

March 29, 2002

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CHIEF OPERATING OFFICER AND
EXECUTIVE VICE PRESIDENT

SUBJECT: Anthrax Capping Report (Report Number AC-AR-02-004)

This capping report presents the results of our self-initiated reviews related to the Postal Service's response to the anthrax threat (Project Number 02WG001ND000). The Postal Service's response to the initial threat of anthrax and its continuing efforts are commendable; however, our reviews identified four areas that warranted management's attention. These areas were contracting, transportation, contractor oversight, and mail delivery.

Because there are no recommendations in this report, a written response is not necessary. We briefed you on March 27, 2002, on the results of the reviews that are part of this capping report. You indicated that a written response was not necessary.

We appreciate the cooperation and courtesies provided by your staff during the review. If you have any questions, or need additional information, please contact me at (703) 248-2300.

Ronald K. Stith
Assistant Inspector General
for Core Operations

Attachment

cc: Susan M. Duchek

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EXECUTIVE SUMMARY

Introduction

On November 6, 2001, the Office of Inspector General (OIG) announced it would conduct reviews of the Postal Service's response to the anthrax threat. These reviews were self-initiated and were nationwide in scope to coincide with the anthrax threat.

These reviews were conducted from November 2001 through March 2002 and results were communicated during the review, as appropriate, in order to provide timely observations and recommendations to Postal Service management.

The overall objective was to determine how the Postal Service was responding and to provide concurrent suggestions to improve the processes and protect Postal Service interests.

Results in Brief

We commend the efforts of Postal Service management and employees, in responding to the anthrax threat in the wake of the September 11, 2001, attacks on the United States.

Based on our reviews, we issued ten reports¹ to Postal Service management concerning:

- Communication and implementation of procedures to assure the safety and health of Postal Service employees.
- The purchase and deployment of irradiation equipment.
- The process for transporting and sanitizing the mail.
- The procedures for ensuring the security of irradiated mail.
- The accuracy of estimated costs to address the anthrax threat.

We concluded the Postal Service effectively communicated and took appropriate action to explore and develop a

¹ A summary of each of the ten reports can be found in the appendix.

sterilization process for anthrax-contaminated mail.² Additionally, the Postal Service has continued to respond by providing all employees a safe working environment and communicating essential matters to protect them from future attacks from anthrax or any other biohazards.³ For instance, Postal Service officials consulted and continue to consult with federal, state, and local safety, health, and medical experts to identify and implement measures to reduce employees' potential exposure to anthrax.

We also found that the cost estimates provided by the Postal Service to address terrorist attack damages and the threat of anthrax were reasonable. The Postal Service prepared these estimates under great pressure and shortened timeframes because of concerns for public safety, employee welfare, and business impact.⁴

Additionally, we still have an ongoing review of the safeguards used to protect the mail during decontamination. We found that the Inspection Service responded reasonably in ensuring mail security during anthrax decontamination and irradiation efforts, given the emergency nature of the threat. However, they could improve their responses to future biohazard threats by developing contingency plans addressing background security checks for contractor personnel, an Inspection Service presence at contractor facilities, and required notification to the Inspection Service when a biohazard threat is detected. A separate report addressing security of the mail will be issued at a later date.

While the Postal Service's response to the initial threat of anthrax and its continuing efforts are commendable, our reviews identified four areas that warranted management's attention. These areas were contracting, transportation, contractor oversight, and mail delivery.

In the area of contracting, we brought to management's attention that expedited purchasing practices needed to be improved to protect the interest of the Postal Service. While we understand the need to expedite purchases to protect the mail, employees, and the public, we identified contract provisions that deviated from standard contract language or

² See Report Number DA-AR-02-003 in the appendix for additional information.

³ See Report Numbers LH-MA-02-002 and LH-MH-02-004 in the appendix for additional information.

⁴ See Report Number FT-MA-02-003 in the appendix for additional information.

were omitted from 11 contracts totaling \$104.3 million.⁵ We also questioned the performance of another contractor used in decontaminating the Pentagon Station⁶ and the procedures used for determining facilities for irradiation equipment and sanitized mail processing.⁷

Second, we found that hazardous mail transportation requirements were not well understood at the area and local level. Additionally, OIG was concerned that hazardous material contract drivers are not required to have criminal background checks unlike Postal Service drivers or other Postal Service contractors.⁸

Third, regarding contractor oversight, we expressed our opinion that decontamination and verification testing for anthrax should be conducted by separate contractors to provide reasonable assurance that the decontamination process was effective.⁹ Also, contractors used to provide technical assistance to management should not be allowed to bid on the same work on which they provide technical assistance. This process would better protect the interest of the Postal Service.¹⁰

Fourth, concerning mail delivery, the Postal Service needed to resolve the disposition of approximately 30 trailer loads of mail being held by the Postal Service because delivery was refused by three federal government agencies.¹¹ The Postal Service also needed to determine a permanent focal point for continuing biohazard preparedness and agreed upon milestones and goals for implementation.¹²

⁵ See Report Numbers CQ-MA-02-001 and CQ-MA-02-002 in the appendix for additional information.

⁶ See Report Number LH-MA-02-003 in the appendix for additional information.

⁷ See Report Number AC-AR-02-003 in the appendix for additional information.

⁸ See Report Number TD-MA-02-001 in the appendix for additional information.

⁹ See Report Number LH-MA-02-003 in the appendix for additional information.

¹⁰ See Report Number EM-MA-02-001 in the appendix for additional information.

¹¹ See Report Number AC-AR-02-003 in the appendix for additional information.

¹² See Report Number EM-MA-02-001 in the appendix for additional information.

**Recommendations
in Brief**

We provided Postal Service management with 24 recommendations. These recommendations included improving contracting procedures, reviewing a contractor's performance, and requiring criminal background checks for contract drivers transporting hazardous materials. Based on the events resulting from the contamination of Postal Service facilities by anthrax, we also recommended the Postal Service, for future planning, consider separation of duties for contractors providing biohazard services, establish a permanent Postal Service focal point for biohazard planning, and establish planning milestones and goals. Finally, we recommended the Postal Service resolve the backlog of mail refused by three federal agencies.

**Postal Response and
OIG Evaluation of
Response**

Management generally agreed with our recommendations and has taken or planned actions, which should be responsive to the recommendations.

INTRODUCTION

Background

In response to the anthrax attacks in early October 2001, Postal Service management and the Postal Inspection Service conducted meetings and gathered information concerning the threat of anthrax in the mail stream. These initial contacts included the Federal Emergency Management Agency, Centers for Disease Control and Prevention, Federal Occupational Health, District of Columbia Public Health, law enforcement agencies, and the Johns Hopkins Center for Biodefense Studies. These initial actions resulted in continuing nationwide Postal Service employee education concerning the signs of anthrax exposure, safe handling of mail, and emergency action plans. Additionally, the Postal Service purchased and offered to all employees protective gloves and masks.

The postmaster general established a task force to review mail security and the handling of hazardous materials in the mail. This group was lead by the chief postal inspector and consisted of Postal Service union representatives, management association representatives, safety and medical specialists, Human Resources, senior Operations managers, Inspection Service staff, and representatives from the mailing industry. Their specific goals were to:

- Communicate the message to protect the safety and security of employees first.
- Protect the safety and security of the mail.
- Begin educating mailrooms.

As a result of subsequent meetings with medical and law enforcement authorities, the decision was made to use preventative antibiotics for Postal Service personnel and the decontamination of specific Postal Service facilities to assure employee safety and security. With the positive testing of 20 congressional employees, two Postal Service facilities were closed. The next day, a Postal Service employee in a Washington, D.C., processing facility was hospitalized for potential inhalation anthrax and mail delivery to federal government agencies in Washington, D.C., was stopped. Two days later, another employee at the same facility, was suspected of having died from inhalation anthrax. The facility was closed the same day by

the Postal Service and testing and treatment of employees began. While all of these events were transpiring, the Postal Service continued to provide information and safety briefings to the public and Postal Service employees and coordinated their activities with health and law enforcement authorities. Additionally, they contracted with facilities in Lima, Ohio, and Bridgeport, New Jersey, to sanitize the mail.

The Office of Inspector General on November 6, 2001, announced the conducting of reviews related to the Postal Service's response to the anthrax threat. The overall objective was to determine how the Postal Service was responding and to provide concurrent suggestions to improve the processes and protect Postal Service interests.

To accomplish the overall objective we reviewed available policies and procedures, contracts, safety information, and any other material deemed necessary to accomplish the overall objective. We conducted interviews of Postal Service officials at the area, district, and local level. Further, we also interviewed outside health experts, law enforcement officials, and vendors providing anthrax sampling, decontamination, and testing.

This audit work was self-initiated and was conducted in accordance with the President's Council on Integrity and Efficiency, Quality Standards for Inspections or generally accepted government auditing standards. It included such tests of internal controls as were considered necessary under the circumstances. We discussed our conclusions and observations with appropriate management officials and included their comments, where appropriate.

APPENDIX. REVIEW SUMMARIES

**Assessment of
Anthrax Sterilization
Solution
Report Number
DA-AR-02-003**

The Postal Service took appropriate action to explore and develop a sterilization process for anthrax-contaminated mail. They relied upon expertise from other federal agencies to establish a process for sanitizing anthrax-contaminated mail. The methodology chosen was electron beam (e-beam) irradiation, which was shown to kill pseudo-anthrax¹³ at dosages specified for Postal Service use. The sanitization process was successful; however, there were several factors, which impact its long-term use. These include high cost, slow processing throughput, and mail damage.

Modifications to the procured e-beam equipment have not been finalized. The Postal Service's plan was to combine four electron accelerators into one system. However, further planning cannot be accomplished without knowing the layout of the facility in which the systems will be deployed.

The task force explored alternate technologies such as gas sterilization. Currently, a three-prong approach of prevention, detection, and sanitization is being planned for national deployment.

We had no recommendations. However, we will continue monitoring the technology applications related to the anthrax threat. We gave management the opportunity to provide comments. No written comments were provided.

¹³ Pseudo-anthrax is bacillus subtilis var. globigii. Utilizing these spores, that are as resilient as anthrax spores, circumvented the dangers of testing with anthrax.

**Review of the Postal Service's Communication of Employee Safety and Health Issues at Selected Locations
Report Number LH-MA-02-002**

We commended the communication efforts, safety, and corrective actions taken by the Postal Service. On the basis of the sites we visited, we concluded the Postal Service communicated an extensive amount of information received from health experts and took several actions to ensure employees' safety and health. Additionally, the Postal Service initiated worksite evaluations, which we believed would further protect employees and provide an approach to addressing any future bioterrorist attacks.

The Postal Service established a National Operation Center at headquarters, which disseminated health and safety information about anthrax to Postal Service officials nationwide. These officials then provided information to area and district offices, that in turn disseminated it down to employees. The Postal Service continues to communicate new and updated information as it is received, although the volume and frequency of the information has decreased significantly.

Responding to concerns pertaining to anthrax has been the Postal Service's top priority since early October 2001 when officials became aware that this biologically hazardous material was processed through the Postal Service system. Postal Service officials were in consultation with federal, state, local safety, health, and medical experts to identify and implement measures to reduce employees' potential exposure to anthrax.

In addition, based on recommendations from health experts, the Postal Service purchased personal protective equipment and other items to provide protection from exposure to anthrax. The Postal Service also prohibited the use of compressed air for cleaning machinery, and is purchasing high-efficiency particulate air filter vacuum cleaners for many facilities.

Based on our recommendation, the Postal Service began actions to conduct worksite evaluations. Specifically, on December 18, 2001, plans were initiated to conduct evaluations of Postal Service facilities. Postal Service worksite evaluations should be completed by April 2002 with a final report issued by May 2002.

Management said the Postal Service would continue to work to provide employees a safe working environment and communicate essential matters to protect them from future attacks from anthrax or any other bioterrorist hazards.

**Fact-Finding Review
of Actions and
Decisions by Postal
Service Management
at the South Jersey
Processing and
Distribution Center
Report Number
LH-MA-02-004**

At the request of the Postal Service,¹⁴ we reviewed the actions taken and decisions made by Postal Service management during the anthrax contamination testing at the South Jersey Processing and Distribution Center in Bellmawr, New Jersey.

During this timeframe the Postal Service, law enforcement, and health agencies were challenged with responding to the threat of anthrax at multiple locations. This caused chaos, crisis, and communication problems. In addition, the Postal Service had inadequate guidelines concerning how to respond to the threat of anthrax in Postal Service facilities. Critical information was verbally communicated, which we believe resulted in decisions that would have been different had the information been documented.

Since this series of events at the South Jersey facility, the Postal Service has implemented guidelines,¹⁵ which addressed the issues in this report. Specifically, the guidelines discuss when and who decides that a facility should be closed or if an area should be cordoned off; and how information, such as positive anthrax test results, should be communicated.

We concluded that the actions taken by the Postal Inspection Service, Postal Service management, law enforcement, and health agencies were made with the intent of ensuring the safety and health of Postal Service employees and the public. Specifically, management communicated events to employees in a timely manner, employees were allowed to remain in the facility, work in other facilities, or take administrative leave. In addition, employees were offered medical testing. Based on these actions by Postal Service management and discussions with union officials we could not determine any measurable harm had occurred.

¹⁴Based on the request of the chief operating officer and executive vice president's December 10, 2001, letter to Congress, which was a follow-up letter to the November 16, 2001, Congressional request to the postmaster general.

¹⁵The Interim Guidelines for Sampling, Analysis, Decontamination, and Disposal of Anthrax for U.S. Postal Service Facilities, dated December 4, 2001.

We also believe that the Postal Service's implemented interim guidelines should prevent a similar situation from occurring.

**Review of
The Accuracy of the
Estimated Costs to
Address Terrorist
Attack Damages and
the Anthrax Threat
Report Number
FT-MA-02-003**

This report presents the results of our self-initiated review with the anticipation of questions and concerns from Congress on the accuracy of the estimated costs to address the terrorist attack damages and the anthrax threat. Specifically, our objective was to review the reasonableness of the Postal Service's request for funds to cover estimated expenses and expected losses as a result of the September 11, 2001, tragedy and the Postal Service's response to the anthrax attack.

We found that the cost estimates provided by the Postal Service were reasonable. The Postal Service prepared these estimates under great pressure and shortened timeframes because of concerns for public safety, employee welfare, and business impact. In addition, the events were so unprecedented the Postal Service had no baseline financial information to assist in developing their estimates for Congress. Further, costs continued to change while potential solutions were discussed with various medical and public safety officials.

Based on the amount of information available and the unprecedented nature of the events, we believe the Postal Service's estimates were reasonable and as accurate as possible. We provided no recommendations to management.

**Review of Letter
Contract with Titan
Corporation
Report Number
CQ-MA-02-001**

We reviewed the sole source letter contract the Postal Service awarded to the Titan Corporation for over \$34 million on October 26, 2001, for eight electron beam systems. In addition, we reviewed Postal Service contracting requirements contained in the Purchasing Manual. We also conducted preliminary benchmarking with the Department of Defense and the Federal Emergency Management Agency to determine what contracting procedures they use in emergencies.

While we understood the need to expedite the purchase of equipment to protect the mail, employees, and the public, we identified some contract provisions that deviated from standard contract language or were omitted from the contract. We provided the vice president, Purchasing and Materials, with seven recommendations concerning termination for convenience, payment procedures, indemnification, penalty provisions, warranty period, maintenance support, independent price verification and documentation.

Management agreed to consider including a credit remedy to compensate the Postal Service for any equipment breakdown; an extended warranty period as appropriate; and a requirement that supplier employees have the necessary skill levels to safely operate the equipment and handle biohazardous materials in future contracts. Finally, management agreed to obtain independent verification that the suppliers are providing the Postal Service their most favored prices, and to document its rationale for contract decisions.

Management's comments were responsive to our findings and recommendations. We believe the actions taken and planned should address the issues identified in this report.

**Review of Contracts
Associated With
Biohazard Threat
Report Number
CQ-MA-02-002**

This was the OIG's second and final management advisory report on its review of expedited contracts the Postal Service issued to deal with the biohazard threat facing the mail, employees, and the public. The purpose of this review was to determine whether the Postal Service deviated from standard purchasing procedures and identify any deviation implications for ten service contracts and delivery orders totaling \$70.3 million awarded between October and November 2001.

This review revealed that contracts and delivery orders were awarded using deviated purchasing procedures. The Postal Service used deviated procedures to award the contracts as quickly as possible in response to the biohazard threat. However, some of those deviations exposed the Postal Service to increased financial risk.

The first report (CQ-MA-02-001) we issued summarized our review of one contract for irradiation equipment. The Postal Service did not have sufficient time to implement corrective actions between the time we issued our first report and the award of the ten contracts and delivery orders covered in this review. As a result, we identified some of the same issues previously reported. These issues included deviations from standard indemnification procedures; and contracts and delivery orders that did not include determinations of price reasonableness, damages or remedy provisions, and file documentation to support the rationale for important contract decisions.

We also identified two new issues which included:

- Contract increases totaling approximately \$53.7 million, which lacked supporting documentation of how the reasonableness of the increases was determined.
- A \$598,780 payment to a supplier for work, which we were unable to determine, was provided as required.

We provided the vice president, Purchasing and Materials with six recommendations concerning documentation of important contract decisions, including determinations of price reasonableness; audit costs incurred by suppliers; and improve procedures for certifying invoices. Management agreed with our recommendations and said they would take the requested actions.

**Review of
Decontamination
Activities at the
Pentagon Station
Report Number
LH-MA-02-003**

This report addressed the decontamination activities at the Pentagon Station. Our objective was to determine whether adequate controls were in place to ensure that the Pentagon Station that tested positive for anthrax was decontaminated in accordance with policies and procedures.

Our review disclosed that the contractor that decontaminated the Pentagon Station also conducted the retesting to verify the facility had been decontaminated. In addition, we found that the contractor did not complete the decontamination of the facility in accordance with their report to the Postal Service. We also found the Postal Service did not effectively communicate the November 4, 2001, positive anthrax test results, to Pentagon officials.

We made three recommendations to management addressing the independence of duties for anthrax testing, decontamination, and retesting; reviewing the performance requirements for the contractor who decontaminated the Pentagon Station; and including procedures for communicating test results to other parties when Postal Service facilities are collocated with other entities.

Management's comments were responsive to our recommendations. The actions taken should correct the issues identified in this report.

**Postal Service
Strategy for
Processing At-Risk
Mail and Deployment
Of Irradiation
Equipment
Report Number
AC-AR-02-003**

The Postal Service's strategy for processing contaminated mail and deploying irradiation equipment was sufficient to protect the mail, customers, and employees. The Postal Service developed a three-tiered strategy and initiated emergency mail processing procedures for contaminated mail. However, the audit disclosed that three federal government agencies refused to accept both sanitized and non-sanitized mail. As a result, the Postal Service estimated there were approximately 16 trailers of mail at the V Street Postal Service facility awaiting delivery for more than 60 days. The backlog of mail was also causing storage problems at the V Street Postal Service facility.¹⁶

In addition, the Postal Service was unable to process sanitized mail and deploy irradiation equipment at two facilities because they failed to get advance approval from local government officials. Specifically, their plans were cancelled because local government officials had safety concerns about processing sanitized mail and installing irradiation equipment within their communities. Consequently, the Postal Service spent approximately \$1 million to prepare two facilities that were never used. Postal Service officials stated that deployment plans for the irradiation systems were on hold until alternative sites can be located.

We recommended that the Postal Service follow the procedures in the Domestic Mail Manual and return the backlog of sanitized mail to senders or develop a supplemental policy for customers that refuse to accept delivery of sanitized mail. Also, develop procedures to ensure that approvals are obtained from the appropriate local government officials prior to acquiring and or modifying facilities for processing sanitized mail and deploying irradiation equipment.

¹⁶ The backlog of mail has increased to 30 trailers as of February 22, 2002.

**Transportation of
Anthrax
Contaminated Mail
Report Number
TD-MA-02-001**

We reviewed the procedures used to transport mail from the Brentwood Mail Processing Center in Washington, D.C., to Lima, Ohio, and from the Trenton, New Jersey Processing Center to Bridgeport, New Jersey. We understood the Postal Service's need to expedite the transportation of mail to be irradiated. However, we identified transportation issues that included the improper transportation of hazardous material, the need for criminal background checks for contract drivers, and detention charges for trailers waiting to be loaded.

We recommended the issuance of guidance to all facilities on the steps to take if contaminated mail needs transportation. Management agreed with the finding and recommendation and on February 6, 2002, provided specific instructions for the transportation of contaminated mail.

The Postal Service did not require criminal background screening for contract drivers transporting mail potentially contaminated with anthrax because the contractor specialized in transporting hazardous material under Department of Transportation requirements. However, Postal Service policy restricts the use of personnel with criminal records. It was our opinion, criminal background screening would help ensure the safety and security of the mail.

We recommended criminal background checks be required for all contract drivers transporting mail for irradiation. Management agreed with the intent of the recommendation and referred this recommendation to the Postal Inspection Service for further guidance.

The Postal Service spent \$181,000 between October 24 and November 14, 2001, on detention charges for trailers waiting to be loaded at the Brentwood and Lima facilities. This situation occurred because the Postal Service initially overestimated the number of trailers needed and because it did not know its initial transportation requirements. The Postal Service quickly identified the excess requirements and took action to reduce the number of trailers. We recommended the Postal Service continue to monitor

transportation requirements for mail irradiation to minimize unnecessary costs. Management agreed with the intent of the recommendation, acknowledged \$181,000 in detention charges and cited unprecedented circumstances.

Additionally, they had already established objectives to improve the purchasing process and to strengthen requirement planning for the transportation of contaminated mail.

We considered all of management's comments responsive to our recommendations.

**Postal Service's
Command Center
Efforts and
Contingency
Planning
Report Number
EM-MA-02-001**

We generally found that the Postal Service's testing and decontamination efforts in response to the anthrax contamination were effective and that the efforts for future preparedness are appropriate. We commend the Postal Service's quick response in deploying contractors to potential anthrax-contaminated facilities in order to minimize exposure to employees, and for the creation of the Unified Incident Command Center as a temporary solution for coordinating anthrax sampling, testing and decontamination. The Postal Service successfully acquired expertise from, and partnered with, many federal and private entities to combat the effects of these attacks.

During our review, we noted some opportunities for improvement. Specifically, the Postal Service did not provide adequate oversight of contractors, and did not identify a coordinator to implement contingency plans for biohazard emergencies or identify clear milestones for completion of these plans.

We recommended the Postal Service establish policy that would prohibit a non-Postal Service project manager from assigning work while also competing for the same work; designate a permanent postal coordinator or entity to implement biohazard contingency policies; and develop and monitor contingency planning milestones.

Management agreed with our recommendations. We considered management's comments responsive to our recommendations.