

**U.S. POSTAL SERVICE
OFFICE OF INSPECTOR GENERAL**



**AUDIT PLAN
Fiscal Year 2007**

AUDIT PLAN

FISCAL YEAR 2007

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BACKGROUND

The Postal Service's mission is to bind the nation together through the personal, educational, literary, and business correspondence of the people and provide prompt, reliable, and efficient services to its patrons. The Postal Service has annual operating revenue of \$70 billion and more than 700,000 career employees. It delivers over 212 billion pieces of mail each year, representing more than 44 percent of the world's mail. To deliver world-class service, the Postal Service must excel in performing its core business processes of accepting, processing, transporting and delivering the mail, as well as marketing postal products and services.

In April 2002, the Postal Service issued a comprehensive *Transformation Plan* to address its financial, operational, and human capital challenges. In July 2003, the President's Commission issued its report articulating a vision for the future of the Postal Service. In its Five-Year Strategic Plan (FY 2004-2008), the Postal Service identifies four broad strategic goals focused on results and describes how the Postal Service will continue to respond to the American people and increase its value to the U.S. economy. These goals are to improve service, manage costs, enhance performance-based culture, and generate revenue.

The *Strategic Transformation Plan 2006-2010*, published in September 2005, combines key elements from the previous strategic plan, the *Annual Performance Plan*, the original *Transformation Plan*, and the *Transformation Progress Report*. This plan focuses on generating revenue, reducing costs, achieving results, and improving service.

The Office of Inspector General (OIG) concentrates its resources on high-risk and strategically important areas to increase the efficiency and effectiveness of Postal Service's programs and operations. The OIG provides timely information to Postal Service management for decision-making and keeps the Board of Governors (BOG) and Congress fully informed of significant issues.

The OIG's fiscal year (FY) 2007 Audit Plan communicates our audit priorities to the Postal Service, the BOG, Congress, and other interested parties; and presents our work in three broad areas of impact on Postal Service operations: Financial, Core, and Headquarters. The plan includes audits that are required by statute as well as those that address the major risks and management issues facing the Postal Service. We developed the plan using expert planning techniques, including all necessary tools available to accurately plan and develop comprehensive audit projects to maximize value to Postal Service operations. The planned work will contribute to answering the strategic question we ask in each of our directorates.

MISSION AND ORGANIZATION

The OIG was established on September 30, 1996, pursuant to Public Law 104-208, known as the *Omnibus Consolidated Appropriations Act of 1997*. General OIG authority is established under the *Inspector General Act of 1978*, as amended, which provides statutory responsibility to protect the integrity of Postal Service programs and operations and ensure mail service is administered with maximum economy and efficiency. In addition, the OIG has oversight responsibility for all activities of the Postal Inspection Service. The OIG is an independent agency within the Postal Service under the general supervision of nine presidentially appointed Postal Service governors.

The OIG's mission is to conduct and supervise objective and independent audits, reviews, and investigations relating to Postal Service programs and operations to:

- Prevent and detect fraud, waste, and abuse;
- Promote economy, efficiency, and effectiveness;
- Promote public integrity;
- Strengthen professional relationships; and
- Keep the BOG and Congress informed of the problems, deficiencies, and corresponding corrective actions.

Under the leadership of the Inspector General, the Assistant Inspector General for Audit (AIGA) is responsible for the Office of Audit. Deputy Assistant Inspectors General for Audit (DAIGAs) report to the AIGA and oversee Financial, Core, and Headquarters Operations. We align our audit resources with the Postal Service's Vice Presidents (VPs) and major functional areas, allowing us to focus on the areas that pose the greatest potential risk to management. The OIG's audits and reviews are designed to protect assets and revenue, ensure efficient and economical mail delivery, and safeguard the integrity of the postal system. The OIG's special studies provide insight on quantitative issues involving Postal Service operations and economic matters. We perform audits and reviews in compliance with standards published by the Comptroller General of the United States, the American Institute of Certified Public Accountants, the Institute of Internal Auditors, and the President's Council on Integrity and Efficiency.

In constructing our FY 2007 Audit Plan, we focused on the projects that provide Postal Service management with valuable information they need to address the emerging strategic issues and management challenges they are facing. The DAIGAs advise the AIGA on the major risks facing the Postal Service in their program areas and propose audits based on these perceived risks and stakeholder concerns, as well as follow-up reviews of previously audited areas with significant control weaknesses. The DAIGAs also maintain professional

relationships with Postal Service executives to ensure open communication and full coverage of their issues and challenges.

EXPERT PLANNING, VALUE PROPOSITIONS, AND THE PLANNING PROCESS

The OIG designed the FY 2007 Audit Plan to ensure we direct audit resources toward top priorities. We use professional judgment and a risk assessment to determine the areas needing audit attention based on their potential for adversely affecting the Postal Service. The OIG developed the plan using an initiative we introduced in FY 2005, Expert Planning. This is a continuous process that emphasizes the ongoing collection and analysis of strategic information related to the Postal Service.

As part of Expert Planning, the Audit Directors (along with their DAIGAs and Postal Service counterparts) explore significant areas of work that could lead to a value proposition. In the value proposition concept, Audit Directors and their designated Postal Service VPs jointly identify key issues or areas for OIG review. This concept is intended to engage the VPs in identifying the areas where the OIG could most effectively help reduce costs or raise revenue. The identified areas provide the OIG with a strategic vision for future audit work. The value proposition results in a contract between the Audit Director and the VP that specifies:

- Area of focus
- Objectives of review
- Scope of work
- OIG resources to be used
- Postal Service resources to be used
- Anticipated value
- Deliverables

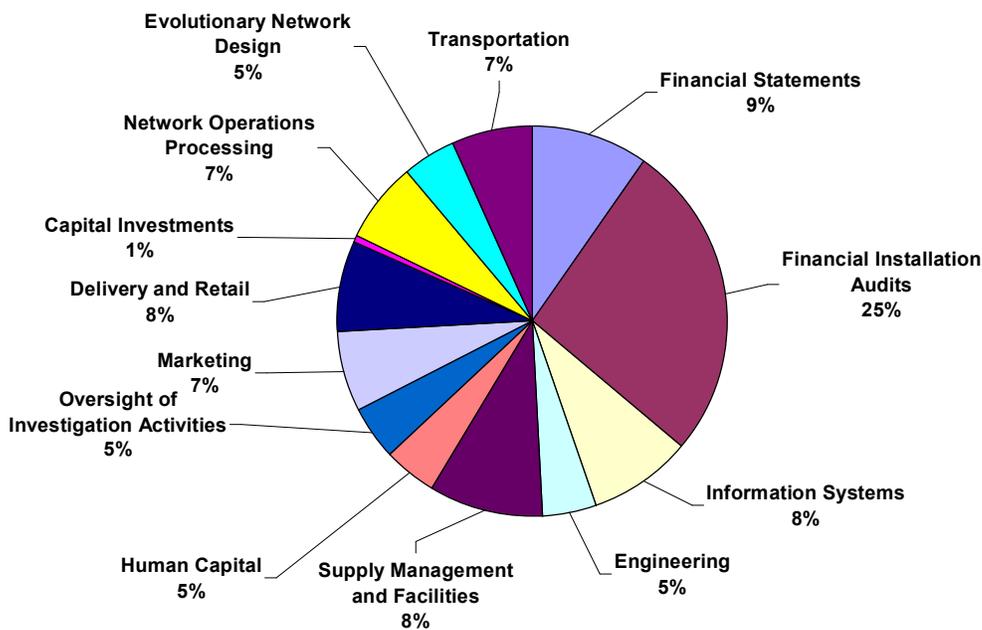
Our planning process has four main steps: (1) identification of an audit universe; (2) determination of a project universe; (3) completion of a risk assessment; and (4) development of an audit plan. We identify the audit universe with input from various sources such as the BOG, Congress, Postal Service management, OIG employees, our database of Hotline complaints and the unions.

Each Audit Director determines the project universe; develops a key, strategic question for their program area; and builds a multi-year body of work to answer that question and address the major risks/management challenges facing the Postal Service. Directors also solicit input from each of the Postal Service's major programs or departments they interact with by holding stakeholder engagement meetings to discuss strategic issues.

To prioritize the projects to be included in the plan, we conduct trend analyses and perform risk assessments on each project's impact on Postal Service-wide operations and goals. In addition, we consider materiality and evaluate each project according to its perceived sensitivity, visibility to the public, and as appropriate, legal impact.

The chart below shows the percentage of resources allocated to the FY 2007 planned projects for the various performance and financial areas. If significant and unexpected events occur during the year, we will adjust our plan accordingly.

Allocation of OA Resources by Audit Areas in FY 2007



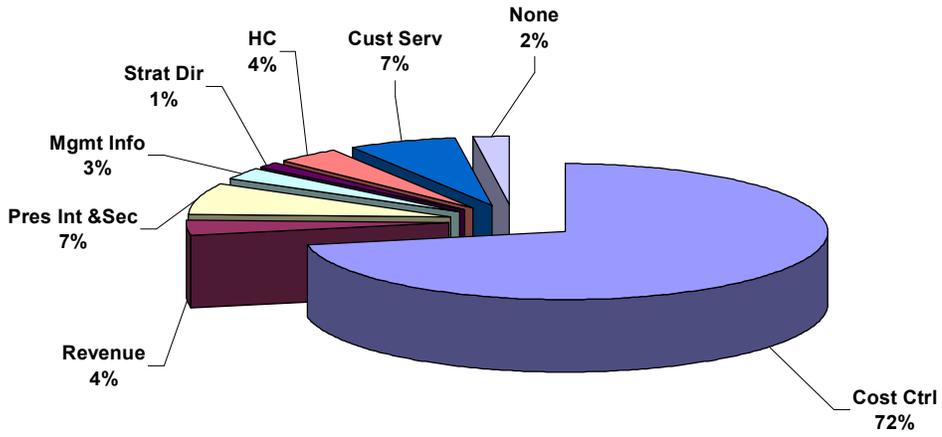
MAJOR RISKS/MANAGEMENT CHALLENGES FACING THE POSTAL SERVICE

We focus our audit plan on addressing the emerging issues and management challenges facing the Postal Service, as well as its strategic goals. This allows us to be responsive to imminent concerns, Postal Service initiatives, and business environment changes. The OIG has identified the following seven major risks/management challenges the Postal Service currently faces:

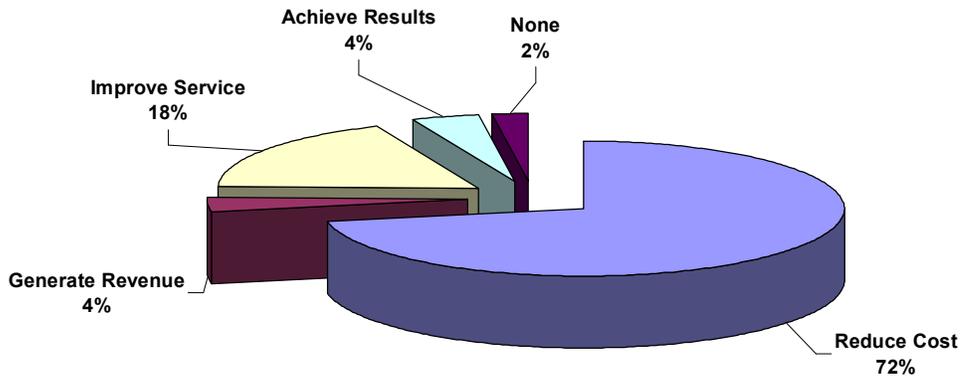
- **Cost Control** – The Postal Service must control costs to maintain universal service.
- **Revenue** – The Postal Service must grow revenue to enhance its core services and provide greater value to its customers.
- **Human Capital** – The Postal Service must resolve workforce and workplace issues to maximize performance.
- **Preserving Integrity and Security** – The Postal Service must complete the monumental task of securing the nation’s mail system — despite threats of terrorism or natural disaster — and safeguarding its more than 700,000 employees, nearly 38,000 facilities, and about 212 billion pieces of mail each year.
- **Strategic Direction** – The Postal Service must increase its effectiveness and efficiency and ensure that products and services are self-sustaining, while balancing legal considerations and stakeholder views.
- **Management Information** – The Postal Service must provide information that better meets the needs of its managers and stakeholders to address the concern that information the Postal Service provides is not transparent.
- **Customer Service** – The Postal Service must balance its public service obligation with the need to remain commercially viable.

The following charts show the percentage of resources allocated to discretionary audits by major risk/management challenge and by strategic goal:

FY 2007 Staffdays by Major Risks/Management Challenges



FY 2007 Staffdays by Strategic Goals



AUDIT PROGRAM AREAS

The FY 2007 Audit Plan presents the scheduled audit projects in three major areas of impact on Postal Service operations: Financial, Core, and Headquarters. Below are brief descriptions of each area and their planned audits.

FINANCIAL OPERATIONS

In its April 2002 *Transformation Plan*, the Postal Service stated that its goal was to reduce costs by \$5 billion by the end of 2006. The Postal Service reported it met its commitment a full year ahead of schedule and further committed to cut another \$5 billion through 2010, as discussed in its *Strategic Transformation Plan 2006-2010*.

The Postal Service relies on strong financial management controls to minimize its costs and maximize its revenue, which totaled almost \$70 billion during FY 2005 from the nearly 212 billion pieces of mail delivered. The Postal Service's Information Technology and Accounting Service Centers oversee the collection of this revenue and the recording of a similar amount of expenses each year. Technology is important to the effectiveness and efficiency of managing in this environment. Accordingly, the Postal Service must ensure that its technological investments are sound.

Our audit work will add value to Postal Service financial management processes and information systems by identifying opportunities for cost savings and improved risk management and by detecting and deterring fraud, waste, and abuse.

The following directorates report to the DAIGA for Financial Operations.

Financial Statements

The Postal Reorganization Act of 1970 requires an annual audit of the Postal Service's financial statements. The Financial Statements Directorate plans and conducts audits in support of the BOG's independent public accountant's overall opinion on those statements. These audits determine whether the Postal Service fairly presents the financial statements, whether they comply with direct and material laws and regulations, and whether internal controls are in place and effective. The Financial Statements Directorate conducts these audits at Postal Service Headquarters and the Accounting Service Centers.

In addition, the Financial Statement Directorate audits Postal Service financial statement amounts in support of the *Consolidated Financial Report* of the U.S. government and conducts other financial audits to identify areas for improvement.

PROJECT	OBJECTIVE
Financial Statement Annual Audit (San Mateo, St. Louis, and Eagan Accounting Service Centers; Headquarters) (2006 – Work In Progress; 2007 – New Start)	Determine whether financial accounting policies and procedures provided for an adequate internal control structure and were in accordance with generally accepted accounting principles (in support of the Ernst & Young LLP opinion on USPS financial statements); whether the USPS complied with material laws and regulations; and whether general ledger account balances were consistent and fairly stated in the national trial balance in accordance with generally accepted accounting principles.
BOG Travel and Expense Audit (2006 – Work In Progress; 2007 – New Start)	Determine whether BOG travel and miscellaneous expenses are properly supported and whether they comply with USPS policies and procedures and BOG guidelines.
Officers' Travel and Expense Audit (2006 – Work In Progress; 2007 -- New Start)	Determine whether USPS officers properly support claimed travel and representation expenses and whether they comply with USPS policies and procedures.
Special Purpose Financial Statement Opinion Audit (2006 – Work In Progress; 2007 – New Start)	Express an audit opinion on special purpose financial statements created from amounts Corporate Accounting enters into the Government Financial Reporting System (GFRS). These special purpose financial statements are the basis for Treasury's <i>Consolidated Financial Report</i> of the U.S. government.
Office of Personnel Management (OPM) Agreed Upon Procedures Withholdings and Contributions (2007 – New Start)	Perform procedures agreed upon by the Inspector General, Chief Financial Officer, and the Associate Director for Retirement and Insurance Service of OPM to assist OPM in verifying employee withholdings and employer contributions reported on in the <i>Report of Withholdings and Contributions for Health Benefits, Life Insurance, and Retirement</i> .
Agreed Upon Federal Intergovernmental Transactions Procedures (2007 – New Start)	Perform procedures agreed upon by Treasury, the Government Accountability Office (GAO), and the Office of Management and Budget (OMB) to assist Treasury in preparing and GAO in auditing the consolidated financial statements of the U.S. government; and to report any internal control findings and financial statement audit adjustments related to intragovernmental activities.
Status of USPS efforts to Voluntarily Comply with the Securities and Exchange Commission (SEC) Reporting Requirements – Management Assessment of Internal Controls (2007 – New Start)	Review the status of USPS's voluntary compliance with provisions of Section 404 of the Sarbanes-Oxley Act.
Compliance With the Bank Secrecy Act (BSA) (2007 – New Start)	Review USPS compliance with the BSA and determine whether there are opportunities for improving recordkeeping, reporting, and training. We established a 5-year plan to follow as a baseline guide, including Suspicious Activity Reports, Dinero-Seguro, training, and reporting issues. Specific objectives and scope will be coordinated with USPS BSA Compliance personnel and Financial Crimes Enforcement Network personnel.
Stamp Printing Inventory and Destruction (2007 – New Start)	Determine if controls exist to limit stamp production during rate case filings.

PROJECT	OBJECTIVE
International Merchant Purchase Authorization Card (IMPAC) (2007 – New Start)	Determine whether adequate controls exist over use and approval of IMPAC transactions.
USPS Voluntary Compliance with SEC Reporting Requirements – 10-Q and 8-K Reports (2007 – New Start)	Evaluate quarterly financial reports and significant financial information posted to the USPS website to ensure they meet the intent of SEC requirements and provide further financial transparency in accordance with the <i>Strategic Transformation Plan</i> .
Integrated Financial Plan (2007 – New Start)	Evaluate the risks and assumptions used to develop the Integrated Financial Plan and the extent of management decisions based on those forecasts.

Field Financial

The OIG conducts audits in support of the BOG’s independent public accountant’s overall opinion of Postal Service financial statements. The field financial audits assess the integrity and reliability of the financial information in these statements.

The Field Financial Directorates assess whether the Postal Service accurately presents financial information related to field operations and whether internal controls are in place and effective. To that end, they plan and direct work at a representative sample of Postal Service installations, including post offices, contract postal units (CPUs), self-service and automated postal centers, stamp distribution offices, and business mail entry units (BMEUs) in support of the independent public accounting firm’s annual financial audit.¹ In addition, they observe Postal Service data collectors conducting statistical tests of cost, revenue, and volume data at different district locations to verify the accuracy of data used as part of the rate-making process.² At the conclusion of each audit, the directorates issue a report to district and local management and send copies to area and headquarters management. At the end of each fiscal year, the directorates issue capping reports summarizing the overall results of the individual audits to Postal Service Headquarters. Over the past 6 years, they have issued nearly 1,800 field financial audit reports, making significant recommendations for operational improvements at the local level and for systemic issues at the area and headquarters levels. Further, they have initiated hundreds of referrals for investigation and identified over \$5 million of monetary impact related to internal control and financial deficiencies identified during the financial audit work completed at these sites.

The Field Financial Directorates also conduct other financial-related and special request audits to identify areas for improvement. For example, at management’s

¹ During FY 2006, the Field Financial Directorates audited 108 post offices, 100 BMEUs, 16 CPUs, and 10 Automated Postal Centers.

² During FY 2006, the Field Financial Directorates conducted observations at 18 districts.

request, they reviewed the implementation of morning standard operating procedures (AM SOP) and the BSA at numerous post offices in FY 2005. In FY 2006, they evaluated the adherence of retail locations across the country to aviation mail security procedures.

PROJECT	OBJECTIVE
FY 2006 Financial Installation Audits Wrap Up (2006 – Work In Progress)	Determine whether accounting records reasonably and fairly presented financial transactions of field operations and whether internal controls were in place and effective.
FY 2007 Financial Installation Audits (2007 – New Start)	Determine whether accounting records reasonably and fairly presented financial transactions of field operations and whether internal controls were in place and effective.
FY 2007 Cost and Revenue Analysis Audits (2007 – New Start)	Determine whether management conducted statistical tests to collect cost, revenue, and volume data in accordance with Postal Service policies and procedures.
District IMPAC Assist Work for the Financial Statements (2007 – New Start)	Determine whether controls over IMPAC transactions are in place and effective and if transactions are reasonably and fairly presented.
Pricing and Classifications Service Center (PCSC) (2007 – New Start)	Determine whether financial transactions are reasonably and fairly presented and internal controls are in place and effective at the PCSC.
Philatelic Center (2007 – New Start)	Determine whether financial transactions of the Philatelic Center were reasonably and fairly presented in the accounting records and whether internal controls were in place and effective.

Information Systems

The Postal Service relies on a complex computer infrastructure to support and protect its critical assets and has initiated information technology projects to enhance efficiency and increase revenue. The OIG’s work in this area assists the Postal Service in maintaining and improving computer security to reduce the risk of fraud, inappropriate disclosure of sensitive data, unauthorized disclosure of customer information, and disruption of critical operations and services.

The Information Systems Directorate assesses whether Postal Service information resources provide the highest level of security, reliability, and value expected by Postal Service customers. To that end, the teams plan and direct audits and reviews of major Postal Service information systems to determine whether management has properly established general and application controls and designed systems to be secure and provide accurate data to management.

PROJECT	OBJECTIVE
Payswitch Security Vulnerability Testing (2006 – Work In Progress)	Perform security vulnerability assessments of the database and perform tests to assess compliance with applicable USPS hardening standards.

PROJECT	OBJECTIVE
Security Vulnerability Assessment and Application Control Review of POSTAL/1 – Retail Sales Audit/Standard Accounting for Retail (ReSA/SAFR) and Centralized Account Processing Systems (CAPS) Servers (Done concurrently with Eagan and San Mateo servers) (2007 – New Start)	Perform security vulnerability assessments of application servers. Determine if sufficient controls are in place to ensure data is valid, authorized, and completely and accurately processed; and whether controls are in place to protect against exploits of known web vulnerabilities.
Mail Processing Equipment (MPE) Routers/Firewalls (2007 – New Start)	Determine if general controls over MPE firewalls are adequate to protect USPS mail processing operations and access to other USPS information system resources.
Inspection Service Network Perimeter Security (2007 – New Start)	Evaluate controls over firewalls, routers, and switches within the Inspection Service.
Cellular Services – Headquarters (2007 – New Start)	Determine the effectiveness of USPS's use and management of cellular services and devices at headquarters.
Payment Card Industry (PCI) Quarterly Scans (2007 – New Start)	Perform security assessments of USPS systems processing credit and debt cards and perform PCI audit procedures.
Certificate Authority-Public Key Infrastructure (CA-PKI) – Compliance Audit (2007 – New Start)	Determine whether USPS appropriately addressed all CA-PKI cross-certification criteria compliance issues.
FY2007 Information Security Controls Audit (2007 – New Start)	Evaluate the adequacy of general controls and provide reasonable assurance that computer-processed data are accurate, complete, and secure. Determine if management adequately safeguards information resources; maintains data integrity; and has business practices that comply with Postal Service policies, procedures, and standards.
Security Assessment Testing of Servers at the Eagan and San Mateo Host Computing Services (HCS) (FY2007 IS Controls Support; systems to be determined) (2007 – New Start)	Perform security assessments of selected servers at the Eagan and San Mateo HCSs on an annual rotational basis, perform tests of the selected servers to assess compliance with the appropriate USPS hardening standard(s), and perform security vulnerability assessments of the selected servers.
Prevention Controls for Identity Theft (2007 – New Start)	Identify potential weaknesses in information systems that could lead to identify theft.
Security Vulnerability Assessment and Application Control Review of Accounts Payable Excellence (APEX) (2007 – New Start)	Perform security vulnerability assessments of application servers and perform compliance tests to applicable USPS hardening standards. Determine if sufficient controls are in place to ensure data is valid, authorized, and completely and accurately processed; and controls are in place to protect against exploits of known web vulnerabilities.
Update Processes for Active Directory and CA-ACF2 (2007 – New Start)	Review the processes management uses to update Active Directory and CA-ACF2 for employee and contractor employment status changes affecting access requirements to USPS systems.

PROJECT	OBJECTIVE
Application Control Review of Time and Attendance Collection System (TACS) (2007 – New Start)	Determine if access controls and separation of duties are adequate.
Public Branch Exchange (PBX) Trunk Space and Direct Inward Dialing (DID) (2007 – New Start)	Determine if USPS is effectively using PBX trunk space and DID lines at larger facilities nationwide.

CORE OPERATIONS

The Postal Service delivers more than 212 billion pieces of mail each year and collects mail from over 280,000 points — including blue street mailboxes — across the country. The Postal Service serves over 7 million customers each day at nearly 38,000 post offices and retail outlets.

To deliver world-class service, businesses and government agencies must excel at their core business processes. For the Postal Service, these core business processes and systems are accepting, processing, transporting, and delivering the mail. The Postal Service continues to invest in capital investments to support service and productivity improvements. Major capital investments include mail processing equipment, vehicles, and facilities. In addition, the Evolutionary Network Development (END) initiative is the Postal Service’s network redesign strategy. The END initiative involves migration to a flexible mail processing and distribution network that increases operational efficiency, reduces costs, and improves consistency of service. The Postal Service relies on strong financial management controls, reliable business systems, and efficient mail processing equipment to maximize revenue and minimize costs. The Postal Service must also maintain its market share of the mailing industry by providing affordable products and services where it is convenient to its customers. Its challenge is to balance its statutory mandate of providing universal service while remaining a viable business enterprise.

The following directorates report to the DAIGA for Core Operations.

Network Operations Processing

To accept and deliver more than 212 billion pieces of mail annually, the Postal Service developed a large processing infrastructure, which includes 675 mail processing facilities and over 180,000 employees. The OIG’s work in this area helps the Postal Service ensure timely and accurate delivery of mail and explore ways to enhance accepting and processing mail.

The Network Operations Processing Directorate seeks to determine whether the Postal Service is efficiently processing mail and effectively streamlining the existing mail processing network and reducing costs. To that end, they plan and

direct audits and reviews focusing on the economy, efficiency, and effectiveness of mail processing operations, as well as logistics activities supporting these operations.

PROJECT	OBJECTIVE
Efficiency Review – Dallas, TX (2006 – Work In Progress)	Determine if management uses resources efficiently.
Annex Consolidation - Jacksonville, FL (2006 – Work In Progress)	Determine if management uses the facility effectively.
Mail Processing Equipment – Carrier Sequence Barcode Sorter (CSBCS) – Northland, MN (2006 – Work In Progress)	Determine if CSBCS used at Associate Offices (AO) are still necessary.
Clock Rings – San Diego, CA (2006 – Work In Progress)	Determine the accuracy of employee clock rings.
Post Implementation Review – Steubenville, OH (2006 – Work In Progress)	Determine whether the consolidation of the Steubenville, OH Main Post Office’s outgoing mail operation into the Youngstown, OH Processing and Distribution Center (P&DC) was a prudent business decision.
Mail Processing – Los Angeles, CA (2006 – Work In Progress)	Determine if employees are processing mail timely.
<u>Network Level</u> (2007 – New Start) <ul style="list-style-type: none"> • International Service Center Network Capping • CSBCS, Western Area 	Determine if management could further consolidate the network and whether CSBCS used at AOs are still necessary.
<u>Plant Level</u> (2007 – New Start) <ul style="list-style-type: none"> • Efficiency Review – Cleveland, OH • Efficiency Review – White Water Junction, ME • Annex consolidation – locations to be determined 	Determine if resources are being used efficiently and asses facility utilization.
<u>Process Level</u> (2007 – New Start) <ul style="list-style-type: none"> • Mail Processing Equipment Reallocation • Mail Processing Equipment Certification Program • Powered Industrial Vehicle Management System • Maintenance Training • Mail Processing Equipment Preventive Maintenance 	Determine whether assets can be redeployed at other facilities, the certification program for Flats was effective, the Powered Industrial Vehicle Management System is effective, maintenance personnel are receiving the proper training and certification, and management is conducting preventive maintenance as required.

Evolutionary Network Development (END)

The END Directorate seeks to determine whether the Postal Service is using the END initiative to create a flexible logistics network that reduces costs, increases operational effectiveness, and improves service. To accomplish this, they plan

and direct audits and reviews focusing on the economy, efficiency and effectiveness of the END initiative and the associated Area Mail Processing consolidations. The Network Operations Processing, Engineering, and Transportation Directorates may also conduct reviews related to END goals.

Additionally, the END Directorate integrates OIG efforts related to END that cut across the OIG organization. This directorate coordinates with the other directors within the OIG to identify END issues and develop a strategy for the Office of Audit to coordinate its coverage of this effort.

PROJECT	OBJECTIVE
Service Implications of Area Mail Processing (AMP) (2006 – Work In Progress)	Assess the service impacts of the ten AMP proposals to consolidate mail processing operations that management approved at the beginning of FY 2006.
AMP Review – locations to be determined (2007 – New Start)	Review the justification and impact of the AMP proposal to consolidate mail processing operations.
AMP Capping (2007 – New Start)	Determine whether management is following the AMP processes and the Postal Service is realizing expected cost savings.
Post Implementation Review – locations to be determined (2007 – New Start)	Determine whether the Postal Service realized the intended benefits of selected AMP consolidations and whether unintended consequences occurred as a result of the consolidations.
Regional Distribution Center (RDC) Network Establishment (2007 – New Start)	Determine whether management is addressing the critical factors as the Postal Service plans for the establishment of the RDC network.
END Status Report (2007 – New Start)	Evaluate progress on the END initiative and identify key challenges in the planning, development, and implementation process.

Transportation

Transportation includes air, highway, rail, and maritime networks, plus logistical support to all transportation operations and other Postal Service functions. Every year, the more than 212 billion pieces of mail that the Postal Service handles and delivers move over transportation networks. Major logistical activities, including 60 Air Mail Centers, 22 Mail Transport Equipment Service Centers, fuel procurement, vehicle acquisition, information technology, and various supplies and services, support this movement. Transportation includes a transport and delivery fleet of over 200,000 vehicles driving about 1.1 billion miles a year. Transportation and logistics cost the Postal Service about \$8.1 billion annually.

The Transportation Directorate seeks to determine whether transportation network operations and logistics are effective, efficient, and secure; and to determine if there are opportunities to save money. Our work will assist the Postal Service in increasing efficiency in transportation and involves performance auditing of operations, procurements, logistical support systems, and related programs. We also add value by providing audit coverage of certain functional areas specifically requested by senior Postal Service officials.

PROJECT	OBJECTIVE
Air Networks – Air Mail Center – Atlanta, GA and Dallas, TX (2006 – Work In Progress)	Evaluate the efficiency of Air Mail Center Operations and identify opportunities for savings.
Air Networks – Federal Express – Nationwide (2006 – Work In Progress)	Evaluate the effectiveness of FedEx contract operations and identify opportunities for savings.
Surface Network – P&DC Contracted Transportation Routes – Eastern Area (2006 – Work In Progress)	Evaluate the effectiveness of P&DC transportation routes and identify opportunities for savings.
Surface Network – Postal Service Owned and Operated Transportation Routes – Southeast Area and Pacific Area (2006 – Work In Progress)	Evaluate USPS's use of its vehicle fleet and identify opportunities to save money.
Logistical Support – National Trailer Lease Requirements – Nationwide (2006 – Work In Progress)	Evaluate USPS's renewal of leased trailers and identify opportunities to eliminate trailers and save money.
Air Networks – Air Mail Center – locations to be determined (2007 – New Start)	Evaluate the efficiency of Air Mail Center Operations and identify opportunities for savings.
Surface Network – P&DC Contracted Transportation Routes – Southwest Area and locations to be determined (2007 – New Start)	Evaluate the effectiveness of P&DC transportation routes and identify opportunities for savings.
Surface Network – Postal Service Owned and Operated Transportation Routes – locations to be determined (2007 – New Start)	Evaluate USPS's use of its vehicle fleet and identify opportunities to save money.
Logistical Support – Mail Transport Equipment Service Center (MTEC), Dedicated Transportation Routes – locations to be determined (2007 – New Start)	Evaluate the effectiveness of MTEC transportation and determine opportunities for savings.
Logistical Support – MTEC, Equipment Management – locations to be determined (2007 – New Start)	Evaluate the effectiveness of mail transport equipment management and determine opportunities for savings.
Logistical Support – Bulk Fuel Management – locations to be determined (2007 – New Start)	Evaluate the effectiveness of bulk fuel management and determine opportunities for savings.

Delivery and Retail

Delivery and Retail are critical components of the Postal Service. These two components fulfill the mission of providing universal mail delivery and efficient service to patrons in all communities. The Postal Service delivers mail to over

144 million addresses, employs more than 700,000 people, and provides customers with access to services and products through an extensive network of retail facilities and alternative access methods. The Postal Service strives to continue to improve delivery operations and reduce costs despite the increasing number of delivery points to the network each year and declining First-Class Mail® volume. The Postal Service also continues to monitor the changing marketplace and implement alternative access to products and services. Finally, the Postal Service has to accomplish these results through the performance-based culture it is currently building. The OIG's work will assist the Postal Service in improving customer service, generating revenue, decreasing costs, and achieving results through the performance-based culture.

The Delivery and Retail Directorate seeks to determine whether delivery and retail operations of the Postal Service are generating revenue, reducing costs, improving customer service in all communities, and achieving results through its performance-based culture. To that end, they plan and direct audits and reviews that examine how the Postal Service is providing its retail services to customers and addressing the economy, efficiency, and effectiveness of delivery operations.

PROJECT	OBJECTIVE
Address Management System Information (2006 – Work In Progress)	Assess USPS's management of Address Management/Quality Review results to ensure address information is correct and complete to effectively process and deliver the mail.
Automated Postal Centers (APCs) (2006 – Work In Progress)	Assess the deployment strategy of the APC kiosks.
Delivery and Retail Standard Operating Procedures (SOP) Capping (2006 – Work In Progress)	Assess the implementation of Delivery and Retail SOP.
Point-of-Service ONE – Refund Process (2007 – New Start)	Determine whether retail managers are preventing revenue losses from occurring with refunds of stamps, fees, retail services and Express Mail® services.
Vehicle Maintenance Facility – Use of Local Vendors (2007 – New Start)	Evaluate USPS's use of local vendors for maintenance and repair service.
Stamps on Consignment – Delivery Confirmation (2007 – New Start)	Determine whether USPS is properly managing the National Stamps on Consignment Program.
Management and Control of Administrative Vehicles (2007 – New Start)	Assess the management and control of administrative (non-mail hauling) vehicles used in support of delivery operations.
Retail Customer Service (2007 – New Start)	Evaluate the operational efficiency, courtesy, and professionalism in the sale of retail products and service.
Retail Workhours to Workload Management for Labor Distribution Code (LDC) 45 (2007 – New Start)	Determine whether retail managers are effectively managing workhours to workload to reduce operating cost and improve customer service in mobile units.
City Delivery Vehicle Mileage – Base vs. Actual – Value Proposition (2007 – New Start)	Evaluate the accuracy of city delivery route mileage information.

PROJECT	OBJECTIVE
Function 4 Business Plan Review (2007 – New Start)	Determine whether the USPS Function 4 Business Plan Program is operating effectively and efficiently.
Rural Delivery – Rural Carrier Associates (2007 – New Start)	Evaluate the effectiveness of USPS retention of Rural Carrier Associates.

Engineering

The Postal Service develops business systems and mail processing equipment to improve performance, enhance service, and reduce operating costs. The typical development process begins with the identification of a business need. After this identification, management develops a solution, followed by proof of concept, first article tests and final deployment. The OIG’s work in this area will focus on reviewing Postal Service systems as they develop.

The Engineering Directorate seeks to determine whether technology investments enabled by engineering are providing maximum benefits to the Postal Service. To that end, they plan and direct audits and reviews of new or redesigned Postal Service systems, programs, and operations under development.

PROJECT	OBJECTIVE
Automated Flats Sorting Machine Enhancements (2007 – New Start)	Assess software enhancements planned to correct integration issues, adequacy of maintenance requirements, and productivity gains from workhour reductions.
Enterprise Architecture (EA) /Investment Management Capability Follow-Up (2007 – New Start)	Assess status of USPS efforts to improve investment management capabilities and its implementation within the Engineering function and score USPS progress for EA using President’s Management Agenda criteria.
Intellectual Property Rights/ Profit Sharing (2007 – New Start)	Assess whether USPS can benefit more from full ownership of technology investments and the limitations of resale to third parties.
Intelligent Mail Follow-up (2007 – New Start)	Assess program status and vendor negotiations.
Flats Strategy/Flats Sequencing System (2007 – New Start)	Assess risk identification and mitigation for Flats Sequencing System Program.
Biohazard Detection System – Advanced Facer Cancellor System (AFCS) +2 and Contracted Maintenance (2007 – New Start)	Assess the effectiveness of AFCS +2 configuration changes and the cost/benefit of performing preventive maintenance in-house.
Optical Character Reader (OCR) Enhancements (2007 – New Start)	Assess program status of OCR enhancements and the integrated management of AFCS investments.
Mail Processing Infrastructure (2007 – New Start)	Assess wiring standard installed, the financial impact of schedule delays, and contractor negotiations.

Capital Investments

The Postal Service spends approximately \$2.7 billion a year on capital investments. These major capital investments include mail processing equipment, vehicles, and facilities.

For all capital investments less than \$25 million, we provide an assessment of the business case for the investment and the adequacy of the supporting information for the Decision Analysis Reports (DAR).

For all capital investments of \$25 million or greater, we provide an assessment of whether the project is in the best interest of the Postal Service and determine the adequacy and the depth of the supporting information in the DAR and the overall contribution of the capital investment to the Postal Service.

We share the results and recommendations with the DAR sponsor, Postal Service Headquarters, the Capital Investments Committee, and, as appropriate, the Board of Governors.

HEADQUARTERS OPERATIONS

With more than 700,000 career employees, the Postal Service must foster a workplace environment consistent with its value of fairness, opportunity, safety, and security. The directorates in Headquarters Operations review those USPS functions and activities that are the critical “enablers” of the core mail operations. Our work adds value by identifying opportunities for cost savings and detecting and deterring fraud in the marketing, contracting, realty assets, human capital, and security functions.

The following directorates report to the DAIGA for Headquarters Operations.

Human Capital

Postal Service employees are the organization's most important asset. As one of the nation's largest employers, the Postal Service is ultimately dependent upon the quality of its employees and their commitment to meeting its goals. The Postal Service realizes that to operate effectively in a rapidly changing environment, it needs to continue the transition from an internally focused workplace culture to one focused squarely on its customers and business results. To achieve this, the Postal Service is focusing on four critical human resources strategies — engaging employees, developing and managing talent, establishing and maintaining market-based compensation, and managing the workforce to assure flexibility. The OIG will continue to support the Postal Service in its overall goal of engaging and motivating the workforce to develop a customer-focused, performance-based culture.

The Human Capital Directorate seeks to determine whether the Postal Service is reducing human capital costs and enhancing a customer-focused, performance-based culture. To that end, they plan and direct audits and reviews focusing on employee development, health care issues, human resources, and labor relations within the Postal Service. These audits will assist the Postal Service in maintaining a healthy and safe organizational climate for employees and improving operational economy, efficiency, and effectiveness.

PROJECT	OBJECTIVE
Workplace Environment (and follow-up to Violence in the Workplace) (2006 – Work In Progress)	Determine whether selected locations have implemented certain policies and procedures (key elements) of a violence prevention and response program and if the implementation effectively reduced the potential for violence. This objective will include a review of actions taken by management to resolve the conditions identified in our <i>National Capping Report on the Postal Service Violence Prevention and Response Program</i> report (Report LB-AR-01-020, dated August 23, 2001). We will also determine the level and adequacy of oversight of the workplace violence prevention program at the headquarters, area, and district levels.
Benefits Comparability (2007– New Start)	Determine if the TSP, health care, life insurance, and retirement benefits of USPS employees are comparable to federal or quasi-governmental entities.
Comprehensive Strategic Workforce Plan (2007– New Start)	Determine if USPS has developed a Comprehensive Strategic Workforce Plan. We will determine the extent to which the reduction of staff through attrition (93,000 over a 5-year period) was part of the workforce plan; if the plan is directly linked to the Postal Service’s overall strategic vision of what it wants to accomplish; and if it serves as a cornerstone in their future change management and agency transformation initiatives.
Substandard Facilities (2007 – New Start)	Determine if USPS has substandard facilities that pose a danger to employees and/or customers.
Prescription Drug Card Program (2007 – New Start)	Determine whether the prescription drug card program USPS recently implemented is meeting its objectives.
Pay for Performance (PFP) (2007 – New Start)	Determine if internal controls are in place to ensure the integrity of the PFP process and if the National Performance Assessment results can be manipulated to increase scores and payouts.
Safety (Postal Reform Legislation) (2007 – New Start)	Determine if USPS is managing its safety program; analyzing accident and injury data to ensure it is meeting its reduction goals; and addressing the accidents, injuries, and illnesses that are increasing.
Training/Development Program (2007 – New Start)	Determine if USPS’s mandatory training requirement benefits the organization, represents a good investment, and is aligned with performance-business metrics.
Injury Compensation Case Management (Third-Party Recoveries) (2007– New Start)	Determine if USPS is maximizing its workers’ compensation third-party recoveries.
Temporary Detail Assignments (2007 – New Start)	Determine how USPS is managing the use of temporary detail assignments of Executive and Administrative Salary Schedule employees. Evaluate management’s efforts to ensure that detailed employees are needed, are being used effectively, and that their assignment provides the most efficient use of USPS resources.

Oversight of Investigative Activities

One of the reasons for the amended Inspector General Act was to establish an independent OIG to provide oversight of all U.S. Postal Inspection Service (USPIS) activities, including any Postal Inspection Service investigations. It is essential we hold the USPIS, as a law enforcement agency, to the highest standards of conduct to maintain the public's trust and the Postal Service's reputation of reliability. In accordance with the Act, the OIG provides objective information and assessments of the activities of the USPIS to keep the governors, Congress, and Postal Service management fully informed of Postal Service law enforcement efforts and to detect and prevent fraud, waste, abuse, and mismanagement.

The Oversight of Investigative Activities Directorate determines whether the Postal Service and USPIS have adequate controls and processes to efficiently and effectively safeguard employees, customers, and other critical assets. To that end, they plan and direct audits and reviews of the functions and operations of the USPIS.

PROJECT	OBJECTIVE
Postal Service's Security Controls and Processes (2006 – Work In Progress)	Determine whether USPS and USPIS have sufficient controls and processes to efficiently and effectively protect employees, customers, the mail, and critical USPS assets.
USPS/USPIS Handling of Suspicious Powder Mail (V Street Follow up) (2007 – New Start)	Assess policies and practices of the USPS and USPIS for handling suspicious powder mail.
Review of Transition of Internal Crime Program (2007 – New Start)	Determine the impact of the transition and whether the USPIS has appropriately reduced its resources.
Criminal Investigations Service Center (2007 – New Start)	Determine whether service centers are efficiently and effectively supporting the mission of the USPIS.
Forensic Laboratory (2007 – New Start)	Determine whether the forensic laboratory is efficiently and effectively supporting the mission of the USPIS and the OIG.
Quality Assessment Reviews – USPIS (One Per Quarter) (2007 – New Start)	Determine whether due diligence was applied when conducting investigations and whether controls were effectively implemented when executing investigative and related administrative processes. USPIS Divisions: St. Louis, Ft. Worth, Boston, and Los Angeles.
Inspection Service Integrated Information System (ISIIS) (2007 – New Start)	Determine whether USPIS's management information system (ISIIS) is providing sufficient information to make efficient and effective management decisions.

Supply Management and Facilities

The Postal Service manages contracts with commitment values totaling over \$26 billion annually for its goods, transportation, and facilities-related services. Over the past several years, the Postal Service implemented the supply chain management philosophy to maximize the effectiveness and efficiency of these expenditures. The OIG's audit work will focus on the Postal Service's challenge

in this area to control and reduce costs yet maintain efficient acquisition practices with effective controls to prevent fraud, waste, and abuse.

Supply Management provides strategically aligned leadership to the Postal Service's supply chain partners. The Supply Management and Facilities Directorate seeks to determine whether the Postal Service can achieve supply chain management excellence and reduce acquisition costs. To that end, they plan and direct audits and reviews of purchasing, contracting, and supply management activities. In addition, the OIG oversees Defense Contract Audit Agency (DCAA) and Defense Contract Management Agency (DCMA) audits. The OIG is also responsible for contract audits designed to assist Postal Service contracting officers in determining fair and reasonable contract prices, as well as to provide them with reviews of contractors' financial systems.

Facilities' mission is to provide quality real estate and facilities products and services to meet the present and future needs of Postal Service operations and to optimize the value of facilities' assets and transactions. The directorate also seeks to ascertain whether the Postal Service effectively and efficiently provides quality real estate and facilities products and services to meet present and future needs. To that end, the directorate plans and directs audits and reviews covering all aspects of postal facility repair, renovation, and new construction. The OIG's work in this area will focus on the Postal Service's challenge to control and reduce costs and identify opportunities to optimize the value of facilities' assets.

SUPPLY MANAGEMENT	
PROJECT	OBJECTIVE
Mandatory Use of National Contracts (2006 – Work In Progress)	Review compliance with mandatory national contracts.
Source Selection – Automation Equipment Commodity Sourcing (2006 – Work In Progress)	Analyze the risk associated with USPS's limited supplier base in the mail automation equipment area.
DCAA and DCMA Contract Administration (2006 – Work In Progress; 2007 – New Start)	Coordinate DCAA and DCMA audit services.
Supply Chain Management Selected Initiatives (2006 – Work in Progress and 2007 – New Start)	Review reported supply chain management impact associated with selected initiatives.
Major Acquisition Program (2006 Work in Progress; 2007 – New Start)	Determine whether Supply Management activities support major program acquisitions and are in accordance with USPS policies and practices.
Controls Over Contract Payments and Recovery of Overpayments (2007 – New Start)	To evaluate controls over contractor payments and ability to recover overpayments.

PROJECT	OBJECTIVE
Payments on Closed and Inactive Contracts (2007 – New Start)	Determine if payments are made after contracts have been closed or inactive for a long period.
Contractor and Subcontractor Travel Costs and Rebates for Contractors (2007 – New Start)	Determine if travel expenses (lodging, airfare, etc.) for contractors and subcontractors are paid in accordance with travel policies and if USPS received any contractor-obtained rebates.
Information Technology (IT) Contract Review and BOG Approval (2007 – New Start)	Determine if IT contract payments were initiated low and incrementally increased beyond BOG approval threshold.
Validation of Return on Investment For Existing/Closed Projects (2007 – New Start)	Determine if USPS achieved the anticipated cost savings and benefits used to justify project approvals.
Inventory Control and Management (2007 – New Start)	Determine whether Supply Management properly controls inventory levels.
Voyager Card Internal Controls (2007 – New Start)	Determine if the controls over the Voyager Card Program are efficient and effective and have been properly implemented.
FACILITIES	
PROJECT	OBJECTIVE
Space Utilization (2006 – Work In Progress)	Determine if USPS areas are reviewing undeveloped and unused real properties and referring any excess properties to Realty Asset management.
Postal Service's Replacement and Repair of Facilities Affected by Hurricane Katrina (2006 – Work In Progress)	Assess USPS's response in replacing or repairing its facilities affected by Hurricane Katrina.
Audit of Expired and Terminated Leases and Final Utility Payments (2006 – Work In Progress)	Determine whether USPS can avoid costs on expired and terminated leases by optimizing the management, payment, and recording of utility costs.
Facilities Service Office (FSO) Use of Parsons Indefinite Quantity Contract (2006 – Work In Progress)	Assess FSO use and administration of the Parsons Indefinite Quantity Contract.
Evaluation of the Efficiency of the Realty Asset Management Team's Disposal of Excess Land or Facilities (2007 – New Start)	Determine if Realty Asset management effectively disposes of excess land and facilities.
Canceled Capital Projects (2007 – New Start)	Determine the nature of the cancellation and how USPS can avoid these unanticipated costs in the future.
Leased Facilities Maintenance Responsibility (2007 – New Start)	Determine if USPS is incorrectly incurring costs for maintaining leased facilities that are the lessor's responsibility.
Facilities Energy Efficiency (2007 – New Start)	Determine if USPS effectively manages energy cost risk.

PROJECT	OBJECTIVE
Standardization of Building Designs (2007 – New Start)	Determine if new construction/repair and alteration projects meet standard building design requirements and whether such requirements adhere to current mail processing flow processes.

Marketing

The Marketing Directorate assesses whether the Postal Service's marketing efforts are effective in providing world-class customer service, increasing customer value in core products and services, and increasing operational efficiency through standardization and process improvement. To that end, Marketing reviews focus on several areas, including strategic planning, marketing, government relations, and postal ratemaking.

The Postal Service operates in a globally competitive environment and its ability to maintain or increase its market share of the \$900 billion mailing industry is essential to providing universal service at affordable rates. Therefore, the Postal Service designs its marketing products and services to build customer awareness and loyalty. The Postal Service also wants to ensure its services are available at places where customers choose to do business. The OIG's work in this area will focus on evaluating marketing strategies and programs to assist the Postal Service in improving products and services for their customers.

PROJECT	OBJECTIVE
USPS Contact Center Phases II and III (2006 – Work In Progress)	Assess the effectiveness and efficiency of Postal Service Contact Center operations and determine whether the contact center contract is accomplishing its objectives of generating revenue and reducing costs.
Analysis of USPS Cost Structure (2006 – Work In Progress)	Analyze USPS cost structure.
Pricing and Classification Service Center First-Class Single-Piece Prepaid Permit Reply Mail (PRM) (NetFlix/New York) (2006 – Work In Progress)	Determine whether prepaid PRM mailers' packages are processed in accordance with their approved classification and pricing and determine how the Pricing and Classification Service Center sets discounted rates for National Ruling prepayment requests.
Worksharing (2007 – New Start)	Identify USPS criteria for establishing and revising workshare discounts, test consistency of application, and test whether expected savings materialize.
Postal Service Alliance with e-Bay, Inc. (2007 – New Start)	Determine whether the alliance is meeting anticipated revenue and expense goals.
USPS Click-n-Ship® Program (2007 – New Start)	Determine whether the program is meeting target revenue and package volume goals.
Postal Service New Idea, Product, and Service Progress (2007 – New Start)	Determine whether the current USPS process for reviewing, evaluating, and implementing new products and services is effective and efficient (the best structure/design) for the entire USPS.

PROJECT	OBJECTIVE
Undeliverable-As-Addressed (UAA) Mail (2007 – New Start)	Revamp UAA by advocating that USPS study the feasibility of a "pay-as-you-go" system.
Targeted Advertising (2007 – New Start)	Review the feasibility of USPS developing "preference lists" to increase the use of targeted advertising.
USPS Forecasting (2007 – New Start)	Review USPS mail volume forecasting efforts.
In-Office Cost System (IOCS) (2007 – New Start)	Assess the effectiveness and efficiency of IOCS internal controls and assess the reliability and validity of IOCS data.
City Carrier Cost System (CCCS) (2007 – New Start)	Assess the effectiveness and efficiency of CCCS internal controls and assess the reliability and validity of CCCS data.
Revenue Collection (2007 – New Start)	Assess USPS controls over revenue collection.