

U.S. Postal Service Office of Inspector General

Congressional Budget Justification

Fiscal Year 2023

Executive Summary

This fiscal year (FY) 2023 budget request is for funding of \$290,312,000 to the U.S. Postal Service Office of Inspector General (OIG) for ongoing operational expenses. This document presents perspective and context for our budget needs and areas of focus for FY 2023. It also highlights prior year accomplishments and activities.

The past two years posed significant challenges for our OIG. The COVID-19 pandemic impacted Postal Service operations and mail volumes nationwide, and our special agents and auditors worked throughout the crisis. The 2020 General Election saw dramatic increases in voters using the mail for their ballots and our OIG shifted substantial resources to focus on protecting the integrity of political and election mailings. The past two holiday peak seasons saw record-breaking volumes that challenged service across all mail products. And finally, in March 2021, the Postal Service released its long-awaited 10-year “*Delivering for America: Our Vision and Ten-Year Plan to Achieve Financial Sustainability and Service Excellence*” plan to combat an estimated \$160 billion in future losses.

Because the Postal Service is part of the nation’s critical infrastructure, our office continually aligns its mission resources to concentrate on the agency’s highest-risk areas. We have historically focused on service to Postal customers along with costs and operational efficiencies, and we expect this work to increase as the agency implements changes. However, we anticipate the pace and scope of change moving forward will be significantly greater than what we have experienced in the past and will challenge our ability to provide transparency as these changes occur. This need for increased oversight will be occurring while we continue our efforts to combat the nationwide opioid epidemic and the distribution of narcotics through the mail. Further, Congress recently passed the Postal Reform Act of 2022. Included in the act are provisions to merge the Postal Regulatory Commission OIG into our agency. The OIG will need to work with Congress on the additional funding needed to support this legislative change.

We achieve significant results with an efficient, lean staff, with only one OIG employee for every 661 postal workers. The results we bring to the Postal Service from the investigative work alone are greater than the cost of our annual budget. Including those results, we returned nearly \$15 in total financial impact for every \$1 invested in our budget. A fully funded OIG is vitally important to protecting our nation’s Postal Service, particularly since our complement has declined steadily over the past 10 years. In contrast, the Postal Service’s total personnel and revenues has grown substantially over the same period, with increases of 4 percent and 18 percent respectively.

The requested FY 2023 Budget of \$290,312,000 will ensure our organization's ability to conduct critical ongoing oversight work. This funding will also expand our capacity to provide rapid insights into changes associated with the Postal Service's 10-year plan.

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I. **OIG History and Mission**

The U.S. Mail traces its roots back to 1775, when Benjamin Franklin was appointed the first postmaster general of the United States. In 1971, the U.S. Postal Service was created as an independent establishment of the Executive branch, with a mandate to provide universal service to bind the nation together and operate like a business. Over 653,000 Postal Service employees serve every U.S. business and residence at least six days a week, operating more than 31,000 retail and delivery units in all 50 states and the U.S. territories. In fiscal year (FY) 2021, the Postal Service delivered almost 129 billion pieces of mail to more than 163 million U.S. residential and business addresses.

The U.S. Department of Homeland Security considers the Postal Service to be a part of the national critical infrastructure because of its ability to reach all U.S. citizens in a crisis. With the onset of COVID-19, mail mix and volumes changed dramatically as consumers increasingly turned to online shopping for their retail needs. While it is unclear whether this will be a permanent shift, the Postal Service is serving an important role in supporting Americans during this historic event. Additionally, the Postal Service's role in processing election and political mail has become an important service for many voters, further illustrating the unique role the organization plays in our country. With so much at stake, postal operations and employees must be held to the highest standards.

The U.S. Postal Service Office of Inspector General (OIG) is an independent oversight organization operating within the Postal Service under the authority of the Inspector General Act of 1978. We are the leanest of the 75 federal inspectors general relative to its parent agency – with only one full-time employee (FTE) for every 661 Postal Service employees. The inspector general is appointed by and reports to the governors of the Postal Service and keeps Congress fully and currently informed of the office's activities.

The OIG's mission is to promote the economy, efficiency, and effectiveness of Postal Service programs and operations and to protect against fraud, waste, and abuse. In carrying out its mission, our office:

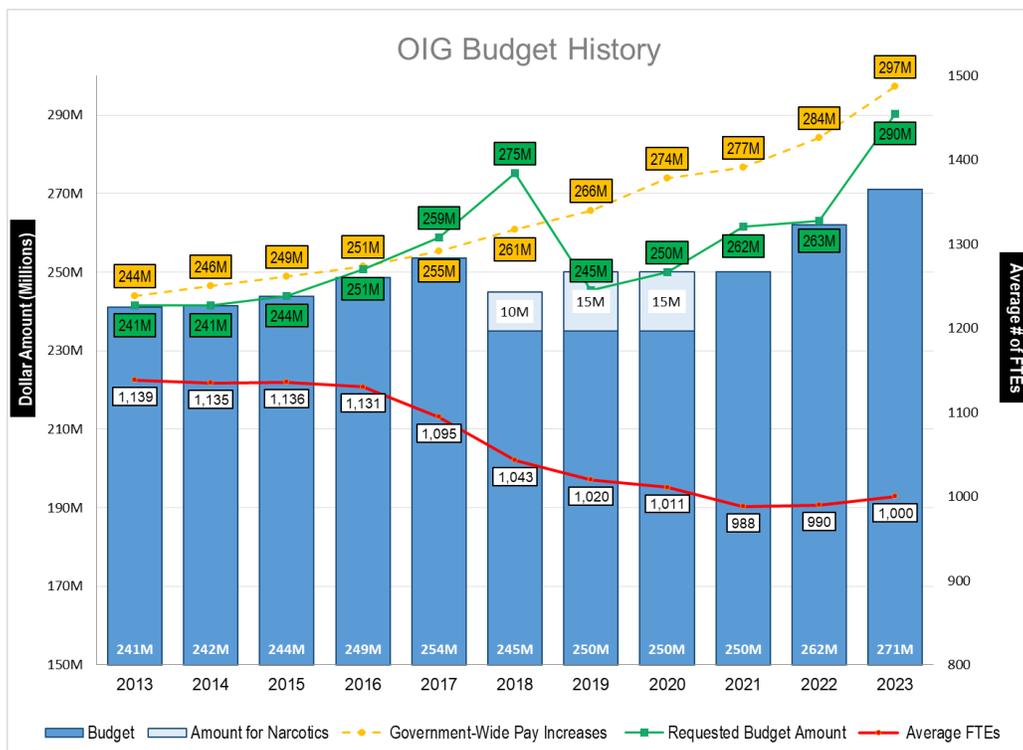
- Conducts audits, evaluations, and investigations.
- Reviews existing and proposed legislation and regulations.
- Keeps the governors and Congress fully and currently informed of problems and deficiencies relating to Postal Service programs and operations.

II. Proposed Fiscal Year 2023 Budget

Our organization receives its funding level through the appropriations process, but none of this funding comes from taxpayers or the U.S. Treasury. All of our operating funds originate from the Postal Service, which is not appropriated and earns its funds from ratepayers.

As shown below, our budget has remained largely unchanged over the last ten years while federal salaries steadily increased. Recent government-wide increases to Federal Employee Retirement System (FERS) employer contribution rates also added over \$10 million in cumulative annual non-discretionary costs for our OIG. Salaries have increased over 5 percent since FY 2019 due to mandated general pay increases and will continue to increase with proposed general pay increases at 4.6 percent in FY 2023. These collective cost increases have eroded our ability to maintain a robust workforce and resulted in our overall complement declining by almost 16 percent since 2012.

These impacts occurred while our responsibilities expanded, and the Postal Service faced historic challenges. Although the Postal Service has been losing significant amounts of money in the last ten years, the number of employees on board has grown by nearly 4 percent, from about 630,000 in 2012 to over 650,000 in 2021. Revenue growth during the same period has been even more dramatic – revenues in 2012 were about \$65B and in 2021, they grew to over \$77B, a growth rate of over 18 percent.



The requested budget for FY 2023 is \$290,312,000 which provides sufficient funding to address recent FERS increases and mandated salary increases. It will also allow our OIG to conduct critical ongoing oversight work and expand our capacity to provide rapid insights into changes associated with the Postal Service's 10-year plan. The FY 2023 funding will support an authorized staffing level of 1,083 with the following salaries and benefits costs:

- \$170.4 million, or 59 percent, for personnel compensation, and
- \$73.6 million, or 25 percent, for personnel benefits.

The remaining \$46.2 million, or 16 percent, is for other mission critical costs.

A. OIG Mission Critical Work

Each year, we review our strategic plans to right size our workforce to our mission and focus on maximizing our effectiveness. We continuously mine Postal Service and government data for decision making, to enhance accountability, and to inform our responsible deployment of limited resources. To date, we have identified the following important initiatives and priorities where FY 2023 funding would be directed:

- Increasing the pace and number of audits focused on changes to the Postal Service's network and the resulting impacts to customers.
- Providing oversight to the Postal Service's operations and investments, particularly as they relate to implementation of the 10-year plan.
- Continuing cross-agency work focusing on the use of postal infrastructure by employees and others to traffic narcotics such as dangerous opioids.
- Ensuring that the U.S. Postal Inspection Service (USPIS) is meeting Postal Service needs and complying with law enforcement standards.

Consistent with the President's direction, this funding will allow us to restore and strengthen the public trust in one of the most ubiquitous Federal Government services, that of the U.S. Mail. Consistent with our mission, we will continue to focus on returning significant value to the Postal Service. Our work is vital to ensuring the American public has a healthy Postal Service that delivers effectively and efficiently every day. In FY 2021, our OIG had a return on investment (ROI) of nearly \$15 for every dollar spent. This ROI is in addition to the criminal, civil, and administrative actions resulting from our investigations of employee misconduct and frauds against the Postal Service.

B. Increased Funding for More Rapid Insights

In March 2021, the Postal Service announced its “*Delivering for America: Our Vision and Ten-Year Plan to Achieve Financial Sustainability and Service Excellence*” 10-year plan to mitigate an estimated \$160 billion in shortfalls over the coming decade. As part of that plan, the Postal Service is making or plans to make a number of significant changes, including the following:

- The Postal Service is dramatically modifying its large and complex network by creating postal facilities dedicated to parcel sortation. Other mail — letters, flats, and containers — will be processed in separate facilities. This constitutes a dramatic change that will require realigning facilities’ footprints around the country at the same time the Postal Service is processing the mail in its system.
- To increase its focus on handling growing parcel volume, the Postal Service is adding around 46 annexes and spending almost \$9 billion on new equipment, including new parcel sorting machines. An investment by the Postal Service of this significance requires careful oversight.
- The Postal Service is moving a portion of its mail volume from air to surface transportation, including approximately 9 percent of First-Class Mail volume and 31 percent of First-Class Package Services volume. The goal of this change is to increase service reliability and save costs, but these changes can only be made in conjunction with a reduction in service standards.

These changes are complex and difficult, and there is a risk that their implementation could result in regional or widespread service issues. Our work has revealed that historically, when the Postal Service implements network changes, it has often struggled to improve service or realize projected cost savings.¹ Continuous monitoring and oversight of these and other future network changes will allow the Postal Service to quickly fix any issues we identify, protecting postal customers.

Our office is staffed and funded to provide oversight of the Postal Service in a normal environment. While the Postal Service has for years faced declines in mail volumes and associated financial pressures, our office has adjusted over that same time to incorporate those gradual issues as part of our normal audit and investigative processes while also dealing with a steadily decreasing complement. However, the status quo has changed. The dramatic challenges facing the Postal Service in the next few years and

¹ USPS OIG, *Operational Window Change Savings*, Report No NO-AR-19-001, October 15, 2018, <https://www.uspsoig.gov/sites/default/files/document-library-files/2018/NO-AR-19-001.pdf>

the significant changes it is planning to make call for an increase in both the amount of oversight work required by our OIG as well as the speed with which we complete it.

Looking forward, we will be working to provide as much transparency as possible into the service impacts to customers resulting from changes to the network and to respond to areas of concern across the country and collect insights as quickly as we can. While we already have some capacity to do targeted, on-the-ground assessments of issues based on complaints we receive or from our own data analytics, those kinds of projects require a significant resource commitment in a small period of time. Additional funding would expand our ability to quickly address questions about the Postal Service's on-going service challenges as well as its progress on executing internal changes.

An additional \$19,312,000 is included in this funding request to support 83 additional personnel committed to these efforts. This amount includes:

\$15,769,374	– Salaries and benefits
\$960,000	– Travel funds
\$262,481	– Training
\$750,622	– IT support
\$1,500,000	– Facility buildout and expansion
\$69,523	– Increased Cost of CIGIE Assessment

C. Budget Treatment Issues

Over the past few years, we worked to understand how our OIG's budget is treated in the appropriations process. During those discussions, members of our Congressional Oversight staff have requested that we summarize this issue in our next Congressional Budget Justification.

As background, the Postal Service has a permanent appropriation of the Postal Service Fund, which is a public enterprise revolving fund account. This appropriation is off-budget and not subject to general budget limitations such as governmentwide rescissions or sequestrations.

In 2006, with the enactment of the Postal Accountability and Enhancement Act (PAEA), Congress authorized annual appropriations to our OIG out of the Postal Service Fund, in part, to strengthen the IG's independence. (Prior to that, the OIG's annual budget was determined by the Postal Service's Board of Governors.) The statutory language of these appropriations routinely directs that they occur by way of transfer out of the Postal Service Fund.

Current law (39 U.S.C. Section 2009a) establishes that the OIG’s appropriation should be off-budget. Specifically, these disbursements “shall not be included in ... the budget ... as submitted by the President, or ... the [C]ongressional budget (including allocations of budget authority and outlays provided therein[.]” Since our OIG’s budget is a disbursement from the Postal Service Fund, it is statutorily off-budget and should not be reflected in the allocations of budget authority to the Appropriations Committee or the Subcommittee on Financial Services and General Government (the 302(a) and 302(b) allocations).

However, recurring language contained in Congress’s annual budget resolutions specifically contravenes the language in Title 39. The concurrent resolution – which governs Postal Service “administrative expenses” – states that “notwithstanding section 302(a)(1) of the Congressional Budget Act of 1974, section 13301 of the Budget Enforcement Act of 1990, and section 2009a of title 39, United States Code, the report or the joint explanatory statement, as applicable, accompanying this concurrent resolution shall include in its allocation to the Committee on Appropriations under section 302(a) of the Congressional Budget Act of 1974 amounts for the discretionary administrative expenses of the Social Security Administration and the United States Postal Service.” (S. Con. Res. 5., § 4002.)

Even though appropriations to the OIG do not in reality reduce the resources available for other agencies in the General Fund, the OIG’s allocation artificially puts it into a posture where its appropriations amount is traded off against General Funds appropriations. As a matter of practice, it appears the annual appropriation for our office is being treated as coming from the Treasury’s General Fund even though the appropriation occurs by way of a transfer from the off-budget Postal Service Fund.

Although current law provides that the annual appropriation for our office² is off-budget and should not be included in the congressional allocations of budget authority, in practice, our annual budget is included in the allocations. Whether intended or not, certain language included in Congress’s annual budget resolutions nullifies the existing statutory mandate in Title 39 and effectively treats the OIG’s appropriation as having a fiscal character different from the character assigned to OIG money by the language of PAEA and subsequent appropriations acts.

² The annual appropriation for the Postal Regulatory Commission (PRC) is treated in the same manner.

III. BUDGET DETAILS

A. Budget Summary

As required by Public Law 110-409 and the Inspector General Reform Act of 2008 (as amended), our OIG submits the following information related to its budget for FY 2023

- The aggregate budget for our operations is \$290,312,000.
- The portion of the budget allocated for training is \$1,874,938 which satisfies our FY 2023 training requirements.
- The portion of the budget to support the Council of the Inspectors General on Integrity and Efficiency (CIGIE) is \$1,045,123, which is 0.36 percent of the \$290,312,000.

The following sections present our budget details, to include the President’s proposed budget and the OIG’s requested amount. As previously discussed, the additional \$19.2 million would expand our oversight of the Postal Service’s service challenges as well as its progress on executing internal changes.

B. Appropriations Table

Our OIG’s FY 2023 budget plan is based on a level of effort for the two mission programs of the Office of Investigations (OI) and Office of Audit (OA.) The table below shows the budget by program area for appropriations in FYs 2021, 2022, and 2023. A full-year 2022 appropriation was not enacted at the time this budget justification was prepared; therefore, the amounts and FTE estimates included for 2022 reflect the annualized level provided by the continuing resolution.

Resources Available for Obligation	FY 2021 Actual		FY 2022 Estimate		FY 2023 President’s Budget		FY 2023 Requested	
	FTE	Amount (000’s)	FTE	Amount (000’s)	FTE	Amount (000’s)	FTE	Amount (000’s)
Appropriated Resources:								
Audit	354	\$73,839	337	\$73,839	359	\$80,042	442	\$96,857
Investigations	634	\$176,161	602	\$176,161	641	\$190,958	641	\$193,455
Total: Appropriated Resources	988	\$250,000	939	\$250,000	1,000	\$271,000	1,083	\$290,312

Note: On March 15, 2022, the President signed the Consolidated Appropriations Act 2022 providing the USPS OIG with an appropriation of \$262,000,000.

C. Budget Adjustments Table (in thousands)

Office of Inspector General	FY 2021 Actual	FY 2022 Estimate	FY 2023 President's Budget	FY 2023 Requested
FTE:	988	939	1,000	1,083
Object Classification:				
11.1 Full-time Permanent Positions	\$145,088	\$142,158	\$156,578	\$167,617
11.3 Other than Full-time Permanent	\$1,243	\$1,534	\$1,534	\$1,534
11.5 Other Personnel Compensation	\$1,303	\$1,285	\$1,285	\$1,285
11.9 Total Personnel Compensation	\$147,633	\$144,977	\$159,398	\$170,436
12.1 Civilian personnel benefits	\$63,993	\$62,725	\$68,905	\$73,636
21.0 Travel	\$1,579	\$4,395	\$4,395	\$5,355
22.0 Transportation of Things	\$312	\$794	\$794	\$794
23.2 Rent Payments to Others	\$5,271	\$5,673	\$5,997	\$5,997
23.3 Communications, Utilities, & Misc.	\$1,791	\$1,612	\$1,612	\$1,612
24.0 Printing and Reproduction	\$13	\$16	\$16	\$16
25.1 Advisory & Assistance Services	\$14,234	\$15,246	\$15,246	\$16,259
25.2 Other Services (Goods / Services)	\$54	\$92	\$92	\$92
25.3 Government Agencies	\$825	\$900	\$976	\$1,045
25.4 Operation & Maintenance of Facilities	\$343	\$233	\$233	\$233
25.6 Medical	\$175	\$182	\$182	\$182
25.7 Operation and Maintenance of Equipment	\$7,915	\$7,956	\$7,956	\$7,956
26.0 Supplies and Materials	\$769	\$972	\$972	\$972
31.0 Equipment	\$4,563	\$3,828	\$3,828	\$3,828
32.0 Lands and Structures	\$530	\$400	\$400	\$1,900
Total Budget Authority	\$250,000	\$250,000	\$271,000	\$290,312

D. Budget Increases and Decreases Descriptions (in thousands)

	FTE	\$
FY 2022 Estimate	939	\$ 250,000
<i>Significant Budget Changes</i>		
Annualization of Prior Year Staffing Actions	61	\$ 11,278
Increases to Personnel Compensation & Benefits		\$ 9,323
Increases to Non-personnel		\$ 399
FY 2023 President's Budget	1,000	\$ 271,000
Increases to Personnel	83	\$ 15,769
Increases to Non-personnel		\$ 3,543
FY 2023 Requested	1,083	\$ 290,312

The FY 2023 requested level of \$290,312,000 will allow the OIG to increase staffing by 83 FTEs and support increases to personnel compensation and benefits. Non-personnel object classes reflect increases for rent, training, travel, IT support, and expansion of OIG facilities. Our request also includes an increase for the annual CIGIE assessment.

E. Reimbursable Authority

In FY 2023, reimbursable authority work to be performed is estimated at \$1,988,000 for IT related support services. The primary mission for the OIG's reimbursable program is to develop partnerships with other government agencies to provide unique value-added support to the Postal Service. We intend to leverage our resources with these groups to share knowledge while meeting stated work requirements.

Other Resources: Offsetting Collections	FY 2021 Actual (000's)	FY 2022 Estimate (000's)	FY 2023 Requested (000's)
Reimbursable Authority	\$2,524	\$2,093	\$1,988
Total: Offsetting Collections	\$2,524	\$2,093	\$1,988

F. Appropriation Language

Appropriation Language
<p>Office of Inspector General SALARIES AND EXPENSES (Including Transfer of Funds)</p> <p>For necessary expenses of the Office of Inspector General in carrying out the provisions of the Inspector General Act of 1978, \$271,000,000 to be derived by transfer from the Postal Service Fund and expended as authorized by section 603(b)(3) of the Postal Accountability and Enhancement Act (Public Law 109-435).</p>

Note, the appropriations language in the President’s budget reflects the Presidents proposed amount.

G. Legislative Mandates

In FY 2021, \$3,490,664 of our budget was used to support reviews that were either legislatively mandated by Congress or to support the Postal Service in meeting its legislative mandates. As indicated in the table below, the OIG spent \$1,375,117 on oversight audits of the Postal Inspection Service and \$1,158,957 to audit the data collection systems and procedures the Postal Service uses to prepare reports related to costs, revenue, rates, and quality of service for all products. We also spent \$956,590 to help the Postal Service meet its legislative mandates by performing work such as audits supporting the public accountant’s opinion on the Postal Service financial statements and compliance with the Sarbanes-Oxley (SOX) Act and Securities and Exchange Commission financial reporting requirements.

Legislative Mandates - Dollar Value by Identified Mandates		
<i>FY 2021 (as of September 30, 2021)</i>		
Public Law Reference	Mandate Description	Cost
5 U.S.C. App. 3 § 8G(f)(2)	Oversight of the Postal Inspection Service	\$1,375,117
39 U.S.C. § 3652	Audits of Postal Service Data Collection Systems	\$1,158,957
PL 109-435	Financial Statement/SOX Audit and Quarterly 10Q**	\$956,590
Various	Audits in Support of Postal Service Mandates	NA
Total Dollar Value		\$3,490,664

Based on FY 2021 audit work, as of September 30, 2021.

**Although not legislatively mandated for the OIG, these financial related audits support mandates for the Postal Service.

IV. OIG PRIORITIES AND RESULTS

A. Restoring Public Trust in the Federal Government

Our work is vital to ensuring the American public has a healthy Postal Service that delivers effectively and efficiently every day, and directly addresses the administration's goal of "(r)estoring public trust in the Federal Government and delivering services effectively and efficiently." Our OIG is focusing on increasing transparency into Postal Service operations to restore and maintain this trust. Our Service Performance website uses mapping technology and publicly available data to enable the American public to track the Postal Service's performance compared to their published performance measures. We will focus on identifying and illuminating other public sources of Postal Service data to address additional areas of public concern.

In order to support our oversight efforts, our OIG has a robust data strategy for the future and we leverage the usage of data to support decision-making. The Postal Service produces massive amounts of data daily to support operations and personnel. Within this data lie the keys to improved efficiency and fraud detection. In the past few years, our OIG has developed and implemented a strategic approach to pulling, cataloging, analyzing, and mining this data. This has enabled us to use data to best deploy investigative and audit resources to help the Postal Service address its operational and financial challenges. It has also allowed our OIG to share data insights with the Postal Service and help the analytics efforts of both organizations grow stronger, realizing that each uses data through a distinct lens.

Our organization leverages its own data as well to make good decisions about internal operations. We have a robust performance evaluation system which measures efficiencies and productivity across the organization, and this data allows managers to recognize success and address underperformers quickly and consistently. Our tools offer management opportunities to identify underperforming programs and redirect funding as a result. Our OIG also participates in the government-wide Employee Viewpoint Survey and we used the data from those surveys to implement initiatives targeting employee engagement and inclusion. Because of these initiatives and our response to the COVID-19 crisis, we significantly improved our performance in nearly all areas of the 2021 Employee Viewpoint Survey. Our OIG's overall satisfaction score was 87 percent, a 3 percent increase above the prior year and 18 percent higher than the government-wide score (69 percent) from 2020. We also improved in the engagement of our workforce (that score was 85 percent, a 4 percent increase over the prior year) and how inclusive we are as an organization (that score was 83 percent, a 5 percent increase over the prior year).

Finally, to continue building an OIG workforce for the 21st Century, we reviewed our FTE and non-personnel resource deployment and adjusted our resource allocations in all of our components. We are committed to ensuring that the OIG is an organization that focuses on recruiting and hiring diverse talent, ensuring equitable opportunities in training and promotions, cultivating a workforce that reflects our communities, and building an inclusive culture. We are also working to maintain a fully engaged workforce by recognizing exceptional achievement, and swiftly addressing those who underperform.

B. Significant Challenges in FYs 2020 and 2021

The past two years have been a historic period for the Postal Service, with an ongoing COVID crisis, a nationwide election with historic levels of voter participation, two holiday seasons with record-setting volumes, and the introduction of a sweeping 10-year plan to address an estimated \$160 billion shortfall. All of these inter-related issues presented a challenging environment for the Postal Service to accomplish its mission and for our OIG to provide oversight and transparency to management and stakeholders.

The impacts of the COVID-19 virus have been widespread and long-lasting, and the Postal Service and our OIG have both been affected significantly. Here at the OIG, we issued a number of reports focused on those impacts, including:

- *COVID-19 Leave Administration* (June 2021)
- *USPIS Pandemic Response to Mail Theft and Mail Fraud* (May 2021)
- *Customer Perceptions of the U.S. Postal Service During the COVID-19 Pandemic* (April 2021)
- *Impact of Pandemic on Postal Service Finances* (March 2021)
- *Pandemic Volume and Revenue Projected Scenarios* (February 2021)
- *Mail Service During Early Stages of COVID-19 Pandemic* (January 2021)
- *Employee Safety – Postal Service COVID-19 Response* (November 2020)
- *Emergency Response: Past and Present* (September 2020)

In the midst of the COVID crisis, a new Postmaster General (PMG) joined the organization and implemented various changes aimed at improving operations. Some of those changes occurred without clear, consistent direction to the field and resulted in significant impacts to service. Two examples of our work in this area include:

- *Deployment of Operational Changes* (November 2020)
- *Operational Changes to Mail Delivery* (October 2020)

These changes within the Postal Service began occurring just as voting by mail became a central focus of the 2020 General Election. During the general election and run-off election in Georgia, we shifted resources to focus on this emerging issue and quickly responded to numerous allegations and complaints related to the integrity of political and election mailings. In addition to opening more than 200 investigations, we completed the following audit projects:

- *Vote by Mail and the Postal Service: A Primer* (June 2021)
- *International Election Mail Observations for the 2020 General and 2021 Georgia Senate Runoff Elections* (April 2021)
- *Service Performance of Election and Political Mail During the November 2020 General Election* (March 2021)
- *Military, Diplomatic, and Other International Election Mail Preparedness* (September 2020)
- *Processing Readiness of Election and Political Mail for the 2020 General Election Report* (August 2020)
- *Timeliness of Ballot Mail in the Milwaukee P&DC Service* (July 2020)

Our entire organization also mobilized to provide near-real time oversight of the handling of election mail by the Postal Service. We deployed over 500 agents and auditors to oversee ballot processing at nearly 2,000 facilities during the general election and the Georgia Senate runoff election. While working to help ensure the accuracy and timeliness of mail-in ballots, we identified compliance issues that were brought to the attention of Postal management and quickly resolved.

Immediately following the General Election, the Postal Service was challenged with record volumes during the 2020 holiday season. Package volumes were 40 percent larger than the same time period in the prior year and significant service delays of both packages and other mail lasted throughout the peak season and for months afterwards. Our office initiated a number of projects to evaluate the past two peak seasons and other instances of service declines across the country, including:

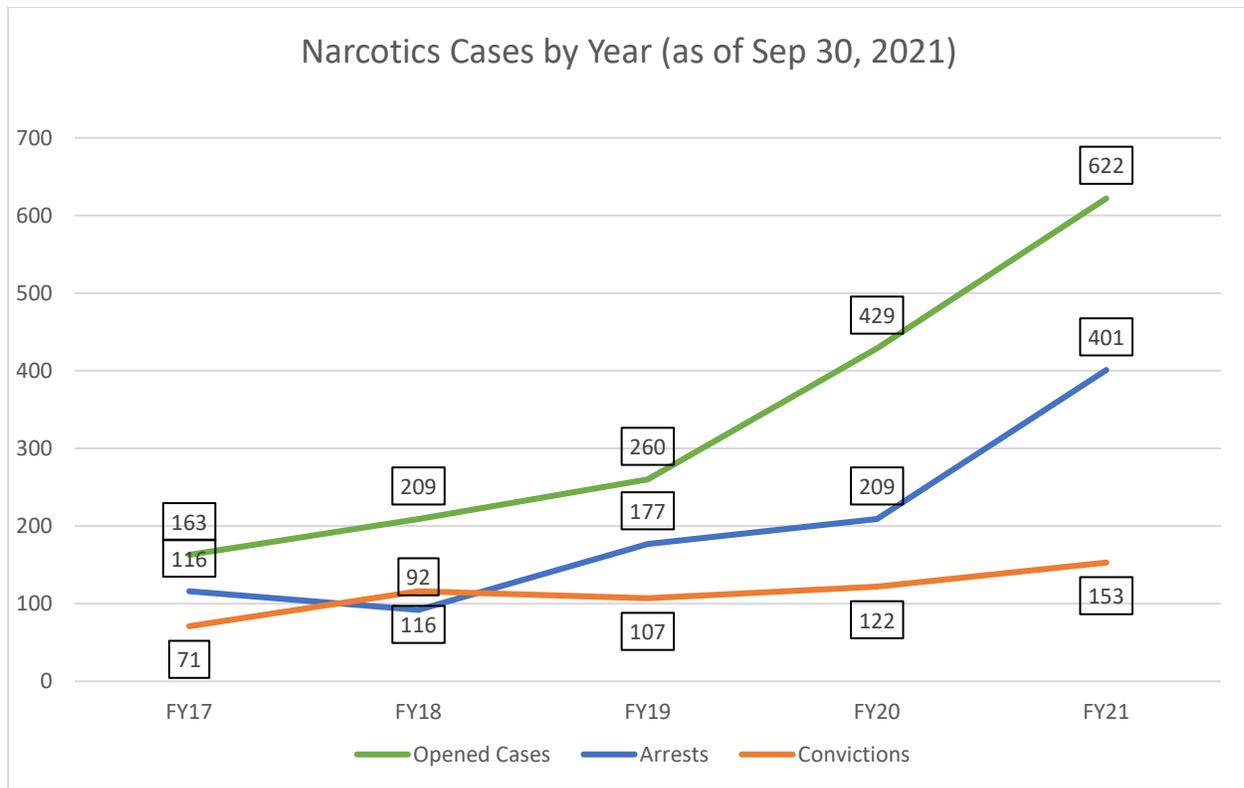
- *Fiscal Year (FY) 2022 Peak Mailing Season Preparedness* (November 2021)
- *Nationwide Service Performance* (September 2021)
- *Service Performance - First Class Single Piece Letter Mail* (September 2021)
- *Embargoes and Redirections at USPS Processing Facilities* (August 2021)

- *Management Alert - International Package Operations - Chicago ISC* (May 2021)
- *Management Alert - Excessive Wait Times to Accept Shipments at Cleveland P&DC* (March 2021)
- *Peak Season Air Transportation* (February 2021)

Finally, in March 2021, the Postal Service announced its “*Delivering for America: Our Vision and Ten-Year Plan to Achieve Financial Sustainability and Service Excellence.*” Management’s announcement indicated that the plan will enable the Postal Service to achieve a positive net income within three years, achieve a break-even operating performance over the next 10 years, and avoid \$160 billion in projected losses by 2030. The Postal Service has since begun implementing elements of this plan, including changes to its network and service performance goals, and we will be focusing significant resources on the impacts of those changes. Our oversight role and work in the coming year promises to be particularly critical and this budget will support our ability to meet these various oversight challenges.

C. Summary of OIG Efforts to Combat the Opioid Crisis

Over the past several years, we committed significant resources to evaluate the safety and susceptibility of the U.S. Mail to threats from narcotics, as well as to investigate narcotics distribution by Postal employees. Our Office of Investigations (OI) strategically placed special agents trained in narcotics investigations throughout the country and, in FY 2021 alone, they initiated 622 new narcotics cases. Those new cases are highly complex and often involve extensive external drug trafficking organizations (DTO) and are in addition to their existing case inventories from prior years. The chart below highlights some of our progress:



Some recent case highlights include:

- In August 2020, law enforcement agents determined a drug trafficking organization (DTO) was distributing multi-kilogram quantities of methamphetamine, cocaine, and marijuana in packages shipped through the mail with the assistance of a Postal Service employee and a former employee. In September 2021, 43 arrests and several search warrants were executed, resulting in the seizure of approximately \$500,000 USD, \$100,000 in jewelry, 56 firearms, 1.5 kilograms of cocaine, 4 kilograms of crystal methamphetamine, 2 ounces of crack cocaine, 1 ounce of heroin, 3 ounces of fentanyl, 50 kilograms of high-grade marijuana, 313 full grown marijuana plants, and two seized vehicles (2020 Mercedes C63, 2020 Polaris RZR). The investigation is ongoing.
- In October 2020, law enforcement officers identified a suspicious parcel destined to a P.O. Box opened by a Postal Service employee earlier in the year. The investigation determined that co-conspirators transported kilogram-quantities of fentanyl and heroin, as well as narcotics proceeds, in packages shipped through the mail with the assistance of the Postal Service employee. In March 2021, members of other law enforcement organizations and the OIG arrested the employee and four external subjects. As part of the investigation, investigators

have seized approximately 7 kilograms of fentanyl, 2 kilograms of heroin, 1 pound of marijuana, and almost \$150,000. The investigation is ongoing.

- In December 2020, our OIG joined an investigation by the New Jersey State Police that identified multiple external subjects and a Postal Service employee distributing illegal narcotics, including fentanyl and heroin. Investigators subsequently arrested that employee and identified a second employee involved in the scheme. This second employee was also arrested and confessed to narcotics trafficking. A search of his residence revealed one kilogram of fentanyl, twelve (12) bundles of heroin (approximately 120 individual doses of heroin), various rifles and shotguns, high-capacity magazines, and ammunition. This investigation is ongoing.

Our Chief Data Officer (CDO) is leveraging Postal Service and other data as a strategic asset to develop a suite of tools to detect both suspicious parcels and inappropriate/suspicious behavior by Postal Service employees. We benchmarked public and private sector analytics practices and designed analytics models to maximize our investigative resources and results. Some recently developed tools identify high-risk parcels that have disappeared somewhere in the Postal Service network, which might indicate theft by an employee.

D. Investigative Priorities and Results

Because of the large, geographically dispersed Postal Service workforce and the reactive nature of criminal work, our OIG must maintain a large investigative workforce. We constantly analyze the complaints we receive, our past work, and the distribution of Postal Service costs and personnel, to ensure our agents are in the right locations and assigned to program areas with the most potential impact (i.e., more Healthcare Claimant and Provider fraud agents in areas with higher OWCP costs). About 69 percent (\$183 million) of our budget is committed to conducting investigations to ensure the integrity of postal processes, finances, and personnel as well as to protect the mail.

In FY 2020, OI opened nearly 3,200 new investigations. Nearly 40 percent of these investigations were initiated as a result of complaints received directly from Postal Service employees or managers. We converted over 660 allegations received from our Hotline into investigations in FY 2021. The remainder were referred to other agencies for their information and action whenever possible. We also initiated more than 290 cases as a result of our analytics tools or through the efforts of our analysts.

Our organization emphasizes performance and conducting high impact work, and we set challenging goals for our investigators. These goals include the number of cases resolved (which varies by primary program area), the effort agents commit to

investigations, and the impact of their work. In FY 2021, the results of OI's work included over 2,851 investigations, 825 convictions, and over \$315 million in fines, restitutions, recoveries, and cost avoidances. Our agents resolved nearly 65 percent of the cases they initiated, with an average of five resolved investigations per agent. Reductions to the budget impact our law enforcement work the most, and our investigative results decline when we receive less funding.

OI organizes its work into five major programs:

- The Internal Mail Theft program focuses on investigating mail theft by postal employees and postal contractors.
- The Narcotics program focuses on narcotics possession and distribution by Postal Service employees as well as collusion by employees with drug trafficking organizations which are using the mail to transport illicit narcotics.
- The Healthcare Fraud program includes investigations of both claimant and medical provider fraud. The Postal Service is the single largest contributor to the Department of Labor's (DOL) Office of Workers' Compensation Program (OWCP) and, in FY 2021, it paid nearly \$1.32 billion for disability-related benefits. These disability payments are funded by Postal Service customers rather than tax dollars, and any portion of those funds lost to fraud has a direct impact on the Postal Service and its operations.
- The Contract Fraud program is responsible for investigations of contract fraud, waste, and misconduct. The Postal Service manages contracts, ranging from multimillion dollar national service contracts to local contracts for supplies and services at individual Postal Service facilities.
- The Financial Fraud program focuses on the theft of Postal Service money and products. A large portion of the revenue generated by the Postal Service is handled at over 31,000 Postal Service retail locations. Stamps, cash, and money orders can all become targets for theft.

The financial results related to our investigations exceeds the total amount of our budget appropriation each year and, in FY 2021, that impact totaled \$315 million. Nearly \$147 million of that amount was composed of fines, recoveries, and restitutions returned directly to the Postal Service, with the majority of those funds resulting from contract and healthcare provider investigations. Two examples of those cases include:

- In the fall of 2016, our OIG received a referral from the Department of Justice regarding potential antitrust violations committed by manufacturers of generic

pharmaceuticals. Allegations suggested the companies were participating in activities related to market allocation, price fixing and bid rigging, all Sherman Act Antitrust violations (Title 15). Because of the number of Postal employees who receive disability benefits under the Department of Labor's Federal Employee Compensation Act (FECA) program, the alleged activities would have impacted the payments for those benefits. On March 2, 2020, one of the pharmaceutical companies entered into a Deferred Prosecution Agreement and agreed to pay a \$195 million criminal penalty for conspiring to rig bids, fix prices, and allocate customers in the generic drug industry. As a result of our participation in the case, the Postal Service will receive \$39 million (20 percent) of that fine. Two prior companies identified also entered into deferred prosecution agreements. The investigation is ongoing.

- Beginning in 2014, our agents joined a False Claims Act investigation focused on airlines who transport international mail for the Postal Service. The investigation determined that some airlines were falsifying the data related to these shipments to avoid contract penalties. In 2021, two airlines agreed to pay \$9 million and \$17.5 million, respectively, to the U.S. government as a result of this investigation.

The remaining \$268 million in financial impact during FY 2021 included various cost avoidances for the Postal Service, the vast majority of which resulted from healthcare investigations. Our work confirmed fraudulent claims by 64 Postal employees for work-related injuries and resulted in the termination of their long-term OWCP benefits. Additionally, our investigations of various healthcare providers resulted in the disruption of their fraud schemes and prevention of future fraudulent claims to DOL.

OI would allocate its FY 2023 program budget to cover the primary program areas described above as well as to continue to focus on the following areas:

- *Narcotics trafficking by employees* – We continue to see postal employees willing to facilitate the trafficking of opioids and other narcotics for cash. As our data analytics program develops and deploys new tools, we are identifying more employees engaged in these types of activities as well as more completely mapping the criminal enterprises they support.
- *Mail theft* – In FY 2021, almost 42 percent of the Postal Service's total revenue was generated through the delivery of nearly 7.6 billion packages. In addition to receiving a steady stream of complaints from customers about mail or packages they never received, our OIG is seeing increased recruitment of employees by organized criminal groups to steal mail, including pandemic funds distributed through the mail. Criminal organizations are recognizing that postal employees

can be the trusted insider who enables ready access to sensitive mail, and they are actively approaching and communicating with employees who are willing to steal specific items from the mail in return for cash.

- Healthcare fraud – Postal Service employees represent nearly 40 percent of all federal employees who receive OWCP benefits. These benefits are a significant ongoing cost to the Postal Service, and frauds associated with those benefits are a continuing area of focus for our OIG.

E. Audit and Evaluation Priorities and Results

Though we are the leanest OIG when compared to our parent agency, we returned nearly \$15 for every \$1 invested in our budget in FY 2021. Much of this impact was due to the work of OA, which completed 149 reports and issued 433 recommendations. This work identified \$3.3 billion in financial impact, including funds put to better use, questioned costs, and revenue impact. In FY 2021, the Postal Service agreed with 94 percent of our recommendations. To date, over 70 percent of those recommendations have been implemented.

As we do in our Office of Investigations, we set challenging goals for our auditors. These goals include the number of reports issued, timeliness, and impact. Because the Postal Service does not receive its funds from taxpayer dollars and instead earns revenue from the sale of its products and services, it is critical that our OIG's audits and evaluations focus on the areas of greatest financial and business impact. Our Office of Audit uses data analytics to identify high risk areas in the national infrastructure as well as highlight cost savings opportunities. OA focuses on reviews that provide the Postal Service with information to address its emerging strategic issues, major risks, and management challenges, and to highlight revenue opportunities.

OA organizes its audit work into five functional areas:

- The Mission Operations audit area reviews two of the largest cost center functions within the Postal Service — network processing and transportation. These business segments annually spend about \$17 billion.
- The Retail, Delivery, and Marketing audit area focuses on Postal Service operations related to retail, delivery, vehicles, sales, revenue generation, revenue protection, customer service, international mail, and marketing.
- The Finance and Pricing audit area focuses on finance, cost, and pricing, which help ensure that the Postal Service is following regulatory requirements.

- The Supply Management and Human Resources audit area focuses on contracting, facilities, human resource management, emergency preparedness, and sustainability.
- The Inspection Service and Cybersecurity & Technology audit area focuses on the Postal Service's ability to use technology to manage operations, maximize ROI, and provide robust data security. This area also oversees the role of the USPIA in protecting the Postal Service from criminal activity.

Some of the OIG's recent and ongoing significant audits and evaluations, in addition to the work previously listed above, include:

- *FY 2022 Peak Mailing Season Preparedness (November 2021) and FY 2022 Peak Mailing Season Performance* (est. April 2022) – With the challenges faced by the Postal Service during the FY 2021 peak mailing season, it was crucial to determine what steps the Postal Service would take to better prepare for the FY 2022 peak mailing season and whether those measures were successful. Our team reviewed the Postal Service's plans for the FY 2022 peak season and found that management implemented a new year-round strategy with permanent operational changes—including increasing employee complement and facility space—to help meet the needs of peak season. However, we found that some of the initiatives were at risk of not being implemented prior to the peak season. We will further review the implementation of these initiatives and how the Postal Service mitigated any risks and report on the Postal Service's peak season performance in the spring of 2022.
- *Mail Access, Service, and Demographic Trends* (est. February 2022) – Our team examined the geographic distribution of changes to mail access and service across demographic variables for fiscal years 2016 to 2020. We found that, under the current system, the impact of postal policies about changes to mail access and service quality are not always equal across demographic groups. We also determined that if the Postal Service incorporated demographic data into their analysis, they would be better able to identify unintended consequences resulting from their decisions.
- *Next Generation Delivery Vehicles-Contract Clauses* (January 2022) – Our team reviewed the Next Generation Delivery Vehicle (NGDV) contract to determine whether there were opportunities to better protect the U.S. Postal Service from fraud, waste, and abuse. We found the Postal Service incorporated internal policies, special provisions and clauses, and special agreements into the NGDV contract to mitigate fraud, waste, and abuse, but had opportunities to strengthen the NGDV contract by including language requiring contractor self-reporting of fraud and fraud hotline posters to be displayed in the supplier's locations.

- *Manual Mail Processing Efficiency (September 2021)* – Our office conducted a review of Postal manual mail processing operations to assess their efficiency. Mail is processed manually when its dimensions or address quality prevent it from being processed on mail processing equipment or to meet service standards when machines are at capacity. We found that the Postal Service is not processing manual mail at optimal efficiency as productivity in the Postal Service’s manual operations continued to trend downward. During our work, we determined that these issues can be attributed, in part, to lack of management oversight and employee availability and staffing issues.
- *A Primer on Service Standards (September 2021)* – Service performance has been a continuing area of focus for Postal Service management and stakeholders over the past two years. As a result, we conducted this work to provide an overview of how service standards for the delivery of mail and packages are established and defined, service performance is measured, and standards are revised.
- *Uncompensated and Undercompensated Services (April 2021)* – The Postal Service relies on the sale of postage, products, and services to fund its operations. However, these operations come at a high cost; over the last 20 years, the Postal Service has only had a positive net income four times. Our OIG conducted this review to determine whether the Postal Service is appropriately compensated for selected government and business services. We identified 9 critical services beyond general mail processing and delivery for which it is either uncompensated or undercompensated, resulting in losses of about \$743 million annually.
- *Deployment of Operational Changes (November 2020)* and *Operational Changes to Mail Delivery (October 2020)* – In response to a request from Congress, we evaluated Postal Service operational changes and initiatives made in June and July 2020 that resulted in a significant drop in the quality and timeliness of mail delivery. We found the implementation of these initiatives was communicated primarily orally, which resulted in confusion and inconsistent application of operational changes across the country and were made without studying the impact of the changes on mail service. The collective results of these initiatives, combined with the ongoing employee availability challenges resulting from the pandemic, negatively impacted the quality and timeliness of mail delivery nationally.
- *Delivery Vehicle Acquisition Strategy (August 2020)* – Due to significant implementation delays in the development of the Postal Service’s Next

Generation Delivery Vehicle, we assessed the Postal Service's acquisition strategy for delivery and collection vehicles. We found the Postal Service's vehicle acquisition strategy was generally adequate for acquisition of a mixed vehicle delivery fleet. However, delays in the Next Generation Delivery Vehicle development occurred because management had not adequately evaluated the prototype timeline to ensure they considered the full complexity of the process, prototype development issues, and stakeholders concerns. In addition, better Postal Service oversight was needed during the prototype vehicle building process.

OA also conducted work that was either legislatively mandated or was to support the Postal Service in meeting its own legislative mandates. This work included oversight of the USPS and auditing the data collection systems and procedures the Postal Service uses to prepare reports related to costs, revenue, rates, and quality of service for all products. The OIG also conducted audits supporting the public accountant's opinion on the Postal Service's financial statements and compliance with both the SOX and U.S. Securities and Exchange Commission financial reporting requirements.

OA would allocate its FY 2023 program budget to cover the primary program areas described above, as well as the following emerging areas of focus:

- Reviewing the Postal Service's *Delivering for America* 10-year strategic plan, to include significant network changes planned.
- Evaluating service performance and efficiency metrics to identify causes for lower performing processing facilities.
- Conducting quick response audits to quickly address service delays, safety issues, or facilities in need of repair.
- Identifying opportunities to optimize and standardize Postal network operations to improve service, reduce costs, and increase efficiency.
- Analyzing costs nationwide and identifying opportunities to reduce those costs.
- Identifying opportunities to respond to the growth in parcels since the COVID-19 pandemic, to preserve and grow revenue, and enhance the customer experience.
- Evaluating cybersecurity and opportunities to strengthen and defend the Postal Service network.
- Assessing whether the Postal Service is effectively leveraging analytics for managing operations and driving strategic decisions.

- Increasing oversight of the USPIS and its activities, to include strategic direction, resource allocation, use of emerging technologies, case management, contract management, and training.

F. Other Mission Areas

a. Human Capital

The FY 2023 Budget request provides funding of \$290,312,000, an increase of \$27.3 million which will allow us to avoid staffing losses and expand our ability to address the Postal Service’s on-going service challenges and internal changes. This funding level results in our organization having a staffing level of 1,083 FTEs.

Description	FY 2021 Actual	FY 2022 Estimate	FY 2023 President's Budget	FY 2023 Requested
FTEs	988	939	1,000	1,083
Net change from prior start of year to budget end of year	-	-49	61	83

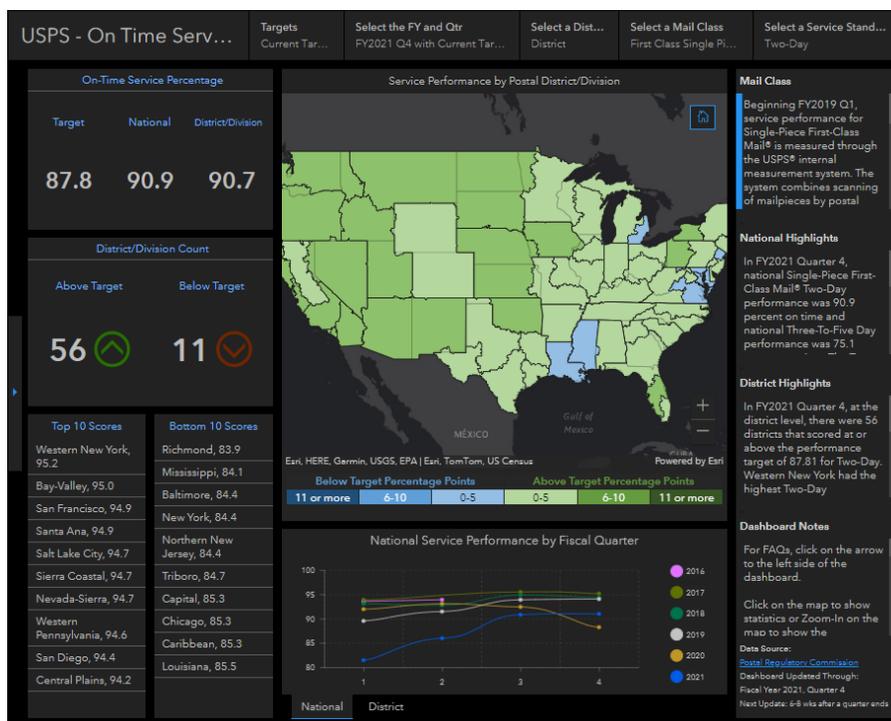
We recognize that without a strong human capital strategy – one that manages and invests in our workforce talent – we cannot succeed as an organization. As a result, we have undertaken a number of initiatives to maintain our competitive edge by recruiting and retaining a highly skilled workforce. Some examples of those initiatives include:

- Automating documentation to expedite the hiring and on-boarding process.
- Increasing the visibility and access to vacancy announcements and internal developmental opportunities.
- Establishing a Chief Diversity Officer and creating an organizational diversity, equity, and inclusion plan.
- Offering training in analytics platforms to employees across the organization.
- Modernizing and updating our online knowledge-centered environment, to better offer organizational information and facilitate information sharing.

b. Information Technology

Our Office of Chief Information Officer (OCIO) and the Research Insights and Solution Center (RISC) analytics team played an especially important role during the past two years and supported several key initiatives. The OIG was one of several law enforcement agencies focused on safeguarding Economic Impact Payments (EIP) to citizens and our tools identified over 10,000 checks sent to suspicious addresses. Our CIO technology specialists developed applications and dashboards to track election and political mailings using Postal Service data, to enable investigators and auditors to identify emerging areas of concern. Our RISC analysts also built new tools to provide real-time insights into mail volumes, staffing, revenues, and service, which were invaluable as we responded to inquiries from Congress and identified new OA projects.

Because service has been and will remain a central focus of our work, we launched a public webpage that features an interactive map displaying quarterly data on the Postal Service’s performance around the country. Users can filter the data by geographic area, mail class, and fiscal quarter, as well as pivot between the Postal Service’s former and newly lowered service performance targets. Below is a snapshot of our page.



Stakeholders have reacted positively to this website and we will continue to look for additional ways to provide similar transparency.

In FY 2023, our focus will be to strengthen our security and resilience against cyberattacks. In addition to these security enhancements, OCIO will continue to work on

developing processes and infrastructure for importing and storing or connecting with the large datasets critical to evidence based decision-making. The exponential growth of digital information used for data analytics, computer forensics, and evidence-based decision-making will require investment in increasingly large amounts of cloud storage and data management capabilities. Storing data with a cloud provider will enable OCIO to provide “storage on demand” for specific projects and allow the OIG to cost effectively retain data for long periods for historical analysis. Implementing modern data management tools, such as a data catalog, will enable the OIG to efficiently manage and catalog our large data sets. Tools like a data catalog will reduce duplication and increase knowledge and access for our auditors, investigators, and analytics staff.

c. Data Analytics

Our OIG has strategically integrated data analytics into its core mission of combatting fraud, waste, and abuse. Our RISC data analytics team builds tools that analyze Postal Service, law enforcement, and other data to identify areas of risk and indicators of fraud. In FY 2021, our analytic tools directly resulted in approximately 252 investigations, 355 criminal actions, 121 administrative actions, and more than \$190 million in financial impact related to investigations. RISC also provided direct analytical support for 8 audits that had a financial impact of about \$214.7 million.

In addition to narcotics-related tools, below are some other recently developed tools which support our investigative and audit work:

- *Consolidated Customer Complaint Dashboard* – This dashboard provides a holistic view of customer complaints and allegations related to missing, delayed, or undelivered mail. It pulls information from three data sources: (1) the Postal Service’s complaint system, (2) Informed Delivery, and (3) the OIG Hotline. This tool identifies trends in complaints from each system to identify areas of concern.
- *Routes Not Delivered Dashboard* - This dashboard utilizes specific delivery and route data to assess the probability that an entire route was not delivered. The tool identifies specific routes, facilities, districts, and areas where full routes may not be delivered for a day or over a period of time, signifying an ongoing problem.

The OIG community includes 75 different OIGs, and those organizations are using analytics tools and practices at varying levels. Our team meets frequently with other OIGs, the Pandemic Response Accountability Committee, and various law enforcement agencies on data analytics issues, either tied to joint work or as part of meetings and conferences to discuss best practices. Our Inspector General also chairs the CIGIE Technology Committee, which sponsors a Data Analytics Working Group.

Our work in FY 2023 would be to enhance our current tools and focus on the following emerging areas of technology opportunity:

- *Big data analysis* – The Postal Service uses numerous data systems to manage its mail processing systems and customer interfaces, and this data changes constantly. To proactively address process issues and respond to fraud, our analytics tools must be able to examine this data in near-real time.

Integrating Artificial Intelligence (AI) – Finally, our OIG will start taking advantage of emerging AI platforms to deal with analytics issues that are outside of current capabilities. For CIO, AI will enhance IT Security operations protecting the OIG network using behavioral analytics to detect and mitigate both internal and external cyber-attacks. For our CDO, AI will assist in detecting waste, fraud, and abuse by making the analysis of data more efficient and streamlining data processes. AI is becoming increasingly commonplace in private industry because of its utility and versatility, and the return of investment will only increase as the capabilities become less expensive.