



March 30, 2006

LEE R. HEATH  
CHIEF POSTAL INSPECTOR

SUBJECT: Audit Report – Postal Inspection Service Human Resources Service Center (Report Number SA-AR-06-001)

This report presents the results of our self-initiated audit of the Postal Inspection Service Human Resources Service Center (HRSC) (Project Number 03BN013SA001). Our overall objective was to determine whether the HRSC was effectively and efficiently supporting the mission of the Postal Inspection Service. Specifically, we determined whether: (1) controls were adequate to prevent inappropriate payment of salaries and prevent wrongful disclosure of records, (2) law enforcement availability pay (LEAP) was properly certified and tracked, and (3) HRSC staff sufficiently managed vacancy announcements and related files.

The HRSC was generally effective in supporting the Postal Inspection Service's mission. However, Postal Inspection Service management could make improvements to increase operational efficiencies and further assist the U.S. Postal Service with its goal of managing costs and improving productivity by transitioning the Postal Inspection Service's personnel-related transactions to the Postal Service Human Resources Shared Service Center (SSC) or proposing another feasible alternative. In addition, Postal Inspection Service management could strengthen controls for more effective and efficient program management.

We recommended the chief postal inspector, in coordination with the Postal Service, assess the benefits of transitioning the Postal Inspection Service's personnel-related transactions to the Postal Service SSC, or provide a feasible cost-savings alternative. Based on information from management, such a transition could produce a cost savings of \$21.3 million over the next 10 years. Cost savings realized by transitioning the Postal Inspection Service's personnel-related transactions to the Postal Service SSC, or other feasible alternative, provide an opportunity for funds put to better use and will be reported as such in our *Semiannual Report to Congress*.

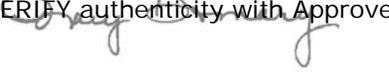
In addition, we recommended the chief postal inspector: ensure Human Resources personnel periodically follow up with requesters to ensure they return official personnel folders to the HRSC, require inspectors in charge to refine their procedures for ensuring appropriate LEAP forms are completed timely as required, require HRSC personnel to

modify their process for reviewing and ensuring appropriate LEAP forms are completed timely as required, and require HRSC management to conduct periodic reviews of vacancy files to ensure the files are appropriately completed, updated, and disposed of.

Management partially agreed with recommendation 1 to close the HRSC and consider transferring the transactional personnel-related work to the SSC but disagreed with the initial cost savings of approximately \$21.3 million. Management stated the U.S. Postal Service Office of Inspector General's cost savings analysis did not reflect the need to continue performing non-transactional personnel-related work currently conducted at the HRSC. After considering management's comments, we reduced the cost savings to approximately \$14.4 million over the next 10 years.

In addition, management disagreed with recommendations 2 through 4. However, management's corrective actions taken or planned satisfy the intent of recommendations 1 through 4. Management agreed with recommendation 5. We do not plan to pursue recommendations 1 through 4 through the formal audit resolution process. Management's comments and our evaluation of these comments are included in the report.

We appreciate the cooperation and courtesies provided by your staff during the audit. If you have any questions or need additional information, please contact Sandra Bruce, director, Oversight of Investigative Activities, or me at (703) 248-2300.

E-Signed by Mary Demory   
VERIFY authenticity with Approve!  


Mary W. Demory  
Deputy Assistant Inspector General  
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#### Attachments

cc: Mary Anne Gibbons  
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## EXECUTIVE SUMMARY

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### Introduction

This report represents the results of our self-initiated audit of the Postal Inspection Service's Human Resources Service Center<sup>1</sup> (HRSC). Our overall objective was to determine whether the HRSC was effectively and efficiently supporting the mission of the Postal Inspection Service. Specifically, we determined whether:

- Controls were adequate to prevent inappropriate payment of salaries and prevent wrongful disclosure of records.
- Law Enforcement Availability Pay (LEAP) was properly certified and tracked.
- HRSC staff sufficiently managed vacancy announcements and related files to assist the Postal Inspection Service in accomplishing its management initiative to improve its hiring process.

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### Results in Brief

The HRSC was generally effective in supporting the Postal Inspection Service's mission. However, Postal Inspection Service management could make improvements to increase operational efficiencies and further assist the Postal Service with its goals to manage cost and improve productivity. Further, Postal Service and Postal Inspection Service officials could be missing opportunities to reduce costs and redundant workloads that could produce significant cost savings.

Specifically, our initial analyses showed they could realize a cost savings of approximately \$14.4 million (funds put to better use) over the next 10 years by transitioning the Postal Inspection Service's personnel-related transactions to the Postal Service's Human Resources Shared Service Center (SSC) or providing a feasible alternative.

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<sup>1</sup> Formerly the Newark Inspection Service Operations Support Group.

In addition, Postal Inspection Service management could strengthen controls for more effective and efficient program management. For example:

- Human resource specialists identified incorrectly processed salary adjustments resulting in \$17,708 in salary overpayments and \$1,850 in salary shortages.
- Two official personnel folders (OPFs) sent for reviews were not returned to the HRSC as required.
- Ten LEAP certification forms were missing and 66 had discrepancies.<sup>2</sup>
- Sixty percent of vacancy files included in our sample were missing or did not contain the required documentation.<sup>3</sup>

During the audit, Postal Inspection Service management took corrective actions regarding salary adjustments, which should help reduce the risk of salary adjustment errors. Postal Inspection Service management also took initial steps to address the issues with vacancy files; however, they need additional controls to improve the management of vacancy files.

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**Summary of  
Recommendations**

We recommended the chief postal inspector, in coordination with the Postal Service, assess the benefits of transitioning the Postal Inspection Service's personnel-related transactions to the SSC or provide another feasible alternative, resulting in a cost savings of approximately \$21.3 million over the next 10 years. Further, we recommended the chief postal inspector:

- Ensure Human Resources personnel periodically follow-up with requesters to ensure they return OPFs to the HRSC.

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<sup>2</sup> The universe includes required LEAP Certifications for fiscal years 2003 through 2005.

<sup>3</sup> The universe included 45 vacancy files. Four of the 45 were missing and 27 did not contain the required documentation.

- Require inspectors in charge to refine their procedures for ensuring appropriate LEAP forms are completed timely as required.
- Require HRSC personnel to modify their process for reviewing and ensuring appropriate LEAP forms are completed timely as required.
- Require HRSC management to conduct periodic reviews of vacancy files to ensure the files are appropriately completed, updated, and disposed.

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**Summary of  
Management's  
Comments**

Management partially agreed with recommendation 1 to assess the benefits of transitioning personnel-related transactions to the SSC, or providing a feasible alternative, to improve productivity and realize a cost savings of approximately \$21.3 million over the next 10 years. Management stated that on June 6, 2005, the chief postal inspector initiated actions to consider closing the HRSC and using the SSC prior to the U.S. Postal Service Office of Inspector General (OIG) audit. Further, management disagreed with the initial \$21.3 million cost savings, stating the analysis did not reflect the continued need to perform non-transactional personnel-related work.

Management also stated that during the audit, they acknowledged prior awareness of opportunities to transition transactional personnel-related work to the SSC on several occasions. Further, management asserted that they did, in fact, proactively pursue the possibilities or benefits of transitioning to the SSC. Management stated it was their understanding that the SSC Decision Analysis Report (DAR) focused on field-level personnel and did not address headquarters and headquarters-related functions.

Additionally, management stated that the OIG's benchmarking results comparison of the HRSC staff to the SSC staff was misleading and inaccurate. Specifically, three of the HRSC employees performed administrative duties and seven performed a great deal of non-transactional work.

Management disagreed with recommendation 2 to evaluate the process for disseminating OPFs to requesters, requiring Human Resources personnel to periodically follow-up with requesters to ensure they return OPFs to the HRSC or establish an alternative process for disseminating official OPFs. Management stated the HRSC LOG-OUT DBASE system provided an adequate process for releasing, tracking, and retrieving OPFs from requesters. However, management concurred that Human Resources management could exercise better enforcement. Management further stated that an audit of all personnel folders was underway.

Management disagreed with recommendations 3 and 4 to require inspectors in charge to refine their procedures for ensuring employees timely complete appropriate LEAP forms as required. Management also disagreed with requiring HRSC personnel to modify their process for reviewing LEAP forms and ensuring employees complete them as required. Management stated the current procedures were adequate. Management further stated that a review of LEAP forms is an element of the local management control self-assessment domicile reviews and that they issued a management communication in October 2006<sup>4</sup> advising officials that LEAP forms were due at the start of the fiscal year. Management further stated the current process for matching completed LEAP forms with the employee list is an adequate process for oversight. However, management concurred that Human Resources management could exercise slightly better enforcement.

Management agreed with recommendation 5 to conduct periodic reviews of vacancy files to ensure the files are appropriately completed, updated, and disposed. Management stated that prior to the issuance of this audit, they assigned necessary personnel to review files and complete the requisite follow-up. Management's comments, in their entirety, are included in Appendix D of this report.

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<sup>4</sup> The OIG believes that Postal Inspection Service management meant October 2005.

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**Overall Evaluation of  
Management's  
Comments**

Postal Inspection Service management never apprised the OIG of the review they assert was initiated by the chief postal inspector on June 6, 2005, nor did they, on numerous occasions, acknowledge prior awareness of opportunities to transition transactional personnel-related work to the Postal Service SSC.

Specifically, we initiated our audit in October 2004 and briefed Postal Inspection Service management of the preliminary results in August 2005. This briefing included our recommendation to assess the benefits of transitioning personnel-related transactions to the SSC to generate significant cost savings. Also during the audit, we requested that Postal Inspection Service officials provide copies of previous and ongoing studies, reviews, and audits of the HRSC on several occasions. We made these requests in the audit announcement letter and during various meetings with the assistant chief inspector, administrative operations; manager, Human Resources and Performance; and manager, HRSC.

However, officials only provided information regarding the Postal Inspection Service's review to revise Inspection Service staffing and structure realignment, dated March 3, 2003. They did not apprise the OIG of their review initiated by the chief postal inspector until our meeting on December 19, 2005. Further, officials did not provide any support to substantiate their review or any information regarding their estimated cost savings to close the HRSC.

Also, we acknowledge Postal Inspection Service management's comprehension of the DAR process. However, not being included in the SSC DAR should not have precluded Postal Inspection Service management from proactively pursuing or assessing the benefits to transition HRSC personnel-related transactions to the SSC. Finally, our benchmarking comparison results of the HRSC and SSC staffs depicted the overall Human Resources staff-to-employee ratios irrespective of functions or position titles.

Management's formal comments on the findings and recommendations represented a reversal of their position taken during the exit conference. During that meeting,

management did not indicate disagreement with any of the findings and recommendations presented. In fact, management requested that we make only minor edits and stated they did not have any other problems with the report.

We believe the audit clearly showed that Postal Inspection Service management could make improvements to increase operational efficiencies and further assist the Postal Service with its goals to manage cost and increase productivity by transitioning the Postal Inspection Service's personnel-related transactions to the Postal Service SSC, or proposing a feasible alternative. Postal Inspection Service management also recognized that opportunities exist to reduce costs and redundant workloads, and thus, decided to close the HRSC. We do not plan to pursue this recommendation through the formal audit resolution process.

Management's comments and corrective actions taken regarding recommendation 2 are partly responsive. Although management disagreed with our recommendation, they took corrective action by initiating an audit of all personnel folders. However, to improve records management, management officials should ensure their audit includes measures or processes to identify best practices, industry standards, and enhanced procedures to follow up with requesters regarding OPFs sent for review. We do not plan to pursue this recommendation through the formal audit resolution process.

Management's comments regarding recommendations 3 and 4 are partially responsive. We recognized in the report that HRSC management requests the required LEAP forms annually. However, 48 percent of the LEAP forms reviewed had discrepancies, 37 percent of which related to LEAP forms received after the required first 15 calendar days of the fiscal year. Thus, to ensure the appropriate forms are completed, signed, and certified timely to substantiate inspectors receiving availability pay, management should also modify its review process to conduct sufficient follow-up reviews of LEAP forms. We do not plan to pursue this recommendation through the formal audit resolution process.

Management's comments and corrective actions regarding recommendation 5 are responsive and satisfy the intent of our recommendation to require HRSC personnel to conduct periodic reviews of vacancy files.

## INTRODUCTION

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### Background

Postal Inspection Service. The Postal Inspection Service's mission is to preserve the integrity of the mail and the Postal Service by performing investigative, security, and preventive services; and by enforcing approximately 200 federal laws that protect the mail and Postal Service employees, customers, and assets. In support of the Postal Inspection Service's mission, there are 24<sup>5</sup> employees at the Postal Inspection Service's Human Resources Service Center (HRSC). These employees provide 3,579<sup>6</sup> non-executive Postal Inspection Service employees with a variety of services, including guidance on benefits, personnel actions, discipline, safety and injury compensation, and the health examination programs.

Further, the HRSC is the operational center that processes all new hires, retirements, reassignments, and employee actions for Postal Inspection Service non-executive employees. HRSC comprises three teams, each responsible for a geographical area consistent with the current Inspection Service Field Operations structure (East, South, and West). The HRSC's operating costs<sup>7</sup> for fiscal years (FY) 2004 and 2005 were \$2,927,614<sup>8</sup> and \$2,344,399,<sup>9</sup> respectively. The Postal Service's Human Resources Shared Service Center (SSC) processes personnel-related transactions similar to the Postal Inspection Service's HRSC.

Postal Service. In support of the Postal Service's goal to manage costs, management implemented its PostalPeople initiative in January 2005. The PostalPeople initiative included replacing outdated Human Resources legacy systems with a single, fully integrated system featuring redesigned processes that are streamlined, standardized, and automated; and transitioning personnel-related transactions to self-service and a single SSC. This initiative

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<sup>5</sup> The actual number of HRSC employees as of pay period 14, FY 2005. The authorized complement was 30.

<sup>6</sup> As of pay period 14, FY 2005.

<sup>7</sup> Operating cost include personnel salaries, non-personnel cost, and annual facility lease.

<sup>8</sup> Includes personnel salaries as of pay period 20, FY 2004.

<sup>9</sup> Includes non-personnel costs of \$764,498 for year-to-date as of May 31, 2005; and personnel salaries as of pay period 14, FY 2005.

will assist the Postal Service with accomplishing its goals to reduce costs an additional \$5 billion by 2010 and improve productivity to provide services at the lowest possible price.

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**Objective, Scope, and Methodology**

Our overall objective was to determine whether the HRSC effectively and efficiently supported the mission of the Postal Inspection Service. Specifically, we determined whether:

- Controls were adequate to prevent inappropriate payment of salaries and prevent wrongful disclosure of records.
- Law Enforcement Availability Pay (LEAP) was properly certified and tracked.
- HRSC staff sufficiently managed vacancy announcements and related files to assist the Postal Inspection Service in accomplishing its management initiative to improve its hiring process.

To accomplish our objective, we interviewed Postal Inspection Service and Postal Service officials, including managers for human resource performance, HRSC, and Human Resources; Human Resources team leaders; Human Resources specialists for vacancy announcements, recruitment, and injury compensation; the coordinator and technician for allied services; and the manager, Postal Service Human Resources SSC.

Additionally, we reviewed policies and procedures regarding (1) personnel records and files, (2) promotion pay and step increases, (3) law enforcement availability pay, (4) vacancy announcements and related files, (5) Freedom of Information Act requests, and (6) other Human Resources services managed by personnel at the HRSC. Specifically we reviewed:

- *Inspection Service Manual (ISM)*, dated April 1, 2004.
- *Postal Service Employee and Labor Relations Manual*, dated July 7, 2005.

- *Postal Service Administrative Support Handbook 353*, dated September 2005.
- *Postal Inspection Service Management Communication, FY 2000 Inspection Service Law Enforcement Performance Evaluation Process*, dated November 8, 2000.
- *Postal Inspection Service Administrative Operations Recruitment and Applicant Processing*.<sup>10</sup>

Cost Savings. We prepared a 10-year discounted cash flow analysis of HRSC employee salaries and the annual lease cost, resulting in \$14.4 million in savings over the next 10 years.

Salary Payments. We randomly sampled salaries for inspectors and forensic personnel, on-board for at least 1 year, as of pay period 20, FY 2004. We reviewed the salary history contained in the Postal Service's Payroll System from January 1, 1999, through April 25, 2005. We also reviewed Postal Inspection Service Law Enforcement (ISLE) and Forensic pay salary charts, policies, and procedures for career progression; and applicable Postal Service (PS) Forms 50, Notification of Personnel Action.

Based on the employee's salary history and the applicable policies and procedures for career progression, we:

- Determined the effective dates for salary adjustments and the appropriate salary increase amounts.
- Calculated the appropriate salary amounts, including LEAP and general increases.
- Compared our results to the salary amounts contained in the Postal Service Payroll System and the applicable PS Forms 50.

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<sup>10</sup> This is an internal Postal Inspection Service document that provides information for recruitment, application processing, and career progression for inspectors. The document does not have a publication date.

However, we did not assess the reliability of the computer-generated data from the Postal Service's Payroll System. Based on our comparative analyses of data obtained from the Postal Service's Payroll System and discussions with officials regarding the HRSC complement, we consider this data sufficiently reliable to support the opinions and conclusions in this report.

Disclosure of Records. We verified that Human Resources kept official personnel folders (OPFs) in a secure area and limited access to authorized personnel. In addition, we reviewed the process used to handle requests to review OPFs. We analyzed the HRSC's LOG-OUT DBASE system<sup>11</sup> for FYs 2003 and 2004 and randomly sampled OPFs for active Postal Inspection Service employees as of pay period 20, FY 2004. We assessed whether (1) OPFs existed for each employee, (2) requests to review OPFs were submitted and managed as required, and (3) OPFs sent out for review were properly tracked and returned to the HRSC as required.

LEAP Certifications. We randomly sampled a listing of non-executive postal inspectors on-board as of pay period 20, FY 2004. We identified the number of LEAP certifications required for each inspector for FYs 2003 through 2005 and verified whether the forms were completed as required.

Vacancy Announcements. We reviewed the process for vacancy announcements and judgmentally sampled vacancy files supporting vacancy announcements for FY 2004. We assessed whether a vacancy file existed for each vacancy announcement and if it contained the required documentation. Further, we assessed the length of time the position was vacant.

Benchmarking. We benchmarked with the Drug Enforcement Administration (DEA) and United States Marshals Service (U.S. Marshals) to identify the mission, functions, and operations of their Human Resources Departments and best practices. We also reviewed the Postal Service and U.S. Postal Service Office of Inspector

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<sup>11</sup> HRSC LOG-OUT DBASE system is an excel spreadsheet HRSC personnel implemented and maintains to track requests for OPFs.

General (OIG) policies and procedures for OPFs and Human Resources staff-to-employee ratios.

Due to the magnitude of the Safety and Injury Compensation Program and our limited resources, we did not assess this program. However, we plan to conduct a future audit to evaluate whether the Postal Inspection Service is appropriately managing its Safety and Injury Compensation Program.

We conducted the audit from October 2004 through March 2006, in accordance with generally accepted government auditing standards, and included such tests of internal controls as we considered necessary under the circumstances. We discussed our observations and conclusions with management officials and included their comments where appropriate.

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**Prior Audit Coverage**

We did not identify any prior audits or reviews related to the objective of this audit.

## AUDIT RESULTS

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**Opportunities Exist  
to Increase  
Operational  
Efficiencies and  
Realize Cost Savings**

The HRSC was generally effective in supporting the Postal Inspection Service's mission. However, the Postal Inspection Service could make improvements to increase operational efficiencies and further assist the Postal Service with its goals of managing costs and improving productivity at lower prices. Specifically, our initial analysis showed that Postal Service and Postal Inspection Service officials could further improve productivity and realize a cost savings of approximately \$14.4 million over the next 10 years by transitioning the Postal Inspection Service's personnel-related transactions to the SSC or providing another feasible alternative.

Additionally, Postal Inspection Service management could strengthen controls to improve program management. For example:

- Human Resources specialists identified incorrectly processed salary adjustments resulting in \$17,708 in salary overpayments and \$1,850 salary shortages.
- Requestors did not return to the HRSC two OPFs sent for review, as required.
- Ten LEAP certification forms were missing and 66 had discrepancies.
- Sixty percent of vacancy files included in our sample were missing or did not contain the required documentation.

Increased controls should improve efficiencies, reduce the risk for processing errors, and provide more effective monitoring and accountability for OPFs, LEAP forms, and vacancy files. Further, increased controls could improve data integrity, maintain public and employee trust, substantiate inspectors receiving availability pay, and minimize the risk of litigation regarding hiring practices.

During the audit, Postal Inspection Service management took corrective actions regarding salary adjustments, which should assist them with reducing the risk for errors with salary adjustments. Management also took initial steps to address the issues with vacancy files. However, additional controls are needed to improve the management of vacancy files.

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Transition of  
Personnel-Related  
Transactions to the  
Shared Service Center  
Could Improve  
Productivity and  
Generate Significant  
Cost Savings

The Postal Inspection Service could further improve productivity and realize a cost savings of approximately \$14.4 million over the next 10 years by transitioning its personnel-related transactions to the Postal Service's Human Resources SCC or another feasible alternative. However, Postal Service officials did not include the Postal Inspection Service in its Decision Analysis Report (DAR) to transition personnel-related transactions to the SSC. Further, Postal Inspection Service officials did not proactively pursue the possibility or evaluate the benefits of transitioning to the SSC or providing another feasible alternative. As a result, the officials could be missing opportunities to increase program efficiencies and generate cost savings.

The Postal Service Transitions to SSC. In April 2004, the Postal Service obtained approval for a DAR to develop and deploy the Postal Service's new enterprise system<sup>12</sup> and SSC, at a cost of \$103.4 million. Collectively, the enterprise system and SSC replaced over 70 non-integrated and obsolete systems and centralized repetitive and routine human resources transactions to a single SSC. Based on the DAR, the estimated benefits include a net reduction of 803 full-time authorized positions, and an 8.49 percent return on investment.

Accordingly, in January 2005, the Postal Service began transitioning to the SSC its personnel-related transactions regarding (1) Executive Administrative Schedule (EAS) vacancies; (2) benefits; (3) retirements and separations; (4) complement management; (5) recruitment, hiring, and testing; and (6) job bidding for three performance clusters.<sup>13</sup> Eventually, personnel-related transactions for all of the

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<sup>12</sup> The enterprise system is a single integrated system that supports human resources processes.

<sup>13</sup> Triboro, Northland, and Santa Ana Districts.

Postal Service's performance clusters<sup>14</sup> will be processed at the SSC.<sup>15</sup>

In addition, the Postal Service reported in the DAR that other companies that implemented integrated systems and shared services typically experienced the following:

- Increased productivity
- More efficient day-to-day operations
- Reduced administrative cost
- Real-time information provided by a single data source
- Increased employee satisfaction

Further, according to the postmaster general:

. . . shared services have proven to be effective for both government and private sector applications, particularly in the information technology and administrative services areas. Much of the savings in shared service programs come from centralization of common functions and reduction of overhead, enabled by technology.<sup>16</sup>

Comparative Analyses of Personnel-Related Transactions and Staff Ratios. Our comparative analyses of personnel-related transactions showed that HRSC and SSC personnel process the same routine and repetitive personnel-related transactions. The chart below lists these transactions.

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<sup>14</sup> Performance clusters include all Postal Service facilities, such as post offices, processing and distribution centers, and air mail facilities.

<sup>15</sup> Nationwide implementation was scheduled to start in January 2006 with full implementation by March 2007.

<sup>16</sup> *Postal Service Five-Year Strategic Plan*, FYs 2004 through 2008.

Personnel-Related Transaction	Postal Service Human Resources SSC	Postal Inspection Service HRSC
Recruitment (Hiring and Testing)	√	√
Benefits	√	√
Vacancies	√	√
Retirements/Separations	√	√
Job Bidding	√	√
EAS Salary Action	√	√

However, the staff-to-employee ratios varied significantly, as shown in the chart below.

Personnel	HRSC	SSC	SSC After National Implementation <sup>17</sup>
Number of Staff	24	30	457
Number of Employees Serviced	3,579 <sup>18</sup>	43,638	821,686 <sup>19</sup>
Staff-to-Employee Ratio	1 to 149	1 to 1,455	1 to 1,798 <sup>20</sup>

Agencies' Benchmarking Results. Our benchmarking results with the DEA, U.S. Marshals, and the OIG showed that SSC Human Resources staff-to-employee ratios far exceed those of agencies that have not transitioned their personnel-related transactions to a shared service environment. The chart below depicts Human Resources staff-to-employee ratios, and Appendix A shows a more detailed analysis.

<sup>17</sup> National implementation denotes full transition of all personnel-related transactions for Postal Service performance clusters to the SSC.

<sup>18</sup> As of pay period 14, FY 2005.

<sup>19</sup> 1,798 x 457 = 821,686 employees serviced after national implementation.

<sup>20</sup> Proposed ratio figure used in the DAR for Human Capital Enterprise, Human Resources Shared Service, dated January 20, 2004.

Personnel	DEA	U.S. Marshals	OIG <sup>21</sup>
Number of Staff	98	104	13
Number of Employees Serviced	10,894	4,437	846
Staff-to-Employee Ratio	1 to 111	1 to 43	1 to 65

Overall, shared services have proven to be effective in managing and reducing cost. Therefore, to assist the Postal Service in accomplishing its goals to reduce cost an additional \$5 billion by 2010 and improve productivity by providing services at the lowest price, management should transition the Postal Inspection Service's personnel-related transactions to the SSC for a cost savings of approximately \$14.4 million over the next 10 years, or find a feasible alternative.

We briefed Postal Inspection Service officials on our results and they agreed that opportunities exist to reduce cost and redundant workloads by transitioning the Postal Inspection Service's personnel-related transactions to the SSC or providing another feasible alternative. In fact, during the audit, the chief postal inspector initiated a review of all Postal Inspection Service programs and functions, which included the HRSC. This review also found that the HRSC had redundant workloads. To support the Postal Service's goal to manage cost and increase productivity, Postal Inspection Service management decided to close the HRSC. According to Inspection Service management, they are currently working with Postal Service officials on preplanning strategies to close the HRSC.

Additionally, the OIG is currently conducting reviews to assess the possibility and benefits of transitioning its personnel-related transactions to the SSC or other processing centers.

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**Recommendation**

We recommend the chief postal inspector, in conjunction with the Postal Service:

1. Assess the benefits of transitioning the Postal Inspection Service's personnel-related transactions to

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<sup>21</sup> Figures as of September 3, 2005.

the Postal Service Shared Service Center, or another feasible alternative, to improve productivity and realize a cost savings of approximately \$21.3 million over the next 10 years.

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**Management's  
Comments**

Management partially agreed with our recommendation, stating they had taken actions to consider closing the HRSC and using the SSC prior to the OIG audit. However, management disagreed with the initial approximated \$21.3 million cost savings, stating the analysis did not reflect the continued need to perform non-transactional personnel-related work.

Management also stated that during the audit, they acknowledged prior awareness of opportunities to transition transactional personnel-related work to the SSC on several occasions, and that the findings and recommendations offered in this report provided no new insight. Additionally, management stated that the chief postal inspector initiated a comprehensive review on June 6, 2005, to evaluate administrative and investigative programs and that the review was in no way associated with or the result of the OIG's audit.

Further, management stated the OIG's statement that Postal Inspection Service officials did not proactively pursue the possibilities or benefits of transitioning to the SSC was inaccurate. Management also stated it was their understanding that the SSC DAR focused on field-level personnel and did not address headquarters and headquarters related functions. Furthermore, management stated the benchmarking results comparison of the HRSC staff to the SSC staff was misleading and inaccurate. Management stated that three of the HRSC employees performed administrative duties and seven performed a great deal of non-transactional work.

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**Evaluation of  
Management's  
Comments**

Postal Inspection Service management never apprised the OIG of the review they assert was initiated by the chief postal inspector on June 6, 2005, nor did they, on numerous occasions, acknowledge prior awareness of opportunities to transition transactional personnel-related work to the Postal Service SSC.

We initiated our fieldwork in October 2004 and briefed our preliminary results to Postal Inspection Service management on August 5, 2005, including our recommendation to assess the benefits of transitioning personnel-related transactions to the SSC to generate significant cost savings. On multiple occasions during the audit, we requested information regarding previous and ongoing audits, studies, and reviews of the HRSC. We made these requests in the audit announcement letter and during subsequent meetings with the assistant chief inspector, Administrative Operations; manager, Human Resources and Performance; and manager, HRSC.

The officials only provided information regarding the Postal Inspection Service's review to revise Inspection Service staffing and realign its structure, dated March 3, 2003. They did not apprise the OIG of the review they said was initiated by the chief postal inspector until our exit conference on December 19, 2005. Additionally, during the exit conference, we requested that officials provide details of this review, including a copy of the results. The officials only provided an email and not any supporting documentation showing the results of their review or any information regarding their estimated cost savings to close the HRSC.

Further, during the audit, we asked Postal Inspection Service and Postal Service management officials whether the Postal Inspection Service or Postal Service had discussed or conducted studies or reviews to evaluate the possibilities of transitioning the HRSC personnel-related transactions to the SSC. According to the officials, they had not conducted any studies or reviews and had only informally discussed transitioning selected aspects<sup>22</sup> of the Postal Inspection Service's Human Resources functions to the SSC. However, they decided not to transition the selected aspects. We requested information regarding their decision and, again, the officials did not provide any additional information or details.

We acknowledge the Postal Inspection Service's understanding of the DAR process. However, the fact that the Postal Inspection Service was not included in the DAR did not preclude Postal Inspection Service management from proactively pursuing or assessing the benefits to transition

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<sup>22</sup> According to an official, they discussed the possibilities of converting the Postal Inspection Service's payroll transactions from the Complement Management System to the Human Capital Enterprise System, which is developed by Systems Application Products.

HRSC personnel-related transactions to the SSC. In addition, our benchmarking comparison results of the HRSC staff and the SSC staff depicted the overall Human Resources staff-to-employee ratios irrespective of functions or position titles.

Our audit demonstrated that Postal Inspection Service management could make improvements to increase operational efficiencies and further assist the Postal Service with its goals to manage cost and increase productivity by transitioning the Postal Inspection Service's personnel-related transactions to the Postal Service SSC. Postal Inspection Service management also recognized the opportunities to reduce cost and redundant workloads, and thus, decided to close the HRSC. We do not plan to pursue this recommendation through the formal audit resolution process.

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Salary Adjustments

Controls were adequate to prevent payment of inappropriate salaries. The *ISM* provides specific guidance for career progression, promotional pay, step increases, and progression to journeyman level.<sup>23</sup> Human Resources specialists interpret the guidance to determine the appropriate salary adjustments for inspectors and forensic personnel. The specialists manually calculate the salary adjustments (including LEAP and locality pay) on the salary adjustment worksheets.

During the audit, HRSC staff identified erroneous salary adjustments, resulting in \$16,787<sup>24</sup> in salary overpayments and \$1,850<sup>25</sup> in salary shortages. Further, in our analysis of salaries for 100 inspectors and/or forensic personnel, we identified only one additional minor error, resulting in a salary overpayment of \$921. Management took immediate actions to correct the error.

The errors occurred because Human Resources specialists did not appropriately apply Postal Inspection Service policies regarding career progressions. In addition, although Human Resources team leaders reviewed and certified the salary adjustment worksheets, they did not always verify the calculations or the appropriate progression levels to ensure the salaries were accurate.

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<sup>23</sup> *ISM*, Section 121.5, dated April 1, 2004.

<sup>24</sup> The amount represents the combined overpayments for 14 inspectors.

<sup>25</sup> The amount represents the combined shortages for eight inspectors.

Management strengthened controls by directing team leaders to provide training to ensure Human Resources specialists could interpret and apply policies regarding career progressions. In addition, team leaders were required to verify calculations and the appropriate progression levels prior to Human Resources specialists processing salary adjustments. Thus, management was proactive in improving efficiencies.

The corrective actions taken should reduce the risk for salary adjustment errors. Therefore, we are not making any recommendations regarding salary adjustments.

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Official Personnel  
Folders

Generally, HRSC personnel safeguarded OPFs. However, opportunities exist to improve follow-up procedures and overall accountability as the custodian for OPFs sent out for review. The OPF is the official repository of personnel actions taken during an employee's federal service, including all required supporting documentation. The folder contains temporary and permanent records and confidential information including, but not limited to, social security number, birth date, address, employee's official status, salary, and benefits.

Further, the personnel actions and documents provide supporting documentation for litigation and establish employee rights and benefits under the pertinent laws and regulations governing federal employment. The manager, HRSC, is the designated custodian of OPFs for non-executive Postal Inspection Service employees.<sup>26</sup> Human Resources personnel track requests for OPFs via their LOG-OUT DBASE system and instruct requesters to return OPFs to the HRSC within 30 days after receipt.

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<sup>26</sup> ISM, Section 128.1, dated April 1, 2004.

Our analysis of the LOG-OUT DBASE system for FYs 2003 and 2004 showed that 328 and 346 OPFs, respectively, were sent to requesters for review. Further, Human Resources personnel did not annotate the return dates for 28 of the 328, and 50 of the 346 OPFs. The length of time these OPFs had been out ranged from 3 to 23 months. We physically inventoried OPFs and determined that requesters did not return two to the HRSC and Human Resources personnel could not account for them. During the audit, Human Resources personnel contacted the requesters. One requester stated they returned the OPF to the HRSC but the other was unable to locate the OPF. Subsequently, Human Resources staff reconstructed the missing OPFs. In addition, our review of OPFs for non-executive Inspection Service employees determined they did not track four OPFs in the LOG-OUT DBASE system.

We recognize the Human Resources staff is not required to use the LOG-OUT DBASE system or any other tracking mechanism to monitor OPFs sent to Postal Service officials performing their official duties.<sup>27</sup> However, according to Human Resources personnel, this system is their official method for tracking requests to review OPFs and following up on those not returned. In addition, as stipulated by the Privacy Act, employees and employers are entitled to review original OPFs.

However, based on our benchmarking results, DEA and U.S. Marshals do not send original OPFs to requesters for review. The officials stated they do not send the originals because they want to protect the integrity of the OPF and it would be difficult to reconstruct original OPFs if they are lost, stolen, or missing. Consistent with the Postal Inspection Service, the OIG's Human Resources staff sends original OPFs to requesters. However, according to the OIG Human Resources staff, they document each request to review OPFs and follow-up with requesters to ensure they return the OPFs.

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<sup>27</sup> *Postal Service Handbook Administrative Support* 353, Section 3-5.5a (2), dated September 2005.

Further, in discussing expected improvements during the next 5 years, the postmaster general stated:

. . . records management will improve by standardizing data retention practices, developing new policies based on industry standards, and more effective Freedom of Information Act processing.<sup>28</sup>

Thus, Postal Inspection Service officials should reevaluate their current practice of disseminating original OPFs and implement more effective procedures to follow up with requesters regarding OPFs sent for review. Controls that are more effective could minimize the Postal Inspection Service's risk of losing official confidential employee data and jeopardizing employee and public trust. In addition, wrongful disclosures of information contained in OPFs may violate the Privacy Act and/or Freedom of Information Act and subject Postal Inspection Service employees to penalties.

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**Recommendation**

We recommend the chief postal inspector:

2. Evaluate the process for disseminating official personnel folders to requesters to (1) require Human Resources personnel to periodically follow-up with requesters to ensure official personnel folders are returned to the Human Resources Shared Service Center as required or (2) establish an alternative process for disseminating original official personnel folders.

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**Management's  
Comments**

Management disagreed with our recommendation, stating the HRSC LOG-OUT database system provides an adequate process for releasing, tracking, and retrieving official personnel folders from requesters. Management further stated that: (1) Human Resources specialists have used the system on a continuous basis, (2) they concur that Human Resources management could exercise slightly better enforcement, and (3) an audit of all personnel folders is underway.

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<sup>28</sup> *Postal Service Strategic Transformation Plan* for FYs 2006 through 2010.

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**Evaluation of  
Management's  
Comments**

Management's comments and corrective actions taken are partially responsive to our recommendation. Although management disagreed with our recommendation, they took corrective action by initiating an audit of all personnel folders. However, to improve records management, management officials should ensure their audit includes measures or processes to identify best practices, industry standards, and enhanced procedures to follow up with requesters regarding OPFs sent for review. We do not plan to pursue this recommendation through the formal audit resolution process.

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**Law Enforcement  
Availability Pay  
(LEAP) Certifications**

Generally, Postal Inspection Service officials properly tracked and certified LEAP forms. However, officials could further improve HRSC's process to review and ensure the LEAP forms are completed as required. Specifically, our review of 157 LEAP forms for 58 non-executive inspectors for FYs 2003 through 2005 determined:

- Ten LEAP forms were missing.
- Eight Annual LEAP certifications (instead of initial certifications) were completed and certified prior to the inspectors' receiving availability pay for 1 year.
- Fifty-eight LEAP certifications were received after the required first 15 calendar days of the fiscal year.

LEAP is intended to compensate law enforcement agents for working in excess of the standard 40-hour work week. It is a condition of employment that each inspector meets the annual average minimum requirement of 2 hours of unscheduled work per regular workday. All inspectors in the ISLE pay system are required to complete an initial LEAP certification form until they receive availability pay for 1 year. After the first year, the inspector must complete the annual LEAP certification form within the first 15 calendar days of each fiscal year.<sup>29</sup> HRSC personnel maintain, track, and retain the LEAP certification forms for 3 years.

Annually, the HRSC manager sends a reminder to field personnel requesting the required LEAP certification forms.

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<sup>29</sup> ISM Sections 123.54 through 123.545, dated April 1, 2004.

The inspectors-in-charge (INC) are initially responsible for ensuring that each inspector completes the appropriate form and that inspectors' supervisors certify the forms. Once the forms are completed and certified, the INC forwards the forms to the HRSC. Human Resources team leaders review the forms for completeness and retain the forms at the HRSC for 3 years. Although INCs and Human Resources team leaders reviewed the forms, they did not always ensure the appropriate forms were completed timely as required.

Postal Inspection Service officials should modify the review process to conduct sufficient follow-up reviews of LEAP forms. This change will assist the Postal Inspection Service with ensuring appropriate forms are completed, signed, and certified to substantiate inspectors receiving availability pay.

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**Recommendations**

We recommend the chief postal inspector:

3. Require inspectors in charge to refine their procedures to include sufficient follow-up for ensuring appropriate Law Enforcement Availability Pay forms are completed timely as required.
4. Require Human Resources Service Center personnel to modify their process for reviewing and ensuring appropriate Law Enforcement Availability Pay forms are completed timely as required.

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**Management's  
Comments**

Management disagreed with our recommendations, stating the current procedures management officials follow are adequate and that a review of LEAP forms is an element of local management control self-assessment domicile reviews. Management also stated they issued a management communication in October 2006,<sup>30</sup> advising management officials that LEAP forms were due at the start of the fiscal year.

Further, management stated that the current process for matching completed LEAP forms with the employee list is an adequate process for oversight. However, management concurred that Human Resources management could exercise slightly better enforcement.

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<sup>30</sup> The OIG assumes that Postal Inspection Service management meant to state October 2005.

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**Evaluation of  
Management's  
Comments**

Management's comments are partially responsive to our recommendations. We recognize in the report that HRSC management annually requests the required LEAP forms from field personnel. However, based on our analysis 48 percent of the LEAP forms reviewed had discrepancies, of which 37 percent related to LEAP certifications received after the required first 15 calendar days of the fiscal year. Thus, to ensure the appropriate forms are completed, signed, and certified timely to substantiate inspectors receiving availability pay, management should also modify its review process to conduct sufficient follow-up review of LEAP forms. We do not plan to pursue this recommendation through the formal audit resolution process.

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Vacancy Files

HRSC personnel sufficiently managed vacancy announcements, but did not maintain the related vacancy files as required. Based on our review of 45 vacancy files related to vacancy announcements for FY 2004, we determined that HRSC personnel did not appropriately maintain 27 (60 percent) of the files. Specifically, four files were missing and 23 did not include pertinent documentation.

Human Resources specialists create, maintain, and track Postal Inspection Service vacancy announcements in the Vacancy Announcement Program<sup>31</sup> (VAP). Additionally, they create a vacancy file for each announcement. The files should contain specific documentation, such as (1) the vacancy announcement, (2) standard position description, (3) committee members' name, position title, and grade, and (4) job applications. In addition, Human Resources staff should dispose of files 10 years after closing the announcement.<sup>32</sup>

However, we determined there were no established procedures to require Human Resources staff to review vacancy files periodically to ensure they were appropriately completed, updated, and disposed. Further, according to a management official, the Postal Inspection Service hired a significant number of employees in FY 2004, increasing the number of vacancy files. However, the HRSC did not have adequate staff to handle the files.

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<sup>31</sup> VAP is a Web-based application used to create and advertise Postal Inspection Service vacancies.

<sup>32</sup> Postal Service Electronic Records and Information Management System, control number EB007.

HRSC management took initial steps to address the issues with vacancy files. However, Postal Inspection Service management should implement additional management controls to improve the overall management of these files. Improved controls will assist Postal Inspection Service management with hiring and recruiting the most qualified applicants and minimizing the risk of litigation regarding hiring practices.

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**Recommendation**

We recommend the chief postal inspector:

5. Require Human Resources Service Center personnel to conduct periodic reviews of vacancy files to ensure the files are appropriately completed, updated, and disposed.

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**Management's  
Comments**

Management agreed with our recommendation, stating they recognize that, based on the large number of vacancy-related processing actions in fiscal year 2005, completion of reviews on closed vacancy files were delayed due to the necessity to re-prioritize and refocus tasks. Management further stated that, prior to the issuance of the OIG report, they assigned necessary personnel to review files and complete the requisite follow-up.

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**Evaluation of  
Management's  
Comments**

Management's comments and corrective actions are responsive and satisfy the intent of our recommendation. We agree and recognized in the report that management took initial steps to address the issues identified with vacancy files. Further, we commend management for implementing additional controls to ensure periodic reviews of vacancy files.

## APPENDIX A

### BENCHMARKED RESULTS OF LAW ENFORCEMENT AGENCIES

Description	COMPLEMENT		
	Drug Enforcement Administration	U.S. Marshals	Postal Inspection Service
Marshals/Postal Police Officers	NA	89	798
Agents/Inspectors	5,031	3,062	1,809
Support Staff	5,240	1,182	948 <sup>33</sup>
Human Resources Staff	78	104	24
Total Number of Employees Served	10,349	4,437	3,579 <sup>34</sup>
Human Resources Staff Ratio	1 to 133	1 to 43	1 to 149
<b>MISSION</b>	Attract and retain a diverse and highly skilled workforce by providing exceptional customer service in an environment that fosters personal and professional growth.	Recruit, train, and maintain the highest quality workforce possible to carry out the mission, functions, and business processes of the U.S. Marshals.	Provide superior human resources support through timely hiring, reassignment, and retirement actions. Also, provide efficient counsel on benefits and compensation activities.
<b>ROLES AND RESPONSIBILITIES</b>	Oversee recruitment, hiring, staffing, and classifications; provide guidance on benefits, employee relations, health services, occupational health and safety, and discipline programs; process personnel and payroll actions; and develop Human Resources policies.	Oversee hiring, staffing, and training; provide guidance on benefits and labor relations; administer promotional pay, performance management, and Alternative Dispute Resolution programs; process personnel and payroll actions; and distribute badges.	Provide guidance on benefits, personnel actions, discipline, safety and injury compensation, and the Postal Inspection Service's health examination program; and process new hires, retirements, reassignments, and employee actions.
<b>AUTOMATED SERVICES</b>	Human Resources does not have adequate automation technology. However, job applications and performance ratings are	Human Resources does not have adequate automation technology. However, job applications are completed and	The following Human Resources services are automated and available through self-services: employee awards, employee ideals, Human

<sup>33</sup> This figure includes 391 positions that we could not determine the titles because they were not recorded in the Postal Service's Payroll System.

<sup>34</sup> Non-executives only.

Description	COMPLEMENT		
	Drug Enforcement Administration	U.S. Marshals	Postal Inspection Service
	automated and employees have Internet access to workstations. Human Resources is currently implementing an automated system called AVUE. (Note: the official did not know the meaning of the acronym.)	processed online. (Note: They extensively use Lotus Notes.)	Resources policies and benefits, vacancies, Thrift Savings Plan, Flexible Spending Account, Annual Leave Exchange, allotments, travel expenses, employee address changes, and training records.
<b>OFFICIAL PERSONNEL FOLDERS</b>	Human Resources headquarters maintains all OPFs. Requesters can review OPFs in conjunction with a Human Resources official at Human Resources headquarters or receive copies. Original OPFs are not sent out for review.	Human Resources headquarters maintains all OPFs. Requesters can review OPFs in conjunction with a Human Resources official at Human Resources headquarters or receive copies. Original OPFs are not sent out for review. Legal personnel are permitted to independently review original OPFs.	HRCSs maintain all OPFs. Requesters can review OPFs in conjunction with an official or designated custodian. Entire original OPFs are sent out for review.
<b>SALARY ADJUSTMENTS</b>	Human Resources specialists input the grade and step into an automated system at the National Finance Service Center. <sup>35</sup> The system assigns the appropriate salary including, LEAP, and locality pay.	Human Resources specialists input the grade and step into an automated system at the National Finance Service Center. The system assigns the appropriate salary including, LEAP, and locality pay.	HRSC staff manually compute grade, step, and salary, including LEAP and locality pay.

<sup>35</sup> The National Finance Service Center is one of four executive branch federal payroll providers.

## **APPENDIX B. STATISTICAL SAMPLING METHODOLOGY**

### **Purpose of the Sampling**

The overall objective of this audit was to determine whether the Human Resources Service Center (HRSC) effectively and efficiently supported the mission of the Postal Inspection Service. Specifically, we determined whether controls were adequate to prevent inappropriate payment of salaries and prevent wrongful disclosure of records, and whether Law Enforcement Availability Pay (LEAP) was properly certified and tracked.

In support of the objectives, the audit team used the simple random sampling without replacement method on data sets, which include salaries for inspectors and forensic personnel from fiscal years (FYs) 1999 through 2005, Official Personnel Folders (OPFs) for active non-executive Postal Inspection Service employees, and required LEAP certifications for inspectors for FYs 2003 through 2005. The sample design allows statistical projections for (1) the total number and value of salary adjustment errors; (2) the total possible errors that occurred in managing OPFs; and (3) the total number of LEAP certifications that were either not required, missing, incorrectly completed versus the initial certification, or signed after the required first 15 calendar days of the fiscal year.

### **Definition of the Audit Universe**

The audit universe consisted of five data files maintained by HRSC staff. Specifically, the audit universe included (1) salaries for 1,890 inspectors or forensic personnel, on-board for at least 1 year, as of pay period 20, FY 2004; (2) OPFs for 3,779 active Postal Inspection Service employees as of pay period 20, FY 2004; and (3) required LEAP certifications for FYs 2003 through 2005 for 1,942 non-executive postal inspectors, on-board as of pay period 20, FY 2004.

### **Sample Design and Modifications**

We based the sample size on simple random sampling without replacement to test either compliance on various controls of the audit subject or variable sample on salaries. The estimated sample size for a population of 1,890 inspectors or forensic personnel salaries is around 400 for a sufficiently projectable sample. However, due to limited resources, the audit team sub-sampled only 100 cases for inspectors or forensic personnel salaries.

We expected a low occurrence error rate of compliance test on various controls, so we calculated the sample size on a one-side confidence interval, and we assumed a desired risk of over-reliance of 5 percent. This corresponds to the Government Accountability Office (GAO) recommendation to use a 95 percent

“confidence level” for compliance testing. Using a 5 percent allowable upper error limit (tolerable error) for precision, also as recommended in the *GAO Financial Audit Manual* for compliance testing, we determined a sample size of 59 based on the binomial distribution methodology. Applying the finite population correction, we calculated a sample size of 59 for selection of OPFs, and 58 for selection of LEAP certifications for FYs 2003 through 2005.

All selections for inclusion in the sample were made using the “randbetween” function in Excel to assign random numbers to the items on the universe listing.

## APPENDIX C. COST-AVOIDANCE METHODOLOGY

### **Objective**

To project the Postal Service's potential cost avoidance if the Postal Inspection Service's Human Resources Service Center (HRSC) is closed and services are integrated into the Postal Service's Human Resources Shared Service Center (SSC).

### **Scope**

The universe includes 16 active HRSC positions as of October 28, 2005 (pay period 22, FY 2006).

### **Methodology**

We used a discounted cash flow analysis based on Postal Service's guidelines to project potential cost avoidance.<sup>36</sup> We performed our analysis over 10 years, beginning with FY 2006. The Net Present Value of projected future cash flows represents the value of the cost avoidance.

### **Assumptions**

Postal Inspection Service employees displaced by closing the HRSC will assume EAS vacant positions within the Postal Service, which would have otherwise been filled with external personnel.

All transactional personnel-related work performed at the Postal Inspection Service's HRSC will be incorporated into the Postal Service's SSC without any additional personnel costs.

All costs for supplies and services associated with the operation of the Postal Inspection Service's HRSC will continue at the Postal Service's SSC.

### **Cash Flow Items**

Personnel cost savings associated with each EAS position eliminated, which is based on total salaries and benefits.

Lease savings on the Postal Inspection Service's HRSC building, which will be renewed in FY 2006 if the HRSC does not close.

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<sup>36</sup> November 2005 letter regarding DAR Factors/Cost of Borrowing/New Facility Start-Up Costs Update.

### **Escalation**

Personnel costs are escalated at 2.8 percent per year, which is the Postal Service's published workhour rate.

Lease costs are escalated at 1.9 percent per year, which is the Postal Service's escalation factor for all other costs.

### **Discount Rate**

The Postal Service's published Cost of Borrowing of 5.25 percent (effective November 7, 2005).

## APPENDIX D. MANAGEMENT'S COMMENTS



UNITED STATES POSTAL INSPECTION SERVICE

ASSISTANT CHIEF INSPECTOR

February 17, 2006

Kim H. Stroud  
Director, Audit Reporting  
USPS Office of Inspector General  
1735 North Lynn Street  
Arlington, VA 22209-2020

**SUBJECT:** Inspection Service response to the Qualitative Assessment Review  
Postal Inspection Service's Human Resources Service Center  
(Report Number SA-AR-06-DRAFT)

The following represents the Postal Inspection Service response to the USPS-OIG qualitative assessment review (QAR) of the Human Resources Service Center (HRSC).

Again, we appreciate the opportunity to provide comments in this report. Please contact Vivian Bellinger, Manager, Resource Management at (202) 268-4462, if you have any questions.

A handwritten signature in cursive script that reads "Nicole A. Johnson".

Nicole A. Johnson  
Assistant Chief Inspector

Attachment:

Cc: L. R. Heath, Chief Postal Inspector  
L. E. Maxwell, Deputy Chief Inspector, Headquarters Operations  
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Response to USPS-OIG Audit of the Postal Inspection Service  
Human Resources Service Center (HRSC)

Summary of Management Responses

We have reviewed the draft Qualitative Assessment Review – Postal Inspection Service's Security Investigations Service Center (SA-AR-06-DRAFT) dated January 18, 2006. This memorandum represents our formal response to the five recommendations addressed to the Chief Postal Inspector. In summary, we disagree with four of the five recommendations.

OIG Recommendation No. 1

Assess the benefits of transitioning the Postal Inspection Service's personnel-related transactions to the Postal Service Shared Service Center (SSC) or another feasible alternative to improve productivity and realize a cost savings of approximately \$21.3 million over the next 10 years.

Management Response

Management partially agrees with this recommendation. We agree that our examination of the HRSC, initiated prior to the OIG audit, which included consideration of closing the HRSC and potential utilization of the SCC, should continue. We disagree that the potential cost savings available totals \$21.3 million over 10 years, as the analysis provided in the audit report ignores the continued need to perform non-transactional personnel-related work currently conducted at the HRSC. We disagree with the suggestion that the Inspection Service did not proactively pursue or evaluate the benefits of transitioning work to the SCC.

During the OIG audit Postal Inspection Service management acknowledged on several occasions prior awareness of the opportunities to transition transactional personnel-related work to the Postal Service SSC. The findings and recommendations provided in the audit report offered no new insights on this matter. A comprehensive review of the HRSC was initiated by the Chief Postal Inspector on June 6, 2005, to evaluate all administrative and investigative programs, inclusive of the decision to close the HRSC. Our review was in no way associated with or the result of the OIG audit. Any inferences that the OIG's review and/or discussions with Postal Service management were the basis to recommend that the Inspection Service transfer human resources work are inaccurate.

Additionally, the statement found on page seven of the OIG audit report, which states that Inspection Service officials "did not proactively pursue the possibility or evaluate the benefits of transitioning to the SSC", is inaccurate at best. It is the Inspection Service's understanding that the Decision Analysis Report (DAR) for the Postal Service's SCC focused on the transition of personnel-related transaction work currently performed at the field level by personnel functions in the District Human Resources' offices. This DAR was not intended to address the transfer of human resources work performed by headquarters and headquarters related functions. Along with the Postal Service's Corporate Personnel function, the work performed by Inspection Service HRSC at Newark, NJ is considered a headquarters activity. Based on our understanding of the process and the intent of this presumably first phase of transferring work to the SCC, it would be very reasonable to engage in dialogue with Postal officials from Corporate Personnel and others, when the Postal Service initiated plans concerning the transfer of work from headquarters functions.

QAR – Human Resources Service Center

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Postal Service initiated plans concerning the transfer of work from headquarters functions. To imply any other reasons, is speculative and misleading. The fact that this statement was made even after an explanation was given concerning our understanding of timelines and headquarters' work going to the SCC, causes the Inspection Service concern regarding the accuracy of reporting.

With regard to reported benchmarking results, the comparison of HRSC staff of 24 to the SSC's staff of 30 is misleading and inaccurate. The OIG audit report states implicitly that 24 HRSC employees are engaged in personnel services transaction work. However, three of the 24 perform functions identified as allied support. These three employees have administrative responsibilities that support the general operations of the service center, which entails receptionist work, mailroom, administrative/clerical functions, and includes support of two inspector-attorneys domiciled at the service center. Further, seven of the 24 employees perform a great deal of non-transactional work. Making broad assumptions about the transactional nature of this work and the ability to satisfactorily perform it at the SCC, without an in-depth analysis of the nature of the work, leads to erroneous conclusions. These seven human resource specialists support the Inspection Service's safety and health programs, which includes injury compensation, the health examination program, the drug deterrence program, and discipline.

**OIG Recommendation No. 2**

Evaluate the process for disseminating official personnel folders to requestors to (1) require human resources personnel to periodically follow-up with requestors to ensure official personnel folders are returned to the Human Resources Shared Service Center as required or (2) establish an alternative process for disseminating original official personnel folders.

**Management Response**

Management disagrees with this recommendation. Regarding official personnel folders, the HRSC LOG-OUT database system provides an adequate process for releasing, tracking, and retrieving official personnel folders from requestors and this system has been utilized by the human resources specialists on a continuous basis. Inspection Service management concurs that slightly better enforcement can be exercised by human resources management. Currently, an audit of all personnel folders is underway.

**OIG Recommendation No. 3**

Require inspectors in charge to refine their procedures to include sufficient follow-up for ensuring appropriate Law Enforcement Availability Pay (LEAP) forms are completed as required.

**Management Response**

Management disagrees with this recommendation. Current procedures that are followed by management officials are adequate. A review of LEAP forms is an element of local management control self-assessment domicile reviews. A management communication was issued in October 2006 to Inspection Service management that reviewed management responsibilities and advised officials that LEAP forms were due at the start of the fiscal year.

QAR – Human Resources Service Center

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**OIG Recommendation No. 4**

Require Human Resources Service Center personnel to modify their process for reviewing and ensuring appropriate Law Enforcement Availability Pay forms are completed timely as required.

**Management Response**

Management disagrees with this recommendation. The current process for matching completed LEAP forms with the employee list is an adequate process for oversight. Inspection Service management concurs that slightly better enforcement can be exercised by human resources management.

**OIG Recommendation No. 5**

Require Human Resources Service Center personnel to conduct periodic reviews of vacancy files to ensure the files are appropriately completed, updated, and disposed of.

**Management Response**

Management agrees with this recommendation. Inspection Service management recognizes that based on the large number of vacancy-related processing actions that occurred in fiscal year 2005, completion of reviews on closed vacancy files was delayed due to the necessity to re-prioritize and refocus tasks. This was a necessary management decision when matching limited staff with workload. Prior to the issuance of this report, human resource management assigned necessary personnel to review files and complete the requisite follow-up.

QAR – Human Resources Service Center