

Report Number 21-111-R21 | September 29, 2021

Table of Contents

Cover	
Highlights.....	1
Objective	1
Finding.....	1
Recommendations.....	2
Transmittal Letter	3
Results.....	4
Introduction/Objective	4
Background.....	4
Finding #1: Required Security Clearance Steps Not Completed.....	6
Clearances Not Always Granted for STC Contractors	6
Clearances Granted without Supplier-Supported Documentation.....	7
Recommendation #1.....	7
Recommendation #2.....	8
Finding #2: Surface Transfer Center Suppliers Not Retaining Documentation	8
Recommendation #3.....	8
Management's Comments.....	8
Evaluation of Management's Comments	9
Appendices	10
Appendix A: Additional Information.....	11
Scope and Methodology.....	11
Prior Audit Coverage.....	12
Appendix B: Management's Comments.....	13
Contact Information	16

Highlights

Objective

Our objective was to determine whether the U.S. Postal Service properly issued security clearances to contractor personnel at Surface Transfer Centers (STC).

STCs are mail consolidation and re-distribution facilities that assist the Postal Service in maximizing the utilization of vehicles and their capacity to transport mail. The Postal Service operates 13 STCs, seven of which are managed solely by STC suppliers who, as of April 2021, employ over 1,000 contractor personnel. The contractor personnel are responsible for performing mail processing operations, with Postal Service personnel overseeing those operations for contract compliance.

The Postal Service is obligated to maintain the security of the mail and preserve the public's trust. The security clearance process is designed to prevent ineligible or unsuitable applicants from having access to the mail, Postal Service assets, and facilities.

The U.S. Postal Inspection Service (Inspection Service) is responsible for reviewing requests for security clearances and determining if the security clearances should be granted. To assist in the process, STC contracts require suppliers to conduct certain background investigation steps, such as conducting a drug screening and local criminal background check. The STC supplier is also responsible for submitting the results of those steps and supporting documentation directly to the Inspection Service and retaining related documentation for the personnel they hire.

The Inspection Service notifies the STC suppliers when contractor personnel have been granted or denied a non-sensitive security clearance. STC suppliers must request a clearance prior to contractor personnel gaining access to mail. Generally, STC contractor personnel granted a non-sensitive clearance and working continuously on their assigned contract with no breaks do not require rescreening.

Finding

We found the security clearance process was not always followed for 130 of the 169 (77 percent) randomly selected STC contractor personnel. Postal Service management did not always ensure that STC suppliers requested or timely requested security clearances for contractor personnel. In addition, the Inspection Service conducted some security clearance investigations steps that are required to be completed by STC suppliers. Further, when STC suppliers did conduct the required security clearance investigation steps, they did not always retain documentation supporting the steps completed. Specifically, we found:

“Postal Service management did not always ensure that STC suppliers requested or timely requested security clearances for contractor personnel .”

- STC suppliers did not request security clearance investigations for eight of the 169 (5 percent) randomly selected STC contractor personnel we reviewed. Four of the eight STC contractors were still employed by the STC supplier during our audit and had access to the mail. During the audit, one of the four STC contractors received a security clearance.
- Forty-three of the 169 (25 percent) randomly selected STC contractors did not have a security clearance requested timely by the STC supplier. Ten of the 43 requests occurred over one year after the contractor started working for the STC suppliers. For one contractor, the Inspection Service, during our audit, made an unfavorable determination and that contractor was subsequently terminated.

- The Inspection Service granted clearances for 66 of the 169 randomly selected STC contractor personnel when applicable STC suppliers did not submit supporting documentation or certify completion of required security clearance investigation steps for which they were responsible. These documents included county criminal record checks. When the Inspection Service did not receive documentation of a county record check from the STC suppliers, the Inspection Service ordered the documentation through its own contractor.
- STC suppliers that certified completion of required security clearance investigation steps did not always retain documentation supporting completion of those steps for 63 of 161 clearances conducted.

These conditions occurred for a variety of reasons:

- STC contracts did not require STC suppliers to notify Postal Service officials when they hire new contractor personnel or to periodically report to Postal Service officials on the status of security clearance requests.
- STC contracts required the suppliers to submit required documentation for security clearance requests directly to the Inspection Service. Postal Service contracting officials were not required to review the documents for completeness and adequacy prior to submission to the Inspection Service.
- STC contract requirements were unclear related to maintaining clearance documentation. For example, although the contracts require that all information be held by the STC supplier, they also establish that the STC suppliers' records should minimally contain only social security number, current address, date of birth, employee identification badge number, drug screening results, and the security clearance notification for contractor

personnel. In addition, the STC contracts did not specify how long STC suppliers must retain contractor personnel records.

Without completed security clearances for all STC contractor personnel, the Postal Service was unable to verify whether contractor personnel were suitable to work under those contracts. In addition, a favorable security clearance based on unverified or incomplete background screening steps could place the safety and security of Postal Service and STC contractor personnel, mail, and Postal Service information at risk. Further, the Inspection Service incurred additional costs as a result of ordering criminal record checks for which STC suppliers were responsible.

Recommendations

We recommended management:

- Remove access to the mail for the three contractor personnel currently working without a security clearance until they are granted a non-sensitive security clearance.
- Update each STC contract to require STC suppliers to (1) notify Postal Service officials of new hires upon employment acceptance, (2) keep Postal Service officials apprised on the status of the security clearance requests for new hires, and (3) submit security clearance investigation documentation to Postal Service contracting personnel prior to submission to the Inspection Service.
- Clarify language in STC contracts to specify which security clearance documents must be retained and the period of retention.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

September 29, 2021

MEMORANDUM FOR: PETER ROUTSOLIAS
VICE PRESIDENT, TRANSPORTATION STRATEGY

ROBERT CINTRON
VICE PRESIDENT, LOGISTICS

A handwritten signature in black ink, which appears to read "Jason M. Yovich", is positioned above the "FROM:" field.

FROM: Jason M. Yovich
Deputy Assistant Inspector General
for Supply Management and Human Resources

SUBJECT: Audit Report – Contractor Security Clearances at Surface
Transfer Centers (Report Number 21-111-R21)

This report presents the results of our audit of Contractor Security Clearances at Surface Transfer Centers.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact John Cihota, Director, Human Resources and Support, or me at 703-248-2100.

Attachment

cc: Postmaster General
Chief Postal Inspector
Corporate Audit Response Management

Results

Introduction/Objective

This report presents the results of our self-initiated audit of the Surface Transfer Center (STC) contractor security clearance process (Project Number 21-111). Our objective was to determine whether the U.S. Postal Service properly issued security clearances to contractor personnel at STCs. See [Appendix A](#) for additional information about this audit.

Background

STCs are mail consolidation and re-distribution facilities that assist the Postal Service in maximizing its utilization of vehicles and their capacity to transport mail. The Postal Service operates 13 STCs, seven of which are managed solely by contract suppliers (see Table 1) and six of which are managed by the Postal Service. Our audit focused on the seven STCs managed by contract suppliers. STC contract employees perform mail processing operations with Postal Service personnel — including a Postal Service STC manager and coordinators who report to the STC manager — overseeing those operations for contract compliance.

Table 1. Contracted STCs

STC Location	Number of Supplier Personnel
Chicago	260
Dallas	244
Indianapolis	235
Memphis	145
Central Florida	88
Kansas City	50
Salt Lake City	42
Total	1,064

Source: STC suppliers.

The Postal Service is obligated to maintain the security of the mail and preserve the public's trust. The security clearance process is designed to prevent ineligible or unsuitable applicants from having access to the mail and Postal Service assets and facilities.

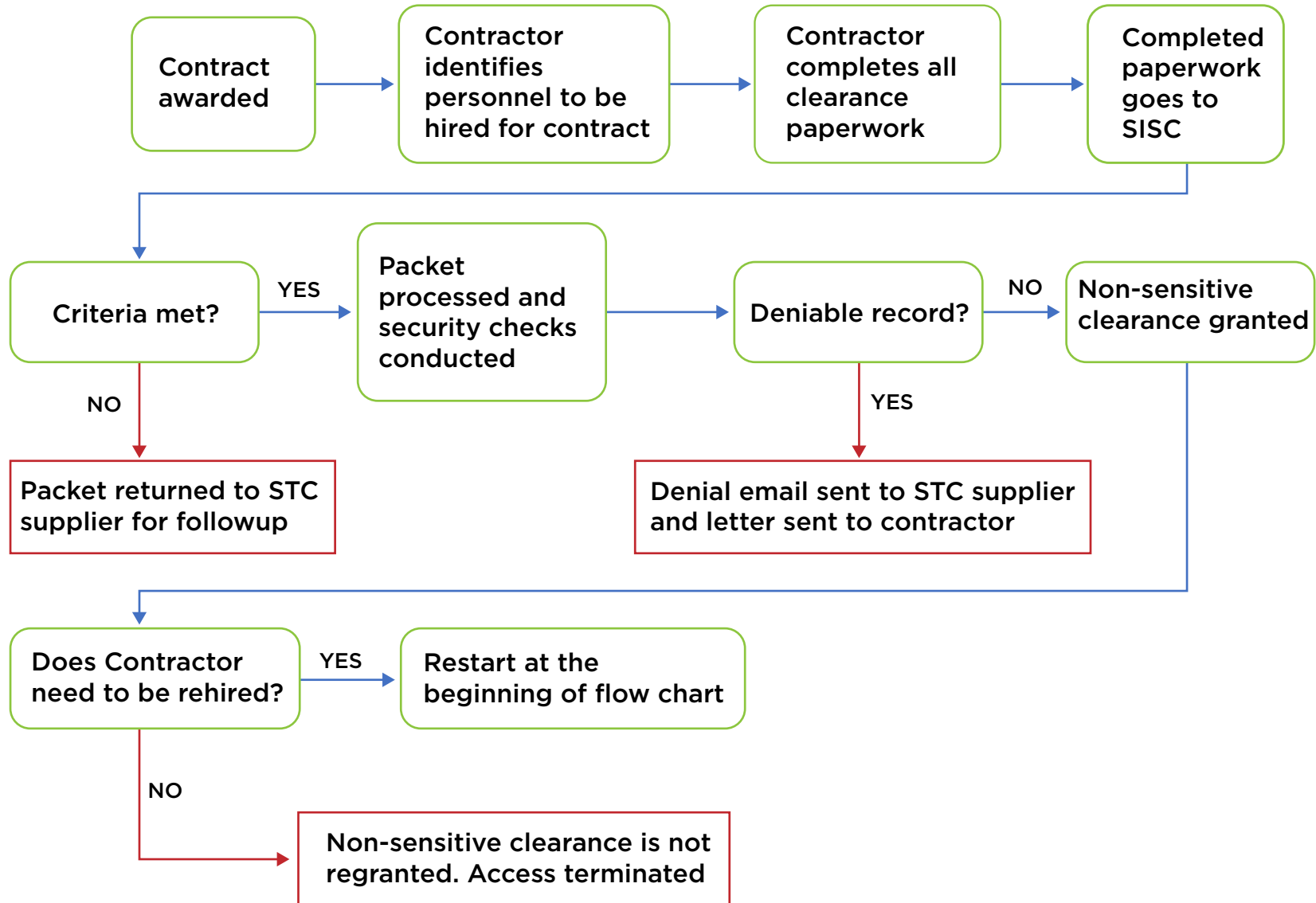
STC contracts' statements of work (SOW)¹ require STC contractor personnel to obtain non-sensitive security clearances. Non-sensitive background investigations are required for individuals with access to Postal Service information that, if compromised, would have limited impact on the mission of the Postal Service. In addition, non-sensitive background investigations are required for individuals with restricted access to Postal Service facilities.

Generally, STC contractor personnel granted a non-sensitive clearance and working continuously on their assigned contract with no breaks do not require rescreening. STC suppliers are responsible, based on contract requirements, for conducting certain background investigation steps for the employees they hire, such as conducting the drug screening and local criminal background check. The STC supplier is also responsible for submitting the results of those steps along with required forms and a transmittal cover sheet directly to the U.S. Postal Inspection Service (Inspection Service) Security Investigations Service Center (SISC).

SISC is responsible for reviewing requests for security clearances and determining if the security clearances should be granted. The SISC notifies the STC supplier when STC contractor personnel have been granted or denied a security background investigation level. See [Figure 1](#) for a flowchart of the process.

¹ An SOW states the requirements of a client's needs and objectives and enables potential suppliers to plan for contract performance.

Figure 1. Contractor Security Clearance Process



Source: Postal Service policy and applicable SOWs.

Finding #1: Required Security Clearance Steps Not Completed

We found the security clearance process was not always followed for 130 of the 169 randomly selected STC contractor personnel. Postal Service management did not always ensure that STC suppliers requested or timely requested security clearances for contractor personnel. In addition, the Inspection Service conducted some security clearance investigations steps that are required to be completed by STC suppliers.



Clearances Not Always Granted for STC Contractors

STC suppliers did not request security clearance investigations for eight of the 169 (5 percent) randomly selected STC contractor personnel we reviewed. The SISC did not have a record of receiving a security clearance request for six of the eight contractor personnel. STC suppliers requested the SISC conduct a security clearance investigation for the remaining two sampled STC contractors; however, the SISC returned the requests due to the security clearance documentation being incomplete. Four of the eight STC contractors were still employed by the

STC supplier during our audit and had access to the mail. During the audit, one of the four STC contractors received a security clearance. Postal Service STC managers informed us they are working with the STC suppliers to submit security clearance documentation to the Inspection Service for the three remaining STC contractors.

In addition to the eight STC contractors who did not receive a non-sensitive security clearance, we found 43 of the 169 (25 percent) randomly selected STC contractors did not have a security clearance requested timely by the STC supplier. The suppliers requested 10 security clearances over one year after the contractor started working. See Table 2 for more information on the delays to request a background check. During our audit, the SISC made an unfavorable determination on one of the 43 contractors and that contractor was subsequently terminated.

Table 2. Delayed Security Clearance Requests

Days Between Date of Request and Start Date	Number of Contractor Clearances
1 - 60	21
61 - 180	10
181 - 365	2
Over 1 year	10
Total	43

Source: Security Clearance Case Files and Supplier Records.

According to Postal Service policy,² individuals who provide contract services must undergo a background investigation from the Postal Service before being provided access to occupied Postal Service facilities or to Postal Service information and resources. In addition, the STC contract SOWs require the suppliers to be responsible for ensuring that all employees undergo the security screening process prior to employment. Accordingly, the STC suppliers must

2 Administrative Support Manual Issue 13, Section 272.411, dated July 1999, updated through January 31, 2021.

supply the required security clearance documentation³ to the SISC for processing. The contractor personnel can begin working once the STC supplier sends the documentation to the SISC.

Clearances Granted without Supplier-Supported Documentation

The SISC granted security clearances for STC contractor personnel when applicable STC suppliers did not always submit documentation or certify completion of required background investigation steps. Specifically, we found the SISC granted clearances for 66 STC contractor personnel that the supplier did not submit documentation or certify completion of all required steps (e.g., conducting a county criminal record check).

Based on our review of the 161 granted favorable security clearances, we found STC suppliers or contractor personnel did not provide documentation of county criminal record checks for 59 (37 percent) contractor personnel.⁴ Forty of the 59 (68 percent) cases were from the Chicago STC. When the SISC did not receive

documentation of a county record check from the STC suppliers, SISC ordered them through its own contractor. For the remaining seven of 66 clearances granted, the STC suppliers did not certify the completion of all steps on the transmittal cover sheet or sign PS Form 2025.

The STC contract SOWs state the supplier is responsible for conducting a county criminal history inquiry, a drug screening test for prohibited drugs, and

“Based on our review of the 161 granted favorable security clearances, we found STC suppliers or contractor personnel did not provide documentation of county criminal record checks for 59 (37 percent) contractor personnel.”

verification of U.S. citizenship or legal work status for each of its employees and submitting the results to the SISC.

These conditions occurred because the STC contracts did not provide sufficient controls over the security screening process. For example, STC contract SOWs did not require STC suppliers to notify Postal Service STC managers when they hire new staff. Also, the SOWs did not require STC suppliers to periodically report on the status of security clearance requests. In addition, the SOWs required the suppliers to submit required documentation for security clearance requests directly to the SISC. The SOWs did not require the suppliers to submit the documentation to the Postal Service STC managers to review for completeness or adequacy prior to submission to the SISC. One STC manager informed us they did review the documents before the supplier sent them to the SISC.

Without completed security clearances for all STC contractor personnel, the Postal Service was unable to verify whether contractor personnel were suitable to work in connection with those contracts. In addition, a favorable security clearance based on unverified or incomplete background screening steps could place the safety and security of Postal Service and STC contractor personnel, mail, and Postal Service information at risk.

Further, when the Inspection Service completes contractor security clearances where the supplier did not certify completion of a county criminal records check and other required steps for which they are responsible, the Postal Service incurred additional costs by obtaining the documents for the background clearances themselves.

Recommendation #1

We recommend the **Vice President, Logistics**, remove access to the mail for the three Surface Transfer Center contractor personnel working without a security clearance until they are granted a non-sensitive security clearance.

³ Postal Service (PS) Form 2025, Contract Personnel Questionnaire; PS Form 2181-C, Authorization and Release—Background Investigation; Form FD 258, Fingerprint Card.

⁴ The STC supplier did not certify a drug screening result for one of the 59 contractor personnel.

Recommendation #2

We recommend the **Vice President, Transportation Strategy**, in conjunction with **Vice President, Logistics**, update each Surface Transfer Center (STC) contract statement of work to require STC suppliers to (1) notify Postal Service STC managers of new hires upon employment acceptance, (2) keep STC managers apprised on the status of security clearance requests for new hires, and (3) submit security clearance investigation documentation to STC managers for review prior to submission to the Inspection Service.

Finding #2: Surface Transfer Center Suppliers Not Retaining Documentation

STC suppliers that certified completion of required security clearance investigation steps did not always retain documentation supporting completion of those steps. Based on our review of SISC security clearance case files and STC supplier documentation, STC suppliers did not retain all documentation for completion of steps in 63 of 161 (39 percent) clearances conducted. We found that the STC suppliers did not retain the following documents:

- Proof of citizenship or U.S. citizenship or legal work status for 50 (31 percent) contractor personnel.
- Reports of criminal records checks for 15 (9 percent) contractor personnel.
- Drug screening results for 12 (7 percent) contractor personnel.
- Security clearance decision for 20 (12 percent) contractor personnel.

STC contract SOWs⁵ require that all information identified through personnel screening to be held by the STC supplier and made available for review by representatives of the Postal Service upon request. However, other SOW language was unclear. For example, although the SOWs require that the STC supplier hold all information, they also establish that the supplier's records should minimally contain only a social security number, current address, date of birth, employee identification badge number, drug screening results, and clearance

“STC contract SOWs require that all information identified through personnel screening to be held by the STC supplier and made available for review by representatives of the Postal Service upon request.”

notification. In addition, the SOWs do not specify how long STC suppliers must retain contractor personnel records.

When STC suppliers do not retain documentation of completion of security clearance steps, the Postal Service cannot verify these steps have been completed with favorable results. As a result, the Postal Service cannot determine when STC contractor personnel may not be suitable to access mail, Postal Service assets, and information.

Recommendation #3

We recommend the **Vice President, Transportation Strategy**, clarify language in Surface Transfer Center statements of work to specify which security clearance documents must be retained and the period of retention.

Management's Comments

Management agreed with the findings and intent of the recommendations. Regarding recommendation 1, management stated they will coordinate with STC managers to remove contractor personnel until they are granted a non-sensitive security clearance. The target implementation date is October 4, 2021.

Regarding recommendation 2, management stated they will update the SOWs with the requirements outlined in our recommendation and incorporate all updates into the contracts. The target implementation date in the response was November 1, 2022. However, in subsequent conversations, management informed us that the target implementation date should be November 1, 2021.

⁵ Personnel Screening section of STC contract SOWs.

Regarding recommendation 3, management stated they will work with the Inspection Service to clarify the SOWs to specify which security clearance documents must be retained and specify the period of retention. Management will then incorporate these clarifications into the contracts. The target implementation date is March 31, 2022.

Management requested we modify recommendations 2 and 3 in the report to clarify the responsibilities relating to updating the SOW. Specifically, the Vice President, Logistics, is responsible for updating the SOW and the Vice President, Transportation Strategy, is responsible for ensuring that all SOW updates are incorporated into the contracts.

See [Appendix B](#) for management's comments in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to all recommendations and their planned actions should resolve the issues identified in the report.

Regarding recommendations 2 and 3, we appreciate the clarification regarding each vice president's responsibility in the SOW process. Modification to the recommendations is not required with management's clarification adequately noted in their comments. We understand the responsibility of each group and, based on management's response, we will evaluate the corrective actions taken by each group to ensure they are completed.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. All recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

Appendices

Click on the appendix title below to
navigate to the section content.

Appendix A: Additional Information.....	11
Scope and Methodology.....	11
Prior Audit Coverage.....	12
Appendix B: Management’s Comments.....	13

Appendix A: Additional Information

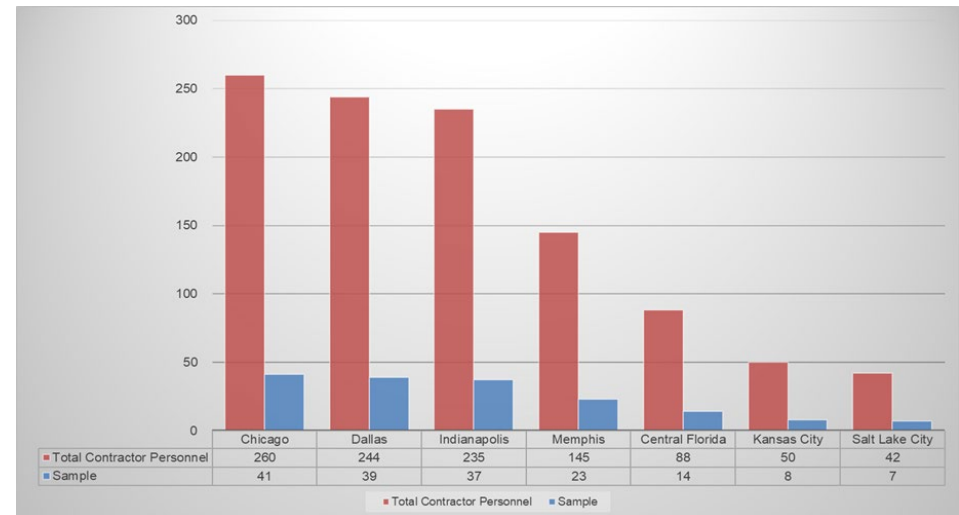
Scope and Methodology

The scope of our audit included contractor personnel working at the seven contracted Postal Service STCs. As of April 24, 2021, there were 1,064 contractor personnel working at the STCs (see Figure 2).⁶

To accomplish our objective, we:

- Reviewed Postal Service and Inspection Service policies and procedures related to the security clearance process for contractors.
- Evaluated the STC contractor security clearance process of the Postal Service and Inspection Service to identify potential control weaknesses.
- Developed a stratified random sample of STC contractor personnel based on employee rosters provided by the applicable STC suppliers. We used the STC location as the basis for the strata. This resulted in seven strata and a total sample size of 169 (see Figure 2).
- Reviewed security clearance case files and STC supplier files for 169 randomly selected STC contractors.
- Interviewed Postal Service and Inspection Service personnel.

Figure 2. STC Supplier Personnel Universe and Sample



Source: STC supplier employees records and OIG analysis.

We conducted this performance audit from March through September 2021 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on September 2, 2021 and included their comments where appropriate.

⁶ We received a separate list of contractor personnel from each STC supplier via the Postal Service STC manager between April 13 and April 24, 2021.

To assess the reliability of the STC contractor personnel rosters, we traced a randomly selected sample of 78 contractor personnel to the eAccess system⁷ to verify contractor personnel did not have an eAccess status of “Inactive,” indicating they were not currently working. In addition, we compared the date hired to the date started to determine whether there were any start dates prior to the hire

dates. We checked to ensure no contractor personnel were listed more than once, and we checked for blanks in key fields. Further, we discussed anomalies noted with knowledgeable officials. We determined the STC supplier personnel roster data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
<i>Nationwide Employee Background Screening</i>	Assess the U.S. Postal Service's employee background screening process to determine whether individuals selected for employment are suitable to maintain the safety and security of the mail and uphold public trust in the Postal Service.	HR-AR-19-003	8/22/2019	None
<i>National Security Clearance Program</i>	Determine whether controls are in place to effectively manage the U.S. Postal Inspection Service's national security clearance processes and safeguard personally identifiable information.	OV-AR-19-001	6/18/2019	\$473,761

⁷ The eAccess system is used for requesting and approving access for Postal Service applications and other IT infrastructure access.

Appendix B: Management's Comments



September 22, 2021

JOSEPH WOLSKI
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Audit Report – Contractor Security Clearances at Surface Transfer Centers (Project Number 21-111-DRAFT)

Thank you for providing the United States Postal Service (Postal Service) with an opportunity to review and comment on the subject draft audit report, "Contractor Security Clearances at Surface Transfer Centers." Management generally agrees with the report's findings and the intent of the three recommendations.

Regarding Recommendations [2] and [3], management is requesting a modification to the recommendations to clarify the responsibilities of the Vice President, Logistics and the Vice President, Transportation Strategy as it relates to updating the statements of work. As the owner of the requirements, updates to the Statements of Work (SOW) will be the responsibility of the Vice President, Logistics. The Vice President, Transportation Strategy will be responsible for ensuring that all SOW updates are incorporated into the contracts.

Please see management's response to each of the recommendations, in full, below.

Recommendation [1]:

We recommend the **Vice President, Logistics**, remove access to the mail for the three Surface Transfer Center contractor personnel working without a security clearance until they are granted a non-sensitive security clearance.

Management Response/Action Plan:

Management agrees with the recommendation.

The **Vice President, Logistics** will lead the effort to coordinate with the STC managers to have those contractor personnel removed until they are granted a non-sensitive security clearance.

Target Implementation Date:

10/4/2021

Responsible Official:

Director, Surface Transfer Center Operations

Recommendation [2]:

We recommend the **Vice President, Transportation Strategy**, in conjunction with **Vice President, Logistics**, update each Surface Transfer Center (STC) contract statement of work to require STC suppliers to (1) notify Postal Service STC managers of new hires upon employment acceptance, (2) keep STC managers apprised on the status of security clearance requests for new hires, and (3) submit security clearance investigation documentation to STC managers for review prior to submission to the Inspection Service.

Management Response/Action Plan:

Management disagrees with the recommendation as written. As the owner of the requirements, **Vice President, Logistics** will be responsible for updating the STC SOW requirements to require the STC suppliers to (1) notify Postal Service STC managers of new hires upon employee acceptance, (2) keep STC managers apprised on the status of security clearance requests for new hires, and (3) submit security clearance investigation documentation to STC managers for review prior to submission to the Inspection Service. The **Vice President, Transportation Strategy**, will be responsible for ensuring that all SOW updates are incorporated into the contracts.

Target Implementation Date:

11/1/22

Responsible Official:

Director, Surface Transfer Center Operations

Recommendation [3]:

We recommend **Vice President, Transportation Strategy**, clarify language in Surface Transfer Center statements of work to specify which security clearance documents must be retained and the period of retention.

Management Response/Action Plan:

Management disagrees with the recommendation as written. As the owner of the requirements, the **Vice President, Logistics** will be responsible for working with the Inspection Service to clarify the language in the Surface Transfer Center statements of work to specify which security clearance documents must be retained and the period of retention. The **Vice President, Transportation Strategy**, will be responsible for ensuring that all SOW updates are incorporated into the contracts.

Target Implementation Date:

3/31/22

Responsible Official:

Director, Surface Transfer Center Operations

Robert
Cintron

Digitally signed by Robert
Cintron
Date: 2021.09.22 13:23:40
-04'00'

Robert Cintron
Vice President, Logistics

E-SIGNED by PETER ROUTSOLIAS
on 2021-09-22 11:39:50 CDT

Peter Routsolias
Vice President, Transportation Strategy

cc: Manager, Corporate Audit Response Management

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