OFFICE *of* INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

Congressional Budget Justification

Fiscal Year 2026

Executive Summary

The President's fiscal year (FY) 2026 budget provides funding of $263,500,000 to the U.S. Postal Service Office of Inspector General (OIG) for ongoing operational expenses. The OIG's funding request was $306,700,000. The President's proposed budget represents a 1.8 percent decrease from the prior year's funding and a 14.1 percent decrease from our request. While faced with a decrease in funding, the OIG remains committed to fulfilling its mission of promoting the integrity, accountability, and efficiency of the U.S. Postal Service and its regulator, the Postal Regulatory Commission (PRC). This document highlights our key initiatives, presenting perspective and context for our budget needs and focus areas for FY 2026. It also highlights our prior year accomplishments and activities.

The Postal Service is part of the nation's critical infrastructure, and our office continues to align mission resources to address the agency's highest-risk areas. We have historically focused on reviewing service to postal customers, evaluating operational efficiencies, and analyzing postal finances. We expect this work to increase as the Postal Service continues to implement large, nationwide changes and execute key aspects of its 10-year Delivering for America plan and the 2022 Postal Service Reform Act. The OIG's goal is to provide objective information on the effects of these changes, making recommendations to enhance the efficiency of postal operations and preserving timely delivery to the American public. We are enhancing our website to provide transparency into these changes and the impacts on communities across America. More information on the OIG's mission and efforts can be accessed through our [website](#).

We achieve significant results with an efficient and lean staff. Compared to other OIGs, our office has one of the lowest ratios of employees compared to its parent agency, with one OIG employee for every 690 postal workers. For the past two years, on average, we have provided a return on investment of nearly $5 for every $1 invested in our budget.

The OIG will need to make strategic adjustments to operate within available resources. We will prioritize efforts to oversee and investigate Postal Service operations, increase stakeholder transparency — particularly in America's rural areas — and combat mail theft and narcotics trafficking in the U.S. Mail. Additionally, we will continue to use and grow 21st century tools and data analytics to optimize our impact.

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I. PROPOSED FISCAL YEAR 2026 BUDGET

A. Budget Initiatives and OIG Mission Critical Work

The President's FY 2026 budget provides the U.S. Postal Service Office of Inspector General (OIG) with $263,500,000 to fund its planned FY 2026 operations. The OIG's funding request was $306,700,000. The OIG receives its funding level through the appropriations process, but none of this funding comes from taxpayers or the U.S. Treasury. All our operating funds originate from the Postal Service, which earns its funds from ratepayers.

The President's budget is a 1.8 percent reduction from our FY 2025 full-year continuing resolution budget of $268.2 million and a 14.1 percent reduction from our original request. As shown in the chart below, the OIG workforce has significantly decreased over the last 10 years. In years with flat budgets and where federal salaries were increased, the OIG was able to support fewer resources for personnel and other mission-critical expenses, while our mission and responsibilities continued to expand.

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. For the past two years, on average, we have provided a return on investment of nearly $5 for every $1 invested in our budget.[1]

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[1]Return on Investment is calculated by totaling the financial impact amounts reported in the "Summary of Performance" in our Semiannual Reports to Congress. For the Office of Investigations, this total excludes fines, restitutions, and recoveries. The combined total is then divided by the OIG's enacted appropriation.

OIG Budget History
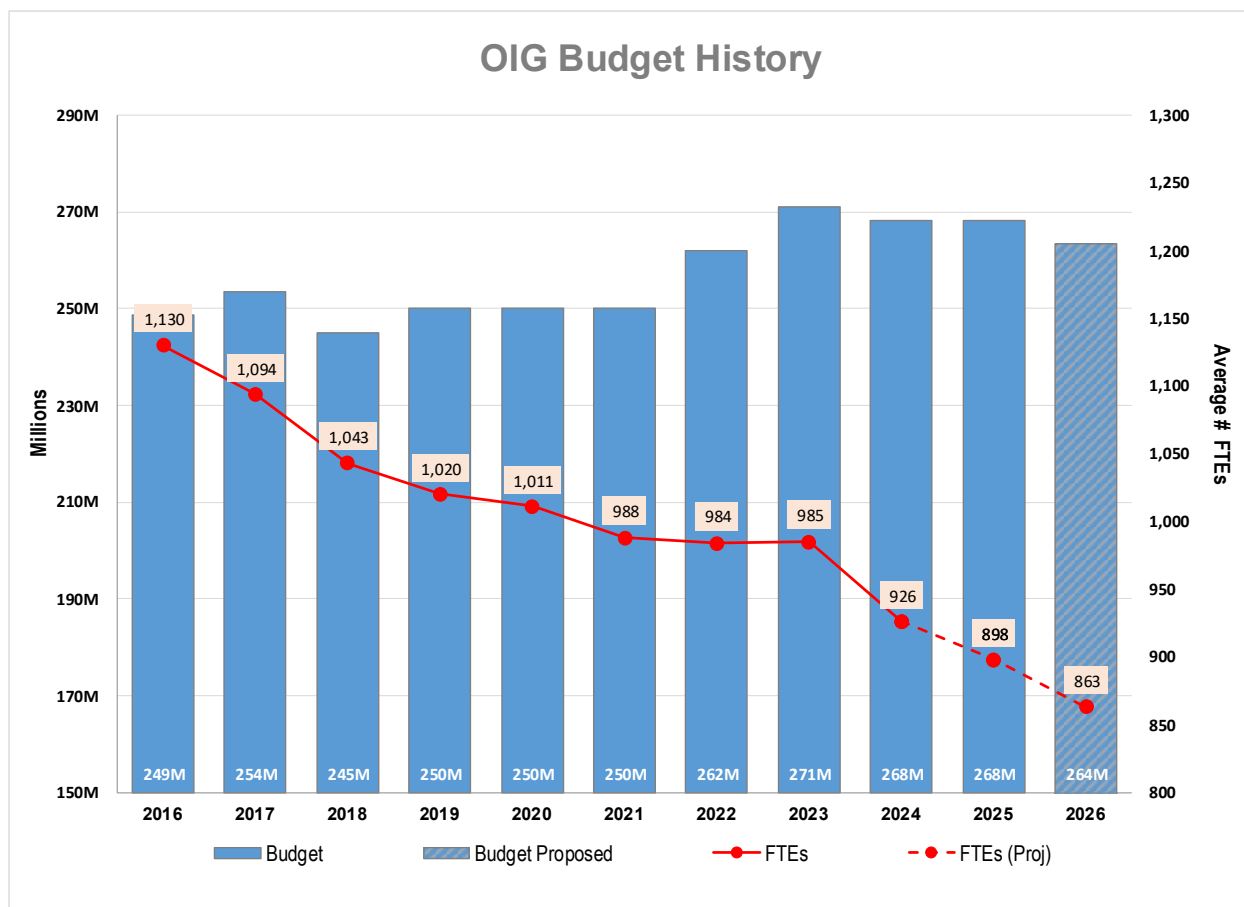
A reduced funding level will affect the OIG's ability to execute our mission due to the significant changes to the Postal Service and the increasingly complex nature of investigating criminal organizations that use the U.S. Mail. We will continue to leverage 21st century tools and data analytics to support our oversight and investigative responsibilities. This will help prioritize our efforts to oversee and investigate Postal Service operations and combat mail theft and narcotics trafficking in the U.S. Mail.

In FY 2026, the OIG will also concentrate on the following critical initiatives:

- Building and maintaining infrastructure to leverage Artificial Intelligence (AI) focused on the stakeholder experience and customer complaints.
- Developing data tools to identify postal employees who are being recruited to facilitate organized crime and steal financial instruments such as checks and credit cards from the mail.
- Increase efforts to monitor and assess mail service performance and improve transparency for stakeholders, particularly in America's rural areas.
- Initiate planning phases to conduct comprehensive testing of service performance at a national level for implementation with future funding.

The OIG will continue to evaluate how best to align mission execution with the resources available, ensuring the most critical oversight activities remain prioritized.

II. CRITICAL FOCUS AREAS FOR FISCAL YEAR 2026

A. Information Technology (IT) Modernization and Data Analytics

Modernizing Data and IT Infrastructure for AI Enablement: Within the President's budget, the OIG will continue to enhance our existing IT infrastructure, systems, and applications. A modern IT infrastructure and data architecture will allow the OIG to continue to develop and deploy business intelligence and analytics products to better support our mission.

By creating a cloud-first data platform, the OIG has laid the groundwork for improved data management, governance, scalability, and self-service analytics. We will continue to modernize and secure our data and IT infrastructure to shape business intelligence insights and enhance the functionality and insights from the OIG's centralized analytics hub. These platforms and applications will leverage AI and machine learning to eliminate unnecessary, time-consuming steps people must complete. AI can also fill out forms, assist in quick code writing, and translate or transcribe information for case management. Additionally, although AI does not replace the need for auditors and investigators, it does generate data-driven, analytical efficiencies, insights, and leads that support all aspects of the audit and investigative functions.

Further, under EO 13859 - *Maintaining American Leadership in AI* and EO 13960 - *Promoting the Use of Trustworthy AI in the Federal Government*, we will leverage AI to improve operations, reduce costs, increase efficiency and mission effectiveness, and enhance our oversight of Postal Service operations.

To achieve these goals, we will leverage AI capabilities with continuous enhancements in our Investigative Case Management System and Hotline applications. We will modernize how we ingest data into our case management system by automating routine tasks, enhancing data accuracy, and optimizing workflows from case intake and tracking to resolution. For our Hotline application, AI will categorize the high volume of complaints received about the Postal Service and machine learning will replace the manual keyword search function currently used. To further enhance this capability, the machine learning models will automatically perform first-level analysis to differentiate complaints considered to be of high value. By reducing human error and allowing greater focus on reviewing and refining end products, these new technologies will yield higher-quality deliverables.

These initiatives will enable self-service within the OIG and expand advanced analytics capabilities to meet internal customer needs and provide deeper insights for postal

customers and stakeholders through audits and investigations. The OIG can create a seamless experience for users to discover valuable metrics for mail delivery and decrease the time and effort our investigators and auditors need to extract useful and actionable insights. In addition to applying AI-driven insights and efficiencies, concentrating on customer experience will allow the OIG to enhance self-service products for users to obtain insights that support decisions and policymaking grounded in evidence.

Additionally, a modern data infrastructure will facilitate transparency and the sharing of data and insights with various external stakeholders to include mail delivery and other service-related issues. Through these efforts, the OIG will not only provide a modernized set of tools to support our mission needs but also promote the efficient and effective use of data.

Applying AI Insights to Customer Complaints: In addition to the OIG's Hotline, the Postal Service receives over 7 million complaints and inquiries each year representing massive amounts of unstructured data centered around delivery, processing issues, and more. The current set of tools evaluate complaints and provide basic insights from key word matches. We will continue these efforts; however, there is much more that can be done.

Data Insights for Resourcing Criminal Investigations: In an environment with limited resources where investigative demands are growing and priorities are shifting, it can be challenging to make informed decisions about where to allocate resources and what to investigate. Misallocating resources can lead to inefficiencies and missed opportunities to combat fraud and abuse. To help mitigate this issue, we have developed the Program Area Trends and Insights (PATI) platform. It uses advanced analytics, including AI, and leverages Hotline complaints and data from known suspicious patterns pertaining to mail theft, health care fraud, and narcotics trafficking to provide strategic and tactical insights to pinpoint where agent workforce resources are needed most.

With PATI, we can make smarter data-driven decisions and maximize efficiency by identifying possible gaps in coverage and ensuring support efforts are in the right places. Whether optimizing strategies or streamlining operations, PATI ensures decisions are backed by data. This innovative tool not only builds on past successes but also enhances our ability to stay ahead of evolving challenges.

Although PATI is positively impacting our ability to understand and better manage resources, it has also exposed over 100,000 actionable leads that highlight the lack of investigative resources to address the immense amount of mail theft occurring throughout the country. Additionally, the actionable lead insights have further exposed gaps in resources to pursue numerous complaints related to narcotics and health care fraud. Although our use of advanced technology has greatly increased the OIG's

efficiency to investigate fraud and mail theft, it has also provided transparency and insights into the amount of impactful work that we are unable to pursue.

B.   Building a Financial Instrument Strike Team

The OIG has long been at the forefront of safeguarding the integrity of financial instruments transmitted through the mailstream. In response to the rise of cybercrime and increasingly sophisticated fraud schemes, the OIG has partnered with financial institutions to enhance investigative efforts using advanced data analytics. This collaboration represents a critical step forward in identifying and mitigating points of compromise, thereby improving the security of checks, credit cards, and other financial instruments. As the threat landscape evolves, continued innovation and collaboration will remain vital to protect consumers.

In 2024, there were more than 458,000 credit card fraud reports in the United States representing over $12.5 billion in losses, and banks reported an additional 680,000 reports of check fraud resulting in an estimated $24 billion in losses. Many of these fraud reports originated from stolen mail. The OIG has observed increased recruitment of Postal Service employees by organized criminal networks. These criminal organizations conspire with postal employees, offering bribes in exchange for stealing or providing access to the mail. Recruited employees commit fraud by targeting financial mailings to include credit cards, checks, and tax information.

Insights generated through our PATI tool highlight the overwhelming scope of work facing our investigative teams. With over 50,000 actionable leads related to credit card theft alone — and over 100,000 actionable leads across mail theft, health care fraud, and narcotics — the data reveals a near-insurmountable volume of criminal activity under current resource levels. In addition, since the COVID-19 pandemic, the number of fraud-related suspicious activity reports filed between 2019 and 2024 has escalated by over 65 percent-a notable increase that reflects the growing scale of financial fraud.[2] These findings support the critical need for more agents and analysts to investigate high-risk cases.

While the PATI platform supports our mission by surfacing priority leads, our ability to pursue them is constrained by existing staffing levels. Our investigations into complex financial cases have consistently uncovered criminal conspiracies involving both postal employees and individuals or organizations outside the Postal Service. Each additional agent resource has the capacity to dismantle three to four criminal organizations annually, which have been exploiting the Postal Service and its employees.

To combat the significant increase in criminals recruiting postal employees to participate in conspiracies to steal financial instruments from the mail, the OIG will dedicate agents

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[2] Identity Theft and Credit Card Fraud Statistics for 2025, May 6, 2025.

in each of our five area field offices to serve as a Financial Instrument Strike Team. This new team will collaborate with our Organized Crime Investigative Unit, a cybercrimes unit that specializes in identifying and investigating individuals who use social media or other online platforms to recruit people into organizations involved in mail theft or the distribution of illegal narcotics. They also investigate the sale of stolen mail containing credit cards, checks, and other financial instruments, as well as the unauthorized sale of Arrow Keys and other methods to access the mail.

The OIG continues to be dedicated to utilizing current resources to initiate and implement the Financial Instrument Strike Team and to carry out our existing oversight activities. Nonetheless, the data highlights an increasing disparity between investigative demand and our capacity. Without expanded resources and critical tools that are currently available in the marketplace many cases will remain unaddressed, thereby undermining public trust and diminishing our oversight capabilities in critical risk areas.

C.   Enhancing Stakeholder Transparency and Oversight of Postal Service Performance — With a Focus on Rural America

As the Postal Service implements major operational reforms under its Delivering for America (DFA) plan — including changes to mail processing, transportation, and delivery networks — the OIG recognizes the importance of providing greater transparency into how these changes impact service performance, particularly in rural communities.

These changes total more than $40 billion in increased investments between FYs 2021 and 2030.[3] While working within the proposed funding level, the OIG will pursue innovative, data-driven analytics to increase public insight into mail delivery outcomes and promote proactive oversight of network changes impacting rural America.

This initiative integrates two core strategies:

- **Oversight Through Advanced Tools and Visualizations**

  The OIG will develop public-facing and internal tools such as interactive dashboards, geospatial maps, and customizable graphs that reflect service performance across regions. These tools will leverage a combination of internal and external data ranging from mail delivery records to customer complaints and weather events. The tools will apply AI and machine learning techniques to detect and predict systemic issues. These automated and intuitive solutions will replace time-consuming manual analysis, enable more responsive stakeholder

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[3] *Form 10-Q Quarter II FY 2025*, March 31, 2025.

support, and provide rural Americans and the broader public with clear insights into delivery reliability.

- **Research on Rural America's Postal Needs**

  The OIG believes in providing a comprehensive story of how rural America is affected by the rollout of DFA. As the Postal Service changes its networks to become financially sustainable in the face of declining mail volume, there is concern that the changes will have a disproportionate impact on rural areas.

  This research initiative will utilize the OIG's extensive data access to assess how the Postal Service's changes impact service reliability for about 51 million Americans in rural areas who rely on USPS to timely deliver both basic and life-impacting needs. This includes business correspondence, medicines, financial documentation, Social Security checks, and day-to-day goods and services. The resulting analysis will support evidence-based decision making for the Postal Service, Congress, and other stakeholders and make sure the unique needs of rural communities are represented in the national conversation on postal reform.

  By combining proactive oversight, stakeholder engagement, and rural-specific research, this initiative supports a more transparent and fair postal system — one that empowers customers and improves accountability during a period of transformation.

  With the proposed funding for FY 2026, we will initiate preliminary work to better understand rural postal needs as part of our broader oversight objectives.

D. Mail Testing Program to Provide Accurate Service Performance Data

Establishing a program to conduct statistically valid mail tests would benefit stakeholders and the Postal Service by providing an independent assessment of service performance. Currently, Postal Service data is statistically valid at the district level but is not sufficiently granular to provide localized service impacts. Further, only mail with intelligent mail barcodes is included in the Postal Service's measuring system.

Statistically valid mail tests would allow an independent review of the service provided by the Postal Service and offer greater transparency to the stakeholders who depend on the mail, including the American public. The OIG mail tests will:

- Determine service impacts to specific regions where large-scale network changes are occurring.
- Determine service performance of mail not included in Postal Service measurement systems.

- Assess a region's risk for mail to go missing and possibly stolen.

The results would also support more complex, larger-scale audits of areas where service performance is lagging, as well as regions where complex network changes are being executed by the Postal Service, thus enhancing the ability of the OIG to measure service more effectively in at-risk regions.

National mail testing is crucial for thoroughly overseeing the Postal Service's on-time mail delivery performance. With the proposed funding for FY 2026, we will begin the initial planning phases for deploying a national mail testing program. We remain committed to fully implementing this program.

III. BUDGET DETAILS AND TABLES

A.   Budget Summary

As required by Public Law 110-409 and the Inspector General Reform Act of 2008 (as amended), the OIG submits the following information related to its budget for FY 2026:

- The aggregate budget for our operations is $263,500,000.

- The portion of the budget allocated for training is $1,027,157, which satisfies our FY 2026 training requirements.

- The portion of the budget to support the Council of the Inspectors General on Integrity and Efficiency (CIGIE) is $1,054,000, which is 0.4 percent of the $263,500,000.

B.   Appropriations Table

The OIG's FY 2026 budget plan is based on a level of effort for the two mission programs of the OIG: Audit and Investigations. The table below shows the budget by program area for appropriations in FYs 2024, 2025, and 2026.

Resources Available for Obligation	FY 2024 Actual		FY 2025 Enacted		FY 2026 President's Budget		FY 2025 to FY 2026			
							$ Change		% Change	
	FTE	Amount (000's)	FTE	Amount (000's)	FTE	Amount (000's)	FTE	Amount (000's)	FTE	Amount (000's)
Appropriated Resources:										
Audit	311	72,147	303	77,804	291	79,050	(12)	1,246	-4%	2%
Investigations	615	198,123	595	190,486	572	184,450	(23)	(6,036)	-4%	-3%
Total Appropriated Resources	**926**	**270,270**	**898**	**268,290**	**863**	**263,500**	**(35)**	**(4,790)**	**-4%**	**-2%**
Inflation Reduction Act (IRA) of 2022	9	4,035	4	1,000	11	4,000	7	3,000	175%	300%
Adjusted Total Budget Authority	**935**	**274,305**	**902**	**269,290**	**874**	**267,500**	**(28)**	**(1,790)**	**-3%**	**-1%**

Note: The budget tables above include $4 million and nine FTEs in FY 2024, $1 million and four FTEs in FY 2025, and $4 million and 11 FTEs in FY 2026 for estimated obligations from the $15 million funding received from the Inflation Reduction Act of 2022 for the oversight of the Postal Services' purchase and implementation of zero-emission delivery vehicles and supporting infrastructure. FY 2024 actuals also include obligations of $2.0 million from prior year carryover.

C.   Budget Adjustments Table (in thousands)

The Budget Adjustments table presents our budget with guidance by object class. The President's budget totaling $267.5 million includes $263.5 million for FY 2026 annual appropriations and $4 million in FY 2026 for estimated obligations from the $15 million funding received from the Inflation Reduction Act of 2022 for the oversight of the Postal Service's purchase and implementation of zero-emission delivery vehicles and supporting infrastructure.

USPS OIG Budgets	FY 2024 Actual	FY 2025 Enacted	FY 2026 President's Budget
FTE:	926	898	863
Object Classification:			
11.1 Full-time Permanent Positions	150,401	150,931	148,990
11.3 Other than Full-time Permanent	500	498	500
11.5 Other Personnel Compensation	1,210	1,481	1,464
11.9 Total Personnel Compensation	**152,111**	**152,910**	**150,954**
12.1 Civilian Personnel Benefits	70,846	71,752	68,938
21.0 Travel	3,561	4,379	4,224
22.0 Transportation of Things	12	5	5
23.2 Rent Payments to Others	5,938	5,647	5,947
23.3 Communications, Utilities, & Misc.	1,973	1,783	1,783
24.0 Printing and Reproduction	10	12	12
25.1 Advisory & Assistance Services	19,815	17,672	17,664
25.2 Other Services (Goods / Services)	134	161	161
25.3 Government Agencies	1,073	1,073	1,054
25.4 Operation & Maintenance of Facilities	94	113	113
25.6 Medical	190	201	201
25.7 Operation and Maintenance of Equipment	9,179	8,505	8,505
26.0 Supplies and Materials	758	576	576
31.0 Equipment	4,576	3,501	3,363
Total Budget Authority	**270,270**	**268,290**	**263,500**

IRA Afforded FTEs	9	4	11
IRA Total Budget	4,035	1,000	4,000
Adjusted FTEs	935	902	874
Adjusted Total Budget Authority	274,305	269,290	267,500

Note: The budget tables above include $4 million and nine FTEs in FY 2024, $1 million and four FTEs in FY 2025, and $4 million and 11 FTEs in FY 2026 for estimated obligations from the $15 million funding received from the Inflation Reduction Act of 2022 for the oversight of the Postal Services' purchase and implementation of zero-emission delivery vehicles and supporting infrastructure. FY 2024 actuals include obligations of $2 million of prior year carryover.

D. Budget Increases and Decreases Descriptions (in thousands)

FY 2025 Enacted	**268,290**
Significant Budget Changes	
Decrease of 35 FTEs to the OIG	
Net Decrease to Personnel Costs	**(4,771)**
Net Decrease to Non-Personnel Costs	**(19)**
Total All Changes	**(4,790)**
FY 2026 President's Budget	**263,500**

Guidance Level

Net Decrease to Personnel Costs to support 863 Personnel ($4,770,840)

Net Decrease to Non-personnel Costs ($19,160)

Inflation Reduction Act Funding

Estimated obligations from the Inflation Reduction Act Funding balances are expected to increase from FY 2025 to FY 2026.

E. Reimbursable Authority

In FY 2026, anticipated reimbursable authority work is estimated at $2.1 million. This amount will be used for the CIGIE Oversight.gov website and other IT-related support services. The primary mission of the OIG's reimbursable program is to develop partnerships with other government agencies to provide unique value-added support to the Postal Service and the PRC. We intend to leverage our resources with these groups to share knowledge while meeting stated work requirements.

Other Resources: Offsetting Collections	FY 2024 Actual (000's)	FY 2025 Enacted (000's)	FY 2026 President's Budget (000's)
Reimbursable Authority	$1,045	$2,100	$2,100
Total: Offsetting Collections	**$1,045**	**$2,100**	**$2,100**

F.   Appropriation Language

Appropriation Language
Office of Inspector General **SALARIES AND EXPENSES** (Including Transfer of Funds) For necessary expenses of the Office of Inspector General in carrying out the provisions of the Inspector General Act of 1978, $263,500,000, 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) together with any funds, to remain available until expended.

G.   Legislative Mandates

As of September 30, 2024, $3,665,287 of our budget was used to support reviews either legislatively mandated by Congress or to support the Postal Service in meeting its legislative mandates.

Legislative Mandates - Dollar Value by Identified Mandates FY 2024 (as of September 30, 2024)		
Public Law Reference	**Mandate Description**	**Cost**
5 U.S.C. App. 3 § 8G(f)(2)	Oversight of the Postal Inspection Service	$397,955
PL 113–283	Audits of Federal Information Security Modernization Act of 2014	$205,772
39 U.S.C. § 3652	Audits of Postal Service Data Collection Systems	$754,879
PL 109-435	Financial Statement/SOX Audit and Quarterly 10Q*	$1,051,532
Various PL 117-108	Audits in Support of Postal Service and PRC Mandates	$385,718
PL 117-169	Audits of USPS Zero-Emission Delivery Vehicles and Zero-Emission Delivery Vehicles Infrastructure	$869,431
Total Dollar Value		**$3,665,287**

IV. OIG PERFORMANCE/RESULTS

A.   Improving the Safety and Security of the Mail

The Postal Service delivers nearly 120 billion pieces of mail every year to over 160 million residential and business addresses across the U.S. The OIG helps ensure postal customers can send and receive mail and packages safely and securely. We continue to focus our investigative efforts on combating mail theft and dangerous narcotics reaching U.S. communities through the mail by using innovative strategies and advanced data techniques.

Combating Illegal Drugs in the Mail: According to the Centers for Disease Control and Prevention, approximately 87,000 overdose deaths occurred in 2024. Illegal drugs present a significant threat to the nation, and the OIG devotes extensive resources to combat the use of the mail by criminal organizations that not only abuse the trusted mail system to transport narcotics, but also identify, recruit, and collude with postal employees in their delivery. Expanding resources will bolster efforts to identify and dismantle these groups.

OIG special agents trained in narcotics investigations are experts in executing complex investigative techniques, such as using in-house data analytics tools to uncover leads,

and are strategically placed throughout the country to expedite efficient investigations. The OIG collaborates with other federal law enforcement agencies — such as the U.S. Postal Inspection Service (USPIS), the Drug Enforcement Administration, and state and local law enforcement — to focus on the most significant narcotics trafficking investigations.

In a recent investigation, a drug trafficking organization (DTO) recruited and bribed two postal employees in Puerto Rico to divert narcotics parcels from the mailstream. OIG special agents discovered that one of the DTO members was an active police officer. The two employees and four drug traffickers were arrested and convicted on numerous charges, including conspiracy to distribute heroin, cocaine, and marijuana, money laundering, delay of mail, and assaulting, resisting, or impeding certain officers or employees. The four drug traffickers were sentenced to a combined more than nine years in prison and eight years' probation and the two employees were sentenced to a combined three and a half years' probation.

In Missouri, the OIG, along with members of the St. Louis Metropolitan Parcel Task Force, investigated a postal employee who colluded with members of a DTO in the delivery of illegal narcotics. The investigation determined the employee provided delivery addresses to the DTO in exchange for money and illegal narcotics. During the investigation, agents seized a parcel containing six pounds of fentanyl and methamphetamine destined to an address provided by the employee. The investigation resulted in the successful prosecution of the employee and four DTO members. The subjects of this investigation received a combined sentence totaling over 17 years in prison.

Mail Theft: Mail theft continues to be a national problem, with criminal organizations conspiring with postal employees to commit widespread theft and identity fraud. The OIG is addressing this trend by deploying analytics tools that identify employees who collude with external subjects to allow access to the postal network.

Recently, data has shown criminal organizations are using social media platforms to recruit postal employees to steal arrow keys and financial instruments from the mail, which include personal and business checks, credit and debit cards, Pandemic Relief benefits, and other government benefits and payments. Since 2020, the OIG has received more than 84,700 actionable leads of mail theft across the U.S. involving postal employees. However, our current staffing levels constrict our ability to work on these allegations. These complaints represented a reported dollar loss of approximately $236 million. During FY 2024, we initiated 1,640 mail theft cases.

The OIG, in collaboration with USPIS, Internal Revenue Service, and the Charlotte Mecklenburg Police Department, conducted an investigation into the largest mail theft conspiracy in the history of the Western District of North Carolina. The investigation uncovered a criminal organization responsible for stealing over $24 million worth of

business and U.S. Treasury checks from the mailstream within a few months. A mail processing clerk at the Charlotte Processing and Distribution Center was identified as the supplier of the stolen checks to two external suspects. The ringleader sold the checks through a popular social media app, generating significant profits. The postal employee was terminated, and the suspects were charged, pleaded guilty, and received a combined prison sentence of 14 years. Additionally, they were ordered to pay over $110,000 in restitution to the victims.

In December 2020, a joint investigation revealed that postal workers in Brooklyn, NY, were stealing credit cards from the mail. They activated the cards using stolen personal information and bought luxury goods, which were sold online. By September 2022, arrests were made, and all involved pleaded guilty. The total loss was approximately $1.3 million.

Internal mail theft continues to be a significant issue at USPS processing facilities, which process vast amounts of mail daily. Our 2024 audit report[4] identified several causes for this, including a lack of specific policies restricting personal belongings on the workroom floor, high supervisor and manager vacancy rates, and inadequate employee training on mail theft awareness. Additionally, we found some surveillance cameras to be non-operational due to technical failures. We recommended developing policy to address personal belongings on the workroom floor and implementing periodic mail theft awareness training for all employees in mail processing facilities. We also recommended developing a plan to ensure cameras are operational, all of which should assist with driving down incidents of internal mail theft in processing facilities.

The OIG has also performed data-driven audits to assess the progress of the Postal Service's mail theft initiatives (part of its Project Safe Delivery campaign). For example, our analytics tools pointed to Chicago, IL; Houston, TX; Queens, NY; Sacramento, CA; and San Francisco, CA, where we identified several findings on arrow key accountability and concerns with the overall management of green and blue collection boxes. Specifically, USPS did not properly manage the deployment of high-security collection boxes and could not support the number of installation requests for eLocks, which provide a safer environment for postal employees to collect and deliver mail by eliminating the use of a lone arrow key. In addition, management did not maintain or record the physical condition of blue and green collection boxes. Furthermore, the Postal Service did not track cluster box units (CBU) or perform annual safety inspections on the blue collection boxes and CBUs.

The OIG will continue to proactively monitor the progress of the Postal Service's mail theft initiatives through data analytics and customer inquiries. This approach will inform the selection of future targeted mail theft areas to confirm USPS is successfully combating mail theft across the country. From an investigative standpoint, the OIG is

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[4] *Mitigating Internal Mail Theft,* Report No. 24-076-R25, October 30, 2024.

evolving to combat the increase of criminal organizations recruiting postal employees to steal financial instruments or provide support for the delivery of narcotics. We will also continue to assess the Postal Service's Project Safe Delivery campaign through quick response audits in high-risk areas across the country to ensure mail theft initiatives are being implemented timely and efficiently.

B.   Ensuring High-quality Mail Service for the American Public

As previously mentioned, the Postal Service announced its DFA plan outlining significant changes to many aspects of its operations between 2021 and 2030. The OIG has focused largely on assessing the service, financial, fleet modernization, and labor impacts of the network changes, as outlined in the chart below:
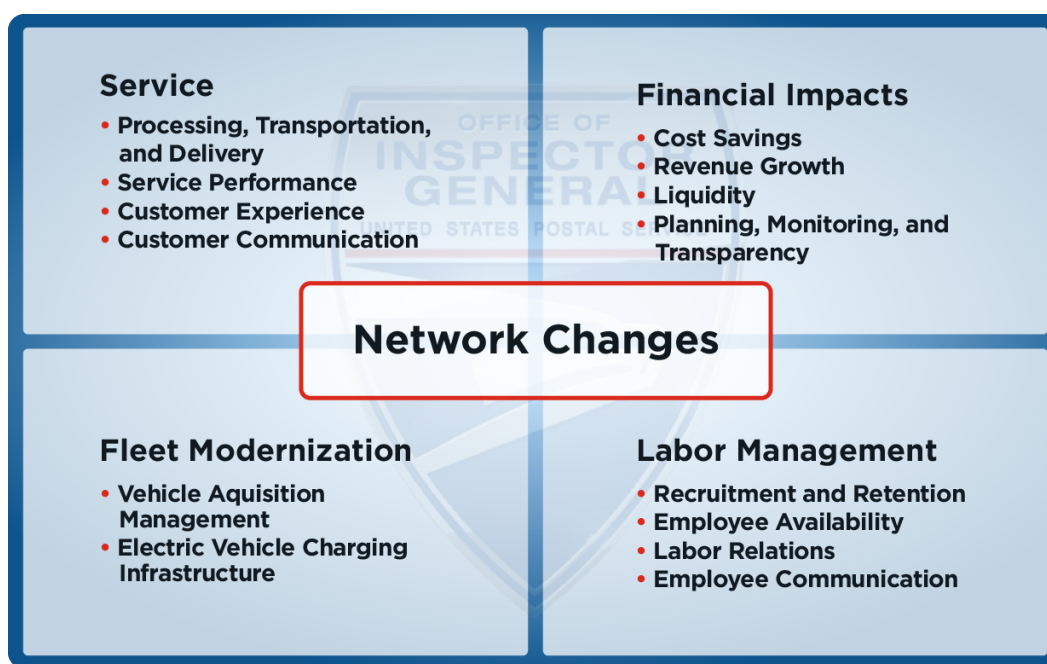
As part of the DFA plan, the Postal Service is modernizing its network based around Regional Processing and Distribution Centers (RPDCs), sorting and delivery centers (S&DCs), and local processing centers (LPCs).

Service Challenges: In October 2024, the Postal Service filed a request for an advisory opinion from the PRC, proposing to revise its service standards to align with its operational changes. Those changes include its nationwide network of RPDCs and LPCs, and its Regional Transportation Optimization (RTO) initiative, which is the ongoing, nationwide rollout of its Local Transportation Optimization (LTO) pilot.[5] The

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[5] The Postal Service piloted LTO in select post offices greater than 50 miles from the LPCs. RTO is the planned national rollout that impacts all postal facilities that are in a 5-digit ZIP Code where at least one facility is greater than 50 miles from the RPDCs.

Postal Service asserted that despite these changes, it would preserve the existing ranges for First-Class Mail service, which is 1-5 days, and its Ground Advantage package service, which is 2-5 days.

As the Postal Service has implemented significant changes as part of the DFA plan, it has struggled to achieve its service performance goals, even when they have been lowered to account for network changes. Specifically, the Postal Service reduced its annual service performance goals to 90 percent on time for 2024 and 80 percent for 2025.[6] However, we saw nationwide service performance for Single Piece First-Class Mail (letters and flats from individual customers) range from 64 percent on time to 86 percent on time, during the last three quarters of FY 2024.

The changes to the processing network specific to the new RPDCs spearheaded some of the most significant service challenges for the Postal Service as it continued its DFA plan rollout. Specifically, we reviewed the launch of the first two RPDCs — Richmond, VA, launched in July 2023 and Atlanta, GA, launched in February 2024 — and found USPS faced serious challenges during implementation, which caused an immediate and significant decline in service performance in those regions.[7] In our recent follow-up work at the Richmond RPDC, we did see some stabilization in service performance. Although service did not rebound to pre-implementation levels, it rose significantly and was generally consistent with nationwide service performance in both locations.[8]

Regarding changes to the transportation network, while the Postal Service recognized significant savings by reducing its transportation costs by $170 million in 2023 and $1.3 billion in 2024, the changes resulted in slower, and in some cases, disproportionate service. The LTO initiative, which delays the mail from impacted offices being introduced into the network by one day, was piloted in 15 regions across the country. LTO resulted in declines in service performance scores for First-Class Mail in those regions, more significantly impacting the rural population.[9] We also reviewed the LTO rollout in the Wisconsin region and, similar to our nationwide LTO report, found that four types of mail and package classes that we assessed declined and significantly remained below their prior year's performance in anywhere from 45 to 51 (out of 51) weeks following implementation. Slower service can lead to a decrease in customer satisfaction and revenue opportunities for the Postal Service.[10]

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[6] These goals are for Single-Piece First-Class Mail Three-to-Five-Day.

[7] *Effectiveness of the New Regional Processing and Distribution Center in Richmond, VA,* Report No. 23-161-R24, March 28, 2024; and *Effectiveness of the New Regional Processing and Distribution Center in Atlanta, GA*, Report No. 24-074-R24, August 28, 2024.

[8] *Network Changes: Progress on Improvements at Richmond, VA, Regional Processing and Distribution Center*, Report No. 24-152-R25, January 27, 2025.

[9] *Network Changes: Local Transportation Optimization*, Report No. 24-142-R25, December 18, 2024.

[10] *Network Changes: Local Transportation Optimization in the Wisconsin Region*, Report No. 24-145-R25, March 28, 2025.

We will continue our oversight as USPS continues to launch processing and transportation changes nationwide — including the RTO initiative — along with recently announced changes to nationwide service standards to evaluate whether these changes can be absorbed within the 5-day service standard window.

Financial Impacts: Prior to DFA, the Postal Service had a financial loss of approximately $100 billion over the past 10 years, with an additional $160 billion loss projected for the next 10 years. This resulted in deferred maintenance of more than $20 billion and facilities with 30-year-old technology, equipment, and vehicles. The DFA plan calls for over $40 billion in capital investments and calculates projected savings of $160 billion through initiatives including revenue improvements, management cost savings, regulatory changes, and legislative and administrative actions.

The DFA also projected the Postal Service would break even in FY 2023. That did not occur, and the agency has not updated its breakeven projections in DFA 2.0 issued in September 2024, despite our recommendation to do so for planning and transparency.[11]

Regarding actual financial performance, at the end of FY 2024, the Postal Service reported a controllable loss of $1.8 billion compared to a net loss of $9.5 billion. While revenue increased by $1.2 billion, operating expenses also increased by $4.1 billion compared to the prior fiscal year, which added to overall cumulative losses and liquidity concerns to sustain operations. However, the first quarter of FY 2025 showed better results, likely driven by volume increases attributable to the 2024 general election and peak mailing season. Specifically, USPS reported controllable income of $968 million compared to a net income of $144 million for the quarter ended December 31, 2024, signaling some DFA plan initiatives savings.

While much of the savings were achieved in transportation as discussed in the previous section, we also found in our follow-up review of the implementation of the Richmond RPDC that the Postal Service achieved over $21 million savings in workhours and transportation costs.[12] However, some of the other initiatives were challenged to achieve savings, at least early in their implementation. For example, we found overall transportation costs increased by $7.13 million for the 15 piloted LTO regions when compared to the same period last year based on the LTO implementation period for each region.[13] As the focus on the financial challenges facing the Postal Service is increasing, continued progress in this area and robust oversight are critical.

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[11] We issued that recommendation in our report on the *State of the U.S. Postal Service's Financial Condition*, Report No. 23-167-R24, June 21, 2024.
[12] *Network Changes: Progress on Improvements at Richmond, VA, Regional Processing and Distribution Center*, Report No. 24-152-R25, January 27, 2025.
[13] *Network Changes: Local Transportation Optimization*, Report No. 24-142-R25, December 18, 2024.

Fleet Modernization: One of the DFA plan goals is environmental stewardship, which includes reducing greenhouse gas emissions, energy, fuel, and waste. One of the Postal Service's strategies to meet that goal is to electrify part of its fleet of delivery vehicles and procure and construct charging stations. For this, it plans to modernize its fleet by acquiring about 100,000 new vehicles — more than half of which will be electric vehicles — over the next five years.[14]

Over the past year, the OIG conducted work identifying deficiencies related to planning, acquisition, and readiness for fleet modernization efforts implemented to date. For example, we reported that the Postal Service has had mixed results with obtaining vehicles in a timely manner, with some arriving on time, while others experienced months-long delays due to supplier design, production, and supply chain issues, or inadequate postal infrastructure preparedness. It acquired over 22,500 new delivery vehicles between March 2023 and June 2024, of which 95 percent were internal combustion engine vehicles, and 5 percent were battery electric vehicles.[15]

To use electric vehicles, the Postal Service needed to first equip delivery units with charging station infrastructure to support daily charging. USPS generally combined its electric vehicle infrastructure efforts with converting facilities into S&DCs. We assessed the timeliness of the charging station infrastructure deployed at 29 S&DCs and found the Postal Service experienced delays at all 29 sites. Specifically, weather, additional site-specific construction, and utility regulations and coordination generally delayed construction.[16] We also assessed the Postal Service's preparedness for electric vehicle use at both the Topeka and Terre Haute S&DCs — two of the first facilities selected for fleet electrification — and found the Postal Service properly planned for charging station infrastructure and vehicle deployment. However, at both Topeka and Terre Haute, some electric vehicle chargers were non-functioning, and there were infrastructure and equipment security issues present.[17]

We are also conducting an audit assessing the security of charging stations to mitigate cybersecurity attacks and protect the integrity of proprietary information. As the Postal Service continues to modernize its delivery fleet, which is critical to its delivery capability, we will continue to conduct work to evaluate implementation.[18]

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[14] The Inflation Reduction Act of 2022, Pub. L. No: 117-169 (Aug. 16, 2022) provides the Postal Service $3 billion in funding for the procurement of zero-emission delivery vehicles and supporting infrastructure investments (available through FY 2031).

[15] *Fleet Modernization: Delivery Vehicle Acquisition Status*, Report No. 24-051-R25, October 3, 2024.

[16] *Fleet Modernization: Charging Station Construction Design and Deployment Timelines,* Report No. 23-170-R24, July 16, 2024.

[17] *Fleet Modernization: Facility Preparedness for Electric Vehicles at the Topeka Sorting and Delivery Center*, Report No. 24-056-R25, January 8, 2025; and *Fleet Modernization: Facility Preparedness for Electric Vehicles at the Terre Haute Sorting and Delivery Center*, Report No. 24-166-R25, April 14, 2025.

[18] *Fleet Modernization – Charging Station Construction Design and Deployment Timelines,* Report No. 23-170-R24, July 16, 2024.

Labor Management: Over the last several years, the Postal Service has experienced issues with hiring and retaining employees, particularly among pre-career (or temporary) employees. The DFA identified "unacceptably high rates of pre-career employee turnover" as a key challenge. To stabilize its workforce, USPS converted pre-career employees to career status, developed a national initiative to improve onboarding, and hired fewer seasonal employees.

In our reviews, we found the Postal Service's focus on conversion of pre-career to career employees as part of its year-round staffing strategy enabled successful operations for the 2024 general election and peak season. We also saw some improvements to filling supervisor and pre-career vacancies. However, hiring challenges still existed due to both internal and external factors, such as a lack of qualified applicants and hardships in certain geographic locations. Specifically, the Postal Service experienced challenges with hiring and retaining employees in high-cost-of-living areas, particularly among pre-career employees. For example, our Delivery and Customer Service in Colorado Mountain Towns audit[19] detailed facilities that struggled to both hire (due to the lack of locality pay) and retain personnel, especially in the first three months of new employees' tenure. We also found challenges with filling supervisor vacancies at new RPDCs, such as at the Atlanta RPDC, where 57 percent of frontline supervisor positions were vacant for at least four months.

To combat challenges with hiring, the Postal Service adopted a new centralized hiring process to shorten the time to hire in September 2019. We reviewed USPS's hiring practices[20] for bargaining unit employees and hiring process for external applicants and found that despite the significant reduction in the number of days to hire employees, the Postal Service continued to experience challenges with hiring in certain areas, specifically with getting applicants for certain pre-career positions.[21] In FY 2023 alone, 58 percent of job postings had no applicants. Furthermore, 18 percent of new hires did not show up on their first day of work and 33 percent of the employees quit working within the first 90 days. We further assessed the effectiveness of the Postal Service's efforts to improve the pre-career employee experience and retention, finding it had not expanded its national initiative to "Improve the Employee Experience in the First 90 Days" to additional locations since its launch in 2022, and did not create any new pre-career retention pilot programs in FYs 2023 or 2024.[22]

Lastly, as the Postal Service works to control labor costs through its goal of right-sizing workhours to match the volume of work, we found mail processing workhours exceeded planned hours by an average of 2 percent during FYs 2022 through 2024, resulting in

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[19] *Delivery and Customer Service in Colorado Mountain Towns,* Report No. 23-130-R24, December 5, 2023.
[20] *Postal Service Hiring Practices*, Report No. 23-145-R24, April 24, 2024.
[21] These include Rural Carrier Associates (RCAs), City Carrier Assistants (CCAs), Postal Support Employees (PSEs), and Mail Handler Assistants (MHAs).
[22] *Pre-Career Retention Initiatives*, Report No. 24-131-R25, March 31, 2025.

an additional $175 million in unplanned costs. Our work highlighted opportunities to further reduce work hours by stabilizing or increasing productivity from year to year.[23] Until the Postal Service can address these challenges, it risks delayed mail, increased overtime, and the ability to hire sufficient employees to staff the new regional facilities nationwide. Furthermore, because facility consolidations require the relocation of many postal employees, the Postal Service would continue to face similar hiring challenges as it implements future regional network changes nationwide.

C.   Modernizing OIG Security Infrastructure and Analytics Insights

Technology and information management continue to be a priority for the OIG, and it enables us to succeed in our mission from law enforcement to oversight of the Postal Service and its duty to provide critical services to the nation.

Cybersecurity: Cyberattacks, including ransomware and denial of service attacks, are becoming more frequent on U.S. government entities and our private sector partners. These threats pose significant danger to our nation's critical infrastructure and cost millions of dollars to our government to recover. As outlined in EO 14028 - *Improving the Nation's Cybersecurity*, to ensure we are meeting cybersecurity standards, the OIG continues to strengthen its cybersecurity framework, taking actions, such as adopting Zero Trust practices to ensure access to vital data and operating systems.

We are currently revamping the secure management of OIG mobile devices to provide additional data security and simplify device onboarding, offboarding, and application provisioning. Over the past year, the OIG has implemented more granular web filtering services to protect our IT environment from malicious websites. Additionally, we have implemented protections against Distributed Denial of Service attacks to ensure our publicly-facing websites and services remain available to our stakeholders. In the coming year, the OIG will begin implementing a data labeling solution to better manage our data and protect sensitive information from unauthorized or accidental disclosure.

Case Management Enhancements: The Case Reporting, Information Management, and Evidence System is utilized for managing and tracking various types of investigations and allegations, including those related to internal mail theft, narcotics, contract fraud, health care fraud, and other general crimes. We will implement a comprehensive enhancement of our Investigative Case Management system to improve efficiency, intelligence, and long-term sustainability. This modernization effort includes AI integration for automated triage, predictive analytics, anomaly detection, and natural language processing to reduce manual effort and improve decision-making.

Dynamic document generation will streamline the creation of case reports, legal notices, and correspondence, saving significant staff time and ensuring consistency. We will

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[23] *Efforts to Reduce Workhours in Mail Processing*, Report No. 24-114-R25, April 10, 2025.

rebuild both the transactional and reporting databases to optimize performance, support real-time operations, and enable scalable analytics. The reporting framework will be completely redeveloped to offer interactive dashboards, ad hoc reporting, and automated KPI alerts. Embedded analytic tools will be included in the software, giving investigators access to real-time insights, trend analysis, and performance metrics directly within their workflow. Our current authentication and permission model will be redesigned to incorporate role-based access controls, multi-factor authentication, and auditable user management. These enhancements will support stronger security, better compliance, and simpler user experience. The system will also be modernized for high availability, maximized cloud efficiency, and future extensibility to avoid costly overhauls later. Overall, the upgraded platform will be faster, smarter, more secure, and built to support the agency's evolving investigative mission.

Hotline Enhancements: The OIG Hotline is a critical link giving the American public a direct way to express any concerns related to mail. We are contacted an average of about 29,000 times a month. These contacts lead to investigative tips and help us decide what kind of future audit projects and investigations to conduct. In 2024, we modernized the OIG Hotline application to improve the overall efficiency of ingesting and processing complaints to enhance customer experience. Improvements were made to support infrastructure, end-to-end tracking, and the monitoring of complaints.

Moving forward, we will leverage AI capabilities in the enhancement of our Hotline application. We will modernize how we categorize the high volume of complaints we receive about the Postal Service by implementing machine learning to replace the keyword search function currently used for categorizing complaints. The OIG will develop a machine learning model in-house based on historical data to automatically perform first-level analysis to differentiate complaints considered to be of high value. These initiatives will create efficiencies for the OIG workforce by improving operations, reducing manhours spent on repetitive tasks, and allowing staff to focus on mission priorities.

Data Analytics: In addition to analytical tools focused on specific criminal activities and audit programs, the OIG has created new agency-wide products, which consolidate hundreds of data resources, analytics products, and other related elements within two platforms. These platforms are known as the Center for Analytics Data and Intelligence (CADI) and the Geo Hub. CADI provides users with access to a centralized repository of data and resources for both investigations and audits, and the Geo Hub represents a significant leap forward to streamline and centralize geospatial data, tools, and visualizations for the OIG. These groundbreaking platforms have added considerable value to the agency by providing key resources to end users in one location, setting the stage for the use of generative AI for deeper insights, and improving collaboration capability across agencies.

D. Summary of the OIG's Fiscal Year 2024 Performance

In FY 2024, the monetary impact of the OIG's audits and investigations of the Postal Service is over $865 million. OIG audits identified over $553 million in questioned costs, revenue impacts, and funds put to better use. Additionally, agency investigations resulted in more than $311 million from cost avoidances and fines, restitution, and recoveries. We will continue taking steps to meet our goals of ensuring the safety and security of the mail, promoting high-quality mail service for the American public, and ensuring access to this critical national infrastructure.