

September 21, 1999

KENNETH J. HUNTER
CHIEF POSTAL INSPECTOR

YVONNE D. MAGUIRE
VICE PRESIDENT, HUMAN RESOURCES

SUBJECT: Audit Report, Classification of Inspection Service Personnel Performing Audits (Report Number OV-AR-99-001)

This report presents the results of our audit of the Classification of Inspection Service Personnel Performing Audits. The audit was conducted in response to a request from Congressman John McHugh, Chairman, Subcommittee on the Postal Service, to determine if Postal Inspectors performing audits were properly classified as criminal investigators.

We concluded that Postal Inspectors performing audits were not properly classified as criminal investigators. Based on a projection of sample results, we concluded that at least 91 percent of the 234 inspectors in the audit universe performed audits as their primary duties during the 18-month period covered by this audit. Audit duties, which are not consistent with the duties of criminal investigators, are not included in the regulatory definition of a law enforcement officer.

Management concurred with our recommendations and the corrective actions taken and planned by management are responsive to the issues raised in the report. These actions should ensure that Postal Inspectors work the majority of their time performing criminal investigative duties.

The cooperation and courtesies provided by the Inspection Service staff during the audit are appreciated. If you have any questions, please contact Bob Pemberton, Director, Oversight, or me at (703) 248-2300.

Norman B. Hancock
Assistant Inspector General
for Customer

Attachment

cc: Office of Deputy Postmaster
John R. Gunnels
Alan B. Kiel

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EXECUTIVE SUMMARY

Introduction

Postal Inspectors are law enforcement officers of the U.S. Postal Service. Postal Inspectors investigate offenses against the Postal Service and conduct certain audits of Postal Service operations. Postal Inspectors receive special pay and retirement benefits due to their job classification as law enforcement officers.

We completed an audit to determine if Postal Inspectors performing audits were properly classified as criminal investigators. The audit was initiated at the request of Congressman John McHugh, Chairman, Subcommittee on the Postal Service.

Results in Brief

We determined that Postal Inspectors primarily performing audits were not properly classified as criminal investigators. We found that 57 of the 60 inspectors in our audit sample primarily performed audits. Based on a projection of sample results, we concluded that at least 91 percent of the 234 inspectors in the audit universe performed audits as their primary duties during the 18-month period covered by this audit.

Postal Inspector position descriptions included two separate and distinct job categories: criminal investigations and audit. Internal controls did not exist to ensure that inspectors primarily perform criminal investigative duties to support their law enforcement officer status.

Recommendations

We offer the following recommendations:

The United States Postal Service, Chief Postal Inspector, should:

1. Establish controls to ensure Postal Inspectors devote 50 percent or more of their work hours to law enforcement duties, or reclassify the positions to reflect work performed.

The United States Postal Service, Vice President, Human Resources, should:

2. Review Postal Inspectors' duties to ensure they meet the regulatory requirements of a law enforcement officer.

**Summary of
Management's
Comments**

Management comments are at Appendix B. Management concurred with both audit recommendations. The Chief Postal Inspector plans to divest the Inspection Service of "Yellow Book" audit work and agreed to establish a system to monitor Postal Inspectors' work hours to ensure compliance with regulatory guidance for law enforcement officers. The Vice President-Human Resources agreed to review Postal Inspectors' duties to ensure they meet regulatory guidance for law enforcement officers.

**Evaluation of
Management's
Comment**

Divestiture of "Yellow Book" audit work is one strategy by which the Inspection Service can achieve appropriate use of criminal investigators. However, the Inspection Service must ensure that criminal investigators do not spend more than 50% of their time performing non-criminal investigative duties to include work previously viewed as audit, but not "Yellow Book" audit. We will continue to monitor the Inspection Service's use of postal inspectors for non-criminal investigative work to ensure compliance with regulations.

INTRODUCTION

Background

Postal Inspectors are law enforcement officers of the U.S. Postal Service. Postal Inspectors investigate offenses against the United States Postal Service (USPS) and conduct certain audits of USPS operations. As of March 1999, 254¹ of 2,155 Postal Inspectors were in audit assignments. Postal Inspectors charged 11 percent of their direct time² to audit projects during FY99.

Title 5 of the Code of Federal Regulations (5 CFR), subparts 831.902 and 842.802, defines a law enforcement officer as an employee whose primary duties are the investigation, apprehension, or detention of individuals suspected or convicted of offenses against the criminal laws of the United States. The definition excludes employees whose primary duties involve inspecting for violations of law.

Primary duties are those duties that are paramount in influence or weight and constitute the basic reasons for the existence of the position. In general, if an employee spends an average of at least 50 percent of his or her time performing a duty or group of duties, they constitute primary duties. Duties that are of an emergency, incidental, or temporary nature cannot be considered primary even if they meet the substantial portion of time criterion.

Law enforcement availability pay, a form of premium pay, was granted to Federal law enforcement officers in October 1994 with the passage of Public Law 103-329, the Law Enforcement Availability Pay Act. Law enforcement availability pay is fixed at 25 percent of an employee's basic pay and is uniformly paid to law enforcement officers if the annual average of unscheduled duty hours the officer is available to work is greater than 2 hours per regular workday. Coverage was extended to Postal Inspectors in October 1996, by Public Law 104-208, which provides that compensation and benefits for Postal Inspectors would be comparable to the compensation and benefits paid for comparable levels of work in the Executive Branch of the government.

¹ We reduced the audit universe from 254 to 234 inspectors to minimize travel requirements and to account for individuals who were not active in their assignments. See Appendix A for further details.

² Direct time is work hours reported to a project number. Direct time does not include leave, training, administrative duties, physical fitness, and threat management hours.

Special retirement benefits became available to Postal Inspectors in July 1948, when Public Law 80-879, "Civil Service Retirement Act – Annuities for Certain Federal Employees," was passed. The act provided that eligible personnel, at 50 years of age with 20 years of creditable service, could apply for retirement. Upon recommendation of the department head, the Civil Service Commission would review the employee's work history and determine their entitlement to an annuity. The requirement for a work history review was modified in July 1974 by Public Law 93-350, "Law Enforcement and Firefighter Personnel – Retirement," which based entitlement to an annuity on whether or not an employee had served 20 years in a covered position.³

Special retirement benefits for law enforcement officers covered by the Federal Employees Retirement System were granted in January 1987 by Title 5 United States Code, Section 8412 (d), "Immediate Retirement." The provision added retirement eligibility at any age with 25 years of creditable service.

Special retirement benefits were granted to law enforcement officers due to the hazardous nature of law enforcement work. Specifically, the special retirement benefits were granted due to the many pressures, risks, and hazards to health and life, which make it difficult for a law enforcement officer to perform at the same pace and effectiveness after the age of 50.

Objective, Scope, and Methodology

Our objective was to determine if Postal Inspectors performing audits were properly classified as criminal investigators.

To accomplish our objective, we defined the universe of 234 inspectors in audit assignments and selected a statistical sample of 60 inspectors for review. We interviewed the inspectors, their supervisors and management officials at nine locations visited. We reviewed documents relating to the inspectors' time accounting and work accomplishments from October 1997 through March 1999. We discussed our conclusions and observations with appropriate management officials and included their comments where appropriate.

³ A covered position is a position that has been approved for special retirement benefits for Federal law enforcement officers. The Office of Personnel Management and the USPS approved the Postal Inspector positions as covered law enforcement officer positions.

This audit was conducted from March through July 1999 in accordance with generally accepted government auditing standards. We reviewed internal controls over the time accounting and project controls as they relate to the audit objective.

AUDIT RESULTS

Position Classification	Postal Inspectors primarily performing audits were not properly classified as criminal investigators. Postal Inspector position descriptions included two separate and distinct job categories: criminal investigations and audit. Internal controls did not exist to ensure that inspectors primarily performed criminal investigative duties to support their law enforcement officer status.
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Primary Duties	We determined that 57 of the 60 inspectors in our audit sample primarily performed audits. Chart 1 identifies that 50 of the inspectors reported 80 percent or more of their direct time to audit duties during the time period reviewed. Further, an additional seven inspectors reported between 50 and 79 percent of their direct time to audit duties. Based on projection of the sample results, we are 95 percent confident that at least 91 percent of the 234 inspectors in the audit universe performed audits as their primary duty during the 18-month period covered by this audit. See Appendix A for statistical sampling and projection details.
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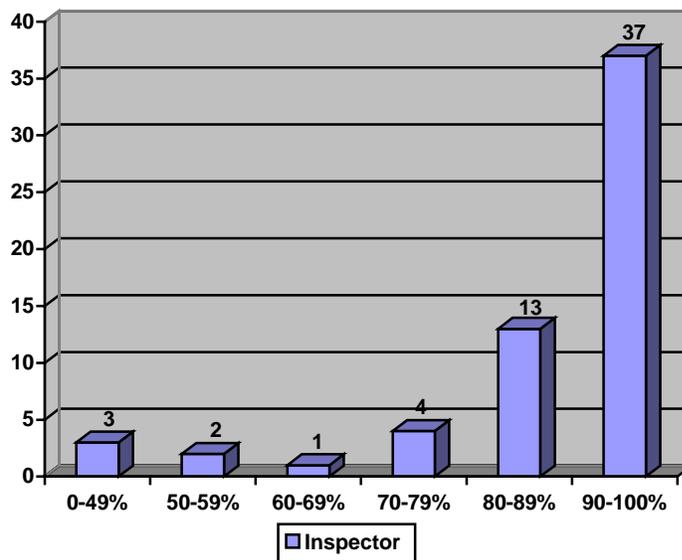


Chart 1. Number of Inspectors Primarily Performing Audits

Position Descriptions	Inspectors primarily performing audits were able to receive special law enforcement pay and retirement benefits intended for law enforcement officers because they worked under covered position descriptions. Specifically, the Office of Personnel Management and the USPS approved the Postal Inspector positions as covered law enforcement
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officer positions based on the duties identified in their position descriptions. Although the position descriptions identified criminal investigative duties, they also included audit duties, a separate and distinct job category. As a result, all Postal Inspectors, whether primarily performing criminal investigations or audits, were considered law enforcement officers because they worked under the same covered position descriptions.

Internal Controls

Internal controls did not exist to ensure that inspectors primarily performed criminal investigative duties to support their law enforcement officer designation. 5 CFR, subparts 831 and 842, requires that persons must spend at least 50 percent of their time performing law enforcement duties to be eligible for special retirement benefits. However, the Inspection Service did not have any policies or procedures to ensure that inspectors work at least 50 percent of their time on law enforcement duties. As a result, many inspectors spent the majority of their work hours performing audit duties.

Pay and Retirement
Benefits

Federal law enforcement officers receive law enforcement availability pay, a form of premium pay, because they are required to work irregular hours, and special retirement benefits due to the hazardous nature of the work. Allowing inspectors who primarily perform audits to receive special pay and retirement benefits is inconsistent with the intent of the laws governing special law enforcement pay and retirement benefits. Specifically, we determined that inspectors performing audits did not perform the primary duties of a law enforcement officer, nor were they subjected to the hazards typically associated with law enforcement duties.

Conclusion

Auditing as a primary duty performed by a Postal Inspector does not meet the regulatory definition of a law enforcement officer. Internal controls did not exist to ensure that inspectors work the majority of their time performing criminal investigative duties.

Recommendations

We offer the following recommendations:

The Chief Postal Inspector, should:

1. Establish controls to ensure Postal Inspectors devote 50 percent or more of their work hours to law enforcement duties, or reclassify the positions to reflect work performed.

The Vice President, Human Resources, should:

2. Review Postal Inspectors' duties to ensure they meet the regulatory requirements of a law enforcement officer.

**Management's
Comments**

Management comments are at Appendix B. Management concurred with both audit recommendations. The Chief Postal Inspector plans to divest the Inspection Service of "Yellow Book" audit work and agreed to establish a system to monitor Postal Inspectors' work hours to ensure compliance with regulatory guidance for law enforcement officers. The Vice President-Human Resources agreed to review Postal Inspectors' duties to ensure they meet regulatory guidance for law enforcement officers.

**Evaluation of
Management's
Comments**

The Chief Postal Inspector plans to divest the Inspection Service of "Yellow Book" audit work. According to the 1994 revision of the Government Auditing Standards (generally referred to as the "Yellow Book"), "Yellow Book" engagements include other services such as assisting in developing questions for use at legislative hearings, developing methods and approaches to be applied in evaluating a new or proposed program, forecasting potential program outcomes under various assumptions without evaluating current operations, and performing investigative work. Divestiture of "Yellow Book" audit work is one strategy by which the Inspection Service can achieve appropriate use of criminal investigators. However, the Inspection Service must ensure that criminal investigators do not spend more than 50% of their time performing non-criminal investigative duties to include work previously viewed as audit, but not "Yellow Book" audit. We will continue to monitor the Inspection Service's use of Postal Inspectors for non-criminal investigative work to ensure compliance with regulations.

STATISTICAL SAMPLING AND PROJECTIONS

Purpose of the Sampling

The objective of the audit was to determine if Postal Inspectors in audit assignments were properly classified as criminal investigators. In support of this objective, the audit team employed a stratified random attribute sample design that allowed statistical projection of the evaluation sample results.

Definition of the Audit Universe

The audit universe consisted of 29 locations having at least three Postal Inspectors in audit assignments. Those locations encompassed 236 of 254 (93 percent) of such assignments. This scope limitation was necessary because of time constraints that made it undesirable to make separate trips to sites to evaluate a single inspector. The Inspection Service's roster of individuals and their assignments was the source of the universe data. The data system accuracy was not tested. However, no errors were found in the entry of the sampled items.

Sample Design and Modifications

The audit used a stratified design with a two-stage sample in each stratum. The stratification was chosen to ensure selection of both large and small sites, in terms of the number of Postal Inspectors in audit assignments. Within each stratum, the two-stage design was selected to identify sites first, thus limiting travel requirements, and to select inspectors to evaluate second.

Within the above sample design, 62 of the subject assignments were randomly selected for review, to provide a one-sided 95 percent confidence interval with a 5 to 6 percent precision, based on audit team expectations of a high percentage of Postal Inspectors assigned audit duties (90 to 95 percent).

Specifically, Stratum I included eleven sites that had ten or more Postal Inspectors in audit assignments. Of the eleven sites, three were randomly selected, and individuals in ten randomly selected assignments were chosen for interview at each, for a total of 30 individuals in the sample. Stratum II included 18 sites with between three and nine Postal Inspectors in audit assignments, and six sites were randomly selected for review. At these smaller sites, all individuals in the audit category were to be interviewed, for a total of 32 individuals sampled in Stratum II.

During the audit, two assignments/individuals were dropped from consideration. An individual in the Gulf Coast Division (North Houston) had been assigned to an audit assignment after having been injured and had not reported direct work hours since the assignment began. A second individual, in the Northern Illinois Division (Chicago), had

been in the subject assignment only one month, with most of that time spent on a prior assignment. These modifications reduced the number of individuals in the sample for Stratum I to 29 and for Stratum II to 31, and reduced the universe from 236 to 234.

Statistical Projections of the Sample Data

Results are projected to the universe of 234 audit assignments occupied by Postal Inspectors during the 18-month period covered by this audit, in divisions having three or more such assignments, as described above. No conclusions are drawn for divisions with only one or two such assignments; those may or may not follow the pattern observed at the larger sites.

The sample results were such that the projection is made with an even higher precision (about 4 percent) than that for which the design was developed.

The attribute tested was whether audit duties were the primary duties of the Postal Inspectors in audit assignments. Based on projection of the sample results, we are 95 percent confident that at least 91.0 percent of the Postal Inspectors assigned to audit assignments have audit duties as their primary duties. The unbiased point estimate is 95.9 percent, or 224 individuals.



UNITED STATES POSTAL INSPECTION SERVICE

DEPUTY CHIEF INSPECTOR-ADMINISTRATION

September 10, 1999

Norman Hancock
Assistant Inspector General
Office of Inspector General
1735 N. Lynn Street
Arlington, VA 22209-2005

SUBJECT: Response to Draft Audit Report, Classification of Inspection Service Personnel
Performing Audits

In summary, we agree with the recommendations.

1. The Chief Postal Inspector should establish controls to ensure postal inspectors devote 50 percent or more of their work hours to law enforcement duties, or reclassify the positions to reflect work performed.

It is our intent to divest the Inspection Service of "Yellow Book" audit work, as this work is no longer consistent with the mission of the Inspection Service. We will also establish a system to monitor postal inspectors' work hours to ensure we are in compliance with the *Code of Federal Regulations* for our law enforcement personnel.

2. The Vice President-Human Resources should review postal inspectors' duties to ensure they meet the regulatory requirements of a law enforcement officer.

The Vice President-Human Resources has agreed to have her staff review the duties delineated in the postal inspector position descriptions to ensure they meet the *Code of Federal Regulations* requirements for law enforcement officers.

The basis on which we believe OPM made the decision approving audit and criminal investigations to coexist in one position no longer exists. For this reason, we agree with the recommendations in the report.

We appreciate the time and effort expended by the OIG on this review.

A handwritten signature in cursive script that reads "James K. Belz".

James K. Belz
Acting Chief Postal Inspector

Major Contributors to [REDACTED]
This Report