amounts are valid and accurate, and the relationship between the Postal Service and alliance partners is functioning effectively. For three of four agreements reviewed, management and alliance partners complied with agreement requirements, revenue sharing amounts were valid and accurate, and the relationship was efficient and effective. For one agreement, management did not implement a process to validate postage and the revenue from the production of mailpieces or require the alliance partner to provide detailed data on the number of visitors and total visits the partner's website receives from the Postal Service's website. In addition, the Postal Service did not address the partner's concerns in a timely manner, which caused a small revenue loss over the past year. Lastly, management did not maintain a central repository for revenue sharing agreements to ensure timely, efficient, and accurate retrieval of information, and policies and procedures on establishing and monitoring revenue sharing agreements were not clear.

We recommended developing a process to verify the partner's sales transaction data for completeness and accuracy; obtaining web traffic data to verify the partner's revenue sharing; developing a process to address alliance partner concerns within mutually agreed timeframes; and communicating goals and developing a process to measure agreement performance. We also recommended establishing a central repository for all revenue share documentation; and developing and disseminating detailed procedures for creating, designing, and monitoring agreements.

Management disagreed with our recommendation to monitor web activity associated with the Click2Mail product to verify revenue sharing customer registrations and purchases of Postal Service products beyond what is currently in place. They maintain that revenue levels do not justify the infrastructure and the current process is sufficient. They also stated they have begun tracking the percentage of traffic originating on USPS.com versus all other sources of the partner's site. Management noted that once the partner has surpassed a certain revenue threshold, they could add a required independent audit to the terms of the agreement.

Stamp Manufacturing and Inventory Management

The Postal Service issues three kinds of stamps: (1) Definitives are issued in unlimited quantities in a variety of denominations and remain on sale until rates change; (2) Commemoratives are issued in limited quantities to pay tribute to people and events, and (3) Special Issues, such as the Love and holiday stamps, supplement definitive stamp stock. The Postal Service reduced the number of stamps it prints annually from 29.7 billion in FY 2009 to 21 billion stamps in FY 2011. Our objective was to evaluate whether the Postal Service effectively forecasts stamp stock requirements and manages stamp inventory.

Work Assignments for Limited Duty/Rehabilitation Employees

The Federal Employees' Compensation Act (FECA) provides various benefits to civilian federal employees who sustain injuries or an occupational disease as a result of their employment. The Postal Service is the largest FECA participant in the federal government. In 2011, the Postal Service paid \$1.2 billion in workers' compensation claims as of March 31, 2012. Additionally there are about 16,497 employees with disabilities that are expected to be permanent or prolonged who are currently receiving workers' compensation benefits.

The Postal Service provides rehabilitation assignments for employees for whom the effects of an injury are considered permanent and/or the employee has reached maximum medical improvement. These employees have the same rights to pursue promotional and advancement opportunities as other employees and they can work outside of their craft and/or facility. The Postal Service identifies these assignments in conjunction with local Health and Human Resource managers and the District Reasonable Accommodation Committee.

The Postal Service developed the Rehabilitation Program to fulfill its legal obligation to provide work for employees injured on duty. The program facilitates the proper placement and accommodation of employees injured on duty. This year we reviewed Postal Service policy on rehabilitation assignments for employees injured on duty and procedures for determining whether those employees could perform certain contract work. We initially selected six service areas, but after review with Supply Management officials, we determined that only three contracts provided potential for in-sourcing opportunities and rehabilitation assignments.

For example, we identified a contract that provides auto services, including transporting vehicles in need of repair and maintenance, to 28 vehicle maintenance facilities (VMFs) or repair garages. We found that employees who have been injured on the job and are able to return to work could perform some of this work at 10 of the 28 VMFs because only 10 of the VMFs could guarantee a 4-hour shift as required and consistent with FECA rules and regulations. There is also the potential for other VMFs to provide similar rehabilitation assignments.

Management stated that, while identification of rehabilitation employees able to perform shuttle service work is a local issue, opportunities exist for all Delivery Operations staff to reduce Office of Workers' Compensation costs and future liabilities. As such, management plans to issue a memorandum to all district and area managers directing the local human resources group to consult with VMF management when evaluating proper placement of injured employees. Management also said this will be a joint effort to assess the feasibility of using rehabilitation employees to shuttle vehicles.

Management disagreed with our recommendation to establish a training plan for employees on the periodic roll who receive and accept an offer to perform vehicle shuttle service work. They said the Postal Service already has extensive training programs required for all employees who operate postal vehicles. Furthermore, any employee offered a modified duty assignment involving shuttle service work would have to meet the qualification standards before the offer is extended.

The Postal Service's adoption of the Definitive Forever stamp has generally alleviated concerns regarding over-production and destruction of definitive First-Class Mail stamps. However, due to the unique nature of commemorative and special issue stamps, production volumes require closer management scrutiny. Specifically, we found the Postal Service overproduced 2 billion commemorative and special issue stamps during calendar years 2009 and 2010, resulting in \$2 million annually of unnecessary manufacturing costs for stamps that were later destroyed. This occurred because the Postal Service did not develop and document an objective forecasting methodology and review process to determine stamp stock demand. In addition, reduced visibility in retail units hinders accurate forecasting and inventory management.

We recommended the Postal Service improve controls over stamp manufacturing, including documentation of procedures to determine stamp stock requirements, and an enhanced review and approval process. We also recommended the Postal Service initially produce these stamps in limited runs and develop and implement a strategy to maximize sales through unique promotional opportunities, given the historical lifecycle of similar commemorative and special issue stamps.

Travel Expense Reimbursements and Travel Card Usage

Postal Service employees and approving officials use eTravel, a web-based system, to electronically create, submit, and review travel expense reports. They may not use their official travel card for personal business or exceed cash advance limits. Also, when an employee is overpaid for travel expenses, the employee should repay the amount to the Postal Service. The Postal Service incurred \$95 million in total travel expenses in fiscal year 2011. We found that some Postal Service employees improperly claimed expenses on their travel reimbursements and inappropriately used their travel cards.

We found six cases involving two employees in which the employees canceled a higher-priced airfare, traveled on a lower-priced one, but claimed the higher-priced fare on the travel reimbursement request. We also found instances where employees claimed a canceled fare but did not reimburse the Postal Service. In addition, eTravel allows employees to have their per diem reimbursements paid to the travel card rather than directly to their personal bank account, which can result in a credit balance and encourage employees to use it for a personal purpose, which is prohibited. Our review of 10 employees who most frequently elected to have these reimbursements paid to the travel cards disclosed that six made multiple personal purchases or excessive cash withdrawals.

Although each instance is unique, overall, approving managers do not have a mechanism to adequately monitor travel card activity. Also, the Postal Service did not have clear instructions explaining how to handle canceled airfare. As a result, the Postal Service is exposed to inappropriate or fraudulent activity that could hurt its reputation. We recommended management provide additional mechanisms for approving managers to monitor employees' travel card activity. We also recommended management develop clear procedures for employees on how to account for canceled fares and remove the eTravel System provision that allows employees to apply personal reimbursements to their travel cards.

Use of Data within Finance and Planning's Field Budget Process

A January 2011 agency-wide restructuring effort resulted in the Postal Service closing its Southeast Area Office 1 month later. This required the budget and account balances of the Southeast Area administrative office to be closed and reassigned to other active area administrative offices. We determined the Postal Service's Finance and Planning Department did not effectively use available data to monitor the field budget, revenue, and expense variances occurring after the closing of the Southeast Area office. The Postal Service closed the Southeast Area in February 2011; however, it did not move the Southeast Area's administrative office's financial data to an active Postal Service area until July 2012. Finance and Planning used financial report data to prepare weekly and monthly reports for all areas but did not call attention to the inappropriately reported Southeast Area budget and revenue and expense transactions. Further, the Postal Service did not have procedures in place that adequately detailed the required tasks or a timeline to manage the transition.

Because financial accounts were not appropriately moved to another Postal Service area, the budget was not eliminated or reassigned and about \$15 million in revenue and expenses continued to accumulate in Southeast Area accounts after the area closed. Although we did not identify any specific instances, incorrect business decisions and performance evaluations may result if they are based on inaccurate or incomplete data. For example, management may renew transportation contracts unnecessarily or for additional costs because of insufficient data. With optimization likely to continue, and without a revised budget that reflects anticipated savings from closures, the Postal Service may not realize those savings.

We recommended using financial data to inform senior management and other responsible parties of financial issues requiring resolution and elevate those issues until they are resolved. Also, we recommended establishing clear and understandable policies and procedures for closing an administrative office and designating one functional group to oversee the process.

Post Office Discontinuance Accounting Procedures

As part of the restructuring effort, the Postal Service discontinued 537 retail units from fiscal years 2009 through 2011. Although the Retail Access Optimization Initiative to close more retail units was discontinued in May 2012, closing postal units may occur in the future. The Postal Service could close units for reasons unrelated to finances, such as the loss of the facility. Between the time operations end at a discontinued unit and the financial records are closed and deactivated, accounting transactions can be charged to the discontinued unit. Therefore, the correct policies and controls need to be in place to ensure proper allocation and visibility of all financial transactions associated with future closures, which is key to the success of any new initiatives.

We determined the Postal Service properly accounted for the disposition of assets and liabilities at discontinued units; however, it did not properly allocate and provide adequate visibility of revenue and expenses at discontinued postal retail units. Specifically, the Postal Service did not allocate revenue and expenses to the appropriate gaining unit after discontinuing operations at half of the postal retail units. In addition, the Postal Service did not provide adequate visibility of financial transactions at 221 (or 41 percent) of the 537 units. Rather, transactions from these units were commingled with transactions from other, related units. As a result, we identified about \$17 million annually of improperly allocated revenue and expenses.

Employee Retirement Options, Pension and Retiree Health Care Funding Levels; Review of Fiscal Years 2012 and 2013 Liquidity; and U.S. Postal Service Alternative Health Care Plan Proposal

In 2012, more than 189,000 Postal Service employees will meet the age and service eligibility requirements for retiring with an immediate annuity and the Postal Service estimates it will have to reduce staffing by 220,000 career positions over the next 3 years. The 21st Century Postal Service Act of 2012 (S. 1789) proposes allowing the Postal Service to offer up to 1 year of additional credited service for individuals in the Civil Service Retirement System (CSRS) and up to 2 years for individuals in the Federal Employees Retirement System (FERS) as an incentive to encourage retirement. The bill also would let the Postal Service use the FERS overpayment for buyouts (up to the existing cap for federal workers of \$25,000 for any one individual) or additional service credits.

A number of retirement options may be available to employees in the near future as part of new legislation or other new authorities provided to the Postal Service, but there may be restrictions on how the Postal Service can use these options and whether they can be combined or not. Some of the options available to employees include voluntary early retirement, cash buyouts, re-employment for annuitants, and additional years of service credit.

Funding requirements for pensions and retiree health care benefits have caused a tremendous burden on the Postal Service's financial operations. The organization has fully funded its pension obligations for both CSRS and FERS. For retiree health care benefits, the Postal Service is required to prefund the expense at an increasing rate through 2016. We explored the progress on funding pension and retiree health care benefits as of September 30, 2011, and determined the Postal Service has funded its pension benefit obligation at nearly 105 percent and is currently overfunded by \$13.1 billion. Further, the Postal Service is required to fully fund its future retiree health care benefit obligations and has funded nearly 50 percent of that obligation. The Postal Service defaulted on the \$11.1 billion in retiree healthcare payments due in fiscal year FY 2012 and will likely default on the \$5.6 billion payment due in FY 2013. Liquidity risks and shortfalls are projected to return in spring 2013 through October 2013, with the Postal Service projecting an estimated \$1.2 billion cash shortfall in mid-October 2013. These liquidity concerns exist even with the expected default on Retiree Health Benefits prefunding payments.

These annual prefunding payments, coupled with declining revenue, have challenged the Postal Service's ability to meet all its obligations. Management proposed to decrease costs by more than \$63 billion by offering its own health care benefits plan instead of participating in the Office of Personnel Management's Federal Employees Health Benefits plan. These savings are due primarily to 1) required accounting changes, 2) use of Medicare coverage, 3) impact on employees, future retirees, and retirees, and 4) efficiencies in health care purchasing.

However, we found that management used an incorrect funding interest rate assumption to establish its future retiree health care obligation, understating the adjusted original liability of \$90.2 billion by \$14.1 billion, thus it should actually have been \$104.3 billion. This, however, does not impact the overall \$63 billion in cost savings. The Postal Service has removed from its proposal the plan to freeze the monthly premium amount it contributes to those retiring after January 1, 2014. The estimated \$63 billion savings associated with the proposal would be reduced by about 20 percent, or \$11 billion.

While the Postal Service has recently issued a management instruction and an updated handbook, neither documents a process to deactivate a finance number and allocate or provide adequate visibility over financial activity occurring subsequent to the unit closing. We recommended management develop specific criteria to deactivate finance numbers at discontinued postal retail units. Also, we recommended that management establish a method to allocate revenue and expenses at discontinued station and branch operations and provide adequate visibility of all transactions.

Unclaimed Funds

The OIG received a complaint from the Postal Inspection Service regarding an investigation of funds owed to various Connecticut post offices listed as unclaimed property with the state. The Postal Inspection Service was concerned that the Postal Service's Office of General Counsel was not pursuing all unclaimed funds reported to state treasuries and referred this matter to the OIG. Our report determined the Postal Service could more efficiently and effectively collect unclaimed

funds held by U.S. state treasuries. Although the Postal Service is identifying some unclaimed funds through limited online searches, they are not using all available search methods to collect additional funds that are due. Opportunities exist to improve identification and collection of unclaimed funds by registering as a member of an online searchable database, incorporating additional search terms, and establishing points of contact with state treasuries. Based on our limited use of additional search methods and developing points of contact with state Treasury personnel, we identified \$865,838 of unclaimed funds that belong to the Postal Service. Further, we estimate that state treasuries are holding an additional \$614,220 of unclaimed postal funds. We recommended the Postal Service use additional search methods to identify and collect unclaimed funds. This includes taking advantage of the benefits offered through membership with a publically available online service, using a variety of Postal Service terms when conducting searches, and establishing working relationships with U.S. state treasury employees.

OPERATIONAL RISK

The Operational Risk category focuses on issues related to the day-to-day operations of the Postal Service. These risk factors potentially affect the Postal Service’s abilities to provide timely, reliable delivery and customer service across all access points. Operational risk factors involve the quality of postal services and the end-to-end service performance of all mail, as well as the assurance that postal products and services meet customer expectations by being responsive, consistent, and easy to use.

Assessment of Overall Plant Efficiency 2012

Mail processing is an integrated group of activities required to sort and distribute mail for dispatch and delivery. Post offices, stations, and branches send outgoing mail to processing and distribution centers (P&DCs) and processing and distribution facilities (P&DFs) for processing and dispatch for a designated service area. They also provide instructions on preparing collection mail, dispatching schedules, and establishing sort plan requirements to associate offices and mailers.

Our objectives in this report were to follow up on the Postal Service’s progress in reducing workhours based on earlier recommendations and assess the efficiency of the processing and distribution network for FY 2011. Our report determined the Postal Service made substantial progress reducing workhours in the network from the previous year. During FY 2011, productivity for all plants improved by more than 5.9 percent over the prior fiscal year and overtime decreased by almost 4.2 percent compared with FY 2010. The Postal Service made these reductions with only slight declines in service from FYs 2010 to 2011; however, we found the Postal Service has not yet fully adjusted workhours in response to declining mail volume or achieved all possible efficiencies in mail processing operations. We recommended management reduce more than 14 million workhours by FY 2014, with an associated economic impact of almost \$665 million, and periodically evaluate operating efficiency by assessing performance against the median productivity level for each plant grouping.



Large areas of the Pittsburgh Processing and Distribution Center were filled with empty letter and flat trays, which caused congestion and impeded the efficient flow of mail.

Carrier Optimal Routing System Phase II

Carrier Optimal Routing (COR) is a computer modeling carrier routing and travel optimization program used to configure safe and efficient travel patterns for city delivery routes. The Postal Service implemented the system in October 2005, helping to reduce workhours and vehicle costs, improve carrier safety, and establish more efficient lines-of-travel.

Our objective was to review system usage to adjust and consolidate routes and global positioning system (GPS) usage in conjunction with COR. The Postal Service performed route adjustments using the COR system on 28,116 routes in the 47 districts reviewed; however, it did not make route adjustments on 63,505 routes using the COR system. This condition occurred because the software was not user friendly, data preparation was labor-intensive and time-consuming, COR system technicians were not cross-trained, and manuals were not updated. In addition, districts with GPS devices did not always use them to track route time and performance jointly with the COR system to perform route adjustments.

As a result, the Postal Service will not realize more than \$84 million annually in cost reductions in city delivery from consolidation of carrier routes. We recommended management continue to pursue funding availability to resolve performance issues and implement the Web COR system. We also recommended that management re-emphasize performing route adjustments using the COR system. Additionally, we recommended cross-training to include database preparation and

OPERATIONAL RISK



Productivity in plants improved during FY 2011 with only slight declines in service. However, the Postal Service could further adjust workhours in response to declining mail volume and achieve greater efficiencies in mail processing operations.

route adjustment processes. Lastly, we recommended management update city delivery manuals to perform route adjustments using the COR system.

Management disagreed with our recommendation to continue pursuing funding to resolve performance issues with the WebCOR system and implement the web-based program nationwide. Management stated that WebCOR was developed and tested, but could not deliver the required performance or response time due to the architectural constraints of the operating environment.

Management disagreed with the monetary impact associated with the recommendation to re-emphasize performing route adjustments using the COR system, specifically, that the \$84 million in cost savings assumed that all routes could be adjusted using COR, with no consideration of preparation and formal route inspection costs. Further, management stated that FY 2012 and FY 2013 projected savings should be reduced as the number of COR adjustments increase and that overtime rates inflated the potential savings.

Management also disagreed with the recommendation to update Handbooks M-39, Management of Delivery Services, and M-41, City Delivery Carriers Duties and Responsibilities, to establish standards for using the COR system to perform route adjustments. Management stated that inserting references to the COR system in the handbooks is not necessary.

City Delivery Staffing

Managing labor costs is critical because city delivery is the largest cost center in the Postal Service and the agency does not have, or expect to have, sufficient revenue to cover costs without making fundamental changes. Moreover, with an outlook that does not forecast a significant rebound for mail volume, the decrease directly affects carrier workloads. Therefore, having proper staffing levels at city delivery installations enhances efficient use of carrier resources and reduces costs. To develop staffing levels, officials use a budget-based process to determine the number of workhours needed (for route coverage) for labor costs to match the fiscal year budget. In fiscal year 2011, the Postal Service employed 183,774 city delivery carriers to deliver mail on 145,385 city routes, using more than 317.1 million workhours at the installations reviewed. Our objective was to evaluate whether Postal Service city delivery carrier staffing was at maximum levels at city delivery installations. The maximum level represents a staffing ceiling and does not imply that management needs to hire employees but, instead, manage at an established level.

The Postal Service's city delivery full-time (FT) carrier staffing varied at installations, consisting of excesses and shortages. This occurred because the Postal Service did not establish a maximum number of carriers needed per route in the budget process or at each installation based on need. These conditions contributed to installations exceeding their budgeted overtime by 10.4 million hours. Managing with maximum staffing levels and employing part-time resources would give the Postal Service options for reducing city delivery labor costs by more than \$116.8 million annually. We recommended the Postal Service balance the number of FT carriers per route and manage labor costs within established budgets. We also recommended coordination with Labor Relations to continue pursuing the ability to increase the number of part-time, non-career flexible employees in the city letter craft to reduce labor costs. Management agreed in principle but did not agree with the monetary findings or the formula to determine value.

Commercial Mail Entry and Acceptance Initiatives

The Postal Service developed initiatives for commercial mail entry and acceptance processes necessary to achieve core business strategies and performance goals. The objective of this audit was to determine the status of these initiatives and to identify issues facing the Postal Service as it moves forward. The key initiatives, which will streamline the commercial mail entry and acceptance processes, are in the initial phases but are meeting planned milestones. The Postal Service conducted an in-depth risk analysis to identify challenges that may impact the success of these initiatives. Using this analysis, the Postal Service developed corresponding risk mitigation strategies to directly address these challenges and minimize impacts to the planned schedule. However, we believe there are ongoing challenges that may negatively impact the success of these initiatives.

The Postal Service worked closely with key internal and external stakeholders over the course of several months to gain concurrence on the approach to streamlining mail entry and acceptance processes and data used to demonstrate savings and justify the monetary investment. The Postal Service's Executive Leadership Team reviewed and approved the project

on July 25, 2012. However, we believe financial and operational risks will continue to exist if the proposed risk mitigation strategies are not implemented effectively. For example, the mailing industry has cited concerns about the availability and stability of PostalOne!, the Postal Service's primary system for recording commercial mail transactions and managing customer accounts. It has experienced multiple operational issues. We believe failure to properly address these issues may result in mailers' reluctance to participate in the Full-Service Intelligent Mail Barcode (IMb) program, which is critical to the success of these initiatives. We recommended management closely monitor the financial and operational risks related to proposed commercial mail entry and acceptance initiatives and address availability issues related to PostalOne!. Further, we recommended identifying additional incentives to increase mailer participation in the Full-Service IMb program and develop a plan to address concerns mailers have with commercial mail transformation initiative requirements. Finally, we recommended developing a process that will allow Full-Service IMb mailers the opportunity to challenge postage adjustments made to streamlined mailings. On September 5, 2012, the Postal Service responded to our report in agreement with these recommendations and outlined high-level plans to address each recommended action.

Although management agreed with our overall recommendations, they did not agree to a part of the last recommendation requiring thorough testing before releasing or implementing PostalOne! system upgrades. While Postal Service management agreed to develop a PostalOne! improvement plan, they noted the latter part of the recommendation was misleading, as the Postal Service already conducts detailed system and customer acceptance testing prior to all releases. The Postal Service instead proposed the development of pre- and post-release assessments of PostalOne! testing processes to support continuous improvement in their testing cycles.

Efficiency of Customer Service Operations

Our objective in this audit report was to assess the overall efficiency of the Postal Service's customer service operations, which include the sale of products and services at post offices, stations, and branches. The Postal Service uses various systems and reporting tools to track and measure efficiency in its customer service operations. The Customer Service Variance Program uses a standardized methodology, based on the retail unit's projected workload and target productivity, to determine the number of workhours a unit should use. In FY 2011, the Postal Service spent almost \$6.3 billion (about 9 percent of total expenditures) on customer service operations.

While the Postal Service has improved its customer service efficiency, units still performed below the national efficiency performance goals of 88 percent for FYs 2010 and 2011 and 90 percent for FY 2012. Managers at customer service units are not fully using available reports as tools to manage operations. These conditions occurred because managers did not match resources against their workload, senior managers did not promote the use of available reports, and not all managers were trained to use the reports. The Postal Service could have saved \$114 million in FY 2011 if all customer service units had achieved the goal of 88 percent.

We recommended districts develop and implement an action plan to better use workhours and implement best practices at applicable customer service units. We also recommended management provide customer service managers training as needed to enable them to effectively use available reports and tools. Finally, we recommended management require customer service unit managers to use the available reports and tools to allocate their resources based on the projected workload.

Management generally agreed with the precept of our report and monetary impact, but took exception to our statement that some units underperformed because managers did not know how to effectively use managerial reports to assess resources against their workload and manage resources in response to workload changes. While they agreed with the cause in principle, they stated our review conducted at four poor performing offices did not provide a statistically relevant assessment.

First-Class Mail on Air Transportation, Assignment by Weight

The Postal Service contracts with select air carriers to transport First-Class Mail (FCM) to meet established service standards. The carriers include FedEx®, United Parcel Service® (UPS), and selected commercial passenger airlines. The Postal Service assigns mail to carriers considering contract minimums and the per pound costs of commercial air as a priority when determining the order in which mail is assigned, but does not consider the overall weight or density of the mail. The Postal Service spent \$488 million in fiscal year 2011 to ship FCM by air. The Postal Service could save about \$10 million in transportation costs over the next year if it considered weight when assigning FCM to air transportation. Our analysis also showed that the Postal Service could maintain contract commitments and service if this mail was reallocated, resulting in overall reduced air transportation costs. The estimated cost savings are net of additional costs for assignment system modifications. We recommended management modify the process to assign FCM to air transportation considering weight where feasible.



Customer service operations include the sale of products and services at post offices, stations, and branches.

OPERATIONAL RISK



Improved maintenance of operating systems would improve efficiency at the Los Angeles Network Distribution Center, an OIG audit determined. A lack of proper maintenance and performance of the sorting equipment and a failure to sweep mail resulted in auditors finding mail dating back to 2007 below the sorter's belts.

Efficiency Review of the Los Angeles Network Distribution Center

Our audit determined that the Los Angeles network distribution center (NDC) has reduced workhours over the past several years, but further opportunities exist for improvement. Specifically, the Los Angeles NDC did not attain the average productivity of all NDCs above median productivity or take full advantage of existing automation. Consequently, the Los Angeles NDC used 200,019 more workhours than necessary. If the Postal Service eliminated these workhours, it would have an annual avoidance of about \$6.5 million in labor costs. The NDC also damaged an average of 3,700 of the 175,000 pieces of mail handled daily. We recommended the Postal Service instruct Los Angeles NDC management to reduce workhours to produce an annual cost avoidance of \$6.5 million, or increase volume by 39 million pieces, or a combination of both. We also recommended periodic evaluation of operating efficiency and staffing at the Los Angeles NDC to determine whether further workhour adjustments are necessary. Additionally, we recommended improving supervision of employees and maintenance of mail processing equipment, maximizing automation, and ensuring separation of non-machinable and machinable parcels throughout the processing network.

Frederick, MD, to Baltimore, MD, Area Mail Processing Consolidation

The Postal Service implemented area mail processing consolidation to eliminate excess capacity, reduce costs, improve service, and operate as a leaner, more efficient organization. This audit responded to a request from a congressional representative on consolidation of destinating mail processing operations from the Frederick, MD, Processing & Distribution Facility into the Baltimore Processing & Distribution Center.

Our objectives were to assess the October 2011 through January 2012 consolidation and examine stakeholder concerns. Our report determined that this consolidation initially increased delayed mail, lowered service and customer experience scores, and increased transportation costs. Management acknowledged these challenges and has addressed many of the problems experienced during the consolidation. Further, operating conditions have improved as of February 2012. We recommended management avoid implementing consolidations during the fall and Christmas mailing seasons, as appropriate, ensure it meets customer service commitments, and complete transportation schedule adjustments to avoid late and extra trips.

Global Positioning System Technological Strategies for Contracted Highway Transportation Routes

The Postal Service initiated a global positioning system (GPS) program for selected highway contract transportation routes in November 2010 to gain visibility of mail during transport. The program required that all "long-haul" routes (more than 50 miles) provide tracking information every 30 minutes during transport. As of April 2012, about 960 routes were included in the program.

We found the GPS program was capturing limited data and not providing useful reports for highway transportation route management. This occurred because of inadequate planning and implementation and limited highway transportation route contractor participation requirements. Additionally, we determined that insufficient system reporting capabilities and inadequate data retention requirements were contributing factors. Consequently, the program was not being used fully and had not achieved its intended results even though it cost at least \$1.6 million. We also determined the program can potentially include additional routes; provide maximum use of actionable reports with enhanced data analytics, use real-time alerts and enhanced geo-fencing (or assigning geographical borders); and include fuel analysis and route optimization information. There are also opportunities for integration with existing systems for enhanced transportation management.

We recommended the Postal Service improve existing GPS functionality by updating and reinforcing policies and procedures; improving the monitoring and validation process to ensure supplier compliance; and reviewing and updating standard system reports to facilitate monitoring of supplier compliance and performance. We also recommended adding more highway contract routes and reporting capabilities to include exception reporting, establishing adequate GPS data retention policies, and exploring an end-to-end GPS platform with full-range functionality.

Mail Transport Equipment — Shortages of Pallets, Tubs, and Trays — Fall 2011 Mailing Season

Mail Transport Equipment (MTE) is containers, such as pallets, flat tubs, and letter trays that hold mail during transportation. The Postal Service loans MTE to its customers for shipments through the Postal Service and has spent about \$426 million on MTE from FY 2006 to FY 2011, covering more than 149 million pieces of equipment. We initiated this audit in response to mailers' complaints about MTE shortages during the fall 2011 mailing season. Our objectives were to assess these shortages and management controls over MTE.

We confirmed that unprecedented MTE shortages existed at Postal Service facilities during the fall 2011 mailing season. This occurred because management did not effectively plan to have sufficient quantities on hand or develop a risk mitigation plan to avoid shortages. Also, management has not fully developed and instituted adequate controls for effective MTE



A global positioning system program for selected highway contract route transportation routes was implemented to gain visibility of mail during transport. An audit of the program showed it has great potential, but the program was capturing limited data and not providing useful reports.

management. The shortages were compounded by a shrinking MTE budget. As a result, the Postal Service and its customers faced challenges in moving mail, which resulted in customer complaints and emergency purchases of less durable equipment to meet the challenges.

We determined the Postal Service could have avoided purchases of less durable MTE totaling \$11.1 million in FY 2011 and \$15.6 million in FY 2012 had adequate planning and controls been in place. We also estimate that MTE purchases of \$24.3 million in FY 2011 and \$23.6 million in FY 2012 are at risk of loss, theft, and misuse due to control weaknesses. Further, MTE shortages reflect poorly on the Postal Service's brand, place revenue at risk, and less durable MTE raises safety concerns for mailers. We determined that the Postal Service initiated efforts to improve management of MTE, including developing a system to track and monitor MTE.

We recommended the Postal Service develop processes and procedures for effective planning of and budgeting for MTE needs for the fall mailing season; implement prior OIG recommendations on MTE internal controls; and develop processes and procedures to limit distribution and improve accountability of MTE provided to mailers. We also recommended that management assess and implement industry best practices for inventory control, considering the cost benefit.

Motor Vehicle Accident Prevention Program

The Postal Service operates a fleet of about 200,000 vehicles, with more than 300,000 authorized drivers. During FYs 2010 and 2011, these drivers had more than 20,000 accidents each year. Motor vehicle accidents result in medical costs to employers, legal expenses, property damage, and lost productivity. They also drive up the cost of benefits such as workers' compensation, Social Security, and private health and disability insurance. The Postal Service's Safe Driver Program established policies and guidelines to ensure that its drivers are equipped to drive safely, comply with Department of Transportation regulations, and collect and deliver mail efficiently. Our objective was to assess internal controls over motor vehicle safety.

While the Postal Service has established procedures to monitor and oversee motor vehicle safety, supervisors did not always follow prescribed procedures. We identified issues relating to driving observations, vehicle safety inspections, and monitoring of driving privileges. We identified \$97.7 million in assets at risk due to inadequate controls over motor vehicle safety. Efforts to prevent motor vehicle accidents help reduce costs, promote safety for employees and the public, and enhance the Postal Service brand.

We recommended management provide supplemental guidance to area and district managers to enforce requirements for supervisors to adhere to motor vehicle safety procedures, to include conducting driving observations, ensuring drivers perform vehicle safety inspections, and performing quarterly driving privilege checks. We also recommended management provide periodic refresher training to supervisors on the Safe Driver Program and ensure that employees performing driving observations take the Driver Observation training course. Finally, we recommended management establish and implement proactive monitoring processes that include using Department of Motor Vehicles' databases to ensure the validity of driver's licenses for employees in driving positions.

Management disagreed with the recommendation to establish and implement proactive monitoring processes that include using Department of Motor Vehicles' databases to validate driver's licenses for employees in driving positions, stating that it would be labor- and cost-prohibitive. Use of DMV data requires a release form signed by the employee and the costs vary by state. With 425,000 potential drivers, the Postal Service estimated that the annual costs would be more than \$19 million.

Postal Vehicle Service — Nationwide Analysis

Negotiated work rules for bargaining unit employees in Postal Vehicle Service (PVS) operations are covered under the American Postal Workers Union's collective bargaining agreement, which was ratified in 2011. The contract allows management to eliminate part-time flexible (PTF) and part-time regular (PTR) employees in the motor vehicle craft and create non-traditional full-time (NTFT) duty assignments to replace assignments previously performed by PTF and PTR employees. Management can now develop schedules with fewer than 8 hours of work per day or 40 hours per week which are classified as full-time duty assignments. The new contract also requires management to schedule employees with consecutive days off in most cases; however, the local parties (management and union) can otherwise agree to split days off.



An OIG audit of MTE recommended the Postal Service develop a risk mitigation plan to avoid shortages of MTE and it should avoid buying less durable wooden pallets that are routinely damaged.



With more than 300,000 authorized drivers, Postal Service motor vehicle accidents result in costly medical expenses, legal expenses, property damage, lost productivity, and an increase in the cost of benefits. The Safe Driver Program established guidelines to ensure safety and compliance with Department of Transportation regulations.

OPERATIONAL RISK

The objectives of this audit were to summarize the results of our prior audit work in this area and identify PVS scheduling and staffing issues and associated impacts that require nationwide attention. Our report determined that Postal Service Headquarters needs to strengthen nationwide processes, guidance, and monitoring of PVS fleet management procedures for conducting required schedule and vehicle utilization reviews. Management could create more efficient PVS schedules by using NTFT duty assignments and changing work schedules to include split days off. We also determined that, at some previously audited facilities, drivers were not consistently following prescribed safety procedures when conducting PVS operations.

We recommended the Postal Service ensure that managers follow prescribed fleet management procedures for conducting schedule and vehicle usage reviews, make more timely PVS schedule changes, and increase the use of NTFT duty assignments where fewer than 8 hours of work exists when feasible. Also, we recommended that management encourage local officials to negotiate the use of split days off with local union officials, ensure that processing and distribution center managers enforce the use of seat belts, chock blocks, and load restraints by drivers, and ensure that managers periodically monitor compliance. By making these changes nationally we estimate the Postal Service could save about \$47.1 million annually.

Management generally agreed with the monetary value used for assets at risk and our recommendations but not our monetary impact, saying our estimates were inaccurate because the American Postal Workers Union Agreement does not currently allow for the use of split days off for NTFT duty assignments without further action at the national and local levels. In addition, management stated they cannot agree with our projected savings associated with the use of the NTFT position since the ability to optimize around the NTFT position is conditional on vacancies, volunteer full-time regular employees, and conversion of postal support employees (PSEs) after their initial 1-year term as PSEs.

Management stated they will continue to track and monitor compliance with fleet management procedures on a quarterly basis. In addition, they will continue to pursue and monitor the maximum use of postal support employees (PSE) and NTFT duty assignments to control costs and hours. However, regarding the use of split days off, management does not believe encouraging the negotiation of split days off for NTFT duty assignments is actionable at this time.

Suspension and Debarment Program

Suspensions and debarments are administrative remedies that federal agencies can take to protect against future losses from supplier fraud, waste, abuse, poor performance, and non-compliance with contract provisions or applicable laws. The Postal Service should continuously measure and analyze supplier performance relative to contractual requirements and apply suspension and debarment remedies when applicable to help limit future Postal Service losses. Our objective

was to assess the Postal Service's suspension and debarment program. Specifically, we evaluated the Postal Service's compliance with pertinent regulations and benchmarked its suspension and debarment practices against Federal Acquisition Regulation (FAR) and FAR-exempt agencies to identify best practices and key program similarities and differences

Our report determined that, although no suspended or debarred suppliers are currently under contract with the Postal Service, opportunities exist for improving the suspension and debarment program. Suspension and debarment officials did not consistently update or accurately record suspension and debarment activity in the General Service Administration's Excluded Parties List System and the Postal Service list of suppliers debarred, suspended, and ineligible at the time of suspension or debarment, as required. We also identified best practices that, if implemented, could strengthen the program. We recommended management consistently update and accurately record suspension and debarment activity on the required lists upon debarment and instruct contracting staff on suspension and debarment policies and practices at least annually.



An OIG audit assessed the Postal Service's suspension and debarment program, including a review of how regularly it was updating and recording suspensions and debarment activity in the General Service Administration's Excluded Parties List System.

City Delivery — Street Efficiency in the San Diego District; City Delivery – Street Efficiency Louisiana District; Street Efficiency — Capital District

The Postal Service faces the most difficult operating period in its 235-year history. Mail volume in FY 2011 declined by another 3 billion pieces to 168 billion, dropping total mail volume to levels not seen since 1992. Since 2007, mail volume has dropped by about 44 billion pieces. The Postal Service must improve operational efficiency to reduce costs while facing financial losses from declining mail volume. Significant opportunities exist for improving efficiency and reducing costs in mail delivery.

We assessed the overall street efficiency of city street delivery in the San Diego, Louisiana, and Capital districts and identified opportunities for efficiency and cost savings. Street delivery includes carriers delivering and collecting mail on their assigned routes. There are opportunities for improvement in all of these districts

The San Diego District could use about 6 minutes less street time per day on each carrier route (or about 83,900 workhours annually) and we estimate a monetary impact of \$3.4 million annually

in funds put to better use. The Louisiana District could use about 12 fewer minutes of street time per day on each carrier route and save about \$4.4 million annually. The district also had issues with inadequate security safeguards resulting in assets at risk totaling \$65,698 at four delivery units, but management immediately initiated corrective action on these matters. Finally, the Capital District has opportunities for enhanced street delivery efficiency – it could use about 12 fewer minutes of street time per day on each carrier route and save about \$4.5 million annually.

Unauthorized Contractual Commitments

An unauthorized contractual commitment occurs when a Postal Service employee who has not been delegated as a contracting authority or a local buying authority allows another party to deliver or provide goods or services. An unauthorized contractual commitment also occurs when individuals who have delegated contracting authority exceed that authority. The Postal Service requires unauthorized contractual commitments to go through a process called ratification, which involves after-the-fact preparation and execution of appropriate contractual documents. Our objective was to determine whether the Postal Service ratified unauthorized contractual commitments in accordance with its policy. We reviewed contracting actions to determine whether contracting officers (COs) received delegations of authority to exceed their contracting authority. We also benchmarked Postal Service contracting authority levels and delegation of authority practices with those of other federal agencies.

Postal Service personnel did not always ratify unauthorized contractual commitments in accordance with Postal Service policy. Of the 23 unauthorized contractual commitments we reviewed, eight (35 percent, valued at \$582,649) were either missing the approval of the ratifying official, approved by an individual who did not have sufficient approval authority, or lacked sufficient documentation. We also found that Postal Service personnel generally followed their policy on delegating additional contracting authority in cases where an individual CO's contracting authority is insufficient. However, we did identify one contracting action in which the CO did not receive the proper delegation and exceeded their authority by more than \$5.1 million. Finally, our benchmarking results indicated that, unlike the Postal Service, other federal agencies do not have a policy providing for a one-time delegation of authority to COs to execute actions over and above their contracting authority.



A delegation from the government of Japan, including a member of its legislature (the Diet) and officials from the Embassy of Japan, met with officials of the OIG to learn about the role and mission of an Office of Inspector General. Japan Post is considering the establishment of an inspection and audit department that would be independent from the departments they review.

Office of
Investigation



USPS OIG - Risk Assessment Data Repository - Contract Fraud - Contract 20PSCM0143003

Google

Contract Fraud

view its detail

CONTRACT RISK
Low

CONTRACT SIZE
Small

OTHER MARKET
 Supplier
 Personal
 Current Contract

VISIBLE RELATION
 Supplier
 CO
 CO
 Re
 B

Special agents investigate internal crimes and frauds committed by postal employees and contractors against the Postal Service and employee misconduct.

The Postal Service is consistently ranked by the Ponemon Institute as America's "most trusted federal agency." Among the reasons for this ranking is the integrity of its employees. Unfortunately, a small number of postal employees and contractors betray that integrity and abuse the public's trust in the Postal Service.

To protect the mail and to ensure the integrity of postal processes, finances, and personnel, the Postal Service relies on the investigative efforts of the Office of Investigations' (OI) special agents. These special agents are stationed in offices nationwide. Their charge is to investigate internal crimes and frauds committed by postal employees and

contractors against the Postal Service and employee misconduct. Following is work conducted by the OI during this reporting period that contributed to safeguarding the Postal Service's revenue and assets and helped deter postal crimes, ultimately helping to maintain a stable and sound Postal Service.

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

FINANCIAL CRIMES

A large portion of the \$65 billion in revenue generated by the Postal Service last year is handled at the 32,000 postal retail locations. Employees who embezzle funds, kite or otherwise misuse money orders, or steal and misuse postal-issued credit cards receive investigative attention from our special agents.

- A California window clerk was sentenced in May in federal court to 3 years of probation and ordered to pay \$20,000 in restitution to the Postal Service. An OIG investigation revealed the window clerk under-reported stamp sales to conceal her embezzlement from the cash drawer. A financial reconciliation identified shortages in excess of \$74,000. During the investigation, the clerk admitted to stealing about \$20,000. She subsequently resigned from the Postal Service.
- An OIG investigation determined that a Michigan sales and service associate embezzled funds from evening postal deposits. During an interview with agents, the employee admitted to using the stolen money to gamble at a casino. As a result of the investigation, the sales associate resigned from the Postal Service. In May, the former associate pled guilty in federal court to misappropriation of postal funds. The associate was sentenced to 49 days imprisonment and ordered to pay \$8,350 in restitution to the Postal Service.
- In April, a Connecticut sales and service associate was sentenced in federal court to 6 months home confinement, 5 years of probation, 200 hours of community service, and ordered to pay more than \$20,000 in restitution. An OIG Investigation determined the associate voided sales transactions of 53 money orders totaling \$16,635 that Postal Service customers had purchased. During an interview with agents, the associate admitted he fraudulently voided money orders after he sold them to customers. The sales associate stated that he stole money to take care of personal financial problems and support a gambling addiction. As a result of the investigation, the Postal Service terminated the associate.
- An OIG investigation disclosed that a New Jersey sales and service associate embezzled about \$19,000 from the Postal Service by making false refund entries into the Point of Service (POS) retail terminal. In May, the associate pled guilty to misappropriation of postal funds and was subsequently sentenced in federal court to 2 years of probation and ordered to pay more than \$19,700 in restitution to the Postal Service. As a result of the investigation, the associate was removed from the Postal Service.

HEALTHCARE FRAUD

- A Nebraska officer in charge failed to pay for about 20 money orders, totaling nearly \$6,000, which he used for personal expenses, an OIG investigation determined. During an interview with agents, the officer admitted to stealing the money orders for his personal use. In April, he pled guilty in federal court to embezzlement of Postal Service money orders. The employee was sentenced to 6 months imprisonment, 3 years of probation and ordered to pay \$6,600 in restitution. The employee resigned from the Postal Service.
- OIG agents investigating an Arizona postmaster determined she issued and cashed Postal Service money orders for personal use. During an interview with agents, the employee admitted to stealing cash from her drawer and money orders from the mail. In May, the postmaster pled guilty in federal court to attempting to pass a forged and altered Postal Service money order and theft of mail. The postmaster was sentenced to 16 months of imprisonment, 3 years of supervised release and ordered to pay approximately \$19,000 in restitution. The postmaster resigned from the Postal Service.
- In July, a North Carolina postmaster was sentenced in federal court to 5 years of probation and ordered to pay a \$3,000 fine after pleading guilty to misappropriation of funds. Our investigation revealed the postmaster issued money orders to customers without reporting the sales and kept the cash for personal use. The investigation also determined the postmaster failed to report funds received from Post Office Box fee transactions and permit mailing postage transactions. As a result of the investigation, the employee resigned from the Postal Service and reimbursed the Postal Service \$31,392

HEALTHCARE FRAUD

The monetary and medical benefits paid by the Postal Service to workers' compensation claimants (employees who sustained job-related injuries) in FY 2012 totaled more than \$1.3 billion; its estimated total liability for future workers' compensation costs is more than \$17.5 billion. Administered by the U.S. Department of Labor (DOL), the Office of Workers' Compensation (OWCP) provides direct compensation to providers, claimants, and beneficiaries. The Postal Service later reimburses the OWCP in a process known as charge-back billing.

The workers' compensation program exists for employees who are legitimately injured while on duty. The program provides benefits to injured employees and their families while the employee is unable to work. Postal employees who attempt to defraud OWCP with false claims are criminally prosecuted to permanently prevent payment of additional compensation and to recover funds fraudulently obtained. Cases that may require administrative action are referred to the Postal Service and the DOL. Special agents work closely with Health and Resource Management specialists from the Postal Service on all phases of these investigations. Following are examples of workers' compensation fraud cases investigated during this period.

A former rural letter carrier claimed an on-the-job injury to her back and made false statements to her physician to maintain a limited work-duty status. OIG agents determined the carrier participated in at least 80 separate marathons and triathlons since claiming her injury.



- Abbott Laboratories pled guilty in May and agreed to pay \$1.5 billion to resolve its criminal and civil liability arising from the company's unlawful promotion of the prescription drug Depakote for uses not approved as safe and effective by the Food and Drug Administration (FDA). Abbott admitted that the company maintained a specialized sales force trained to market Depakote in nursing homes for the control of agitation and aggression in elderly dementia patients, despite the absence of credible scientific evidence that Depakote was safe and effective for that use. The resolution includes a criminal fine and forfeiture totaling \$700 million and civil settlements with the federal government and the states totaling \$800 million. The investigation revealed that the company defrauded the Postal Service of about \$1.1 million through insurance reimbursements. Sentencing is pending. The Postal Service has not yet received the monies due in this case and they will be reported in a future semiannual report to Congress.
- After a two-day jury trial in May, a Florida rural carrier – and veteran triathlete – was found guilty in federal court of making false statements and healthcare fraud. The rural carrier filed a claim for an on-the-job injury to her back and was placed in a limited duty work status by her treating physician. An OIG investigation determined the carrier made false statements to her physician in order to maintain a limited duty work status. Video surveillance conducted by agents showed the carrier repeatedly exceeding her medical restrictions. Agents determined the rural carrier participated in at least 80 separate marathons and triathlons since claiming her injury. As a result of our investigation, the Postal Service terminated the rural carrier, resulting in a cost avoidance of more than \$140,000.
- An OIG investigation revealed that the daughter of a former Pennsylvania letter carrier falsified forms sent to the Department of Labor to ensure the continuation of her father's worker's compensation benefits. The daughter, who was not a postal employee, continued to receive and cash checks for compensation payable to her late father for 8 months following his death. During the investigation, the daughter pled guilty to making false statements. DOL issued a letter of indebtedness, resulting in the recovery of approximately \$17,000 to the Postal Service. In June, the woman was sentenced to 4 years of probation, 200 hours of community service, and a \$1,000 fine.

- After pleading guilty in federal court to insurance fraud, a California city letter carrier was sentenced in May to 75 days of imprisonment, 3 years of supervised release, and ordered to pay \$820 in fines and \$17,329 in restitution to the Postal Service. The investigation revealed the carrier, who claimed to be totally disabled from an on-the-job back injury, misrepresented his medical condition and physical capabilities. Video surveillance showed the carrier practicing martial arts, playing football, performing yard work, carrying heavy items, and driving for long periods of time. As a result of the investigation, the Postal Service terminated the carrier and DOL terminated the carrier's compensation benefits, realizing a savings in excess of \$1.5 million for the Postal Service.

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, GlaxoSmithKline (GSK), were investigated jointly by the OI, the Department of Health and Human Services OIG, the FBI, the Defense Criminal Investiga-

tive Service, the Food and Drug Administration 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 a three-count criminal information, including 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.

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)."

- A joint investigation with the California District Attorney's (DA) Office Bureau of Investigation revealed that a California window clerk was involved in issuing fraudulent passports to facilitate real estate fraud and human smuggling schemes. The investigation determined the clerk provided relatives fraudulent U.S. passports, which allowed them to commit real estate fraud, resulting in more than \$2 million dollars in bank losses. The clerk failed to report income earned from illegal activities while receiving benefits from DOL. In April, the clerk pled guilty in state court to forgery, passport fraud, real estate fraud, and workers' compensation fraud. The court sentenced the clerk to 2 years of imprisonment. As a result of the investigation, the clerk resigned from the Postal Service, resulting in a cost avoidance of \$397,000.
- An April investigation determined that a Michigan distribution clerk failed to report concurrent employment while claiming total disability as the result of an on-the-job injury. During an interview with agents, the clerk admitted to being a co-owner of a dog grooming and kennel business and working 6 days a week. The Postal Service terminated the clerk and DOL ended her benefits, resulting in a cost avoidance of about \$968,000.
- In July, a retired Massachusetts letter carrier was sentenced to 4 months imprisonment, 1 year of probation and ordered to pay \$26,823 in restitution to the Postal Service. The former carrier pled guilty to false statements or fraud to obtain workers' compensation benefits and mail fraud. The carrier alleged total disability from a work-related head and neck injury and received more than \$168,000 in worker's compensation payments. An OIG investigation revealed the former carrier exceeded medical engaging in activities such as golfing and landscaping with large power equipment. The DOL terminated the former carrier's benefits realizing a cost savings of more than \$1.1 million for the Postal Service.
- A May investigation found that a North Carolina part time flexible clerk operated multiple booths at a flea market to sell clothing, gift baskets that he designed and created, and other merchandise. During an interview with agents, the employee admitted to owning and operating the business and failed to report the income to DOL. The investigation prompted the employee to resign from the Postal Service. DOL terminated compensation and benefits resulting in a cost avoidance of approximately \$884,000.

A former Massachusetts letter carrier alleged total disability from a work-related head and neck injury, but an OIG investigation found the carrier exceeded medical restrictions on several occasions, including golfing and landscaping. After a guilty plea on fraud charges, the former employee's benefits were terminated for a cost savings of \$1.1 million for the Postal Service.



MAIL THEFT

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



An OIG investigation uncovered a scheme by a temporary employee to reroute packages with televisions, high-end electronics, and large inflatable water slides to his residence. The employee pled guilty to theft of mail and was sentenced to 6 months of home detention and 3 years of probation.

- An OIG investigation uncovered a scheme in which a Tennessee temporary employee removed mailing labels from parcels and replaced them with handwritten labels addressed to his residence. The employee rerouted about \$25,000 worth of merchandise to his residence through the mail. During a search warrant execution, agents recovered several stolen computers, flat screen televisions, PlayStations, a home security unit, a U.S. passport, digital camcorders, digital cameras, and large inflatable waterslides. In May, the employee pled guilty to theft of mail. One month later, the employee was sentenced to 6 months of home detention, 3 years of probation, and ordered to pay a \$10,000 fine to the Postal Service. As a result of the investigation the Postal Service terminated his employment.
- In April, a rural carrier associate in Oklahoma pled guilty in federal court to theft of mail. An investigation determined the employee stole parcels containing controlled substances, mailed by the Department of Veterans Affairs (VA). During an interview with OIG agents, the employee admitted to stealing several VA parcels and burning the packaging to conceal the thefts. She stole the parcels to support her addiction to prescription drugs. The employee was sentenced to 2 years of probation and ordered to attend a court ordered drug treatment program. The employee resigned from the Postal Service.
- A New York letter carrier confessed to OIG agents during an investigation to stealing the contents of Express Mail packages, including more than \$75,000 in cash, diamonds, and electronics, which the carrier pawned. In May, the letter carrier pled guilty in federal court to theft of mail and possession of stolen mail and was ordered to forfeit about \$68,000. As a result of the investigation, the letter carrier resigned from the Postal Service. Sentencing is pending.

- Agents observed, during an investigation, a Florida distribution clerk opening customers' envelopes, removing cash, and concealing it in her pocket. The clerk admitted to agents that she stole cash and gift cards over a 3-month period. The employee resigned from the Postal Service and in July was sentenced to two years of probation, 50 hours of community service, and ordered to pay \$300 in restitution.
- The OIG received complaints from customers in Illinois regarding missing prescription drug parcels. An investigation determined that an Illinois supervisor was responsible for the thefts. The supervisor fielded complaints and referred the information to the OIG from customers whose packages he stole. The supervisor admitted to agents that he stole prescription packages due to his addiction to pain medication. In July, the supervisor, who was convicted of mail theft, was sentenced in federal court to 2 years supervised release, 50 hours of community service, and ordered to pay a \$1,200 fine. The employee resigned from the Postal Service.
- In June, a Michigan rural route carrier entered a federal pretrial diversion program for a period of 12 months for theft of mail. The rural carrier was ordered to perform 40 hours of community service and agreed not to seek re-employment with the Postal Service. The OIG opened an investigation after receiving customer complaints regarding missing mail. During an interview with OIG agents, the rural carrier admitted to stealing about \$300 from greeting cards. The employee resigned from the Postal Service.
- An investigation revealed that a California supervisor stole and attempted to use a gift card at Macy's. However, the store declined the transaction because the gift card was reported stolen. The supervisor admitted to the theft in an interview with agents. The Postal Service removed the supervisor and in May, the supervisor pled guilty to obstruction of mails. He was sentenced in federal court to 6 months of probation, 50 hours of community service, and ordered to pay restitution.

- Another California case involved theft of gift cards. A California letter carrier redeemed gift cards he stole from the mail, an OIG investigation determined. During an interview with agents the carrier admitted to stealing and using the gift cards. As a result of the investigation, the employee resigned from the Postal Service. In July, the carrier pled guilty to obstruction of mails and was sentenced in federal court to 2 years' probation, ordered to pay a \$2,000 fine, and \$309 in restitution.
- A mail handler pled guilty in July in federal court to delay and destruction of mail, and theft of government property. During the investigation, OIG agents discovered at least nine postal customers had greeting cards stolen from the mail and rifled. The mail handler redeemed these cards at various stores. The employee admitted to OIG agents that he stole at least 50 gift cards from the mail with an estimated value of \$4,000. In December 2009, the employee resigned from the Postal Service.
- A California city letter carrier admitted to OIG agents during an investigation that he had stolen about 10 pieces of mail to fuel his drug habit. The carrier also confessed to using crystal meth and black tar heroin while on duty. The Postal Service terminated the carrier's employment and in August he pled guilty in the State of California District Court to check/money order fraud, possession of stolen check/money order, and theft of property. The carrier was sentenced to 45 days imprisonment and 3 years of probation.
- During an investigation, OIG agents observed a Nevada letter carrier enter his personal residence with stolen mail. Agents executed a federal search warrant at the carrier's home and recovered 562 Netflix DVDs, 158 pieces of political mail, and seven periodicals. During an interview with agents, the carrier admitted to stealing Netflix DVDs for more than a year and disposing of the envelopes in his household trash. The carrier said he stole mail from several different routes in order to avoid detection. In June, the carrier pled guilty in federal court to theft of mail and was sentenced to 3 years of probation and ordered to pay about \$7,100 in restitution. The letter carrier resigned from the Postal Service.
- A Kansas clerk was responsible for the theft of more than 40 packages containing narcotics intended for delivery to veterans, an OIG investigation determined. During a surveillance operation, agents observed the clerk hide the parcels in a large mail sack, which she later placed in her personal vehicle. The clerk admitted to stealing the parcels for more than a year in an interview with agents. In April, the clerk pled guilty to theft of mail and was sentenced in federal court to 2 years of probation, ordered to pay a \$500 fine, and approximately \$300 in restitution. The clerk resigned from the Postal Service.
- A Kansas highway contract route driver was sentenced in July to 5 years of probation and ordered to pay nearly \$3,000 in restitution after pleading guilty to mail theft in federal court. An OIG investigation determined the driver was responsible for the theft of more than 100 pieces of First-Class Mail, containing more than \$3,000 in cash and gift cards. The driver and his spouse were observed on video using stolen gift cards. During an interview, the driver admitted to stealing about \$40 to \$80 a day in cash and gift cards from the mail, while discarding checks and money orders. The driver's wife pled guilty to criminal use of a financial card and was sentenced to 2 days imprisonment, 12 months of probation, and ordered to pay restitution. As a result of the investigation, the Postal Service terminated the driver.
- A Wisconsin temporary carrier admitted to agents during an interview to stealing deliverable mail on his route, in addition to stealing outgoing mail left in residential mailboxes by postal customers. During a search of the carrier's vehicle and residence, agents recovered more than 9,000 pieces of mail. The carrier admitted he stole cash from the mail approximately 20 times per day to buy gas for his personal vehicle. The carrier pled guilty, in March, to theft of mail and delay of mail in federal court. In June, the carrier was sentenced to 20 months in prison, followed by 3 years of supervised probation. The carrier also resigned from the Postal Service.
- A former Wyoming custodian pled guilty to delay or destruction of mail. An OIG investigation determined that over a 3-month period, the custodian took multiple pieces of First-Class Mail from the Post Office. The stolen parcels contained gift cards, DVDs, and three silver coins. Agents were able to track the stolen coins to a pawn shop in Casper, WY, and discovered that the custodian sold the coins. Agents obtained video from a local Applebee's restaurant that showed the custodian using stolen gift cards that were sent to customers in the Casper delivery area. The custodian said he threw away numerous mailings with their contents, including prescription medications from the VA. The Postal Service terminated the custodian. In May, he was sentenced in federal court to 2 years of probation and ordered to pay about \$1,100 in restitution.



Special agents investigate allegations of postal employees delaying, destroying, or stealing mail. In one investigation, a Nevada letter carrier admitted to stealing mail containing DVDs over the course of a year and disposing of the envelopes in his household trash.

CONTRACT FRAUD



A contractor's sales representative to the Postal Service frequently entered a Postal Service Vehicle Maintenance Facility and disposed of large quantities of soap products so he could sell higher volumes of soap to the Postal Service. An OIG investigation uncovered the fraud, and the Postal Service terminated the contract. The sales rep pled guilty in federal court to mail fraud and theft of public money, property or records.

CONTRACT FRAUD

The Postal Service manages contracts, ranging from multimillion dollar national contracts for services such as transportation networks and IT infrastructures to local contracts for supplies and services at individual postal facilities. The OIG aids the Postal Service by investigating allegations of contract fraud, waste, and misconduct. When contract improprieties are documented, special agents present the evidence for criminal and civil prosecution and administrative remedies.

During this reporting period, we conducted 94 contract fraud investigations, resulting in 13 arrests and more than \$4 million in monetary benefits to the Postal Service.

- A California court awarded \$1,668,330 to the Postal Service in May in a judgment of \$16.5 million against a government contractor. In 2004, a complaint was filed in U.S. District Court against Avaya Inc., a company that sells and leases desktop telephone systems to federal agencies. Two former company employees alleged the company and a separate finance company violated the False Claims Act by knowingly submitting false invoices to the Postal Service and other U.S. government agencies for the leasing, renting, and post-warranty maintenance of telephone systems. During the 1990s, government agencies replaced obsolete telephone systems with more modern phones. Agents analyzed about 60,000 invoices from the telephone systems company and determined, in many instances, the company knowingly continued to bill for lease and maintenance charges of obsolete systems, which had been removed, disconnected, or replaced with modern systems. In addition, analysis revealed the company often billed for the removal of the obsolete equipment and continued to knowingly bill removal charges for many months afterwards.
- During an OIG investigation, a highway contract route (HCR) driver admitted to agents that he directed his wife and employees to use the Postal Service Voyager credit cards unlawfully. The Nebraska contract driver pled guilty in April to theft of government money or property for his unlawful purchase of fuel valued at almost \$130,000 for non-Postal service businesses. The contractor operated two HCR routes in Nebraska between May 1, 2005, and March 31, 2008, while operating newspaper routes and a courier service at the same time. The contract route driver was sentenced to 36 months of probation and ordered to pay approximately \$126,000 in restitution.
- An OIG investigation determined that the owner of a vehicle repair company bribed several Postal Service Vehicle Maintenance Facility (VMF) employees in the Detroit metropolitan area. The bribes included cash, gift cards, vehicles, prostitutes, free service on personal vehicles, and other items of financial value in exchange for vehicle repair work. Four employees were convicted of conspiracy to commit bribery and/or bribery and one employee was convicted of acceptance of illegal gratuities. The employees were sentenced to imprisonment ranging from 3 months to 18 months, 2 years of probation and fines totaling \$4,000. Three employees received administrative downgrades. The owner and the vehicle repair company were debarred from conducting business with the federal government.
- In Alabama, a Postal Service VMF supervisor conspired with two contractors to submit false claims for services and repairs on Postal Service vehicles. In exchange for approving the false claims, the supervisor received cash payments from the contractors ranging from \$500 to \$2,000. The supervisor and two contractors were prosecuted in federal court. The supervisor was sentenced to 37 months of imprisonment and 36 months of probation. The contractors were sentenced to 3 years of probation. The defendants were ordered to jointly pay \$330,000 in restitution to the Postal Service. Both contractors were debarred for a period of 3 years and the supervisor resigned from the Postal Service.
- An OIG investigation determined that an Illinois contractor's sales representative to the Postal Service frequently entered a Postal Service Vehicle Maintenance Facility and disposed of large quantities of soap products in order to sell higher volumes of the soap to the Postal Service, increasing commissions for both the contractor and the sales representative. The Postal Service terminated the contract. In January, the sales representative pled guilty in federal court to mail fraud and theft of public money, property, or records. The sales representative received a sentence of 9 months imprisonment, 5 months of home confinement, 2 years of supervised release, 20 hours of community service, and was ordered to pay \$102,510 in restitution and a \$1,000 fine to the Postal Service.

GENERAL CRIMES

- An OIG investigation found that an Ohio rural carrier fraudulently received state unemployment benefits between August 2009 and May 2011. The carrier failed to accurately report to the state income earned while employed by the Postal Service, thereby increasing the unemployment compensation owed to the state by the Postal Service. In May, the carrier was sentenced to 2 years of probation and ordered to pay restitution of about \$26,900 after pleading guilty in state court to theft and telecommunications fraud.
- Two Massachusetts letter carriers and two non-Postal Service co-conspirators pled guilty in federal court to possession and conspiracy to distribute cocaine. In April 2011, OIG agents initiated an investigation into the two letter carriers for possession and distribution of cocaine while on duty. The four defendants were arrested in September 2011. During the arrest, OIG agents seized more than 250 grams of cocaine, as well as drug paraphernalia, \$3,400 in cash, and fraudulent Social Security cards. As a result of the investigation, both letter carriers resigned from the Postal Service. In May, a non-postal defendant was sentenced to 24 months imprisonment, followed by 3 years of supervised release. A month later, one of the former letter carriers received a sentence of 8 months imprisonment, 3 years of supervised release, and was ordered to pay a \$1,500 fine. Later in the summer, a non-postal defendant was sentenced to 1 year imprisonment, 3 years of supervised release, and was ordered to pay a \$1,000 fine. In October, the other former letter carrier was sentenced to 8 months imprisonment, followed by 3 years of supervised release.
- In July, a Connecticut clerk was sentenced in state court to 5 years imprisonment and 10 years of probation after pleading guilty to criminal attempt at possession of child pornography. During the investigation, agents determined that the clerk regularly used his Postal Service-issued computer to search for pornographic materials and images involving children engaged in sexual acts. During an interview with agents, the clerk admitted to using his Postal Service computer to access pornographic websites on more than one thousand occasions. As a result of the investigation, the Postal Service terminated the clerk.
- An investigation determined that a former Maryland temporary clerk accessed change of address information provided by postal customers to facilitate an identity theft scheme with three co-conspirators. The defendants obtained personal identifiable information and counterfeit driver’s licenses to fraudulently open “instant credit” accounts in the names of the victims. They purchased high-end electronics and other expensive merchandise, before the victims became aware of the existence of the account. This resulted in approximately \$500,000 in bank losses. In April, the former temporary clerk pled guilty in federal court to conspiracy to commit bank fraud and aggravated identity theft; and aiding and abetting; and was sentenced to 70 months imprisonment, 3 years of supervised release, and ordered to pay nearly \$610,000 in restitution. The Postal Service terminated the clerk.

EXECUTIVE INVESTIGATIONS AND INTERNAL AFFAIRS

OIG conducts criminal and administrative investigations of Postal Service executives, and OIG and Postal Inspection Service personnel, as well as whistleblower reprisal investigations.

Whistleblower Reprisal Activity

The Whistleblower Protection Act does not apply to the Postal Service. However, the Postal Service has its own policy governing whistleblower retaliation. The policy prohibits retaliation against employees who have disclosed information they reasonably believe to be: 1) a violation of any rule, law or regulation, or 2) a gross waste of funds, gross mismanagement, abuse of authority, or a substantial and specific danger to public health or safety.

- Allegations received: 80
- OIG investigations initiated: 13
- Investigations closed with no actions: 18
- Allegations closed with no action: 82
- Open investigations: 4
- OIG found reprisal: 0



Help us pick out the bad apples.

No matter how hard you work, you can't overcome those who cheat or steal from the U.S. Postal Service. These bad apples make mail more expensive — something we can't afford.



**We need your help.
Report postal crimes or misconduct.**

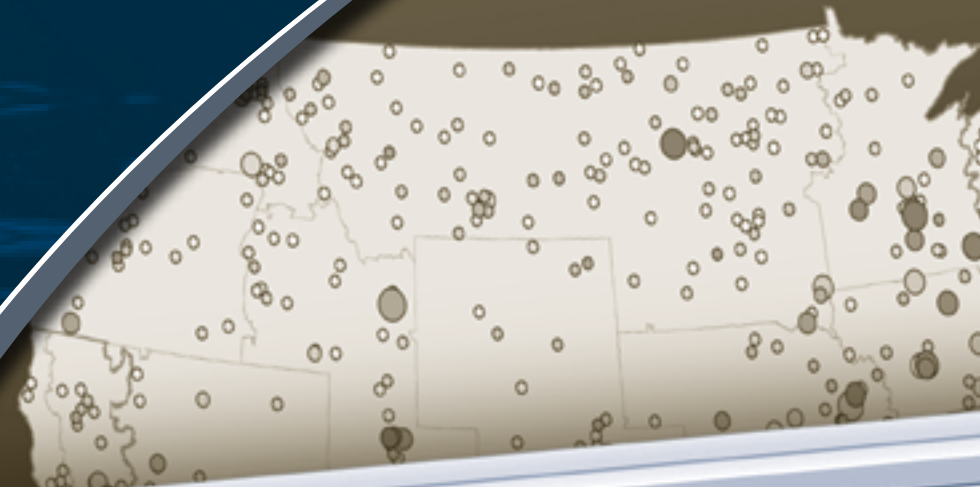


1-888-USPS-OIG
www.uspsoig.gov



Poster 204 | March 2012 | PSN 7690-08-000-0914

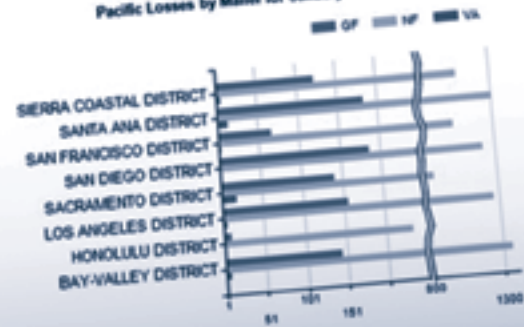
Appendices



<http://www.oig>
 News (467) Popular
OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

[Home](#)
[Mail Theft Fraud](#)
[Capital Metro Area](#)
[Eastern Area](#)
[Great Lakes Area](#)
[Northeast Area](#)
[Pacific Area](#)
[Southern Area](#)
[Western Area](#)

Pacific Losses by Mailer for January 2012



Pacific District Losses by Mailer VO for Jan 2012

DISTRICT NAME	VO	GF	MF	VA	Total
BAY-VALLEY DISTRICT	1	45	1146		1191
	0	90	907	16	1013
HONOLULU DISTRICT	1		251		251
	0	10	183	1	194
LOS ANGELES DISTRICT	1	39	1186		1225
	0	183	781	6	970
SACRAMENTO DISTRICT	1	28	808		836
	0	112	707	31	850
SAN DIEGO DISTRICT	1	50	1243		1293
	0	130	883	6	1019
SAN FRANCISCO DISTRICT	1	15	885		900
	0	47	708	6	761
SANTA ANA DISTRICT	1	48	1182		1230
	0	112	287	29	428
SIERRA COASTAL DISTRICT	1	62	1285		1347
	0	100	799	7	906

Pacific District Losses by Mailer from Nov 2011 to Jan 2012

DISTRICT NAME	January 2012			November 2011			December 2011			Total
	GF	MF	VA	GF	MF	VA	GF	MF	VA	
	114	1303	6	321	1585	40	148	1829	29	900
	100	799	7	182	4	25	135	6	4959	

APPENDICES

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

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

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

APPENDIX A

Reports Issued to Postal Service Management

For the period April 1— September 30, 2012

OIG audit teams conduct performance and financial audits, evaluations, and other reviews to address the business of the Postal Service. Each team issues audit reports (AR) or management advisory (MA) reports in accordance with the identified needs of the project.

Summary

Risk Categories	Number of Reports	Funds Put to Better Use	Questioned Costs	Unsupported Questioned Costs	Revenue Impact
Strategic	12	\$17,600,000	\$8,805,460	—	\$646,535,774
Financial	45	\$7,621,094,686	\$102,308,460	\$96,477,653	\$4,611,087
Operational	47	\$605,711,381	\$1,091,269,802	\$6,328,371	\$45,268,635
SUB-TOTAL	104	\$8,244,406,067	\$1,202,383,722	\$102,806,024	\$696,415,496
PARIS Risk Model Reports	40	—	—	—	—
TOTAL	144	\$8,244,406,067	\$1,202,383,722	\$102,806,024	\$696,415,496

Fiscal Year 2012 Summary

For the period October 1, 2011— September 30, 2012

Risk Categories	Number of Reports	Funds Put to Better Use	Questioned Costs	Unsupported Questioned Costs	Revenue Impact
Issued Reports	168	\$9,291,590,525	\$1,979,766,966	\$852,297,331	\$801,473,754
PARIS Risk Models Report	71	—	—	—	—
TOTAL	239	\$9,291,590,525	\$1,979,766,966	\$852,297,331	\$801,473,754

Definitions:

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

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

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

Revenue Impact. Amounts from revenue generating functions such as retail sales, rent, leases, or fees that were underpaid or not realized. In addition, this category includes increased revenue from existing functions and generating revenue from new sources.

PARIS Risk Models. Performance and Results Information Systems (PARIS) models with data visualization techniques. These models identify operational and financial risks, and enable OA staff to conduct reviews of Postal Service functions on a nationwide basis, while also identifying areas of emerging risk — fundamentally changing the way the OIG examines and monitors risk. We present quarterly summary results and trend analyses of these risk models to key Postal Service executives and stakeholders.

Reports with Quantifiable Potential Monetary Benefits

	Funds Put to Better Use	Questioned Costs	Unsupported Questioned Costs	Revenue Impact
STRATEGIC RISK				
Marketing and Service				
Customer Complaint Resolution Process; MS-AR-12-007; 9/10/2012	\$17,600,000	\$8,800,000	—	—
Package Delivery Growth; MS-AR-12-003; 5/4/2012	—	—	—	\$646,535,774
Planning, Innovation, and Optimization				
Cost of Appeals for Closing Postal Service-Operated Retail Facilities; CI-AR-12-005; 7/12/2012	—	\$5,460	—	—
FINANCIAL RISK				
Cost, Pricing, and Rates				
In-Office Cost System Inputs into the Cost and Revenue Analysis Report; CRR-AR-12-004; 5/30/2012	\$4,289,691	—	—	—
Facilities, Environmental, and Sustainability				
Lease Purchase Options for Postal Service Facilities; DA-AR-12-002; 9/18/2012	—	\$1,704,786	—	\$2,443,268
Financial				
Controls Over the Check Acceptance Process; FI-MA-12-016; 9/6/2012	—	—	—	\$760,764
Controls Over Indemnity Claims; FF-AR-12-004; 6/11/2012	—	\$2,109,309	\$2,109,309	—
Evaluation of the External First-Class Measurement System; FF-AR-12-006; 9/18/2012	\$11,870,546	—	—	—
Follow-Up on Financial Accountability Audit Report Recommendations; FF-AR-12-009; 9/28/2012	—	\$2,782,794	\$2,782,794	—
Revenue Sharing Agreements; FI-AR-12-004; 9/14/2012	—	—	—	\$1,407,055
Unclaimed Funds; FF-AR-12-003; 4/16/2012	\$865,838	—	—	—
Financial Reporting				
Pension and Retiree Health Care Funding Levels; FT-MA-12-002; 6/18/2012	\$7,600,000,000	—	—	—
Marketing and Service				
Stamp Manufacturing and Inventory Management; MS-AR-12-006; 7/23/2012	\$4,068,611	\$4,068,611	—	—
Supply Management				
International Transportation Payments; CA-AR-12-007; 9/28/2012	—	\$91,585,550	\$91,585,550	—
Audit of Serco, Incorporated Incurred Costs for Fiscal Year 2008; CA-CAR-12-009; 8/7/2012	—	\$57,410	—	—

APPENDIX A

	Funds Put to Better Use	Questioned Costs	Unsupported Questioned Costs	Revenue Impact
OPERATIONAL RISK				
Delivery				
Carrier Optimal Routing System Phase II; DR-AR-12-005; 8/21/2012	\$173,512,846	\$84,446,027	—	—
City Delivery — Excess Routes; DR-AR-12-002; 6/19/2012	\$500,220	—	—	—
City Delivery Operations — Brick Main Post Office; DR-MA-12-004; 9/27/2012	\$667,528	\$560,592	\$560,592	—
City Delivery Operations — Lancaster Carrier Annex; DR-MA-12-003; 9/28/2012	\$1,031,676	\$868,388	—	—
City Delivery Staffing; DR-AR-12-006; 8/24/2012	\$233,710,548	—	—	—
City Delivery — Street Efficiency Capital District; DR-AR-12-003; 8/16/2012	\$9,138,265	—	—	—
City Delivery — Street Efficiency Louisiana District; DR-AR-12-004; 8/16/2012	\$8,874,598	—	—	—
City Delivery — Street Efficiency San Diego District; DR-AR-12-001; 6/5/2012	\$6,840,240	—	—	—
Facilities, Environmental, and Sustainability				
Land Optimization — Central Illinois District; DA-AR-12-001; 9/19/2012	—	—	—	\$42,337,385
Land Optimization — Northern Virginia District; DA-AR-12-003; 9/28/2012	—	—	—	\$2,931,250
Information Technology				
Cloud Computing; IT-AR-12-006; 5/9/2012	\$5,349,675	—	—	—
Virtualization Technology; IT-AR-12-007; 5/18/2012	\$4,528,776	—	—	—
Network Processing				
Assessment of Overall Plant Efficiency 2012; NO-MA-12-001; 4/27/2012	—	\$664,997,872	—	—
Efficiency Review of the Cleveland, OH Processing and Distribution Center; NO-AR-12-005; 6/5/2012	\$22,747,745	—	—	—
Efficiency of the Los Angeles, CA International Service Center; NO-AR-12-009; 09/21/2012	\$4,318,829	—	—	—
Efficiency Review of the Los Angeles Network Distribution Center; NO-AR-12-007; 8/3/2012	\$13,036,879	—	—	—
Frederick, MD to Baltimore, MD Area Mail Processing Consolidation; NO-AR-12-006; 7/3/2012	\$558,021	—	—	—
Retail, Business, and International				
Efficiency of Customer Service Operations; EN-AR-12-003; 8/17/2012	—	\$285,725,051	—	—
Supply Management				
Oversight of Equitable Adjustments; CA-AR-12-006; 9/28/2012	—	\$80,347	\$80,347	—
Unauthorized Contractual Commitments; CA-AR-12-004; 8/6/2012	—	\$5,687,432	\$5,687,432	—
Transportation				
Atlanta Network Distribution Center — Postal Vehicle Service Operations; NL-AR-12-007; 7/24/2012	\$694,105	—	—	—
First-Class Mail on Air Transportation — Assignment by Weight; NL-AR-12-010; 9/28/2012	\$9,968,164	\$22,200,308	—	—
Mail Transport Equipment — Shortages of Pallets, Tubs, and Trays — Fall 2011 Mailing Season; NL-AR-12-011; 9/28/2012	—	\$26,703,785	—	—
POSTAL SERVICE INITIATIVE: Consolidation of Mail for Transportation Between Network Distribution Centers; NL-AR-12-006; 5/29/2012	\$15,365,532	—	—	—
Postal Vehicle Service — Nationwide Analysis; NL-AR-12-005; 4/25/2012	\$94,268,786	—	—	—
St. Louis Network Distribution Center — Postal Vehicle Service Operations; NL-AR-12-008; 9/21/2012	\$598,948	—	—	—
TOTAL	\$8,244,406,067	\$1,202,383,722	\$102,806,024	\$696,415,496

Report Listing

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

For the period April 1—September 30, 2012

STRATEGIC RISK

Facilities, Environmental, and Sustainability

21st Century Post Office: Non-Postal Products and Services; DA-MA-12-005; 7/16/2012

Partnerships with Other Government Agencies; DA-MA-12-006; 9/28/2012

Human Resources and Security

Employee Retirement Options; HR-MA-12-001; 5/2/2012

Marketing and Service

Customer Complaint Resolution Process; MS-AR-12-007; 9/10/2012

Every Door Direct Mail — Retail; MS-AR-12-004; 5/7/2012

Package Delivery Growth; MS-AR-12-003; 5/4/2012

Summary of Focus Group Discussions on the Future of First-Class Mail; MS-MA-12-001; 4/20/2012

Planning, Innovation, and Optimization

Cost of Appeals for Closing Postal Service-Operated Retail Facilities; CI-AR-12-005; 7/12/2012

Delivery Fleet Strategies; CI-AR-12-006; 8/14/2012

Smart Team

Email Management Services: Opportunity for the Postal Service; SMT-WP-12-001; 9/27/2012

Ideation Software Solution Comparative Analysis; SMT-WP-12-002; 9/28/2012

Supply Management

Benchmarking Sustainability Contracting Practices; CA-MA-12-002; 8/8/2012

FINANCIAL RISK

Cost, Pricing, and Rates

In-Office Cost System Inputs into the Cost and Revenue Analysis Report; CRR-AR-12-004; 5/30/2012

Facilities, Environmental, and Sustainability

Lease Purchase Options for Postal Service Facilities; DA-AR-12-002; 9/18/2012

Financial

Controls Over the Check Acceptance Process; FI-MA-12-016; 9/6/2012

Controls Over Indemnity Claims; FF-AR-12-004; 6/11/2012

Evaluation of the External First-Class Measurement System; FF-AR-12-006; 9/18/2012

Financial Controls Over Automated Postal Centers; FI-MA-12-007; 5/17/2012

Financial Controls Over Business Reply Mail at the Roanoke, VA Main Post Office; FI-AR-12-003; 6/4/2012

Follow-Up on Financial Accountability Audit Report Recommendations; FF-AR-12-009; 9/28/2012

Management of Business Master Trust Accounts; FF-MA-12-010; 9/5/2012

Post Office Discontinuance Accounting Procedures; FF-AR-12-007; 9/25/2012

Fiscal Year 2012 Field Testing Control and Oversight Business Mail Entry Unit/Staged Detached Mail Unit Reviews, Quarter 2; FI-MA-12-009; 5/29/2012

Fiscal Year 2012 Field Testing Control and Oversight Business Reply Mail Reviews, Quarter 2; FI-MA-12-008; 5/21/2012

Fiscal Year 2012 Field Testing Control and Oversight Continuous Detached Mail Unit Reviews, Quarter 2; FI-MA-12-010; 6/5/2012

Fiscal Year 2012 Field Testing Control and Oversight Plant Verified Drop Shipment Reviews, Quarter 2; FI-MA-12-006; 5/16/2012

Fiscal Year 2012 Field Testing Control and Oversight Business Mail Entry Unit/Staged Detached Mail Unit Reviews, Quarter 3; FI-MA-12-011; 8/16/2012

Fiscal Year 2012 Field Testing Control and Oversight Business Reply Mail Reviews, Quarter 3; FI-MA-12-012; 8/16/2012

Fiscal Year 2012 Field Testing Control and Oversight Continuous Detached Mail Unit Reviews, Quarter 3; FI-MA-12-015; 8/30/2012

Fiscal Year 2012 Field Testing Control and Oversight Plant Verified Drop Shipment Reviews, Quarter 3; FI-MA-12-013; 8/17/2012

Fiscal Year 2012 Field Testing Control and Oversight Plant Verified Drop Shipment Reviews, Quarter 3; FI-MA-12-015; 8/30/2012

Revenue Sharing Agreements; FI-AR-12-004; 9/14/2012

Review of Fiscal Years 2012 and 2013 Liquidity; FI-WP-12-001; 7/25/2012

U.S. Postal Service Alternate Health Care Plan Proposal; FI-MA-12-014; 8/22/2012

Use of Data Within Finance and Planning's Field Budget Process; FF-AR-12-005; 9/20/2012

Unclaimed Funds; FF-AR-12-003; 4/16/2012

Financial Reporting

Domestic Air Mail Irregularities; FT-AR-12-015; 9/28/2012

Independent Report on Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the Office of Personnel Management; FT-AR-12-013; 9/25/2012

New Jersey Network Distribution Center — International Air Mail Records Unit; FT-AR-12-011; 8/10/2012

Pension and Retiree Health Care Funding Levels; FT-MA-12-002; 6/18/2012

Processing of Meter Activity; FT-AR-12-012; 9/6/2012

Travel Expense Reimbursements and Travel Card Usage; FT-AR-12-014; 9/27/2012

U.S. Postal Service Export Controls Monitoring Program; FT-MA-12-001; 4/17/2012

U.S. Postal Service Export Controls Monitoring Program — Phase II; FT-MA-12-003; 9/14/2012

Human Resources and Security

Rehabilitation Assignments for Employees Injured on Duty; HR-AR-12-004; 8/27/2012

Marketing and Service

Carrier Contributions to Revenue Generation and Customer Service; MS-AR-12-005; 6/19/2012

Federal Sector Web Pages: Opportunities for Enhancement; MS-MA-12-002; 9/12/2012

Stamp Manufacturing and Inventory Management; MS-AR-12-006; 7/23/2012

APPENDIX A

Planning, Innovation, and Optimization

Closure of Contract Postal Units; CI-MA-12-001; 8/16/2012

Retail, Business, and International

Competition in the International Outbound Mail Market; EN-WP-12-001; 5/18/2012

Supply Management

Audit of Accenture Federal Services, LLC's Estimating System and Related Internal Controls; CA-CAR-12-008; 6/26/2012

Bell and Howell, LLC Pricing Rates for the MERLIN Level of Effort Maintenance Support for Fiscal Year 2012; CA-CAR-12-011; 9/25/2012

Financial Condition Risk Assessment on The Siebold Company, Inc.; CA-CAR-12-007; 4/16/2012

Financial Risk Assessment of Tracie McCormick, Inc.; CA-CAR-12-013; 9/24/2012

Financial Risk Assessment of Videojet, Inc. and Danaher Corporation; CA-CAR-12-012; 9/24/2012

International Transportation Payments; CA-AR-12-007; 9/28/2012

Audit of Serco, Incorporated Incurred Costs for Fiscal Year 2008; CA-CAR-12-009; 8/07/2012

URS Group, Incorporated Incurred Costs for Fiscal Year 2006; CA-CAR-12-010; 9/24/2012

OPERATIONAL RISK

Cost, Pricing, and Rates

Service Performance Measurement Data — Commercial Mail; CRR-AR-12-005; 6/25/2012

Delivery

Carrier Optimal Routing System Phase II; DR-AR-12-005; 8/21/2012

City Delivery — Excess Routes; DR-AR-12-002; 6/19/2012

City Delivery Operations — Brick Main Post Office; DR-MA-12-004; 9/27/2012

City Delivery Operations — Lancaster Carrier Annex; DR-MA-12-003; 9/28/2012

City Delivery Route Optimization Pilot Initiative; DR-MA-12-002; 8/24/2012

City Delivery Staffing; DR-AR-12-006; 8/24/2012

City Delivery — Street Efficiency Capital District; DR-AR-12-003; 8/16/2012

City Delivery — Street Efficiency Louisiana District; DR-AR-12-004; 8/16/2012

City Delivery — Street Efficiency San Diego District; DR-AR-12-001; 6/5/2012

Survey of Postmasters' Paperwork and Reporting Requirements; DR-MA-12-001; 5/25/2012

Vehicle Parts Inventory Management — Northeast Area; DR-AR-12-007; 9/24/2012

Facilities, Environmental, and Sustainability

Accuracy of the Electronic Facilities Management System; DA-AR-12-004; 9/28/2012

Land Optimization — Central Illinois District; DA-AR-12-001; 9/19/2012

Land Optimization — Northern Virginia District; DA-AR-12-003; 9/28/2012

Human Resources and Security

Arrow Key Alternatives; HR-MA-12-002; 9/12/2012

Motor Vehicle Accident Prevention Program; HR-AR-12-006; 9/21/2012

Postal Service Challenges in the Equal Employment Opportunity Process; HR-MA-12-003; 9/21/2012

State of Security; HR-AR-12-005; 9/12/2012

Information Technology

Cloud Computing; IT-AR-12-006; 5/9/2012

Security Awareness Training Program; IT-AR-12-008; 6/25/2012

Security of File Transfer Protocol Transmissions; IT-AR-12-009; 9/12/2012

Virtualization Technology; IT-AR-12-007; 5/18/2012

Network Processing

Assessment of Overall Plant Efficiency 2012; NO-MA-12-001; 4/27/2012

Efficiency Review of the Cleveland, OH Processing and Distribution Center; NO-AR-12-005; 6/5/2012

Efficiency of the Los Angeles, CA International Service Center; NO-AR-12-009; 09/21/2012

Efficiency Review of the Los Angeles Network Distribution Center; NO-AR-12-007; 8/3/2012

Frederick, MD to Baltimore, MD Area Mail Processing Consolidation; NO-AR-12-006; 7/3/2012

Timely Processing of Mail at the Pittsburgh, PA Processing and Distribution Center; NO-AR-12-008; 9/18/2012

Timeliness of Mail Processing at Processing and Distribution Centers; NO-AR-12-010; 9/28/2012

Planning, Innovation, and Optimization

Post-Implementation Review Process; CI-AR-12-007; 9/28/2012

Postal Service Retail Facilities Optimization Options; CI-MA-12-002; 9/17/2012

Retail, Business, and International

Commercial Mail Entry and Acceptance Initiatives; EN-AR-12-004; 9/14/2012

Efficiency of Customer Service Operations; EN-AR-12-003; 8/17/2012

Supply Management

Contract Management Data — Transportation Contract Support System; CA-AR-12-005; 8/9/2012

Do Not Pay List; CA-AR-12-003; 7/26/2012

Oversight of Equitable Adjustments; CA-AR-12-006; 9/28/2012

Suspension and Debarment Program; CA-AR-12-002; 5/30/2012

Unauthorized Contractual Commitments; CA-AR-12-004; 8/6/2012

Transportation

Atlanta Network Distribution Center — Postal Vehicle Service Operations; NL-AR-12-007; 7/24/2012

First-Class Mail on Air Transportation — Assignment by Weight; NL-AR-12-010; 9/28/2012

Global Positioning System Technology for Highway Contract Routes; NL-AR-12-009; 9/21/2012

Mail Transport Equipment — Shortages of Pallets, Tubs, and Trays — Fall 2011 Mailing Season; NL-AR-12-011; 9/28/2012

POSTAL SERVICE INITIATIVE: Consolidation of Mail for Transportation Between Network Distribution Centers; NL-AR-12-006; 5/29/2012

Postal Vehicle Service — Nationwide Analysis; NL-AR-12-005; 4/25/2012

St. Louis Network Distribution Center — Postal Vehicle Service Operations; NL-AR-12-008; 9/21/2012

Survey of System Users of the Global Positioning System for Highway Contract Routes; NL-MA-12-001; 8/14/2012

PARIS Risk Models

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

For the period April 1— September 30, 2012

Cost, Pricing, and Rates

Fiscal Year 2012 Cost, Pricing, and Rates Risk Model Quarter 2; CRR-ID-12-003; 5/15/2012

Fiscal Year 2012 Cost, Pricing, and Rates Risk Model Quarter 3; CRR-ID-12-004; 8/15/2012

Delivery

Fiscal Year 2012 City Delivery Efficiency Risk Model Quarter 2; DR-ID-12-003; 5/25/2012

Fiscal Year 2012 City Delivery Efficiency Risk Model Quarter 3; DR-ID-12-004; 8/14/2012

Facilities, Environmental, and Sustainability

Fiscal Year 2012 Green Risk Model Quarter 2; DA-ID-12-006; 5/16/2012

Fiscal Year 2012 Green Risk Model Quarter 3; DA-ID-12-009; 8/16/2012

Fiscal Year 2012 Maintenance Risk Model Quarter 1; DA-ID-12-008; 7/5/2012

Fiscal Year 2012 Real Estate Risk Model Quarter 2; DA-ID-12-007; 5/29/2012

Fiscal Year 2012 Real Estate Risk Model Quarter 3; DA-ID-12-010; 8/17/2012

Financial

Fiscal Year 2011 Business Mail Entry Unit Risk Model Quarter 4; FI-ID-12-003; 4/23/2012

Fiscal Year 2012 Audit of Confidential Funds; FF-ID-12-010; 6/27/2012

Fiscal Year 2012 Business Mail Entry Unit Risk Model Quarter 2; FI-ID-12-006; 7/13/2012

Fiscal Year 2012 Business Mail Entry Unit Risk Model Quarter 3; FI-ID-12-007; 8/28/2012

Fiscal Year 2012 Cost and Controls Risk Model Quarter 2; FF-ID-12-008; 5/10/2012

Fiscal Year 2012 Cost and Controls Model Quarter 3; FF-ID-12-011; 8/28/2012

Fiscal Year 2012 Form 10Q Financial Report Review, Quarter 1; FI-ID-12-004; 4/23/2012

Fiscal Year 2012 Form 10Q Financial Report Review, Quarter 2; FI-ID-12-005; 6/14/2012

Fiscal Year 2012 Form 10Q Financial Report Review, Quarter 3; FI-ID-12-008; 9/4/2012

Financial Reporting

Fiscal Year 2012 Bank Secrecy Act Risk Model Quarter 2; FT-ID-12-005; 5/9/2012

Fiscal Year 2012 Bank Secrecy Act Risk Model Quarter 3; FT-ID-12-008; 8/14/2012

Fiscal Year 2012 General Ledger Risk Model Quarter 2; FT-ID-12-006; 5/11/2012

Fiscal Year 2012 General Ledger Risk Model Quarter 3; FT-ID-12-007; 8/10/2012

Review of the Securities and Exchange Commission Office of Inspector General Workpapers and Final Report Addressing the Securities and Exchange Commission's Restacking Project; FT-ID-12-009; 9/28/2012

Human Resources and Security

Fiscal Year 2011 Human Capital Optimization Risk Model Quarter 4; HR-ID-12-005; 7/11/2012

Fiscal Year 2011 Security Risk Model Quarter 4; HR-ID-12-006; 7/12/2012

Fiscal Year 2012 Human Capital Optimization Risk Model Quarter 2; HR-ID-12-004; 7/11/2012

Fiscal Year 2012 Human Capital Optimization Risk Model Quarter 3; HR-ID-12-008; 9/24/2012

Fiscal Year 2012 Security Risk Model Quarter 3; HR-ID-12-007; 9/24/2012

Information Technology

Fiscal Year 2012 Information Technology Security Risk Model Quarter 2; IT-ID-12-004; 6/27/2012

Pen Test U.S. Postal Service Office of Inspector General Information Technology Development Web Server; IT-ID-12-003; 5/9/2012

Marketing and Services

Fiscal Year 2012 Retail Customer Service Risk Model Quarter 2; MS-ID-12-003; 5/15/2012

Fiscal Year 2012 Retail Customer Service Risk Model Quarter 3; MS-ID-12-004; 8/15/2012

Network Processing

Fiscal Year 2012 Machines That Speak Risk Model Quarter 2; NO-ID-12-003; 5/17/2012

Fiscal Year 2012 Machines That Speak Risk Model Quarter 3; NO-ID-12-005; 7/17/2012

Fiscal Year 2012 Network and Delivery Optimization Risk Model Quarter 1; NO-ID-12-002; 4/25/2012

Fiscal Year 2012 Network and Delivery Optimization Risk Model Quarter 2; NO-ID-12-004; 5/23/2012

Fiscal Year 2012 Network and Delivery Optimization Risk Model Quarter 3; NO-ID-12-006; 9/11/2012

Planning, Innovation, and Optimization

Fiscal Year 2012 Workplace Environment Risk Model Quarter 2; CI-ID-12-018; 5/29/2012

Fiscal Year 2012 Workplace Environment Risk Model Quarter 3; CI-ID-12-024; 8/28/2012

Retail, Business, and International

Fiscal Year 2012 Revenue Generation and Assurance Risk Model Quarter 2; EN-ID-12-003; 5/16/2012

Fiscal Year 2012 Revenue Generation and Assurance Risk Model Quarter 3; EN-ID-12-004; 8/13/2012

Supply Management

Fiscal Year 2012 Supplier Solvency Risk Model Quarter 2; CA-ID-12-003; 5/11/2012

Fiscal Year 2012 Supplier Solvency Risk Model Quarter 3; CA-ID-12-004; 8/14/2012

Transportation

Fiscal Year 2012 Air Transportation Risk Model Quarter 2; NL-ID-12-006; 5/15/2012

Fiscal Year 2012 Air Transportation Risk Model Quarter 3; NL-ID-12-008; 8/14/2012

Fiscal Year 2012 Surface Transportation Risk Model Quarter 2; NL-ID-12-005; 5/3/2012

Fiscal Year 2012 Surface Transportation Risk Model Quarter 3; NL-ID-12-007; 8/9/2012

APPENDIX B

APPENDIX B

Findings of Questioned Costs

For the period April 1 — September 30, 2012

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

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

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	17	\$ 1,202,383,722	\$ 102,806,024
TOTAL	17	\$1,202,383,722	\$102,806,024
Reports for which a management decision was made during the reporting period (i & ii)	17	\$ 1,202,383,722	\$ 102,806,024
(i) Dollar Value of disallowed cost	10	\$ 970,630,753	\$ 6,165,371
(ii) Dollar value of cost not disallowed ¹	9	\$ 231,752,969	\$ 96,640,653
Reports for which no management decision was made by the end of the reporting period	—	—	—
Negotiations are ongoing	—	—	—
Reports for which no management decision was made within 6 months of issuance (See Note 1 for a list of individual reports)	—	—	—
Reports for which no management decision was made within 1 year of issuance (See Note 2 for a list of individual reports)	—	—	—
Contract reports with a significant audit finding (See Note 3 for a list of individual reports)	—	—	—

¹Management partially agreed with the monetary impact of two audit reports.

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

None for this report period

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

None for this report period

Note 3 — Contract reports with a significant audit finding:

None for this report period

APPENDIX C

Recommendations That Funds Be Put to Better Use

For the period April 1 — September 30, 2012

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

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

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	25	\$ 8,244,406,067
TOTAL	25	\$8,244,406,067
Reports for which a management decision was made during the report period (i & ii)	25	\$ 8,244,406,067
(i) Value of recommendations agreed to by management	14	\$ 7,677,591,974
(ii) Value of recommendations that were not agreed to by management ¹	12	\$ 566,814,093
Reports for which no management decision was made by the end of the reporting period	—	—
Reports for which no management decision was made within 6 months of issuance <i>(See Note 1 for a list of individual reports)</i>	—	—
Reports for which no management decision was made within 1 year of issuance <i>(See Note 2 for a list of individual reports)</i>	—	—

¹Management partially agreed with the monetary impact of one audit report.

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

None for this report period

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

None for this report period

APPENDIX D

APPENDIX D

Other Impacts

For the period April 1, 2011— September 30, 2012

Overview

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

	Type of Measure	Value or Amount
IMPROVED SERVICE		
Recommendations that address the Postal Service's efforts to improve the quality and accessibility of its products and services	Number of Recommendations	32
Number of customer service audits conducted	Number of Audits	28
SAFEGUARDING ASSETS		
Assets or Accountable Items at Risk		
Inadequate internal controls put the value of assets or accountable items (such as cash and stamps) at risk of loss	Dollar Value	\$132,659,63
Physical Safety and Security		
Dollar value of physical assets (plant, computer equipment, vehicles, and so forth) at risk of loss due to inadequate physical protection	Dollar Value	—
Recommendations that address the safety and security of Postal Service employees and/or the work environment	Number of Recommendations	16
Number of employee/facility safety and security audits conducted	Number of Audits	36
Information Technology Security		
Inadequate controls/protection put the value of data, IT assets (software, networks), and employee work time at risk of loss	Dollar Value	—
Dollar value of data at risk	Dollar Value	\$63,545,900
Number of data security/IT security audits conducted	Number of Audits	24
Revenue at Risk		
Dollar value of revenue that the Postal Service is at risk of losing. (Mailers seeking alternative solutions for current services)	Dollar Value	\$168,921,838
Disbursements at Risk		
Dollar value of disbursements made where proper Postal Service internal controls and processes were not followed	Dollar Value	\$27,372,747
Goodwill/Branding		
An "adverse impact" on goodwill is an actual event/problem that harms the Postal Service's reputation or a potential problem that could negatively impact the Postal Service "brand name"	Number of Issues Identified	35
Misallocation of Costs		
A misallocation of costs can occur when Postal Service costs are misclassified as volume variable, product specific, or institutional costs	Dollar Value	—
Capital Investment Savings Shortfall and Predicted Savings Shortfall		
The difference between the savings predicted by the Decision Analysis Report for capital investment projects and the actual savings realized, and the difference between the savings predicted by the Postal Service for a project (e.g., capital investment, consolidation, etc.) and the actual savings realized or the OIG estimate of savings which will be realized	Dollar Value	\$307,000,000
Potential Additional Revenue		
Revenue the Postal Service could potentially generate for goods delivered or services rendered based on suggested improvements	Dollar Value	\$56,714,220

	Type of Measure	Value or Amount
RELIABILITY OF DATA		
Records at Risk		
Data at risk of corruption or loss due to inadequate internal controls and or protection	Number of Data Records at Risk	22,766
Dollar value of data used to support management decisions that is not fully supported or completely accurate	Dollar Value	\$564,415,152

APPENDIX E

Reports with Significant Recommendations Pending Corrective Actions

For the period through September 30, 2012

As required by the IG Act, the following pages include a list of each audit report for which no management decision has been made by the end of the reporting period.

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
IS-AR-07-017	8/29/2007	Separation of Duties at the Eagan, MN; San Mateo, CA; and St. Louis, MO, Information Technology and Accounting Service Centers R-4 — Notify the U.S. Postal Inspection Service when a new Information Technology and Accounting Service Center position is created, a new employee is hired, or an employee is promoted to a new position, to make certain the proper clearance level is attributed to the employee. TID: December 2012
FF-AR-08-131	3/19/2008	Fiscal Year 2007 Financial Installation Audits – Business Mail Entry Units R-2 — Provide proper management oversight and instructions to schedule periodic verifications when Periodicals mailings are received during non-business hours. TID: October 2012
FF-MA-08-001	7/21/2008	Fiscal Year 2008 – Use of No-Fee Money Orders R-2 — Evaluate the feasibility of restricting the use of no-fee money orders for local purchases in order to reduce the Postal Service's exposure to financial loss. TID: September 2013
SA-AR-08-013	8/22/2008	Security Clearances for Postal Service Employees R-2 — Revise the <i>Administrative Support Manual</i> , as appropriate, to reflect changes to the list of positions requiring a security clearance. TID: December 2012
IS-AR-08-016	8/29/2008	Identity Theft Potential in the Change of Address Process R-1 — Update the Internet and Telephone Change of Address applications to eliminate acceptance of anonymous prepaid credit cards. TID: December 2012
IS-AR-09-001	10/8/2008	Electronic Travel Voucher System Controls R-1 — Revise Postal Service Handbook F-15, <i>Travel and Relocation</i> , to require travelers to arrange for lodging at the prevailing government lodging rate, whenever practical. TID: February 2013 R-2 — Revise Postal Service Handbook F-15, <i>Travel and Relocation</i> , to require travelers to obtain prior approval and justify exceeding the government lodging rate within the notes on the electronic voucher. TID: February 2013
IS-AR-09-004	2/20/2009	Access Controls in the Enterprise Data Warehouse R-3 — Update the Business Impact Assessment for the Enterprise Data Warehouse and recertify the system as required by Postal Service Handbook AS-805-A, <i>Application Information Security Assurance Process</i> . TID: January 2013
EN-AR-09-005	9/28/2009	Performance Goals for Market-Dominant Products R-1 — Document the methodology used to develop future performance goals for market-dominant products. TID: December 2012

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
NL-AR-09-010	9/30/2009	<p>Fuel Management Consumption Strategies for Surface Network Operations</p> <p>R-1 — Revise the fuel consumption strategy for surface network operations covering Postal Service and Highway Contract Route transportation to ensure that it is comprehensive and implements the industry best practices identified in our audit. TID: June 2011</p> <p>R-2 — Assess and implement all opportunities for owned, leased, and contracted vehicles to use technology to reduce wind resistance and identify the most viable advanced aerodynamics options consistent with industry best practices and adjust contracts as appropriate to account for the reduced fuel need. TID: June 2011</p> <p>R-3 — Establish and implement tire inflation maintenance requirements for its owned heavy-duty vehicle fleet, as well as its leased, and contracted vehicles consistent with industry best practices and adjust contracts as appropriate to account for the reduced fuel need. TID: June 2011</p> <p>R-5 — Evaluate Highway Contract Routes and, where feasible, implement speed limit requirements consistent with industry best practices and adjust contracts as appropriate to account for the reduced fuel need. TID: June 2011</p>
IS-AR-10-002	12/22/2009	<p>General Control Review of Human Resources Shared Service Center</p> <p>R-2 — Initiate appropriate security clearance investigations for all employees in sensitive positions at the Human Resources Shared Service Center. TID: December 2012</p>
MS-AR-10-001	2/9/2010	<p>Plant-Verified Drop Shipment Controls</p> <p>R-4 — Provide an electronic reporting solution whereby PS Form 8125, Plant-Verified Drop Shipment Verification and Clearance, information at the destination facility can be compared with the information at the origin location. Discrepancies or incomplete forms should be investigated. TID: December 2012</p>
DR-AR-10-003	3/16/2010	<p>Rural Delivery Christmas Operations</p> <p>R-1 — Renegotiate with the National Rural Letter Carriers Association (NRLCA) to eliminate the supplemental Christmas Overtime Pay Provision, Article 9.2(k), set forth in the NRLCA Agreement expiring in November 2010 and any subsequent NRLCA agreements. TID: December 2012</p>
IS-AR-10-008	5/4/2010	<p>Certification and Accreditation Process</p> <p>R-1 — Provide Corporate Information Security the authority necessary to enforce and execute the responsibilities for managing the Certification and Accreditation process. TID: December 2012</p> <p>R-3 — Ensure all portfolio managers receive mandatory training regarding their role, responsibility, and accountability for implementing and reinitiating the Certification and Accreditation process. This training should also be made available to all executive sponsors. TID: December 2012</p> <p>R-4 — Hold portfolio managers accountable to complete the Certification and Accreditation process within the Technology Solutions Life Cycle prior to implementing critical applications into the production environment. TID: December 2012</p> <p>R-5 — Complete the Certification and Accreditation process for all critical applications currently in production, as required by Handbook AS-805, <i>Information Security</i>. TID: December 2012</p> <p>R-6 — Ensure the portfolio managers work with the executive sponsors to initiate the recertification process for critical applications assigned to their functional areas as required by Handbook AS-805, <i>Information Security</i>. TID: December 2012</p> <p>R-7 — Develop a formal, centralized mechanism to track the status of all unmitigated residual risks identified in the applications' risk mitigation plan. TID: December 2012</p> <p>R-8 — Input unmitigated residual risks identified in the applications' risk mitigation plan into the formal, centralized tracking mechanism and track the risks through resolution. TID: December 2012</p> <p>R-9 — Work with executive sponsors to resolve unmitigated residual risks identified in the risk mitigation plans and recertification letters associated with the critical applications. TID: December 2012</p> <p>R-12 — Input the Certification and Accreditation documentation for all critical applications into the central repository. TID: December 2012</p>

APPENDIX E

Report Number	Report Number	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
CA-AR-10-004	5/27/2010	Contract Payment Terms R-1 — Revise the Postal Service's <i>Supplying Principles and Practices</i> , Section 512.2, Payment Time Frame, and other sections as necessary, with language stating that when contracting officers negotiate payment terms other than net 30 days, they include the business rationale and associated documentation for the payment terms in the contract file. TID: February 2013
NO-MA-10-001	6/11/2010	Assessment of Overall Plant Efficiency 2010 R-1 — Reduce 16.2 million workhours by FY 2012 with an associated economic impact of \$743,961,610. TID: December 2012
CI-MA-10-001	6/18/2010	Civil Service Retirement System Overpayment by the Postal Service R-1 — Pursue all necessary actions, including those suggested by the Office of Inspector General, to either secure the return of the \$75 billion overpayment or to otherwise realize the benefit of this overpayment to the Postal Service. TID: None
MS-AR-10-004	7/28/2010	Efficiency of Retail Customer Service Operations R-2 — Explore opportunities to consolidate business mail acceptance operations at post offices, stations, and branches. TID: October 2012
FT-MA-10-001	8/16/2010	Federal Employees Retirement System Overfunding R-1 — Pursue legislative action to alter the Postal Service's Civil Service Retirement and Disability Fund Contributions for 1 or more years until the Federal Employees Retirement System surplus is extinguished. TID: September 2011 R-2 — Coordinate with the Office of Personnel Management to identify causes of actual payout differences between the Postal Service and the rest of the federal government and use that information to reduce the risk of future surpluses. TID: September 2011 R-3 — Pursue legislative action to define future distribution of significant surpluses. TID: September 2011 R-4 — Coordinate with the Office of Personnel Management to create a sub-account within the Civil Service Retirement and Disability Fund exclusive to the Postal Service. TID: September 2011
DA-MA-10-004	8/31/2010	Postal Service Patent Management R-1 — Establish a strategic plan with timelines to capitalize on the Postal Service's patent inventory strength. TID: June 2012
CA-AR-10-005	9/20/2010	U.S. Postal Service Purchasing Policies R-5 — Take steps to ensure full and accurate tracking and public reporting of noncompetitive contracting actions. Data reported should include, but not be limited to, total dollars committed both competitively and noncompetitively; and the contractor, dollar value, and noncompetitive justifications for noncompetitive contracts. The tracking mechanism should be able to identify when a noncompetitive contract has crossed the review and approval threshold based on modification after initial award. TID: February 2012 R-9 — Institute an oversight mechanism to ensure and track compliance with updated noncompetitive contracting policies. TID: March 2012
IS-AR-10-014	9/23/2010	Controls Over Payment Card Transaction Data R-1 — Finalize and implement a Payment Card Industry remediation plan that includes all associated costs, resources, and milestones needed to achieve and maintain Payment Card Industry-Data Security Standards compliance. TID: September 2013
NL-AR-10-010	9/29/2010	Air Networks – Federal Express Transportation Agreement – National Analysis R-5 — Standardize Postal Service oversight at Terminal Handling Services operations to ensure adequate on-site Postal Service representation to monitor Federal Express operations and ensure local compliance with established processes and procedures. TID: October 2012

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
NL-AR-10-009	9/29/2010	<p>Management of Mail Transport Equipment - National Analysis</p> <p>R-1 — Further develop, update and reinforce national Mail Transport Equipment policies and procedures contained in the <i>Postal Operations Manual</i> and the Postal Handbook PO-502, <i>Container Methods</i>, which address mail transport equipment inventory and accountability controls, including validating customer mail transport equipment needs as well as tracking and reconciling mail transport equipment loaned to mailers and other external customers. TID: December 2012</p> <p>R-2 — Continue pursuing implementation of a planned automated mail transport equipment management system and ensure its functionality for inventory and accountability processes and for enhancing the Postal Service's visibility into mail transport equipment internally and at mailers. TID: January 2013</p> <p>R-4 — Ensure that Area Distribution Networks' Offices have appropriate resources assigned responsibly to monitor and manage Mail Transport Equipment, and maintain compliance with <i>Postal Operations Manual</i> requirements. TID: May 2012</p> <p>R-5 — Document the current process for identifying annual, routine Mail Transport Equipment purchase requirements and ensure the process includes Mail Transport Equipment Service Center network information and facility and mailer inventory data, to ensure that only the necessary amount of Mail Transport Equipment is purchased. TID: January 2013</p>
CA-AR-10-006	9/30/2010	<p>Certification Process for Electronic Payments</p> <p>R-1 — Develop an oversight mechanism to monitor and ensure contracting officers' and/or designated officials' receipt and certification of invoices. TID: October 2012</p> <p>R-2 — Reiterate to contracting officers and/or their designees their roles and responsibilities, and the importance of following Postal Service criteria, policies, and procedures for certification of invoices prior to payment to ensure that invoices are correct and goods and services were received. TID: October 2012</p> <p>R-3 — Develop and implement written procedures for receiving invoices for annual highway contract route services and verifying that services were rendered prior to payment. TID: October 2014</p> <p>R-5 — Review the \$7.6 million in payments made more than 30 days after contract end dates and collect overpayments. TID: November 2012</p> <p>R-6 — Provide detailed, consistent training for all designated officials on their roles and responsibilities and the usage of the Utility Management System. TID: August 2011</p> <p>R-8 — Ensure that Utility Management System designated official contact information is accurate and that the system requires positive certification by the designated official before invoice payment. TID: November 2012</p>
FT-MA-10-002	9/30/2010	<p>Summary of Substantial Overfunding and Postal Service Pension and Retiree Health Care Funds</p> <p>R-1 — Develop a comprehensive legislative strategy to recover overfunded amounts. TID: September 2011</p> <p>R-2 — Aggressively pursue and carefully review all available data related to Civil Service Retirement System, Federal Employee Retirement System, and retiree health benefit calculations, including those associated with determining any overfunding situations, to ensure that calculations are reasonable and accurate. TID: September 2011</p>
NL-MA-11-001	12/6/2010	<p>Surface Mail Classes on Air Transportation Networks</p> <p>R-1 — Verify that actions already taken related to minimizing surface mail classes on the FedEx Day-Turn network are applied to other air networks to ensure transportation managers use surface transportation, instead of the FedEx Night-Turn, commercial air carrier, United Parcel Service, and Christmas air transportation networks to move surface mail types where possible. TID: December 2012</p> <p>R-2 — Routinely provide headquarters and area management with data, including Transportation Cost System/Cost and Revenue Analysis data, to monitor and track the volume and avoid additional costs for flying surface mail classes on the FedEx Night-Turn, commercial air carrier, United Parcel Service, and Christmas air transportation networks. TID: September 2011</p> <p>R-3 — Reinforce existing policies and procedures for the processing and assigning of mail to air and surface transportation. TID: None</p>

APPENDIX E

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
NO-AR-11-004	12/14/2010	<i>Houston, TX Processing and Distribution Center Mail Consolidation</i> R-1 — Pursue expansion of the North Houston Processing and Distribution Center and consolidate the Houston Processing and Distribution Center’s mail processing operations into the expanded facility, by fiscal year 2013. TID: September 2013
FF-AR-11-004	12/15/2010	<i>Express Mail Guarantees</i> R-5 — Establish a timeframe for and develop a process to analyze Express Mail refunds by origin and destination to evaluate risk and identify necessary changes in service in order to make better business decisions for guarantees. TID: October 2012
DR-MA-11-001	3/14/2011	<i>The Effects of the Flats Sequencing System on Delivery Operations – Arizona District</i> R-1 — Continue to collaborate with business mailers to ensure flat mailpieces meet automation requirements and reduce the amount of unworked flat mail sent to delivery units. TID: None
IT-AR-11-004	3/16/2011	<i>Computer Incident Data Reliability</i> R-3 — Integrate the Data Loss Prevention and Security Information Manager applications with the security incident management system to ensure a single incident data repository. TID: February 2013 R-4 — Either modify the existing incident management system or pursue development of a new system that enforces date and time value sequence and data validation. TID: February 2013
HR-AR-11-001	3/31/2011	<i>Allegations of Inaccurate Time and Attendance Records</i> R-2 — Issue supplemental guidance emphasizing the importance of completing Postal Service Form 1017-A, Time Disallowance Record, and PS Form 3971, Request for or Notification of Absence. TID: July 2012 R-3 — Establish a review and approval process to ensure time disallowances are appropriate and documented as required. TID: July 2012 R-4 — Establish periodic monitoring of clock ring deletions to ensure employee workhours are recorded accurately. TID: July 2012 R-5 — Provide periodic refresher training to managers, postmasters, supervisors, and acting supervisors on the Time and Attendance Collection System. TID: July 2012 R-6 — Issue supplemental guidance to supervisors and managers regarding the appropriate use of operation codes associated with recording safety talks and informational meetings in the Time and Attendance Collection System. TID: July 2012
DA-MA-11-002	4/8/2011	<i>Postal Service Patent Management Continuation</i> R-1 — Work closely with subject matter experts to review highly rated patents to draft claims as appropriate. TID: September 2013 R-2 — Develop a comprehensive strategy for developing patent intellectual property that enhances Postal Service products and services and its competitive position in the global marketplace and is a source of income. The strategy should capitalize on patent evaluations performed to date and include an assessment of business options available for achieving the significant financial returns. TID: September 2013 R-3 — Ensure the Postal Service has an effective patent management process and comprehensive licensing program in place. This establishes control that protects intellectual capital and provides an appropriate return on investment. TID: September 2013
HR-MA-11-001	4/22/2011	<i>Retirement for U.S. Postal Service Employees on Workers’ Compensation</i> R-1 — Continue to pursue legislative change to reform the Federal Employees’ Compensation Act to reduce workers’ compensation benefits for retirement age employees. TID: None

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
CA-AR-11-004	4/27/2011	<p>Internal Controls over the Contract Close-out Process</p> <p>R-1 — Establish standardized contract close-out policies and procedures. This should include a system alert requiring contracting staff to complete Contract Authoring Management System close-out reports before they close-out a contract and ensuring that remaining funds are promptly decommitted when the contract is completed and closed. TID: September 2012</p> <p>R-3 — Establish a periodic control to ensure category management center personnel follow records management requirements for contract files, including, but not limited to, retaining records for the required 6 years. TID: March 2012</p>
NO-MA-11-004	5/20/2011	<p>Assessment of Overall Plant Efficiency 2011</p> <p>R-1 — Reduce 14,017,630 workhours by FY 2012 with an associated economic impact of \$647,586,823. TID: September 2013</p>
HR-AR-11-004	5/27/2011	<p>Compliance with Occupational Safety and Health Administration Recordkeeping Requirements</p> <p>R-2 — Revise the Postal Service Occupational Safety and Health Administration Recordable Date policy to better clarify how to determine Occupational Safety and Health Administration recordable dates when they differ from the initial injury or illness date. TID: March 2012</p> <p>R-4 — Establish mandatory training for officials responsible for determining Occupational Safety and Health Administration recordable cases and completing related forms. TID: December 2011</p>
NL-AR-11-003	6/7/2011	<p>Management of the Highway Contract Route Voyager Card Program</p> <p>R-1 — Further develop, update, and reinforce requirements for the Postal Service and highway contract route suppliers to enhance systems infrastructure, including incorporating systems edits and automation tools where possible, and monitor fuel transactions as necessary to avoid unauthorized purchases and ensure adherence to contract gallon limits. TID: October 2011</p> <p>R-2 — Ensure that contracting officers apply pooling in accordance with established requirements and ensure pools are appropriately documented and approved. TID: October 2011</p> <p>R-3 — Perform and document all outstanding reconciliations for prior periods to determine excess purchased fuel gallons and collect resultant overpayments. TID: October 2011</p> <p>R-4 — Implement controls over the contractors that include: <ul style="list-style-type: none"> ▪ Strengthening procedures for safeguarding and securing highway contract route Voyager Cards; ensuring suppliers use available tools to effectively manage the cards; and requiring that suppliers maintain an inventory of issued cards. ▪ Coordinating with the U.S. Bank to limit the number of highway contract route Voyager Cards issued to highway suppliers; establish a secure activation protocol for mailed HCR Voyager Cards and unique personal identification numbers; and implement a periodic review of new, cancelled, and extra HCR Voyager Cards to identify potential patterns of mismanagement or misuse. TID: June 2012</p> <p>R-5 — Continue to pursue funding when feasible for enhancing the functionality of the Fuel Asset Management System and Enterprise Data Warehouse eFuel modules and to ensure the systems are user-friendly and enable management to more efficiently and effectively monitor authorized gallons, identify excess gallons, and recover any related excess payments. TID: None</p> <p>R-6 — Periodically assess the financial and operational viability of the highway contract route Voyager Card program, including performing a formal cost-benefit analysis based on complete and recent data, considering the costs of implementing controls to address deficiencies identified in this report as appropriate. TID: September 2011</p> <p>R-7 — Continue to identify and evaluate other fuel management program best practices used in the transportation industry, and perform a comparative analysis against the existing highway contract route Voyager Card program, where possible. TID: None</p>

APPENDIX E

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
DA-AR-11-008	6/8/2011	<p>Conflicts of Interest: Facility Leases and Contract Delivery Services</p> <p>R-1 — Revise the Postal Service’s policy for leasing property under 3,000 square feet from employees or relatives to include an ethics review. TID: December 2012</p> <p>R-2 — Evaluate the universe of potential facility lease conflicts and develop an action plan to minimize active and future conflicts. TID: December 2012</p> <p>R-3 — Implement a control to systemically identify, monitor, and resolve potential conflicts of interest with facility leases and, if necessary, request waivers for leases that represent conflicts. TID: December 2012</p> <p>R-4 — Evaluate the universe of potential delivery service contract conflicts and develop an action plan to minimize active and future conflicts. TID: December 2012</p> <p>R-5 — Implement a control to systemically identify, monitor, and resolve contract delivery service regulatory and policy violations in a timely manner. TID: December 2012</p>
DR-MA-11-002	7/19/2011	<p>National Assessment of City Delivery Efficiency 2011 - Office Performance</p> <p>R-1 — Reduce 2,002,690 workhours during fiscal year 2012 with an associated economic impact of \$88,192,128. TID: None</p>
NL-AR-11-004	7/25/2011	<p>Postal Vehicle Service Transportation Routes – Baltimore Processing and Distribution Center</p> <p>R-1 — Ensure that Baltimore Processing and Distribution Center managers follow prescribed fleet management procedures for making Postal Vehicle Service schedules effective, including conducting schedule and vehicle utilization reviews. TID: None</p> <p>R-4 — Eliminate from highway contracts 24 trips identified in our audit and already agreed to by local and area management. TID: None</p>
HR-AR-11-005	8/5/2011	<p>Postal Service Facility Security</p> <p>R-3 — Issue supplemental guidance and enhance internal controls to:</p> <ul style="list-style-type: none"> ▪ Ensure security control officers conduct facility security surveys as required. ▪ Ensure corrective actions are taken to address security deficiencies. ▪ Ensure security control officers take the mandatory security training. <p>TID: August 2012</p>
HR-AR-11-006	8/8/2011	<p>2009 Pay for Performance Program</p> <p>R-1 — Clarify policies and procedures to better define the relationship between the national performance assessment and core requirements, and the role of higher level management in the pay for performance process. TID: July 2012</p> <p>R-2 — Establish and implement mandatory training events that educate new and existing participants and managers on policy, roles and responsibilities, goal setting, and the program’s objectives. TID: July 2012</p> <p>R-3 — Evaluate the effectiveness of the current process used to establish and use behavioral core objectives to rate employees’ performance. TID: July 2012</p>
HR-MA-11-003	8/12/2011	<p>Stand-by Time</p> <p>R-1 — Assess the inappropriate use of stand-by overtime nationwide, especially in function one, and implement internal controls to address usage and recording issues identified. TID: September 2011</p> <p>R-2 — Enhance management controls to ensure employees and supervisors accurately report and record stand-by time. TID: August 2012</p>
MS-AR-11-006	8/24/2011	<p>Effects of Compliance Rules on Mailers</p> <p>R-1 — Estimate and consider mailing industry costs as part of cost-benefit analyses, where practical, to determine whether the benefits of new initiatives and rule changes are justified in light of total industry costs. TID: None</p>

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
DA-AR-11-010	8/30/2011	<p>Intelligent Mail: Realizing Revenue Assurance Benefits</p> <p>R-1 — Establish timeframes for implementing the enhanced/expanded automated verifications as described in the original Intelligent Mail infrastructure Decision Analysis Report. TID: January 2013</p> <p>R-2 — Develop a tolerance level for low scan rates to use for exception reporting. TID: January 2013</p> <p>R-3 — Develop a process for identifying the cause(s) of low scan rates for customer follow-up as warranted. TID: January 2013</p>
FF-AR-11-013	8/30/2011	<p>Postal Service Refunds</p> <p>R-2 — Analyze and establish an administrative and minimum fee that will cover processing costs. TID: January 2013</p> <p>R-4 — Complete the update to the <i>PostalOne!</i> system to enable electronic transmission of Value Added Refund data to accounts payable. TID: April 2013</p>
CRR-AR-11-003	9/6/2011	<p>Service Performance Measurement Data - Commercial Mail</p> <p>R-1 — Establish milestones for implementing recovery of Full-Service Intelligent Mail Barcode discounts provided to mailers when Full-Service mailings do not meet the specific requirements for the discounts received. TID: January 2013</p>
IT-AR-11-009	9/14/2011	<p>Project Phoenix</p> <p>R-1 — Modify the Technology Solution Life Cycle process to require the identification, documentation, and analysis of applicable back-end business processes and information technology systems during the technology solution requirements, analysis, and design phases. TID: October 2012</p>
IT-AR-11-008	9/14/2011	<p>Remote Access Controls</p> <p>R-1 — Implement two-factor authentication to comply with Handbook AS-805 requirements and to meet <i>Payment Card Industry – Data Security Standards</i>. TID: December 2012</p> <p>R-11 — Suspend remote access for all employees or contractors until they complete required security awareness training. TID: October 2012</p>
HR-AR-11-002	9/19/2011	<p>Postal Service Work Rules and Compensation Systems</p> <p>R-3 — A comprehensive study to determine the optimal incentive-based carrier compensation system. TID: June 2013</p>
FF-AR-11-015	9/23/2011	<p>Business Mail Acceptance Centralization Process</p> <p>R-2 — Require each district to conduct a centralization feasibility study, document the results, and take action based on the results of the study, as appropriate. TID: October 2013</p> <p>R-3 — Manage business mail entry workhour usage to achieve 93 percent efficiency and develop tools to monitor performance. TID: October 2013</p> <p>R-4 — Establish annual goals for business mail entry workhour efficiency to include measuring performance against goals. TID: October 2013</p>
NL-AR-11-006	9/23/2011	<p>Mail Transport Equipment – Needs, Distribution, and Use</p> <p>R-1 — Perform a comprehensive mail transport equipment needs analysis for the network distribution center network to determine the amount of rolling stock, by type, needed on a daily basis to meet operational requirements. TID: October 2011</p> <p>R-3 — Reissue over-the-road container policy to reflect the present and future operational needs and use of the containers within and outside the network. TID: October 2011</p>

APPENDIX E

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
DR-AR-11-007	9/26/2011	<p>Follow-up on City Delivery Standard Operating Procedures</p> <p>R-1 — Re-evaluate the certification criteria and ensure the criteria require units to meet, at least the national average percent to standard for office operations. TID: December 2012</p> <p>R-3 — Establish an annual process to de-certify units that do not maintain performance standards after certification. TID: December 2012</p>
NL-AR-11-008	9/27/2011	<p>Evaluation of Major Transportation Technology Initiatives</p> <p>R-5 — Ensure comprehensive training is provided for employees throughout the technology's life cycle. TID: May 2012</p>
CA-AR-11-007	9/30/2011	<p>Contract Postal Units Contract Oversight</p> <p>R-1 — Require Contract Postal Unit contractors to submit invoices for payment. TID: None</p> <p>R-2 — Create a process to ensure the contracting officer or contracting officer's representative validates and certifies invoices prior to payment, using data maintained in the Contract Postal Unit Technology system. TID: None</p> <p>R-3 — Establish a mandatory training procedure to ensure all contract officer representatives receive training of appointed duties within 2 weeks of notification of the contracting officer's representative appointment. TID: March 2012</p> <p>R-4 — Develop an oversight mechanism to monitor whether contracting officer's representatives conduct quarterly performance and annual financial reviews, obtained completed appointment letters, and retain contract postal unit contracts in the contract administrative files. TID: March 2012</p>
HR-AR-11-007	9/30/2011	<p>Postal Service Workers' Compensation Program</p> <p>R-1 — Continue to pursue legislative change to transform the Federal Employees' Compensation Act into a modernized workers' compensation program that includes best practices for increasing program effectiveness and efficiencies and reducing costs. TID: None</p> <p>R-2 — Pursue legislative change to amend Federal Employees' Compensation Act to allow recovery of continuation of pay benefits in third-party cases. TID: None</p> <p>R-3 — Pursue legislative change to reform Federal Employees' Compensation Act to allow employing agencies to present evidence at hearings when fraud is alleged. TID: None</p> <p>R-4 — Clearly define organizational responsibilities for detecting workers' compensation fraud: <ul style="list-style-type: none"> ▪ Establish requirements for U.S. Department of Labor to respond to reports of investigations within 45 days after receiving them. ▪ Establish a provider compliance program. ▪ Revise the method used to determine the administrative fee to ensure the fee is based on actual costs to administer Postal Service Workers' Compensation Program. TID: None </p> <p>R-5 — Develop mandatory and refresher training for Postal Service officials responsible for workers' compensation to ensure they are aware of their roles and responsibilities for workers' compensation. TID: September 2012</p>
MS-AR-11-007	9/30/2011	<p>Strategic Approaches to Revenue Protection</p> <p>R-1 — Work with a broadened group of internal and external stakeholders to prepare for streamlining the entry of business mail, accelerate the timeline for streamlined acceptance and verification, and seek to leverage technology to provide revenue protection for Basic Service Intelligent Mail and non-automated volumes. TID: January 2013</p>

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
IT-AR-12-001	10/21/2011	<p>State of Corporate Information Technology Security</p> <p>R-2 — Complete the certification and accreditation process for the remaining national applications. TID: December 2013</p> <p>R-4 — Implement a corporate-wide encryption solution to enhance the sensitive data protection effort. TID: October 2013</p>
CA-AR-12-001	11/2/2011	<p>Contracting Opportunities and Impact of the Service Contract Act</p> <p>R-2 — Review the benefits of outsourcing cleaning/janitorial service positions and postal service vehicle driver positions and work with Supply Management to restructure those positions to achieve the most cost effective solution. TID: March 2013</p> <p>R-3 — Working with supply management and Postal Service program officials, ensure that appropriate financial data is collected to aid in making in-sourcing/outsourcing decisions. TID: March 2013</p>
HR-AR-12-001	11/14/2011	<p>Postal Service Health and Safety Program</p> <p>R-1 — Review and revise, as appropriate, supervisor performance measures to place a higher priority on maintaining a safe and healthy work environment; for example: performance measures could be linked to the number of abated and/or unabated safety hazards. TID: October 2011</p> <p>R-4 — Establish and implement standard operating procedures for dock operations. TID: May 2012</p> <p>R-5 — Perform and oversee preventive maintenance procedures for eyewash and shower units. TID: September 2012</p> <p>R-6 — Conduct required safety inspections and abate safety hazards in a timely manner to ensure safe and healthy working conditions for the employees. TID: September 2012</p> <p>R-7 — Enter Postal Service Forms 1767 accurately and timely in the Safety Toolkit. TID: September 2012</p>
CRR-AR-12-002	12/13/2011	<p>Management Operating Data System</p> <p>R-1 — Develop a monthly report that identifies the top Management Operating Data System operation numbers and facilities causing Management Operating Data System errors. TID: March 2012</p> <p>R-2 — Expand existing Management Operating Data System exception reports to include observations that exceed maximum machine throughput and manual productivities. TID: March 2012</p> <p>R-3 — Issue monthly enhanced exception reports to management at the area, district, and facility level to highlight recurring MODS errors at facilities. TID: April 2012</p> <p>R-4 — Develop controls within the Management Operating Data System that enforce the requirement for facility managers to correct MODS errors in a timely manner. TID: September 2012</p> <p>R-6 — Monitor operation numbers where the majority of Management Operating Data System errors occur, and determine the potential impact on applicable cost data. TID: July 2012</p> <p>R-7 — Evaluate existing quality assurance procedures to determine whether eliminating Management Operating Data System errors at the facility level, and eliminating observations that exceed maximum machine throughputs or manual productivities, would improve the reliability of Management Operating Data System-based productivities. TID: July 2012</p>
FI-AR-12-001	12/28/2011	<p>Expedited Packaging Supplies Program</p> <p>R-1 — Implement a comprehensive, automated procedure to determine the quantity of expedited packaging supplies retained by major mailers, post offices and other facilities that distribute Postal Service's expedited packaging supplies to customers. TID: December 2012</p> <p>R-2 — Develop a comprehensive plan to monitor usage and identify and reduce waste associated with expedited packaging supplies. TID: September 2012</p>
IT-AR-12-003	1/9/2012	<p>Fiscal Year 2011 Information Technology Internal Controls</p> <p>R-1 — Implement corrective actions to address all open issues noted in this report for fiscal years 2010 and 2011. TID: November 2012</p>

APPENDIX E

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
IT-AR-12-002	1/9/2012	<p>Patch Management Processes</p> <p>R-1 — Ensure that all operating system and database patches are tested, documented, and implemented as required by Handbook AS-805, <i>Information Security</i>. TID: January 2013</p> <p>R-2 — Ensure that administrators obtain required policy exception approvals when system patches are not applied. TID: January 2013</p> <p>R-3 — Ensure that written procedures are developed to define the patch management process for each group, operating system, and database to include test and back-out plans. TID: January 2013</p> <p>R-4 — Ensure that configuration management inventory records are reconciled to the actual servers and databases for their respective group. TID: January 2013</p> <p>R-5 — Work together to implement a process to verify that required operating system and database patches distributed to the mail processing plants are applied. TID: January 2013</p> <p>R-6 — Implement a common method for all entities to track information technology asset and patch information. TID: July 2014</p> <p>R-7 — Ensure vulnerability mediation training is provided to all employees and contractors responsible for enterprise patch management. TID: July 2014</p> <p>R-8 — Conduct risk assessments and cost analyses to develop an enterprise-wide migration plan for upgrading unsupported operating systems and databases to vendor-supported software. TID: July 2014</p> <p>R-9 — Adopt a method to identify, capture, and report patch management metrics to assist with oversight of the patch management process and facilitate related business and security decisions. TID: July 2014</p>
FI-AR-12-002	1/10/2012	<p>Bad Check Prevention and Collection</p> <p>R-1 — Increase the bad check service charge to the national retail median of \$30. TID: October 2012</p>
MS-AR-12-002	1/12/2012	<p>Mail Verification Procedures at Detached Mail Units</p> <p>R-1 — Review automation efforts to date to identify improvements that can be made in the interim while mailers continue to implement Intelligent Mail barcode technologies. TID: June 2013</p> <p>R-2 — Continue ongoing mail verification training efforts while detached mail unit employees continue to use manual mail verification processes. TID: January 2013</p> <p>R-3 — Enhance automated systems to notify managers when acceptance employees override Mail Evaluation Readability Lookup Instrument results. TID: June 2013</p> <p>R-4 — Develop and implement automated tools that managers can use to monitor and evaluate detached mail unit staffing and scheduling. TID: June 2013</p>
NO-AR-12-003	1/20/2012	<p>Consolidation of Mail Processing Operations at the Mansfield, OH, Customer Service Mail Processing Center</p> <p>R-1 — Identify repositioning plans for all impacted employees at the Mansfield Customer Service Mail Processing Center. TID: None</p> <p>R-2 — Continue to monitor and take necessary actions to ensure mail is processed timely at the Cleveland Processing and Distribution Center. TID: None</p>
CRR-AR-12-003	1/27/2012	<p>Revenue, Pieces, and Weight Inputs Into the Cost and Revenue Analysis Report</p> <p>R-2 — Explore concentrating sampling and data collection of manually processed mail from delivery units to the serving processing and distribution facilities for Revenue, Pieces, and Weight estimation purposes. TID: January 2013</p>

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
CI-AR-12-004	2/2/2012	<p>Domestic Mail Manual Preparation and Acceptance Mail Instructions</p> <p>R-1 — Combine and remove all duplications in the <i>Domestic Mail Manual</i>, Quick Service Guides, Business Mail Acceptance, Job Aids, and Customer Support Rulings; and publish a new document available to all mailers online. TID: November 2013</p> <p>R-2 — Migrate to a one permit per customer requirement using <i>PostalOne!</i>: TID: August 2013</p> <p>R-3 — Archive all <i>PostalOne!</i> deleted or canceled permits. TID: April 2015</p>
NL-AR-12-001	2/2/2012	<p>Postal Vehicle Service Transportation Routes – Margaret L. Sellers Processing and Distribution Center</p> <p>R-1 — Ensure ML Sellers Processing and Distribution Center managers follow prescribed fleet management procedures for making postal vehicle service schedule changes more timely including conducting annual schedule and vehicle utilization reviews. TID: November 2012</p> <p>R-2 — Verify the reallocation of 2,424 workhours within existing postal vehicle service schedules and reallocate an additional 5,728 workhours within PVS schedules to accommodate future Flat Sequencing System implementation. TID: November 2012</p>
DA-MA-12-003	2/9/2012	<p>21st Century Post Office: Opportunities to Share Excess Resources</p> <p>R-1 — Develop and implement a strategy to share surplus Post Office resources with appropriate federal, state, and municipal government agencies. TID: None</p>
NL-AR-12-002	2/28/2012	<p>Standardization of Integrated Mail Handling System Loaders at Network Distribution Centers</p> <p>R-1 — Direct network distribution centers to modify Integrated Mail Handling System loaders to safely accept over-the-road containers, while continuing to accept Postal Paks, as designed. TID: July 2012</p>
NL-AR-12-003	3/12/2012	<p>Density of First-Class Mail on Air Transportation</p> <p>R-1 — Continue to develop optimization processes to increase First-Class Mail density to maximize container space. TID: April 2013</p> <p>R-2 — For sites equipped with the Advanced Facer Canceler System series 200 machines, separate First-Class Mail to be transported by air for sorting on a single sorting machine for further processing and dispatch. TID: April 2013</p> <p>R-3 — Develop targeted secondary sort programs to process First-Class Mail bound for air transportation to maximize container space. TID: April 2013</p> <p>R-4 — For sites equipped with automated flat sorting equipment, adjust sensors to ensure flat tubs are filled to maximum capacity prior to discharge or removal from the machine. TID: April 2012</p>
IT-AR-12-005	3/19/2012	<p>SAP Human Capital Management System Security Assessment</p> <p>R-1 — Encrypt human resources data at rest and in transit according to Handbook AS-805, <i>Information Security</i>, requirements. TID: November 2012</p>
HR-AR-12-002	3/30/2012	<p>Postal Service Mail Security</p> <p>R-1 — Develop and implement training to ensure personnel responsible for accountable mail and keys understand their responsibilities. TID: July 2012</p> <p>R-2 — Establish policies and procedures requiring responsible personnel to conduct periodic reviews to ensure mail safeguarding and accountability requirements are followed. TID: July 2012</p> <p>R-3 — Develop and implement training for contract postal unit personnel to ensure they understand their responsibilities regarding safeguarding mail and accounting for Registered Mail. TID: July 2012</p>

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
HR-AR-12-003	3/30/2012	<p>Unauthorized Overtime Usage in Field Operations</p> <p>R-1 — Issue supplemental guidance to supervisors and managers to emphasize the importance of: completing and maintaining PS Forms 1017-B, Unauthorized Overtime Record, for employees who incur unauthorized overtime; approving and disapproving PS Forms 3996, Carrier Auxiliary Control, before carriers leave for their routes and reviewing the forms to assess actual time used when they return; and following badge control and clock ring procedures to help prevent unauthorized overtime. TID: September 2012</p> <p>R-2 — Develop a consolidated report, or revise an existing report, to include the Time and Attendance Collection System and Unauthorized Overtime Reports; and require supervisors to review the consolidated report to ensure the accuracy of the timekeeping data and improve monitoring of unauthorized overtime. TID: September 2012</p> <p>R-3 — Provide periodic refresher training for supervisors to emphasize their responsibilities for time and attendance, including monitoring unauthorized overtime and using PS Form 3996, Carrier Auxiliary Control, for managing delivery operations. TID: September 2012</p> <p>R-4 — Develop and implement performance measures or other management controls to hold managers and supervisors accountable for failing to address unauthorized overtime. TID: September 2012</p> <p>R-5 — Establish and implement proactive monitoring processes that include periodic reminders and a system of accountability, similar to the procedures that have been implemented in the Central Pennsylvania District to minimize unauthorized overtime. TID: September 2012</p>
NL-AR-12-005	4/25/2012	<p>Postal Vehicle Service — Nationwide Analysis</p> <p>R-1 — Instruct area Postal Service officials to follow prescribed fleet management procedures for conducting Postal Vehicle Service schedule and vehicle utilization reviews and make necessary changes to the schedules in a more timely fashion (or at least annually) to match the fluid operational changes. TID: None</p> <p>R-2 — Ensure Postal Service officials change schedules when feasible to reduce overall scheduled workhours and staffing by increasing the use of non-traditional full-time employees where fewer than 8 hours of work exists. TID: None</p> <p>R-3 — Encourage area Postal Service officials to negotiate the use of split days off with local union officials where possible to reduce operating costs through staff reductions. TID: March 2012</p> <p>R-4 — Instruct processing and distribution center management to issue memorandums to drivers reinforcing the use of seat belts, chock blocks, and load restraints; and periodically monitor compliance. TID: April 2012</p>
NO-MA-12-001	4/27/2012	<p>Assessment of Overall Plant Efficiency 2012</p> <p>R-1 — Reduce 14,268,171 workhours by fiscal year 2014 with an associated economic impact of \$664,997,872. TID: September 2014</p>
MS-AR-12-003	5/4/2012	<p>Package Delivery Growth</p> <p>R-2 — Develop enhancements to the CustomerFirst! system to ensure that the data and information contained within are reliable and useful. TID: January 2015</p> <p>R-4 — Evaluate the feasibility of offering a local product the customer either arranges to have picked up or takes to the local Post Office for sortation and delivery without involving a mail processing plant. TID: December 2013</p> <p>R-5 — Continue to pursue legislative change that will allow the Postal Service to ship beer and wine. TID: January 2014</p> <p>R-6 — Evaluate the feasibility of offering an international service that will allow customers the option of prepaying customs duties and taxes. TID: September 2013</p>
IT-AR-12-007	5/18/2012	<p>Virtualization Technology</p> <p>R-1 — Prepare a business case analysis to determine the best approach to expand virtualization technology to the servers in Merrifield, VA. TID: November 2012</p>

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
NL-AR-12-006	5/29/2012	<p>Postal Service Initiative: Consolidation of Mail for Transportation Between Network Distribution Centers</p> <p>R-1 — Continue to pursue opportunities to consolidate long distance transportation routes. TID: None</p> <p>R-2 — Pursue an overall trailer consolidation ratio of 2.5:1 in the original 19 consolidation pilot transportation lanes and all subsequent expansion lanes. TID: None</p> <p>R-3 — Add Jacksonville Network Distribution Center's Puerto Rico Highway Contract Routes 32202 and 32204 into the consolidation initiative. TID: September 2012</p> <p>R-4 — Ensure Postal Service managerial oversight at the contract consolidation facilities. TID: July 2012</p>
DR-AR-12-001	6/5/2012	<p>City Delivery — Street Efficiency San Diego District</p> <p>R-1 — Reduce 83,943 workhours to achieve an associated economic impact of more than \$3.3 million annually or \$6.8 million over 2 years. TID: October 2014</p>
NO-AR-12-005	6/5/2012	<p>Efficiency Review of the Cleveland, OH Processing and Distribution Center</p> <p>R-1 — By fiscal year 2017, reduce workhours by 352,388 to produce a cost avoidance of \$22.7 million over the following 2 years, or through consolidations, increase mail volume by 377 million, or a combination of workhours reductions and mail volume increases that will achieve the median productivity level of 1,069 pieces per hour. TID: September 2014</p>
FT-MA-12-002	6/18/2012	<p>Pension and Retiree Health Care Funding Levels</p> <p>R-1 — Pursue legislative action to refund the current pension surplus, and any future pension surpluses, to the Postal Service. TID: January 2013</p>
DR-AR-12-002	6/19/2012	<p>City Delivery — Excess Routes</p> <p>R-1 — Eliminate 33 excess city delivery routes in their respective districts. TID: May 2013</p> <p>R-2 — Review delivery units consistently using fewer than projected street hours to make appropriate route adjustments, eliminations, and consolidations. TID: May 2013</p> <p>R-3 — Reallocate the 33 assigned Postal Service-owned delivery vehicles from the eliminated city routes to rural routes to achieve an associated economic impact of \$250,110 annual discounted savings or \$500,220 over 2 years. TID: June 2013</p>
IT-AR-12-008	6/25/2012	<p>Security Awareness Training Program</p> <p>R-1 — Include information security awareness training on the Human Resources mandated training list as part of the Strategic Training Initiative. TID: June 2013</p> <p>R-2 — Modify Handbook AS-805, <i>Information Security</i>, to clearly define the users who are required to take the mandatory information security awareness training TID: July 2013</p> <p>R-3 — Establish a monitoring process to track user compliance with Handbook AS-805, <i>Information Security</i>, information security awareness training requirements. TID: July 2013</p> <p>R-4 — Work with applicable managers to take appropriate action, including suspending access if necessary, to ensure employees and contractors complete the security awareness training in compliance with Handbook AS-805, <i>Information Security</i>, and regulatory requirements. TID: September 2013</p>
DA-MA-12-005	7/16/2012	<p>21st Century Post Office: Non-Postal Products and Services</p> <p>R-1 — Develop a strategy to identify, evaluate and offer the most promising non-postal products and services, including how to overcome identified barriers, when legislation permits. TID: None</p>

APPENDIX E

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
NL-AR-12-007	7/24/2012	<p>Atlanta Network Distribution Center — Postal Vehicle Service Operations</p> <p>R-1 — Follow prescribed Postal Service standard operating procedures for live loading of trailers. TID: None</p> <p>R-2 — Periodically assess postal vehicle service spotter truck driver workload and staffing requirements with respect to productivity standards to maintain appropriate staffing levels. TID: None</p> <p>R-3 — Eliminate 1,746 annual workhours associated with reducing about 200 spotter moves per week by implementing live load procedures. TID: None</p> <p>R-4 — Eliminate 6,984 annual workhours associated by improving postal vehicle service truck driver productivity to the Breakthrough Productivity Initiative standard of 40 moves per day, or 200 moves per week. TID: None</p>
NO-AR-12-007	8/3/2012	<p>Efficiency Review of the Los Angeles Network Distribution Center</p> <p>R-1 — Reduce workhours by 200,019 by fiscal year 2017 to produce an annual cost avoidance of about \$6.5 million, or increase volume by 39 million pieces, or combine workhour reductions and mail volume increases that will achieve the above average median productivity level of 117 pieces per hour. TID: February 2017</p>
CA-AR-12-004	8/6/2012	<p>Unauthorized Contractual Commitments</p> <p>R-2 — Reinforce current policies by training and conducting periodic reviews to ensure that Supply Management contracting personnel follow the ratification process and documentation requirements for unauthorized contractual commitments. TID: March 2013</p>
CI-AR-12-006	8/14/2012	<p>Delivery Fleet Strategies</p> <p>R-1 — Implement a comprehensive fleet management strategy that is managed by headquarters using a dedicated team of specialists whose primary focus is to use identified best practices for the management of the Postal Service's vehicle fleet. TID: None</p> <p>R-2 — Establish an annual new vehicle replacement strategy, as part of a comprehensive fleet management strategy, to replace part of the fleet each year, spread out the expenditures over time, and ensure the overall operational functionality of the fleet. TID: September 2016</p>
DR-AR-12-003	8/16/2012	<p>City Delivery — Street Efficiency Capital District</p> <p>R-1 — Reduce 110,740 workhours to achieve an associated economic impact of \$4.5 million annually, or \$9 million over 2 years. TID: October 2014</p>
DR-AR-12-004	8/16/2012	<p>City Delivery — Street Efficiency Louisiana District</p> <p>R-1 — Reduce 107,550 workhours to achieve an associated impact of more than \$4.4 million annually, or \$8.8 million over 2 years. TID: September 2014</p>
EN-AR-12-003	8/17/2012	<p>Efficiency of Customer Service Operations</p> <p>R-3 — Provide training as needed to customer service managers that would enable them to effectively use managerial reports and tools. TID: None</p>
DR-AR-12-005	8/21/2012	<p>Carrier Optimal Routing System Phase II</p> <p>R-1 — Continue to pursue funding to resolve performance issues with the Web Carrier Optimal Routing system and implement the web-based program nationwide. TID: None</p> <p>R-2 — Re-emphasize performing route adjustments using the Carrier Optimal Routing system to achieve an annual economic impact of more than \$84 million. TID: None</p> <p>R-3 — Cross-train existing and additional personnel in both Carrier Optimal Routing system database preparation and route adjustment processes to ensure the availability of adequately trained resources. TID: None</p>
FI-MA-12-014	8/22/2012	<p>U.S. Postal Service Alternate Health Care Plan Proposal</p> <p>R-1 — Revise the Postal Service's alternative health care plan projected savings to include the additional cost of shifting to the appropriate discount rate used for funding obligations for federal employee pension and other retirement benefits. TID: None</p>

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
DR-MA-12-002	8/24/2012	<p>City Delivery Route Optimization Pilot Initiative</p> <p>R-2 — Execute a new initiative to maximize savings by using lessons learned and data results from the pilot with the goal of optimizing the full- and part-time staff mix. TID: None</p>
DR-AR-12-006	8/24/2012	<p>City Delivery Staffing</p> <p>R-1 — Balance the number of full-time carriers per route and manage labor cost within established fiscal year budgets. TID: None</p> <p>R-2 — Continue pursuing the ability to increase the number of part-time, non-career flexible employees at installations nationwide in the city letter carrier craft to reduce labor costs. TID: None</p>
HR-AR-12-004	8/27/2012	<p>Rehabilitation Assignments for Employees Injured on Duty</p> <p>R-1 — Establish and implement a plan to allocate a portion of the vehicle shuttle services work performed at the 28 vehicle maintenance facilities included in our audit, for employees on the periodic roll. TID: September 2012</p> <p>R-2 — Assess the feasibility of allocating a portion of the shuttle services at the remaining 281 vehicle maintenance facilities to rehabilitation assignments. TID: September 2012</p> <p>R-3 — Establish a training plan for employees on the periodic roll who receive and accept an offer to perform vehicle shuttle service work. TID: None</p>
FI-MA-12-016	9/6/2012	<p>Controls Over the Check Acceptance Process</p> <p>R-5 — Require host post offices to continuously provide the most recent bad check lists to contract postal units. TID: September 2012.</p>
MS-AR-12-007	9/10/2012	<p>Customer Complaint Resolution Process</p> <p>R-1 — Develop a strategy for reducing the number of repeat complaints to include specific actions to:</p> <ul style="list-style-type: none"> ▪ Update and implement procedures to incorporate customer feedback on the Postal Service's resolution of customer complaints into the Enterprise Consumer Care system. ▪ Finalize updates to policies and procedures for collecting, analyzing, and resolving customer complaints to include guidance for conducting quality control reviews and performing customer follow-up surveys; and, in the interim, require staff to follow the current policies for conducting quality control reviews and performing customer follow-up surveys. <p>TID: January 2013</p> <p>R-2 — Identify deficiencies and desired enhancements for the Enterprise Consumer Care system and take necessary action to notify the Information Technology department. TID: September 2013</p> <p>R-3 — Develop a mechanism for tracking Enterprise Consumer Care system usage and wait times and ensuring that current archiving processes and system outage records are continued. TID: September 2013</p>
IT-AR-12-009	9/12/2012	<p>Security of File Transfer Protocol Transmissions</p> <p>R-1 — Assign a controlling authority the responsibility for managing all electronic file transfer activities and enforcing electronic file transfer policies. TID: October 2012</p> <p>R-2 — Publish an enterprise-wide management instruction and implement training on secure electronic file transfer usage to reinforce the requirements of Handbook AS-805, <i>Information Security</i>. TID: October 2012</p> <p>R-3 — Direct the controlling authority identified in recommendation one to develop a business case solution to mitigate and, ultimately, eliminate the use of file transfer protocol transmissions to ensure the protection of sensitive data in accordance with Handbook AS-805, <i>Information Security</i>. TID: October 2012</p> <p>R-4 — Conduct periodic security assessments to identify and monitor file transfer protocol usage throughout the Postal Service network. TID: September 2013</p> <p>R-5 — Identify, monitor, and remove all unnecessary file transfer protocol services running on all servers and mainframes and identify the related sensitive applications. TID: September 2013</p> <p>R-6 — Implement a secure electronic file transfer protocol for receiving manifest files from external business partners. TID: September 2017</p>

APPENDIX E

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
HR-AR-12-005	9/12/2012	<p>State of Security</p> <p>R-1 — Revise procedures to ensure letter carriers clearly understand their responsibilities to identify anonymous mail. TID: January 2013</p> <p>R-2 — Enhance the nationwide anonymous mail seeding program by establishing procedures for identifying problem facilities that fail to detect anonymous mail. TID: January 2013</p> <p>R-3 — Require responsible personnel to take additional training to address noncompliance and reduce the failure rate. TID: January 2013</p> <p>R-4 — Establish procedures for conducting follow-up testing of facilities to address noncompliance with anonymous mail requirements. TID: January 2013</p> <p>R-5 — Establish procedures to identify and prioritize facility security deficiencies to ensure they are properly addressed. TID: January 2013</p>
EN-AR-12-004	9/14/2012	<p>Commercial Mail Entry and Acceptance Initiatives</p> <p>R-5 — Develop an action plan to address and correct PostalOne! operational problems affecting the integrity, reliability, and functionality of the system. In addition, conduct thorough testing before releasing and implementing system upgrades. TID: September 2013</p>
FI-AR-12-004	9/14/2012	<p>Revenue Sharing Agreements</p> <p>R-1 — Develop a process to independently verify sales transaction data for completeness and accuracy. TID: May 2012</p> <p>R-3 — Develop a process to address business alliance concerns within a mutually agreed upon timeframe to avoid revenue loss. TID: October 2012</p> <p>R-4 — Communicate goals and develop a process to measure the performance of the revenue sharing agreements, at least annually. TID: October 2012</p> <p>R-5 — Establish and maintain a central repository for all revenue sharing agreement documentation. TID: November 2012</p> <p>R-6 — Develop detailed policies and procedures for creating, designing, and monitoring revenue sharing agreements and disseminate the new procedures to the entire organization. TID: December 2012</p>
DA-AR-12-002	9/18/2012	<p>Lease Purchase Options for Postal Service Facilities</p> <p>R-1 — Develop an objective methodology to quantify and prioritize opportunities for favorable purchase option exercises. TID: October 2012</p> <p>R-2 — Establish procedures for assigning lease purchase options to third parties in the real estate market. TID: December 2012</p> <p>R-3 — Reiterate the importance of performing the required analysis on potentially favorable purchase options despite future opportunities to exercise. TID: September 2012</p>
NL-AR-12-009	9/21/2012	<p>Global Positioning System Technology for Highway Contract Routes</p> <p>R-1 — Update and reinforce policies and procedures for the highway contract route Global Positioning System program with employees and suppliers, including re-training personnel as necessary and designating necessary resources at plants to ensure they have an understanding of their roles, responsibilities, and accountability. TID: December 2012</p> <p>R-2 — Improve the monitoring and validation process for compliance to ensure the timely entry of all contract service changes in the field, termination of contracts not meeting compliance requirements, and the use of Global Positioning System compliance as criteria for future contract awards. TID: January 2013</p> <p>R-3 — Continue to review and update the standard reports available in the Highway Contract Route Tracking Module so compliance and supplier performance can be monitored or reviewed without a contractor preparing special ad hoc reports. TID: November 2012</p> <p>R-4 — Expand the Global Positioning System (GPS) program to include additional highway contract routes where feasible and explore an end-to-end GPS platform using industry best practices that includes a full-range of functionality and reports covering applicable contracted transportation. TID: January 2013</p> <p>R-5 — Re-evaluate data retention requirements of the Highway Contract Route Tracking Module, including the type of data retained and for how long to include consideration of potential contract and legal challenges to actions taken resulting from non-compliance with the reporting requirements. TID: November 2012</p>

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
HR-AR-12-006	9/21/2012	<p>Motor Vehicle Accident Prevention Program</p> <p>R-1 — Provide supplemental guidance to area and district level managers to ensure they enforce the requirements for supervisors to adhere to motor vehicle safety procedures, to include conducting driving observations, ensuring drivers perform vehicle safety inspections, and performing quarterly driving privileges checks. TID: October 2012</p> <p>R-2 — Provide periodic refresher training to supervisors on the Safe Driver Program and ensure employees performing driving observations take the Driver Observation training course. TID: June 2013</p> <p>R-3 — Establish and implement proactive monitoring processes that include using Department of Motor Vehicle's databases to validate driver's licenses for employees in driving positions. TID: None</p>
NL-AR-12-008	9/21/2012	<p>St. Louis Network Distribution Center — Postal Vehicle Service Operations</p> <p>R-1 — Periodically assess postal vehicle service spotter truck driver workload and staffing requirements with respect to productivity standards to maintain appropriate staffing levels. TID: July 2012</p> <p>R-2 — Eliminate 6,984 annual workhours associated by improving postal vehicle service truck driver productivity to the Breakthrough Productivity Initiative standard of 40 moves per day, or 200 moves per week. TID: August 2012</p> <p>R-3 — Ensure that St. Louis Network Distribution Center management re-emphasize the safety policy that drivers must wear safety belts whenever the vehicle is in motion and provide management oversight for enforcement. TID: September 2012</p>
DR-MA-12-004	9/27/2012	<p>City Delivery Operations — Brick Main Post Office</p> <p>R-1 — Reduce 7,744 office and street workhours in fiscal years 2013 and 2014 to achieve an annual economic impact of \$333,764. TID: December 2014</p> <p>R-2 — Ensure management reinforce Postal Service policies and procedures for city delivery street operations to help eliminate carrier inefficient practices and avoid unnecessary labor costs. TID: October 2012</p> <p>R-4 — Pursue available technologies to assist in monitoring carrier performance during street delivery. TID: October 2012</p>
DA-AR-12-004	9/28/2012	<p>Accuracy of the Electronic Facilities Management System</p> <p>R-1 — Modify the Electronic Facilities Management System to address inconsistency in data entry, including the use of drop-down lists and requiring completion of all data fields. TID: December 2012</p> <p>R-2 — Develop a plan to require annual review and validation of all Electronic Facilities Management system data by Facilities Service Office personnel. TID: August 2013</p> <p>R-3 — Develop and administer training for the use of Electronic Facilities Management System. TID: None</p>
DR-MA-12-003	9/28/2012	<p>City Delivery Operations - Lancaster Carrier Annex</p> <p>R-1 — Reduce 12,339 office and street workhours in fiscal years 2013 and 2014 to achieve an annualized economic impact of \$515,838, or \$1,031,676 over 2 years. TID: September 2014</p> <p>R-2 — Ensure that supervisors establish and discuss performance expectations, and consistently oversee daily street operations using management tools and reports to avoid the unnecessary labor costs of \$868,388. TID: October 2012</p> <p>R-5 — Ensure management reinforces Postal Service policies and procedures for city delivery street operations to help eliminate carrier inefficient practices during office and street operations. TID: October 2012</p> <p>R-6 — Ensure supervisors address carrier performance when a carrier does not follow established delivery procedures in the office and on the street. TID: October 2012</p>
NL-AR-12-010	9/28/2012	<p>First-Class Mail on Air Transportation Assignment by Weight</p> <p>R-1 — Modify the assignment process to assign First-Class Mail to air transportation considering weight where feasible, with the heavier mail being assigned to FedEx and the lighter mail being assigned to United Parcel Service and commercial passenger air carriers – with consideration of contractor service performance and future air transportation contract requirements. TID: March 2013</p>

APPENDIX E AND F

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
NL-AR-12-011	9/28/2012	<p>Mail Transport Equipment – Shortages of Pallets, Tubs, and Trays – Fall 2011 Mailing Season</p> <p>R-1 — Finalize procedures, processes, and guidelines to ensure there is effective planning and budgeting for Mail Transport Equipment (MTE) needs for the fall mailing season, taking into consideration operational and customer needs, financial condition, MTE leakage, and MTE condemnation. TID: March 2013</p> <p>R-2 — Finalize implementation of prior U.S. Postal Service Office of Inspector General recommendations from the Management of Mail Transport Equipment (MTE) – National Analysis audit (Report Number NL-AR-10-009, dated September 29, 2010) covering an automated inventory and tracking system, ensuring adequate resources for areas and plants, and update policies and procedures that support current MTE operational requirements. TID: December 2012</p> <p>R-3 — Finalize processes and procedures (considering costs and benefits) to limit or better control distribution and have visibility of Mail Transport Equipment distributed to mailers and other customers. TID: July 2013</p> <p>R-4 — Evaluate the best practices identified in this report and identify any applicable industry best practices for implementation (considering costs and benefits), such as the viability of implementing Radio Frequency Identification technology to control the leakage of plastic pallets and reduce annual purchase of replacement plastic pallets. TID: March 2013</p>
CA-AR-12-006	9/28/2012	<p>Oversight of Equitable Adjustments</p> <p>R-1 — Require contracting officers to include a general release of claims in all supplemental agreements that constitute a release by the supplier for additional costs beyond that which is provided for in the contract modification or a more specific release in complex or contentious equitable adjustments. TID: November 2012</p> <p>R-3 — Reiterate the contract file tracking process to ensure contract files are not lost when they are transferred from one office to another. TID: November 2012</p>
DA-MA-12-006	9/28/2012	<p>Partnerships with Other Government Agencies</p> <p>R-1 — Clearly define organizational roles and responsibilities for developing and managing partnerships with other federal agencies and establish a written policy to identify, develop, track, and follow-up on potential partnership opportunities. TID: February 2013</p>
CI-AR-12-007	9/28/2012	<p>Post-Implementation Review Process</p> <p>R-1— Improve the Post-Implementation Review (PIR) process in Handbook PO-408, <i>Area Mail Processing Guidelines</i> to:</p> <ul style="list-style-type: none"> ▪ Identify and separate savings and costs associated with other concurrent initiatives from savings and costs directly related to the area mail processing consolidation. ▪ Implement the use of automated data calculation and pre-population for PIR worksheets and checklists. ▪ Establish a process to allocate savings and costs when multiple consolidations are made into the same gaining facility. ▪ Assess whether current PIR timelines should be adjusted. <p>TID: March 2014</p>

APPENDIX F

Significant Management Decisions in Audit Resolution

For the period April 1 — September 30, 2012

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

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
HR-AR-12-004	8/27/12	<p>Rehabilitation Assignments for Employees Injured on Duty</p> <p>R-3 — Establish a training plan for employees on the periodic roll who receive and accept an offer to perform vehicle shuttle service work.</p>

APPENDIX G

Status of Peer Review Recommendations

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

Office of Audit

Internal Peer Reviews

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

A copy of this quality control review report, in its entirety, can be viewed on the USPS OIG website, www.uspsoig.gov.

External Peer Reviews

The Postal Service Office of Inspector General conducted an external quality control review of the U.S. Department of Homeland Security (DHS) Office of Inspector General audit organization and issued a final report on June 28, 2012. The DHS OIG received a peer review rating of pass. They implemented and closed all eight recommended improvements with the exception of the following recommendation.

Recommendation 3: We recommend DHS OIG reiterate to audit teams the importance of ensuring that management review and sign-off on procedure summary steps prior to report issuance.

Status: Not fully implemented. In July 2012, all DHS OIG audit staff was briefed on USPS OIG's peer review results and recommendations for improving their quality control and assurance system, including the importance of ensuring that management reviews and signs off on procedure summary steps prior to report issuance. DHS OIG issued a revised OIG Audit Manual on September 30, 2012, and their audit staff is being scheduled for audit manual training. The training had not been completed as of the end of this reporting period.

A copy of the external quality control review report in its entirety can be viewed on the DHS OIG Web site at www.oig.dhs.gov.

Office of Investigations

Internal Peer Reviews

None conducted during this period.

External Peer Reviews

From August 6 to August 24, 2012, the Postal Service OIG conducted a peer review of the Health and Human Services Office of Inspector General's (HHS-OIG) Office of Investigations. We reviewed their Investigative Operations at their headquarters and at two of their field offices. A letter on the review of the HHS OIG was issued in October 2012. HHS-OIG was found to be in compliance with the quality standards established by the President's Council on Integrity and Efficiency, the Executive Council on Integrity and Efficiency, and the U.S. Attorney General.

APPENDIX H

APPENDIX H

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)***	To Mgmt. for Admin. Action
Theft, Delay, or Destruction of Mail by Employees or Contractors	876	171	162	198	337	\$1,546	\$5,761,232	\$514,969	236
Injury Compensation Fraud	487	19	30	24	83	\$92,957,005	\$1,938,517,726 ¹	\$16,693,816	73
Official Misconduct	336	25	26	22	235	\$200,000	\$698,865	\$77,462	150
Financial Fraud and Embezzlements	252	58	65	79	131	\$1,335,700	\$777,751	\$742,682	93
Contract Fraud	94	13	10	8	93	\$8,924,095	\$20,040,051	\$4,066,068	26
TOTAL	2,045	286	293	331	879	\$103,418,346	\$1,965,795,625	\$22,094,997	578

* 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.

For the period October 1, 2011—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)***	To Mgmt. for Admin. Action
Theft, Delay, or Destruction of Mail by Employees or Contractors	1,522	331	341	378	689	\$1,546	\$27,251,688	\$628,116	562
Injury Compensation Fraud	875	32	48	40	156	\$177,301,312	\$2,185,398,980 ¹	\$18,104,466	172
Official Misconduct	616	42	41	69	446	\$200,000	\$970,339	\$217,859	342
Financial Fraud and Embezzlements	517	114	134	153	264	\$1,978,650	\$3,158,613	\$3,049,952	226
Contract Fraud	163	17	19	15	124	\$9,711,756	\$64,497,673	\$48,522,701	50
TOTAL	3,693	536	583	655	1,679	\$189,193,264	\$2,281,277,293	\$70,523,094	1,352

* 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.

APPENDIX I

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

For the period April 1 — September 30, 2012

Type of Scheme	Complaints Filed	Consent Agreements	FROs	Cease & Desist Orders
Advance fee	—	—	—	—
Charity	3	3	—	3
Sweepstakes/Lottery	21	25	12	25
Coupon/Rebate fraud	1	1	—	1
False billings	21	16	6	16
Fraudulent Postage	9	9	1	9
Identity Theft	—	—	—	—
Internet Auction	—	—	—	—
Counterfeit Financial Instruments	12	12	—	11
Medical Product Fraud	2	2	—	2
Merchandise:				
Failure to furnish	5	6	1	6
Failure to pay	6	7	—	7
Misrepresentation	1	1	—	1
Miscellaneous	—	—	—	—
Reshipping Scheme	14	14	5	14
Telemarketing	—	—	—	—
Work at home	4	4	—	5
TOTAL	99	100	25	100

Other Administrative Actions

Administrative Action Requests	—
Temporary Restraining Orders Requested	—
Temporary Restraining Orders Issued	—
Cases Using Direct Purchase Authority	—
Civil Penalties (Section 3012) Imposed	4
Test Purchases	—
Withholding Mail Orders Issued	20
Voluntary Discontinuances	65

Administrative Subpoenas Requested by the Postal Inspection Service

There was one request during the reporting period.

Financial Reporting on Investigative Activities for the Postal Inspection Service

Type	
Personnel	\$173,369,308
Nonpersonnel	\$34,083,454
TOTAL	\$207,452,762
Capital obligations	\$3,838,185

APPENDIX J

Closed Congressional and Board of Governors' Inquiries

For the period April 1— September 30, 2012

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

Inspector General Investigations (35)

Requestor	Allegation/Concern	Major Findings/Resolution	Closure Date
Senator, Virginia	Non-receipt of international mail	An investigation confirmed a postal employee stealing international mail packages. We reported our findings to the United States Attorney's Office (USAO) for prosecution.	05/07/12
Senator, Texas	Postal management misconduct and hostile work environment at a Post Office	We did not substantiate allegations of management misconduct.	04/09/12
Senator, Indiana	Lost, stolen, or rifled packages sent as Registered Mail packages	An investigation confirmed a postal employee stole international Registered Mail packages. The USAO accepted the case for prosecution.	05/07/12
Representative, California	Hostile work environment	We substantiated the allegations. There was also an unusually high number of grievances from the Post Office. We referred our findings to postal management for review and response.	06/29/12
Senator, Tennessee	Postal management misconduct	We did not substantiate the allegations. Instead we found the complainant was at fault for not providing proper documentation.	07/20/12
Senator, Tennessee	Postal management misconduct	We did not substantiate the allegations. Instead we found the complainant was at fault for not providing proper documentation.	07/20/12
Senator, Ohio	Falsification of Express Mail delivery scans	An investigation confirmed a falsification of Express Mail delivery. We referred our findings to management for corrective action and referred the case to the USAO, which declined prosecution.	05/22/12
Representative, Pennsylvania	Postal contractor misuse of Postal Service fuel card	We did not substantiate the allegations of misuse of the card, and noted usage was less than the contract amount.	04/23/12
Representative, Massachusetts	Postal management falsification of workers' compensation claim documents	In consultation with the congressional office, we determined the issue had been addressed in 2009 and required no further OIG work.	08/27/12
Representative, New York	Postal management misconduct and neglect of property	An investigation found management followed proper procedures and did not conclude that the postal facility was damaged because of postal management neglect.	05/07/12
Senator, Washington	Postal employees engaged in a verbal altercation involving coworkers and postal customers.	We did not substantiate the allegation, and noted the matter was under review by local authorities.	04/02/12
State Senator, New York	A postal employee improperly entered a change of address for a private organization	We confirmed that the postal employee changed the address, but that it may have resulted from a misunderstanding within the private organization.	05/14/12
Representative, Ohio	Falsification of Express Mail delivery scans, and disciplinary inaction against the violators	An investigation confirmed a falsification of Express Mail delivery. We referred our findings to management for corrective action and referred the case to the USAO, which declined prosecution.	05/22/12
Representative, Indiana	A variety of management misconduct at a post office	Our workplace environment review revealed no basis for formal OIG work on the issue. We confirmed mail delay and reporting issues and worked with management to resolve the issues. We did not substantiate the allegation that management manipulated rural carrier workloads to suppress rural carrier pay.	05/11/12

Requestor	Allegation/Concern	Major Findings/Resolution	Closure Date
Representative, Colorado	Dissatisfaction of previous OIG investigation into theft of coins from the mail	We reviewed our work in 2010, and the obstacles we encountered in seeking prosecution by local authorities. We offered assistance in resolving the constituent's postal claim.	06/13/12
Senator, New York	Non-delivery of mail	An investigation found no misconduct or patterns of theft in mailing, processing, or delivery areas, and did not locate the missing mail.	05/11/12
Representative, California	Mismanagement, discrimination, and hostile work environment	We found the employees have elected a formal administrative remedy that will address substantially the same issues they brought to the OIG; we declined investigative action as they seek administrative relief.	07/16/12
Representative, California	Mismanagement and a hostile work environment, including a reduction in the workforce and delivery routes	We noted a postal climate assessment had occurred, and we reviewed the status of its implementation. We found management was aware of the level of employee concern, actively engaged in responding, and had planned, scheduled, or accomplished the items recommended in the climate assessment.	08/22/12
Representative, Georgia	A postal employee harassed coworkers	An investigation did not develop evidence supporting the harassment allegations, but confirmed other conduct issues were to be resolved through personnel actions.	05/11/12
Representative, Indiana	Improper mail handling	An investigation found no pattern of improper handling in the area; management addressed issues concerning problems during a mail-hold, and accepted responsibility for the error.	07/17/12
Senator, Texas	Non-delivery of a certified mail item containing cash	An investigation found no patterns or evidence of theft or employee misconduct, and could not locate the missing item.	05/25/12
Representative, New York	Non-receipt of a postal parcel	An investigation developed no obvious patterns of theft or wrongdoing by postal employees. One of the missing items was recovered during the investigation.	09/10/12
Senator, Colorado	Favoritism, destruction of documents, and creation of hostile work environment by manager	The Colorado/Wyoming District had conducted an internal fact finding into the workplace issues, resulting in disciplinary actions and an employee transfer. We found no conclusive evidence of intentional mail delay.	07/06/12
Commission on Congressional Mailing Standards (Franking Commission)	Management at an Illinois Post Office intentionally delayed delivery of congressional franked mail to a congressional office and to constituents; required the congressional office to personally pay for mail sent under the frank; detained and delayed mail; and tampered with postal forms.	We determined management intentionally delayed delivery of franked mail. Postal employees misunderstood the law and removed franked mail from the mail stream. We confirmed postal employees improperly forwarded mail they questioned to the Postal Inspection Service, though we could not confirm the theory under which that agency became involved. We confirmed congressional staff were forced to personally pay for mail properly sent under the frank and that some mail was intentionally delayed. We did not substantiate that a mass mailing was delayed or that forms associated with the mailing were altered by postal employees.	09/21/12
Representative, Georgia	OIG investigation and interviews were improper	The internal affairs review referred the matter to OIG management for action deemed appropriate.	08/29/12
Representative, Missouri	Postal contractor not paid for vehicle repairs performed in 2010 and 2011	While a review did not disclose employee misconduct, we confirmed delay in payment of outstanding invoices caused by personnel changes at the facility, and documented overcharges needing to be deducted from the balance due.	07/02/12
Representative, Ohio	Intentional theft, delay, or destruction of mail under a forwarding notice	Our investigation found no intentional delay or misconduct; instead, an error we found in automated machines used to process change of address (COA) cards caused two successive COAs to be processed in reverse order.	09/21/12
Representative, North Carolina	Complaint about missing parcels	We found no misconduct by postal employees and were unable to locate the missing items, or records on them, despite searches at multiple locations and coordination with local authorities.	08/22/12

APPENDIX J

Requestor	Allegation/Concern	Major Findings/Resolution	Closure Date
Senator, Virginia	OIG investigation into a postal employee's receipt of Workers' Compensation	A recently completed OIG investigation reviewed the employee's receipt of monthly compensation checks after his return to work. Thereafter, the matter was handled as a disciplinary issue by postal management. As the inquiry presented no new issues for review, we found no basis to reopen or revise our previous investigative work.	06/18/12
Senator, Missouri	Irregular mail delivery and missing mail	Complainant's route is an auxiliary mail delivery route, which is assigned on a day-to-day basis to various carriers who deliver the route either before or after their primary route. As a result, delivery times will vary. Our integrity tests did not reveal timeliness or delivery issues.	08/15/12
Senator, Florida	Failure to investigate allegations	Our office forwarded the complaint and other related forms to postal management for review and action. Federal law enforcement organizations are accorded substantial investigative discretion over the substance and identity of the cases on which they expend their limited resources.	08/29/12
Representative, New Mexico	OIG personnel failed to respond to postal employee misconduct including falsification of scans, scan dates on mail, and entry of fraudulent information.	Our office revealed no indication of misconduct or failure to investigate by OIG personnel.	08/20/12
Senator, Minnesota	OIG personnel failed to respond to complaint; employee has now suffered whistleblower retaliation	The underlying allegations did not justify a formal investigation; the whistleblower retaliation complaint was overtaken by administrative remedies the employee elected.	09/10/12
Representative, California	Mail tampering by a postal employee	Our investigation, including interviews and controlled tests, revealed no evidence or patterns of mail theft.	08/29/12
Representative, California	OIG should investigate circumstances of an employee being placed on administrative leave	We previously investigated charges and countercharges involving the employee and his managers and reported our findings to management. We determined that the OIG has no jurisdiction to intervene further in a personnel matter under the jurisdiction of his agency.	09/04/12
Representative, New York	Misconduct, delay of mail by postal employee	We determined that the employee was absent on some of the days when the misconduct allegedly occurred. We reported our findings to management.	09/10/12

Inspector General Audits/Risk Analysis Research Center Reports (8)

Requestor	Allegation/Concern	Major Findings/Resolution	Closure Date
Representative, West Virginia	Management intentionally delaying mail at a Baltimore P&DC	OIG produced audit NO-AR-12-006, Frederick, MD, to Baltimore, MD, Area Mail Processing Consolidation. OIG found that the consolidation initially resulted in significant delayed mail and declines in service and customer experience. Transportation cost also increased.	07/05/12
Representative, Florida	Request for a feasibility study into to what extent profits, efficiency, cost-savings, and consumer accessibility to postal services will increase as a result of closing 20 full-service CPUs	OIG produced audit CI-MA-12-001, Closure of Contract Postal Units. OIG found that the 20 CPU closures were needed to facilitate the 2010-2015 Collective Bargaining Agreement negotiation. OIG found that the impact on retail alternatives was minimal.	08/16/12
Senator, Florida	Requesting audit of the consolidation of the Mid-Florida P&DC into the Orlando P&DC	OA added a review of this consolidation to its ongoing work on the future of the processing network.	04/03/12
Council Member, Los Angeles, California	Postal Service failure to notify the community of the closure of a historic Post office; failure to comply with local planning and zoning law	The Postal Service applied Postal Regulatory Commission rule when it informed the mayor, held a public hearing in April, and met with a neighborhood council and community members in May. In compliance with 39 CRF 241.4(f), the Postal Service sent plans to the principle inspector for the city in November 2011.	07/09/12

Requestor	Allegation/Concern	Referred To	Closure Date
Chairman, House Committee	Request for data/ information on the audit report, 21st Century Post Office	We provided documents that include the survey and survey data.	04/12/12
Representative, Tennessee	Requesting audit of the consolidation of the Chattanooga P&DC into Nashville and Atlanta P&DC	OA added a review of this consolidation to its ongoing work on the future of the processing network.	04/24/12
Representative, Illinois	Fraudulent change to ZIP Code.	Our office found no evidence of fraud by Postal Service management and that proper postal policies and procedures were followed leading up to the change in the ZIP Code, of which the constituents were notified in 2002.	08/16/12
Senator, Pennsylvania	Concerns about several Pennsylvania plant consolidations	Our review of postal work papers for the Pennsylvania locations confirmed that a reasonable business case existed. We saw no issues that should cause the Postal Service not to pursue the efficiencies offered by the AMPs, but noted the ultimate success is directly linked to management of the AMP process.	07/20/12

Inspector General General Counsel or other unit not mentioned (13)

Requestor	Allegation/Concern	Major Findings/Resolution	Closure Date
Senator, New York	OIG did not complete and remit certified mail receipts	We found practices of the postal unit serving OIG headquarters deviated from POM 822.111. We requested the local postmaster take whatever administrative action necessary, and revised internal OIG procedures.	05/28/12
Senator, Minnesota	Constituent seeking release of OIG surveillance tapes compiled during Workers' Compensation investigation	The FOIA Office redacted and released documents.	04/20/12
Representative, Texas	Constituent seeking report developed following his whistleblower retaliation complaint	The FOIA Office released a redacted report of investigation.	04/11/12
Chairman, House Committee	Passage of the Digital Accountability and Transparency Act	Courtesy letter issued.	05/01/12
Chairman, Senate Committee	Reaction to elements of S.1789	Courtesy letter issued.	05/01/12
Representative, South Carolina	The Voluntary Protection Program (VPP), a workplace safety effort, is a fraudulent and wasteful activity	Neither our Office of Audit or Investigations found the issues raised were appropriate for review.	07/30/12
Representative, Georgia	Financial status of Postal Service and ways to make it solvent again	OIG personnel responded.	06/06/12
Representative, California	FOIA request for workplace environment investigative report	The FOIA Office issued a redacted report.	09/05/12
Ranking Member, Senate Committee	Inquiry regarding the availability of OIG staff.	Assistance provided.	07/06/12
Representative, Florida	Contesting removal from OIG position	The employee did not provide essential documentation in support of claims and failed to attend required fitness exams.	07/31/12
Chairman, House Committee	Inquiry regarding agency issuance of seven-day letters, and related issues	We reported the OIG had not issued any seven-day letters in the specified timeframe, but was cognizant of the requirements of the law.	08/27/12
Chairman, House Committee	Requests redacted copy of SEC investigation when complete.	We provided the requested document.	09/19/12
Chairman, House Committee	Requests unredacted copy of SEC investigation when complete.	Our office provided an unredacted copy of the report.	09/19/12

Referrals (6)

Requestor	Allegation/Concern	Referral to or Other Action	Closure Date
Senator, Texas	Postal employee request for information regarding a previous complaint	Referred to Department of Labor.	08/09/12
Representative, CA	Mail theft, most likely by party external to the Postal Service	Referred to Inspection Service for review and response.	05/16/12
Senator, CT	Inquiry regarding post office reduction in service hours to match with customers' use of the facility	Referred to U.S. Postal Service, Government Relations Office (GRO) for review and response.	07/27/12
Council Member, NY	Improper mail handling	Referred to GRO for review and response.	07/27/12
Representative, New Jersey	Postal management misconduct	An earlier investigation did not find evidence of misconduct; we referred the inquiry to postal management for action deemed appropriate.	08/17/12
Representative, California	Whistleblower reprisal and management misconduct	The allegations did not meet the requirements of whistleblower reprisal, but some issues may raise employment matters with administrative remedies available. Referred to GRO for review and response.	09/19/12

SUPPLEMENTAL INFORMATION

Freedom of Information Act

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

For the period April 1 — September 30, 2012

Requests	Number of Requests
Carryover from prior period	17
Received during period	270
Total on hand during period	287

Actions	Number of Requests
Processed during the period	256
Requests denied in full	9
Requests denied in part	80
Requests granted in full	15
No records	17
Requests referred	39
Requests withdrawn	9
Fee-related reasons	—
Records not reasonably described	—
Not a proper FOIA request for some other reason	19
Not an agency record	67
Duplicate request	1

Balance	Number of Requests
Balance at the end of the period (pending)	31

Processing Days	Number of Days
Median processing days to respond to a FOIA request	6

Workplace Environment

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

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

Activities

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

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

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

Acronym Guide

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

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

© 2012. USPS. All Rights Reserved. The following are among the many trademarks owned by the United States Postal Service: United States Postal Service®, United States Postal Service® with Eagle Design, U.S. Postal Service®, USPS®, First-Class Mail®, usps.com®, Click-N-Ship®, Automated Postal Center®, APC®, Express Mail®, Priority Mail®, Standard Mail®, Parcel Post®, Media Mail®, Customized MarketMail®, Intelligent Mail®, Parcel Select®, Express Mail International®, Quick, Easy, Convenient®, United States Postal Service Office of Inspector General® with Eagle Design, Post Office™, Postal Service™, Signature Confirmation™, Certified Mail®, Delivery Confirmation™, Registered Mail™, ZIP Code™, Priority Mail International®, First-Class Mail International®, Premium Forwarding Service®, Forever®, gopost®, Priority Mail Flat Rate®, DMM®, PostalOne!®, USPS Delivery Confirmation®, Approved by the Postmaster General®, and Postmaster General™.

Who do I call?

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



Office of Inspector General

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

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



Postal Inspection Service

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

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



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

