



Environmental Compliance Review Closeout Process

June 17, 2014





June 17, 2014

**Environmental Compliance Review
Closeout Process**

Report Number HR-AR-14-003

BACKGROUND:

The U.S. Postal Service implemented a comprehensive environmental compliance review (ECR) program in fiscal year (FY) 1995 to ensure compliance with environmental mandates. The program provides an internal process for reviewing postal facilities' compliance with applicable environmental laws and regulations, tracking regulatory deficiencies, and taking corrective actions.

Within 90 days of completing an ECR, facility management should close all observations (findings of noncompliance or practices that could lead to noncompliance) by completing and documenting all corrective actions. The ECR includes an escalation process that progressively sends system-generated notifications to higher level management at four intervals beginning 15 days before and ending 61 days after corrective action is due to be completed. Finally, at 181 days, open observations are automatically reported monthly to the Office of Sustainability. Failure to close ECR findings on time could result in fines for noncompliance.

Our objective was to determine whether ECR observations were addressed in an effective and timely manner.

WHAT THE OIG FOUND:

The Office of Sustainability and facility management need to improve the ECR closeout process to ensure ECR observations are addressed effectively and on time. From FYs 2012 through

2013, facility management closed only 71 percent of the observations within 90 days as required. We reviewed 142 observations that were open for more than 181 days and found that management closed 26 (18 percent) during our audit and initiated corrective action on 72 (51 percent). However, facility management did not properly document completed corrective actions for 31 observations (22 percent) and did not take corrective action on 13 (9 percent).

Further, the escalation process did not effectively ensure personnel addressed observations open longer than 181 days. This occurred because ECR instructions did not include controls to ensure Office of Sustainability managers regularly assist with open ECR observations and the escalation process did not continue to provide notifications until observations were closed.

We identified about \$2 million in assets at risk as a result of potential fines for noncompliance with environmental laws and regulations.

WHAT THE OIG RECOMMENDED:


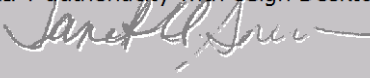
We recommended the chief sustainability officer implement formal ECR follow-up procedures to ensure continued escalation and assistance until observations are closed; and coordination with operations management at the headquarters, area, district and facility levels as appropriate.

[*Link to review the entire report*](#)



June 17, 2014

MEMORANDUM FOR: THOMAS G. DAY
CHIEF SUSTAINABILITY OFFICER

E-Signed by Janet Sorensen 
VERIFY authenticity with eSign Desktop


FROM: Janet M. Sorensen
Deputy Assistant Inspector General
for Revenue and Resources

SUBJECT: Audit Report – Environmental Compliance Review Closeout
Process (Report Number HR-AR-14-003)

This report presents the results of our audit of the U.S. Postal Service's Environmental Compliance Review Closeout Process (Project Number 14YG004HR000).

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

Attachment

cc: Corporate Audit and Response Management

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Introduction

This report presents the results of our self-initiated audit of the U.S. Postal Service's Environmental Compliance Review (ECR) closeout process (Project Number 14YG004HR000). The objective of this audit was to determine whether ECR observations were addressed in an effective and timely manner. See [Appendix A](#) for additional information about this audit.

The Postal Service designed the ECR program to minimize the risk of noncompliance with environmental regulations at high-risk facilities¹ and to promote best practices. The program provides an internal process to review postal facilities' conformance with applicable environmental laws and regulations and to track regulatory deficiencies and corrective actions.

In fiscal years (FY) 2012 and 2013, the Postal Service's Office of Sustainability conducted 487 ECRs, resulting in 4,132 observations. The Office of Sustainability tracks ECR observations, including findings and best management practices (BMP),² in the Environmental Tool Kit (ETK), a postal web-based system used to plan, perform, and verify ECR corrective actions. Installation heads³ must close ECR findings and BMPs within 90 days of the ECR completion date. To close observations, management must complete and document all recommended corrective actions. The ECR includes an escalation process in which the ETK automatically generates notifications and progressively sends them to higher level management at four intervals beginning 15 days before and ending 61 days after a corrective action's due date.

Conclusion

The Office of Sustainability and facility management need to improve the ECR closeout process to ensure ECR observations are addressed effectively and on time. Installation heads completed corrective actions and properly closed 2,946 of the 4,132 observations (71 percent) from FY 2012 through FY 2013 within 90 days of the ECR's completion date.⁴ However, as of October 31, 2013, 42 facilities had 215 observations (133 findings and 82 BMPs) open for more than 181 days. One observation corresponded to an ECR conducted in March 2012. We reviewed 142 of these observations and found that, although the majority had action plans in progress, some were not properly documented or management had not taken action on them. Further, the escalation process was not effectively ensuring that responsible personnel addressed observations open more than

¹ High-risk facilities operate under specific regulations to ensure environmental compliance for storm water and air permits, hazardous waste handling and disposal, and underground storage tanks.

² Findings describe facility operations or activities that were not in compliance with regulatory requirements, such as storing universal waste lamps in open containers, which does not comply with requirements of the Resource Conservation and Recovery Act of 1976. BMPs are those practices that, if not addressed, could lead to regulatory noncompliance.

³ The top management official at a particular installation.

⁴ As of February 14, 2014, 4,000 (97 percent) were closed.

181 days. We identified about \$2 million in assets at risk as a result of potential fines. See [Appendix B](#) for our assets at risk calculation.

Corrective Actions for Observations Open More than 181 Days

We visited 15 of the 42 facilities with observations open more than 181 days and determined that installation heads closed 26 (18 percent) during the course of our audit and initiated but did not complete corrective action on 72 (51 percent). However, installation heads did not update the status to "completed" in ETK for 31 observations (22 percent) and did not take any corrective action on 13 (9 percent). Table 1 shows the status of the observations at the time of our site visits.

Table 1. Observation Status

Observation Status ⁵	Findings	BMPs	Total	Percent of Total
Corrective action completed; status not updated to "completed" in ETK ⁶	23	8	31	22%
Corrective action completed; status updated to "completed" in ETK ⁷	14	12	26	18%
Corrective action in progress	53	19	72	51%
No corrective action taken	4	9	13	9%
Total	94	48	142	100%

Source: U.S. Postal Service Office of Inspector General (OIG) analysis.

Installation heads are responsible for ensuring facilities follow federal, state, and local laws as well as Postal Service environmental policies.⁸ They should also ensure ECR corrective actions are completed and documented in the ETK within 90 days.

⁵ The status of each open observation based on discussions with facility managers, observations, and documentation reviewed during our visits.

⁶ This includes two findings for which we found evidence during our site visit suggesting the findings had either recurred or had not been fully abated.

⁷ Observations in this category represent those that management completed but did not document in ETK until the period between October 31, 2013, and the time of our site visit. The total includes two findings and one BMP for which we found evidence during our site visit suggesting the observations had either recurred or had not been fully abated.

⁸ *Administrative Support Manual*, Issue 13, Section 695.32, dated July 1999.

Installation heads⁹ indicated they did not always complete and document corrective actions on time due to other priorities or because the corrective actions depended on circumstances beyond their control, such as facility service office actions, funding approvals, and contractor delays. Also, according to installation heads, district officials did not contact them regarding ECR corrective actions. Further, at the sites visited, we found the Office of Sustainability did not provide sufficient follow-up and guidance on open ECR observations to ensure they were properly addressed.

Postal Service policy¹⁰ states that district managers are responsible for ensuring timely completion of environmental corrective actions within their control. Also, the Office of Sustainability must provide direction and assistance to area and district stakeholders to ensure consistent and standardized implementation of the Postal Service's environmental compliance policies, programs, and management system. However, ECR instructions do not include detailed procedures for providing direction and assistance, including associated timing.

When personnel do not close ECR findings on time, the Postal Service is at greater risk of incurring fines for noncompliance with environmental laws and regulations. Based on the status of the open observations for the 15 facilities we visited, we identified a maximum of about \$2 million in potential federal fines. We consider those potential fines as assets at risk.

Escalation Process

The escalation process did not adequately ensure that responsible personnel address observations open more than 181 days, increasing the risk of continued environmental noncompliance.

Formal escalation procedures do not exist to ensure there is continued communication until observations are closed. ETK sends a final notification of open observations 151 days after the ECR end date and, subsequently, generates a rollup report of open observations 181 days after the ECR's end date. From that point on, ETK automatically generates monthly rollup reports and Office of Sustainability management receive, but does not always follow up on, these reports. See [Appendix D](#) for the ETK email notification process and associated intervals. Postal Service policy requires the Office of Sustainability to provide direction and assistance to area and district stakeholders to ensure consistent and standardized implementation of the Postal Service's environmental compliance policies, programs, and management system.¹¹

⁹ In addition to installation heads, we also interviewed maintenance managers. For consistency, we refer to all as installation heads throughout this report.

¹⁰ *Administrative Support Manual*, Issue 13, Section 695, dated July 1999.

¹¹ *Administrative Support Manual*, Issue 13, Section 695, dated July 1999.

Recommendation

We recommend the chief sustainability officer:

1. Establish and implement formal environmental compliance review follow-up procedures that ensure continued escalation and assistance until observations are closed and that also ensure coordination with operations management at the headquarters, area, district, and facility levels as appropriate.

Management's Comments

Management agreed with the findings and, in a prior correspondence, also agreed with the recommendation. Management stated they issued a defined implementation process to all Office of Sustainability staff on May 29, 2014. This process is in effect for all FY 2014 ECRs. See [Appendix E](#) for management's comments, in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendation and corrective actions should resolve the issues identified in the report. Because management has taken corrective actions to resolve the recommendation, we are closing the recommendation 1 with issuance of this report.

Appendix A: Additional Information

Background

The Office of Sustainability initiates and manages programs to minimize the impact of Postal Service activities on the environment. It tracks and reports sustainability issues as well as programs that impact energy or environmental issues.

In FY 1995, the Postal Service implemented a comprehensive ECR program for high-risk facilities to minimize the risk of environmental noncompliance and to promote best practices. High-risk facilities include those needing storm water or air permits, those that handle or dispose of hazardous waste, and those with underground storage tanks. The ECR program provides an internal process to periodically review these facilities' compliance with applicable environmental laws and regulations and track regulatory deficiencies and corrective actions.

The ECR program includes a risk assessment and a site evaluation and involves three main strategies:

- Identifying all activities that pose a risk of noncompliance.
- Assessing the facility's compliance status through ECRs and assessments.
- Providing support for, and follow-up on, corrective actions.

Installation heads must close ECR observations within 90 days of the ECR completion date. ECR observations, including findings and BMPs, are tracked in ETK, a postal web-based system environmental specialists use to plan, perform, and verify ECR corrective actions. ETK contains reporting capabilities and provides a dashboard view of performance metrics to help monitor, track, and report environmental business processes in the areas of compliance and auditing. As part of the escalation process, ETK sends emails to progressively higher levels of management at specified intervals. See [Appendix D](#) for a detailed explanation of the escalation process.

Objective, Scope, and Methodology

Our objective was to determine whether ECR observations are addressed in an effective and timely manner.

The scope of the audit covered all open ECRs conducted in FYs 2012 and 2013. We focused on observations that had incomplete corrective actions as of October 31, 2013, and remained open longer than 181 days.

To accomplish our objective, we:

- Identified all FYs 2012 and 2013 observations for which corrective actions had not been completed by extracting the ECR rollup report¹² from ETK on October 31, 2013.
- From November 2013 through January 2014, we conducted site visits at 15 facilities including 11 statistically selected facilities and four judgmentally selected facilities in the New York, Triboro, South Jersey, Greensboro, South Florida, and Caribbean districts. See [Appendix C](#) for a list of sites visited.
- Reviewed the status of 142 open observations at the 15 facilities visited.
- Interviewed district managers for the sites we visited, the ETK subject matter expert, and Office of Sustainability management.

We conducted this performance audit from November 2013 through June 2014 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 April 29, 2014, and included their comments where appropriate.

We assessed the reliability of ETK data by interviewing the system administrator and facility managers and comparing email log data to the ECR escalation list. We determined that the data were sufficiently reliable for the purposes of this report.

[Prior Audit Coverage](#)

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

¹² The ECR rollup report is a list of all ECR observations open more than 181 days.

Appendix B: Other Impact

Recommendation	Impact Category	Amount
1	Assets at Risk ¹³	\$2,062,500

Total assets at risk represents the risk of fines as a result of one citation for 1 day¹⁴ at the maximum allowable federal penalty for each finding open at the time of our 15 site visits. During each site visit, we determined the current status of each observation by interviewing applicable facility managers, making observations, and reviewing relevant documentation.

To determine assets at risk, we used the following methodology:

- We retrieved the ETK rollup report, which identified the universe of 42 facilities in 20 districts with open ECR findings and BMPs. The ETK rollup report also identified the relevant environmental law corresponding to each open finding and BMP.
- We conducted fieldwork at six judgmentally selected facilities in the Greensboro, New York, South Jersey, and Triboro districts. We chose those facilities because they each had six or more open findings as of October 31, 2013.
- We identified a statistical sample of four districts of the 20 districts having at least one facility with open findings — the Greensboro, South Florida, Triboro, and Caribbean districts. As a result, we conducted fieldwork at nine additional sites.
- Based on fieldwork, we determined that corrective actions had not been completed for 90 findings and BMPs.¹⁵ We excluded 29 BMPs,¹⁶ two findings corresponding to nonfederal environmental laws, and four duplicate findings observed in a subsequent ECR for the same facility. This resulted in 55 findings.
- We determined the maximum allowable fines associated with each of the relevant environmental laws corresponding to the 55 findings is \$37,500, based on a study¹⁷ the Postal Service Office of Sustainability conducted.

¹³ Assets or accountable items (for example, cash, stamps, and money orders) that are at risk of loss because of inadequate internal controls.

¹⁴ Although separate days can be determined to be separate violations depending on the statute and nature of the violation, for the purposes of this assets at risk calculation we assumed that each finding had occurred only on the day of our site visit.

¹⁵ This includes the findings and BMPs we categorized as either "Corrective Action in Progress," or "No Corrective Action Taken." We also included four findings and one BMP that had been closed, but we found evidence suggesting they had either recurred or had not been fully abated.

¹⁶ Because BMPs do not reflect an actual regulatory violation, we did not consider open BMPs in our assets at risk calculation.

¹⁷ *Potential Financial Implication of Regulatory Findings*, November 5, 2013. This study attempted to quantify the potential financial implications of failure to take corrective actions and consisted of a review of the regulations/rules and identification of the potential fines that could be imposed.

- We multiplied the maximum allowable fine by 55 findings, for a total of \$2,062,500. We did not project our results. Our estimated assets at risk reflects only the 15 sites we visited.

Appendix C: Facilities Visited

Area	District	Facility Name
Northeast	New York	Bronx Main Post Office (MPO)
Northeast	Triboro	Brooklyn Processing and Distribution Center (P&DC)
Northeast	Triboro	Brooklyn Vehicle Maintenance Facility (VMF)
Eastern	South Jersey	Cherry Hill MPO
Northeast	Caribbean	Detached Mail Distribution Unit Annex
Northeast	New York	Manhattan VMF
Southern	South Florida	Miami P&DC
Southern	South Florida	Miami VMF
Northeast	Caribbean	Ponce VMF
Northeast	Triboro	Queens P&DC
Northeast	Triboro	Queens VMF
Capital Metro	Greensboro	Raleigh VMF
Northeast	Caribbean	San Juan P&DC
Northeast	Caribbean	San Juan VMF
Eastern	South Jersey	South Jersey P&DC

Source: OIG analysis.

Appendix D: Environmental Compliance Review Escalation Process

Installation heads must complete corrective actions for each finding or BMP within 90 days of the ECR completion date. As part of the ECR escalation process, the ETK automatically generates email notifications and sends them to progressively higher levels of management at four intervals beginning 15 days before the due date of the corrective actions and ending 61 days after the due date, as follows:

ETK Email Notification Process

Interval	Recipient
15 Days Before the Due Date	Plants: <ul style="list-style-type: none"> ▪ Facility Responder ▪ East/West Field Team ¹⁸Contact Person ▪ Plant Manager ▪ Facility Maintenance Manager
	VMFs: <ul style="list-style-type: none"> ▪ Facility Responder ▪ East/West Field Team Contact Person ▪ VMF Manager
	Stations, Branches, and MPOs: <ul style="list-style-type: none"> ▪ Facility Responder ▪ East/West Field Team Contact Person ▪ Postmaster or Station/Branch Manager
1 Day Overdue	Plants: <ul style="list-style-type: none"> ▪ Facility Responder ▪ East/West Field Team Contact Person ▪ Plant Manager ▪ Facility Maintenance Manager ▪ Manager Regional Environmental Compliance and Sustainability (West/East) ▪ Lead District Maintenance Manager
	VMFs: <ul style="list-style-type: none"> ▪ Facility Responder ▪ East/West Field Team Contact Person ▪ VMF Manager ▪ Manager Regional Environmental Compliance and Sustainability (West/East) ▪ Lead Vehicle Maintenance Manager
	Stations, Branches, and MPOs: <ul style="list-style-type: none"> ▪ Facility Responder ▪ East/West Field Team Contact Person ▪ Postmaster or Station/Branch Manager ▪ Manager Regional Environmental Compliance and Sustainability (West/East) ▪ Post Office Operations Manager (POOM) or Postal Career Executive Service (PCES) Postmaster

¹⁸ Regional teams East and West directly support management in implementing environmental policies.

Interval	Recipient
31 Days Overdue	Plants: <ul style="list-style-type: none"> ▪ Facility Responder ▪ East/West Field Team Contact Person ▪ Plant Manager ▪ Facility Maintenance Manager ▪ Manager Regional Environmental Compliance and Sustainability (West/East) ▪ Lead District Maintenance Manager ▪ District Manager ▪ Senior Plant Manager
	VMFs: <ul style="list-style-type: none"> ▪ Facility Responder ▪ East/West Field Team Contact Person ▪ VMF Manager ▪ Manager Regional Environmental Compliance and Sustainability (West/East) ▪ Lead Vehicle Maintenance Manager ▪ District Manager
	Stations, Branches, and MPOs: <ul style="list-style-type: none"> ▪ Facility Responder ▪ East/West Field Team Contact Person ▪ Postmaster or Station/Branch Manager ▪ Manager Regional Environmental Compliance and Sustainability (West/East) ▪ POOM or PCES Postmaster ▪ District Manager
61 Days Overdue	<ul style="list-style-type: none"> ▪ Same recipients as 31 Days Overdue. This is the final notification.
91 Days Overdue	<ul style="list-style-type: none"> ▪ Monthly ETK automatically “rolls-up” reports of ECRs that are past 181 days from ECR completion date and sends them to Office of Sustainability management.

Source: Postal Service Office of Sustainability.

Appendix E: Management's Comments

THOMAS G. DAY
CHIEF SUSTAINABILITY OFFICER



June 10, 2014

Michael A. Magalski
Deputy Assistant Inspector General
for Support Operations

Subject: Environmental Compliance Review Closeout Process
(Report Number HR-AR-14-DRAFT)

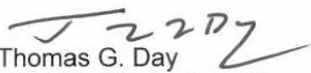
I have reviewed the above mentioned OIG report and recommendations on Environmental Review Closeout Process. I am in agreement with the findings and have provided the response herein. Management acknowledges there are no exemptions under FOIA.

OIG Recommendations:

We recommend the chief sustainability officer:

1. Establish and implement formal environmental compliance review follow-up procedures that ensure continued escalation and assistance until observations are closed and coordination with operations management at the headquarters, area, district and facility level are appropriate.

I issued a defined implementation process on May 29, 2014 to all members of the Office of Sustainability staff (see attached Word document). This process is in effect for all FY 2014 Environmental Compliance Reviews.


Thomas G. Day
Chief Sustainability Officer
United States Postal Service

Cc: Manager - Environmental Compliance and Risk Management, Asif Ansari
Manager – Regional Sustainability Initiatives (East), Nick DeCarlo
Manager – Regional Sustainability Initiatives (West), Judy Wingo-Stalinger

475 L'ENFANT PLAZA SW
WASHINGTON, DC 20260-4232
www.usps.com

FY2014 Environmental Compliance Review Escalation Process

1. At the conclusion of an Environmental Compliance Review (ECR) the findings and best management practices (BMPs) will be presented to the Installation Head or designee.
2. The Installation Head/designated staff, with support from the Office of Sustainability, will correct or mitigate all of the findings/BMPs from the ECR within 90 days.
3. The East/West Regional Field Team staff will monitor the completion of all findings/BMPs. They will provide technical support/guidance to assist the facility with correcting or mitigating findings/BMPs and verify that the facility's corrective actions are properly documented in the Environmental Toolkit (ETK). The East/West Regional Field Team staff will request assistance as needed from the Regional Manager, Environmental Compliance and Sustainability, to facilitate corrective action.
4. At 15 days prior to the 90 day due date, an ETK e-mail notification is sent to the ETK Facility Responders, East/West Regional Field Team staff and the Installation Head as a reminder that the findings/BMPs are due.
5. The appropriate Regional Manager, Environmental Compliance and Sustainability will notify via email the Installation Head, Lead District Maintenance Manager /Lead District VMF Manager /POOM or PCES Postmaster as necessary if the facility does not complete their findings/BMPs within 90 calendar days from the ECR end date.

In addition an ETK e-mail ECR escalation notification will also be sent on the 1 day overdue date to ETK Facility Responders, East/West Regional Field Team staff, Installation Head, Regional Manager, Environmental Compliance and Sustainability; and the Lead District Maintenance Manager/ Lead District VMF Manager / POOM or PCES Postmaster as appropriate.

6. At 30 days past the due date, if a facility does not complete their findings/BMPs the Regional Manager, Environmental Compliance and Sustainability will escalate the notification, via email, to the appropriate, District Manager and/or Senior Plant Manager as necessary.

In addition, ETK e-mail ECR Escalation notifications will also be sent to the ETK Facility Responders, East/West Regional Field Team staff, Installation Head, Regional Manager, Environmental Compliance and Sustainability and the Lead District Maintenance Manager/ Lead District VMF Manager/POOM or PCES Postmaster, District Manager and Senior Plant Manager.

7. At 60 days past the due date, if the findings/BMPs have still not been corrected, the Regional Manager, Environmental Compliance and Sustainability will notify via email, the appropriate Area Manager Operations Support.
8. At 60 days past the due date, or at any time prior as needed, the Regional Manager, Environmental Compliance and Sustainability, will determine if higher level notification (i.e. Vice President Area Operations, Vice President Facilities, etc.) is required by the Chief Sustainability Officer. The Regional Manager's determination regarding facility responses will include, but is not limited to pending FSSP actions, regulator or policy issues etc.