UNITED STATES POSTAL SERVICE

April 1, 2001 – September 30, 2001

OFFICE OF INSPECTOR GENERAL

Semiannual Report to Congress

Including Significant Activities of the Inspection Service

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U.S. Postage Stamps

PAGE

3 UNITED WE STAND – features a stirring image of the symbol that unites us all – the American Flag. (Issued October 2nd)

22 WHITE HOUSE – in commemoration of the 200th anniversary of the official residence of the American President.

30 HONORING THOSE WHO SERVED – pays tribute to the nations military veterans, police officers, and firefighters.

39 CELEBRATE THE CENTURY 1940-49, WORLD WAR II – depicts a hatless Uncle Sam clutching a flag and leading a bayonet charge as bombers fly overhead.

40 WASHINGTON MONUMENT EXPRESS MAIL – honors the Washington Monument as a great tribute to the first American President, George Washington.

46 FARM FLAG – portrays a U.S. flag flying over a farm to celebrate agricultural life.

48 CELEBRATE THE CENTURY 1970-79, U.S. CELEBRATES 200TH BIRTHDAY – portrays fireworks in New York Harbor during the celebration of the United States of America 200th birthday on July 4, 1976.

50 CITY FLAG– portrays "Old Glory" and the skyscrapers of a city reaching into a cloudless sky.

52 STARS AND STRIPES – pays tribute to our cherished flag through a sampling of 20 visually interesting and historically significant flags in U.S. history.

57 THE STARS AND STRIPES FOREVER – pays tribute to the most popular march conducted by John Phillip Sousa.

59 STATUE OF LIBERTY – features a photograph of the Statue of Liberty which was dedicated on October 28, 1886.

60 FLAG ENVELOPE – portrays the U.S. flag on a pre-stamped envelope.

64 FLAG CHALKBOARD – portrays the U.S. flag over a school chalkboard.

74 UNCLE SAM – colorfully depicts "Uncle Sam" on a stamp used for second-ounce stamps.

76 U.S. CAPITOL – commemorates the U.S. Capitol, which houses the chambers of the Senate and House of Representatives.

84 HONORING VETERANS – features a photograph of the United States flag.

To honor the victims of terrorism and the many heroes who responded to the crisis, the OIG has selected stamps symbolizing America's pride for inclusion in this Semiannual Report.

ACKNOWLEDGEMENTS

This report represents the outstanding efforts and accomplishments of OIG and Inspection Service staff. The production of this report would not have been possible without the contributions and dedication of the many OIG and Inspection Service staff who contributed to this effort, particularly, Laurence Hawkins, Felicia Hawthorne-Richardson and Jim Nugent of the OIG; and Kenneth Newman of the Inspection Service.

OFFICE OF INSPECTOR GENERAL

Working Together
To Build An Efficient And Effective
Postal Service

1-877-OIG-HOTLINE

KARLA W. CORCORAN
Inspector General

A Message from the Inspector General

Standing United with the Postal Service

I am pleased to report that as our fifth year as an independent Office of Inspector General (OIG) comes to an end, we have continued to provide the Postal Service with the critical information it needs to improve its operations and remain viable in an increasingly challenging environment. I am particularly proud of our employees' response in the wake of the terrorist attacks of September 11 and recent cases of mail being used for bioterrorism. Many Postal Service, Inspection Service, and OIG employees were among those ordinary people who demonstrated extraordinary heroism in the aftermath of these attacks. The OIG has been working side-by-side with Postal Service management and the Inspection Service to ensure the mail that binds our nation together gets through—safely and securely—and that those who misuse the mail are brought to justice. Inserted in this report is a copy of our new Hotline poster, which incorporates the Postal Service's United We Stand stamp. This poster is symbolic of our commitment to assisting the Postal Service, no matter how great the challenge.

These recent events, which have affected us all, emphasize the tremendous importance of accountability for government agencies. It is essential that we be held to the highest standards, so we better serve the American public. Based on the work we have completed since our inception and the knowledge we have gained of the Postal Service, we have identified what we believe are the most challenging issues it faces. These issues are discussed in detail on pages 9 through 14.

To ensure accountability, we keep Congress, the Governors, and Postal Service management informed of our work and alerted to potential areas where the Postal Service could be more economical and efficient. During this reporting period, we provided three written statements to Congress. In these statements, we identified areas where the Postal Service could improve its performance and accountability in the areas of strategic decision-making, financial management, contracting, labor management, and computer security and privacy. In addition, we recommended that the Postal Service continue to address opportunities to improve its critical management practices. We urged Congress to provide strategic direction about the Postal Service's role in the 21st century.

The Postal Service experienced a change in leadership in June when John E. Potter replaced William Henderson, becoming the 72nd Postmaster General of the United States. We look forward to working with Mr. Potter, and we thank Mr. Henderson for his leadership and support during his term.

The OIG also experienced a change in leadership this reporting period. Thomas Coogan was appointed Deputy Inspector General, replacing Sylvia Owens, who retired; Wayne Goleski was appointed Assistant Inspector General for Internal Business; John Seeba was appointed Assistant Inspector General for Financial Management; and Norman Hancock, an Assistant Inspector General, retired after 33 years of federal service. The leadership of our senior management will be key as we work with the Postal Service to address its many challenges in the months ahead.

John E. Potter, a 23-year postal employee, is sworn in as the 72nd Postmaster General of the U.S. Postal Service.

This Semiannual Report to Congress sets forth the significant activities and accomplishments of the OIG and the Inspection Service from April 1, 2001, through September 30, 2001. This report details the efforts of the OIG toward combating fraud, waste, abuse, and mismanagement within the Postal Service; and fulfills our reporting requirement under the Inspector General Act and Inspection Service requirements under the Mail Order Consumer Protection Act. In this reporting period, the OIG issued 175 audit reports, 138 management advisory reports and other products, and closed 57 investigations. Our efforts resulted in more than 370 written products to strengthen Postal Service programs and operations.

We understand the significant challenges the Postal Service faces as a result of recent events. The OIG is committed to supporting the Postal Service's efforts to protect the public and its employees and ensure the safety of the mail. We will continue to carry out our mission by providing critical information to Congress, the Governors, postal management, and postal stakeholders. I am confident that this information will allow the Postal Service to continue binding the nation together by providing the public with the trusted service America has relied on for more than 200 years.

Sincerely,

Karla W. Corcoran

Karla W. Corcoran
October 31, 2001

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Executive Summary

DID YOU KNOW?

When was the OIG established for the Postal Service?

Congress created the Office of Inspector General in 1996. Karla W. Corcoran was sworn in as the Postal Service's first independent Inspector General on January 6, 1997. She has a 7-year appointment in this position.

Management Committee and Deputies

This Executive Summary highlights the Office of Inspector General (OIG) and Inspection Service accomplishments from April 1, 2001, through September 30, 2001, that are contained in this Semiannual Report to Congress.

EXECUTIVE SUMMARY

This Executive Summary provides a synopsis of the work reported during this 6-month period. This issue of our Semiannual Report addresses the major issues facing the Postal Service and the work performed by the OIG that help improve postal operations. It also provides a general overview of Inspection Service operations and specific examples of work related to the detection and prevention of fraud, waste and abuse.

The OIG is responsible for conducting all audits of Postal Service programs and operations. In addition, the OIG, along with the Inspection Service, conducts investigations to prevent and detect fraud, waste, and abuse affecting the Postal Service. Both conduct investigations that play a vital role in helping the Postal Service make improvements. Work performed by the OIG and the Inspection Service is included in this report in order to present Congress and the Governors a unified report of the Postal Service's efforts to combat fraud, waste, abuse, and mismanagement.

In this, the OIG's tenth Semiannual Report, the work has been categorized into six subject areas: performance, financial management, technology, labor management, oversight of the Inspection Service and other significant reviews, and customer service. These six areas include OIG work addressing the following 10 major management issues facing the Postal Service:

- physical security and safeguarding the mail.
- maintaining customer confidence;
- resolving workforce and workplace issues;
- controlling costs;
- protecting revenues;
- managing acquisitions;
- leveraging technology;
- ensuring data integrity and reliability;
- maintaining information security and customer privacy; and
- balancing public service and commercial enterprise.

The following highlights the accomplishments of the OIG and Inspection Service under the specific subject areas:

(1) Performance focuses on the critical core business processes needed to succeed in a competitive environment. The OIG conducted 26 reviews in this area, including projects that will help save the Postal Service about $25.9 - million in current and future years. A few examples of OIG work in this area included:

- Identifying inaccurate or unsupported financial data and contractual vulnerabilities in a major transportation agreement.
- Determining that the outsourced Mail Transport Equipment Service Center Network would cost the Postal Service $1.1 billion more than current in-house processing, rather than saving the Postal Service $300 million as projected.
- Determining that the Postal Service could save an additional $15.9 million for its Bulk Fuel Purchase Plan by bringing the fuel program in-house.
- Identifying that the Postal Service could save $10 million in stamp printing costs by reducing FY 2002 requirements projections by 3.5 billion stamps to meet demand. In addition, the Postal Service destroyed about 462 million stamps, costing $1.4 million to produce, instead of redistributing them for sale at other post offices.
- Investigating several schemes used by a presort mailer to defraud the Postal Service, including bribery, postage meter fraud, alteration of presort qualification reports to reflect less postage owed to the Postal Service, and hiding unqualified mail in large quantity mailings. As a result of the investigation, six owners and managers of one of the largest presort mailers in the New York Metro Area were convicted on mail fraud and racketeering charges.

The Inspection Service conducted numerous investigations in the area of mail theft, resulting in arrests of over 360 employees and almost 2,550 non-employees or contractors.

(2) Financial management incorporates financial-related reviews, financial opinion work, and contracting and facilities reviews. The OIG completed 201 reviews and investigations that identified over $167 million in questioned costs. In addition, OIG investigations resulted in 1 conviction, 2 indictments, and recoveries and restitution of over $1.2 million, which included:

- Identifying approximately $167 million in contract costs that were questioned or considered unsupported.
- Identifying non-compliance with Postal Service instructions and minor weaknesses in internal controls at 23 of 70 postal facilities reviewed.
- Investigating a contractor that received duplicate payments to operate a Postal Service retail outlet. The contractor agreed to an administrative settlement to repay the Postal Service over $73,000.
- Identifying that the Postal Service allowed contractors to remove almost $1 million in refrigerants without ensuring that the refrigerants were credited to the Postal Service's stockpile account.
- Determining that a construction company overcharged the Postal Service approximately $228,000 by inflating quantities of materials used in the construction of Postal facilities.

In addition to other work, the Inspection Service reported:

- Revenue investigations that resulted in 33 arrests and 53 successful criminal convictions.
- Initiating 370 employee embezzlement investigations, which documented losses of over $2.6 million.

(3) Technology encompasses reviews of developmental systems, computer security, electronic commerce, and computer intrusion detection activities. The OIG performed 23 reviews and investigations in this area. Some of the more significant OIG activities included:

- Determining that several major Postal Service projects were not adequately validated and were approved without consideration of all test results. The audit also disclosed that there was not adequate support for savings and costs methodology, or complete cost estimates for spare parts.
- Determining that the work hour impact of the Tray Management System did not justify the cost of deployment and that the total volume increases and work hour reductions experienced were not materially different than those at comparable facilities without systems.
- Initiating a comprehensive review to examine four systems under development by the Postal Service. This review identified concerns about insufficient planning and documentation, inadequate requirements definition, lack of end-user involvement throughout the process, incomplete test plans, and lack of validation testing.
- Identifying improvements to the management and security of the Postal Service's website, USPS.com.
- Responding with the Postal Service Computer Incident Response Team to Code Red II worm infections of Postal Service networks.
- Conducting network vulnerability assessments that noted various weaknesses in the security of 20 Postal Service systems.

In addition to other work, the Inspection Service reported it is:

- Continuing to review security clearance requirements for all Postal Service new electronic products, including: eBillPay™, NetPost™ Mailing Online, and NetPost™ Certified, and enterprise public key infrastructure.
- Evaluating the risks associated with contractor employees having access to sensitive customer information and the appropriate security clearance for those individuals.

(4) Labor management focuses on issues related to violence in the workplace, workplace climate, health care, and workplace safety. During this reporting period, the OIG con-

DID YOU KNOW?

When was the first postage stamp created?

The world's first postage stamp, the Penny Black, was introduced by Great Britain in 1840.

Special Agents Aaron Jordan, Susan Moats, Gary Cherry and Roger Holland were named "Outstanding Law Enforcement Officers of the Year" by the U.S. District Attorney's Office, Southern District of Florida.

ducted 85 reviews and investigations in this area, which included:

- Identifying tense and stressful work environments at four postal locations, which occurred because of abusive management styles and aggressive measures used by managers to improve employee performance.
- Identifying that employees remained on administrative leave beyond 30 days, resulting in $249,000 in unnecessary costs.
- Investigating several medical providers engaged in widespread conspiracies to defraud health care programs managed by the federal government, resulting in six convictions of physicians for violations related to health care fraud.
- Identifying that supervisors did not always request authorization before providing leave benefits to employees and staff did not always properly monitor and accurately calculate this benefit for employees.

The Inspection Service work included assisting the OIG in investigations of fraudulent claims and receipt of workers' compensation benefits by individual employees. These investigations resulted in 25 arrests and over $46 million in cost savings.

(5) Oversight of the Inspection Service and Other Significant Activities. In this area, the OIG completed 13 reviews of the Inspection Service, and 21 investigative efforts and reviews of other significant issues related to Postal Service operations, which included:

- Determining that the Postal Service could put approximately $2 million to better use over the next five years by utilizing less costly non-criminal investigative Postal Service personnel to conduct service investigations that do not involve criminal violations.
- Identifying that the Inspection Service investigations of fraudulent activity directed at other government agencies primarily benefited the other agencies with little financial benefit to the Postal Service.
- Investigating a postal executive who inappropriately used a government issued credit card to make rent payments in excess of $40,000, rent cars for approximately $13,000, and take roughly $3,500 in cash advances for personal use.
- Confirming allegations of sexual harassment by a Postal Service executive.
- Conducting background investigations on several candidates for the position of Postmaster General.

The Inspection Service conducts numerous investigations covering significant issues in the areas of physical security; narcotics offenses and trafficking; child exploitation; prohibited mail; postal burglaries; and mail fraud including fraud against consumers, fraud against businesses, and fraud against government; and money laundering.

(6) Customer service focuses on the OIG and the Inspection Service efforts to provide customer service, including support functions to enhance service to internal customers and Hotline operations.

(7) Organizational dynamics focuses on the OIG and the Inspection Service vision, values, culture, and diversity.

(8) Organizational structure focuses on the OIG and the Inspection Service headquarters and field structure.

Major Management Issues Facing the Postal Service

DID YOU KNOW?

Does the OIG do more than audits and investigations?

Yes, the OIG does work in related areas such as management consulting services. Consulting services may involve finding answers to questions, developing solutions to problems, recommending courses of action, or formulating an opinion. Postal Service management may request consulting services from the OIG at any time.

DID YOU KNOW?

When was the last time the Postal Service received tax money to cover operating expenses?

The Postal Service had not received tax money for operating expenses since 1982. However, it recently requested an appropiation to cover terrorism-related costs.

The Postal Service provided its employees with up-to-the-minute information about the risks associated with anthrax and the best methods for handling mail.

MAJOR MANAGEMENT ISSUES FACING THE POSTAL SERVICE

As the Postal Service entered FY 2002, it projected a loss of $1.35 billion following an FY 2001 estimated $1.65 billion loss. After the terrorist attacks of September 11, 2001, and the anthrax bioterrorism threats, the Postal Service expects to incur an additional $2 billion loss to its business because of a significant decline in mail volume. The Postal Service recently requested an appropriation from Congress to help them cover additional expenses for mail sanitization, security equipment, and to replace lost or damaged facilities and equipment. The Postal Service took this action because it believes users of the mail should not be burdened with these additional costs through higher postage rates. Although the requested appropriation will assist the Postal Service with operational costs in the coming year, long term issues facing the Postal Service from loss of mail volume, customer confidence, and employee safety issues still need to be addressed.

The OIG believes the ten major issues facing Postal Service management at this time are:

- physical security and safeguarding the mail;
- maintaining customer confidence;
- resolving workforce and workplace issues;
- controlling costs;
- protecting revenues;
- managing acquisitions;
- leveraging technology;
- ensuring data integrity and reliability;
- maintaining information security and customer privacy; and
- balancing public service and commercial enterprise.

These issues, their significance, and the key OIG projects that address them are included in this section.

PHYSICAL SECURITY AND SAFEGUARDING THE MAIL

Biohazardous material found in the mail has made securing the nation's postal system a foremost concern. The Postal Service faces the challenge of moving the mail efficiently and economically while effectively safeguarding postal employees and customers from hazardous substances introduced into the mail stream. The Postal Service must be proactive in gathering and quickly sharing relevant information with all stakeholders. The Postal Service has already announced plans for a program to sanitize the mail. This program will require procuring new equipment and changing processes to accommodate its use. This will impact facility floor plans and staffing requirements. To better protect its employees, the Postal Service must also reassess its facility designs, especially the ventilation systems, maintenance practices, and emergency response and evacuation procedures.

To assist the Postal Service address these issues, the OIG will:

- Review the Postal Service's emergency response plan
- Evaluate the purchase and deployment of equipment to sanitize mail
- Assess efforts to strengthen transportation security

MAINTAINING CUSTOMER CONFIDENCE

The recent anthrax contamination of the mail has threatened customer confidence in the Postal Service's ability to continue to provide safe and secure mail services. This has occurred at a time when the Postal Service is promoting itself as the gateway to the American household, which is a unique asset that can be leveraged in the face of increasing competition. Unless the Postal Service is able to develop products and services that will ensure the public that the mail can be delivered safely, mail volumes may continue to decrease.

Any decline in customer confidence will make it difficult for the Postal Service to maintain its position as a self-supporting provider of universal postal services at reasonable rates. Greater numbers of customers may seek services other than traditional mail, such as electronic

delivery services, and the Postal Service will need to balance its customer service with its limited resources. To assist the Postal Service in addressing this issue, the OIG:

- Is evaluating mail security and sanitization procedures
- Evaluated certified mail handling and scanning procedures
- Assessed Express Mail service
- Reviewed commercial air carrier reliability

RESOLVING WORKFORCE AND WORKPLACE ISSUES

With almost 900,000 full and part-time employees, work environment and labor relations improvements are key to maximizing employee and organizational performance. The issue of health and safety of employees is particularly critical as the Postal Service works to address the incidents of anthrax in the mail stream. The efficiency and effectiveness of Postal Service efforts to communicate with employees and safeguard them against the threats of anthrax could have a major impact on worker morale and productivity, thus impacting the Postal Service's ability to effectively deliver the mail.

Further, the Postal Service has historically had significant labor relations issues that impeded its ability to efficiently manage their operations. With responsibility for more than 38,000 facilities, major transportation networks, and universal delivery, the Postal Service faces significant challenges in the areas of health and safety. In addition to the direct costs and loss of productivity resulting from accidents and injury compensation medical costs, the Postal Service is now subject to citations and monetary penalties for noncompliance with the Occupational Safety and Health Act.

To assist the Postal Service in addressing these issues, the OIG:

- Is auditing efforts to protect employees from biohazards
- Is reviewing the Associate Supervisor Program
- Is reviewing succession planning
- Is auditing the Postal Service's management of staffing complements
- Investigated allegations of provider health care fraud
- Reviewed workplace environment issues

CONTROLLING COSTS

Even before the recent terrorist attacks, the Comptroller General of the United States cited the Postal Service's deteriorating financial condition as one of the reasons for placing the Postal Service on the General Accounting Office's High Risk List. He emphasized the Postal Service's need to control costs and improve productivity. The terrorist attacks have further stressed Postal Service's abilities to meet these challenges because of increased labor and equipment costs associated with improved safety and security measures. In addition, the cost of maintaining and servicing a growing universal delivery network has escalated. The growth in workload has required considerable expansion of the infrastructure necessary to support the universal service mission. In addition, Postal Service faces increased costs as a result of binding arbitration awards, cost of living adjustments, rising health care premiums, and worker's compensation claims.

The recent softening economy has also had a negative impact on postal finances. Addressing this shortfall, the Postal Service acted early in FY 2001 to freeze capital investments in needed new facilities and facility improvements. However, deferring these expenditures cannot be sustained over the long term and cannot substitute for needed revenue growth. The recent purchase and deployment of new technology to sanitize the mail will also place considerable strain on already scarce postal resources.

To assist the Postal Service in addressing this issue, the OIG:

- Is evaluating the reasonableness of contractor costs to sanitize the mail
- Is evaluating the cost and productivity of flats processing operations
- Assessed the bulk fuel purchase plan
- Audited stamp printing volumes
- Evaluated the Mail Transport Equipment

Postmaster General Jack Potter speaks to OIG employees at the September All-Hands Meeting.

Service Network

- Audited a major transportation agreement

PROTECTING REVENUES

Before the terrorist attacks, the Postal Service reported that revenue had been impacted by the downturn in the economy. After September 11, the Postal Service reported a loss in revenues of $327 million, at a time when the Postal Service depends on the Fall mailing season to generate a majority of its annual revenue. Even before the terrorist attacks, the Postal Service was concerned about a loss of revenue having ended FY 2001 with an estimated loss of $1.65 billion. Losses of this magnitude threaten affordable, high quality, universal service on a self-sustaining basis. The Postal Service has attempted to introduce new products and services to increase revenues but these efforts have not generated significant revenues. In addition, competitors have questioned whether it is appropriate for a government entity with monopoly protection to provide nontraditional commercial products and services.

To assist the Postal Service in addressing this issue, the OIG:

- Is assessing the Postal Service processes for responding to the recent crisis
- Is assessing the role of the marketing group
- Is evaluating the profitability of postal retail stores
- Is reviewing Postal Service sponsorship programs
- Validated the Postal Service process for reporting cost and revenue data

MANAGING ACQUISITIONS

The Postal Service administers over $15 billion a year in contracts for essential goods and services, including facilities, transportation, mail processing equipment, and supplies. Over the last four years, audits and investigations disclosed that poor contracting practices have resulted in more than $400 million in monetary findings, including fraud, waste, abuse, mismanagement, and other recoveries on postal contracting programs.

These issues are particularly important, as the Postal Service recently adopted expedited procedures to award contracts to purchase equipment and services to deal with the biohazard threat. In carrying out these expedited purchases, the Postal Service should attempt to ensure the purchases are cost effective and that its interests are otherwise protected.

The Postal Service needs to take aggressive steps to ensure that appropriate monitoring and oversight exist and that systems and data are available to validate contractor charges for services rendered. Quality assurance, staffing, and training of contracting officials impact the Postal Service's ability to properly monitor work performed by contractors.

To assist the Postal Service in addressing this issue, the OIG:

- Is reviewing expedited contracts for equipment and services needed to deal with bioterrorism threats
- Is reviewing sole source contracting practices
- Conducted 21 audits of proposed and incurred costs
- Reviewed responsibilities of contracting officers
- Evaluated contracting for consulting and auditing services
- Recommended better practices to protect Postal Service contracting actions from fraud

LEVERAGING TECHNOLOGY

The Postal Service depends on technology to help move the mail. Further, as the Postal Service addresses the anthrax threats, it is identifying and deploying technology that best fits its operational requirements, is compatible with existing systems, and ensures the security and safety of its delivery processes.

The Postal Service also continues to seek ways of leveraging technology to improve its service, productivity, and profitability. The Postal Service must position itself to quickly adapt to each new wave of technology to maintain its competitive position. In particular, the Postal Service must adapt to the evolution of an Internet-familiar customer base and the impact this will have on its business. Some customers

Dr. Devosh Kanjarpane educating OIG employees about anthrax at a special All-Hands meeting.

expect the Postal Service to transition its services to the point where most, if not all, services can be carried out on personal computers at the office or at home. To address changing customer needs, the Postal Service has committed resources to ongoing development of an "information platform" to help ensure better data management, track mail piece information, improve communications between the Postal Service and its customers, and provide activity-based costing.

The large size and diverse nature of the Postal Service's customer base demands that technology-based solutions are accessible, easy to use, and competitive. Given the projected revenue downturn in the coming year, the Postal Service must vigorously pursue cost savings by efficiently redeploying resources replaced by new technology. Finally, all decisions on technology investments must be scrutinized more closely and be based on information that is current, accurate, and reliable. This is particularly important as the Postal Service reviews several technologies to identify an efficient, effective and safe method to sanitize contaminated mail.

To assist the Postal Service in addressing this issue, the OIG:

- Is reviewing the Postal Service's approach to identify and deploy technology to sanitize contaminated mail
- Is reviewing the Automated Seamless Dispatch System
- Evaluated the Tray Management System post acceptance work-hour savings
- Reviewed the process used to approve capital projects
- Assisted Postal Service management in responding to virus and worm attacks on postal networks

ENSURING DATA INTEGRITY AND RELIABILITY

Changes in technology and the business environment emphasize the need for providing timely, accessible, and accurate data relevant to Postal Service decision makers. In light of the recent appropriation request, the reliability of Postal Service data has become more critical. However, in many instances, the OIG has found that the Postal Service does not adequately capture or track the data necessary to support effective decision-making. Given the importance of data quality to setting postal rates, the Postal Service must continue demonstrating to Congress, the Postal Rate Commission, stakeholders, and the public that it is making progress in improving the quality of its revenue, cost, and service measurements. Accurate measurement of mail volume and operations remains a key ingredient in the Postal Service's efforts to improve and sustain service performance.

To assist the Postal Service in addressing this issue, the OIG:

- Is validating the Postal Service appropriation request
- Is evaluating the quality of data supporting the ratemaking process
- Is assessing the reliability of the information in Retail Data Mart
- Is evaluating the reliability of financial and performance data for postal retail stores
- Reviewed FY 2001 Information System Controls at the Eagan Accounting Service Center
- Evaluated the accuracy of reported supplier diversity accomplishments

MAINTAINING INFORMATION SECURITY AND CUSTOMER PRIVACY

As computers become indispensable to the Postal Service and its partners and customers, reliance on automated systems increases the risk of fraud, inappropriate disclosure of sensitive data, and disruption of critical operations and services. As the recent anthrax attacks on the Postal Service have demonstrated, postal systems, including computer systems, are part of the country's critical infrastructure and must be protected. Attacks on both government and private industry websites serve to emphasize the damage a computer security breach can do to a brand's integrity and an organization's revenue stream. Congress recently reemphasized these risks by enhancing government authority to address hacker attacks on government computer systems through the recent passage of the

DID YOU KNOW?

How does the OIG handle requests for information?

Public requests for OIG information are processed pursuant to the Freedom of Information Act by OIG staff. These requests may be made in writing, or the public can review reports and other information posted on the OIG website at www.uspsoig.gov.

anti-terrorism act.

Furthermore, postal electronic commerce initiatives on the Internet raise concerns about the adequacy of security. Success in this arena will depend on the level of protection afforded sites such as www.usps.com and programs that operate in this environment, such as eBillPay,™ NetPost Certified,™ The Postal Store,™ and PosteCS.™ Most importantly, the Postal Service needs to protect consumer information that is collected and the guarantee of privacy implicit in such undertakings.

To assist the Postal Service in addressing this issue, the OIG:

- Is assessing third party agreements and security of business partners
- Is working with the FBI on a counterterrorism task force, and at the National Infrastructure Protection Center
- Is working with the Postal Service to identify critical infrastructure and potential threats
- Conducted tests of server vulnerabilities
- Reviewed security access controls at the Memphis National Customer Center
- Continued working with Postal Service management in conducting comprehensive tests of critical postal computer systems
- Evaluated security and privacy requirements for the Postal Service's online bill presentment and payment system
- Reviewed Internet privacy and disaster recovery plans

BALANCING PUBLIC SERVICE AND COMMERCIAL ENTERPRISE

Since the 1970 Postal Reorganization Act, the Postal Service has been mandated to operate in a businesslike manner and has not requested appropriations in recent years. However, since the recent terrorist attacks the Postal Service has been forced to ask Congress for appropriated funds to cover extraordinary expenses related to these events. In addition, like other businesses, rising costs and the soft economy of the past year have affected the Postal Service. Revenue and mail volumes lag behind projections.

Recognizing the Postal Service's difficult financial position, both Congress and the General Accounting Office have asked for the development of a comprehensive Transformation Plan to serve as a long-term blueprint for the Postal Service's future. This plan takes on increased importance as recent events have demonstrated that the nation depends on the Postal Service to keep people in touch and drive the economy.

To assist the Postal Service in addressing this issue, the OIG:

- Is reviewing the Transformation Plan
- Reviewed various pieces of proposed legislation impacting the Postal Service
- Reviewed executive compensation by examining the shared loan appreciation program offered to executives who relocate
- Evaluated revised rules governing commercial mail receiving agencies

Performance Reviews

US POSTAL SERVICE

THIS SECTION INCLUDES

OFFICE OF INSPECTOR GENERAL

- Accepting and Processing Reviews
- Transportation Reviews
- Delivery Reviews
- Marketing and Enabling Reviews
- Legislative, Regulatory & Policy Reviews

INSPECTION SERVICE

DID YOU KNOW?

How did the Universal Postal Union begin?

Postmaster General Montgomery Blair initiated an international conference on postal problems. The meeting led to the formation of the Universal Postal Union. With 189 member countries, the Universal Postal Union is the primary forum for cooperation between postal services and helps to ensure a truly universal network of up-to-date products and services.

This section highlights audits, reviews, and investigations performed by the OIG and Inspection Service activities in the Performance area. Report numbers are shown in parentheses after the narrative, as appropriate. Also, the OIG legislative and regulatory reviews are included at the end of this section. In order to differentiate the work reported by the OIG and Inspection Service, the pages containing the activities reported by the Inspection Service have been color screened.

OFFICE OF INSPECTOR GENERAL

To deliver world-class service, businesses and government agencies must excel in performing their core business processes. For the Postal Service, these core business processes and systems encompass accepting, processing, transporting, and delivering the mail as well as marketing postal products and services. During the past six months, the OIG has completed 26 reviews of key and emerging issues relating to the Postal Service's performance of core business processes. The reviews identified almost $1.4 million in unrecoverable costs and opportunities to save about $25.9 million during current and future years.

ACCEPTING AND PROCESSING REVIEWS

On average, over 660 million pieces of mail are accepted each day by the Postal Service in a variety of ways, including collections from more than 300,000 blue collection boxes, as well as residential and business collection mailboxes. Express Mail, First-Class Mail, and some Priority Mail and periodicals are sorted at more than 470 processing and distribution plants, while Standard Mail is generally handled at the 21 bulk mail centers. In order to ensure timely and accurate delivery of mail, accepting and processing equipment must be state-of-the-art. Situations that result in delayed mail processing must be vigorously evaluated and the underlying causes must be promptly resolved. The processing of mail has been greatly impacted by recent terrorist activities. Temporary closure of the Washington, DC, processing center and other facilities as a result of the anthrax contamination has caused the Postal Service to divert mail to protect employees and customers from bioterrorism. To address this situation, the Postal Service plans to purchase specialized equipment designed to sanitize the mail and reduce the threat of anthrax contamination. In addition, the Postal Service continues to explore ways to enhance the acceptance and processing of mail through innovative automation. During the past six months, the OIG conducted audits and investigations in the accepting and processing area, four of which are highlighted below:

INVESTIGATION LEADS TO $35 MILLION CIVIL FALSE CLAIMS LAWSUIT

An OIG investigation of contractor fraud could lead to penalties in excess of $35 million. The investigation confirmed allegations that a postal contractor charged the Postal Service millions of dollars for products that were falsely certified as complying with Postal Service contract requirements. The investigation found that the company provided defective mail drop units, sorting tables, and other equipment that posed potential safety hazards. As a result of information uncovered by the OIG, the Postal Service issued a directive to repair or remove the equipment from service. The Department of Justice has filed a civil fraud suit against the contractor, which could result in penalties in excess of $35 million.

MULTIPLE CONVICTIONS RENDERED IN PRESORT MAIL VENDOR CASE

A joint investigation by the OIG and the Inspection Service resulted in the conviction of six owners and managers of one of the largest presort mailers in the New York Metro Area on mail fraud and racketeering charges. The scheme included bribes paid to a postal manager, postage meter fraud, alteration of presort qualification reports to reflect less postage owed the Postal Service, and hiding unqualified mail in large quantity mailings. The postal manager, along with several other defendants, pled guilty and are awaiting sentencing.

ACCESS TO DELIVERY DATA IMPACTED BY OUTDATED SCANNING EQUIPMENT

The OIG found that a Pacific Area processing and distribution center was using old scanning equipment that precluded the center from participating in the Signature Capture Program, which was designed to capture customers' signatures after they have signed for important mail. This data supports the signature confirmation service which provides proof of delivery. The OIG recommended and Postal Service management agreed to reemphasize the proper procedures for processing signature capture mail. (OIG AC-MA-01-002)

IMPROVEMENTS NEEDED IN PLANNING FOR MOVING PRIORITY PROCESSING CENTER NETWORK

The OIG evaluated postal plans for assuming Priority Mail Processing Network operations from a contractor. The audit disclosed that transition plans could be improved to avoid disruptions in service. In addition, the audit determined that the Postal Service would incur more costs than expected to assume operation of the network. Postal Service management agreed to improve the plan in the areas of facilities, equipment, employees, and transportation. Postal Service management also agreed to revise its report to the Governors to more accurately reflect the financial impact of the network transition. (OIG MK-AR-01-003)

TRANSPORTATION REVIEWS

Transportation of mail is a vital part of the Postal Service's mission of binding the nation together by providing prompt, reliable, efficient, and universal mail delivery. To fulfill this mission, the Postal Service spends in excess of $5 billion annually for air, highway, rail, and water transportation. In addition, under the January 2001 agreement with FedEx to transport Express, Priority, and First-Class Mail, the Postal Service is expected to provide more reliable service, reduce costs, and manage future cost growth. Contractors provide most transportation; however, the Postal Service operates its own fleet of trucks for some highway routes. As a result of the terrorist attacks on September 11, the Postal Service has to rely more heavily on highway and rail transportation because of restrictions on carrying certain types of mail on commercial airlines. During the past six months, the OIG completed eight transportation-related audits. Significant transportation audits and investigations are highlighted below:

REVIEW OF A TRANSPORTATION AGREEMENT CHALLENGES EXPECTED COSTS AND BENEFITS

During this reporting period, the OIG issued a series of reports to the Postal Service management identifying inaccurate or unsupported financial data and contractual vulnerabilities in a transportation agreement. These reports concluded:

- The savings anticipated by Postal Service management may not be realized because not all of the financial data was accurate or adequately supported. Further, contrary to its own procurement practices, the Postal Service entered into a transportation agreement without first independently validating the financial data used to justify the decision. The OIG recommended and Postal Service management agreed to validate all assumptions and data used in the cost model for determining the financial viability of the agreement. (OIG TR-LA-01-001 and OIG TR-MA-01-002)
- Security risks were not adequately addressed in the contract. The OIG recommended the Postal Service amend the agreement to include appropriate security provisions. Postal Service management stated that while the contractor's management was not willing to change the agreement, they indicated they would comply with Postal Service security requirements. This verbal commitment, however, may not be enforceable by the Postal Service under the terms of the agreement. (OIG TR-MA-01-003)

The OIG conducts reviews of Postal Service domestic and international transportation operations. In 1890, the Postal Service used horse-drawn wagons to transport the mail.

An OIG audit determined that the Postal Service could achieve additional savings by bringing its Bulk Fuel Purchase Plan in-house.

DECISION TO OUTSOURCE SERVICE CENTER EXCEEDS ANTICIPATED COSTS BY $1.4 BILLION

An OIG audit determined that, rather than saving the Postal Service $300 million as projected, the outsourced Mail Transport Equipment Service Center Network would cost the Postal Service $1.1 billion more than current in-house processing. The increase in cost was attributable to the Postal Service underestimating its requirements for transportation and facility space, as well as the costs of start-up and continuing operations. The Postal Service agreed to conduct analysis of the program and notify the Board of Governors of changes since the original project was approved. The Postal Service also agreed to strengthen language in the investment policies and procedures for this type of project. (OIG TR-AR-01-003)

IMPROVED MANAGEMENT OF BULK FUEL COULD SAVE NEARLY $16 MILLION

An OIG audit determined that the Postal Service could save an additional $15.9 million for its Bulk Fuel Purchase Plan by bringing the program in-house. Postal Service management agreed to determine the financial impact of bringing the program in house and explore centralizing the fuel management program. (OIG TR-AR-01-004)

VIDEO REPORT DEMONSTRATES MAJOR MAIL BACKLOG

An OIG audit determined that a commercial airline allowed over 600,000 pounds of First-Class Mail, Priority Mail, and Express Mail to remain unsecured at the Atlanta airport for up to 7 days. During this time, more than 8,000 flights departed with no mail on board. In addition, the audit disclosed that the Postal Service did not collect damages resulting from the mail backlogs. Using video equipment, the OIG documented these conditions and prepared a video and written report. Postal Service management agreed with OIG recommendations to establish a back-up plan for transporting the mail through alternative means; assess damages when air carriers cause major disruptions; and enforce applicable liquidated damages. (OIG TR-AR-01-005 and OIG TR-VR-01-001)

MANUAL PAYMENTS ON RAIL TRANSPORTATION CONTRACTS NOT TIMELY

An OIG audit disclosed that untimely manual payments to rail transportation contractors could potentially subject the Postal Service to Prompt Payment Act interest and penalties. The OIG recommended and Postal Service management agreed to expedite the processing of claims, quickly notify carriers of inadequate documentation, and improve training and guidance on filing payment claims.
(OIG TR-AR-01-006)

CONTRACTOR ARRESTED AFTER FLEEING THE COUNTRY WITH $680,000 IN STOLEN POSTAL FUNDS

Through OIG investigative efforts, New Zealand authorities arrested the owner of an air carrier company for stealing $680,000 in funds related to a postal contract. The owner fled to New Zealand after receiving the postal funds. He was subsequently indicted on charges of theft of government property and money laundering. The contractor is facing extradition back to the United States for prosecution.

DELIVERY REVIEWS

Universal service—delivering mail to everyone, everywhere in America, at uniform rates—is the cornerstone of the Postal Service's mission. To fulfill this mission, the Postal Service developed a delivery network of approximately 230,000 mail routes that are serviced by nearly 300,000 letter carriers and almost 180,000 delivery vehicles. During FY 2000, the Postal Service delivered almost 208 billion pieces of mail to 136 million homes and businesses—a yearly average of 1,500 pieces of mail for every household and business in America. Even after the September 11 tragedy, the Postal Service remained committed to providing universal service. In fact, during the subsequent two months, the Postal Service delivered 35 billion pieces of mail. During the last six months, the OIG issued the following delivery-related reports:

EXPRESS MAIL DELAYS AT A SOUTHEAST AREA FACILITY SUBSTANTIATED

In response to Hotline allegations, the OIG found that some Express Mail was not timely delivered to customers when Express Mail operations were moved to a new location. After the OIG began audit work, local Postal Service management moved Express Mail operations back to the original location. However, even after the operations were returned to the original location, some classes of Express Mail were not delivered in a timely manner. In response to OIG recommendations, Postal Service management agreed to take actions to improve delivery. (OIG DE-AR-01-003)

BETTER JUSTIFICATION NEEDED FOR REVISING RULES

An OIG audit found that the Postal Service relied on requests from law enforcement agencies without independently validating the need for revised rules governing commercial mail receiving agencies that compete with the Postal Service. Specifically, the Postal Service did not document the need for regulatory change by providing statistical or scientific data to support its claims of mail fraud conducted through private mailboxes. In addition, it did not demonstrate how the regulations would curb fraud and did not record alternatives to revising the rules. To avoid negative public perception of proposed rule changes, the OIG recommended that in the future Postal Service management develop supporting justification that addresses the magnitude of the problem and the cost implications associated with the proposed changes. (OIG DE-AR-01-002)

POSTAL SERVICE RECAPTURED ITS INVESTMENT IN DELIVERY JEEPS IN THE CAPITAL METRO AREA

An OIG audit disclosed that the Postal Service recaptured its investment in jeeps in the Capital Metro Area because the jeeps had surpassed their life expectancy by an average of 14 years. The jeeps were placed in service in the 1970s and early 1980s and had a life expectancy of approximately 8 years.
(OIG DE-AR-01-004)

MARKETING REVIEWS

The Postal Service operates in a competitive environment. The Postal Service's ability to maintain or increase its market share is essential to provide universal service at affordable rates. Therefore, the Postal Service designs its products and features to build customer awareness and loyalty. The Postal Service also wants to ensure that its services are available at places where customers choose to do business. During this reporting period, the OIG completed two reviews of marketing operations, one of which is highlighted below:

REDUCED STAMP PRINTING REQUIREMENTS COULD SAVE $10 MILLION FOR FY 2002

An OIG audit found that the number of stamps to be printed in FY 2002 exceeded projected demand by 3.5 billion stamps. Reducing the printing requirement will save the Postal Service $10 million. In addition, the OIG identified about 462 million saleable stamps, costing $1.4 million, that were destroyed instead of being redistributed for sale at other post offices. Postal Service management agreed to establish more accurate printing and redistribution requirements. (OIG MK-AR-01-002)

LEGISLATIVE, REGULATORY & POLICY REVIEWS

During this reporting period, the OIG identified legislation, regulations, and policies affecting Postal Service performance. Some of the legislation and regulations reviewed are highlighted below.

PROPOSED LEGISLATION

Semipostal Stamps

Four bills are pending to require the Postal Service that would establish semipostal stamps with special rates higher than the current First-Class rate in order to generate revenue to promote certain causes. S. 1256 and H.R. 2725, the Breast Cancer Research Stamp Act of 2001, would provide for the reauthorization of the breast cancer research stamp. H.R. 2317 would make the breast cancer research stamp permanent. H.R. 2907, the September 11th Families Stamp Act, would provide for the issuance of a semipostal stamp for the benefit of victims of the terrorist attacks against the United States

DID YOU KNOW?

Are other non-postal organizations permitted to issue stamps?

The United Nations is the only non-postal organization in the world that is permitted to issue postage stamps.

The OIG audits Postal Service transportation initiatives, such as the FedEx agreement.

on September 11, 2001.

Last year, Congress enacted the Semipostal Authorization Act, authorizing the Postal Service to issue and sell semipostal stamps to promote causes the Postal Service considers to be in the national public interest. These bills are inconsistent with selection procedures established by the Postal Service pursuant to the Semipostal Authorization Act.

H. R. 1169

This bill would allow professional fundraisers to jointly use the mailing permits of nonprofit organizations. Professional fundraisers would be able to take advantage of the lower postage rates currently available only to nonprofits. Currently, such relationships are prohibited. The OIG is currently examining the Postal Service's cooperative mailings rules and the financial impact the proposed legislation may have.

H.R. 2543

This bill would direct the Postal Service to decrease the minimum number of flights required per week for small air carriers to provide mail service to remote points in Alaska. Delivery to remote and rural areas is central to the Postal Service's universal service mandate. The impact of this legislation on the finances and operations of the Postal Service should be considered.

S. 1110

This bill would require that each ZIP Code be located entirely within a state. Because ZIP Codes identify delivery areas and are not intended to correspond to state boundaries, this legislation could affect the efficiency of postal delivery operations in certain areas.

S. 1397

This bill would authorize the Postal Service, in the exercise of its authority to contract with an air carrier for the transportation of mail by aircraft, to require air carriers to accept as mail any shipments of live birds and other animals. However, it does not apply in the case of any air carrier who commonly and regularly refuses to accept any live animals as cargo. The bill would authorize the Postal Service to assess a reasonable surcharge as postage to compensate air carriers for any additional expense incurred in handling such shipments.

FINAL REGULATIONS

Semipostal Stamp Program, final rule.

This final rule, effective June 12, 2001, creates implementation regulations for the Semipostal Authorization Act, which authorizes the Postal Service to issue and sell semipostal postage stamps. The final regulations relate to: selection procedures; decision-making authorities; number of stamps to be sold; and costs to be offset. These regulations also addresses the OIG's audit recommendation that Postal Service management establish criteria for offsetting the cost to postal ratepayers of producing semipostal stamps.

INSPECTION SERVICE

Postal Inspectors investigate mail theft to maintain the public's confidence in the Postal Service and preserve the sanctity of the mail. Postal Inspectors are working with major mailers to prevent mail theft and related problems. During this reporting period, Postal Inspectors arrested over 360 employees and nearly 2,550 non-employees or contractors for mail theft. Mail theft targets include not only items of obvious value in the mail, such as jewelry, computers, cash, credit cards, and checks, but also mail containing personal and financial information.

DID YOU KNOW?

What is philately?

It is the collecting and study of postage stamps and related items, such as first-day covers—stamped envelopes postmarked with the stamp issue date.

The White House
USA 33
2000

Financial Management Reviews

US POSTAL SERVICE

THIS SECTION INCLUDES

OFFICE OF INSPECTOR GENERAL

Financial-Related Reviews

Contracting and Facilities Reviews

Legislative, Regulatory & Policy Reviews

INSPECTION SERVICE

This section highlights audits, reviews, and investigations performed by the OIG and the Inspection Service in the financial management area. Report numbers are shown in parentheses after the narrative, as appropriate. Also, the OIG legislative and regulatory reviews are included at the end of this section. In order to differentiate the work reported by the OIG and Inspection Service, the pages containing the work reported by the Inspection Service have been color screened.

OFFICE OF INSPECTOR GENERAL

The Postal Service is a $65 billion business that relies on strong financial management controls to maximize revenue and minimize costs. In the past six months, the OIG has completed 201 financial management reviews and investigations. These efforts identified almost $167 million in questioned costs. In addition, OIG investigations resulted in 1 conviction, 2 indictments, and over $1.2 million in recoveries and restitution. These projects add value to the Postal Service by identifying opportunities for cost savings and improving financial management, contracting, and facilities practices, and detecting and deterring fraud, waste, abuse, and mismanagement.

OIG employees review records during a financial statement audit at a North Carolina facility service office.

FINANCIAL-RELATED REVIEWS

Financial-related audits examine areas that have significant financial implications and offer the Postal Service an opportunity to save resources. The OIG has taken a proactive approach to identify areas that offer potential cost savings and improve postal operations. In the past six months, the OIG has completed 103 financial related audits and 31 investigations. The most significant reviews and investigations are highlighted below:

FINANCIAL OPINION WORK CONTINUING

The OIG is continuing to conduct financial opinion work at three accounting service centers and headquarters. These audits support the independent public accounting firm's overall opinion of the Postal Service's financial statements. The results of the reviews will be reported in the next Semiannual Report to Congress. Since inception, the OIG served as co-contracting officer's representative with Postal Service Finance for the work performed by the independent public accounting firm. However, beginning in FY 2003, the OIG will be the sole contracting officer's representative.

The OIG also continues to validate the Cost and Revenue Analysis report used to allocate cost and revenue to classes of mail. As in prior years, minor control issues were found.

CONTRACTOR EMPLOYEES PLEAD GUILTY TO FRAUD

As the result of an OIG investigation, two former employees of a Postal Service contractor pled guilty to conspiracy, receiving kickbacks, and tax evasion. Subcontractors paid kickbacks in excess of $2 million to receive subcontracts from the Postal Service, the Department of Defense, and other government agencies. Subcontractor invoices paid by the government included approximately $800,000 in kickbacks remitted to a shell company.

CONTRACTOR REPAYS POSTAL SERVICE OVER $73,000

A contractor operating a Postal Service retail outlet reimbursed the Postal Service for over $73,000. This represented duplicate payments that were discovered by the Postal Service Accounting Service Center and investigated by the OIG. The OIG found that after a replacement contract was issued, payments for the initial contract had not been cancelled, resulting in overpayments.

INVESTIGATION SAVES $120,000

A $150,000 claim was settled for $30,000 as a result of an OIG investigation. A private citizen filed a tort claim lawsuit against the Postal Service in connection with a broken wrist sustained as a result of an accident on postal property. The OIG investigation assisted the Department of Justice in settling the claim for a reduced amount.

FY 2001 FINANCIAL INSTALLATION AUDITS

The OIG conducted audits at 70 postal facilities and found that financial information was reasonably and fairly represented in the accounting records, and internal controls were generally in place and effective. However, at 23 facilities, the OIG identified non-compliance with Postal Service instructions and minor weaknesses in internal controls. The OIG issued individual reports to address these issues and will issue a summary report providing Postal Service management with recommendations to address systemic issues. (For specific reports see Appendix A, page 87)

CONTRACTING AND FACILITIES REVIEWS

The Postal Service manages approximately $15 billion annually in contracts for essential goods and services, including facilities, transportation, mail processing equipment, and supplies. This makes the Postal Service one of the largest civilian contracting agencies in government. During FY 2001, postal purchases included over $570 million in noncompetitive contracts and over $310 million in credit card purchases. The Postal Service is also one of America's largest owners, developers, and managers of real estate, committing over $320 million in FY 2001 for repair, renovation, and construction of new facilities, and paying over $920 million in rent. The planned commitment has been reduced from the prior fiscal year because the Board of Governors requested that the Postal Service management take unprecedented action to immediately suspend new construction, new leasing, and facility expansion contract activity.

The OIG is responsible for contract audits designed to assist Postal Service contracting officers in determining fair and reasonable contract prices as well as providing them with reviews of contractor financial systems. In the past six months, the OIG conducted 46 reviews of contracting and facilities-related issues with the assistance of a contract audit agency, which specializes in pre-award and post-award contract audits. Also, the OIG has many open criminal investigations targeting fraud and corruption in these areas. Highlights of the most significant contracting and facilities reviews are as follows:

CONTRACT AUDITS IDENTIFIED OVER $167 MILLION IN QUESTIONED COSTS

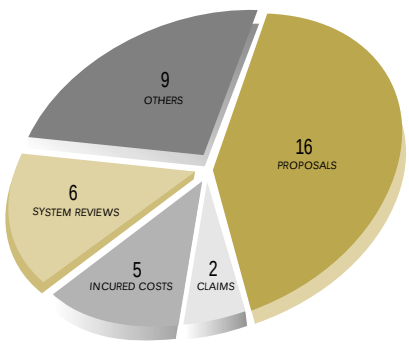
In the past six months, the OIG worked with the Defense Contract Audit Agency to complete 38 audits of contracts valued at over $227 million. These audits resulted in approximately $167 million in questioned and unsupported costs. The contract audits include: incurred cost audits that evaluate the reasonableness of costs incurred by contractors; proposal audits that evaluate the reasonableness of contractor cost estimates; defective pricing audits that are performed to determine whether contract prices significantly increased because of defective contractor pricing data; and contractor financial system audits, such as accounting, estimating, and billing systems that are reviewed to determine their adequacy to account for contract costs. These audits which are summarized in the graph in the margin focused on whether contractors':

- Proposed and incurred costs were allowable and reasonable;
- Pricing data was accurate, complete, and current; and
- Accounting systems for allocating costs to the Postal Service were adequate.

In addition to raising questions about cost, the audits disclosed that a major contractor did not have an adequate accounting system. Inadequate accounting systems may affect the accuracy of costs charged to Postal Service contracts. Following is a summary of three significant contract audits completed in the last six months:

- An audit questioned a contractor's entire price adjustment claim for over $163 million. The audit disclosed 13 accounting and operating practices that were inconsistent with what the contractor initially proposed. The OIG could not determine the impact of the inconsistencies on the allowability and reasonableness of the contractor's costs because the contractor did not provide sufficient documentation. Because of the absence of verifiable documentation to support cost and pricing data, the OIG questioned the entire claim amount. Postal Service management has

Types and Number of Contract Audits Completed



The OIG completed 38 audits of contracts valued at over $227 million

negotiated a settlement on this and other claims litigated by the contractor. (OIG CA-CAR-01-043)

- An audit of a contractor's $11.8 million price adjustment proposal disclosed over $1.6 million of questioned costs. In addition, the audit disclosed approximately $340,000 of costs incurred and billed to the Postal Service before a modification was issued to allow such costs. The proposal is for installing equipment that will collect, store, and analyze information at 21 mail transport equipment service centers. Even though the contractor's submitted cost or pricing data were partially inadequate, the proposal was acceptable for negotiating a fair and reasonable price. Postal Service contracting officers are in the process of determining whether to withhold questioned costs identified by this audit. (OIG CA-CAR-01-049)
- An audit of a contractor's approximately $7 million firm-fixed-price change proposal disclosed questioned costs of over $708,000. The majority of the questioned costs were the result of applying a 10.4 percent reduction factor to proposed subcontract cost based on historical savings achieved by the contractor in negotiations with its subcontractors. In addition, the subcontractor submitted an updated proposal reflecting a lower price. (OIG CA-CAR-01-069)

OIG investigative work aids Postal Service efforts to recover millions of dollars in damages associated with defective insulation applied to roofs of postal facilities.

$1.1 MILLION RECOVERED FROM CLASS ACTION SUIT

The Postal Service expects to recover millions of dollars in damages associated with defective insulation applied to roofs of postal facilities. To date, $1.1 million has been recovered through cooperation of the OIG and the Postal Service. Two manufacturers concealed the fact that certain roofing insulation corrodes metal roofing decks. The Postal Service has identified at least 58 facilities with defective material installed on the roofs.

REFRIGERANT VALUED AT $1 MILLION UNACCOUNTED FOR

An OIG audit found that the Postal Service allowed contractors to remove almost $1 million in refrigerants without ensuring that the refrigerants were credited to the Postal Service's stockpile account. The report also questioned the cost effectiveness of converting additional units. The Postal Service has initiated actions to develop a more accurate inventory and assess the cost effectiveness of converting additional units before expanding the program. (OIG FA-AR-01-002)

POSTAL CONTRACTOR WITHDRAWS $316,000 CLAIM

Claims of over $316,000 submitted by a postal contractor were withdrawn following an OIG investigation into overcharging. The Postal contractor filed the claims for remodeling an executive conference room at Postal Service headquarters. In addition to withdrawing the claim, the contractor agreed to pay False Claims Act fines and penalties of over $89,000.

CONTRACTOR DEBARRED FOR FRAUD

A construction contractor agreed to a 3-year debarment from postal contracting following an OIG investigation. The construction company overcharged the Postal Service approximately $228,000 by inflating quantities of materials used in the construction of postal facilities. The company agreed to repay the Postal Service for the cost of the investigation but has subsequently filed for bankruptcy.

SUPPLIER DIVERSITY PROGRAM STATISTICS UNRELIABLE

In response to a Governor's request, the OIG found that supplier diversity statistics for FY 1999 were unreliable because prime-contracting dollars awarded to small, minority, and woman-owned businesses were overstated, and subcontracting statistics were unsupported and unverified. Consequently, it was unclear whether the Postal Service was achieving its supplier diversity spending plans for FYs 1999 or 2000. Postal Service management agreed with our recommendations to improve data reliability and correct errors and the actions they have taken or planned will address the issues identified. (OIG CA-AR-01-005)

POSTAL SERVICE REDUCES SERVICE CONTRACTS

An OIG audit revealed that from March 1999 until March 2001, the Postal

Service reduced consulting service contracts by 38 percent and associated costs by more than $800 million. The OIG recommended and Postal Service management agreed to promptly revise the policies and procedures controlling contracted services to ensure that as the Postal Service reduces its workforce, it does not again become overly reliant on contract services. (OIG CA-AR-01-004)

PURCHASING REGULATIONS GENERALLY FOLLOWED

An OIG review found that most Postal Service contracting officers' representatives were properly administering contracts. However, the OIG found some isolated instances where contracts were improperly classified and managed. In addition, we found in some instances contract work orders were not issued, invoice certifications were not performed as required, and contractors' actual performance periods exceeded the contract completion dates. Further, the OIG found that contracting officer's representatives were insufficiently trained, improperly appointed and terminated, and separation of duties was inadequate. The OIG recommended and Postal Service management agreed to make additional improvements to the contract administrative procedures with regard to transfer and management of contracts, and proper execution of modifications, work orders, and invoice certifications. (OIG CA-AR-01-002)

LEGISLATIVE, REGULATORY & POLICY REVIEWS

During this reporting period, the OIG identified legislation, regulations, and policy affecting Postal Service financial management. Some of the legislation and regulations reviewed are highlighted below.

SUSPENSION AND DEBARMENT OF CONTRACTORS

In testimony submitted to Congress during the reporting period, the OIG noted postal policy and procedures regarding the suspension and debarment of contractors for fraud need improvement. Although the Postal Service administers $15 billion in contracts and has had numerous contractors convicted of fraud, only three contractors are currently debarred. The OIG believes this is caused, in part, because the Postal Service requires a higher standard of evidence than is required anywhere else in the federal government. This elevated standard is not required by law and inhibits the Postal Service from protecting itself from fraudulent contractors. The OIG identified these problems to Postal Service management over 2 years ago; however, to date, no action has been taken to revise the current procedures.

As a result of Congressional hearings held over 20 years ago, federal laws and executive orders were passed to ensure an effective and uniform government-wide debarment system to protect the government from contractors who engage in fraud. The Postal Service does not honor debarments by other federal agencies. As a result, contractors who have been convicted of defrauding other federal agencies, and have been debarred from contracting with those agencies, are free to contract with the Postal Service. The OIG will continue to pursue this matter with Postal Service management.

PROSECUTION OF KICKBACK ACTIVITY

The OIG recommends that Congress amend 41 U.S.C. §51 et seq., the Anti-Kickback Act, to include the Postal Service. Recently, the OIG brought prosecution against an individual who was engaging in kickback activity on contracts involving the Postal Service and various other agencies. The federal agencies involved were able to prosecute this individual under the Anti-Kickback Act. The Postal Service, however, was limited to mail fraud prosecution.

The substantial penalties assessed under the anti-kickback statutes (10-year prison terms and fines up to $250,000; $1,000,000 for business entities), would greatly help to deter kickbacks among prime contractors and their subcontractors on postal-related contracts. The significant fines would help to cover the costs of obtaining convictions. The administrative offsets authorized under the act would aid the Postal Service in recovering inflated costs charged by corrupt contractors to recoup kickbacks.

The OIG will continue to pursue this matter and will make a formal recommendation to Congress.

OIG auditors sample mail for cost and revenue analysis tests.

PROPOSED LEGISLATION

H.R. 2547 — Erroneous Payments Recovery Act of 2001

This bill would require certain executive agencies to carry out a cost-effective program for identifying any errors made in paying contractors and for recovering any amounts erroneously paid to contractors. The OIG believes this legislation could be of benefit to the Postal Service, however, as written, it would not be applicable. The OIG is initiating work to identify and recover erroneous payments.

S. 1358 — Federal Facility Energy Management Act of 2001

This act would revise Federal building energy efficiency performance standards that would require the Postal Service to become more energy efficient. This bill incorporates the Federal Energy Bank concept featured in S. 95, which required the Postal Service and other federal agencies to pay a percentage of its utility payments to the Treasury to assist in financing energy efficient projects. The act does not require such payments from the Postal Service. Unlike S. 95 it would not negatively affect Postal Service finances.

H.R. 2681— Davis-Bacon Enforcement Act of 2001

The Davis-Bacon Act governs the wages paid to workers contracted by the federal government to build or repair public buildings or public works. This bill would amend the Davis-Bacon Act to provide that contractors who have repeatedly violated the Act would have all Federal contracts canceled, and be ineligible for new contracts for a 10-year period. It would also require disclosure of certain payroll information under such contracts.

The bill could provide the Postal Service an additional tool for preventing this form of fraud by debarring contractors who have engaged in such activity.

INSPECTION SERVICE

Within the financial management area, the Inspection Service performs revenue investigations to help ensure that Postal Service revenue is properly assessed and collected. Priority is given to investigations of alleged schemes to avoid payment of postage and to identify, pursue, and seek prosecutive actions against violators through civil, administrative, and criminal remedies.

Postal Inspectors focus on revenue investigations where there is customer intent to defraud the Postal Service. In the last six months, there were 33 arrests and 53 successful criminal convictions resulting from revenue investigations.

Further, the Inspection Service investigates embezzlements involving employee theft from cash drawers and schemes involving postal money orders. Postal Inspectors initiated 370 investigations of employee embezzlement this reporting period, which documented losses of over $2.6 million. Examples of investigations in this area are summarized below.

- A Kentucky mailer settled a false-claims action with a $250,000 payment to the Postal Service. Postal Inspectors found the mailer had circumvented the Postal Service's verification procedures to hide the fact that the mailer was not earning the claimed postage discounts. The mailer knew in advance which trays of mail the Postal Service would test for accuracy, giving the individual ample opportunity to control the test results.
- A North Carolina Postmaster was convicted of embezzling more than $250,000 from five bulk mail accounts over a six-year period. Customers had been paying the Postmaster directly for mailings, and the Postmaster was processing large mailings at no charge. The Postmaster embezzled the difference in cash or money orders, and used $10,000 in postal funds to pay for medical bills and college expenses.
- A Texas supervisor was sentenced to one year and three months in prison, three years' probation and ordered to make full restitution of over $137,000. The supervisor directed clerks to issue postal money orders to fake companies for postage meter refunds. The money orders were then cashed or placed in a bank account under the supervisor's control.

DID YOU KNOW?

How long has the Inspection Service protected the US mails?

For over 200 years Postal Inspectors have protected the mail and US citizens to ensure that the public's confidence in the mail is not undermined.

Honoring Those Who Served
The United States of America
33

Technology Reviews

US POSTAL SERVICE

THIS SECTION INCLUDES

OFFICE OF INSPECTOR GENERAL

- Developmental Reviews
- Information Systems Reviews
- Systems Development Reviews
- eCommerce Reviews
- Computer Intrusion Investigation Activities

INSPECTION SERVICE

The OIG evaluated the Tray Management System, which was designed to automate the movement and staging of mail in Postal Service processing and distribution centers.

This section highlights audits, reviews, and investigations performed by the OIG and summarizes Inspection Service activities in the technology area. Report numbers are shown in parentheses after the narrative, as appropriate. In order to differentiate the work reported by the OIG and Inspection Service, the page containing the activities reported by the Inspection Service has been color screened.

OFFICE OF INSPECTOR GENERAL

The Postal Service recognizes that technology, including electronic commerce, is key to productivity and affordability. Through technology, the Postal Service is able to handle more than 660 million pieces of mail every day and maintain its network of over 38,000 post offices and facilities. Its technology strategy is to provide convenient access to all customers on a daily basis through increasingly sophisticated retail systems, expansion in new electronic access channels, and electronic linkages that integrate customer and postal processes. In addition, the Postal Service is using modern technology, such as NetPost™ Mailing Online, NetPost™ Cardstore, and eBillPay™. These initiatives will improve and build on its existing services and relationships with customers and continue meeting traditional customer demands.

The recent terrorist attacks have demonstrated how the postal infrastructure, including information systems, are vulnerable to attacks. Computer systems are a critical component of every aspect of postal operations that must be protected from potential cyber-terrorism to prevent disruption in service. Technology investments not only need to be scrutinized to minimize the risk of disclosure or compromise, but also to ensure that sound business decisions are made. This is particularly important as the Postal Service reviews several technologies to identify an efficient, effective, and safe method to sanitize mail.

OIG reviews have covered developmental systems, information systems, electronic commerce, and computer intrusion detection activities. In the past six months, the OIG performed 20 reviews in the technology area which are highlighted below:

DEVELOPMENTAL REVIEWS

The Postal Service is developing 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 the business need has been identified, a solution is developed which is followed by the proof of concept or first article test and final deployment. The OIG understands the importance of reviewing these systems as they are developed and has completed six audits of major projects currently under development during the reporting period. These reviews are highlighted below:

DECISION ANALYSIS REPORT PROCESS CAN BE IMPROVED

The Decision Analysis Report validation process ensures projects are adequately justified for approval. An OIG audit found that the Postal Service generally followed the established capital project approval process for the major projects reviewed. However, several projects were not adequately validated and were approved without consideration of all test results. In addition, there was not adequate support for savings and costs methodology, or complete cost estimates for spare parts. The OIG also noted limitations in the mechanisms for reporting project performance to Postal Service management. The OIG recommended and Postal Service management has taken action to require complete documentation and analysis for validating and monitoring project performance; develop policies and procedures for selecting and monitoring projects for cost studies; and reassess the procedures to perform cost studies. Postal Service management also agreed to select effective performance measures to report project performance.
(OIG DA-AR-01-005)

FURTHER DEPLOYMENT OF TRAY MANAGEMENT SYSTEM SHOULD BE REASSESSED

An OIG audit determined that the work hour impact of the Tray Management System at the nine facilities reviewed did not justify the cost of deployment. An analysis of work hour and volume changes at these facilities through FY 2000 highlighted that the system had not achieved projected labor savings. In addition, the total volume increases and work hour reductions experienced at the nine facilities were not materially different than those at comparable facilities without systems. The OIG recommended and Postal Service management agreed to reassess whether continued deployment of the Tray Management System was in the best financial and operational interest of the Postal Service. (OIG-DA-AR-01-007)

PostalOne! SYSTEM COULD BE IMPROVED

An OIG audit found that although the *PostalOne!* system is in its early stages of development, the Postal Service should rewrite the business case to reflect current technology and integration with the Information Platform. In addition, the audit found that the Postal Service should improve security measures and communication with its mailer participants. *PostalOne!* Business Customer Support Systems Phase One is a key initiative the Postal Service is developing under its Information Platform and is intended to link the Postal Service and its business mailers. The Information Platform is designed to connect systems for the electronic exchange of real time information between the Postal Service, its customers, and postal facilities. The OIG identified nine areas for improvement and Postal Service management agreed with all of the OIG's findings and have taken action to address the recommendations.
(OIG DA-AR-01-004)

MERLIN IS AN IMPROVEMENT OVER CURRENT MANUAL MAIL PROCESSING

An OIG audit found the Mailing Evaluation, Readability, and Lookup Instrument, commonly known as MERLIN, demonstrated the potential to be an effective tool that could add value to the business mail acceptance process. Based on observations of machine performance and existing acceptance techniques, the instrument is an improvement over the current manual process. While the OIG identified potential areas for improvement, none of these areas were critical to the success of the program. Although the OIG made no suggestions in the report, Postal Service management has plans to enhance system performance through software improvements and operator training.
(OIG DA-MA-01-002)

POS ONE STAGE 3 REVIEW IDENTIFIES OPPORTUNITIES FOR IMPROVEMENT BEFORE DEPLOYMENT

The OIG reviewed the Point of Service ONE, commonly known as POS ONE Stage 3 to follow-up on issues relating to overall system performance before its final deployment. The POS ONE system is a Postal Service retail system intended to replace aging and outdated integrated retail terminals at post office windows. The OIG did not observe any critical issues with the system that would delay the program. However, the OIG identified two areas where there is opportunity for improvement. Specifically, the OIG found an increase in system lockups that impacted customer service. Also, Postal Service management did not effectively communicate nor provide training on the established standard policy to handle help desk calls. Postal Service management is working to complete corrective actions.
(OIG DA-MA-01-003)

SINGULATE, SCAN, INDUCTION UNIT PRODUCTIVITY SAVINGS ARE ATTAINABLE

The OIG concluded that increased productivity attributable to the Singulate, Scan, Induction Unit should enable the Postal Service to achieve significant work hour savings. The unit automates the processing of barcoded parcels onto bulk mail center sortation equipment. In September 1999, the Postal Service Board of Governors approved an investment of approximately $103 million to deploy the units in all 21 bulk mail centers to process secondary parcel sorter volume. The audit found 18 of 21 Bulk Mail Center sites are

An OIG audit found the Mailing Evaluation, Readability, and Lookup Instrument commonly known as MERLIN had the potential to be an effective tool that could add value to the business mail acceptance process.

An OIG review concluded that the Singulate, Scan, Induction Unit, which automates the processing of bar-coded parcels onto bulk mail center sortation equipment, should enable the Postal Service to achieve significant work hour savings.

experiencing delays that will postpone approximately $9 million in savings and may reduce the return on investment. In addition, first article test results for the unit showed that certain functional capabilities measured were not achieved. Although certain areas did not meet performance requirements, Postal Service management granted conditional acceptance and approved full deployment. The OIG recommended and Postal Service management agreed to validate completion dates for the remaining bulk mail center sites and update the deployment schedule accordingly; recompute labor savings and return on investments based on the revised deployment schedule; and ensure that senior management reevaluate capital investments that are not meeting performance expectations before continued deployment. (OIG DA-AR-01-006)

INFORMATION SYSTEMS REVIEWS

The Postal Service relies on a massive computer infrastructure to accomplish and streamline operations, manage one of the largest civilian workforces in the world, and move billions of pieces of mail each year. The Postal Service has initiated several information technology projects to enhance efficiency and increase revenue. However, computer security needs to be maintained and improved to reduce the risk of fraud, inappropriate disclosure of sensitive data, unauthorized disclosure of customer information, and disruption of critical operations and services. The OIG has initiated reviews of Postal Service information systems under development, a major telecommunications review and an annual assessment of general controls at major processing centers. The most significant reviews are highlighted below:

SERVER TESTS IDENTIFY VULNERABILITIES

The OIG issued nine technical reports on the results of vulnerability tests of selected networks within the Postal Service network infrastructure. The OIG noted various weaknesses in the server systems that required remedial action to reduce security risks. As requested by Postal Service managers, OIG categorized the risks into high, medium, and low vulnerabilities to help management focus its resources for corrective actions. The reports contain a CD-ROM with detailed information on the vulnerabilities identified for each server, and the potential impacts if the security exposures are exploited. The reports will assist managers and system administrators in locating weaknesses, establishing priorities for corrective actions, making immediate repairs, and evaluating the completeness of baseline security model for the selected servers. Postal Service management is using this information to strengthen network security. (OIG IS-CS-01-005 through OIG IS-CS-01-013)

TELECOMMUNICATIONS NETWORK IMPROVEMENTS NEEDED

The OIG and contractor personnel conducted network vulnerability assessments from the Internet and the Postal Service's Intranet (its internal network). The tests could not penetrate the Postal Service's telecommunications network from the Internet. The OIG made recommendations for policy clarification, employee training, and strengthening server security. The OIG also recommended that telecommunications controls be improved. Postal Service management agreed with our recommendations and proposed a comprehensive corrective action plan. (OIG IS-AR-01-001)

CONTROLS OVER OPERATING SYSTEM COULD BE STRENGTHENED

An OIG review of UNIX operating system controls at a Postal Service Data Information Technology and Accounting Service Center determined that access and password controls need to be strengthened to prevent unauthorized access to financial information. The review focused on two major systems. Postal Service management agreed with our recommendations to strengthen access controls. Specific recommendations included disabling user accounts that do not have passwords, and assigning security parameters to age all passwords. Additionally, periods of inactivity will be measured and dormant accounts will be disabled or deleted. Appropriate authorizing documentation will be obtained before establishing new accounts. (OIG IS-AR-01-002)

COMPUTER SECURITY WEAKNESSES IDENTIFIED

An OIG audit of security access controls at a Customer Support Center found weaknesses in the implementation and maintenance of the computer security software used to protect Postal Service resources. The OIG also identified control weaknesses over user access to critical Postal Service products and services, and with the site's disaster recovery plan. Postal Service management agreed with our recommendations and have planned or taken actions to strengthen the weaknesses identified. (OIG IS-AR-01-003)

SYSTEMS DEVELOPMENT REVIEWS

Reviewing systems during the development process provides an opportunity to identify potential development cost and time savings, and a greater assurance that appropriate internal controls will be included in the completed system. Best practices show that it is 50 to 100 times more costly to make changes after a system is placed into production. The OIG has initiated a comprehensive review examining four systems under development including the eServices Registration, Delivery Unit Notification System, Facilities Database, and Vehicle Operations Information System. The OIG has completed the initial fieldwork on these systems and has identified concerns including insufficient planning and documentation, inadequate requirements definition, lack of end-user involvement throughout the process, incomplete test plans, and lack of validation testing. Within three days of fieldwork completion, the OIG provided officials with the preliminary results on the first system, eServices Registration, which was scheduled for implementation in October 2001. As a result, Postal Service management agreed to suspend the implementation of the system until immediate corrective actions could be made to address the findings. The OIG will continue to conduct these reviews over the next several months, and report the results for immediate action.

eCOMMERCE REVIEWS

The Postal Service continues to provide customers with new online products and services to enhance customers' personal and business lives. Some of the newer services available through the website www.USPS.com include MoversGuide, new features under USPS eBillPay™, and NetPost™ Cardstore. In addition, the Postal Service continues to improve the performance and usability of its web presence to ensure secure access and the protection of customer privacy. eCommerce initiatives have been consolidated under the Products Development group, reporting to the Chief Marketing Officer. The reorganization will help the Postal Service focus on those initiatives supporting the core products and contribute to revenue.

The OIG is committed to helping the Postal Service meet the eCommerce challenge. OIG efforts during this period focused on the security and management of USPS.com as well as identity theft and customer privacy. Two of these efforts are highlighted below:

USPS.COM MANAGEMENT AND SECURITY CAN BE ENHANCED

The OIG evaluated the management and security of the Postal Service's website, USPS.com. The audit evaluated whether the required pre-implementation security review was prepared, contractor access to USPS.com was restricted, and a plan to migrate USPS.com to a contractor site had been prepared. The OIG recommended and Postal Service management agreed to complete the certification and accreditation review for the contractor-hosted portion of USPS.com and ensure security requirements are met for applications housed on it, and strictly control and monitor remote access to the production environment. Postal Service management also agreed to enforce Postal Service policy, which requires all eBusiness initiatives to follow the change management process and prepare a comprehensive migration plan. (OIG EC-AR-01-003)

EFFORTS TO PREVENT IDENTITY THEFT

Based on a request from a Governor, the OIG assessed whether the Postal Service is subject to identity theft. Identity theft refers to crimes in which an individual wrongfully obtains and uses another's personal data, such as names, Social Security numbers, home addresses, and credit card numbers, for eco-

The OIG audits the Information Platform and its core systems: *PostalOne,* Delivery Operations Information System, Processing Operations Information Systems and Surface-Air Management System. These reviews provide the Postal Service valuable information for systems developement.

The OIG produced a series of technical reports on server vulnerabilities that enabled postal managers to take timely action.

DID YOU KNOW?

What is computer "hacking"?

Computer hacking occurs when someone within or outside the Postal Service illegally attempts to gain entry into the Postal Service computer systems. The OIG's computer intrusion unit detects and investigates hacking attempts on Postal Service computer systems.

nomic gain. The OIG prepared a report that highlighted identity theft issues. In one review, the OIG identified the theft of Postal Service employees' health care insurance information, which was utilized to obtain over $900,000 in fraudulent payments. In another review, the OIG identified vulnerabilities in Postal Service network servers that assisted Postal Service management in improving their network infrastructure. The OIG also evaluated eCommerce systems and recommended stronger controls over personal information and will continue to investigate identity theft as it relates to health care insurance fraud. The Postal Service appointed a chief privacy officer and a chief information security officer, and in November 2000, the Board of Governors approved additional funds for a project to further strengthen security and privacy. (OIG EC-MA-01-001)

COMPUTER INTRUSION ACTIVITIES

The OIG Computer Intrusion Team investigates criminal violations of state and federal laws enacted to protect the authenticity, privacy, integrity, and availability of electronically stored and transmitted information. Rapidly expanding eCommerce ventures make the protection of postal information systems critical to the financial viability of the Postal Service. Because such ventures involve connectivity between postal systems and eCommerce partners, the Computer Intrusion Team conducts investigations of attacks upon the security of those systems in order to maintain the integrity of eCommerce information. The team informs Postal Service management and eCommerce partners regarding emerging threats to information systems, and assists them in identifying and eliminating potential vulnerabilities. These efforts include recommending best practices relating to security policies, information systems, and eCommerce procedures. During this reporting period the OIG has completed a number of investigations and provided technical assistance to the Postal Service. Some of these efforts are highlighted below.

OIG JOINS POSTAL SERVICE COMPUTER INCIDENT RESPONSE TEAM

At the recommendation of the OIG, the Postal Service advanced its computer security efforts through the establishment of the Postal Service Computer Incident Response Team. This team consists of members of the OIG Computer Intrusion Unit, postal network administrators, and security professionals who have received special training in the handling of computer incidents. The mission of the Postal Service Computer Incident Response Team is to enable the Postal Service to achieve its business and risk management goals by responding to computer incidents as quickly and effectively as possible. The OIG agent assigned to the team provides investigative assistance regarding computer incidents that are of a criminal nature and coordinates computer crime investigations with other law enforcement agencies.

OIG COMPUTER INTRUSION UNIT AND POSTAL SERVICE COMPUTER INCIDENT RESPONSE TEAM RESPONDS TO CODE RED II WORM

The OIG, operating in concert with the Postal Service Computer Incident Response Team, successfully responded to Code Red II worm infections of Postal Service networks. These malicious self-propagating programs, which operate on the Internet and compromise vulnerable computer systems, spread across the entire postal network and degrade network capabilities. The spread of the worms was quickly contained and efforts to eradicate it from postal networks were immediately initiated. The source of the infection was traced to a computer with a modem being utilized in conjunction with a commercial Internet Service Provider while also attached to the postal internal network. This dual interfaced computer was the gateway utilized by the Code Red II worm to infest the postal network. The Postal Service estimates costs associated with this incident to exceed one million dollars.

VULNERABILITY ASSESSMENTS IDENTIFY NETWORK WEAKNESSES

The OIG conducts network vulnerability assessments to assist the Postal Service in identifying and correcting information technology security weaknesses. The OIG completed five assessments and issued reports that noted various weaknesses in the security of 20 systems. The reports provided information on the vulnerabilities identified, the potential impacts if the security exposures are exploited, and the avenues for corrective action. The reports will assist Postal Service managers in establishing priorities for corrective actions, making immediate repairs, and evaluating the completeness of security for the selected systems. Postal Service management is using this information to strengthen network security.

OIG COMMENTS ON INTERNET POLICIES

Working with the Postal Service's Chief Privacy Officer, the OIG commented on the Postal Service's Web Privacy Commitment Statement. The OIG recommended the policy address prohibited web collection devices and address web banners and buttons, and the need for clearer data access and data rights contract clauses. Additionally, the OIG provided comments on the draft of Publication 361, United States Postal Service Certificate Policy for Electronic Identity Certifications. They recommended the Postal Service conduct periodic reviews of this program, separate from the OIG oversight role.

OIG WORKS WITH POSTAL MANAGEMENT TO PROTECT CRITICAL INFRASTRUCTURE

Former President Clinton issued Presidential Decision Directive 63 on May 22, 1998, to ensure that all critical national infrastructure assets – both physical and cyber – were protected against terrorist or criminal attack by the year 2003. When the directive was first issued, there was some confusion among many agencies, including the Postal Service, as to whether the directive applied to them. Since that time, the OIG and the Postal Service Law Department have examined the directive and determined that although the Postal Service is generally exempt from executive orders or other directives pertaining to executive agency or administrative functions, it is subject to those reflecting the President's inherent constitutional authority in the area of national security. Because the directive is a national security directive, it applies to the Postal Service. Postal Service management is working to comply with the requirements of the directive.

The Critical Infrastructure Assurance Office of the Department of Commerce was created by the directive to assist government agencies to identify and protect critical infrastructure assets and systems. Because universal mail service is a vital national asset, the OIG recommended that the Postal Service work with the Critical Infrastructure Assurance Office to identify postal systems essential to the operation of the federal government, assess the vulnerabilities of these systems, and implement appropriate protective measures.

The tragic events at the World Trade Center, the Pentagon, and the recent anthrax attacks highlighted our nation's vulnerability to terrorism, and demonstrated the impact such events can have on government and commercial operations on a national scale. In light of the increased threat, the Postal Service must devote heightened attention to protecting its important transportation, communications, computer networks, and other critical operations and systems from terrorist and criminal attacks.

ENHANCEMENT OF POSTAL SERVICE COMPUTER SECURITY

In a September 2000 report on computer security in the Postal Service, the OIG identified that existing postal policy was inadequate to provide sufficient protection for the Postal Service's computer systems. Postal Service management agreed with this finding and had already initiated analysis and revision of the Administrative Support Manual and Computer Security Handbook to address this concern. The OIG met informally with Postal Service management and staff throughout the revision process to provide input. In May 2001, the OIG provided formal comments and made several suggestions to improve Postal Service policy on matters of computer security some of which included:

The OIG evaluates vital mail systems, such as the Automated Flat Sorting Machine, which automates processing of mail larger than a letter by incorporating on-site barcode technology.

The OIG performs information systems reviews and penetration tests of Postal Service network servers.

- Clarifying the roles and duties of those officials responsible for computer security;
- Ensuring that appropriate computer security clauses are included in contracts or agreements with third parties, and;
- Enhancing existing controls and the authority of appropriate postal officials to monitor or limit access to postal computer systems.

The Postal Service plans to issue the revised computer security policy soon. The OIG will continue to work with Postal Service management to strengthen Postal Service policy in this area.

INSPECTION SERVICE

The Inspection Service plays an important role in the support of Postal Service eCommerce initiatives and technical applications. The Inspection Service evaluates the need for and processes security clearances of employees and contractors accessing postal systems or sensitive information. The Inspection Service also evaluates all Postal Service new electronic products, including: eBillPay™, NetPost™ Mailing Online, and NetPost™ Certified, and enterprise public key infrastructure. The Inspection Service also monitors and reviews the physical security of individual systems before and after implementation.

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Labor Management Reviews

US POSTAL SERVICE

THIS SECTION INCLUDES

OFFICE OF INSPECTOR GENERAL

- Workplace Environment Reviews
- Human Resource Process Reviews
- Health Care Reviews
- Legislative, Regulatory & Policy Reviews

INSPECTION SERVICE

DID YOU KNOW?

Which Postmaster General initiated the free city mail delivery?

Montgomery Blair, President Abraham Lincoln's Postmaster General, introduced free city mail delivery service on July 1, 1863. On that date, 449 letter carriers started to deliver mail in 49 cities. Prior to free mail delivery the customer had to take a letter to the post office to mail it, and the addressee had to pick up the letter at the post office, unless he or she lived in one of about 40 big cities where a carrier would deliver it to the home address for an extra penny or two.

This section highlights audits, reviews, and investigations performed by the OIG and the Inspection Service in the labor management area. Report numbers are shown in parentheses after the narrative, as appropriate. Also, the OIG legislative and regulatory reviews are included at the end of this section. In order to differentiate the work reported by the OIG and Inspection Service, the page containing the work reported by the Inspection Service has been color screened.

OFFICE OF INSPECTOR GENERAL

The Postal Service has characterized labor management as one of the most important challenges in achieving its goals in the 21st century. With almost 900,000 full and part-time employees working at more than 38,000 facilities nationwide, the Postal Service recognizes that to operate effectively, in a rapidly changing environment, it needs to give employee issues a higher priority and enhance each employee's contribution to organizational performance. Additionally, in light of recent terrorist attacks, including cases involving the transport of anthrax through the mail, the Postal Service must take every precaution to ensure the safety and well being of its employees. The OIG supports the Postal Service in its overall goal of fostering an inclusive and welcoming workplace consistent with the Postal Service values of fairness, opportunity, safety, and security. The labor management area includes issues involving workplace environment, human resource processes, and health care. While the OIG has worked diligently and closely with the Postal Service and Congress to address these issues, reviewing labor management areas continues to be one of the OIG's greatest challenges. The OIG has received over 3,300 individual labor management complaints since 1997. During this reporting period, the OIG conducted 74 reviews and 11 investigations in the labor management area.

WORKPLACE ENVIRONMENT REVIEWS

The Postal Service believes that signs of workplace stress are present and that comprehensive steps are needed to improve the workplace environment, including aligning human resources with business requirements. During this reporting period, the OIG completed 69 reviews of workplace environment issues. While reviews indicate problems at individual locations, they are not necessarily indicative of the nationwide Postal Service work environment.

WORKPLACE ENVIRONMENT NEEDED IMPROVEMENT

OIG audits found tense and stressful work environments at four postal locations, which occurred because of abusive management styles and aggressive measures used by managers to improve employee performance. To correct these problems, the OIG recommended, and Postal Service management agreed, to:

- Reassign abusive managers at one of the locations.
- Provide training to managers on human relations, conflict management, and communication skills at all four locations.
- Conduct formal climate assessments at three locations.

(OIG LB-LA-01-003, OIG LB-LA-01-018, OIG LB-AR-01-017, and OIG LB-AR-01-019)

IMPROVEMENTS UNDERWAY IN VIOLENCE PREVENTION AND RESPONSE PROGRAMS

An OIG summary report disclosed 25 Postal Service districts generally followed established criteria when reacting to incidents of violence, but did not fully implement preventive strategies. Postal Service management took action to conduct the required annual security reviews, provide required violence awareness training, and ensure that customized crisis management plans were on site at district facilities. (OIG LB-AR-01-020)

HUMAN RESOURCE PROCESS REVIEWS

Postal Service managers are responsible for preserving and protecting official records and privacy information. In addition, managers must avoid conflicts of interest, which could affect both the public's trust and confidence in

human resource processes. Postal Service managers are also responsible for complying with existing policies and procedures regarding sexual harassment, overtime, leave, compensation and benefits, and training. The OIG has completed several audits to assess controls over these processes, some of which are highlighted below:

TIMELY ACTION TAKEN TO CONTROL ADMINISTRATIVE LEAVE ABUSE

An OIG audit resulted in estimated savings of about $3 million concerning administrative leave for calendar year 2001. The audit found that employees in two Pacific Area districts remained on administrative leave beyond 30 days resulting in $249,000 in unnecessary costs. In response to OIG recommendations, Postal Service management took quick action to remove other employees from administrative leave, as appropriate; clarify policies for administering and overseeing administrative leave use; and ensure that all leave slips are accurately completed. Postal Service management also committed to ensuring there was a sound business reason for having any employee on administrative leave beyond 30 days.
(OIG LC-AR-01-008)

PROHIBITED HIRING AND EMPLOYMENT PRACTICES FOUND IN A SOUTHWEST AREA DISTRICT

The OIG determined that personnel actions approved in a Southwest Area district caused employees to question the fairness of the selection process when members of a manager's family applied for vacant positions. The review also noted that 20 members of the same family were employed in the district, 10 of whom worked in stations that reported directly or indirectly to the postmaster to whom they were related. The OIG recommended and Postal Service management agreed to establish controls to help avoid the appearance of unfairness and to determine whether management's actions in a Southwest Area district violated Postal Service and statutory nepotism prohibitions. (OIG LC-AR-01-007)

HEALTH CARE REVIEWS

In FY 2001, the Postal Service paid over $730 million for employee injury claims, a $60 million increase over the $670 million paid in FY 2000. Controlling injury claims costs continues to be key to the Postal Service's financial well being because the Postal Service is self-insured for workers' compensation costs and makes payments out of operating funds, which directly affects the Postal Service's net income.

The OIG assists in protecting the health and welfare of the Postal Service's workforce by conducting audits and investigations to prevent and detect fraud, waste, abuse, and mismanagement related to Postal Service health care program costs. In the past six months, the OIG completed two audits and five investigations in this area. As part of its investigative program, the OIG initiated projects to identify improper billing practices, such as false claims and false statements by health care providers. During this reporting period, OIG health care fraud investigations have resulted in 7 arrests, 4 indictments, and 11 convictions. Some activities are highlighted below:

- A two-year multi-agency undercover investigation resulted in 6 convictions of physicians for violations related to health care fraud. They were subsequently debarred from the Department of Labor, Office of Workers' Compensation Program. The investigation identified several medical providers engaged in widespread conspiracies to defraud health care programs managed by the federal government. The medical providers routinely submitted claims for services not rendered, inflated fees to maximize reimbursements regardless of medical necessity, and misrepresented services rendered through widespread billing manipulation, including workers' compensation fraud.
- Another two-year multi-agency investigation identified several individuals who collected more than $20 million dollars in fraudulently obtained insurance payments. The investigation disclosed that patient information, including that of Postal Service employees, was illegally obtained to submit false medical bills to various medical insurance plans from fictitious medical providers. The

A multi-agency OIG investigation resulted in arrests for health care fraud.

investigation resulted in over $500,000 in restitution to various medical providers, 6 arrests, and 2 convictions.

IMPROVEMENTS NEEDED IN ADMINISTERING LEAVE BENEFITS

Two OIG audits identified opportunities for improving the process of administering leave benefits received after a traumatic workplace injury. Specifically, the OIG found that supervisors did not always request authorization before providing leave benefits. In addition, staff did not always monitor and accurately calculate this benefit for employees. The OIG recommended and Postal Service management agreed to issue policy requiring advanced authorization of this benefit; perform weekly reconciliation of employees' receiving this benefit; and provide training on how to accurately calculate leave benefits. (OIG HC-AR-01-001 and OIG HC-AR-01-002)

LEGISLATIVE, REGULATORY & POLICY REVIEWS

During this reporting period, the OIG identified legislation, regulations, and policies affecting Postal Service labor management. One policy reviewed during this period is highlighted below.

WHISTLEBLOWER PROTECTION

When a Postal Service employee contacts the OIG to report waste, fraud, and abuse, it is imperative that they can do so without reprisal. The OIG has worked closely with the Postal Service and Congress since its inception to address this issue. In May 2001, former Postmaster General William J. Henderson signed a directive that enhanced existing Postal Service whistleblower protection for all postal employees to make it similar to federal government employee safeguards under the Whistleblower Protection Act. The Postal Service agreed to change its whistleblower protection policies and procedures to provide for the investigation of reprisal complaints, and resolution by an independent decisionmaker if the parties cannot resolve the complaint. The OIG provided comments to the Postal Service regarding revisions to its Employee and Labor Relations Manual, designed to implement whistleblower protection. However, these and other needed changes have not yet been made, and the OIG is concerned that the delay in time may affect employees' willingness to bring issues to the OIG's attention.

INSPECTION SERVICE

Postal Inspectors investigate a number of labor management relations areas, including workplace safety, postal robberies, drugs in the workplace, and workers' compensation investigations.

Postal Inspectors also partnered with Postal Service management and employee groups in early interventions and other efforts to prevent violence in the workplace. During this period there were 187 arrests and 142 convictions for assaults and threats and 29 arrests and 30 convictions related to robberies. In addition, 11 individuals were arrested and 15 convicted for the sale of drugs on postal property. Also, 25 individuals were arrested and 19 were convicted for workers' compensation fraud. Examples of workers' compensation fraud are highlighted below:

- As a result of a seven-year investigation, a former Ohio letter carrier was sentenced to two years in prison, with the court ordering restitution of over $190,000, and a $1,200 special assessment for providing false statements to obtain federal employees' compensation benefits. The former letter carrier alleged he was totally physically disabled and claimed he could not lift over 10 pounds, bend, stand on concrete and must nap four hours per day. The investigation disclosed that the former employee, who was involved in power lifting since 1987, misled physicians about true physical abilities. The investigation further revealed that the claimant power lifted 5 - 6 times per week and was involved in powerlifting competitions lifting over 400 pounds.
- A former Minnesota letter carrier was sentenced to eight months in prison with work release privileges, three years' probation and ordered to pay over $55,000 in restitution for providing false statements to obtain federal employees' compensation benefits. The former employee concealed employment as a high school coach and misrepresented physical abilities.

DID YOU KNOW?

When was the Postmaster General position created?

The Postal Service is the second oldest department or agency of the present United States of America. On July 26, 1775, members of the Second Continental Congress, meeting in Philadelphia, agreed "… that the Postmaster General be appointed for the United States, who shall hold his office at Philadelphia, and shall be allowed a salary of $1,000 per annum…"

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Oversight of the Inspection Service and Other Significant Activities

US POSTAL SERVICE
THIS SECTION INCLUDES

OFFICE OF INSPECTOR GENERAL

Oversight Reviews

Other Significant Activities

INSPECTION SERVICE

DID YOU KNOW?

What are the OIG's values?

The OIG's core values are teamwork, leadership, creativity, communication, and conceptualization (TLC3).

This section highlights audits, reviews, and investigations performed by the OIG in conducting its oversight of the Inspection Service. This section also highlights reviews and investigations performed by the OIG and summerizes Inspection Service activities in other significant areas. Report numbers are shown in parentheses after the narrative, as appropriate. In order to differentiate the work reported by the OIG and Inspection Service, the page containing the activities reported by the Inspection Service has been color screened.

OFFICE OF INSPECTOR GENERAL

OVERSIGHT REVIEWS

One of the primary reasons the OIG was established within the Postal Service was to provide oversight of all Inspection Service activities. The Inspector General Act, as amended, provides for the OIG to conduct, supervise, coordinate, and provide policy direction for investigations, including those of the Inspection Service relating to the programs and operations of the Postal Service.

In addition, the 1996 amendment of the Inspector General Act provided specific "oversight responsibility for all activities of the Inspection Service, including any internal investigations performed by the Inspection Service." This additional authority means that any and all activities of the Inspection Service are subject to the OIG's scrutiny and review, except as it may be limited by the Governors, for specific reasons and with notification to Congress.

The OIG provides independent and objective information and analyses regarding Inspection Service operations. In addition, the OIG keeps the Governors, Congress, and postal stakeholders fully informed of Postal Service law enforcement efforts to detect and prevent fraud, waste, abuse, and mismanagement, by reporting the activities of the OIG and the Inspection Service.

As a law enforcement agency, it is essential that the Inspection Service be held to the highest standards of conduct to maintain the public's trust and the Postal Service's reputation of reliability. During the last six months, the OIG completed 13 oversight reviews that identified potential savings of about $2 million, as well as numerous monitoring activities, some of which are highlighted below:

SERVICE INVESTIGATIONS COULD BE DONE MORE ECONOMICALLY

An OIG audit found that the Postal Service could put approximately $2 million to better use over the next five years by utilizing non-law enforcement Postal Service personnel to conduct service investigations. These reviews are neither criminal in nature nor investigations. Rather, they are observations of mail conditions and verifications of mail statistics reported to Postal Service management. These reviews are currently more expensive because they are conducted by criminal investigators, who receive premium pay. The Inspection Service justifies these reviews, stating that investigators assigned to them devote at least 50 percent of their time to law enforcement duties, including assessing security issues.

Postal Service management disagreed with the OIG's recommendation to use non-investigative personnel for these reviews, stating that Postal Service customers want the Inspection Service to monitor mail conditions, and that they provide a level of independence and credibility not provided by others. However, the OIG determined that the vast majority of Postal Service customers did not know the Inspection Service conducted the reviews and had no objection to other Postal Service personnel, who are not criminal investigators, conducting the work. These disagreements are being addressed by the Governors through the audit resolution process. The OIG maintains that utilizing non-law enforcement personnel to conduct these reviews would allow Postal Inspectors to devote their time to important criminal investigations, such as anthrax in the mail. (OIG OV-AR-01-003)

INVESTIGATIONS DO NOT DIRECTLY SUPPORT FINANCIAL GOALS

The Inspection Service investigates fraudu-

lent activity directed at other government agencies to ensure the sanctity and security of the mail. An OIG audit revealed that these investigations, which are funded by postal ratepayers, primarily benefit other agencies, with little financial benefit to the Postal Service. Only $2.9 million of the $491 million in reported fines and restitution was actually owed to the Postal Service.

The OIG recommended, and the Chief Postal Inspector agreed, that Inspection Service management fully document investigative activity conducted on these investigations and ensure that arrest and conviction statistics are only reported when the Inspection Service materially contributes to the investigation. The Chief Postal Inspector did not agree with the OIG recommendation that the Inspection Service separately report fines and restitution owed to the Postal Service. The OIG is pursuing this disagreement through the audit resolution process. (OIG OV-AR-01-004)

RESPONSE TO WORKPLACE VIOLENCE COULD BE MORE EFFECTIVE

An OIG audit disclosed that Inspection Service support to Postal Service threat assessment teams could be more effective. These teams were developed to assist the Postal Service in its challenge to prevent and respond to workplace violence. The OIG found that Postal Inspectors generally supported preventive efforts to reduce workplace violence. However, Postal Inspectors did not always agree to respond to threat assessment teams' requests because the criteria were not clear on when Postal Inspectors should be involved. The OIG recommended, and Postal Service management agreed, to update the Threat Assessment Team Guide to clearly identify Inspection Service responsibilities. (OIG OV-AR-01-002)

REVIEW OF COMPLAINTS REGARDING THE INSPECTION SERVICE

The OIG's oversight of the Inspection Service provides customers, employees, and other interested persons with an independent avenue to address their complaints regarding the Inspection Service. At the same time, the OIG provides the Inspection Service with an unbiased review of accusations that, if left unresolved, could harm its reputation as a professional law enforcement agency and the public's confidence in the Postal Service. Over the past six months, the OIG closed 10 Congressional inquiries and 26 Hotlines related to the Inspection Service. The inquiries resulted from complaints made by Postal Service and Inspection Service employees, and the general public concerning a variety of issues, including the inadequate conduct and selection of investigations. For example, the OIG reviewed several Hotline allegations that the Inspection Service was inappropriately using their health examination process to force Postal Inspectors into retirement. Based in part on these allegations, the OIG is conducting an audit of the Inspection Service's Health Examination Program.

INSPECTION SERVICE INTERNAL INVESTIGATIONS

The OIG conducts investigations of misconduct by senior Inspection Service personnel, and monitors the conduct of internal investigations of other Inspection Service employees. These investigations are conducted when allegations of employee misconduct affect the performance of duties or when managers have information of employee misconduct.

The OIG receives information regarding Inspection Service internal investigations, including conclusions reached and recommended actions. Inspection Service internal investigations for this period included allegations of mishandling of evidence, and falsification of information, and the arrest of an off duty Inspection Service employee. At the beginning of the reporting period, the Inspection Service had 42 open internal investigations. During the reporting period, 24 cases were closed, and 33 new cases were opened. As of September 30, 2001, 51 cases remain open.

OTHER SIGNIFICANT ACTIVITIES

The OIG is responsible for reviewing allegations involving senior-level Postal Service executives for criminal violations and misconduct, including retaliation against individuals who have previously provided the OIG with information about possible fraud, waste, abuse, and mismanagement. During this reporting period, the OIG completed 21 investigative efforts and reviews of other significant issues

The OIG Hotline poster should be posted in all Postal facilities.

related to Postal Service operations, some of which are highlighted below:

MISUSE OF GOVERNMENT CREDIT CARD

Postal Service management issued a notice of proposed removal to a postal executive for credit card misuse. The OIG investigation revealed that the executive inappropriately used the government-issued credit card to make rent payments in excess of $40,000, rent cars for approximately $13,000, and take roughly $3,500 in cash advances for personal use. Final administrative action is pending in this case.

EXECUTIVE INVESTIGATED FOR SEXUAL HARASSMENT

The OIG completed an investigation on allegations of sexual harassment by a Postal Service executive. The OIG issued a report concerning these allegations and is awaiting Postal Service management's response.

EXECUTIVE SUSPENDED FOR MISUSE OF A POSTAL SERVICE VEHICLE

After an OIG investigation, a postal executive received a 30-day suspension and was required to reimburse the Postal Service $12,000 for use of postal vehicles and toll passes for personal use.

EXECUTIVE RETIRES FOLLOWING INVESTIGATION

A Postal Service executive retired after an OIG investigation disclosed the executive used postal vehicles for unofficial travel over a period of four years.

BACKGROUND INVESTIGATIONS OF POSTMASTER GENERAL CANDIDATES

At the request of the Governors, the OIG conducted full-field background investigations on several candidates for the position of Postmaster General within four days. These investigations provided the Governors with an increased level of assurance of the integrity and character of the potential candidates.

INSPECTION SERVICE

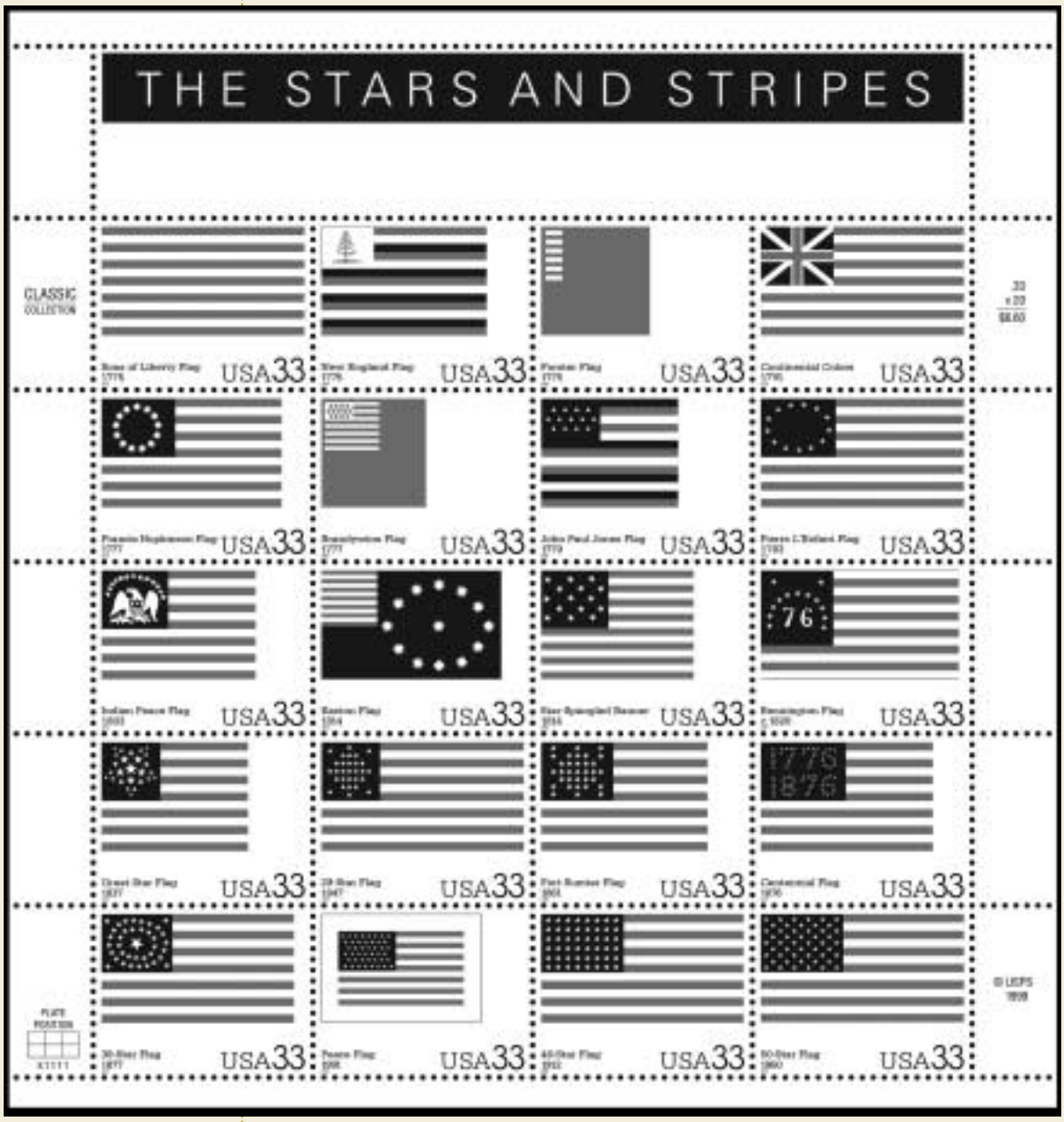
The Inspection Service conducts investigations and reviews of significant issues related to: physical security; narcotics offenses and trafficking; child exploitation; prohibited mail; postal burglaries; mail fraud including fraud against consumers, fraud against businesses, and fraud against government; and money laundering. The Inspection Service considers investigations of biohazardous material sent through the U.S. mail among its highest priorities. The Inspection Service also devotes significant resources to prevent crimes by conducting employee and customer awareness training programs and implementing security measures.

DID YOU KNOW?

Are all Hotline complaints confidential?

The identities of the people who make complaints or provide information regarding alleged wrongdoing are kept confidential unless the individual gives permission for the disclosure or disclosure is required.

This Inspection Service poster alerts parents of the dangers of child exploitation over the internet.


THE STARS AND STRIPES
CLASSIC COLLECTION
USA33

Customer Service

US POSTAL SERVICE

THIS SECTION INCLUDES

OFFICE OF INSPECTOR GENERAL

External Communications

Specialized Services

INSPECTION SERVICE

OIG press releases keep the media, postal stakeholders, and the public informed of the latest OIG information.

This section describes the OIG and Inspection Service's efforts to provide customer service, including initiatives by support functions to enhance service to internal customers. Customer satisfaction and service is the underlying creed of most successful organizations and businesses. In order to differentiate work reported by the Inspection Service, pages concerning the Inspection Service have been color-screened.

OFFICE OF INSPECTOR GENERAL

EXTERNAL COMMUNICATIONS

The OIG is responsible for keeping members of Congress and the Governors fully and currently informed. The OIG keeps Congress informed by issuing Semiannual Reports to Congress, testifying at oversight and other hearings, and briefing members and their staffs on issues related to the Postal Service. The OIG also regularly provides synopses of its audit and management advisory reports to Congressional committees and subcommittees with oversight interest in the Postal Service. The OIG keeps the Governors informed through regular briefings at monthly Board meetings, activity reports from the Inspector General, and responses to requests for information. The OIG also provides the Governors with copies of audit and management advisory reports.

CONGRESSIONAL TESTIMONY

Each year, since its inception, the Inspector General has testified before Congress on various matters. During this reporting period, the OIG provided written statements to Congress on April 4, May 15, and September 20, 2001. These three statements can be found in their entirety on the OIG's website at http://www.uspsoig.gov. In addition, the full text of the September testimony is included in Appendix H of this Semiannual Report.

In these statements, the OIG highlighted opportunities to capitalize on existing revenue, resources, and personnel while improving accountability and public trust. The OIG also suggested that the Postal Service could benefit from strategic direction from Congress about its role in the 21st century and urged Congress to consider fundamental questions, including whether the Postal Service should be a quasi-governmental agency or private corporation; maintain universal service in the age of the Internet; have a rate making process or market-based pricing; have limited product lines or more product flexibility; and have binding arbitration or unfettered labor negotiation.

The statements also highlighted significant OIG work, such as:

- Reviews that identified areas for improvement in the control and oversight of contracting practices. For example, as a result of an OIG investigation and with the cooperation of Postal Service management, the Postal Service recovered over $12 million from a major telecommunications contractor and will be able to avoid an additional $58 million in erroneous billings;
- Reviews of Postal Service automated mail processing and computerized retail equipment investments totaling over $1.9 billion, which concluded the Postal Service could improve its return on investment, better account for program costs, and improve performance tracking;
- Reviews of seven projects, representing over $800 million in postal expenditures, which disclosed the Postal Service could improve the validation of test results and the accuracy of estimated savings before project approval;
- Reviews of violence prevention and response programs at 25 Postal Service Districts, which disclosed areas for improvement in the implementation of controls designed to reduce the potential for violence;
- Reviews at a major Postal Service data center that identified security vulnerabilities involving network servers. If exploited, these vulnerabilities could compromise the confidentiality, integrity, and availability of postal operations, and harm its reputation as a trusted business partner; and

- Reviews identifying areas for improvement in the security, privacy, and access language of eBusiness agreements. These areas need to be strengthened to protect the Postal Service and its commercial partners and customers.

RESPONDING TO REQUESTS FROM CONGRESS AND THE POSTAL SERVICE GOVERNORS

One of the OIG's highest priorities is to provide accurate and timely responses to Congress and the Postal Service Governors. The OIG responds to many of these requests by conducting audits and investigations. However, the OIG does not normally perform an audit or investigation when an inquiry involves an individual employee issue that can be resolved through contractual grievance-arbitration procedures or the Equal Employment Opportunity process. Instead, the OIG incorporates individual concerns into a database to identify systemic issues for review. When systemic issues have been identified, the OIG conducts independent audits or investigations of Postal Service programs and operations to help ensure their economy, efficiency, effectiveness, and integrity.

During this 6-month reporting period, the OIG completed 106 Congressional and Governors inquiries. Appendix G of this report lists the OIG responses to these inquiries by subject area. Some examples of OIG work in response to Congressional and Governors' requests are highlighted below:

- An OIG review confirmed allegations of delays in the delivery of certified mail at several locations. These delays exceeded delivery standards by as much as 38 days. Inadequate planning, staffing, and supervision of mail processing operations were the primary factors contributing to the delay. The problem was compounded by the lack of a standard system to report certified mail that arrived late due to transportation delays.
- An OIG review helped alleviate concerns about the Postal Service's relocation of mail processing activities in the Western Area, the impact of floods on operations, and the potential effect the move could have on local businesses and members of the community. The OIG found that the Postal Service conducted pre-tests that revealed comparable service would be maintained, and that contingency plans were developed in the event roads are closed for floods or snow.
- Allegations that a Postal Service supervisor harassed and retaliated against employees prompted the OIG to request a climate assessment involving 14 employees, which determined that the workplace environment needed improvement. District management took a number of pro-active steps, including conducting discussions with each employee in the district, requiring the supervisor to develop a communication improvement plan addressing employee concerns raised in the climate assessment and to conduct bi-weekly meetings with these employees.
- The OIG provided briefings to Senate and House oversight committees on OIG audit results of the Postal Service's FedEx transportation agreement and provided copies of audit reports that were issued to Postal Service management. In addition, the OIG provided a second set of reports to share with the public in which proprietary information was withheld in accordance with the Freedom of Information Act.
- The OIG frequently receives requests from individual members of Congress to provide timely and valuable information. In one instance, the OIG was able to provide an on-the-spot briefing of an audit that enabled the member to conduct a television interview one hour later.
- Members of Congress can be a valuable source of information concerning postal operations. For example, the OIG had an ongoing nationwide review of sexual harassment when it received information from a member of Congress. After validating the information received, the OIG targeted the Northeast Area for review.

OIG HOTLINE PROVIDES A VITAL AND CONFIDENTIAL COMMUNICATIONS LINK

The OIG Hotline provides a vital and

OIG Reports with white covers (above) contain restricted information.

OIG Reports with blue covers (above) are available to the public.

DID YOU KNOW?

Does the Postal Service follow federal government statutes and regulations?

Except for certain statutes and regulations expressly made applicable to the Postal Service, most federal laws of government-wide applicability do not apply to the Postal Service. This permits the Postal Service to operate in a business-like manner.

confidential communication link between the OIG and individuals who contact the Hotline to report allegations of fraud, waste, abuse, and mismanagement.

RESPONDING TO HOTLINE INQUIRIES

The Hotline receives complaints from employees, customers, and the general public concerning alleged violations of laws, rules, or regulations; mismanagement; waste of funds; abuse of authority; and danger to public health and safety. Complaints and allegations received by the Hotline are analyzed to identify systemic issues affecting the Postal Service, and referred for appropriate action. The OIG considers Hotline contacts when planning audits and projects.

During this reporting period the Hotline received over 11,000 contacts, some of which were addressed by the OIG on issues such as waste, fraud, abuse, mismanagement, deficient postal operations, personnel matters, and other concerns. In addition:

- Twenty percent were addressed by the Inspection Service and involved criminal issues such as mail theft, assaults and threats, and workers' compensation fraud;
- Sixteen percent were addressed by the Postal Service's Office of Consumer Advocate involving complaints related to customer service issues, particularly mail delivery;
- Forty-four percent were related to miscellaneous requests for information such as ZIP Codes, postage meters, and other Postal Service-related matters; and
- Five percent were related to operational and human resource issues that were referred to Postal Service management.

The OIG Hotline is staffed from 7 a.m. to 7 p.m., Eastern Standard Time, Monday through Friday (except federal holidays). Calls can be made 24 hours a day, 7 days a week. Threats and any other potentially violent work situations are routed immediately to the Postal Police Control Center for action 24 hours a day either by an OIG Hotline analyst or through a caller-directed menu system. Anyone interested in contacting the Hotline can call toll-free, 1-888-USPS-OIG (1-888-877-7644) or 1-866-OIG-TEXT (1-866-644-8398) for the hearing impaired; write to the United States Postal Service, OIG, ATTN: Hotline, 1735 North Lynn Street, Arlington, VA 22209-2020; e-mail the OIG at hotline@uspsoig.gov; or fax information toll-free to (866) 756-6741.

PROPOSED LEGISLATION AND REGULATIONS

As required by the Inspector General Act, the OIG monitors existing and proposed legislation and regulation to advise Congress and the Governors of the impact of such legislation and regulations on Postal Service programs and operations. During the 6-month reporting period, the OIG evaluated 24 legislative proposals and 23 regulatory initiatives. Some highlights of the legislative and regulatory proposals are included at the end of the appropriate section that describes the OIG and Inspection Service reviews performed in the last six months.

FREEDOM OF INFORMATION REQUESTS

The OIG is committed to making all final audit and management advisory reports available to the public, unless the law prohibits disclosure. The OIG website, http://www.-uspsoig.gov, contains all releasable final audit and management reports. A list of all reports, including those that are not releasable, is also included on the web page.

Before posting a report on the web page, the OIG reviews each report in accordance with the Freedom of Information Act, the Privacy Act, and the Postal Reorganization Act. The OIG may coordinate its review with Postal Service management and attorneys. In deciding what information to release, the OIG balances the public right to access federal agency records with the Postal Service's need to safeguard certain protected information, such as those affecting business needs and employee privacy. As a result, OIG reports may be withheld in whole or in part to protect privacy as well as proprietary or confidential information.

The OIG responds to many written requests for reports and other information under the Freedom of Information Act (FOIA). In this reporting period, the OIG received 71 FOIA requests, which were handled as follows:

- 8 were answered in full, 9 were answered stating no OIG documents existed, 5 were withheld totally, 19 were partially withheld, 9 were referred outside the OIG, 19 are pending, and 2 were closed because the requestor's return address was not available. Of the 71 FOIA requests, 3 were appealed. One appeal was upheld by the Postal Service, and 2 are still pending.

A former Postmaster and three other managers had filed suit challenging the OIG's decision to withhold or redact certain documents from a completed OIG review. Although the OIG released many documents pursuant to their initial request, some documents were withheld or redacted under applicable FOIA exemptions. In September 2001, the U.S. District Court, District of South Carolina Anderson/Greenwood Division upheld the OIG's decision to withhold or redact certain documents pursuant to a FOIA request.

INSPECTOR GENERAL SUBPOENAS

The OIG is authorized under the Inspector General Act to issue subpoenas for documents. The subpoenas are usually issued to persons outside of the Postal Service, such as contractors, customers, and financial institutions, who may have information that is relevant to ongoing audits and investigations. Many subpoenas to financial institution are issued under procedures set forth in the Right to Financial Privacy Act. The OIG also issues subpoenas at the request of the Inspection Service to support investigations such as workers' compensation fraud that are in support of the OIG mission.

In the last 6 months, the OIG issued 142 subpoenas; 129 supporting Inspection Service investigations and 13 supporting OIG investigations. From time to time, the subpoenas are challenged in federal district court. To date, the OIG has successfully enforced every subpoena that has been challenged in court. Some examples of court challenges are provided below:

- A court enforced a subpoena issued to a bank for a Postal Service employee's financial records. The employee, who was being investigated for inappropriate conduct, challenged the OIG's right to access the records under the Right to Financial Privacy Act. The OIG and the Inspection Service worked together to successfully argue before the court that access to the records was necessary for this investigation. The U.S. District Court ruled that the subpoena was a legitimate exercise of authority and permitted access to the employee's financial records.
- In another case involving a challenge to an OIG subpoena, the federal Fourth Circuit Court of Appeals upheld a subpoena directed to a bulk mailer under investigation for suspected fraud involving non-profit mailing rates. The bulk mailer alleged that the subpoena was issued solely for harassment purposes, and not for a legitimate investigation. The Court of Appeals held that the investigation was appropriate, and directed the mailer to comply with the subpoena.

SPECIALIZED SERVICES

COMPUTER FORENSICS

Specialists trained and certified in the seizure of computers and the recovery of electronic evidence staff the OIG Computer Forensics Team. The team's mission is to provide technical support to extract data to help identify individuals who use computers for criminal purposes, generally in one of three ways. First, a computer may be the target of the offense. In these cases, the criminal's goal is to steal information or cause damage to a computer. Second, the computer may be a tool of the offense. This occurs when an individual uses a computer to facilitate some traditional offense, such as fraud. Third, computers are sometimes incidental to the offense but significant to law enforcement because they contain evidence of a crime.

During this reporting period, the Computer Forensics Team:

- Seized and examined electronic evidence from a postal contractor who attempted to hack into the postal network and other commercial sites from within the postal network;
- Assisted in the investigation and recovery of several thousand e-mails deleted by suspects in the course of an investigation;

- Examined computer data that disproved a postal employee's allegations of misconduct and harassment by Postal Inspectors; and
- Examined computer evidence that proved a postal employee used their position to extort money from a postal equipment supplier.

POLYGRAPH SERVICES

The OIG polygraph program aids criminal investigators and is an effective tool to assist in proving guilt as well as innocence. OIG polygraph examiners represent the OIG within the polygraph community and on the Federal Polygraph Executive Committee. During this reporting period the Department of Defense Polygraph Institute conducted a Quality Assurance Inspection of the OIG polygraph program. The OIG polygraph program was found to comply with the standards required of a federal government polygraph program. During the inspection, 118 criteria in nine primary areas were inspected. No recommendations were made during this inspection. The OIG polygraph program is only the third federal polygraph program to have no recommendations made as a result of an inspection.

COMPUTER ASSISTED ASSESSMENT TECHNIQUES

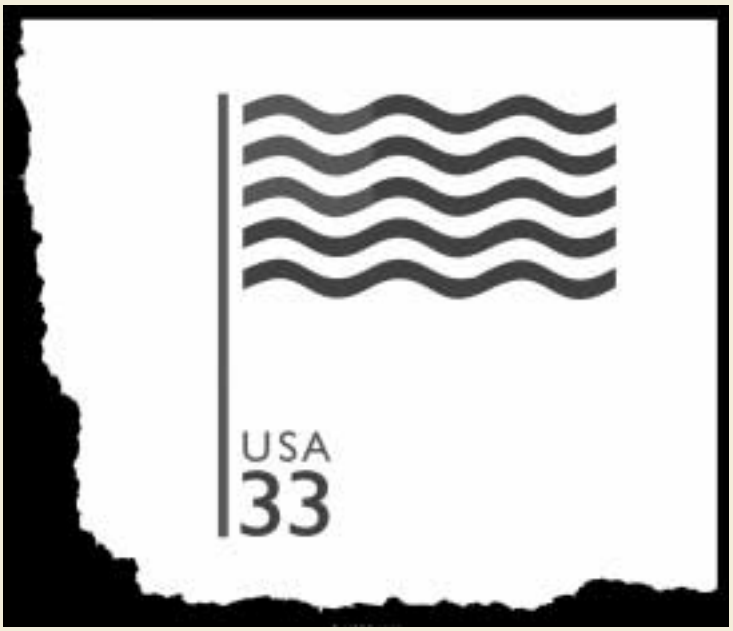
The OIG's Computer Assisted Assessment Techniques Team uses automated methods and tools to extract and analyze electronic data located in over 900 postal systems in support of OIG audit and investigative efforts. The team has achieved success by developing programming techniques to independently access the large database systems in both San Mateo and Minneapolis, as well as numerous remote Oracle database systems throughout the postal network. This team has supported several significant OIG efforts during this reporting period, including:

- Developing complex computer programs to extract data from the Facilities Management System and other Postal Service computer systems to identify Postal Service facilities that contained defective roofing material. This effort has resulted in the identification of 397 postal facilities that are eligible for $7 to $8 million in potential recoveries, of which $1.1 million has been received to date.
- Working in concert with an audit team, conducted in-depth analysis of various Postal Service databases to identify data related to bulk fuel and storage tank data. This review was conducted to determine the validity of the Postal Service's plan to purchase fuel in bulk. This effort resulted in the recommendation to bring the Postal Service's Bulk Fuel Program "in-house," to achieve savings of $15.9 million over a 5-year period.
- Developing new, automated tools for continuous monitoring of fraud indicators, thereby expanding the OIG's data analysis effectiveness and scope. For example, an automated analysis of all lease payment schedules has been created to ensure adequate separation of duties. This automated tool will determine whether the creator of a payment schedule was also the approver of the schedule.
- Using original and creative methods to identify and extract data during the review of the Postal Stamp Printing Quantities process. This effort resulted in the determination that the Postal Service could save $10 million by reducing their printing requirements. In addition, the data extracted identified 462 million stamps with a retail value of $99.4 million that were destroyed instead of being returned to inventory for redistribution.

INSPECTION SERVICE

The Inspection Service has adopted numerous initiatives to improve customer service. The Inspection Service alerts consumers and businesses to current crimes by attracting media attention to postal crime trends, publicizing positive law enforcement accomplishments, circulating media releases, and hosting crime prevention presentations. The Inspection Service is responsible for communicating its law enforcement and crime prevention achievements to the American public, Congress, the Postal Service, and the law enforcement community.

In an effort to maintain the integrity of the mail and to ensure the confidence and trust that government agencies, businesses, and customers place in the Postal Service, the Inspection Service conducts mail fraud investigations that focus on a variety of complex schemes. In order to promote consumer protection, the Inspection Service utilizes specialized investigative tools and techniques such as criminal forensic laboratories, technical surveillance and communications, polygraph examiners, and digital evidence recovery units to solve crimes committed against the public.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33

Goals and Strategies

DID YOU KNOW?

Must the Postal Service comply with the Government Performance and Results Act?

Yes. The Postal Service was specifically included in the Act and submitted its third annual performance plan in January 2001.

DID YOU KNOW?

How does the Postal Service transport mail?

The Postal Service uses a wide variety of transportation methods to ensure mail delivery to every Postal Service customer. It uses commercial airline flights, over-the-road vehicles, railroad lines, boats, and even a mule train.

This section describes the OIG and Inspection Service vision and goals for assisting the Postal Service in achieving its operational, performance, and financial goals in the 21st century. In addition, this section describes the process by which the OIG translates its vision into an annual performance plan. In order to differentiate between the OIG and Inspection Service, the pages concerning the Inspection Service have been color-screened.

OFFICE OF INSPECTOR GENERAL

STRATEGIC GOALS

The OIG is committed to the principles of the Government Performance and Results Act, which reviews government agencies to develop plans for operating more efficiently and effectively. To ensure long-term success, it is necessary for the Postal Service and the OIG to plan appropriately. Planning includes defining strategic goals and developing strategies to achieve those goals. In addition, performance measures are established to evaluate how well the agency is achieving its goals. These measures provide a "report card" on agency performance and results.

The OIG's planning process analyzes relevant information; establishes goals, strategies, and measures based on its analyses; and measures how effectively and efficiently it is performing to meet these goals. This strategic planning process has four steps. First, the OIG determines major management issues facing the Postal Service. Second, the OIG assesses Postal Service operations and activities, broadly defines realistic goals, sets priorities in line with business vision, and develops effective strategies and action plans. This second step is to align the OIG's activities to help the Postal Service improve its effectiveness and efficiency. Third, the OIG measures progress in meeting those goals. And fourth, the OIG updates and revises goals, strategies, and measures to align its efforts with Postal Service needs and to drive OIG organizational efforts.

In March 2001, the OIG issued a revised Five-Year Strategic Plan, which is designed to address the Postal Service's strategic direction and objectives outlined in its Strategic Plan for FYs 2001-2005. The Postal Service's strategic direction and objectives reflect a growing

Office of Inspector General
FY2001 Goals and Strategies

GOALS	STRATEGIES
The OIG will be the independent voice that provides our stakeholders with timely, accurate, and relevant information that contributes to the success of the Postal Service.	Annually identify major management challenges and independently develop work priorities that assist the Postal Service in addressing major management challenges. Independently provide the right information to the right people at the right time.
The OIG is an independent entity that maximizes resources, leverages cutting-edge technology, and provides a healthy organizational culture and environment.	Maintain a TLC3 values-based organization that attracts, develops, and retains a talented and diverse workforce. Independently manage and optimize OIG resources, including leveraging cutting-edge technology.

uncertainty about the future impact of emerging technologies, changing customer requirements, and competitors' actions on mail volume and postal revenues. The OIG's Five-Year Strategic Plan consists of two overarching goals and four strategies to meet these goals.

PERFORMANCE RESULTS

The OIG continuously monitors its performance and seeks ways to improve. By maintaining objective data on key performance areas, the OIG is able to periodically measure and assess its progress in achieving goals. Annually, the OIG establishes performance measures to emphasize program objectives, promote teamwork, and encourage innovation throughout the OIG. These measures are linked to a team award that is structured to reward commitment to the strategic priorities of the OIG and to reinforce the importance of providing high-quality and value-added services that contribute to the success of the Postal Service. During FY 2001, the OIG accomplished over 86 percent of its ten performance goals.

OIG PLANNING PROCESS

The OIG provides timely and accurate information to Postal Service management. As part of its planning process, the OIG asks key stakeholders to identify risk areas and emerging issues that would benefit from the OIG's review. These stakeholders include Postal Service managers, the Postal Rate Commission, Congress, Board of Governors, employee unions, management associations, and major mailers. Their suggestions are considered during the annual planning process, and to the extent practical, are given priority consideration for inclusion in this section. This process creates a unique opportunity for the OIG to provide independent analysis and information that will assist Postal Service management officials in fulfilling their responsibilities.

The OIG planning process has three interrelated components: the project universe, the annual performance plan, and the annual audit workload plan. Since its inception, the OIG has identified a universe of over 1,800 projects for consideration. Projects from the universe are selected on the basis of risk and OIG resources available for the year. As part of the selection process, the OIG considers the project's potential impact on:

- Postal Service labor and capital resources
- Postal-wide operations and goals
- Public trust

The OIG selects the highest priority projects for inclusion in the annual performance plan, the second component of the planning process. The third component is the OIG annual audit workload plan, which is based on the annual performance plan. This audit workload plan is presented to the Postal Service Board of Governors each year. The plan is adjusted as the OIG's work reveals new issues or the Postal Service encounters new challenges.

OIG FY 2002 AUDIT WORKLOAD PLAN

In the previous section of this Semiannual Report, the ten major management issues facing the Postal Service were discussed. The OIG consolidated these issues into four major areas along with the oversight of the Inspection Service. These areas address the corporate priorities announced by the current Postmaster General.

In FY 2002, the OIG will focus its audit attention on the following areas to help address major issues facing the Postal Service:

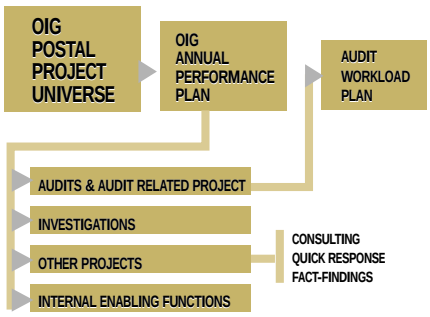
- maintaining customer confidence and ensuring the viability of the postal system;
- improving the workplace climate and labor relations;
- maintaining affordability by controlling costs;
- leveraging technology to enhance productivity; and
- overseeing the Inspection Service.

The following presents each of the five areas and the focus of our audit efforts.

Maintaining Customer Confidence and Ensuring the Viability of the Postal System

The recent anthrax contamination of the mail has threatened customer confidence in the Postal Service's ability to continue to provide safe and secure mail services. A decline in

Planning System Interrelationship



customer confidence will make it difficult for the Postal Service to provide universal service at reasonable rates. Customers may seek services other than traditional mail, which will reduce volume and revenue. The Postal Service must maintain customer confidence, develop new products and services, and improve customer service. The OIG will focus on the following:

- Safety and security of the mail
- Service performance and customer satisfaction
  - Timeliness and reliability of service
  - Measurement systems
  - Postal rates
  - Re-engineering
- Core business processes
  - Strategic alliances
  - Marketing
  - Financial initiatives
  - International mail
- New products and services
  - Justification and approval
  - Marketing and sales
  - Return on investment
- Public trust
  - Brand integrity
  - Employee integrity

Improving the Workplace Climate and Labor Relations

The recent contamination of the mail has threatened employee confidence in the Postal Service's ability to continue to provide a safe and secure workplace. The effectiveness of the Postal Service's efforts to communicate with and safeguard employees against the threats of anthrax could have a major impact on worker morale and productivity and the Postal Service's ability to effectively deliver the mail. Further, the Postal Service has historically had significant labor relations issues that impeded its ability to efficiently manage its operations. It is important that OIG's involvement in this area be meaningful and positive. The OIG focuses primarily on systemic issues and conducts postal-wide reviews. These reviews are designed to identify and prevent potential problems that can detract from a healthy and productive work environment. The OIG will focus on the following:

- Workplace climate
  - Occupational safety and health
  - Conflict prevention and resolution
  - Threat assessment programs
- Employee management
  - Training and development
  - Succession planning
  - Workforce planning
  - Performance and compensation
  - Diversity

Maintaining Affordability by Controlling Costs

The terrorist attacks have resulted in cost and business impacts that the Postal Service could not have anticipated. In addition, the cost of maintaining and servicing a growing universal delivery network has escalated. The Postal Service needs strong controls and aggressive efforts to ensure that contracts and programs are effectively managed. The OIG will focus on the following:

- Financial system integrity
  - Financial statements
  - Field installations
  - Cost and revenue analysis
  - Treasury-related issues
- Budget
  - Planning
  - Execution
  - Systems
- Contracting activities
  - Fair and reasonable contract pricing
  - Reasonableness and allowability of incurred costs
  - Adequacy of contractor systems
  - Contract administration
- Facilities and real estate
  - Justification, approval, and budgeting

- Construction management
- Logistics
  - Transportation systems and operations
  - Material management
- Health care
  - Workers' compensation program administration
  - Provider billing

Leveraging Technology to Enhance Productivity

The Postal Service is seeking ways to leverage technology to improve its service, productivity, and profitability. While it depends on technology to handle more than 660 million pieces of mail every day, the Postal Service must continue to maintain its competitive position in the market. OIG efforts will focus on the following:

- Information systems
  - Information infrastructure and architecture
  - System performance and integrity
  - Systems development and implementation
- Computer security
  - Access
  - Data protection
  - Data integrity
- Developmental
  - Automation of core functions
  - Process re-engineering
- eCommerce
  - Business partnerships and joint ventures
  - Brand integrity
  - Justification, cost, budgeting, and risk

Overseeing the Inspection Service

Legislation requires the OIG to conduct oversight reviews of the Inspection Service in addition to OIG's audit and investigative responsibilities over postal operations. OIG efforts in this area will focus on the following:

- Public trust
- Function and role
- Operational effectiveness
- Management controls
- Internal affairs

OIG audit planning conference establishes workload priorities for the coming year.

INSPECTION SERVICE

The Inspection Service must supplement its reactive capability with proactive strategies to deter and prevent criminal activity. To accomplish this, the Inspection Service has developed five long-term strategic goals and related objectives. The new strategic plan begins with three critical imperatives: safety, security, and integrity.

Inspection Service
FY2001 Goals and Objectives

	GOALS	OBJECTIVES
Safety	Ensure a Safe and Secure Drug-Free Work Environment	• Reduce and deter employee on employee assaults and credible threats • Reduce and deter robberies of postal employees and facilities • Reduce and deter illegal drugs in the postal environment
Security	Reduce Theft of the Mail	• Reduce and deter volume mail theft in high theft areas • Identify and resolve domestic and international in-transit mail theft
	Reduce and Deter Criminal Attacks of Postal Products, Services, and Assets	• Reduce and deter embezzlements • Reduce and deter criminal misuse of the Postal Service's workers' compensation program • Reduce and deter postage fraud schemes
Integrity	Reduce Use of the Mail to Defraud Customers, Businesses, and Government Agencies	• Reduce and deter multi-state domestic and international telemarketing and deceptive mail operations
	Reduce and Prevent the Use of the Postal System for Prohibited, Illegal, and Dangerous Mailings	• Eliminate the use of the nation's mail system's by major organizations to transport illegal narcotics • Reduce and deter the use of U.S. Postal Money Orders to launder money by disrupting money-laundering operations • Reduce and deter the use of the postal system to procure or deliver materials that promote the sexual exploitation of children

Organizational Dynamics

DID YOU KNOW?

If the OIG is the Postal Service "watchdog," who watches over the OIG?

To preserve its independence, the OIG can only be reviewed by Congressional Oversight Committees, the General Accounting Office, the President's Council on Integrity and Efficiency and peer reviews by another OIG.

This section describes the OIG and the Inspection Service organizational vision, values, culture, and diversity that assist with providing value added service to the Postal Service. In order to differentiate the work reported by the OIG and the Inspection Service, the pages containing the work reported by the Inspection Service have been color-screened.

OFFICE OF INSPECTOR GENERAL

AN INDEPENDENT VOICE

The OIG is an independent agency within the Postal Service and is under the general supervision of the nine presidentially-appointed Postal Service Governors. From 1988 until the establishment of the OIG in 1996, the Chief Postal Inspector performed dual roles as the Inspector General and Chief Postal Inspector and reported to the Postmaster General. In January 1997, Karla W. Corcoran was sworn in as the first independent Inspector General of the Postal Service. In carrying out its responsibilities under the Inspector General Act, the OIG:

- Provides Congress, the Governors, and Postal Service management with timely, objective, and complete information and analysis of Postal Service operations.
- Conducts audits and investigations of all Postal Service operations and activities, including ratemaking, contract administration, labor management, accepting and processing, transportation, delivery, financial management, development, information systems, computer intrusion, electronic commerce, and marketing.
- Maintains oversight of Inspection Service operations and performs independent reviews of complaints against its employees.
- Adds value to Postal Service operations, contributes to a more efficient, economical and effective organization, and helps the Postal Service maintain its integrity through independent investigations, audits, and reviews.
- Reviews computer security and conducts computer intrusion activities to identify vulnerabilities in postal systems.
- Serves as an objective venue for all Postal Service employees and other stakeholders to report fraud, waste, abuse, mismanagement, and other improprieties and concerns, with protection from management retaliation.
- Identifies cost savings and recommends improvements for contract and program administration, employee integrity, and program efficiency.
- Facilitates audit resolution, which provides a mechanism for resolving findings and recommendations when the OIG and Postal Service management disagree.

To improve Postal Service programs and operations, the OIG provides independent and objective information, analysis, and recommendations. The OIG is continuing to work with Postal Service management to inform them of the duties and responsibilities of the OIG and to demonstrate how the OIG adds value to Postal Service processes.

The values make up the core of the OIG's culture and define how it does its work.

OIG VISION AND VALUES

The vision of the OIG is "A Constellation of Talented People Making a Difference." This vision reflects the OIG's mission to shed light on Postal challenges and identify opportunities for improvement by emphasizing five fundamental values:

- *Teamwork*—Diverse talents and levels working cooperatively and collaboratively toward producing timely, relevant, and quality work products and services that add value to the Postal Service and the OIG organization.
- *Leadership*—Encouraging each employee to be the best they can be regardless of position or grade, understanding that all levels of employees are expected to play a role in developing and directing every effort performed.
- *Creativity*—Cultivating fresh perspectives in the development of new processes and techniques that will improve OIG Postal Service and our operations.
- *Communication*—Ensuring cross level and cross functional sharing of all

information as well as facilitating honesty, openness, respect, and consideration of the contributions and opinions of others.

- *Conceptualization*—Keeping one's "eye on the ball" and recognizing interrelationships to accomplish desired results.

RESPONDING TO CRISES

On September 11, 2001, America experienced the worst terrorist attack committed on our nation's soil. Shortly thereafter, the nation suffered a bio-terrorist attack that had a major impact on the American public and postal operations. Many OIG employees joined the countless others who dedicated their time and efforts to help the country and Postal Service deal with these crises.

On the day of the attacks many OIG staff took quick action to provide rescue assistance and security. Soon after, OIG agents quickly assisted the law enforcement community in response to these attacks.

In the days that followed, the OIG developed plans to assist the Postal Service in addressing the challenges resulting from recent bioterrorism attacks through the mail. In particular, the OIG is reviewing Postal Service's effectiveness in purchasing and deploying equipment to sanitize the mail; communicating and implementing operational and safety procedures for dealing with bioterrorism; and ensuring that mail is free from contamination.

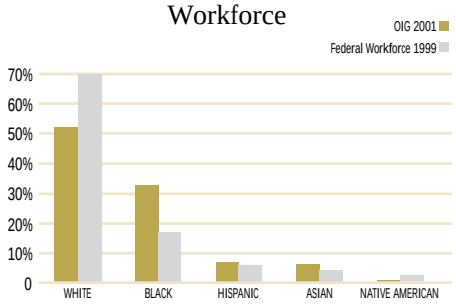
The quick reaction of OIG employees and the OIG's ability to refocus staff and priorities is a direct result of the values the OIG embraces. Below are some ways in which the OIG provided assistance.

- On the morning of September 11, one OIG agent was conducting surveillance at the World Trade Center. After witnessing the first explosion, the agent immediately alerted federal authorities of the attack. The agent then called his wife, who worked in Tower 2, advising her and her coworkers to evacuate the building.
- An OIG team assisted the Port Authority of New York and New Jersey by maintaining a presence on Hudson River ferries that evacuated victims from Manhattan. The agents kept the numbers of riders to a manageable number so the ferries would not capsize and cared for children whose fearful parents handed them over the fence and onto the ferries so that the children would be safe. The agents also helped the injured find treatment.
- In Washington, DC, OIG employees were also quick to respond. On the day of the attack, an OIG employee established and staffed the emergency response center for his volunteer fire department. Later that same day, he was transferred to the Pentagon with one of the fire department's medic units as the lead paramedic. On the following day, the employee served as the liaison between the Federal Emergency Management Agency and the Arlington, Virginia, fire commander.
- OIG agents worked at the Pentagon to assist in evidence collection.
- An OIG employee performed armed security duty at a military base as a member of the Virginia Army National Guard.
- Over 10 percent of the OIG investigative staff is supporting a variety of federal law enforcement efforts to identify and apprehend the terrorists.
- OIG agents and a computer specialist are assisting the national infrastructure protection center in monitoring and decoding Internet traffic related to terrorist activities.
- OIG agents staffed the Federal Bureau of Investigation National Tip Line to gather and assess incoming information.
- The OIG deployed agents to various cities to assist on the investigations related to the recent anthrax attacks.

The events of September 11 and recent anthrax attacks through the mail have dramatically altered the environment in which the Postal Service operates, and it faces new challenges that would have been inconceivable six months ago. The OIG is committed to helping the Postal Service meet these new challenges.

After the September 11 attacks, OIG investigators assisted the Port Authority of New York and New Jersey by maintaining a presence on the ferry that was evacuating victims from Manhattan.

Comparison of OIG/Federal Civilian Workforce



OIG exceeds minority representation in every category, except Native Americans.

OIG CULTURE AND EMPLOYEES

Enhancing the Work Environment

The OIG's culture is defined by the diversity of its employees, who share the organization's core values of teamwork, leadership, creativity, communication, and conceptualization. The OIG is committed to creating and maintaining a workplace that is enriched by the talents, contributions, and full participation of all of its employees and that reflects the tremendous diversity of the Postal community. Diversity is a tool for achieving the OIG's mission and enhancing its organizational effectiveness by using the creative energies of employees who contribute different approaches, solutions, and innovations.

The OIG workforce is diverse in age, race, ethnicity, gender, and background, as well as education, professional accomplishments, work experience, and work style. The OIG workforce includes Certified Public Accountants, Certified Internal Auditors, Certified Fraud Examiners, Certified Information Systems Auditors, Certified Government Audit Professionals, and Certified Acquisition Auditors. OIG employees also hold law enforcement specialty certifications in areas such as polygraph examinations. In addition, many OIG employees have undergraduate or advanced degrees, while other employees are continuing to work towards professional and academic achievements. OIG teams include auditors, evaluators, criminal investigators, lawyers, technicians, and administrative personnel formerly from federal and state government agencies, private industry, non-profit organizations, and the Postal Service.

The OIG continues to carry out an aggressive hiring initiative to staff the organization with highly skilled employees. As of September 30, 2001, the OIG had 703 employees, of whom, 50 percent were women and 48 percent were minorities. The senior staff is composed of approximately 35 percent women and 29 percent minorities. Based on September 1999 U.S. Office of Personnel Management Federal Civilian Workforce estimates, the OIG workforce has exceeded the percentage of minority representation in the federal civilian workforce for all groups, except for Native Americans. The federal civilian workforce is comprised of executive branches, non Postal Service employees.

In the past six months, we increased our outreach and recruitment efforts which contributed towards OIG reaching and exceeding the Federal Civilian Workforce estimates for Hispanics. We are committed to achieving the same success with Native Americans. Because Bureau of Labor Statistics census data is now over 10 years old, and new census civilian labor force data is not expected to be released until 2003, the OIG is using the more up-to-date Federal Civilian Workforce data as a comparison.

ADHERING TO THE HIGHEST PROFESSIONAL STANDARDS

The OIG reports to Congress and the nine presidentially-appointed Governors. The Inspector General is under the "general supervision" of these Governors and is not supervised by the Postmaster General. This independence from Postal management is crucial to the OIG's credibility and allows the OIG to objectively conduct audits and investigations of program operations and to report its findings to the Governors and Congress. To help respond to the challenges the Postal Service faces, the OIG annually identifies major management issues and independently develops work priorities that assist the Postal Service in addressing these challenges.

OIG work is performed in accordance with a variety of professional standards, such as:

- The General Accounting Office's Government Auditing Standards; and
- The President's Council on Integrity and Efficiency's Quality Standards for Inspections and Quality Standards for Investigations.

Each audit is subject to supervisory review at each stage of the audit process and must meet established standards for due professional care, quality, and independence. Each report is subject to review by the OIG's statisticians, attorneys, editors, and other experts, and is independently referenced by individuals not associated with the project. Draft reports are submitted to Postal Service management, which has the opportunity to provide written comments in response to the report's findings and recommendations. These comments are analyzed and incorporated in the final report.

In addition, the OIG ensures the highest ethical standards by performing full security background investigations of its employees. Nearly all OIG employees are required to provide annual financial disclosure statements for review to determine potential conflicts of interest. All employees are required to complete ethics training each year and meet the OIG's established standards for continuing professional education.

Further, the OIG ensures its own compliance with professional, legal, and ethical standards through established processes. Every three years, the OIG is selected for a peer review of its audit processes by another Inspector General organization. The OIG also has an effective quality assurance function that evaluates processes, programs, and work performed. Complaints against senior OIG management officials are handled pursuant to Executive Order and are investigated by the Integrity Committee of the President's Council on Integrity and Efficiency, headed by a high-ranking official of the Federal Bureau of Investigation.

NOTABLE OIG ACHIEVEMENTS

OIG SENIOR EXECUTIVES JOIN RANKS OF SENIOR EXECUTIVE SERVICE

The Office of Personnel Management formally recognized the OIG's top executives as employees who met the standards of the federal Senior Executive Service. The Senior Executive Service is a special personnel classification for senior executive managers throughout the federal government. Competitive selection into the service requires a demonstration of extensive qualifications in high-level management skills. This new recognition will further enhance the OIG's ability to recruit senior managers from the Senior Executive Service and enable OIG executives to serve in Senior Executive Service positions at other federal agencies.

FOUR OIG AGENTS NAMED "OUTSTANDING LAW ENFORCEMENT OFFICERS OF THE YEAR"

For their outstanding contributions to law enforcement, four OIG special agents were named "Outstanding Law Enforcement Officers of the Year" by the U.S. Attorney's Office, Southern District of Florida. The special agents were recognized for their successful prosecution of two former postal employees, a married couple, who embezzled over $3 million from the Postal Service. As a result of the agents' diligent casework, the couple was sentenced to almost 6 years in prison, fined over $30,000, and ordered to make joint restitution of over $3 million to the Postal Service.

OIG RECEIVES AWARDS OF EXCELLENCE

The OIG received 14 Awards of Excellence and one Career Achievement Award from the President's Council on Integrity and Efficiency and Executive Council on Integrity and Efficiency. The OIG was recognized for excellence in the areas of audits, investigations, law and legislation and multiple disciplines. A few of the awards included:

- outstanding management of complex audits of claims totaling over $870 million;
- successful investigation and prosecution of two high-ranking Postal Service managers for defrauding the Postal Service of approximately $3.2 million;
- reviewing and identifying safety and security issues of the Postal Service leased trailer fleet and for identifying $17.5 million in cost savings; and
- identifying defective mail sorting units that compromised employee safety and operating efficiency.

These awards represent nearly one-fifth of the total awarded to the entire OIG community and were more than one-half of those awarded to the Executive Council on Integrity and Efficiency community.

OIG COMMITMENT TO DIVERSITY CITED

The OIG's commitment to diversity extends beyond traditional characteristics such as gender and race. The many dimensions of diversity that the OIG embraces — education, experience, perspective, and occupation — enable the organization to more efficiently meet customer needs and achieve business goals. To

Inspector General Karla Corcoran signs the memorandum formally recognizing the OIG's top executives as employees who met the standards of the federal Senior Executive Service. She is joined by representatives from the Office of Personnel Management and OIG employees who were instrumental in developing the agreement.

As part of orientation, OIG employees get an up-close view of a Postal Service processing and distribution center.

this end, the OIG was featured in the May 2001 issue of the Diversity Monitor publication of the Institute for Corporate Diversity for its diversity actions and achievements.

OIG PROVIDES INFORMATION TECHNOLOGY LEGAL TRAINING

The OIG, along with the Council of Counsels to Inspectors General, the National Aeronautics and Space Administration Office of Inspector General, and the Department of Justice Criminal Division sponsored a two-day course on a variety of legal issues associated with information technology. Over 200 representatives from more than 50 government organizations attended the training. The course provided intensive training in the areas of on-line investigative techniques, workplace searches of computers and data, search warrant requirements, electronic surveillance, the use of policies to secure consent to monitoring, penetration testing and vulnerability assessment, incident response, and network crimes and penalties. The course was designed for Inspector General counsels, as well as information systems auditors and evaluators, and criminal investigators who conduct computer crime investigations.

OIG WORKS TO STRENGTHEN RELATIONSHIP WITH POSTAL SERVICE

The OIG launched a major outreach effort to Postal Service management associations during the summer of 2001 by making members of its leadership team available as speakers at association conventions. OIG speakers provided an overview of the OIG's mission, roles, and responsibilities and how OIG audits and investigations help the Postal Service. To date, OIG staff has addressed 15 association conventions which represent over 2,500 members of the National Association of Postmasters for the United States, the National League of Postmasters of the United States, and the National Association of Postal Supervisors. The OIG appreciates the invitation to attend such meetings and the support from the Association and their members.

OIG ASSISTS IN DEFINING ROLE OF FORENSICS LABORATORY

Last year, Congress amended the Inspector General Act to create an Inspector General Forensic Laboratory. The OIG, a frontrunner in the field of computer intrusion, computer forensics, and computer penetration testing, participated in a group formed to study potential uses for the laboratory. In April 2001, the group recommended to the President's Council on Integrity and Efficiency that the laboratory train Inspector General personnel throughout the community on penetration testing of federal agency computer networks. Penetration tests are automated tools used by auditors and investigators to test computer security.

OIG EMPLOYEES DETAILED TO WEBSTER COMMISSION

The OIG detailed two employees to a special commission led by former Central Intelligence Agency and Federal Bureau of Investigation director William Webster. The Webster Commission is studying the adequacy of the Federal Bureau of Investigation's security program in the wake of the Robert Hanssen espionage case. The Commission requested and the OIG assigned an employee who had prior experience with Presidential Commissions to serve as its administrative assistant. The OIG also assigned a special agent who specializes in computer intrusion investigations to evaluate the security of the FBI's information systems. The details are expected to last approximately six months. The Inspection Service also has detailed two Postal Inspectors to the Commission.

OIG SUPPORTS FEDERAL INFRASTRUCTURE PROTECTION EFFORTS

During this period, the OIG provided ongoing support to the National Infrastructure Protection Center. The National Infrastructure Protection Center provides timely warnings of international threats, comprehensive analysis and law enforcement investigation and response. An OIG special agent, with expertise in conducting computer intrusion investigations, has been detailed to the National Infrastructure Protection Center at the Federal Bureau of Investigation headquarters. This agent provides assistance in a multitude of areas focused on the defense of assets comprising the nation's critically important infrastructure.

Since the September 11th terrorist attack on our nation, a second agent and a computer specialist were also detailed to the National Infrastructure Protection Center Crisis Action Team to assist in the ongoing terrorism investigation.

OIG ESTABLISHES ADMINISTRATIVE ADVISORY COUNCIL

In a continuing effort to ensure a productive, high-quality, and positive workplace for its employees, OIG management recently established an Administrative Advisory Council. While the OIG's Employee Advisory Council serves as a link between management and staff, OIG management also wanted to ensure that the concerns of support staff were not being overlooked. The primary purpose of the Administrative Advisory Council is to provide a link between support staff and management. The Council will achieve this goal by exemplifying the agency's core values; providing an effective forum for identifying and addressing administrative employees' issues; serving as a channel of communication to exchange administrative employees ideas, provide advice, input, and recommendations; and collaborating with OIG management to foster and maintain a superior workplace for all OIG employees.

EQUAL EMPLOYMENT OPPORTUNITY COUNSELING ENHANCED

The OIG promotes an environment that celebrates diversity and the principles of Equal Employment Opportunity, and recently enhanced its counseling program by adding more employees to its team of counselors. There are now 15 counselors, who are located at both headquarters and the field offices. During April, the newly-appointed counselors were trained and certified to carry out this important role. These counselors are responsible for working closely and on a confidential basis with employees as neutral facilitators. By using these counselors, the OIG believes it can address most Equal Employment Opportunity issues quickly and informally; help preserve positive working relationships among employees; maintain the most productive work environment possible; enhance communication among employees; and minimize costly and lengthy formal complaints.

CHILDREN LEARN WHAT IT'S LIKE TO BE AN OIG EMPLOYEE ON "TAKE OUR CHILDREN TO WORK DAY"

In April, the OIG and Postal Service participated in "Take Our Children to Work Day." More than 50 children teamed with their parents at OIG headquarters and field offices. Children in Rosslyn attended an observance at Postal Service headquarters and also attended events at OIG headquarters, such as an information technology expo and a forensics and technical services demonstration. The children also received a welcome message from the Inspector General. The day concluded with an ice-cream social, where the Deputy Inspector General and Assistant Inspector General for Internal Business visited with the children and their families to share their day's experiences.

OIG TEAMS TOGETHER AT THE POSTAL STAMP-EDE

On April 25, the OIG and Postal Service participated in the 2001 Postal Stamp-ede, a 3.1-mile walk on the mall in Washington, D.C. OIG teams won awards for "Best Team Spirit" and "Best Team Chant." This annual event was an opportunity for OIG employees to show their team spirit, demonstrate pride in their workplace, interact with Postal Service employees in an informal environment, and promote their health, fitness, and well-being.

CHALLENGES FACING THE OIG

As the OIG moves forward in its efforts to help the Postal Service maintain and enhance its position as best in the world, the OIG must address several external and internal challenges. These include:

- Responding to the recent terrorist attacks on the Postal Service;
- Getting timely notification and information about major Postal Service initiatives;
- Convincing Postal Service management to improve acquisition controls;
- Guarding OIG independence;
- Continuing to provide stakeholders with meaningful information;
- Managing resources to accommodate changing priorities;

Over 200 representatives from more than 50 government organizations attended a course on legal issues associated with information technology co-sponsored by the OIG.

- Maintaining a healthy organizational culture and environment;
- Educating stakeholders on the OIG's role; and
- Balancing the OIG's responsibility to report its findings with the Postal Service's competitive needs for nondisclosure.

More information about the OIG can be found on our website www.uspsoig.gov.

DID YOU KNOW?

Which Postmaster initiated the free rural delivery?

In 1896 Postmaster General John Wanamaker instituted rural free delivery. Prior to free rural delivery, individuals had to pick up mail at a post office, often involving a day's travel, round-trip. A farmer might delay picking up mail for days, weeks, or even months until the trip could be coupled with one for supplies, food, or equipment.

INSPECTION SERVICE

The Inspection Service, the traditional law enforcement arm of the Postal Service, is a highly specialized, professional organization that performs investigative and security functions essential to a stable and sound postal system. Through its security and enforcement functions, the Inspection Service provides assurance to businesses for the safe exchange of funds and securities through the U.S. mail; to postal customers of the "sanctity of the seal" in transmitting correspondence and messages; and to postal employees of a safe work environment.

Postal Inspectors are federal law enforcement officers who carry firearms, make arrests, execute federal search warrants, and serve subpoenas. Postal Inspectors work closely with U.S. Attorneys, other law enforcement agencies, and local prosecutors to investigate postal cases and prepare them for court. There are approximately 1,900 Postal Inspectors stationed throughout the United States who enforce over 200 federal laws covering investigations of crimes that adversely affect or fraudulently use the U.S. mail and postal system.

To assist in carrying out its responsibilities, the Inspection Service maintains a security force staffed by over 1,400 uniformed Postal Police Officers, who are assigned to critical postal facilities throughout the country. The officers provide perimeter security, escort high-value mail shipments, and perform other essential protective functions.

The Inspection Service operates five forensic crime laboratories, strategically located in cities across the country. The laboratories are staffed with forensic scientists and technical specialists who assist Postal Inspectors in analyzing evidentiary material needed for identifying and tracking criminal suspects and in providing expert testimony for cases brought to trial.

The Inspection Service's 900 professional and technical employees also include program analysts, financial analysts, information technology experts, and others who play a vital role in supporting the criminal investigation and security functions of the Inspection Service. They perform a wide variety of tasks, including developing, maintaining and continually upgrading management systems; developing, procuring and deploying electronic security and surveillance equipment; publishing policy handbooks and consumer awareness guides and brochures; supplying photography and video services; and facilitating direct communications with Congress and the public.

The Office of Inspections operates with a staff of 12 Postal Inspectors, an Inspector in Charge, 4 support employees and 33 Postal Police Officers, and has a three-fold mission. First, it ensures integrity and excellence within the Inspection Service by conducting independent internal investigations of its employees. Second, the office also oversees the quality and thoroughness of Inspection Service operations by conducting reviews at field divisions and headquarters units. Finally, it protects the safety of postal employees and customers by providing security and preventive services at national Headquarters.

The Office of Counsel provides legal advice and services in support of Inspection Service investigations, programs and goals, and processes requests for access to Inspection Service records. The Counsel's office is composed of 20 inspector-attorneys and a support staff of paralegal specialists, information disclosure specialists, a labor relations specialist, a program specialist, and an administrative support specialist.

The Inspection Service's national information technology infrastructure supports about 4,300 users at more than 220 sites nationwide. Inspection Service offices are linked nationally via a dedicated frame-relay network, with online connections to the Postal Service, the National Crime Information Center, the National Law Enforcement Telecommunications System, and the Internet.

The Inspection Service extends full cooperation to all federal, state, and local investigative and prosecutorial authorities in law enforcement matters to ensure greater protection to the public. Working with other agencies, Postal Inspectors regularly participate in joint task force cases aimed at curtailing wide spread criminal acts of an organized nature.

More information on the Inspection Service can be found at http://www.usps.com/postalinspectors.

Inspection Service seal and badges

USA
$3.50
2001

Organizational Structure

DID YOU KNOW?

What is the background of the OIG's staff?

The OIG staff consists of auditors, criminal investigators, evaluators, lawyers, experts, technicians, and administrative personnel from federal and state government agencies, private industry, nonprofit organizations, and the Postal Service.

Office of Inspector General Organizational Structure

INVESTIGATIONS

Assistant Inspector General
Investigative Operations

Deputy AIG for Financial Investigations
Financial Crimes / Contracting & Facilities
Health Care Fraud
Executive Investigations & Retaliation

Deputy AIG for Non-Financial Investigations
Computer Intrusion/Forensic & Tech Services
Hotline & Security
Non-Financial Crimes & Corruption

AUDITS

Assistant Inspector General
Audit Operations & Follow-up

AIG for Financial Management
Contracting & Facilities
Financial Field
Financial Statement

AIG for Core Operations
Accepting & Processing
Labor Management
Transportation & Delivery

AIG for eBusiness
Consulting & Quick Response
Developmental
eCommerce/Marketing
Information Systems

FIELD OFFICES: NEW YORK ◆ PITTSBURGH ◆ RALEIGH ◆ TAMPA ◆ CHICAGO ◆ DALLAS ◆ DENVER ◆ LOS ANGELES ◆ MINNEAPOLIS ◆ PORTLAND ◆ SAN MATEO ◆ ST. LOUIS ◆ ARLINGTON ◆ ATLANTA ◆ BOSTON

Inspector General

Deputy Inspector General
Quality Assurance & Internal Affairs
Strategic Planning

Executive Representatives for Field Liaison East & West
Field Offices

INTERNAL BUSINESS

Assistant Inspector General

Deputy AIG for Resources
Administrative Services
Human Resources
Internal Quality
Workplace Enhancement

Deputy AIG for Technology
Communications & Policy
Experts
Information Technology

CONGRESSIONAL, OVERSIGHT & LEGAL

General Counsel & AIG for Congressional, Oversight & Legal Services

Deputy AIG for Congressional, Oversight & Legal Services
Congressional & Public Relations
Legal Services
Oversight

This section describes the organization of the OIG and the Inspection Service. In order to differentiate between the OIG and the Inspection Service, the page concerning the Inspection Service has been color screened.

OFFICE OF INSPECTOR GENERAL

The OIG is a unique, nontraditional, diverse organization that conducts audits, evaluations, investigations, and other core functions identified by the Inspector General Act of 1978, as amended.

The OIG's values of teamwork, leadership, communication, creativity, and conceptualization are demonstrated by teams that focus on improving Postal Service business processes and overall organizational achievement. The OIG implemented a reorganization of its headquarters structure in September 2001 to better reflect the Postal Service's recent reorganization; more clearly define audit and investigative functional areas and responsibilities; and clarify lines of communication, resulting in a more efficient and effective organization. The following section describes the OIG organizational structure as of September 30, 2001.

DEPUTY INSPECTOR GENERAL
Thomas Coogan

QUALITY ASSURANCE & INTERNAL AFFAIRS TEAM

Director, George Davis - conducts internal reviews of OIG operations and procedures to ensure that they are effective and appropriate, and reviews allegations against OIG employees.

STRATEGIC PLANNING

Director, Steve Spratt - incorporates current and future Postal Service changes into OIG operations, prepares and updates the OIG strategic plan, develops and monitors the OIG annual performance measures, and completes strategic studies as needed.

EXECUTIVE REPRESENTATIVES FOR FIELD LIAISON

Colleen McAntee (West) and Ronald Merryman (East) - provides senior-level communication links between the OIG Headquarters and its 15 field offices, and all Postal Service field operations.

- East Offices: Arlington, New York, Atlanta, Pittsburgh, Boston, Raleigh, Tampa
- West Offices: Chicago, Los Angeles, Dallas, Minneapolis, St. Louis, Denver, Portland, San Mateo

Audit Directors, Darrell Benjamin (West) and Debbie Pettitt (East) - plan and coordinate staffing for audits and reviews as initiated by Headquarters and responsible for overall audit field staff development.

Investigative Directors, William Hencken and Carl Puricelli (West) and Gwen Johnson and Dennis Riley (East) - plan and direct investigations in coordination with Headquarters staff and responsible for overall investigative field staff development.

GENERAL COUNSEL & ASSISTANT INSPECTOR GENERAL FOR CONGRESSIONAL, OVERSIGHT, AND LEGAL SERVICES
Kirt West

Deputy Assistant Inspector General
Vacant

LEGAL SERVICES TEAM

Director, Gladis Griffith - provides legal advice to the Inspector General and OIG staff in all areas of criminal, civil, and administrative law; processes subpoenas; manages ethics program; and reviews existing and proposed legislation, regulations, and policies affecting the economy and efficiency of the Postal Service.

CONGRESSIONAL & PUBLIC RELATIONS TEAM

Director, Laura Whitaker - serves as liaison and responds to requests from Congress, the Board of Governors, and the media; coordinates Congressional testimony and presentations; and responds to all Freedom of Information Act requests.

OVERSIGHT TEAM

Director, Cathleen Berrick - provides oversight of Inspection Service functions and operations through audits, inspections, reviews, monitoring, and coordination, including assessing criminal investigative programs and operations.

DID YOU KNOW?

When were adhesive stamps authorized in the United States?

In 1847, the Congress authorized the use of adhesive postage stamps. Two denominations went on sale in New York City on July 1, 1847, a 5-cent stamp bearing Benjamin Franklin's portrait in a bronze tint, and a 10-cent stamp of George Washington in a black tint.

OIG employees work in diverse teams to address Congressional inquiries.

ASSISTANT INSPECTOR GENERAL FOR AUDIT
Debra Ritt

AUDIT OPERATIONS AND FOLLOW-UP TEAM

Director, Joyce Hansen - provides support, services, and coordination of audit activities; facilitates the development of audit reporting policy and procedures; develops and oversees implementation of the audit workload plan; manages the closure of significant audit recommendations and audit resolution process; and analyzes statistical audit data to accomplish the OIG's audit mission.

ASSISTANT INSPECTOR GENERAL FOR FINANCIAL MANAGEMENT
John Seeba

FINANCIAL TEAMS

Director- Financial Statements, Bennie Cruz and Director, Financial Field, Sheila Bruck - plan and direct work in support of the independent public accounting firm's annual financial audit opinion and conduct other financial-related audits to identify areas for improvement.

CONTRACTS & FACILITIES TEAM

Director, Lorie Siewert - plans and directs audits and reviews of purchasing and contracting activities, as well as all aspects of postal facility repair, renovation, and new construction.

ASSISTANT INSPECTOR GENERAL FOR CORE OPERATIONS
Ronald Stith

ACCEPTING & PROCESSING TEAM

Director, Larry Chisley - plans and directs audits and reviews focusing on the economy, efficiency, and effectiveness of mail acceptance, collection, and processing operations, as well as logistics activities supporting these operations.

TRANSPORTATION & DELIVERY TEAM

Director, Joe Oliva – plans and directs audits and reviews focusing on delivery, and domestic and international transportation operations, specifically addressing economy, efficiency, and effectiveness of Postal Service fleet operations and contracts for air, highway, and rail services.

LABOR MANAGEMENT TEAM

Director, Chris Nicoloff - plans and directs audits and reviews focusing on labor relations, management, and health care issues within the Postal Service to assist in maintaining a healthy and safe organizational climate for employees and improving operational economy, efficiency, and effectiveness.

ASSISTANT INSPECTOR GENERAL FOR eBUSINESS
Bob Emmons

DEVELOPMENTAL TEAM

Director, Tracy LaPoint - plans and directs audits and reviews of new or redesigned Postal Service systems, programs, and operations that are under development.

eCOMMERCE & MARKETING TEAM

Director, Robert Batta - plans and directs audits and reviews of electronic commerce, marketing programs, stamp services, retail operations, international business, and support operations.

INFORMATION SYSTEMS TEAM

Director, Dave Berran - plans and directs audits and reviews of major Postal Service information systems to determine whether general and application controls are properly established and systems are designed to be secure and provide accurate data to management.

CONSULTING & QUICK RESPONSE TEAM

Director, Kim Stroud - assists Postal Service management by identifying best practices for improving Postal Service operations and advises on critical, time sensitive issues.

ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS
Billy Sauls

INVESTIGATIVE OPERATIONS TEAM

Director, Russ Barbee - provides support and coordination to field and headquarters investigative programs; facilitates the development of investigative policy and procedures; compiles and analyzes statistical investigative data and results to accomplish the OIG's investigative mission.

DEPUTY ASSISTANT INSPECTOR GENERAL FOR FINANCIAL INVESTIGATIONS

Daniel O'Rourke

FINANCIAL CRIMES, CONTRACTING & FACILITIES TEAM

Director, Anthony Cannarella - identifies and coordinates investigations related to the expenditure of Postal Service funds; supports investigations of purchasing activities and operations as well as all aspects of postal facility repair, renovation, and new construction.

HEALTH CARE FRAUD TEAM

Director, Mimi Band - identifies and coordinates investigations of wrongdoing by medical providers under contract with the Postal Service and medical providers that have falsely billed the Postal Service for work-related injury claims.

DEPUTY ASSISTANT INSPECTOR GENERAL FOR NON-FINANCIAL INVESTIGATIONS

Vacant

NON-FINANCIAL CRIMES & CORRUPTION TEAM

Director, Michael Shiohama - identifies and coordinates investigations of bribery, kickbacks, conflict of interest, fraudulent tort claims, impact card fraud, indemnity claims fraud, and cases involving expenditures and contract fraud dealing with product substitution.

COMPUTER INTRUSION AND FORENSIC & TECHNICAL SERVICES TEAM

Director, Howard Cox - detects and investigates computer hacking and other high-technology crimes involving Postal Service computers and telecommunications systems; and provides technical support in such areas as surveillance, evidence recovery and computer forensics.

HOTLINE AND SECURITY TEAM

Director, Tommy Hampton - operates the OIG Hotline, providing a vital link for reporting fraud, waste, abuse and mismanagement; and provides physical and personnel security services within the OIG.

ASSISTANT INSPECTOR GENERAL FOR INTERNAL BUSINESS

Wayne Goleski

DEPUTY ASSISTANT INSPECTOR GENERAL FOR RESOURCES

Vacant

HUMAN RESOURCES TEAM

Director, Eufemia Lucero - provides full-service human resource support to the OIG in the areas of employee relations, pay and benefits, recruitment, retirement, awards, performance management, counseling, and training.

ADMINISTRATIVE SERVICES TEAM

Director, Stew Dorris - supports the OIG by providing facility, procurement, financial, budget, and other internal services necessary to accomplish the OIG's mission.

WORKPLACE ENHANCEMENT TEAM

Director, Sharon Solomon - supports the OIG by providing work life, organizational climate, diversity, Equal Employment Opportunity, and other workplace-related services.

INTERNAL QUALITY TEAM

Director, Bob Pemberton - develops programs and activities that promote the vision and core values of the OIG—teamwork, leadership, communication, creativity, and conceptualization.

DEPUTY ASSISTANT INSPECTOR GENERAL FOR TECHNOLOGY

Donna Edsall

INFORMATION TECHNOLOGY TEAM

Director, David Sidransky - supports the OIG by providing computer operations, telecommunications, agency wide information systems, computer security and technical support.

EXPERTS AND COMPUTER-ASSISTED ASSESSMENT TECHNIQUES TEAM

This self directed team provides support to OIG in the areas of statistical sampling; quantitative and statistical methods; computer-assisted assessment techniques for data retrieval and analysis; economic forecasting; cost/benefit analysis; estimation of monetary benefits; and activity-based costing.

The OIG received 14 Awards of Excellence and one Career Achievement Award from the President's Council on Integrity and Efficiency and Executive Council on Integrity and Efficiency.

The OIG used its in-house video services to produce a video audit report demonstrating backlogged mail at an Atlanta airport.

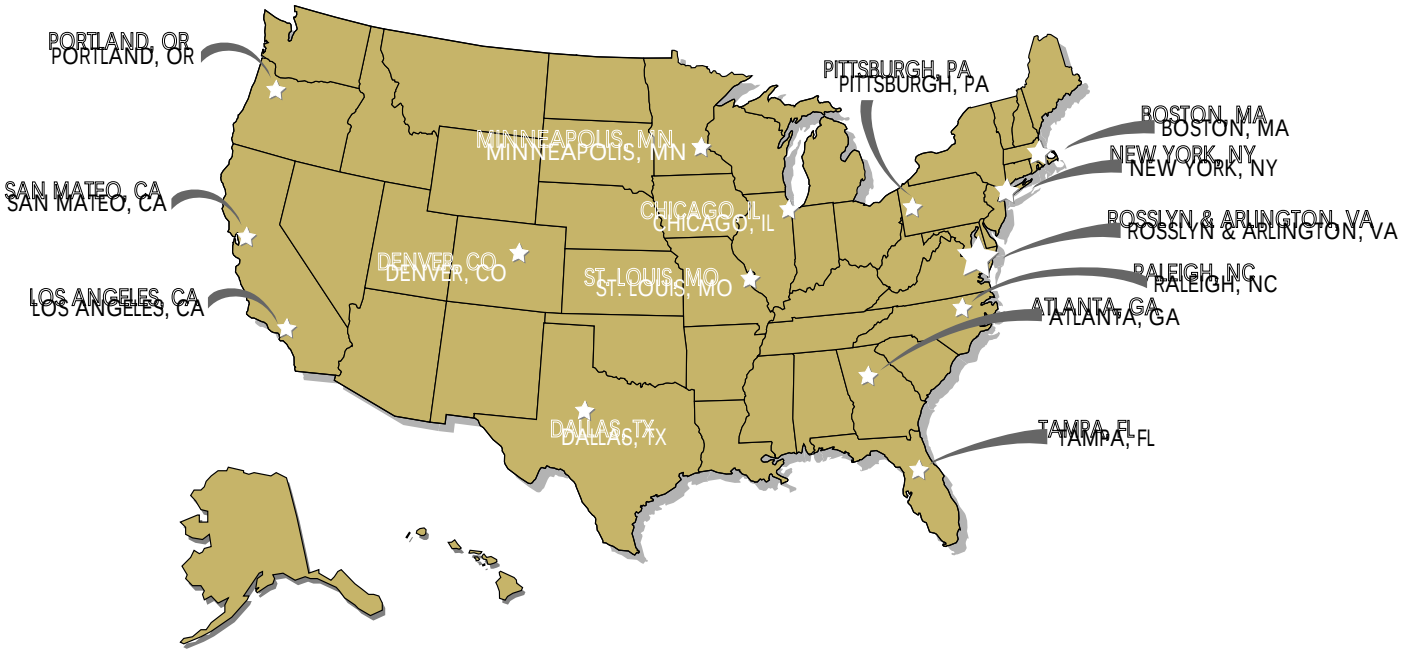
COMMUNICATIONS & POLICY TEAM

Director, Jim Nugent - supports the OIG by providing writing, editorial, video, and graphic services; coordinates and publishes OIG reports as well as other documents for Congress, the Governors, and Postal Service management; and manages development of internal policies and procedures.

OIG FIELD LOCATIONS

The OIG Headquarters is located in Rosslyn, Virginia. In addition, the OIG has 15 field offices located in San Mateo and Los Angeles, California; Denver, Colorado; Tampa, Florida; Atlanta, Georgia; Chicago, Illinois; Boston, Massachusetts; Minneapolis, Minnesota; St. Louis, Missouri; New York, New York; Portland, Oregon; Pittsburgh, Pennsylvania; Raleigh, North Carolina; Dallas, Texas; and Arlington, Virginia. OIG locations are depicted in the chart below.

OIG Locations Nationwide

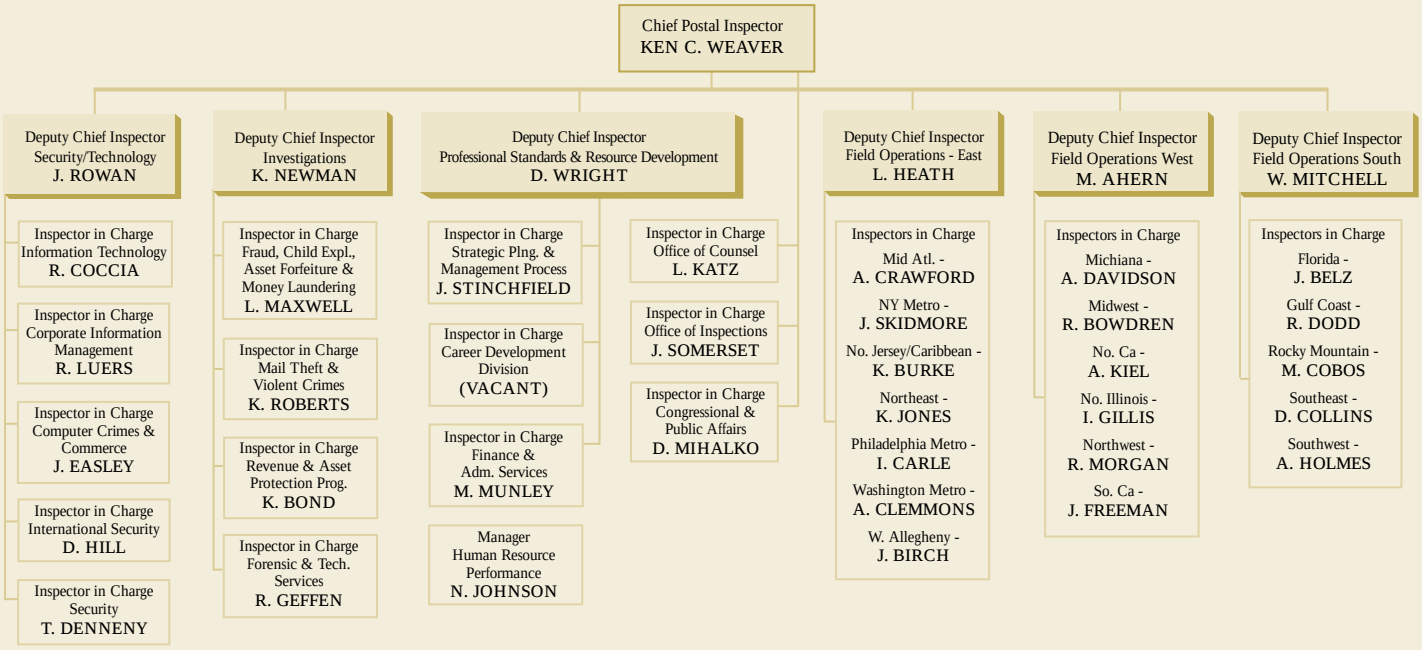


INSPECTION SERVICE

The national headquarters offices of the Inspection Service are organized into functional groups that report to Deputy Chief Inspectors for Investigations, Security & Technology, and Professional Standards & Resource Development. The Inspection Service has 18 field divisions, which report directly to three Deputy Chief Inspectors for field operations. Five Inspection Service Operations Support Groups support field offices. The Inspection Service's Executive Committee, which consists of the six Deputy Chief Inspectors and the three Inspectors in Charge who report directly to the Chief Postal Inspector, establishes the direction of the organization. The National Leadership Team consists of the Deputy Chief Inspectors and all Inspectors in Charge.

Chief Postal Inspector
Kenneth C. Weaver

Inspection Service Organizational Structure



HONORING VETERANS
34
USA
Continuing to Serve
2001

Appendices

DID YOU KNOW?

Does OIG review Postal Service mail processes?

Yes, the OIG has established review teams to examine mail acceptance, processing delivery and transportation. This is important because the Postal Service delivers more than 660 million pieces of mail every day and handles 41 percent of the entire world's mail volume.

APPENDIX A

Reports Issued to Postal Management

For the period April 1, 2001, through September 30, 2001

OVERVIEW

Office of Inspector General

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

Inspection Service

The Inspection Service provided Postal-wide attention in selected areas until September 30, 2000 when all audit functions were transitioned to the OIG. Inspection Service information is incorporated in appendices B, C and D, as appropriate.

SUMMARY

The following is a summary by principal area of reports issued to Postal Service management by the OIG.

Principal Area	Number of Reports Issued	Questioned Costs	Unsupported Costs[1]	Recommend Funds Put to Better Use	Unrecoverable Costs	Potential Additional Revenue
Performance	14	$0	$0	$25,918,035	$1,363,198	$0
Financial Management	149	$166,564,281	$250,471	$0	$34,000	$17,081
Technology	20	$0	$0	$0	$0	$0
Labor Management	12	$0	$0	$12,407	$0	$0
Oversight	3	$0	$0	$2,049,307	$0	$0
Other Significant Reviews	9	$0	$0	$0	$0	$0
GRAND TOTAL	207	$166,564,281	$250,471	$27,979,749	$1,397,198	$17,081

Definitions

Questioned Costs - A cost that is unnecessary, unreasonable, unsupported, or an alleged violation of law, regulation, contract, etc.

Unsupported Costs - A cost that is not supported by adequate documentation.

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

Unrecoverable Costs - A cost that perhaps should not have been incurred and is not recoverable.

Potential Additional Revenue are amounts from revenue generating functions such as retail sales, rent, leases, or fees that were underpaid or not realized.

1 Unsupported Costs are included with the amounts shown as Questioned Costs.

2 Represents unrecoverable costs.

3 Represents potential additional revenue.

REPORT LISTING

The following is a list of each report grouped by core business processes and enabling functions.

OIG REPORTS

PERFORMANCE

Report Number	Subject Title/ Project Type	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Other	Issue Date
ACCEPTING AND PROCESSING						
AC-MA-01-002	Certified Mail Observations at the Los Angeles Processing and Distribution Center	$0	$0	$0	$0	5/2/01
DELIVERY						
DE-AR-01-002	Review of the Revised Rules Governing Commercial Mail Receiving Agencies	$0	$0	$0	$0	4/9/01
DE-AR-01-003	Delayed Express Mail at a Tampa, Florida Facility	$0	$0	$0	$0	8/10/01
DE-AR-01-004	Disposal of Delivery Jeeps in the Capital Metro Area	$0	$0	$0	$0	8/30/01
MARKETING						
MK-AR-01-002	Stamp Printing Quantities	$0	$0	$10,000,000	$1,363,198[2]	9/28/01
MK-AR-01-003	Transition Planning for the Priority Mail Processing Center Network	$0	$0	$0	$0	9/28/01
TRANSPORTATION						
TR-AR-01-003	Mail Transport Equipment Service Center - Decision Analysis Report Performance and Financial Benefits	$0	$0	$0	$0	5/4/01
TR-AR-01-004	Bulk Fuel Purchase Plan	$0	$0	$15,918,035	$0	7/27/01
TR-AR-01-005	Air Carrier Reliability	$0	$0	$0	$0	8/2/01
TR-AR-01-006	Manual Payments on Rail Transportation Contracts	$0	$0	$0	$0	9/28/01
TR-LA-01-001	Review of a Transportation Agreement	$0	$0	$0	$0	6/26/01
TR-MA-01-002	Excise Taxes and Third Party Ground Handling Costs Under a Transportation Agreement	$0	$0	$0	$0	8/8/01
TR-MA-01-003	Security Risks Associated with a Transportation Agreement	$0	$0	$0	$0	9/27/01
TR-VR-01-001	Video Report - Air Carrier Reliability	$0	$0	$0	$0	9/7/01
PERFORMANCE TOTALS		$0	$0	$25,918,035	$1,363,198	

FINANCIAL MANAGEMENT

FINANCIAL-RELATED						
FF-AR-01-009	Audit of Statistical Tests for Fiscal Year 2001 Cost and Revenue Analysis - Capital District	$0	$0	$0	$0	4/4/01
FF-AR-01-010	Audit of Statistical Tests for Fiscal Year 2001 Cost and Revenue Analysis Audit - Long Beach District	$0	$0	$0	$0	4/3/01

Report Number	Subject Title/ Project Type	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Other	Issue Date
FF-AR-01-011	Fiscal Year 2001 Financial Installation Audit - Central Florida District Accounting Office	$0	$0	$0	$0	4/10/01
FF-AR-01-012	Fiscal Year 2001 Financial Installation Audit - Pitt Station	$0	$0	$0	$0	4/11/01
FF-AR-01-013	Fiscal Year 2001 Financial Installation Audit - South Georgia District Accounting Office	$0	$0	$0	$0	4/10/01
FF-AR-01-014	Fiscal Year 2001 Financial Installation Audit - Dallas Stamp Distribution Office	$0	$0	$0	$0	4/18/01
FF-AR-01-015	Fiscal Year 2001 Financial Installation Audit - Omaha Stamp Distribution Office	$0	$0	$0	$0	4/24/01
FF-AR-01-017	Fiscal Year 2001 Financial Installation Audit - Carol Stream Stamp Distribution Audit	$0	$0	$0	$0	5/2/01
FF-AR-01-018	Audit of Statistical Tests for Fiscal Year 2001 Cost and Revenue Analysis - Central Florida District	$0	$0	$0	$0	5/3/01
FF-AR-01-019	Audit of Statistical Tests for Fiscal Year 2001 Cost and Revenue Analysis - Honolulu District	$0	$0	$0	$0	5/3/01
FF-AR-01-020	Fiscal Year 2001 Financial Installation Audit - San Diego District Accounting Office	$0	$0	$0	$0	5/7/01
FF-AR-01-021	Fiscal Year 2001 Financial Installation Audit - Central Plains District Accounting Office	$0	$0	$0	$0	5/14/01
FF-AR-01-022	Audit of Statistical Tests for Fiscal Year 2001 Cost and Revenue Analysis - North Florida District	$0	$0	$0	$0	5/14/01
FF-AR-01-023	Fiscal Year 2001 Financial Installation Audit - Durham Post Office	$0	$0	$0	$0	5/14/01
FF-AR-01-024	Fiscal Year 2001 Financial Installation Audit - Denver Post Office	$0	$0	$0	$0	5/14/01
FF-AR-01-025	Fiscal Year 2001 Financial Installation Audit - Fort Lauderdale Business Mail Entry Unit	$0	$0	$0	$0	5/17/01
FF-AR-01-026	Fiscal Year 2001 Financial Installation Audit - Miami Beach Post Office	$0	$0	$0	$0	5/25/01
FF-AR-01-027	Fiscal Year 2001 Financial Installation Audit - Alabama Stamp Distribution Office	$0	$0	$0	$0	5/25/01
FF-AR-01-028	Fiscal Year 2001 Financial Installation Audit - Omaha Business Mail Entry Unit	$0	$0	$0	$0	5/29/01

Report Number	Subject Title/ Project Type	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Other	Issue Date
FF-AR-01-029	Fiscal Year 2001 Financial Installation Audit - Norwood Park Station	$0	$0	$0	$34,000[2]	5/31/01
FF-AR-01-030	Fiscal Year 2001 Financial Installation Audit - San Bernardino Self-Service Postal Center	$0	$0	$0	$0	5/31/01
FF-AR-01-032	Audit of Statistical Tests for Fiscal Year 2001 Cost and Revenue Analysis - Triboro District	$0	$0	$0	$0	6/11/01
FF-AR-01-033	Audit of Statistical Tests for Fiscal Year 2001 Cost and Revenue Analysis - San Jose District	$0	$0	$0	$0	6/11/01
FF-AR-01-034	Audit of Statistical Tests for Fiscal Year 2001 Cost and Revenue Analysis - Northern Virginia District	$0	$0	$0	$0	6/11/01
FF-AR-01-035	Fiscal Year 2001 Financial Installation Audit - Blairs Post Office	$0	$0	$0	$0	6/11/01
FF-AR-01-036	Fiscal Year 2001 Financial Installation Audit - Fort Wayne Stamp Distribution Office	$0	$0	$0	$0	6/13/01
FF-AR-01-037	Fiscal Year 2001 Financial Installation Audit - Honolulu District Accounting Office	$0	$0	$0	$0	6/13/01
FF-AR-01-038	Fiscal Year 2001 Financial Installation Audit - Middlesex Essex Stamp Distribution Office	$0	$0	$0	$0	6/18/01
FF-AR-01-039	Fiscal Year 2001 Financial Installation Audit - Providence Stamp Distribution Office	$0	$0	$0	$0	6/18/01
FF-AR-01-040	Fiscal Year 2001 Financial Installation Audit - Clarksburg Business Mail Entry Unit	$0	$0	$0	$0	6/15/01
FF-AR-01-041	Audit of Statistical Tests for Fiscal Year 2001 Cost and Revenue Analysis - Tennessee District	$0	$0	$0	$0	6/15/01
FF-AR-01-042	Fiscal Year 2001 Financial Installation Audit - Hampton Business Mail Entry Unit	$0	$0	$0	$0	6/18/01
FF-AR-01-043	Fiscal Year 2001 Financial Installation Audit - Martin Post Office	$0	$0	$0	$0	6/26/01
FF-AR-01-044	Fiscal Year 2001 Financial Installation Audit - Moscow Post Office	$0	$0	$0	$0	6/29/01
FF-AR-01-045	Fiscal Year 2001 Financial Installation Audit - Pilgrim Station	$0	$0	$0	$0	7/3/01
FF-AR-01-046	Fiscal Year 2001 Financial Installation Audit - Yadkinville Post Office	$0	$0	$0	$0	7/13/01
FF-AR-01-047	Fiscal Year 2001 Financial Installation Audit - Greenville Stamp Distribution Office	$0	$0	$0	$0	7/13/01

Report Number	Subject Title/ Project Type	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Other	Issue Date
FF-AR-01-048	Fiscal Year 2001 Financial Installation Audit - Corinth Business Mail Entry Unit	$0	$0	$0	$0	7/13/01
FF-AR-01-049	Fiscal Year 2001 Financial Installation Audit - Greensboro Stamp Distribution Office	$0	$0	$0	$0	7/13/01
FF-AR-01-050	Audit of Statistical Tests for Fiscal Year 2001 Cost and Revenue Analysis - Central New Jersey District	$0	$0	$0	$0	7/13/01
FF-AR-01-051	Fiscal Year 2001 Financial Installation Audit - Suncoast District Accounting Office	$0	$0	$0	$0	7/13/01
FF-AR-01-052	Audit of Statistical Tests for Fiscal Year 2001 Cost and Revenue Analysis - Colorado/Wyoming District	$0	$0	$0	$0	7/18/01
FF-AR-01-053	Fiscal Year 2001 Financial Installation Audit - Oak Brook Branch	$0	$0	$0	$0	7/18/01
FF-AR-01-054	Fiscal Year 2001 Financial Installation Audit - Carol Stream Business Mail Entry Unit	$0	$0	$0	$0	7/18/01
FF-AR-01-055	Audit of Statistical Tests for Fiscal Year 2001 Cost and Revenue Analysis - Rio Grande District	$0	$0	$0	$0	7/17/01
FF-AR-01-056	Fiscal Year 2001 Financial Installation Audit - Camp Hill Post Office	$0	$0	$0	$0	8/17/01
FF-AR-01-057	Fiscal Year 2001 Financial Installation Audit - Calverton Post Office	$0	$0	$0	$0	8/7/01
FF-AR-01-058	Fiscal Year 2001 Financial Installation Audit - Columbia Post Office	$0	$0	$0	$0	8/17/01
FF-AR-01-059	Fiscal Year 2001 Financial Installation Audit - Gravesend Station	$0	$0	$0	$0	8/10/01
FF-AR-01-060	Fiscal Year 2001 Financial Installation Audit - Bethesda Post Office	$0	$0	$0	$0	7/27/01
FF-AR-01-061	Fiscal Year 2001 Financial Installation Audit - Denver Business Mail Entry Unit	$0	$0	$0	$0	8/10/01
FF-AR-01-062	Fiscal Year 2001 Financial Installation Audit - Ossining Post Office	$0	$0	$0	$0	8/7/01
FF-AR-01-063	Fiscal Year 2001 Financial Installation Audit - Colonia Branch	$0	$0	$0	$0	8/7/01
FF-AR-01-064	Fiscal Year 2001 Financial Installation Audit - Central Village Post Office	$0	$0	$0	$0	8/17/01
FF-AR-01-065	Fiscal Year 2001 Financial Installation Audit - Warren Post Office	$0	$0	$0	$0	8/17/01

Report Number	Subject Title/ Project Type	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Other	Issue Date
FF-AR-01-066	Fiscal Year 2001 Financial Installation Audit - Orange Business Mail Entry Unit	$0	$0	$0	$0	7/31/01
FF-AR-01-067	Fiscal Year 2001 Financial Installation Audit - Lancaster Business Mail Entry Unit	$0	$0	$0	$0	9/5/01
FF-AR-01-068	Fiscal Year 2001 Financial Installation Audit - Denver District Accounting Office	$0	$0	$0	$0	8/8/01
FF-AR-01-069	Fiscal Year 2001 Financial Installation Audit - Los Angeles Business Mail Entry Unit	$0	$0	$0	$0	8/3/01
FF-AR-01-070	Fiscal Year 2001 Financial Installation Audit - Olive Branch Business Mail Entry Unit	$0	$0	$0	$0	8/31/01
FF-AR-01-071	Fiscal Year 2001 Financial Installation Audit - Dyersburg Business Mail Entry Unit	$0	$0	$0	$0	9/11/01
FF-AR-01-072	Fiscal Year 2001 Financial Installation Audit - Nashville Business Mail Entry Unit	$0	$0	$0	$0	8/31/01
FF-AR-01-073	Fiscal Year 2001 Financial Installation Audit - Danville Business Mail Entry Unit	$0	$0	$0	$0	8/31/01
FF-AR-01-074	Audit of Statistical Tests for Fiscal Year 2001 Cost and Revenue Analysis - Seattle District	$0	$0	$0	$0	8/3/01
FF-AR-01-075	Fiscal Year 2001 Financial Installation Audit - Lodi Contract Postal Unit	$0	$0	$0	$0	8/3/01
FF-AR-01-076	Audit of Statistical Tests for Fiscal Year 2001 Cost and Revenue Analysis - Mid-Carolinas District	$0	$0	$0	$0	8/29/01
FF-AR-01-077	Audit of Statistical Tests for Fiscal Year 2001 Cost and Revenue Analysis - South Jersey District	$0	$0	$0	$0	8/10/01
FF-AR-01-078	Fiscal Year 2001 Financial Installation Audit - Floral Park Post Office	$0	$0	$0	$0	9/18/01
FF-AR-01-079	Fiscal Year 2001 Financial Installation Audit - Margaret B. Sellers Business Mail Entry Unit	$0	$0	$0	$0	9/6/01
FF-AR-01-081	Fiscal Year 2001 Financial Installation Audit - Manhattanville Station	$0	$0	$0	$0	8/24/01
FF-AR-01-082	Fiscal Year 2001 Financial Installation Audit - Station B Jamaica	$0	$0	$0	$0	9/18/01
FF-AR-01-084	Fiscal Year 2001 Financial Installation Audit - Southern Maryland Business Mail Entry Unit	$0	$0	$0	$11,385[3]	8/31/01
FF-AR-01-085	Fiscal Year 2001 Financial Installation Audit - Naperville Business Mail Entry Unit	$0	$0	$0	$5,696[3]	8/30/01

Report Number	Subject Title/ Project Type	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Other	Issue Date
FF-AR-01-086	Audit of Statistical Tests for Fiscal Year 2001 Cost and Revenue Analysis - Salt Lake City District	$0	$0	$0	$0	8/24/01
FF-AR-01-087	Audit of Statistical Tests for Fiscal Year 2001 Cost and Revenue Analysis - Lakeland District	$0	$0	$0	$0	8/24/01
FF-AR-01-089	Fiscal Year 2001 Financial Installation Audit - Charleston Stamp Distribution Office	$0	$0	$0	$0	9/17/01
FF-AR-01-090	Fiscal Year 2001 Financial Installation Audit - Jericho Post Office	$0	$0	$0	$0	9/18/01
FF-AR-01-091	Fiscal Year 2001 Financial Installation Audit - New Brunswick Business Mail Entry Unit	$0	$0	$0	$0	9/5/01
FF-AR-01-094	Audit of Statistical Tests for Fiscal Year 2001 Cost and Revenue Analysis - Alaska District	$0	$0	$0	$0	9/6/01
FF-AR-01-095	Fiscal Year 2001 Financial Installation Audit - Valley Stream Post Office	$0	$0	$0	$0	9/18/01
FF-AR-01-096	Fiscal Year 2001 Financial Installation Audit - Hagerstown Post Office	$0	$0	$0	$0	9/18/01
FF-AR-01-097	Fiscal Year 2001 Financial Installation Audit - Martinsburg Business Mail Entry Unit	$0	$0	$0	$0	9/11/01
FF-AR-01-098	Audit of Statistical Tests for Fiscal Year 2001 Cost and Revenue Analysis - Richmond District	$0	$0	$0	$0	8/30/01
FF-AR-01-099	Audit of Statistical Tests for Fiscal Year 2001 Cost and Revenue Analysis - Fort Worth District	$0	$0	$0	$0	8/29/01
FF-AR-01-101	Fiscal Year 2001 Financial Installation Audit - Akron Stamp Distribution Office	$0	$0	$0	$0	9/21/01
FF-AR-01-104	Fiscal Year 2001 Financial Installation Audit - Little Rock Stamp Distribution Office	$0	$0	$0	$0	9/21/01
FF-AR-01-105	Fiscal Year 2001 Financial Installation Audit - Experiment Post Office	$0	$0	$0	$0	9/21/01
FF-AR-01-106	Audit of Statistical Tests for Fiscal Year 2001 Cost and Revenue Analysis - Westchester District	$0	$0	$0	$0	9/5/01
FF-AR-01-107	Audit of Statistical Tests for Fiscal Year 2001 Cost and Revenue Analysis - New Orleans District	$0	$0	$0	$0	9/5/01

Report Number	Subject Title/ Project Type	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Other	Issue Date
FF-AR-01-108	Audit of Statistical Tests for Fiscal Year 2001 Cost and Revenue Analysis - Springfield District	$0	$0	$0	$0	9/05/01
FF-AR-01-109	Audit of Statistical Tests for Fiscal Year 2001 Cost and Revenue Analysis - Greater Indiana District	$0	$0	$0	$0	9/05/01
FF-AR-01-110	Audit of Statistical Tests for Fiscal Year 2001 Cost and Revenue Analysis - Las Vegas District	$0	$0	$0	$0	9/05/01
FF-AR-01-111	Audit of Statistical Tests for Fiscal Year 2001 Cost and Revenue Analysis - Southeast New England District	$0	$0	$0	$0	9/05/01
FF-AR-01-112	Fiscal Year 2001 Financial Installation Audit - Lansing Business Mail Entry Unit	$0	$0	$0	$0	9/21/01
FF-AR-01-113	Audit of Statistical Tests for Fiscal Year 2001 Cost and Revenue Analysis - Albuquerque District	$0	$0	$0	$0	9/05/01
FF-AR-01-114	Fiscal Year 2001 Financial Installation Audit - Erie District	$0	$0	$0	$0	9/14/01
FF-AR-01-115	Audit of Statistical Tests for Fiscal Year 2001 Cost and Revenue Analysis - Royal Oak District	$0	$0	$0	$0	9/20/01
FF-AR-01-119	Audit of Statistical Tests for Fiscal Year 2001 Cost and Revenue Analysis - Alabama District	$0	$0	$0	$0	9/20/01
FF-AR-01-120	Audit of Statistical Tests for Fiscal Year 2001 Cost and Revenue Analysis - Greensboro District	$0	$0	$0	$0	9/20/01
FF-AR-01-121	Audit of Statistical Tests for Fiscal Year 2001 Cost and Revenue Analysis - Boston District	$0	$0	$0	$0	9/20/01
FF-AR-01-122	Fiscal Year 2001 Financial Installation Audit - San Marcos Post Office	$0	$0	$0	$0	9/14/01
FF-AR-01-123	Audit of Statistical Tests for Fiscal Year 2001 Cost and Revenue Analysis - Oklahoma District	$0	$0	$0	$0	9/21/01
FT-FA-01-001	Internal Controls Over Money Order Refunds	$0	$0	$0	$0	6/12/01
CONTRACTING						
CA-AR-01-002	Responsibilities of Contracting Officers' Representatives	$0	$0	$0	$0	4/30/01
CA-AR-01-003	Price Adjustment Claim for Year-A-Round Corporation	$5,891	$0	$0	$0	7/17/01
CA-AR-01-004	Consulting and Audit Services Contracts	$0	$0	$0	$0	8/14/01

Report Number	Subject Title/ Project Type	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Other	Issue Date
CA-AR-01-005	Supplier Diversity Program for Supplies, Services, and Equipment Purchases	$0	$0	$0	$0	9/6/01
CA-CAR-01-037	Evaluation of Incurred Costs	$0	$0	$0	$0	4/19/01
CA-CAR-01-038	Evaluation of Fiscal Year 2000 Common Area Maintenance Lease Costs	$17,554	$17,554	$0	$0	4/19/01
CA-CAR-01-039	Review of Direct Labor and Indirect Expense Rates	$7,255	$0	$0	$0	4/23/01
CA-CAR-01-040	Evaluation of Compliance with Cost Accounting Standard	$0	$0	$0	$0	4/30/01
CA-CAR-01-041	Evaluation of Compliance with Cost Accounting Standard	$0	$0	$0	$0	5/8/01
CA-CAR-01-042	Evaluation of Proposal	$0	$0	$0	$0	5/21/01
CA-CAR-01-043	Supplemental Review of Redetermination Claim	$163,115,691	$0	$0	$0	5/29/01
CA-CAR-01-044	Follow-Up Review of Estimating System	$0	$0	$0	$0	6/5/01
CA-CAR-01-045	Evaluation of Final Vouchers	$0	$0	$0	$0	6/5/01
CA-CAR-01-046	Evaluation of Fiscal Year 1999 Incurred Costs	$2,505	$0	$0	$0	6/7/01
CA-CAR-01-047	Evaluation of Proposal	$0	$0	$0	$0	6/7/01
CA-CAR-01-048	Evaluation of Proposal	$0	$0	$0	$0	6/7/01
CA-CAR-01-049	Evaluation of Proposal	$1,972,179	$0	$0	$0	6/8/01
CA-CAR-01-050	Evaluation of Cost Estimating Relationship Factors	$0	$0	$0	$0	6/8/01
CA-CAR-01-051	Evaluation of Proposal	$0	$0	$0	$0	6/20/01
CA-CAR-01-052	Evaluation of Indirect Expense Forward Pricing Rates	$0	$0	$0	$0	6/21/01
CA-CAR-01-053	Evaluation of Firm Fixed Price Proposal	$129,239	$0	$0	$0	6/26/01
CA-CAR-01-054	Pre-Award Accounting System Survey	$0	$0	$0	$0	7/12/01
CA-CAR-01-055	Pre-Award Accounting System Survey	$0	$0	$0	$0	7/12/01
CA-CAR-01-056	Evaluation of Firm Fixed Price Proposal	$0	$0	$0	$0	7/13/01
CA-CAR-01-057	Evaluation of Incurred Costs	$136,651	$0	$0	$0	7/18/01
CA-CAR-01-058	Evaluation of Incurred Costs	$0	$0	$0	$0	7/19/01
CA-CAR-01-059	Evaluation of Claim	$198,450	$198,450	$0	$0	7/19/01
CA-CAR-01-060	Evaluation of Incurred Costs	$46,931	$0	$0	$0	7/27/01
CA-CAR-01-061	Evaluation of Incurred Costs	$0	$0	$0	$0	7/30/01
CA-CAR-01-062	Evaluation of Forward Pricing Direct Labor Rates	$0	$0	$0	$0	8/2/01
CA-CAR-01-063	Pre-Award Accounting System Survey	$0	$0	$0	$0	9/11/01
CA-CAR-01-064	Review of Estimating System	$0	$0	$0	$0	9/11/01
CA-CAR-01-065	Evaluation of Airfare Decrement Factor	$0	$0	$0	$0	9/13/01
CA-CAR-01-066	Evaluation of Real Estate Taxes	$1,131	$0	$0	$0	9/14/01
CA-CAR-01-067	Pre-Award Accounting System Survey	$0	$0	$0	$0	9/14/01
CA-CAR-01-068	Evaluation of Firm Fixed Price Proposal	$222,509	$34,467	$0	$0	9/14/01

Report Number	Subject Title/ Project Type	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Other	Issue Date
CA-CAR-01-069	Evaluation of Firm Fixed Change Proposal	$708,295	$0	$0	$0	9/14/01
CA-CAR-01-070	Evaluation of Timekeeping Practices and Procedures	$0	$0	$0	$0	9/18/01
CA-CAR-01-071	Evaluation of Proposal	$0	$0	$0	$0	9/26/01
CA-CAR-01-072	Evaluation of Proposal	$0	$0	$0	$0	9/26/01
CA-CAR-01-073	Evaluation of Proposal	$0	$0	$0	$0	9/27/01
CA-CAR-01-074	Evaluation of Proposal	$0	$0	$0	$0	9/27/01
CA-MA-01-002	Review of Payment Requests	$0	$0	$0	$0	4/30/01
CA-MA-01-003	Review of Purchasing Process for Advertising Contracts	$0	$0	$0	$0	8/14/01
FACILITIES						
FA-AR-01-001	Authorization of Funds for Construction Projects	$0	$0	$0	$0	9/17/01
FA-AR-01-002	National Refrigerant Management Plan	$0	$0	$0	$0	9/27/01
FINANCIAL MANAGEMENT TOTALS		$166,564,281	$250,471	$0	$51,081	

TECHNOLOGY

INFORMATION SYSTEMS						
IS-AR-01-001	Network Security	$0	$0	$0	$0	4/18/01
IS-AR-01-002	Fiscal Year 2001 Information System Controls	$0	$0	$0	$0	8/23/01
IS-AR-01-003	Review of Security Access Controls	$0	$0	$0	$0	8/29/01
IS-CS-01-005	Server Security Testing	$0	$0	$0	$0	5/2/01
IS-CS-01-006	Server Security Testing	$0	$0	$0	$0	5/21/01
IS-CS-01-007	Server Security Testing	$0	$0	$0	$0	5/21/01
IS-CS-01-008	Server Security Testing	$0	$0	$0	$0	5/21/01
IS-CS-01-009	Server Security Testing	$0	$0	$0	$0	5/24/01
IS-CS-01-010	Server Security Testing	$0	$0	$0	$0	6/1/01
IS-CS-01-011	Server Security Testing	$0	$0	$0	$0	6/15/01
IS-CS-01-012	Server Security Testing	$0	$0	$0	$0	6/29/01
IS-CS-01-013	Server Security Testing	$0	$0	$0	$0	8/2/01
DEVELOPMENTAL						
DA-AR-01-004	PostalOne! Business Customer Support Systems Phase One	$0	$0	$0	$0	4/9/01
DA-AR-01-005	Decision Analysis Report Process	$0	$0	$0	$0	9/27/01
DA-AR-01-006	Singulate, Scan, Induction Unit	$0	$0	$0	$0	9/27/01
DA-AR-01-007	Tray Management System Post Acceptance Workhour Savings	$0	$0	$0	$0	9/26/01
DA-MA-01-002	Mailing Evaluation, Readability, and Lookup Instrument (MERLIN) First Article Test	$0	$0	$0	$0	9/24/01
DA-MA-01-003	Point of Service ONE Stage 3	$0	$0	$0	$0	9/27/01
ELECTRONIC COMMERCE						
EC-AR-01-003	USPS.com Management and Security Issues	$0	$0	$0	$0	9/28/01
EC-MA-01-001	Efforts to Prevent Identity Theft	$0	$0	$0	$0	7/5/01
TECHNOLOGY TOTALS		$0	$0	$0	$0	

LABOR MANAGEMENT

Report Number	Subject Title/ Project Type	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Other	Issue Date
VIOLENCE IN THE WORKPLACE						
LB-AR-01-017	Review of Allegations of a Tense and Stressful Work Environment at a Post Office in the Santa Ana District	$0	$0	$0	$0	5/14/01
LB-AR-01-018	Review of Allegations of a Hostile Work Environment at a New York Metro Area Post Office	$0	$0	$0	$0	5/11/01
LB-AR-01-019	Management Practices in the Alaska District	$0	$0	$0	$0	6/7/01
LB-AR-01-020	National Capping Report on Implementation of the Violence Prevention and Response Programs Postal Service-wide	$0	$0	$0	$0	8/23/01
LB-LA-01-002	Review of Allegations of a Violent Threat	$0	$0	$0	$0	5/23/01
LB-LA-01-003	Review of Allegations of Harassment and Abuse at a Connecticut Post Office	$0	$0	$0	$0	5/29/01
LC-MA-01-001	Review of the Effectiveness of the Employee and Workplace Intervention Analyst Program in the Central Florida District	$0	$0	$0	$0	7/18/01
HUMAN RESOURCE PROCESSES						
LB-LA-01-004	Human Resources and Equal Opportunity Complaint Practices in the Rio Grande District	$0	$0	$0	$0	6/13/01
LC-AR-01-007	Audit of Alleged Nepotism in the Arkansas District	$0	$0	$0	$0	6/4/01
LC-AR-01-008	Management Oversight of Administrative Leave Used in the Los Angeles and San Diego Districts	$0	$0	$0	$0	7/10/01
HEALTH CARE						
HC-AR-01-001	Cleveland Performance Cluster's Process for Administering Continuation of Pay Leave Benefits	$0	$0	$5,505	$0	9/28/01
HC-AR-01-002	Columbus Performance Cluster's Process for Administering Continuation of Pay Leave Benefits	$0	$0	$6,902	$0	9/28/01
LABOR MANAGEMENT TOTALS		$0	$0	$12,407	$0	

OVERSIGHT

OV-AR-01-002	Inspection Service Support to Postal Service Threat Assessment Teams	$0	$0	$0	$0	4/30/01
OV-AR-01-003	Service Investigations Conducted by the Inspection Service	$0	$0	$2,049,307	$0	8/22/01
OV-AR-01-004	Postal Inspection Service Fraud Against Government Program	$0	$0	$0	$0	9/28/01
OVERSIGHT TOTALS		$0	$0	$2,049,307	$0	

OTHER SIGNIFICANT REVIEWS

Report Number	Subject Title/ Project Type	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Other	Issue Date
EXECUTIVE INVESTIGATIONS						
00CX059EC000	Executive Investigations	$0	$0	$0	$0	8/27/01
98CX014EX000	Executive Investigations	$0	$0	$0	$0	9/17/01
01HI086BI000	Executive Investigations	$0	$0	$0	$0	7/12/01
01HX002BI000	Executive Investigations	$0	$0	$0	$0	6/06/01
00CX017EX000	Executive Investigations	$0	$0	$0	$0	9/05/01
01HI12NC000	Executive Investigations	$0	$0	$0	$0	9/18/01
OTHER						
IG-TR-01-002	House Committee on Government Reform Testimony	$0	$0	$0	$0	4/4/01
IG-TR-01-003	Senate Committee on Governmental Affairs Testimony	$0	$0	$0	$0	5/15/01
IG-TR-01-004	Subcommittee on International Security Proliferation and Federal Services Testimony	$0	$0	$0	$0	9/20/01
OTHER SIGNIFICANT REVIEWS TOTALS		$0	$0	$0	$0	
TOTALS		$166,564,281	$250,471	$27,979,749	$1,414,279	

APPENDIX B

Findings of Questioned Costs

For the period April 1, 2001, through September 30, 2001

OFFICE OF INSPECTOR GENERAL AND INSPECTION SERVICE

Description	Number of Reports	Total Questioned Costs	Unsupported Costs Included In Questioned Costs
Reports for which no management decision was made at the beginning of the reporting period	37	$110,314,199	$22,081,978
Reports requiring management decision that were issued during the reporting period	13	$166,564,281	$250,471
TOTALS	50	$276,878,480	$22,332,449
Reports for which a management decision was made during the reporting period (i+ii)	7	$9,581,263	$8,579,312
(i) Dollar Value of disallowed cost		578,765	$102,452
(ii) Dollar value of cost not disallowed		9,002,498	$8,476,860
Reports for which no management decision was made by the end of the reporting period	43	$267,297,217	$13,753,137
Reports for which no management decision was made within six months of issuance (See Note 1 for a list of individual reports)	9	$38,264,336	$5,985,226
Reports for which no management decision was made within one year of issuance (See Note 2 for a list of individual reports)	21	$62,468,600	$7,517,440

Note 1 – Reports for which no management decision was made within six months of issuance:

Report Date	Report/ Case Number	Project Type	Total Questioned Costs	Unsupported Costs Included In Questioned Costs
10/19/00	CA-CAR-01-002	Contract Audit	$14,277,059	$4,971,627
11/17/00	CA-CAR-01-011	Contract Audit	1,274,207	0
11/22/00	CA-CAR-01-012	Contract Audit	738,508	379,646
12/14/00	CA-CAR-01-013	Contract Audit	7,264,275	361,997
2/2/01	CA-CAR-01-024	Contract Audit	101,768	0
2/7/01	CA-CAR-01-025	Contract Audit	11,191	0
2/9/01	CA-CAR-01-026	Contract Audit	1,609,538	0
2/26/01	CA-CAR-01-031	Contract Audit	487,790	271,956
2/27/01	CA-AR-01-001	Contracting Practices for the Procurement of Mail Transport Equipment Services	12,500,000	0
TOTAL			$38,264,336	$5,985,226

Note 2 – Reports for which no management decision was made within one year of issuance:

Report Date	Report/ Case Number	Project Type	Total Questioned Costs	Unsupported Costs Included In Questioned Costs
2/29/00	TR-AR-00-005	Southwest Area Expenditures for Extra Highway Trips Using Leased Equipment	$848,000	$0
3/31/00	CA-MA-00-001	Contract Audit Practices	92,214	0
4/27/00	CA-CAR-00-024	Contract Audit	131,750	0
4/27/00	CA-CAR-00-026	Contract Audit	3,531,433	0
5/17/00	CA-AR-00-001	United States Postal Service Warranty Repair of Tractors	977,598	0
6/6/00	CA-CAR-00-029	Contract Audit	13,107	0
6/26/00	CA-CAR-00-031	Contract Audit	5,065,428	0
7/28/00	CA-CAR-00-042	Contract Audit	580,338	0
8/25/00	CA-CAR-00-045	Contract Audit	160,053	0
8/25/00	CA-CAR-00-047	Contract Audit	917,345	0
9/13/00	CA-CAR-00-054	Contract Audit	6,172,504	0
9/20/00	CA-CAR-00-055	Contract Audit	10,565,117	0
9/20/00	CA-CAR-00-058	Contract Audit	159,388	0
9/20/00	CA-CAR-00-059	Contract Audit	49,120	0
9/20/00	FT-LA-00-002	Terminated Cleaning and Station Contracts	216,861	0
9/26/00	CA-CAR-00-062	Contract Audit	21,665	0
9/29/00	CA-CAR-00-064	Contract Audit	17,726,329	0
OIG TOTALS			$47,228,250	$0

Report Date	Report/ Case Number	Project Type	Total Questioned Costs	Unsupported Costs Included In Questioned Costs
12/7/98	184-1243166-AC(1)	Contract Audit	$7,087,038	$5,841,563
11/17/99	181-1294644-AC(1)	Contract Audit	7,063,747	1,675,877
4/3/00	184-1126310-AC(1)	Contract Audit	514,696	0
8/30/00	184-1210121-AC(1)	Contract Audit	574,869	0
INSPECTION SERVICE TOTALS			$15,240,350	$7,517,440
TOTAL			$62,468,600	$7,517,440

APPENDIX C

Recommendations That Funds Be Put to Better Use

For the period April 1, 2001, through September 30, 2001

OFFICE OF INSPECTOR GENERAL AND INSPECTION SERVICE

Description	Number of Reports	Dollar Value
Reports for which no management decision was made at the beginning of the reporting period	6	$38,944,408
Reports issued during the reporting period	5	$27,979,749
TOTALS	11	$66,924,157
Reports for which a management decision was made during the report period	4	$18,382,867
(i) Value of recommendations agreed to by management		$10,012,407
(ii) Value of recommendations that were not agreed to by management		$8,370,460
Reports for which no management decision was made by the end of the reporting period	7	$48,541,290
Reports for which no management decision was made within six months of issuance (See Note 1 for a list of individual reports)	0	$0
Reports for which no management decision was made within one year of issuance (See Note 2 for a list of individual reports)	5	$30,573,948

Note 1 – Reports for which no management decision was made within six months of issuance:

Report Date	Report/ Case Number	Project Type	Recommend Funds Put to Better Use
	None		$0
TOTAL			

Note 2 – Reports for which no management decision was made within one year of issuance:

Report Date	Report/ Case Number	Project Type	Recommend Funds Put to Better Use
10/30/98	181-1252372-AC(1)	Contract Audit	$1,710,680
11/24/98	181-1254410-AC(1)	Contract Audit	137,480
12/18/98	181-1253441-AC(1)	Contract Audit	145,532
08/27/99	181-1294162-AC(1)	Contract Audit	122,861
9/29/00	MK-AR-00-001	Review of Stamp Fulfillment Services Performance	28,457,395
TOTAL			$30,573,948

APPENDIX D

Reports with Significant Recommendations Pending Corrective Actions

For the period April 1, 2001 and September 30, 2001

This appendix lists reports containing significant recommendations pending final action by management. On October 1, 2000, the OIG assumed complete responsibility for tracking corrective actions for all significant recommendations. As a result, the OIG performed an extensive analysis to identify reports with significant recommendations requiring confirmation that appropriate corrective actions have been taken. This appendix identifies those reports. During the next 6 months, the OIG will be working with Postal Service management to validate whether appropriate corrective actions have been taken, and if so, remove them from this appendix.

OFFICE OF INSPECTOR GENERAL

Report Number	Report Title	Number of Recommendations	Issue Date
LM-MA-99-002	Effectiveness of USPS Grievance Arbitration Procedures	2	3/26/99
LR-MA-99-001	Grievance Arbitration Management Information	2	3/26/99
QR-MA-99-001	USPS Management of Personal Services Contract	1	3/29/99
FA-AR-99-001	Review of Atlanta Olympics Facility Improvement Plan	2	3/31/99
OV-MA-99-001	Review of USPS Personnel Security Program - Process for Updating Sensitive Clearances	1	3/31/99
DA-AR-99-002	Point of Service ONE	1	9/20/99
TR-AR-99-001	Compliance Opportunities for Savings in Rail Detention Costs	3	9/23/99
FR-AR-99-010	Fiscal Year 1999 Information Systems Controls, St. Louis Information Service Center	2	9/28/99
FR-AR-99-008	Fiscal Year 1999 Information Systems Controls, San Mateo Information Service Center	1	9/29/99
TR-AR-99-003	Emergency and Extra Trip Expenditures on Highway Routes	6	9/29/99
CA-AR-99-001	Opportunities to Increase Savings Through the Use of Natural Gas Vehicles	2	9/30/99
CA-AR-99-002	Removal of Underground Storage Tanks	1	9/30/99
CA-AR-99-003	Responsibilities of Contracting Officers' Representatives	9	9/30/99
RP-MA-00-001	Indefinite Quantity Contracts	1	11/8/99
FR-LA-00-001	Sure Money Electronic Funds Transfer Service Expansion to Dominican Republic	2	11/23/99
RG-MA-00-001	Cost and Benefit of the International Collection Program	1	12/3/99
FR-MA-00-001	Budget Cost Containment Measures	1	12/22/99
TR-AR-00-003	Commercial Air Carrier: Performance Measurement System	2	1/31/00
TR-AR-00-004	Commercial Air Carrier Performance: Effectiveness of Pay for Performance	2	1/31/00
TR-AR-00-005	Southwest Area Expenditures for Extra Highway Trips Using Leased Equipment	3	2/29/00
DS-AR-00-001	External First-Class Mail Measurement System	2	3/27/00
TR-AR-00-006	Commercial Air Carrier Performance: Payment for Ground Handling Services	2	3/27/00
CA-MA-00-001	Contract Audit Practices	7	3/31/00
DA-AR-00-002	Tray Management System	5	3/31/00
RG-AR-00-002	Breast Cancer Research Stamp Program Review-Phase II	1	3/31/00
FR-FA-00-010(R)	Relocation Benefits for Postal Service Officers - Revised	2	5/2/00
DA-MA-00-002	Priority Mail Processing Center Network 1999 Christmas Operations	1	6/30/00
FA-AR-00-002	Salt Lake City District 2002 Winter Olympic Plans	2	6/30/00
TR-AR-00-008	Extra Trip Expenditures at the Dallas Bulk Mail Center	1	6/30/00

Report Number	Report Title	Number of Recommendations	Issue Date
OV-MA-00-002	Review of Postal Inspection Service Forensic Scientist Salaries	1	7/17/00
TR-AR-00-009	Extra Trips Expenditures within the Mid-Atlantic Area	4	7/27/00
FA-MA-00-007	Review of the Managed Network Services Contract & Billing Process of the Contractor	1	7/28/00
FT-FA-00-001	Money Order Blank Stock and Imprinters	6	8/25/00
FT-AR-00-002	International List Service Transmittal of Funds Bank Secrecy Act Compliance	1	8/29/00
EC-AR-00-001	USPS eBillPay Security and Privacy Issues	1	9/5/00
DA-AR-00-004	Information Platform Planning	1	9/28/00
AC-AR-00-004	Use of Robotic Tray Handling System	2	9/29/00
AC-AR-00-005	International Mail Processing	2	9/29/00
DA-AR-00-006	Point of Service ONE Phase II	2	9/29/00
FA-AR-00-005	Seattle Processing and Distribution Center	1	9/29/00
IS-AR-00-004	State of Computer Security in the Postal Service	4	9/29/00
LB-AR-00-003	Evaluation of Postal Service Criteria for Workplace Violence Prevention and Response Program	3	9/29/00
MK-AR-00-001	Review of Stamp Fulfillment Services Performance Measures	1	9/29/00
OV-AR-00-005	Review of the United States Postal Inspection Service Budget Process	2	9/29/00
TR-AR-00-011	Dedicated Christmas Air Network - Phase 1	3	9/29/00
MK-AR-00-002(R)	Management Controls over the Sales Force Augmentation Program - Revised	3	10/31/00
TR-AR-01-001	Adequacy of Mail Transport Equipment Service Center Network Internal Controls	4	10/31/00
CA-MA-01-001	Privacy Data Contained in Contract Files	2	12/24/00
DE-AR-01-002	Review of the Revised Rules Governing Commercial Mail Receiving Agencies	3	4/9/01
DA-AR-01-004	Postal One! Business Customer Support Systems Phase One	5	4/9/01
IS-AR-01-001	Network Security	5	4/18/01
CA-AR-01-002	Responsibilities of Contracting Officers' Representatives	9	4/30/01
OV-AR-01-002	Inspection Service Support to Postal Service Threat Assessment Teams	2	4/30/01
TR-AR-01-003	Mail Transport Equipment Service Center-Decision Analysis Report Performance and Financial Benefits	1	5/4/01
LC-AR-01-007	Alleged Nepotism in the Arkansas District	5	6/4/01
LB-AR-01-019	Management Practices in the Alaska District	2	6/7/01
TR-LA-01-001	Review of a Transportation Agreement	2	6/26/01
TR-AR-01-004	Bulk Fuel Purchase Plan	5	7/27/01
TR-MA-01-002	Excise Taxes and Third Party Ground Handling Costs under a Transportation Agreement	1	8/8/01
CA-AR-01-004	Consulting and Audit Services Contracts	1	8/14/01
OV-AR-01-003	Service Investigations Conducted by the Inspection Service	2	8/22/01
IS-AR-01-002	Fiscal Year 2001 Information System Controls	5	8/23/01
IS-AR-01-003	Review of Security Access Controls	8	8/29/01
CA-AR-01-005	Supplier Diversity Program for Supplies, Services, and Equipment Purchases	9	9/6/01
DA-AR-01-007	Tray Management System Post Acceptance Work Hour Savings	1	9/26/01
DA-AR-01-005	Decision Analysis Report Process	10	9/27/01
DA-AR-01-006	Singulate, Scan, Induction Unit	5	9/27/01
FA-AR-01-002	National Refrigerant Management Plan	3	9/27/01
TR-MA-01-003	Security Risks Associated with a Transportation Agreement	1	9/27/01
EC-AR-01-003	USPS.com Management and Security Issues	3	9/28/01
MK-AR-01-002	Stamp Printing Quantities	4	9/28/01
OV-AR-01-004	Postal Inspection Service Fraud Against Government Program	1	9/28/01
TR-AR-01-006	Manual Payments on Rail Transportation Contracts	3	9/28/01

INSPECTION SERVICE

Report Number	Report Title	Number of Recommendations	Issue Date
0061-1263973-RI(1)	Meter Security Review, Pitney Bowes, Inc., Lanham, Maryland	1	5/21/99
0188-1300042-AF(2)	Financial Audit, Stamp Distribution Office, Seattle District, Seattle, Washington	1	8/24/00
0061-1305144-RI(1)	Meter Security Review, Ascom Hasler Mailing Systems, Inc., Houston, Texas	2	3/16/00
0038-1292495-PA(2)	Delivery Automation	1	2/8/00
0044-1248530-PA(2)	Small Post Office Cost Study	2	8/1/00
0022-1244541-PA(1)	Priority Mail	1	3/17/99
0052-1290664-PA(3)	City Carrier and Flat Sorting Machine (FSM) Operations Cost Savings, San Antonio, Texas	2	10/5/99
0061-1296645-RI(1)	Meter Security Review, Postage Technology Management, Lisle, Illinois	6	7/5/00
0016-1298651-AF(2)	Financial Audit, Westchester District Accounting Unit, White Plains, New York	1	11/23/99
0016-1298678-AF(2)	Financial Audit, San Francisco District Accounting Office, San Francisco, California	2	8/29/00

CONTRACT AUDITS

Report Number	Contractor	Report Date
0181-1165940-AC(1)	Contract Audit	5/20/95
0181-1237199-AC(1)	Contract Audit	4/14/98
0181-1252372-AC(1)	Contract Audit	10/30/98
0181-1253441-AC(1)	Contract Audit	12/18/98
0181-1254410-AC(1)	Contract Audit	11/24/98
0181-1294162-AC(1)	Contract Audit	8/27/99
0181-1294644-AC(1)	Contract Audit	11/17/99
0184-1126310-AC(1)	Contract Audit	4/3/00
0184-1210121-AC(1)	Contract Audit	8/30/00
0184-1243166-AC(1)	Contract Audit	12/7/98

APPENDIX E

Investigative Statistics[1]

For the period April 1, 2001, through September 30, 2001

OFFICE OF INSPECTOR GENERAL

Statistics	
Arrests	10
Information[2]/Indictments	8
Convictions[2,3]/Pretrial Diversions	16
Suspension/Debarments	
Individuals	0
Firms	1
Administrative Actions	
Postal Service Employee[2]	8
Contractor	5
Fines, Restitution, and Recoveries	$1,528,276
Cost Avoidance, Savings and Funds Put To Better Use	$1,837,646

INSPECTION SERVICE

Type of Investigation	Arrests	Convictions[3]
Revenue & Asset Protection Program		
Expenditure Investigations	0	4
Financial Investigations	146	146
Workers' Compensation Fraud	25	19
Revenue Investigations	33	53
Robbery	29	30
Burglary	89	84
Miscellaneous External Crimes		
Includes counterfeit and contraband postage, money order offenses, vandalism, and arson	243	265
Assaults Against Employees		
Includes threats and assaults against on-duty postal employees	187	142
Narcotics Cases		
Includes employees and non-employees selling narcotics on postal property	11	15
Mail Theft by Employees, Non-Employees or Contractors		
Includes theft and possession of stolen mail	2,913	2,858
Miscellaneous Employee Crimes		
Includes theft of postal property and sabotage of equipment	32	25
Bombs/Explosive Devices	20	13
Mailing of Controlled Substances		
Includes hazardous material, firearms and weapons, intoxicants, explosives other than bombs, extortion and false documents	819	604
Child Exploitation, Mailing of Obscene Matter, and Sexually Oriented Advisement	153	135
Mailing of Miscellaneous Nonmailables		
Includes hazardous material, firearms and weapons, intoxicants, explosives other than bombs, extortion, and false documents	40	21
Mail Fraud	754	721
INSPECTION SERVICE TOTALS	5,494	5,135

[1] Statistics include joint investigations with other federal law enforcement agencies.

[2] Some of these occured in the prior semiannual reporting period, however, they were not reported until the current reporting period.

[3] Convictions reported in this time frame may be related to arrests made in prior reporting periods.

APPENDIX F

Summary of Postal Service Investigative Activities Under 39 USC § 3013

For the period April 1, 2001, through September 30, 2001

The Postal Reorganization Act requires the Postmaster General to furnish information on the investigative activities of the Postal Service on a semiannual basis. With passage of the Deceptive Mail Prevention and Enforcement Act in December 1999, the Postal Service's reporting obligations were changed.

The Act requires the Postal Service to submit its semiannual report to the OIG rather than to the Board of Governors, expands the subject matter that must be reported, and revises the reporting schedule to coordinate with the OIG Semiannual Report to Congress. The information in the report includes actions directed at combating crimes involving the mail; costs and expenditures devoted to Postal Service investigative activities; use of subpoena power; and any additional information the OIG may require.

ABUSE OF MAILS

The Postal Service reports to the OIG information related to investigative activities designed to protect the public against unscrupulous mailers perpetrating fraudulent schemes. The following information summarizes the administrative and judicial actions initiated and resolved during the reporting period. These actions include the issuance of cease and desist orders directed to mailers, actions to intercept payments fraudulently induced, and orders seeking to intercept fraudulent mailings.

INSPECTION SERVICE

Type of Scheme	Complaints Filed	Consent Agreements	False Representation Orders	Cease & Desist Orders
Contest/Sweepstakes	3	2	2	4
Employment	5	1	1	1
False billings	1		1	1
Fraud - Internet Schemes	3	3		3
Investments	1	1		1
Lotteries (foreign and domestic)	2		2	
Merchandise:				
Failure to furnish	3	2	3	3
Failure to pay	2	2		2
Miscellaneous		3		2
Work at home	2	2	2	2
TOTAL	22	16	11	19

ADMINISTRATIVE ACTIONS

Administrative Action requests	22
Temporary Restraining Order requests	0
Temporary Restraining Orders issued	0
Civil Injunction (1345) requests	3
Civil Injunctions (1345) issued	3
Cases using Direct Purchase Authority	0
Refusals of Direct Purchase Authority	0
Civil penalties (Section 3012) imposed	$45,000
Expenditures incurred for:	
Test Purchases	$0
Expert Testimony	$0
Witness Travel	$0
Withholding Mail Orders issued	36
Voluntary Discontinuances	176

POSTAL SERVICE ADMINISTRATIVE SUBPOENA AUTHORITY

The Postal Service reports to the Office of Inspector General information on the number of cases in which the Postal Service issued administrative subpoenas in connection with deceptive mailing. The following section identifies the number and nature of cases in which the Postal Service exercised this authority to request relevant business and associated records.

Case Number	Date Requested	Scheme
USPS-01-020	04/03/01	Advance Fee
USPS-01-021	04/10/01	Sweepstakes Fraud
USPS-01-022	04/10/01	Sweepstakes Fraud
USPS-01-023	04/10/01	Sweepstakes Fraud
USPS-01-024	06/29/01	Medical Quackery
USPS-01-025	08/27/01	Sweepstakes Fraud
USPS-01-026	08/27/01	Misrepresentation
USPS-01-027	09/17/01	False Billing
USPS-01-028	09/26/01	Charitable Solicitations

FINANCIAL REPORTING ON INVESTIGATIVE ACTIVITIES

The Postal Service reports to the Office of Inspector General information related to the amount of financial expenditures and obligations incurred pursuing the investigative activities of the Postal Service. Information related to these activities is summarized below.

Type	Semi Annual Report
Personnel	$175,027,543
Nonpersonnel	$38,010,430
Total Expenditures	$213,037,973
Capital Obligations	$511,526

OTHER INVESTIGATIVE ACTIVITIES

The Postal Service also reports to the Office of Inspector General additional information related to significant investigative activities and other investigative matters. This section outlines a number of significant investigative activities the Postal Service has initiated and is pursuing, to include the Mail Task Forces and the KNOW FRAUD Program. Inspection Service and Office of Inspector General criminal statistical information is summarized in Appendix E.

MAIL TASK FORCES

The Inspection Service has partnered with the financial services, manufacturing, and direct marketing industries on behalf of the U.S. Postal Service to form three task forces to combat fraud: Credit Card Mail Security, Rebate Fraud and Mail Order Security. Each task force helps to reduce mail fraud, theft, and processing problems by identifying and exchanging information on best practices, fraud trends and loss-prevention techniques; and to develop improved processes and procedures.

The Credit Card Mail Security Task Force was created in 1992 and has dramatically reduced nonreceived issued credit card fraud losses by 68 percent, while credit card purchases have increased more than 86 percent. In 1995, the Inspection Service teamed with the coupon rebate industry to combat mail-in rebate fraud. The group's efforts reduced fraud by an estimated $100 million in 1997. In 1996, the Inspection Service and the direct marketing industry created the Mail Order Task Force to facilitate this continued success by joining together to prevent and detect fraud and theft. In a pilot program, the Mail Order Task Force has reduced nonreceipt losses by 10 percent to 15 percent for direct marketing companies experiencing mail processing problems.

KNOW FRAUD

In an effort to educate and help consumers, President Clinton launched KNOW FRAUD, a consumer protection effort, in November 1999 and cited it as an excellent example of "coordination among the federal government's consumer protection agencies." To launch the KNOW FRAUD program, the Inspection Service joined forces with several federal, state, and private agencies, including the Department of Justice, Federal Bureau of Investigations, Federal Trade Commission, Securities and Exchange Commission, National Association of Attorneys General, American Association of Retired Persons, and Better Business Bureau. The KNOW FRAUD initiative has included a postcard mailing to 120 million American households alerting consumers to the dangers of telemarketing and mail fraud.

The KNOW FRAUD partnership is now focusing on identity theft. Work is underway by the partners to get an identity theft prevention message to consumers. A toll-free ID theft hotline, 1-877-438-4338, and a KNOW FRAUD website were established to provide consumers with additional information and to link consumers with law enforcement officials who would share information.

DEFINITIONS OF SCHEMES

Contest/Sweepstakes. Schemes in which the respondent is required to pay a fee to obtain prizes of money, gifts or other items of value. "Prizes" are either never shipped or are inferior to what was promised.

Employment. Soliciting money for information or assistance in obtaining nonexistent or misrepresented jobs.

False billings. Mailing solicitations in the guise of billings.

Fraud - Internet Schemes. Fraudulent schemes using the Internet with a nexus to the mail.

Fraud against U.S. Postal Service. Any scheme that attempts to defraud the U.S. Postal Service.

Investments. Misrepresented opportunities to invest in commodities, gems, metals, stocks, bonds, certificates of deposit, mutual funds, IRAs, coins, stamps, art, etc.

Lotteries. Advertisements seeking money or property by mail for participation in schemes to win prizes through chance.

Merchandise failure to furnish. A mail order operator that does not provide ordered merchandise.

Merchandise failure to pay. Mail order merchandise that is acquired without providing payment.

Miscellaneous. Any other scheme not described in a specific category.

Work at home. Schemes, such as envelope stuffing, that do not provide home employment.

APPENDIX G

Closed Congressional and Board of Governors Inquiries

For the period April 1, 2001, through September 30, 2001

This appendix lists the 106 Congressional and Governors inquiries the OIG closed during this reporting period. The OIG reviewed these inquiries to help identify systemic issues and to determine the need for future Postal-wide audits.

CONGRESSIONAL

PERFORMANCE

Requestor	Allegations/Concern	Response Date
Representative, Texas	Concern that all envelopes are not sealed prior to delivery	06-Apr-01
Representative, New York	Allegation of inadequate consideration of submitted suggestion	06-Apr-01
Senator, Tennessee	Request for information on Postal Service polices and procedures	26-Apr-01
Representative, California	Allegation of improper mail insurance policy	07-Jun-01
Representative, New York	Allegation that mail was improperly impounded	18-Jul-01
Representative, New York	Request for review of the Bulk Fuel Purchase Plan	13-Aug-01
Representative, Texas	Complaint on customer service	27-Aug-01
Representative, Virginia	Concerns with assigned ZIP Codes	27-Aug-01
Representative, Texas	Allegation of poor service to a Micronesia state	28-Sep-01
Representative, Minnesota	Allegation of interference with mail delivery	28-Sep-01

FINANCIAL MANAGEMENT

Requestor	Allegations/Concern	Response Date
Senator, Georgia	Allegation of management misconduct	26-Apr-01
Representative, California	Allegation of discriminatory treatment to repay a debt	14-Jun-01
Representative, New York	Allegation of improper spending and relocation practices	15-Jun-01
Representative, New York	Allegation of credit card abuse	26-Jun-01
Representative, New York	Allegation that a felony had been committed	30-Jun-01
Representative, Ohio	Allegation of embezzlement, perjury and falsification of records	06-Jul-01
Representative, New York	Allegation of improper spending and relocation practices	12-Jul-01
Representative, New York	Request for review of land sale transaction	16-Jul-01
Representative, Minnesota	Request for review of efforts to alter current operations of a post office	20-Jul-01
Representative, New York	Concerns on relocation benefits	04-Sep-01

LABOR MANAGEMENT

Requestor	Allegations/Concern	Response Date
Representative, Texas	Allegations of mistreatment by management officials	06-Apr-01
Representative, New Jersey	Allegation of hostile work environment and failure to alleviate the situation	09-Apr-01
Representative, New Jersey	Allegation of improper behavior of a postmaster	16-Apr-01
Senator, Texas	Allegation of harassment	16-Apr-01
Representative, Pennsylvania	Allegation of tense, abusive and volatile work environment	19-Apr-01
Senators, North Carolina	Allegation of retaliation for filing a complaint	27-Apr-01
Representative, New Jersey	Allegation of harassment	11-May-01
Representative, California	Allegation of not converting an individual to full time status	11-May-01
Representative, Ohio	Allegation managerial harassment	11-May-01
Representative, Oregon	Allegation of obstruction of an EEOC case	11-May-01

Requestor	Allegations/Concern	Response Date
Representative, California	Allegation of managerial corruption	11-May-01
Representative, New Jersey	Allegation of unwarranted discipline and harassment	11-May-01
Representative, Ohio	Allegation that termination was retaliation	11-May-01
Representative, New Jersey	Allegation of harassment and poor treatment	11-May-01
Senator, Oregon	Allegation of managerial harassment, sexual harassment and denial of disability retirement	11-May-01
Senator, Illinois	Allegation of wrongful termination	11-May-01
Senator, Tennessee	Allegation of managerial harassment and discrimination	11-May-01
Representative, Ohio	Allegation of inadequate disciplinary practices	14-May-01
Representative, New Jersey	Allegation of a hostile work environment	15-May-01
Representative, California	Allegation of mistreatment, harassment, discrimination and intimidation	16-May-01
Representative, Texas	Allegation of racial discrimination	23-May-01
Representative, New York	Allegation of favoritism for family members	23-May-01
Representative, New York	Allegation of hostile work environment	23-May-01
Representative, Texas	Allegation of disregard of health restrictions	23-May-01
Representatives, Texas and New York	Allegation of managerial harassment and discrimination	24-May-01
Representative, Ohio	Allegation of managerial harassment	30-May-01
Representatives, Florida and Arizona; Senator, Arizona	Allegation of mismanagement	07-Jun-01
Representative, Ohio	Allegation of harassment and discrimination	13-Jun-01
Representative, New Jersey	Allegation of inadequate handling of complaint and termination as retaliation	13-Jun-01
Senator, Michigan	Allegation of noncompliance with settlement agreement	14-Jun-01
Representative, California	Allegation of mismanagement and a hostile work environment	18-Jun-01
Senator, South Dakota	Allegation of managerial harassment and retaliation	18-Jun-01
Senator, Tennessee	Allegations of a hostile work environment	26-Jun-01
Senator, Tennessee	Allegation of safety issues and potential for violence	26-Jun-01
Representatives, Connecticut, New York and California	Allegations of discrimination and harassment	29-Jun-01
Senator, Tennessee	Allegation of a hostile work environment	29-Jun-01
Representative, California	Concerns on non-selection for employment	06-Jul-01
Representative and Senator, Florida	Allegations of financial and personal harassment, and intimidation	06-Jul-01
Representative, Texas	Concerns over practices used in returning injured staff to work	09-Jul-01
Representatives, Georgia and New York	Allegations of harassment and management failure to take action	16-Jul-01
Representative, New York and Senator, Tennessee	Allegation of managerial harassment	17-Jul-01
Representative, Indiana	Allegation of personal mistreatment	17-Jul-01
Representative, New York	Allegation of harassment	18-Jul-01
Representative, Illinois	Request for information on Equal Employment Opportunity complaint	03-Aug-01
Representative, New Jersey	Allegation of harassment of an employee	06-Aug-01
Representative, New York	Allegations of bribery, witness tampering, abuse, waste, and mismanagement	06-Aug-01
Representative, Alaska	Allegation of mismanagement	09-Aug-01
Representative, Ohio	Allegation of improper personnel practices	13-Aug-01
Senator, Louisiana	Allegations of harassment, retaliation and failure to address job injury	16-Aug-01
Representative, Indiana	Allegation of harassment	27-Aug-01
Representative, New Jersey	Allegation of hostile work environment	17-Sep-01
Representative, Massachusetts	Allegation of improper use of confidential documents in a personnel action	18-Sep-01
Senator, Tennessee	Allegations of harassment and a hostile work environment	18-Sep-01

OVERSIGHT OF INSPECTION SERVICE

Requestor	Allegations/Concern	Response Date
Senator, Connecticut	Allegation of stolen mail and mail tampering	18-Apr-01
Senator, New Jersey	Allegation of improper investigation on opened mail	26-Apr-01
Representative New York	Allegation of using a position for personal gain	27-Apr-01
Senator, Maryland	Allegation of illegal wiretap	16-May-01
Senator, Maryland	Allegation of fraud, retaliation and harassment	29-May-01
Representative, New Jersey	Allegation of mail tampering	07-Jun-01
Representative, Texas	Allegation of corruption	05-Jul-01
Representatives, New York and Oklahoma	Allegation of improper adverse employment actions	17-Jul-01
Representative, New York	Review of improperly conducted investigation	17-Jul-01

OTHER SIGNIFICANT ISSUES

Requestor	Allegations/Concern	Response Date
Representative, Kentucky	Request for copy of report	16-May-01
Representative, Rhode Island	Allegation of improper consideration of an employment application	29-May-01
Senator, Indiana	Allegation of fraud and collusion	18-Jun-01
Senator, North Carolina	Concern that OIG did not investigate a matter currently under the EEO process	26-Jun-01
Representative, California	Request for copies of documents	26-Jun-01
Representative, New York	Allegations of inappropriate conduct and unauthorized tape recordings	18-Jul-01
Representative and Senators, Virginia	Concerns about disciplinary action	03-Aug-01
Senator, Mississippi	Requests for information concerning OIG employment	04-Sep-01
Representative, New York	Allegation of retaliation for assisting in an OIG investigation	18-Sep-01

GOVERNORS

PERFORMANCE

Requestor	Allegations/Concern	Response Date
Governor	Allegation of untimely delivery of tax returns and payments	10-Apr-01
Governor	Request for review of contractor	04-May-01

OTHER SIGNIFICANT ISSUES

Requestor	Allegations/Concern	Response Date
Governor	Request for review of the Sunshine Act as it relates to Board of Governors meeting	20-Jul-01

APPENDIX H

Testimony Before Congress

Statement of Karla W. Corcoran, Inspector General United States Postal Service before the Subcommittee on International Security, Proliferation and Federal Services of the Senate Committee on Governmental Affairs

September 20, 2001

INTRODUCTION

Chairman Akaka and Members of the Subcommittee, on behalf of the Office of Inspector General (OIG), United States Postal Service, I am pleased to submit this written statement. This statement highlights opportunities to capitalize on existing revenue, resources, and personnel while improving accountability and public trust.

BACKGROUND

Congress created the OIG in 1996, and the Postal Service Governors appointed me in 1997 as the first independent Inspector General. My office conducts independent audits, reviews, and investigations of postal programs and operations. In addition, the OIG has an express statutory responsibility to oversee all activities of the Inspection Service. The OIG is uniquely situated to bring to Congress an independent assessment of postal operations. Over the last two years alone, our audits and investigations have identified over $500 million in savings; cost avoidance; and waste, fraud, and abuse in postal operations.

The Postal Service operates a basic and fundamental service to the American people, seeking to provide prompt, reliable, efficient, and universal service – to everyone, everywhere. This has been the mission since the first days of the republic and still is the mission in the 21st Century. Everyone benefits from the Postal Service's universal service mandate and its universal access. Customers have come to rely on the Postal Service as a trusted third party, bringing safety, security, and privacy to the nation's personal and business communications. With over 38,000 facilities across the nation, it is the world's largest retailer. It has more employees than any other business except Wal-Mart, and if it were a private corporation, would rank in the top 10 of the Fortune 500.

The Postal Service, as a quasi-governmental entity, is required to act in a businesslike manner while struggling with its public role, as it develops new product lines, ventures into eCommerce, and other initiatives that compete with private industry and foreign posts. Being a quasi-governmental entity, the Postal Service must be accountable to the public. However, the Postal Service considers its business information proprietary and claims exemption from disclosure.

As a business entity, the Postal Service would be expected to generate a profit. Under current law, it must operate on its own revenue, on a breakeven basis, while providing universal service, regardless of the expense. However, growth in service does not guarantee growth in revenue. Therefore, the Postal Service generally relies on postage rate increases

to offset costs. The last rate increase occurred this year, and the Postal Service has recently announced it will be seeking another.

In our May 15, 2001, statement to the Senate Committee on Governmental Affairs, we reported the Postal Service should continue to address opportunities to improve critical management practices. Since May, we have continued to identify opportunities for the Postal Service to improve its strategic decision-making, financial management, contracting, labor management, and computer security and privacy. In addition, this testimony will address our oversight of the Inspection Service. These areas are vital to the success of the Postal Service. We also think the Postal Service would benefit greatly from any guidance that Congress can provide regarding what its mission currently is, and what it should be in the future.

STRATEGIC DECISION-MAKING

With the Postal Service reporting at least a $1.65 billion dollar loss and increased costs, strategic decision-making to effectively allocate and manage resources is crucial to the success of its core business. The following examples illustrate the need for the Postal Service to improve in this area:

- Since 1997, we have performed reviews of Postal Service automated mail processing and computerized retail equipment investments totaling over $1.9 billion. These reviews concluded that the Postal Service sometimes did not achieve the anticipated return on investment, account for all costs, and properly track performance. When this occurs, anticipated gains may never be realized — and may even result in losses.
- Our review of seven projects, representing over $800 million in postal expenditures, disclosed the Postal Service did not adequately validate test results, savings, and cost methodology before approval. After approval, the Postal Service did not provide adequate project information in order to reevaluate the investment decision. Therefore, the Postal Service could not be assured that sound investment decisions were made.
- A recent audit revealed that stamp production would exceed demand by approximately 11 billion stamps for FY 2001 and 2002. As a result of our audit, postal management agreed to reduce overall stamp production in FY 2002 for an estimated savings of $10.5 million.
- We are currently reviewing Postal Service sponsorship programs. In one example, we identified almost $20 million already spent for the U.S. Cycling Team sponsorship, with a commitment of an additional $25 million over the next 3 years. We plan to determine to what extent these programs contribute to the core business strategy for growing new revenue.
- Because the Postal Service does not always collect sufficient cost information, it cannot accurately measure the success of its programs. For example, our review of a lease/purchase decision on trailers indicated the Postal Service will spend millions of dollars more than

necessary for trailer leases over a 12-year period. This occurred because postal management lacked sufficient and accurate cost data to make an effective decision on whether or not to lease or purchase the equipment. Postal management is currently preparing its response to this report.

FINANCIAL MANAGEMENT

The Postal Service needs to effectively manage costs and productivity in order to improve its financial condition. The following examples illustrate some of the financial management areas requiring attention.

- The Postal Service is a $65 billion business that does not provide its program managers the means to effectively track financial obligations. Without this information, it is difficult to develop, justify, and defend program budgets. The Postal Service tracks expenses when paid because it contends that its major expenses are salaries and benefits. This would be analogous to waiting until a personal check clears the bank before recording it and reducing your balance in your checkbook. Other government agencies and business entities track costs when obligated and incurred, providing all levels of management with the information needed for effective program management.
- The Postal Service is unable to determine the cost of processing 126,000 grievance arbitration cases currently pending and does not track costs for resolving labor disputes. This information would help the Postal Service determine the financial magnitude of this problem and manage the associated costs more effectively.
- The Postal Service paid a contractor $5.2 million in commissions to develop new revenue sources. However, the Postal Service could not verify the amount of revenue claimed by the contractor. The Postal Service agreed to hold off on expanding this program until new management controls are put into place.

CONTRACTING

The Postal Service administers over $15 billion a year in contracts for goods and services. This makes it one of the largest contracting organizations in the federal government. However, the Postal Service has not always followed its own procurement policies or sound contracting principles. Over the last four years, our reviews have disclosed that such contracting practices have resulted in more than $400 million in monetary findings including fraud, waste, abuse, mismanagement, and other recoveries. We have consistently reported on improvements needed in contracting procedures, as the following examples illustrate.

- We found that, contrary to its own procurement practices, the Postal Service entered into a $6.3 billion transportation agreement without first independently validating the financial data used to justify the decision. Not all of the financial data was found to be accurate or adequately supported. As a result, the anticipated level of savings may not be realized.

- As a result of one of our investigations, and with the cooperation of Postal Service management, the Postal Service recovered over $12 million from a major telecommunications contractor and will be able to avoid an additional $58 million in erroneous billings. While the Postal Service was concerned about billing discrepancies, it needed additional resources to research and resolve the issue. Working with management, we found the Postal Service was repeatedly billed for work that was substandard, or not performed at all, and had not been monitoring contractor performance. Postal Service management is now monitoring this contractor's performance and reviewing all future bills.
- One of our audits revealed a situation where a contractor was involved in writing contract requirements. Under federal government contracting regulations, this conduct would be specifically prohibited as an organizational conflict of interest. However, according to postal policy, it is not prohibited. This contractor received a series of sole source contracts valued in excess of $300 million. The contracts were awarded, in part, to compensate the contractor for preparing the statement of work used to award other competitive contracts. If these contracts had been competitively bid, the Postal Service could have saved $53 million.
- As a result of hearings held over 20 years ago by this Subcommittee, federal laws and executive orders were passed to ensure an effective and uniform government-wide debarment system to protect the government from contractors who engage in fraud. The Postal Service does not honor debarments by other federal agencies. As a result, contractors who have been convicted of defrauding other federal agencies, and have been debarred from contracting with those agencies, are free to contract with the Postal Service.

  Although the Postal Service has its own debarment system, only three contractors are currently listed. We believe this is caused, in part, by the fact that the Postal Service requires a higher standard of evidence than is required anywhere else in the federal government to debar a contractor for fraud. We believe this standard is unnecessary and inhibits the Postal Service from protecting itself from fraudulent contractors. We identified these problems to postal management over two years ago; however, to date, no action has been taken to revise the current procedures.

LABOR MANAGEMENT

Labor management relations can affect employee morale, productivity, and the Postal Service's public image. Our work focuses on systemic nationwide labor management issues, including succession planning, diversity, compensation and benefits, workplace environment, management of complaint processes, and use of labor resources.

Since our inception, we have worked with the Postal Service to prevent reprisal against postal employees who report waste, fraud, and abuse to the OIG. Employees at

other federal agencies have been covered by the Whistleblower Protection Act for over 20 years. However, the Postal Service is not covered by this Act. We are pleased that the former Postmaster General took our advice and extended similar protection to all postal employees. However, it is important that the new Postmaster General formally implement this policy as soon as possible to avoid the necessity for legislative action.

Also, our current audit work demonstrates opportunities for further workplace enhancement and cost savings.

- Our review of violence prevention and response programs at 25 Postal Service districts disclosed that none of the districts fully implemented the required controls designed to reduce the potential for violence. District officials either were not aware of the requirements, or believed the requirements were not mandatory or applicable in all situations. Workplace violence can subject the Postal Service to significant financial liability, diminished credibility, decreased productivity, and may lead to property damage.
- The Postal Service's pay for performance program is based on a private sector model for financial performance. However, the Postal Service, unlike the private sector, pays incentive awards without regard to its overall financial condition. This occurs because of inflation indexing that has been added to the model. The pay for performance program could achieve more meaningful results if the financial condition of the Postal Service was a more significant measure for determining incentive awards.
- In addition to pay for performance, the Postal Service offers other benefits to its senior executives that are more generous than those offered by other government agencies and private sector companies. For example, Postal Service officers automatically receive $25,000 to cover miscellaneous relocation expenses, regardless of the amount incurred. In one case, we found that an executive received three $25,000 payments over four years. In other federal agencies, the maximum amount that an employee can receive for these miscellaneous expenses is $700. Further, we benchmarked 23 Fortune 500 companies and found their miscellaneous expense benefits ranged from $0 to $5,000. Postal Service management justifies these payments because unlike private corporations, it cannot give large pay increases when people are promoted.

  The Postal Service also has a program intended to assist employees in purchasing homes in high-cost areas. In benchmarking this practice with 31 private and public sector organizations, we noted the Postal Service was the only organization that purchased employees' homes and operated as a lien holder. Management justified this practice saying that it is similar to what universities do to attract qualified professors. These benefits fuel the perception that the Postal Service is not fiscally responsible, particularly in

light of increasing rates and declining profits.

- Although the Postal Service prohibits nepotism, our audit work has substantiated instances where this practice exists. For example, in three instances, two managers either directly decided or influenced personnel selections involving their relatives. We also noted that a total of 20 members of the same family were employed in a postal district, 10 of whom worked in offices that reported directly or indirectly to the postmaster to whom they were related.

  Also, we have found the appearance of nepotism can be avoided if local procedures are formalized, well publicized, and followed. This can alleviate the negative impact in the workplace that occurs when employees question the fairness of the personnel selection process.

COMPUTER SECURITY

In order to ensure the continuity of delivery services and provide for a secure electronic commerce environment, the Postal Service must ensure the security of its computers and networks and the privacy of its customers' information. Virtually every piece of First-Class Mail is "touched" on numerous occasions by a variety of computer-controlled mail processing equipment. A breach in computer security by terrorists or cyber criminals could significantly impact the Postal Service's mail and eCommerce operations, resulting in a loss of public trust and revenue.

We have identified security and privacy concerns in these areas and discussed opportunities for improvement with postal management. The Postal Service has appointed a chief privacy officer and chief information security officer who will focus Postal Service management's efforts in these areas.

Under the designation of investigative functions between the OIG and the Inspection Service, the OIG is responsible for investigating criminal and terrorist attacks against the postal computer network. To carry out these responsibilities, we work with other federal law enforcement agencies and postal officials to protect the postal network from cyber attacks.

- The OIG represents the Postal Service on the FBI's National Infrastructure Protection Center, the primary coordination authority for the protection of the nation's computer networks. This is important because the Postal Service, like the rest of government and industry, is dependent on these computer networks. Being part of this task force allows the OIG to receive early notice of criminal and terrorist attacks on federal computer networks, which could affect the Postal Service. Following last week's terrorist attacks, we have provided additional agents and computer specialists to support this critical activity.

- We identified a major Postal Service Internet site that did not have a comprehensive disaster recovery plan. The Postal Service could not ensure that certain important applications, including eCommerce programs, would continue in the event of a failure or that recovery would be timely and complete.

- The recent national attack of the Code Red computer worm, which was designed to disrupt computer operations, illustrated the damage Internet terrorists and hackers can inflict on the day-to-day operations of the Postal Service. Quick response by the Postal Service's computer incident response team, along with our computer intrusion team, minimized interruption of network service by halting the spread of the Code Red worm.
- Given last week's tragic events at the World Trade Center and the Pentagon, all federal agencies are devoting heightened attention to protecting important federal transportation, communications, utilities, computer networks, and other critical operations and systems from terrorist and criminal attacks. In May 1998, the President issued Presidential Decision Directive 63, which sets forth requirements for all federal agencies to identify critical agency assets, and to develop strategies to protect these assets from terrorist or criminal attacks. Because the Postal Service's delivery network is a vital national asset, the Postal Service needs to take immediate action to fully comply with Presidential Decision Directive 63.
- Last year, Congress passed the Government Information Security Reform Act to improve government computer security; however, the Act does not apply to the Postal Service. Our audit and investigative work has identified many computer security deficiencies that could have been prevented if the Postal Service had more aggressively implemented the best practices recommended by the Act.

We also have identified several security and privacy concerns, as follows:

- Our telecommunications review at a major Postal Service data center identified myriad security vulnerabilities involving network servers. These security vulnerabilities, if exploited, could compromise the confidentiality, integrity, and availability of postal operations, and harm its reputation as a trusted business partner. The OIG provided detailed test results to postal officials who subsequently incorporated this information into an improved network security plan.
- The Postal Service used computer code in three Internet websites to collect, track, and send data to third parties without the customers' knowledge. This could have created the perception that the Postal Service was profiling its website visitors. The Postal Service subsequently removed the code from these systems.
- We identified eBusiness agreements that did not have sufficient security, privacy, and access language to protect the Postal Service and its commercial partners and customers. A breach in these areas could result in the theft of valuable information, loss of revenue, and interference with business and customer relationships.

INSPECTION SERVICE OVERSIGHT

The OIG was established within the Postal Service with specific statutory authority to oversee all Inspection Service operations and programs. Recent Congressional concerns about the FBI and IRS have clearly emphasized the need for oversight over major federal law enforcement agencies. To address our statutory mission, we have devoted significant OIG resources to Inspection Service oversight.

- One of our earlier audits of the Postal Inspection Service, performed at the request of Congress, disclosed that more than 10 percent of postal inspectors were not meeting their statutory work hour requirement for criminal investigative work because they were spending the majority of their time performing audits. Since then, the Inspection Service has taken steps to correct this deficiency.

  However, in a recent review of service investigations, we noted the Inspection Service, while complying with the statutory work requirement for investigators, is continuing to utilize criminal investigators for mail processing reviews where a lower-paid, non-criminal investigator could perform the same work. The Inspection Service justifies this work by stating that it is important to ensure the accuracy and safety of the mail.

  We found the Postal Service could put approximately $2 million to better use over the next 5 years by using non-criminal investigators who do not receive 25 percent law enforcement availability pay. Management disagreed with our recommendations, stating customers want the Postal Service to use federal criminal investigators to conduct this work. However, we contacted a majority of the mailers identified by the Postal Service as wanting the Inspection Service to conduct these reviews, and only a handful were aware that the Inspection Service conducted this work. We are currently working to resolve this issue.

- Our draft report of the Inspection Service's executive awards program noted that 100 percent of its 41 executives received awards, ranging from $2,500 to $20,000, for a total of $444,000 in FY 2000. Despite the requirement of the Board of Governors that awards be based on individual accomplishments, the Inspection Service used identical justifications. These identical justifications did not identify individual accomplishments. We are awaiting management's official comments on this report.

CONCLUSION

The tragic events of last Tuesday have changed the world and the Postal Service, including our office. I am proud to say that our employees have risen to the occasion. Our employees were present at the World Trade Center at the time of the attack, and were among the first to alert tenants and local law enforcement agencies of the crash. Agents from our New York office are still participating in rescue efforts. In Washington, our employees assisted as para-

medics at the Pentagon. Since these attacks, over 10 percent of our investigative staff is working to support a variety of federal law enforcement efforts to identify and apprehend the terrorists. We have provided agents and computer specialists to participate in an elite federal cyber-terrorist task force. We have provided agents to serve as Sky Marshals and to work with FBI command centers in coordinating federal investigative efforts. We are also working with the Inspector General community to provide a pool of investigative resources to support the national effort. We believe that this is the single most important criminal investigation in the nation today, and we are prepared to support it throughout this crisis while continuing to perform our statutory mission regarding the Postal Service.

Finally, the competing obligations of public service and commercial enterprise present unique challenges for the Postal Service, particularly as the communications and delivery industries have become more competitive. Our evaluation of the Postal Service to date suggests that it could benefit from strategic direction about its role in the 21st Century. That direction can only come from the Congress, as it did in the Postal Reorganization Act of 1970. In order to provide guidance, Congress may want to consider certain fundamental questions. For example, should the Postal Service of the 21st Century:

- Be a quasi-governmental entity or private corporation?
- Maintain universal service in the age of the Internet?
- Have a monopoly or shared access to local mailboxes?
- Have a rate making process or market-based pricing?
- Have limited product lines or more product flexibility?
- Have limited investment options or greater freedom to invest?
- Have binding arbitration or unfettered labor negotiations?
- Have limited markets or global competition?

Regardless of the outcome of postal reform, we believe postal management has many opportunities to improve its accountability and public trust. The independent oversight provided by Congress and the OIG will continue to assist the Postal Service as it makes decisions in these challenging times. In our view, in order to ensure the success of future Postal Service operations, Congress and Postal Service management need to address these issues.

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UNITED STATES POSTAL SERVICE

SUSPICIOUS MAIL ALERT

If you receive a suspicious letter or package:

1 Handle with care. Don't shake or bump.

2 Isolate it immediately

3 Don't open, smell, touch or taste.

4 Treat it as suspect. Call local law enforcement authorities

If a parcel is open and/or a threat is identified . . .

For a Bomb:
Evacuate Immediately
Call Police
Contact Postal Inspectors
Call Local Fire Department/HAZMAT Unit

For Radiological:
Limit Exposure - Don't Handle
Evacuate Area
Shield Yourself From Object
Call Police
Contact Postal Inspectors

For Biological or Chemical:
Isolate - Don't Handle
Evacuate Immediate Area
Wash Your Hands With Soap and Warm Water
Call Police
Contact Postal Inspectors

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