



April 1, 1999 - September 30, 1999



OFFICE OF INSPECTOR GENERAL

Semiannual Report to Congress

Including Significant Activities of the Inspection Service





KARLA W. CORCORAN
Inspector General

A Message from the Inspector General

From Vision to Value

As we near completion of our third year, we recognize what a productive, gratifying, and rewarding time it has been since our inception. Since we began hiring staff in 1997, many hardworking, dedicated people have contributed their skills, talents, and professional expertise to building an organization and producing a body of work that is emerging as a valuable contribution to the United States Postal Service. In the last six months, with the support of the Postal Service Governors and the assistance of the management and employees, we issued over 100 reports representing over \$1.1 billion in savings and potential cost avoidance during the current and future years. We also performed investigations resulting in \$2.1 million in fines, recoveries, and restitution.

We are extremely proud of these accomplishments and will strive to continually provide high quality work and add value to the United States Postal Service. In addition to the results you will read about in this report, we have had many other significant accomplishments over the past six months. Some of these include:

- ◆ submitting written testimony regarding sweepstakes mailings to the House Subcommittee on the Postal Service;
- ◆ being recognized within the Inspector General community with 12 awards acknowledging our innovation and leadership, including four Awards of Excellence; and
- ◆ attending the 22nd Universal Postal Union Congress in Beijing, China, as a U.S. delegate.

With all of our recent accomplishments, it is hard to believe that three years ago we were merely a concept. At that time, Congress recognized that the American public needed an independent and objective perspective on Postal Service operations and activities. Since 1997, we have built our organization based on a vision of “A Constellation of Talented People Making a Difference.” In a recent oversight hearing before the House Subcommittee on the Postal Service, Chairman John McHugh characterized the Postal Service Office of Inspector General (OIG) as a “valuable partner” in the effort to combat fraud, waste, abuse, and mismanagement.

Our successes have been the result of unending and sometimes exhausting hard work, unflinching determination of staff, and the welcome support and assistance of so many others. As the OIG has evolved, we have moved through several levels of development: from building our infrastructure, to learning about the Postal Service, to identifying systemic issues and measuring results.

This Semiannual Report to Congress details our significant activities and accomplishments, as well as those of the Inspection Service from April 1 to September 30, 1999. Submission of this report fulfills our reporting requirements under the Inspector General Act and Inspection Service requirements under the Mail Order Consumer Protection Act. This also represents a comprehensive reporting of the work of both our office and the Inspection Service’s efforts to combat fraud, waste, abuse, and mismanagement within the Postal Service.



Deputy Postmaster General Michael Coughlin at his retirement in June with Inspector General Karla W. Corcoran.

In this reporting period, we issued 22 audit reports, 81 management advisory reports and other products, and closed 36 investigations. The work of the over 2,100 Postal Inspectors included 36 contract audits that identified approximately \$16.3 million in questioned and unsupported costs and more than \$35.9 million in funds put to better use. The Inspection Service also issued 255 other audits and 121 expenditure, financial, and revenue investigative reports. Our combined efforts resulted in more than 500 written products to strengthen Postal Service programs and operations.

In addition, our investigations resulted in arrests of five individuals and in the convictions of five individuals. Inspection Service investigations resulted in the arrests of 5,246 individuals and in the convictions of 4,864 individuals stemming from charges brought during this and prior reporting periods.

The last six months have also brought many changes. One of those changes was the retirement from the Postal Service of Deputy Postmaster General Michael Coughlin in June. Mr. Coughlin was one of the first Postal Service executives to openly support the OIG through his letter to Postal Service officers informing them that they could not retaliate against employees who reported wrongdoing to us. Chief Postal Inspector Kenneth J. Hunter also announced his retirement. His assistance was invaluable in helping us establish a separate OIG. We also welcomed the new Chief Postal Inspector, Kenneth C. Weaver, with whom we share the same goal—to improve Postal operations. We have agreed to renew the teambuilding started with former Chief Inspector Hunter, with the objective of increasing communications, trust, and coordination between the two organizations.

We have also changed the format of this Semiannual Report to Congress to make it easier for readers to locate information and to more clearly articulate what we have done and where we are headed. We have added a new Customer Service section that explains how the OIG strives to serve its customers, specifically in the areas of Congressional and Governors' requests, Freedom of Information Act requests, Hotline operations, Postal management requests for reviews, and legislative and regulatory reviews. The Inspection Service and our work is now highlighted under six subject areas: performance; technology; financial management; labor management; oversight of the Inspection Service; and other significant issues. In addition, we have incorporated relevant legislative and regulatory reviews into each appropriate section instead of reporting them in a separate section as in past reports.

As we enter our fourth year, we believe that the establishment of an independent Postal Inspector General by Congress in late 1996 has resulted in the:

- ◆ enhancement of Postal Service economy, efficiency, and integrity;
- ◆ creation of a truly independent voice;
- ◆ development of a venue for all employees and other stakeholders to confidentially report allegations of fraud, waste, abuse, and mismanagement; and
- ◆ delivery of objective information and analyses of Postal Service operations to all Postal stakeholders, including Congress and the Postal Service Governors.

As the Postal Service reevaluates the role it will play in a highly technological and increasingly competitive environment, we will continue to provide the Postal Service, the Governors, and Congress with accurate, timely, and objective information. We look forward to continuing to work with the Governors, the Postmaster General, and Postal Service management and staff to improve Postal operations.

Sincerely,

Karla W. Corcoran
Inspector General

October 31, 1999

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Executive Summary



What is the value of jointly reporting OIG and Inspection Service results in a unified Semiannual Report?

A unified Semiannual Report to Congress provides a complete accounting to the Postal Service stakeholders on joint efforts to prevent and detect fraud, waste, abuse, and mismanagement in the major programs and operations of the Postal Service.

This Executive Summary highlights the Office of Inspector General (OIG) and Inspection Service accomplishments from April 1, 1999 through September 30, 1999, that are contained in this Semiannual Report to Congress.



The OIG Management Committee consists of (left to right) Assistant Inspectors General Richard Chambers, Sylvia Owens, Ronald Merryman; Inspector General Karla Corcoran; Assistant Inspectors General Norm Hancock and Billy Sauls; and General Counsel Tom Coogan.

EXECUTIVE SUMMARY

This Executive Summary provides a brief synopsis of the work reported during this six-month period. This issue of our Semiannual Report addresses the major challenges the Postal Service faces as it enters the 21st century, and the many reviews performed—from preparing for Year 2000 (Y2K) readiness, to exploring electronic commerce and computer intrusion issues, to investigating mail thefts and workplace violence—that help improve Postal operations.

The OIG and the Inspection Service conduct reviews and investigations—independently and collaboratively—that play a vital role in helping the Postal Service make improvements. Work performed by both the OIG and the Inspection Service is included in this report. We have included examples of Inspection Service work to present Congress and the Governors with a unified report of the work being done within the Postal Service to combat fraud, waste, abuse, and mismanagement.

In this, our sixth Semiannual Report, we have changed the report organization from the “Voice of the Employee,” “Voice of the Customer,” and “Voice of the Business,” to six subject matter areas:

- ◆ performance,
- ◆ technology,
- ◆ financial management,
- ◆ labor management,
- ◆ oversight of the Inspection Service, and
- ◆ other significant issues.

We also created a new section called “Customer Service” which outlines OIG and Inspection Service commitment to providing the best quality customer service available. We believe this new format provides a clearer understanding of where our work falls within the major management and program challenges facing the

Postal Service, which include:

- ◆ achieving Y2K readiness;
- ◆ remaining viable in a highly competitive environment;
- ◆ leveraging technology;
- ◆ ensuring data reliability;
- ◆ enhancing financial and operational performance;
- ◆ increasing customer service and satisfaction; and
- ◆ improving work climate and labor relations.

The following highlights the OIG and Inspection Services’ accomplishments as reported in the body of this report under the six subject areas.

(1) The area of **performance** focuses on performing critical core business processes needed to succeed in a competitive environment. The OIG conducted 28 reviews in this area, which included projects that will help save the Postal Service over \$1.1 billion in current and future years. A few examples of work in this area include reviews on the:

- ◆ Corporate Call Management Program;
- ◆ emergency trip expenditures on highway routes;
- ◆ rail detention costs; and
- ◆ Priority Mail Processing Center Network.

The Inspection Service focused on:

- ◆ improving registered, priority, and First-Class Mail service;
- ◆ vehicle utilization; and
- ◆ mail thefts amounting to over \$4 million.

(2) In the area of **technology**, which encompasses Y2K preparation, information systems and infrastructure, developmental systems, telecommunications, and computer security, the OIG:

- ◆ issued four reviews on Postal Service Y2K readiness;
- ◆ reviewed the Point of Service (POS) ONE system; and
- ◆ made several recommendations to improve computer security.

The Inspection Service:

- ◆ helped ensure that Postal Service electronic commerce products and services remain secure.

(3) In the area of **financial management**, which incorporates financial management, contracting, and facilities practices, the OIG completed 33 reviews, and conducted investigations resulting in five convictions, five arrests, and recoveries and restitution of over \$2.1 million, which included:

- ◆ reviewing the Dinero Seguro money transfer program and subsequent discovery of a money laundering scheme;
- ◆ monitoring Postal Service compliance with the Bank Secrecy Act; and
- ◆ reviewing five contracts and facilities that resulted in over \$2 million in recovered costs.

In addition to other work, the Inspection Service:

- ◆ conducted 111 financial installation and 17 district office audits to review the adequacy of internal controls;
- ◆ performed numerous contracting and facilities audits, one of which focused on services related to Mail Transportation Equipment Service Centers and identified approximately \$6.7 million in questioned and \$1.8 million in unsupported costs; and
- ◆ investigated a major printer of catalogs and magazines for underreporting charges due to the Postal Service, which led to a \$22 million settlement.

(4) The **labor management** area focuses on issues related to violence in the workplace, workplace climate, health care, and the Postal Employees Safety Enhancement Act. During this reporting period, the OIG conducted 36 reviews in this area, including:

- ◆ an audit of the violence prevention program in the Suncoast district that found proper violence prevention procedures were not followed;
- ◆ a review that disclosed that a plant manager endangered employees by encouraging the purchase of a pistol which was brought to an official function; and

- ◆ an examination of processing employee injury claims which led to recommendation to improve the process.

The Inspection Service:

- ◆ conducted a workplace behavior audit which led to recommendations to ensure threat assessment team activity consistency;
- ◆ investigated 62 robberies, one of which resulted in the sentencing of a ringleader and his accomplice of three robberies in California and restitution of \$53,000; and
- ◆ arrested 14 Postal Service employees for narcotics violations.

(5) In the area of **oversight of the Inspection Service**, the OIG completed 10 reviews. A sampling of those include:

- ◆ an audit to determine if inspectors performing audits were properly classified as law enforcement officers; and
- ◆ a review of a contractor's allegation of misconduct by Postal inspectors.

(6) **Other significant reviews** included projects that do not readily fall into the other five categories. The OIG reviews include:

- ◆ an effort to improve the administration of Postal Service's ethics program;
- ◆ ongoing investigations of senior-level Postal Service executives; and
- ◆ monitoring of the Government Performance and Results Act.

The Inspection Service conducts numerous audits and investigations covering significant issues in the areas of: physical security, narcotics trafficking, fraud against businesses, fraud against consumers, fraud against the government, child exploitation, mail bombs and threats, and prohibited mail.

In addition to these six subject matter areas, the section "Major Management Issues Facing the Postal Service" expands on the most significant issues currently facing the Postal Service. The "Overview" and "Organization" sections provide a snapshot of the internal workings of the OIG and the Inspection Service; and the "Goals" section describes our visions and future direction.

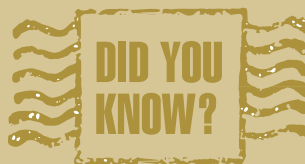


What is the OIG's primary responsibility?

The primary responsibility of the OIG is to prevent, detect and report fraud, waste and program abuse and to promote efficiency in the programs and operations of the Postal Service.



Major Management Issues Facing the Postal Service



Does the Postal Service have to follow Federal Government laws and rules like other agencies?

No. Except for certain laws and regulations expressly made applicable to the Postal Service, most federal laws of government-wide applicability do not apply to the Postal Service. This permits the Postal Service, an independent establishment of the executive branch, to operate in a business-like manner.



Is the OIG responsible for all audits with the Postal Service?

Yes. In January 1999, the Postmaster General re-emphasized to all Postal Service officers the audit roles of the OIG. Specifically, the OIG is responsible for performing or contracting for all Postal Service audits, as well as establishing procedures for management-requested audits. In addition, the OIG will serve as the focal point with other agencies, to coordinate work efforts and avoid any duplication. Postal Inspectors have continued to perform audits to assist OIG during the transitional period.



Achieving Y2K readiness is a major management issue facing the Postal Service.



MAJOR MANAGEMENT ISSUES FACING THE POSTAL SERVICE

The mission of the Postal Service is to provide prompt, reliable, and efficient universal mail service at reasonable rates. To fulfill this mission, the Postal Service's goals are to satisfy its customers, improve employee and organizational effectiveness, and strengthen financial performance. To achieve these goals, the Postal Service must address a number of significant issues. Some of these issues arise from external factors such as new legislation, regulations, and competition. Other issues are internally based such as enhancing productivity, managing costs, and improving labor management.

In order to identify the highest priority issues facing the Postal Service, the OIG - with the assistance of Postal Service Governors, management, unions, and management associations - responded in 1998 to a Congressional request and identified 10 major management issues facing the Postal Service. Given the dynamic environment in which the Postal Service is operating, management issues are evolving rapidly. As a result, OIG recently updated the list of major issues facing Postal Service management at the beginning of a new century.

The revised list consists of 7 issues that consolidate the previously identified 10 issues. The current list includes: (1) achieving Y2K readiness; (2) remaining competitive in a dynamic environment; (3) leveraging technology; (4) ensuring data reliability; (5) enhancing financial and operational performance; (6) increasing customer service and satisfaction; and (7) improving the work climate and labor relations.

The following information discusses the significance of each issue in more detail and identifies some of the reviews OIG has scheduled to address each issue during Fiscal Year (FY) 2000.

ACHIEVING Y2K READINESS

The Y2K challenge remains the most urgent and critical technology issue facing the Postal Service. The Y2K problem results from the way in which automated systems store and process dates. In many systems, the Year 2000

will be indistinguishable from the Year 1900, thereby causing potential system failures. The Postal Service is heavily dependent on its own internal automation to carry out its processing and distribution functions as well as on its many suppliers that are highly automated. Because of this dependency, the Postal Service is highly susceptible to the Y2K problem.

Both the private sector and government have indicated that they may need to rely on the Postal Service as a contingency plan if their systems fail on January 1, 2000. The Postal Service has made significant progress in areas such as systems correction (remediation), systems readiness verification (validation), reporting quality, budgeting, and contracting. However, with only two months remaining until the Year 2000, work still needs to be completed in the areas of continuity planning and testing.

To address this major management issue in FY 2000, among other reviews, the OIG will:

- ◆ Monitor testing of business continuity and contingency plans in the months that remain before the Year 2000;
- ◆ Assess the Postal Service's response if Y2K recovery efforts are necessary; and
- ◆ Provide Congress, the Governors, and senior Postal Service management with accurate and timely information on the status of Y2K readiness within the Postal Service.

REMAINING COMPETITIVE IN A DYNAMIC ENVIRONMENT

The Postal Service is operating in a highly competitive environment unprecedented in its history. Maintaining or building market share will prove to be a significant challenge given the emergence of the private delivery industry, aggressive foreign competitors, the Internet, electronic communications, and electronic commerce.

Competition from the Internet, electronic communications, and electronic commerce may prove even more formidable than that experienced from private and foreign competitors. The Postal Service recently projected that First-Class Mail volume will decline at an annual rate of 2.5 percent beginning in FY 2003. The most significant threat is posed by the Internet, which may siphon off as much as \$17 billion

annually in remittance mail revenue. A decline of such a magnitude in the Postal Service's core mail products could significantly threaten universal service. The Postal Service has recognized this challenge, and is developing strategies to mitigate the impact of competition on revenues and postal rates.

In addition, the Postal Service's private delivery competitors have been particularly critical of what they view as the competitive advantage accruing from the Postal Service's monopoly on First-Class Mail service. Further, the Postal Service has been criticized for introducing non-postal products, and has generally been restricted to offering "traditional postal services." Therefore new initiatives have not been a significant factor in generating revenue. To address this major management issue in FY 2000, among other reviews, the OIG will:

- ◆ Assess the use of the "Electronic Postmark" in establishing a Postal Service role in Internet commerce;
- ◆ Review strategic and operational planning for electronic commerce;
- ◆ Evaluate the infrastructure needed to support electronic commerce activities;
- ◆ Assess the status of *PC Postage* and its potential for revenue generation;
- ◆ Examine the role of marketing in maintaining and promoting the Postal Service's competitiveness;
- ◆ Evaluate the marketing strategy effectiveness of local advertising initiatives; and
- ◆ Evaluate planning in transportation contracting to prepare for the potential loss of First-Class Mail to electronic commerce.

LEVERAGING TECHNOLOGY

Like everyone else, the Postal Service is seeking ways to use the constantly changing technology to improve its service, productivity, and profitability. While it depends on technology to deliver more than 650 million pieces of mail every day, the Postal Service must continue to adapt to each new wave of technology quickly to maintain its market presence. The Postal Service budgeted almost \$1 billion in FY 1999 for the information systems portion of the technology arena alone. However, technology

consists not only of traditional information systems, but also of information technology infrastructure, automated equipment, systems, and processes. The Postal Service technology strategy is to provide convenient access to every customer, everywhere, every day. The Postal Service plans to achieve this strategy by fielding smarter retail systems, expanding into new electronic access channels, and providing electronic linkages that integrate customer and Postal Service processes. However, at a recent conference of Postal executives, a major mailer advised that in the field of technology, "it is the fourth quarter, and the Postal Service needs to get in the game."

To address this major management issue in FY 2000, among other reviews, the OIG will:

- ◆ Assess efforts to establish a Postal-wide computer security program and other critical infrastructure initiatives;
- ◆ Examine specific aspects of Internet security;
- ◆ Assess the effectiveness of security controls over telecommunications;
- ◆ Evaluate the integrity of key electronic commerce systems;
- ◆ Evaluate the performance and costs associated with the Tray Management System;
- ◆ Monitor and evaluate the research of new automation initiatives critical to the Integrated Postal Facility;
- ◆ Evaluate the performance and costs associated with the Robotics Program; and
- ◆ Provide continuous review of the POS ONE development and deployment.

ENSURING DATA RELIABILITY

Reliable data is a key ingredient for effective decisionmaking, and is also vital to measuring performance and gauging the overall success of an organization. For the Postal Service, reliable data is also essential in the rate-making process. Further, in many instances, we have found that the Postal Service does not capture the necessary data for effective decisionmaking. Despite the importance of reliable data, a recent study on data reliability within the Postal Service concluded that the increasing pace of change in the environment and technology of



Increasing service and satisfaction to over seven million customers every day is a major management issue facing the Postal Service.

the Postal Service's operations have led participants, including ratemakers, to raise criticisms about the quality of the Postal Service's data systems and procedures.

Observations in the study parallel those in OIG reports to date. The long-term success of the Postal Service will depend on its ability to generate timely and reliable data for decision makers.

To address this major management issue in FY 2000, among other reviews, the OIG will:

- ◆ Evaluate the accuracy and reliability of the External First Class Measurement System;
- ◆ Examine the integrity and reliability of data used to compute Total Factor Productivity;
- ◆ Monitor implementation of the Government Performance and Results Act;
- ◆ Evaluate the reliability of information supporting the construction of new facilities; and
- ◆ Assess the reliability of vehicle maintenance data.

ENHANCING FINANCIAL AND OPERATIONAL PERFORMANCE

The Postal Service must improve its financial and operational performance to ensure universal mail service at affordable rates. Unlike other government agencies, the Postal Service is funded almost entirely from revenues generated by operations. The Postal Service's ability to maintain affordable rates is dependent on controlling costs, protecting revenues, and improving productivity. Postal Service management must concentrate on streamlining operations and providing competitively priced products and services. Monitoring performance and making sound business decisions is critical if the Postal Service is to be a viable provider of mail and package delivery service in the future.

To address these major management issues in FY 2000, among other reviews, the OIG will:

- ◆ Assess the financial impact of the Postal Service's FY 1999 budget reductions and cost containment initiatives;
- ◆ Evaluate the Postal Service's Christmas operations to identify means of better aligning transportation costs with corresponding revenues;

- ◆ Determine whether the Mail Transportation Equipment Service Centers are achieving stated performance and financial goals;
- ◆ Ascertain if the Postal Service is adequately identifying and handling hazardous materials shipments;
- ◆ Evaluate the Postal Service's policies and procedures for developing capital budgets;
- ◆ Examine the Postal Service's policies and procedures for developing annual appropriation requests;
- ◆ Review potential environmental liabilities;
- ◆ Determine the effectiveness of the process for making major investment decisions within the Postal Service Decision Analysis Reports; and
- ◆ Assess the accuracy of payments to high-way contractors.

INCREASING CUSTOMER SERVICE AND SATISFACTION

In today's marketplace, customers have choices about how they conduct transactions, transmit messages, and deliver merchandise. The Postal Service views its access to the American household as a unique asset that it can rely on in the face of increasing competition. Increasing service delivery and customer satisfaction will be key to building loyalty and growing new business. Timely, reliable, and consistent delivery performance is one measure of quality service as perceived by customers. Increasing flexibility within the Postal Service network to match the diversity of its customers will also be important to enhancing customer satisfaction.

To address this major management issue in FY 2000, among other reviews, the OIG will:

- ◆ Evaluate the appropriateness of the measures used to assess air carrier performance;
- ◆ Examine the sufficiency and appropriateness of the Priority End-to-End Measurement System;
- ◆ Review the effectiveness of performance standards in place for retail clerks;

- ◆ Assess the effectiveness and attainment of established performance measures for the Kansas City Stamp Fulfillment Center;
- ◆ Perform a comprehensive review of retail operations in a major metropolitan area; and
- ◆ Evaluate delivery confirmation to assess whether packages are being scanned properly at the time of delivery, attempted delivery, forwarding, or returning to sender.

IMPROVING THE WORK CLIMATE AND LABOR RELATIONS

The Postal Service has characterized labor management as one of its most important challenges in achieving its goals in the 21st century. With approximately 800,000 career and 100,000 part-time employees, improving workplace relations among labor, management, and the unions and associations that represent them, is a key objective within the Postal Service.

To operate effectively in a rapidly changing environment, the Postal Service will need to give the needs of its employees a higher priority and enhance each employee's contributions to organizational performance. To think creatively and perform in their greatest capacity, employees must not only have the technical skills needed to perform the work but also have a safe and healthy workplace.

To excel in this dynamic environment, the Postal Service needs to resolve persistent labor management problems, such as adversarial attitudes, disparate treatment of employees, and management styles that negatively affect productivity. Eliminating these problems and embracing technological advancements will require partnering with employees and the unions that represent them.

In addition to traditional labor management challenges, the Postal Service faces a new challenge as a result of the Postal Employees Safety Enhancement Act. This statute extends many of the provisions of the Occupational Safety and Health Act to the Postal Service. In addition, the Postal Service faces the continuing challenge of managing employee injuries and the resulting costs relating to workers' compensation claims.

To address these major management issues in FY 2000, among other reviews, the OIG will:

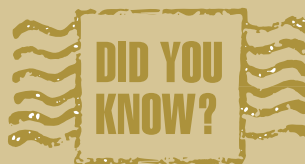
- ◆ Review Postal Service initiatives to improve the organizational climate;
- ◆ Assess implementation of the Postal Employees Safety Enhancement Act and its impact on the organizational climate and operations;
- ◆ Evaluate the criteria supporting violence-prevention strategies;
- ◆ Review the violence prevention program to determine the impact on workplace climate and operations;
- ◆ Ascertain the effectiveness of workplace climate assessments;
- ◆ Examine administration of light and limited duty assignments; and
- ◆ Review the consistency of disciplinary actions.



OIG and other Postal officials attended the Universal Postal Union Congress in Beijing, China, which was opened by China's President Jiang Zemin.



Postal Service Reported Accomplishments



What is a "performance" audit?

Performance audits assess whether Postal Service operations are managed economically and efficiently, achieve desired results, and are in compliance with applicable laws and regulations.



How is the OIG funded?

The OIG budget is approved by the Postal Service Governors and funded with Postal Service revenues. The FY 2000 budget for OIG is \$72 million.

Our goal is to work in concert to assist the Postal Service in ensuring that the American people continue to receive the best postal service in the world. Highlighting the Postal Service's accomplishments for this six months provides context to OIG and Inspection Service activities.

During this period, senior Postal Service management reported the following accomplishments:

PERFORMANCE

- ◆ Added 163 ZIP Code areas to those measured by the independent External First-Class Measurement System; measured on-time performance in 465 regions nationwide;
- ◆ Established the information infrastructure necessary to confirm the delivery of parcels; called "Delivery Confirmation," the service requires a nominal up-front fee; delivery reports are available to customers via a toll-free number and the world-wide web;
- ◆ Earned three "Closing the Circle" awards from the White House for programs that conserve resources and protect the environment; the awards recognize accomplishments in the recycling of electronic components and batteries and the construction of "green" buildings; and
- ◆ Authorized the purchase of 500 electric vehicles, making the Postal Service one of the biggest investors in zero-emissions vehicles in the world; present inventory of alternate fuel vehicles is more than 8,000 and is expected to grow to more than 30,000 by 2001.

FINANCIAL MANAGEMENT

- ◆ Challenged managers at every level to boost productivity and reduce costs to make up shortfalls from the deferred rate increase; in spite of lower than expected revenues, projected year-end net income was \$300 million; and
- ◆ Increased to more than \$8 million the total raised for breast cancer research by the Breast Cancer "semi-postal" stamp.

TECHNOLOGY

- ◆ Accomplished the Y2K remediation of its 137 mission-critical systems; created more than 500 contingency plans to work around potential Y2K disruptions; continued to field test the Y2K readiness of systems under "real world" conditions;
- ◆ Launched *PC Postage*, a service that enables customers to purchase postage via the Internet and to imprint a valid indicia on envelopes and letters; and
- ◆ Announced the establishment of a "public key" infrastructure to protect the security of postal services which include an electronic component.

LABOR MANAGEMENT

- ◆ Supported landmark agreements to formalize cooperation with the National Postal Mail Handlers Union and the National Rural Letter Carriers Association to create a safer, healthier workplace; the agreements parallel an earlier agreement with the American Postal Workers Union.

INSPECTION SERVICE

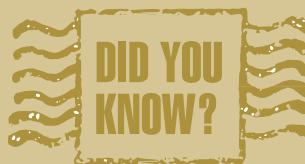
- ◆ Named Kenneth C. Weaver as the new Chief Postal Inspector, succeeding Kenneth J. Hunter, who retired having recently received an award from the Association of Certified Fraud Examiners for his lifetime work in preventing and detecting fraud.

OTHER SIGNIFICANT ISSUES

- ◆ Supported the 1999 Tour de France winning team; publicity boosted awareness of Postal products and services worldwide, providing encouragement and hope to cancer victims through the remarkable accomplishments of Lance Armstrong.

This summarizes the Postal Service's accomplishments over the last six months as reported to the OIG by senior Postal management.

Overview



Does the OIG have access to all Postal Service documents and information?

The Inspector General Act specifically provides that the Inspector General is authorized “to have access to all records, reports, audits, reviews, documents, papers, recommendations, or other material available to the applicable establishments.”

The following section provides an overview of OIG and Inspection Service internal operations. To differentiate between the work reported by the OIG and Inspection Service, the pages containing the Inspection Service work have been color screened.



OIG Information Technology staff help maintain our computer proficiency.

OFFICE OF INSPECTOR GENERAL

AN INDEPENDENT MISSION, A COMMON GOAL

The OIG is independent of Postal Service management and is under the general supervision of nine Presidentially-appointed Postal Governors who also oversee Postal Service management. In January 1997, Karla W. Corcoran was appointed the first independent Inspector General for the Postal Service. From 1988 until the establishment of this newly established OIG, the Chief Postal Inspector performed dual roles as the Inspector General and Chief Postal Inspector and reported to the Postmaster General.

In carrying out its responsibility under the Inspector General Act, the OIG:

- ◆ conducts independent audits and investigations of Postal Service programs and operations to ensure the efficiency and integrity of the Postal Service;
 - ◆ exercises oversight responsibility for all activities of the Inspection Service; and
 - ◆ keeps the Congress, the Postal Service Governors, and management fully and currently informed about problems, deficiencies, and the progress of corrective actions.
- ◆ provides expanded audit and investigative coverage of all Postal Service operations and activities, including rate-making, contract administration, labor management, computer intrusion, electronic commerce, and marketing;
 - ◆ conducts technological evaluations and investigations in areas such as Y2K, electronic commerce, and computer intrusion with experienced, specially trained staff;
 - ◆ provides oversight of the Inspection Service and performs independent reviews of complaints against Inspection Service employees;
 - ◆ facilitates audit resolution and follow-up, which provides meaningful mechanisms for resolving findings and recommendations where the OIG and Postal Service management are in disagreement, and for assuring that management implements corrective actions;
 - ◆ adds value to Postal Service operations, contributes to a more economical and efficient organization, and helps the Postal Service maintain its integrity through independent investigations, audits, and reviews;
 - ◆ serves as a venue for all employees and other stakeholders to report fraud, waste, abuse, mismanagement, and other improprieties and concerns, with protection from retaliation; and
 - ◆ achieves cost savings, enhances contract and program administration, and increases employee and program efficiency and integrity.

The OIG is independent, but it shares with the Inspection Service a common goal -- to improve Postal Service operations.

Benefits of an Independent Office of Inspector General

As an independent and distinct entity within the Postal Service, the OIG, which is separate from Postal management:

- ◆ provides management and the Governors, as well as the Congress, with timely, objective, and complete information and

analyses of Postal Service operations.

The OIG has demonstrated its independence in a variety of ways, including reporting its results to the Governors and Congress. For example, the OIG issued 14 reports within three years in the areas of new product development, new business processes, new and redesigned automated equipment, and automated systems development. Synopses of these reports were provided to Congress and the Governors in this and prior semiannual reports. In contrast, records indicate that for the five-year period before this OIG was established, reviews of 15 developmental projects had been opened, but not officially reported. While this office understands



Tray Management is one of the Postal Service developmental systems that OIG has reviewed and provided information to the Governors and management.

issues were discussed with management, developmental projects were not reported in the Semiannual Report to Congress until September 1998, after this OIG office was established.

In addition, the OIG is developing an audit resolution process for ensuring that management addresses and implements complete and timely corrective action on recommendations. This will be a new process because prior to the establishment of the new OIG, when management disagreed with a recommendation, the recommendation would not be pursued, tracked, elevated to the audit resolution official, or reported to the Governors or Congress. Sections of prior semiannual reports did identify unresolved findings. However, this information only described issues for which management had agreed to take corrective action that had not been fully implemented. These reports did not state where management had disagreed with the findings as envisioned by the requirement of the Inspector General Act. The new process will correct this lack of information by reporting recommendations with which management did not agree.

The purpose of the OIG in providing objective information, analysis, and recommendations is to improve Postal Service programs and operations. However, sometimes the information and analysis provided by the OIG might cause consternation for program and Postal Service management who may need to rethink previous decisions. The OIG is still working with Postal Service officials to inform them of the duties and responsibilities of an independent OIG.

OIG Vision and Values

The vision of the OIG is "A Constellation of Talented People Making a Difference." This vision is important because the mission of an Inspector General's office is to shed light on the problems of its agency and ensure that corrective action is taken. The OIG emphasizes these five fundamental values:

- ◆ Teamwork - combining diverse talents to achieve synergy;
- ◆ Leadership - encouraging each other to be the best each can be;
- ◆ Communication - facilitating honesty, openness, respect, and consideration for

the contributions and opinions of others;

- ◆ Creativity - cultivating fresh perspectives in the development of new processes and techniques that will improve Postal Service operations; and
- ◆ Conceptualization - developing viable solutions, based on OIG employees understanding the Postal Service perspectives and needs.

OIG Culture

The OIG culture demands that all people be treated fairly and be given the opportunity to develop their unique and diverse skills and abilities to their fullest potential. The OIG is committed to attracting a diverse and highly qualified workforce from government, the private sector, the Postal Service, and colleges and universities.

The OIG is proud of its diversity and is committed to developing and utilizing the talents of all its employees. Many of its employees have advanced degrees and are Certified Public Accountants, Certified Internal Auditors, Certified Information Systems Auditors, Certified Fraud Examiners, and Certified Acquisition Auditors. In addition, a number of its investigators hold law enforcement specialty certifications in areas such as polygraph examinations and seized computer evidence recovery. OIG criminal investigators receive rigorous training at the Federal Law Enforcement Training Center or an equivalent law enforcement academy. Employee education and professional certification enhances the OIG's ability to add value to the Postal Service.

OIG Diversity

During the past six months, OIG hired a total of 110 employees. As of September 30, 1999, 403 individuals are on board, of which 175 (43 percent) are women and 168 (42 percent) are minorities. Minorities include:

- ◆ 116 Blacks (28 percent),
- ◆ 27 Hispanics (7 percent),
- ◆ 23 Asians (6 percent), and
- ◆ 2 Native Americans (1 percent).

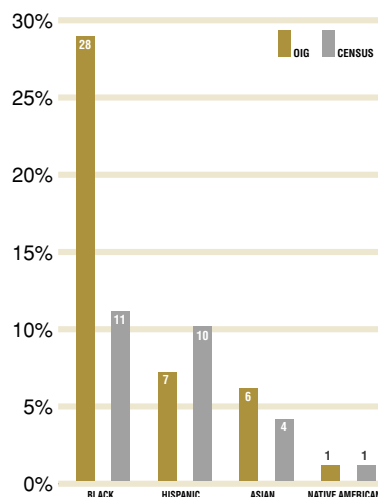
Based on the latest U.S. Bureau of the Census estimates, the OIG has met or exceeded the U.S. percentage of total population for each



A diverse and talented group of employees attending an OIG orientation class.

Diversity Statistics

COMPARISON OF OIG TO CENSUS INFORMATION



of these groups, except for Hispanics. The OIG senior-level staff is 35 percent female and 26 percent minority.

In August 1999, the Governors approved a FY 2000 budget of \$72 million, which will allow OIG to expand to 648 employees and five additional locations. To identify a diverse pool of highly qualified candidates for the 245 positions that need to be filled in FY 2000, OIG staff has attended numerous conferences, visited colleges, and gone to career fairs. With the unemployment rate at historic lows, hiring competent, talented individuals continues to be one of OIG's greatest challenges. In addition, the OIG may need to increase its staffing levels and hiring efforts because of a recent decision by the Inspection Service not to perform "Yellow Book" audits in the future. The OIG is reviewing this decision of the Inspection Service to determine what effect it will have on the OIG.

Striving To Be a Model Organization

The OIG strives to be a model organization by using the latest available technology, the most innovative ideas of its employees, and the best business practices of both the public and private sectors. Its internal goal is to build an efficient, effective, and economical organization. The OIG staff works to establish best practices by benchmarking with other organizations and exemplary performers. The OIG is also working to develop streamlined policies to facilitate innovation. By making its policies broad and flexible, the OIG encourages innovative thought and the development of improved processes and procedures. These include:

- ◆ forming interdisciplinary project teams of investigators, evaluators, statisticians, and attorneys for greater diversity and objectivity;
- ◆ using technology-based teams for computer intrusion, information systems audits, and electronic commerce;
- ◆ analyzing more data in a shorter time through specialized teams that use computer retrieval and system command languages;
- ◆ using electronic work papers and developing automated investigative programs that aid in the documentation and analysis of data; and

- ◆ designing a unique pay-for-performance system that rewards employees who demonstrate superior performance and share the vision and values of the organization.

NOTABLE OIG ACHIEVEMENTS

OIG Recognized Within the IG Community

On September 28, the OIG was recognized at the President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency Awards Ceremony with four Awards of Excellence and eight Honorable Mentions. The Awards of Excellence recognized our work in the areas of Y2K, labor management, computer intrusion, and electronic subpoenas.

OIG Submits Testimony Concerning Consumer Fraud

At the invitation of the House Subcommittee on the Postal Service, Committee on Government Reform, the OIG submitted written testimony on legislation concerning sweepstakes mailings. The legislation is an effort to help protect the American public from deceptive mailings and would give the Postal Service subpoena authority in the area of sweepstakes mailings. The OIG testimony supported the legislation; however, it suggested ways to improve the administrative subpoena authority if it is granted to the Postal Service.

OIG Pioneers Computer Intrusion Training

In cooperation with the National Aeronautics and Space Administration OIG, the Postal OIG sponsored 9 two-week computer intrusion training courses. Over 250 investigators, auditors, attorneys, and computer security officials in the Postal Service and in 25 other federal and local law enforcement agencies received specialized training.

OIG Receives Combined Federal Campaign Award

OIG was featured in the 1999 Combined Federal Campaign, "Catalog of Caring," as a "Pacesetter Award" winner, the only OIG so recognized. The Pacesetter Award is given to an agency that achieves at least a 2.8 percent increase over the previous year's results. In addition,



Assistant Inspector General for Employee Billy Sauls accepted the Award of Excellence for his team's work in Labor Management.



The OIG received twelve awards, including four Awards of Excellence from the Inspector General community for its work.

tion, the OIG received the Chairman's Award, which is the second highest award that can be issued to an agency for achieving 67 percent participation and a \$225 per capita gift donation.

New OIG Offices Established

The OIG established new offices by acquiring space and hiring staff in Atlanta, Georgia, and Denver, Colorado, and moved into permanent space in St. Louis, Missouri. The approval of the FY 2000 budget enables the OIG to establish additional offices in Chicago, Illinois; New York, New York; Los Angeles, California; and Raleigh, North Carolina.

Inspector General Serves as Delegate to Universal Postal Union

The Inspector General attended the 22nd Universal Postal Union in China as an official U.S. delegate in August 1999. She was accompanied by the Assistant Inspector General for Audits, who attended the World Conference on Direct Mail at the same time. During this visit, they were able to view the role of the Postal Service in the international arena firsthand.

OIG Successfully Enforces Subpoenas

The OIG continues its success in court enforcement of administrative subpoenas. Generally, the OIG goes to court to compel a party to comply with a subpoena after the party refuses to comply. In an unusual enforcement action, the OIG, together with the Department of Justice, successfully overturned a court's preliminary injunction obtained by the subject of an investigation to prevent the OIG from subpoenaing information from the subject's data processor.

Notification to Postal Service Employees of OIG Roles and Authorities

In a joint effort, the OIG and the Inspection Service updated the Postal-wide guidance published in the Administrative Support Manual to reflect the responsibilities of the OIG. The chapter, entitled "Audits and Investigations," appeared in the July 1999 edition of the manual. Specifically, the changes identify the OIG as an independent entity with the authority and responsibility to conduct audits and investigations as well as having oversight

responsibility of the Inspection Service. The changes also describes the designation of audit and investigative functions between the OIG and the Inspection Service.

Assistant Inspector General Receives Award

Assistant Inspector General for Investigations Sylvia L. Owens received the "Breaking the Glass Ceiling" Award from the National Center for Women and Policing. This award is given to women who have been promoted into executive positions in the federal, state, and local law enforcement community.

OIG Workplace Climate Survey Yields Favorable Results

Over two-thirds of OIG employees voluntarily participated in a workplace climate survey conducted by an expert in the law enforcement field. The survey indicated that even though the OIG is still a developing agency, it is a solid organization, posting scores that compare favorably to long-established government agencies and Fortune 500 companies.

PROGRESS IN BUILDING THE OIG INFRASTRUCTURE

As the OIG has continued to build its infrastructure, it established:

Human relations processes and systems, including:

- ◆ a 360-degree feedback evaluation system;
- ◆ an interim pay-for-performance system;
- ◆ an extensive screening process for potential new employees;
- ◆ a thorough pre-employment background investigation process;
- ◆ 10 one-week orientation classes for new employees;
- ◆ a biweekly employee newsletter; and
- ◆ a three-week Postal-specific investigative training program.

Administrative resources services, including:

- ◆ placement of management controls over its internal processes;
- ◆ development of its own contracting function;
- ◆ establishment of OIG offices by identifying, leasing, and developing space to



Chapter 2 describes the OIG's audit and investigation responsibilities.



OIG has established quarterly firearms training for its criminal investigators.

accommodate OIG staff in various locations throughout the country;

- ◆ performance of numerous quality assurance and internal reviews; and
- ◆ implementation of an automated system that tracks work hours and projects.

Critical audit, investigative, and administrative processes, including:

- ◆ developing internal policies for describing OIG authorities and responsibilities;
- ◆ continuing to notify Postal employees at all levels of their right to report wrongdoing to OIG without fear of retaliation;
- ◆ engineering an electronic subpoena system to improve processing of Inspector General administrative subpoenas;
- ◆ deploying a report processing review staff to expedite and standardize issuance of reports;
- ◆ working with the Postal Service to ensure the development of a valid tracking system for recommendations from the external auditor, General Accounting Office, Inspection Service, and OIG;
- ◆ entering into an agreement with the Financial Crimes Enforcement Network to access numerous commercial, financial, and law enforcement databases to help with criminal financial investigations and audits;
- ◆ processing over 40 Freedom of Information Act requests and closing 50 Congressional responses;
- ◆ issuing 143 subpoenas (103 for the Inspection Service and 40 for the OIG); and
- ◆ providing quarterly firearms qualifications and defensive tactics training to OIG criminal investigators.

Strategic processes, including:

- ◆ revising OIG's five-year Strategic Plan;
- ◆ developing a universe of over 1,000 projects;
- ◆ preparing the FY 2000 Annual Performance Plan;
- ◆ achieving over 80 percent of the performance measurements for FY 1999, which resulted in a Team Award for OIG

employees;

- ◆ detailing a member of the OIG staff to the Office of Management and Budget to serve as a technical expert on Inspector General matters; and
- ◆ establishing computer intrusion and electronic commerce units.

CHALLENGES FACING THE OFFICE OF INSPECTOR GENERAL

A developing Postal Service OIG has numerous challenges, the majority of which fall into three broad categories: OIG infrastructure, internal to the Postal Service, and external to the Postal Service. As the OIG looks to the future, the key challenges in these categories are:

OIG Infrastructure:

- ◆ hiring additional talented and diverse staff;
- ◆ building its processes, policies, and procedures;
- ◆ promoting its values and culture; and
- ◆ continuing to forge ahead with its mission while being sensitive to the variety of extensive demands that are being placed on its employees in its evolving environment.

Internal to the Postal Service:

- ◆ continuing to add value by providing meaningful results on a timely basis;
- ◆ educating Postal Service management on the independence of the OIG and its duty to report any significant issues to the Postal Service Governors and Congress;
- ◆ resolving differences, including those concerning authority, roles, and responsibilities of OIG and the Inspection Service;
- ◆ maximizing the impact of OIG work by instituting effective resolution processes to enable Postal management to better respond to audit findings and recommendations;
- ◆ informing Postal Service officials of OIG's authority to make independent decisions on areas to review; and

- ◆ performing work and continuing to gain expertise in Postal Service programs, operations, and emerging issues.

External to the Postal Service:

- ◆ making the results of OIG's work publicly available without affecting the Postal Service's competitive position;
- ◆ educating Postal stakeholders on the OIG role;
- ◆ continuing to establish the OIG as a significant player in the Inspector General and federal law enforcement communities; and
- ◆ effectively dealing with Hotline and Congressional inquiries.

US Postal Service Areas Districts, Employpess and Facilities



	DISTRICTS	EMPLOYEES	FACILITIES
Allegheny	10	89,513	3,960
*Mid-Atlantic	9	104,606	4,798
Great Lakes	7	89,555	2,899
Mid-West	7	91,084	6,391
New York Metro	7	83,803	1,780

	DISTRICTS	EMPLOYEES	FACILITIES
Northeast	9	75,742	3,506
Pacific	10	100,562	2,348
Southwest	9	103,949	3,877
Southwest	7	86,014	4,205
Western	10	78,629	3,956
TOTALS	85	903,457	37,720

(*Includes Capital Metro & HQ's, Related REC)

Facilities data as of end of 9/27/99; Employee data as of 9/24/99

This chart illustrates the magnitude of Postal Service operations and the workforce that OIG reviews.

INSPECTION SERVICE

For more than two centuries, the role of the Inspection Service has been to preserve the public trust in the Postal Service. The Inspection Service enforces over 200 statutes related to crime against the U.S. mail, the Postal Service, and Postal employees and customers. The Inspection Service's mission has been refined over the years by statutes related to the U.S. mail, creation of a separate OIG, and the needs and requirements of the Postal Service and its customers. Through investigations and audits, the Inspection Service provides an essential service to the American public and the Postal Service. The Inspection Service has almost 4,500 employees, which includes over 2,100 Postal Inspectors, over 1,500 uniformed Postal Police Officers, and almost 850 professional support associates.

The national headquarters of the Inspection Service is organized into functional groups that report to the Deputy Chief Inspectors for:

- ◆ Business Investigations;
- ◆ Criminal Investigations;
- ◆ Professional Standards & Resource Development; and
- ◆ Administration.

The Inspection Service includes 23 field divisions that report directly to two Deputy Chief Inspectors for Field Operations. The field offices are also supported by five Operations Support Groups. The Inspection Service Forensic Laboratories, located at five sites, support field office investigations and provide state-of-the-art technology. Inspection Service offices are linked nationally through electronic systems with on-line connections to the National Crime Information Center and the National Law Enforcement Telecommunications System.

Postal Inspectors conduct criminal investigations, perform audits delegated to them from the OIG, make arrests for Postal offenses, serve warrants and subpoenas, and present evidence to prosecutors for action. Inspectors respond to emergencies involving Postal Service crimes, natural disasters, and other problems that affect the Postal Service.

Along with the coverage of the Postal

Inspectors, uniformed Postal Police Officers provide security around the clock at Postal facilities. Postal Police Officers, located at facility control centers, monitor robbery and burglar alarms to provide protection for Postal employees, property, and assets. The Postal Police Officers also provide escorts for the Postal Service for high-valued shipments, such as certain registered mail and Postal remittances.

Postal Inspectors work cooperatively nationwide with the OIG; Department of Justice; and other federal, state, and local law enforcement agencies. The expertise of the Inspection Service is recognized internationally, with Inspectors assigned to the U.S. National Central Bureau of Interpol in Washington, D.C., and to Interpol Headquarters in Lyon, France. The Inspection Service has a leading role within the Universal Postal Union, which has established the following priorities:

- ◆ prevent injuries to customers resulting from dangerous goods in the mail;
- ◆ prevent the loss or theft of mail entrusted by customers to world Postal administrations;
- ◆ prevent revenue and asset losses of world Postal administrations; and
- ◆ preserve customers' confidence in the mail.

Postal Inspectors are active members in councils and groups, such as the:

- ◆ Financial Crimes Enforcement Network;
- ◆ Organized Crime Council;
- ◆ International Policy Committee of the International Association of Chiefs of Police;
- ◆ International Association of Financial Crimes Investigations;
- ◆ Securities and Commodities Fraud Working Group;
- ◆ Economic Crimes Council;
- ◆ National Health Care Anti-Fraud Association;
- ◆ National Law Enforcement Explorers' Committee; and
- ◆ Asset Forfeiture Policy Advisory Group.

Postal Inspectors also work with the following organizations regarding child pornography



Postal Police Officers play an integral role in protecting Postal employees, facilities, and assets.

cases: the Child Exploitation and Obscenity Section of the Department of Justice; the National Center for Missing and Exploited Children; and the Standing Working Party on Offenses Against Minors, which is an international organization sponsored by Interpol.

The Inspection Service's forensic specialists and technical financial analysts play a vital role in supporting investigative, audit, and security functions of the Inspection Service. These professional technical employees perform a variety of tasks, which include:

- ◆ Providing forensic examinations;
- ◆ Developing, procuring, and deploying electronic security and surveillance equipment;
- ◆ Providing photography, video, and graphics support;
- ◆ Publishing policies, reports, manuals, handbooks, and consumer publications;
- ◆ Developing and maintaining management systems;
- ◆ Providing direct contact with Congress and the public; and
- ◆ Supplying administrative support.

Kenneth J. Hunter, who was appointed Chief Postal Inspector in 1992, announced that he would retire in October 1999 to pursue a career in the private sector. Kenneth C. Weaver, who has worked for the Postal Service for over 28 years as an Assistant Secretary to the Board of Governors and as a Postal Inspector, has been appointed by the Postmaster General as the new Chief Postal Inspector.

NOTABLE INSPECTION SERVICE ACHIEVEMENTS

Former Chief Postal Inspector Honored

Former Chief Postal Inspector Kenneth J. Hunter was chosen as the 1999 recipient of the Cressey Award, the Association of Certified Fraud Examiners' highest honor. Bestowed annually to signify lifetime achievement in the detection and deterrence of fraud, the award was named after one of the country's foremost experts on fraud, who was a founding father of the association. Under Mr. Hunter's direction, the Inspection Service initiated partnerships with national groups most affected by fraud

schemes, such as the credit card industry, the mail-in rebate industry, and the mail order industry.

Postal Inspector Receives Officer of the Year Award

Postal Inspector Robert C. Adams of the Southwest Division was presented with the Officer of the Year Award in May 1999 by Attorney General Janet Reno. Inspector Adams was recognized for his outstanding work in investigating a child sex ring that sexually abused minors, videotaped the abuse, and distributed the tapes across the country. As a result of the investigation, eight men were charged in federal and state courts for abusing at least 16 children, although the exact number may never be known.

Postal Inspector Receives Federal Bar Association Achievement Award

Postal Inspector Joseph Taranto of the Southern California District received the Federal Bar Association's Distinguished Achievement Award for his dedication to excellence and skilled leadership in investigating two car bombings and identifying suspects within 48 hours. Thanks to Inspector Taranto's efforts, the suspect was convicted on all six counts, including mailing a deadly explosive device, as well as for the two car bombings. The suspect was sentenced to two life terms, plus 10 years.

Postal Inspection Service Videos Receive Telly Awards

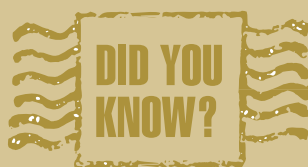
A video produced by the Inspection Service won a silver Telly Award and 4 others earned bronze awards, given in recognition for outstanding non-network television commercial, film and video productions. The award-winning video, entitled "Little Favor, Big Mistake," was distributed to bank tellers nationwide to alert them to deceptive techniques used to secure cash advances from stolen credit cards. Other bronze award-winning videos dealt with polygraphs, mail security, and job scams.



Kenneth Hunter retired after serving as Chief Postal Inspector from 1992 to 1999.



Organization



What are the locations of the OIG Headquarters and field offices?

The OIG is headquartered in Rosslyn, VA, and its other major office is the Western Duty Station in Dallas, TX. Other OIG field offices are located in Atlanta, Minneapolis, St. Louis, San Mateo, and Denver. OIG plans to open offices in Chicago, New York, Raleigh, and Los Angeles.

Office of Inspector General



The following section describes the organization of the OIG and the Inspection Service. The OIG is organized consistent with the three voices of the Postal Service CustomerPerfect! Program: Voice of the Customer, Voice of the Employee, and Voice of the Business. The Inspector General, General Counsel, the five Assistant Inspectors General, and the seven Deputy Assistant Inspectors General form the OIG Management Committee.

OFFICE OF INSPECTOR GENERAL

ASSISTANT INSPECTOR GENERAL FOR STRATEGIC PLANNING & QUALITY MANAGEMENT, Ronald Merryman

Deputy Assistant Inspector General, Wayne Goleski

ELECTRONIC COMMERCE TEAM

Director, Robert Batta - conducts reviews of Postal Service initiatives in the emerging field of electronic commerce, including areas such as information-based indicia and electronic bill payment.

FORENSIC AND TECHNICAL SERVICES TEAM

Director, John DeMaggio - provides technical support in such areas as surveillance, evidence recovery, firearms, computer forensics, and polygraph examinations; and maintains close liaison with technical experts in the law enforcement community.

INFORMATION TECHNOLOGY TEAM

Director, David Sidransky - manages computer operations and telecommunications within the OIG; operates the local and wide-area networks; provides computer security and technical support to OIG staff; and manages agency-wide information systems.

INTERNAL QUALITY TEAM

Director, Jim Nugent - instills continuous internal process improvement and facilitates internal communications through orientation, teambuilding, and mentoring.

QUALITY ASSURANCE/INTERNAL AFFAIRS TEAM

Director, George Davis - conducts internal reviews of OIG operations and procedures to ensure that they are effective and appropriate, provides advice on improving operations, and conducts reviews of allegations made against OIG employees.

STRATEGIC PLANNING TEAM

Director, Russ Barbee - anticipates and plans for current and future changes in the Postal Service, OIG operations, and technology by identifying workload, providing research and statistical analyses, informing Postal Service employees and customers about the OIG mission, and promoting the vision of the OIG.

ASSISTANT INSPECTOR GENERAL FOR AUDITS (PERFORMANCE), Richard Chambers

Deputy Assistant Inspectors General, Robert Emmons and Colleen McAntee

ACCEPTING AND PROCESSING TEAM

Director, (Vacant) - conducts audits and reviews focusing on mail acceptance and collection operations, and mail processing and distribution processes.

DELIVERY OPERATIONS TEAM

Director, Bennie Cruz - conducts audits and reviews to enhance delivery processes and operations and to improve customer satisfaction.

DEVELOPMENTAL TEAM

Director, Tracy LaPoint - conducts audits and reviews of new or redesigned Postal Service systems, programs, and operations that are under development.

FINANCIAL TEAM

Director, John M. Seeba - conducts audit work in support of the independent public accounting firm's annual financial audit opinion and conducts other financial-related audits to identify areas for improvement.



Deputy Assistant Inspectors General Wayne Goleski, Debra Pettitt, Richard Trinidad, Ronnie Wainwright, Ronald Stith, Colleen McAntee, and Robert Emmons.



How many employees work for the OIG?

As of September 30, 1999, OIG had 403 employees onboard.

OIG plans to hire an additional 245 staff in the next 12 months.



"Practice makes perfect" when executing law enforcement responsibilities.

SUPPORT TEAM

Director, Gwen Johnson - provides investigative support to all Performance teams, and conducts audits and reviews of the Postal Service enabling operations to include quality, government relations, and customer service.

TRANSPORTATION TEAM

Director, Debra Ritt - conducts audits and reviews focusing on domestic and international transportation, and logistics operations, specifically addressing Postal Service fleet operations and contracts for airline, highway, and rail services.

ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS (REVENUE & COST CONTAINMENT), *Sylvia L. Owens*

Deputy Assistant Inspectors General, Ronald K. Stith and Richard S. Trinidad

CONTRACT AUDIT TEAM

Director, Kim Stroud - improves Postal Service contracting by conducting audits and investigations of purchasing activities and operations.

FACILITIES TEAM

Director, Anthony T. Cannarella - conducts audits, management reviews, and investigations of all aspects of facilities including repair, renovation, and new construction.

HEALTH CARE TEAM

Director, Katherine K. Johnson - identifies and investigates medical providers that have falsely billed the Postal Service for work-related injury claims, and conducts audits of systemic issues involving the Workers' Compensation Program.

REVENUE GENERATION TEAM

Director, (Vacant) - examines and evaluates the major sources of revenue from marketing, advertising, stamp services, retail, and international mail business operations, and also monitors Postal rate cases.

REVENUE PROTECTION TEAMS

Directors, Dan O'Rourke and Mike Shiohama - investigates, bribery, kick-backs, embezzlement, and other cases involving revenue losses and contract fraud, such as defective pricing, product substitution, and cost mischarging.

ASSISTANT INSPECTOR GENERAL FOR EMPLOYEE, Billy Sauls

Deputy Assistant Inspector General, Ronnie Wainwright

ADMINISTRATIVE RESOURCES TEAM

Director, Alan Lamoreaux - provides the OIG staff with facility, procurement, financial, budget, and other services necessary to accomplish the OIG mission.

HUMAN RESOURCES TEAM

Director, Connie Ambush - delivers full-service human resources programs for the OIG in the areas of employee relations, ethics, pay and benefits, retirement, awards, performance management, counseling, diversity opportunities, and training.

INFORMATION SYSTEMS TEAM

Director, David I. Berran - audits major automated Postal management and information systems to determine Y2K readiness, and whether applications are properly established and systems are properly designed to provide accurate data to management; and provides computer assisted audit techniques to support OIG staff.

LABOR MANAGEMENT TEAMS

Directors, Joyce Hansen and Chris Nicoloff - conduct audits and evaluations of labor management and employee relations issues within the Postal Service to assist in fostering and maintaining a healthy organizational climate for employees and improving operational efficiency; also audits and evaluates Postal Service systems and operations involving violence prevention.

ASSISTANT INSPECTOR GENERAL FOR CUSTOMER, Norm Hancock

*Deputy Assistant Inspector General,
Debra Pettitt*

COMPUTER INTRUSION TEAM

Director, Howard Cox - detects and investigates "computer hacking" and other high-technology crimes involving Postal Service computers and telecommunications systems; and assists in identifying computer systems vulnerabilities so that appropriate counter-measures may be implemented.

CONSULTING SERVICES TEAM

Director, (Vacant) - will assist Postal Service management by identifying best practices for improving the effectiveness of Postal Service operations. (This team will be established in FY 2001.)

EXECUTIVE INVESTIGATIONS TEAM

Director, Tommy Hampton - investigates allegations of criminal activities and misconduct involving Postal Service executives.

HOTLINE TEAM

Director, Joe Oliva - operates the OIG Hotline to provide a vital and confidential communication link between the Postal Service and the public.

OVERSIGHT TEAM

Director, Bob Pemberton - conducts audits and evaluations of Inspection Service programs and operations.

QUICK RESPONSE TEAM

Director, (Vacant) - will evaluate critical, time-sensitive issues. This team will assist in responding to requests from Congress and the Governors. (This team will be established in FY 2001.)

GENERAL COUNSEL TO THE INSPECTOR GENERAL, Thomas Coogan

CONGRESSIONAL AND PUBLIC RELATIONS TEAM

Director, Laura A. Whitaker - serves as liaison to Congress, the Board of Governors, and the media; coordinates congressional testimony and presentations; reviews legislation and regulations; coordinates internal policies and procedures; and reviews and comments on Postal Service policies and procedures.

LEGAL SERVICES TEAM

Director, Kirt West - provides legal advice to the Inspector General and OIG staff on criminal, civil, and administrative issues; processes subpoenas; responds to Freedom of Information and Privacy Act requests; and serves as liaison with the Postal Service Law Department and Department of Justice legal staffs.

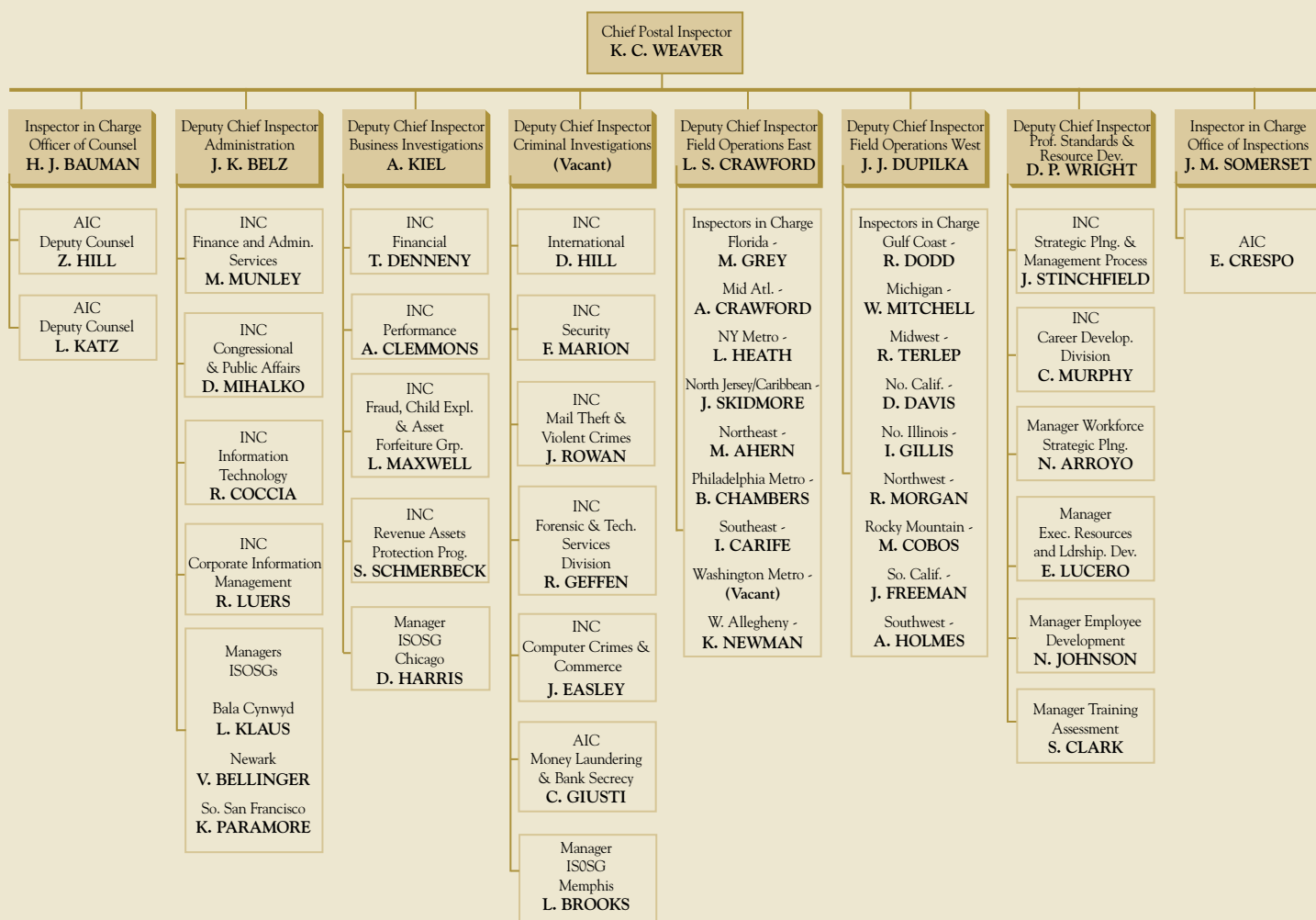


Teams include various disciplines, which provide OIG a synergistic approach to accomplishing tasks.



**Newly appointed Chief Postal Inspector
Kenneth C. Weaver is the 34th Chief
Postal Inspector.**

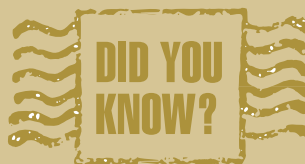
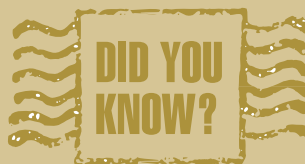
Inspection Service Organizational Structure



AIC - Assistant Inspector in Charge
INC - Inspectors in Charge
ISOSG - Inspection Service Operations Support Groups



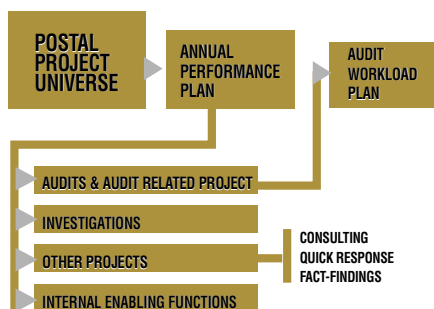
OIG Goals



What are the OIG "values"?

The OIG's values are teamwork, leadership, creativity, communication, and conceptualization, and are incorporated into a 360-degree employee evaluation system nicknamed "TLC3."

Planning System Interrelationships



The following section describes the OIG vision and goals for assisting the Postal Service in achieving its operational, performance, and financial goals into the 21st century. In addition, this section describes the process by which the OIG translates its vision into an annual performance plan.

STRATEGIC GOALS

In January 1998, the OIG issued its first five-year strategic plan. As a result of its dynamic, internal operations and the changing environment of the Postal Service, the OIG is revising its five-year strategic plan.

In the published Strategic Plan for FYs 1998-2002, three external and three internal goals aligned with each of the Postal Service's CustomerPerfect! goals were identified. The revised plan will reflect one external and one internal goal aligned with the CustomerPerfect! goal that reduces the amount of duplication between goals. These five-year goals are:

External Goal

Enhancing the Postal Service's:

- ◆ customer service and value,
- ◆ employee and workplace environment, and
- ◆ financial integrity and business viability.

Internal Goal

- ◆ effective use of OIG resources.

OIG PLANNING PROCESS

These goals play a critical role in the OIG's planning process. The planning process has three interrelated components: the project universe, the annual performance plan, and the annual audit workload plan. The project universe, which includes all projects that could be considered, is the umbrella of the plan. This year, the OIG identified nearly 1,000 projects for consideration. To hire staff to complete the entire universe of projects in one year would be unrealistic. Therefore, the OIG management selects projects from the universe on the basis of risk. These risk factors include:

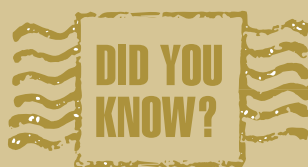
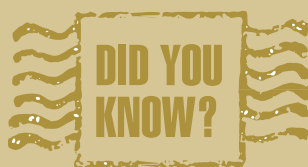
- ◆ level of Postal Service labor and capital resources;
- ◆ impact on Postal-wide operations and goals; and
- ◆ degree of sensitivity and level of visibility.

OIG management selected the highest priority projects for inclusion in the annual performance plan, the second component of its planning process. For FY 2000, this plan consists of over 200 projects, many of which are identified in the Major Management Challenges section of this report. The third component is the OIG audit workload plan, which is extracted from the annual performance plan. This audit workload plan, which includes Inspection Service audits, is presented to the Postal Governors each year.

THE ROAD AHEAD

As the OIG expands its infrastructure, it will transition its focus to more intensive prevention and detection of fraud, waste, abuse, and mismanagement, as well as the promotion of effectiveness, efficiency, and economy throughout the Postal Service. The OIG will continue to work with the Inspection Service to transition additional responsibilities to support CustomerPerfect! goals and help the Postal Service meet its major management challenges.

Customer Service

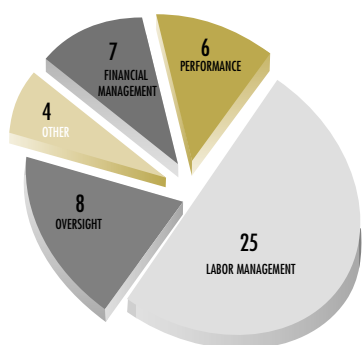


Are all Hotline complaints confidential?

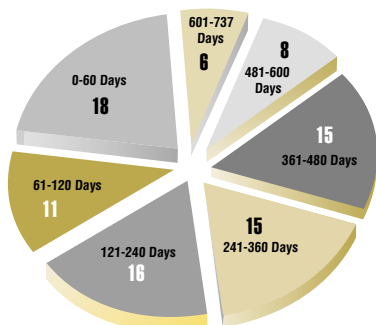
The identity of an individual who makes complaints or provides information regarding alleged wrongdoing is held confidential unless the individual gives permission for the disclosure of their name or if disclosure is required.

The following section describes the OIG and the Inspection Service's efforts to provide Customer Service. Customer satisfaction and service is the underlying creed of most successful organizations and businesses. In order to differentiate the work reported by the OIG and Inspection Service, the pages concerning the Inspection Service have been color screened. Report numbers are shown in parentheses after the narrative, as appropriate.

Closed Congressional Inquiries by Category



Open /Pending Congressional Inquiries by Age



OFFICE OF INSPECTOR GENERAL

OIG customers include Congress, the Governors, Postal management and employees, and the public. In addition to conducting audits, investigations, and other reviews, OIG demonstrates its commitment to service by responding to customer concerns in a variety of ways described below.

COMMUNICATING WITH CONGRESS AND THE POSTAL SERVICE GOVERNORS

The OIG is legally responsible for keeping Members of Congress and the Postal Service Governors fully and currently informed. This is done in several ways. The OIG keeps the Governors informed through regular briefings at monthly Board meetings, preparing a monthly activities report from the Inspector General, and promptly responding to requests for information. The OIG keeps Congress informed by issuing the "Semiannual Report to Congress," testifying at oversight and other hearings, and briefing Members and their staff, as appropriate, on issues related to the Postal Service. The OIG also provides Congress and the Governors with copies of its audit and management advisory reports on a regular basis.

One of the highest priorities of the OIG is to provide accurate and timely responses to the Congress and the Postal Governors. The OIG Congressional and Public Relations team serves as the liaison between OIG staff and the Congress and Governors and provides a myriad of services, such as:

- ◆ serving as the point of contact and

conduit of information for all OIG communications with Congress and the Governors;

- ◆ facilitating and monitoring OIG internal processing of all Congressional and Governors' requests to help ensure accurate and timely responses;
- ◆ monitoring legislation and attending Congressional hearings that affect the Postal Service and the Inspector General community; and
- ◆ coordinating preparation of written and oral testimony for Congressional hearings and questions arising from such hearings; and
- ◆ working with Congressional staff members to address issues as appropriate.

In addition, OIG keeps the Governors and Congressional staff members informed about matters that are referred to the OIG from Postal Service stakeholders and constituents.

During this six-month period, OIG closed 50 Congressional requests. Appendix A lists completed OIG responses to Congressional inquiries by subject area. Some examples of inquiries where the OIG was able to provide Congress with independent information are included below.

- ◆ The OIG reviewed a complaint from a customer over the termination of mail delivery to his residence. The OIG noted that the customer, without the consent of the Postal Service, moved his mailbox from the curb and mounted it on his residence. However, on the customer's route, the Postal Service provided curbside delivery only by vehicle. Based upon the OIG's recommendation, Postal Service officials met with the customer and satisfactorily resolved the issue. (OIG DS-CR-99-001)
- ◆ Allegations were made that mail was being damaged, lost, or misdirected due to the excessive amount of bulk mail received. The OIG informed the customer of various options available to reduce the level of unwanted bulk mail. The OIG informed this customer that the Postal Service cannot refuse to deliver mail if proper postage is paid but that the customer could contact a direct mail

marketing association to request to be removed from various mailing lists. (OIG PA-CR-99-100)

- ◆ The OIG also reviewed allegations by a Postal Service employee that he had been discriminated against because of his medical restrictions. The OIG found Postal management had corrected the error in lost wages. The OIG also contacted the human resources manager assigned to investigate the Postal Service employee's allegations of a hostile work environment. The manager, after working closely with the Postal Service employee, resolved all issues. The OIG contacted the Postal Service employee who stated that he was presented with an acceptable permanent job offer. (OIG ER-CR-99-006)

HOTLINE OPERATIONS

The OIG Hotline provides a vital and confidential communication link between the OIG and persons who contact the Hotline. The Hotline receives complaints from employees, customers, and the general public. Complaints include alleged violations of laws, rules, or regulations; mismanagement; waste of funds; abuse of authority; or danger to public health and safety. Complaints and allegations received by the Hotline are analyzed to identify systemic issues affecting the Postal Service.

OIG analysts staff the Hotline Operations Center from Monday through Friday, 7:00 a.m. through 7:00 p.m. Eastern Time. With this Semiannual Report to Congress, the OIG is issuing its first Hotline poster, which will also be distributed to all Postal facilities (see exhibit).

During this six-month reporting period, the Hotline received almost 7,000 contacts. Of the contacts received:

- ◆ Nine percent were referred internally to OIG staff for resolution or information, and pertained to allegations of fraud, waste, abuse, mismanagement, or danger to health and safety;
- ◆ Forty-five percent were referred to the Postal Inspection Service and involved allegations of criminal activity, including threats of violence or potential violence, mail fraud, theft, vandalism, or mail tampering;

- ◆ Nine percent were customer service matters that were referred directly to the Postal Service Consumer Advocate; and
- ◆ Thirty-seven percent related to miscellaneous requests for information such as job opportunities, ZIP codes, postal meters, and other Postal Service-related matters.

The OIG's national toll-free Hotline is 1-888-USPS-OIG (1-888-877-7644). Persons interested in contacting the Hotline may also write to the United States Postal Service, Office of Inspector General, ATTN: HOTLINE, 1735 North Lynn Street, Arlington, VA 22209-2020. The e-mail address is hotline@uspsig.gov and the fax number is (703) 248-2259.

ANSWERING FREEDOM OF INFORMATION ACT AND PRIVACY ACT REQUESTS

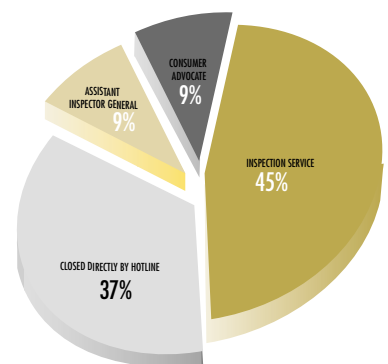
The OIG responds to many requests for reports and other information made to the OIG under the Freedom of Information Act and the Privacy Act. The Freedom of Information Act requires that the OIG respond to the requestor within 20 working days. Upon receiving a request, OIG staff conduct a search of OIG records to determine whether the OIG has any responsive documents. The OIG releases most audit and management advisory reports. Open criminal investigations are not released and, generally, only portions of closed criminal investigations are released.

Because some audit and management advisory reports contain sensitive Postal Service business information, the OIG asks Postal Service management and the Postal Service Law Department to identify any business or proprietary information that may be exempted from disclosure under the Freedom of Information Act. After reviewing management's comments, the OIG makes the final determination as to whether an exemption is applicable to an OIG document.

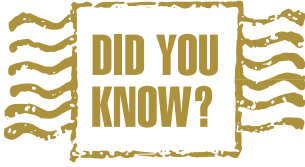
Often, the OIG receives requests for documents that originate from the Postal Service and other agencies. In those cases, requestors are notified that their request is being forwarded to the appropriate agency for determination.

Requestors have the right to appeal an OIG determination to withhold all or part of a document. The appeal is sent to the OIG who

Referral of Contacts Received by the Hotline



To request information from OIG, visit our website at www.uspsig.gov or contact Freedom of Information Act Officer, 1735 N. Lynn Street, Arlington, VA, 22209-2020.



What is the OIG Hotline Number?

The number to call for reporting fraud, waste and abuse is 1-888-USPS-OIG (1-888-877-7644).

forwards it to the Law Department which is responsible for handling all Freedom of Information Act appeals in the Postal Service.

During this six-month period, over 40 Freedom of Information Act requests were answered. Seven of these requests were answered in full, none were denied totally, 26 were partially withheld, and 10 were referred outside OIG.

As an example of a Freedom of Information Act request, the OIG received correspondence from a member of Congress on behalf of a constituent. The OIG released the entire contents of the file except for a few documents. Those withheld involved attorney-client communications or constituted a clearly unwarranted invasion of personal privacy and were exempt from disclosure. In addition, specific documents requested that originated in the Postal Service were forwarded to the Postal Service Freedom of Information Act officer for review and direct response to the constituent. (OIG GC-LA-99-001)

MONITORING COMPUTER MATCHING REQUESTS FOR POSTAL INFORMATION

The Postal Service receives requests from other government agencies for Postal data that are used in computer matching programs for a variety of purposes, including statistical studies and law enforcement activities. Pursuant to the Privacy Act, the Postal Service Data Integrity Board reviews requests seeking information to perform computer matches. The Inspector General is a member of the Data Integrity Board along with the Vice President, Human Resources; General Counsel, Executive Vice President, Human Resources; Chief Financial Officer and Executive Vice President, Finance; and the Chief Postal Inspector. During this six-month period, the Inspector General acted on two requests for computer matching data for the Postal Service.

RESPONDING TO MANAGEMENT REQUESTS FOR OIG REVIEWS

The OIG provides timely and accurate information and recommendations to Postal Service management. The OIG asked Postal Service managers to identify operations and emerging issues that would benefit from the

OIG's review. Their suggestions are considered during the OIG annual planning process and, to the extent practicable, are given priority consideration for inclusion in its plan. This process creates a unique opportunity to assist management by providing independent analysis and additional information that will assist management officials in fulfilling their responsibilities.

Some examples of suggestions from Postal Service management for operations and issues that the OIG plans to review in FY 2000 include:

- ◆ extra trips on highway contract routes;
- ◆ the Sales Force Augmentation Program;
- ◆ retail operations;
- ◆ National Customer Support Service Center billing processes; and
- ◆ alternative dispute resolution processes.

The OIG plans to continue to solicit suggestions from Postal managers and will consider all suggestions as it plans projects.

LEGISLATIVE AND REGULATORY REVIEW

As required by the Inspector General Act, the OIG monitors legislative and regulatory developments to advise Congress and the Governors concerning the impact of such legislation and regulations on the economy, efficiency, and the prevention and detection of fraud and abuse in programs and operations of the Postal Service. In prior semiannual reports, summaries of significant legislation and regulations were contained in their own separate section of the report. As part of our reformatting effort to make this semiannual report easier to read, we have included the relevant legislative and regulatory reviews at the end of the appropriate sections that describe OIG and Inspection Service reviews performed during the last six months.

During this six-month period, the OIG evaluated 71 legislative proposals and 24 regulatory initiatives.

INSPECTION SERVICE

The Inspection Service has adopted numerous initiatives to improve customer service. The Postal Inspection Service endeavors to alert consumers and businesses to current crimes by attracting media attention to postal crime trends, publicizing positive law enforcement accomplishments, circulating media releases, and hosting crime prevention presentations.

CONSUMER FRAUD

The Inspection Service has joined organizations such as the American Association of Retired Persons in an ambitious series of national crime prevention initiatives aimed at alerting senior citizens of fraudulent offers they may be receiving by mail or telephone.

As a result of complaints of fraud losses attributable to the criminal use of credit cards stolen from the mail, the U.S. Postal Inspection Service formed the credit card mail security task force. The task force has representatives from all groups involved in issuing, transporting, and delivering the one million credit cards that are sent through the mail each day. The group includes major credit card issuers, presort businesses, airlines, and various postal entities. As a result of this effort, fraud losses were reduced by over 80 percent.

The Postal Inspection Service established similar joint industry task forces to attack rebate and mail order fraud. All three customer-based industries share similar objectives and use civil and criminal enforcement measures as preventative strategies.

CRIME LABORATORIES

Solving investigations and convicting criminals often requires the unique support of scientific and technical personnel assigned to the Forensic and Technical Services Division. Forensic analysts at the Postal Inspection Service's National Forensic Laboratory in Dulles, Virginia, and four field laboratories provide expert examinations and testimony on evidence submitted by Postal Inspectors for document, fingerprint, chemical, and physical evidence analysis. Forensic experts are expected to provide timely results without compromising scientific methods and accepted protocols. Lab

personnel are available to respond to the most critical, violent crime investigations to assist in processing and evaluating evidence. Inspection Service chemists are on hand to provide a scientific analysis of suspected controlled substances transported through the mail.



The Inspection Service's forensic specialists provide technical expertise to identify instances of potential mail fraud and other criminal activities.

SONORAN DESERT

FIRST IN A SERIES



N A T U R E O F A M E R I C A

Performance Reviews



OFFICE OF INSPECTOR GENERAL

Accepting and Processing
Transportation
Delivery
Marketing
Legislative and Regulatory Reviews

INSPECTION SERVICE

Accepting and Processing
Transportation
Delivery
Mail Theft



What is the background of OIG staff?

The OIG staff includes auditors, evaluators, criminal investigators, lawyers, technicians, and administrative personnel from federal and state government agencies, private industry, nonprofit organizations, and the Postal Service.

The following section highlights audits, reviews, and investigations conducted by the OIG and the Inspection Service in the Performance Area. Also, included at the end of this section are OIG legislative and regulatory reviews. In order to differentiate the work reported by the OIG and Inspection Service, the pages containing the Inspection Service work have been color screened. Report numbers are shown in parentheses after the narrative, as appropriate.

OFFICE OF INSPECTOR GENERAL

To deliver world-class service, businesses and government agencies must excel in performing their core business processes. For the Postal Service, these core business processes and systems encompass accepting, processing, transporting, and delivering the mail as well as marketing Postal products and services. In the past six months, the OIG has completed 28 reviews of key and emerging issues relating to the Postal Service's performance of core business processes, that will help the Postal Service save over \$1.1 billion during the current and future years. The reports with the major savings or significant findings are:

- ◆ Corporate Call Management, under the subheading of Marketing, see page 46;
- ◆ Emergency and Extra Trip Expenditures on Highway Routes, under the subheading of Transportation, see page 44;
- ◆ Rail Detention Costs, under the subheading of Transportation, see page 44; and
- ◆ Priority Mail Processing Center Network, under the subheading of Accepting and Processing, see page 42.

ACCEPTING AND PROCESSING

Each day, over 650 million pieces of mail are brought into the Postal Service system in a variety of ways, including collections from more than 300,000 blue collection boxes or individual mailboxes via nearly 300,000 letter carriers. Express Mail, First-Class Mail, and some periodicals are sorted at the more than 300 processing

and distribution plants, while Standard Mail is generally handled at the 21 bulk mail centers. In order to ensure timely and accurate delivery of mail, accepting and processing procedures must be state of the art. During the past six months, OIG has performed seven accepting and processing related reviews, the most significant of which are highlighted below.

CONTRACTING OUT PRIORITY MAIL PROCESSING CENTER NETWORK COSTS MORE THAN IN-HOUSE PROCESSING

In an audit of the Priority Mail Processing Center Network, the OIG concluded that processing the same volume of Priority Mail through the contracted network cost the Postal Service more than the estimated cost of in-house processing without a network. The OIG provided Postal Service management with recommendations to control costs, capture savings, and improve performance. Additionally, the OIG recommended that management address the issues identified in the report before any future expansion of the Priority Processing Network is undertaken.

Management generally agreed with the specific recommendations in the report. However, management pointed out that differences of opinion remain with OIG on some of the findings in the report. In addition, management pointed out that because the audit was conducted during the pilot phase of the Priority Mail Processing Center Network, many of the findings and recommendations in the report may be premature. Overall, OIG views management's comments as responsive, and believe that corrective actions taken or planned will meet the intent of OIG's recommendations. (OIG DA-AR-99-001)

REVENUE RECEIVED FROM CANADIAN MAILER DEFICIENT BY \$572,000

The OIG and the Inspection Service jointly investigated a special Priority Mail parcel rate provided to a Canadian mailer. The investigation disclosed that the Postal Service offered a Canadian company a discounted flat rate for Priority Mail parcels destined for the United States. The parcels were trucked across the border and entered into the Postal Service mail

stream in New York, being processed as domestic First-Class Priority Mail. As a result of this alliance between the Canada Post Corporation and the Postal Service, revenue received from this Canadian Mailer was deficient by \$572,000 over a three-year period compared to costs incurred. In addition, work performed by Postal Inspectors indicates that revenue deficiencies could have been much greater.
(OIG RQ-LA-99-001)

POTENTIAL REVENUE LOSS FROM NOT VERIFYING DROP SHIPMENTS

In a review, the OIG evaluated the plant-verified drop shipment system, which allows authorized mailers of Periodicals and Standard Mail to receive discounts for making drop shipments at postal facilities. The review disclosed that Postal Service employees did not always verify the actual shipment quantity with the amount indicated on customers' prepared forms and sometimes accepted mail without receiving any required forms from the customer. The OIG informed the Postal Service of the potential for lost revenue and the risk that fraud could occur. Management agreed with the recommendations and indicated they were in the process of developing comprehensive drop shipment policies and standards and instructions for both employees and customers.
(OIG AC-AR-99-001)

IMPROVEMENTS NEEDED FOR TIMELY PERIODICALS DELIVERY

During this period, the OIG issued two reports on the processing of periodicals. Periodicals mailing generates substantial revenue for the Postal Service and provides qualified classes of mailers with an economical method of advertising services, providing association members with important information, or delivering local news.

- ◆ In one review, the OIG evaluated the success of the Postal Service Periodicals Service Improvement Team and the timeliness of periodicals delivery at three facilities. The review disclosed that the team had initiated several efforts to improve periodicals delivery, and that Postal facilities had addressed specific problems with periodical service at the

local level which resulted in a decrease in the number of customer complaints. The OIG concluded that although delivery service had improved, the Postal Service faces additional challenges in achieving targeted delivery service goals. The OIG will continue to monitor the Improvement Team's progress and will occasionally review their service improvement efforts.
(OIG AC-LA-99-001)

- ◆ In another review, the OIG evaluated the timeliness of periodicals delivery at a processing and distribution center. The review disclosed that the date and time were not always placed on the periodicals mail containers, and that this mail was not processed on a first-in, first-out basis. The OIG offered suggestions for improving operations, and the actions planned or taken by management satisfied the intent of the suggestions.
(OIG AC-MA-99-002)

GOVERNMENT MAIL MISDIRECTED AND DELAYED

The OIG conducted an audit in response to allegations that federal agencies' mail handled by the Government Mails Section of a processing and distribution center was misdirected and delayed. The audit confirmed the allegation and disclosed that not all government agencies were using assigned unique ZIP Codes and that mail was not handled according to established policy. Also, because the processing and distribution center's operating plan for processing of mail did not match the delivery requirements for the Government Mail Section, often mail arrived too late to meet processing and delivery requirements. Additionally, the Government Mails Section incurred over \$200,000 in overtime and penalty costs over a one-year period due to heavy mail volume and staff shortages. Management generally agreed with OIG recommendations to improve Government Mail Section operations.
(OIG DS-AR-99-003)

PREVENTIVE MAINTENANCE SYSTEM REPORTS NOT READILY AVAILABLE

While conducting an audit of the Equipment Preventive Maintenance Program, the

OIG identified information on the integrity of maintenance data and preventive maintenance schedules that needed to be provided to Postal management before the end of the audit. This advisory report noted that maintenance personnel were unable to generate many of the maintenance reports needed to complete the audit because backup tapes were not available and site technical resources were limited. The OIG suggested that Postal management remind maintenance personnel to maintain backup tapes and provide maintenance personnel with additional guidance on maintaining and retrieving system reports. Management concurred with OIG observations and suggestions. (OIG AC-MA-99-001)



The OIG reviews the Postal Service operation of its own truck fleet as well as commercial contract carriers who move the mail.

TRANSPORTATION

Transportation of mail is a vital part of the Postal Service's mission of binding the nation together by providing prompt, reliable, and efficient delivery to every community in the United States. To fulfill this mission, the Postal Service spends in excess of \$5 billion annually on transportation services. For most of these services, the Postal Service relies on private transportation contractors. In addition to its contracts with commercial carriers, the Postal Service operates its own truck fleet for some routes and manages three dedicated transportation networks for expedited services. During the past six months, OIG has performed six transportation-related reviews, the most significant of which are highlighted below.

OVER \$130 MILLION SAVINGS IDENTIFIED ON HIGHWAY ROUTES

The OIG conducted an audit to identify actions the Postal Service can take to reduce emergency service and extra trip costs on highway routes. Working with management, the OIG determined that Postal Service could save over \$130 million over a five-year period through better contract administration and oversight of highway transportation and extra trip expenditures. Specifically, audit results indicated that the Postal Service could save \$24.7 million in FY 2000 and avoid \$26.7 million annually in subsequent years through better administration of emergency contracts and extra trips. The audit disclosed that Postal Ser-

vice officials did not limit use of emergency contracts to valid emergencies and did not negotiate special reduced rates or monitor excessive expenditures. Management generally agreed with the overall findings and recommendations, and concurred that savings could be achieved through a reduction in the number of emergency service contracts and more efficient use of extra trips. (OIG TR-AR-99-003)

RAIL DETENTION COSTS COULD BE REDUCED BY OVER \$50 MILLION

Another audit was initiated to identify opportunities for savings by determining how rail trailer inventories are managed and why trailers were retained significantly beyond the contracted periods. Working with management, the OIG identified savings of more than \$50 million over a five-year period in rail detention costs. These savings will result from recommendations that facilities management not use trailers to augment highway trailer fleets and store equipment. Management also should consider the detention status of trailers before making dispatch decisions, and seek reimbursement for detention caused by mailers.

Postal Service rail detention costs increased from approximately \$5 million in FY 1995 to over \$9 million in FY 1999. The audit determined that the data the Postal Service uses to manage its detention costs is unreliable, thus preventing an accurate projection for total liability. Management agreed with the OIG findings and 10 recommendations designed to improve operations. In addition, management has taken or plans to take the actions recommended to substantially reduce or eliminate detention and misuse costs. (OIG TR-AR-99-001)

ENVIRONMENTAL RELATED ISSUES

During this period, the OIG issued three environmental related reports.

- ◆ In the first audit, the OIG evaluated the extent to which compressed natural gas has been used in Postal Service vehicles and the process for purchases made under the Postal Service's Alternative Fuels Program. The audit revealed that the Postal Service could achieve savings by

redeploying natural gas vehicles, providing incentives for use of natural gas, working with public utilities to establish additional onsite natural gas stations, and examining whether the Postal Service can fund and operate on-site natural gas stations. The audit also disclosed that the purchasing process for alternative fuels needed improvement. Management agreed with the OIG recommendations and has initiated action to address the issues in this report.

(OIG CA-AR-99-001)

- ◆ In the second review, OIG evaluated the process for removing regulated fuel underground storage tanks and found that this process needed improvement. The Postal Service made the decision to install, upgrade, and then remove compliant underground storage tanks without adequate planning and cost-benefit analysis, resulting in premature and unnecessary expenditures of \$1.5 million. The OIG made recommendations to Postal management to improve the accuracy of information and to improve adherence to policy on underground storage tanks. Management agreed with the recommendations and has initiatives in progress and planned to address the issues in this report.

(OIG CA-AR-99-002)

- ◆ The OIG also reviewed an inquiry by a state official concerning the relocation of a postal facility in the Northeast. The inquiry focused on the extent to which public funds can be used for the relocation, and also focused on potential environmental issues. OIG concluded that the Postal Service had filed the required public notice and that the Postal Service uses operating revenue and does not use tax dollars as a means to pay for new facilities. Regarding the environmental concerns, specifically asbestos, the Postal Service reached an agreement with a developer who will assume full environmental compliance responsibility.

(OIG FA-CR-99-100)

DELIVERY

The mail delivery process provides the Postal Service with a gateway to every household and business. During 1998, the Postal

Service delivered over 200 billion pieces of mail to 130 million homes and businesses—an average of over 1,500 pieces of mail for every household and business in America. In the last six months, OIG performed seven reviews of delivery operations. The most significant reviews of delivery operations are highlighted below.

WELCOME KIT PROGRAM EMULATED GOOD BUSINESS PRACTICES

The OIG evaluated the Postal Service's methodology for implementing and operating the National Change-of-Address Welcome Kit Program and assessed the industry implications of including advertisements in the kit. The audit disclosed that the Welcome Kit Program emulated good business practices and that including advertisements in the Welcome Kits did not adversely impact the advertising industry. However, the audit also disclosed that there was no evidence to conclude that customer satisfaction had improved. Management agreed with an OIG recommendation that management include questions related to the Welcome Kit Program in their customer satisfaction surveys. (OIG DS-AR-99-002)

MAIL DELIVERY CONCERNS RAISED

The OIG received multiple inquiries from customers regarding mail service. Several are highlighted below.

- ◆ As a result of a Congressional inquiry, OIG confirmed that a customer in the Midwest Area had not received mail for one week and that Postal Service officials did not adequately respond to the customer's complaint. District management concurred with OIG's suggestion to implement procedures to document customer complaints and follow-up on unresolved complaints.
- (OIG DS-MA-99-006)
- ◆ The OIG reviewed a complaint from another customer over the Postal Service's denial of a claim for lost contents of a package. In this case, adequate documentation substantiating the cost of the package contents was not provided, and OIG concluded that the Postal Service acted appropriately in denying the claim.
- (OIG DS-CR-99-002)



The OIG reviewed the National Change-of-Address Welcome Kit.

MARKETING

The Postal Service operates in an environment of intense competition. The Postal Service's ability to maintain or increase its market share will be essential to providing universal service at affordable rates. During the past six months, OIG has performed eight reviews of marketing operations. The most significant marketing related reviews are highlighted below.

NEARLY \$1 BILLION IN POTENTIAL COST AVOIDANCE IDENTIFIED IN CORPORATE CALL MANAGEMENT PROGRAM

During this period, the OIG conducted an audit of Corporate Call Management, a new program designed to enhance customer service within the Postal Service. The OIG reviewed the Decision Analysis Report model for this program and found that advances in technology and changes in call mix would permit the Postal Service to reduce the original scope of the \$3.4 billion program. The OIG was advised that the Decision Analysis Report was never approved by the Board of Governors, and the project was to be phased in over time and was approved on that basis. At OIG's suggestion, officials revised the model and recalculated operating and investment costs. As a result of the OIG audit, and management slowing the implementation process, the Postal Service recognized a potential cost avoidance of \$962 million through FY 2007. Management agreed with a recommendation to notify the Board of Governors of the cost reduction, and agreed to notify them, via quarterly reports, of future cost reductions as they are realized. (OIG DA-AR-99-003)

MANAGEMENT ACTION SHOULD IMPROVE NATIONAL ACCOUNTS PROGRAM

The OIG also conducted a review of Postal Service initiatives to improve the national accounts program to promote development and retention of postal business. The OIG noted that overall, the Postal Service is taking actions that should improve the national accounts program. However, opportunities exist for program improvements. The OIG provided management with suggestions concerning use of personnel, mail acceptance and delivery processes,

business agreement initiatives, performance indicators for national accounts managers, and entering time into the account management system. Management generally agreed with all the recommendations. (OIG RG-MA-99-008)

OPPORTUNITIES TO IMPROVE STAMP SERVICES

The Postal Service prints over 38 billion stamps each year, which generate over \$40 billion in annual revenue. Sales include selling approximately 30 billion First-Class Mail stamps. OIG conducted three reviews of stamp services during the period, which are noted below.

- ◆ The OIG reviewed the operations of the Citizens' Stamp Advisory Committee which is responsible for evaluating the merits of all stamp proposals and recommending subjects that are both interesting and educational. The review disclosed that Stamp Services management effectively coordinated overall operations of the Committee. However, the OIG suggested improvements to enhance the cohesiveness of the Committee's efforts and to encourage collaboration between Stamp Services management and committee members. Management comments were responsive to the OIG suggestions. (OIG RG-MA-99-005)
- ◆ The OIG also initiated a review of the facts and control processes concerning a printing error that occurred during the production of the 60-cent international commemorative Grand Canyon stamp. The review disclosed that existing control processes should have provided reasonable assurance that errors were prevented and detected; however, control processes were not followed. To preclude the recurrence of such errors, the OIG suggested that subsequent revisions to original artwork or text be resubmitted for final approval before production is authorized. Management agreed with the results of the review and stated their intent to follow existing control processes in the future. (OIG RG-LA-99-001)
- ◆ The OIG also conducted a review in response to an allegation that Postal Service publications and retail displays are in violation of existing statutes concern-



ing the reproduction and use of stamp images. The review disclosed that the Postal Service is authorized by law to publish illustrations of stamps in whatever manner deemed appropriate. However, the review disclosed that non-Postal stamp image users did not always comply with statutes or Postal regulations when using stamp images. The OIG suggested that Postal management monitor stamp image use by non-Postal users to ensure compliance. Further, the OIG recommended that the Postal Service cancel the stamp price before making stamp images available outside the Postal Service. Management agreed in principle with the OIG observations and suggestions. However, management did not believe that it was possible to monitor all outside use. We are working with management to resolve these issues. (OIG RG-MA-99-010)

POSTAL SERVICE CANNOT FULLY EVALUATE EFFECTIVENESS OF NATIONAL ADVERTISING AND PROMOTIONAL CAMPAIGNS

The OIG conducted a review of the Postal Service method of evaluating the effectiveness of its national advertising and promotional campaigns. The review disclosed that the Postal Service's advertising research contractor, who was hired to assess the effectiveness of the Postal Service advertising, was not always able to do so. This occurred because Postal management did not always notify the contractor of all upcoming advertising. OIG suggested that the Postal Service establish a system to provide timely written notice of upcoming advertising to the advertising research contractor. Management agreed and included this provision in the draft statement of work for the new advertising agency contracts. (OIG RG-MA-99-009)

OPPORTUNITIES TO IMPROVE RETAIL OPERATIONS

The OIG conducted several reviews of retail operations within the Postal Service during this period. The Postal Service has retail operations located in the 34,000 area, district, and field offices. Retail operations employs about 85,000 employees and collects over \$15.5

billion in revenue annually from stamp sales, money orders, and mail boxes.

- ◆ The OIG conducted a review of the Revamped Sales and Services Associate Training Program, which was designed to enable retail clerks to better serve Postal Service customers and ensure consistent customer service nationwide. The review disclosed that the Postal Service has made substantial progress in implementing the pilot program; however, the report highlighted several areas warranting continued attention, including: training presentations, reference materials, public image, instructors' knowledge of Postal Service products and services, and overall management and control of training. Management agreed with OIG suggestions to improve and strengthen the program and actions planned or taken were responsive. (OIG RG-MA-99-006)
- ◆ In another review, the OIG examined allegations concerning the lack of internal controls over maintenance of self-service postal center vending machines. The OIG concluded that Postal Service management could avoid lost revenues if existing internal controls were stronger. The OIG offered three suggestions in the areas of enhancement of supervisor-to-technician ratio, training for non-technical personnel, and guidance to ensure vending machine audits and revenue shortage procedures are consistently and equitably applied. Management comments were responsive to OIG suggestions and corrective actions taken or planned should add value to the self-service program. (OIG RG-MA-99-001)

LEGISLATIVE AND REGULATORY REVIEWS

PROPOSED LEGISLATION

H.R. 22 - Postal Modernization Act of 1999

H.R. 22 would modify the nation's postal laws and give the Postal Service statutory authority to anticipate and respond to rapidly changing market conditions in an increasingly competitive industry. The OIG reviewed and commented on H.R. 22 in the last Semiannual



What does OIG do to review mail processed by the Postal Service?

The OIG has established review teams to examine mail acceptance, processing, and delivery. This is important because the Postal Service delivers more than 650 million pieces of mail every day and handles 41 percent of the entire world's mail volume.

Report to Congress. The bill has been reported out of the Subcommittee on the Postal Service and is now pending before the Government Reform Committee.

SEMI-POSTAL STAMP LEGISLATION

- ◆ **H.R. 597 - FACES OF AIDS STAMP ACT OF 1999**
- ◆ **H.R. 1472 - STAMP OUT DIABETES ACT OF 1999**
- ◆ **H.R. 1939 - ALZHEIMER'S DISEASE RESEARCH**
- ◆ **H.R. 2562 - PROSTATE CANCER RESEARCH**
- ◆ **H.R. 2730 - GEORGE 'MICKEY' LELAND HUNGER RELIEF STAMP ACT OF 1999**
- ◆ **S. 712 - LOOK, LISTEN, AND LIVE STAMP ACT**

These legislative proposals authorize the sale of semi-postal stamps, providing a fundraising mechanism for various causes by the sale of stamps at prices above the normal first-class rate. The difference between the stamp sales price, less the first-class rate and an amount sufficient to cover reasonable costs incurred by the Postal Service in printing, selling, and distributing the stamp, would be paid to the benefiting organization.

The OIG is concerned about whether the Postal Service is sufficiently accounting for costs incurred in the semi-postal stamp program. The OIG has initiated a review of one such stamp program—the Breast Cancer Awareness Stamp. The purpose of the review is to determine whether management controls for revenues, costs, and payments were effective. The General Accounting Office is reviewing the appropriateness of the Postal Service as a fundraising agency and the overall effectiveness of semi-postal stamps. The OIG has met with the General Accounting Office to coordinate these efforts.

These proposed legislative initiatives need to include adequate Postal Service accounting provisions.

H.R. 2535 - Postal Service Enhancement Act

This bill would establish the “National Commission on Postal Efficiency and Enhance-

ment.” Commission members would be chosen by Congress and the President and would review the practices and structure of the Postal Service to identify inefficiency or waste and methods for improving Postal Service operations. Within two years after enactment, the commission would report its findings to Congress.

The commission to be established under this bill could duplicate some of the work of the OIG. The commission would be charged with finding areas of inefficiency or waste and for improving operations involved in the collection, processing, or delivery of mail. The OIG is currently responsible for performing these tasks.

H.J.R. 55 - Mailbox Privacy Protection Act

This joint resolution expresses disapproval of the Postal Service's final rule published in the *Federal Register* on March 25, 1999, regarding commercial mail receiving agencies. The rule requires operators of commercial mail receiving agencies to require applicants for mailboxes to provide the same type of information that the Postal Service requires of its mailbox applicants. In addition, the rule requires addresses of commercial mail receiving agencies to include “PMB” for “private mail box” in the address block. These requirements raised privacy concerns with some commercial mail receiving agency customers. The cost associated with changing addresses was also a concern. The OIG will be looking at the data Postal Service used to support this rule and evaluating the need for this rule.

PROPOSED RULES

PRIVATE MAIL BOXES AND POST OFFICE BOXES—RELEASE OF INFORMATION

During this period, two rules were published dealing with private mail boxes and post office boxes. The March 1999 rule is discussed to provide background.

- ◆ In a March 1999 final rule, anyone receiving mail at a commercial mail receiving agency was required to complete a form. The form requests information regarding the applicant's home address, home telephone number,



business address, business telephone number, and whether the private mailbox will be used for soliciting or doing business with the public. (*Federal Register*, Volume 64, Number 57, Pages 14385-14391, March 25, 1999.)

- ◆ This proposed rule authorizes the Postal Service to disclose to any person, free of charge, the business name, address, and telephone number of the holder of a private mailbox, located at a commercial mail receiving agency, when the private mailbox is used for business purposes. (*Federal Register*, Volume 64, Number 110, Pages 30929-30930, June 9, 1999).
- ◆ Another proposed rule limits the Postal Service's disclosure of information about commercial mail receiving agency or post office box holders to government agency requesters or pursuant to subpoena or court order. (*Federal Register*, Volume 64, Number 165, Pages 46630-46632, August 26, 1999).

These *Federal Register* publications have been controversial among users of private mailboxes. The Postal Service has announced that additional rules regarding private mailboxes will be proposed. As mentioned earlier under H.J.R. 55, the OIG is planning to conduct work in this area.





When was the OIG established for the Postal Service?

Congress created the Office of Inspector General in 1996. Karla W. Corcoran was hired by the Postal Service Governors and was sworn in as the Postal Service's first independent Inspector General on January 6, 1997. She has a seven-year appointment in this position.

INSPECTION SERVICE

The Inspection Service is responsible for investigations that ensure the sanctity of the mails. During this period, the Inspection Service conducted audits at the area, district, and local levels in accordance with the designation of functions. This section describes some of their more significant work in the areas of accepting and processing, transportation, and delivery. We also have included selected Inspection Service mail theft reviews at the end of this section.

ACCEPTING AND PROCESSING

Work that the Inspection Service has provided relating to accepting and processing activities at the area, district, and local levels are highlighted below.

SPECIAL SERVICES, INCLUDING REGISTERED MAIL, REQUIRED IMPROVEMENT

- ◆ An audit of postal operations in the Northeast Area to review certified mail, registered mail, insured mail, and post office box service. The audit disclosed that window clerks were not always offering certified, registered, and insured services for mailings that were presented by postal customers. Registered mail was not properly handled in accordance with established regulations and security provided registered mail was not adequate to prevent loss. Also, improved internal controls were needed at postal facilities delivering large volumes of certified mail to individual businesses and government agencies. Management concurred with the findings and began implementation of recommendations. (IS 040-1241887-PA(2))
- ◆ The Inspection Service completed an audit of registered mail procedures in the Northern New Jersey District. The objective of the audit was to determine if the District was in compliance with registered mail handling procedures implemented nationwide in 1997. The audit disclosed noncompliance with procedures in the areas of security and individual accountability. Recommendations were made to use security containers, limit access to registry areas, and maintain individual accountability over registered

items. Management concurred with the recommendations and began implementation immediately. (IS 311-1262202-PA(3))

- ◆ An audit of registered mail operations at the Boston processing and distribution center also was completed. Policies and practices were reviewed to determine if registered mail was handled properly. Inspectors determined there was a lack of management oversight for the entire operation, no method was in place to determine if a dispatch met the criteria of a coded shipment, and conflicting dispatch procedures existed for handling registered mail. Management agreed with the recommendations. (IS 312-1275293-PA(3))

AREA PRIORITY MAIL SERVICE NEEDED IMPROVEMENT

An audit was conducted of Priority Mail destined in the Atlanta Metro Area to identify and measure successfulness of local initiatives to improve on-time performance and evaluate inter-area mail flows via the special contract air taxi. Audit recommendations included specific service improvement measures, as well as full utilization of the air taxi load capacity or termination of the contract with alternate means of transportation established. Management agreed with audit recommendations and began implementation. Management forwarded the special air taxi recommendation to Headquarters for implementation. (IS 040-1278676-PA(2))

SERVICE IMPROVEMENT OPPORTUNITIES FOR FIRST-CLASS MAIL AND OVERNIGHT MAIL

Reviews were conducted at two processing and distribution centers and a processing and distribution facility within the Lancaster Performance Cluster. The audit disclosed that all two- and three-day First-Class Mail and overnight mail was not being processed and dispatched to meet service standards at one center and the facility. Management agreed with all findings and began implementation of the recommendations. (IS 312-1272877-PA(3))

POLITICAL CAMPAIGN MAILINGS DELAYED

The Inspection Service conducted this audit in response to a request to review the pro-

cessing of mishandled political campaign mail at a processing and distribution center. The results of the review disclosed that several political mailings accepted through a business mail entry unit on May 5, 1999, were mishandled and not processed through the center until May 10, 1999. It could not be determined where the mailings were during the interim. Documentation maintained at the processing and distribution center indicated the mail was released by the bulk mail entry unit on the date of acceptance. When located on May 10, the political mail was in a container with non-political mail, in the Standard Mail (A) staging area, a violation of standard operating procedures. Management agreed to implement the recommendations made to assign one individual the primary responsibility of ensuring compliance with standard operating procedures.

(IS 072-1289303-SI(2))

TRANSPORTATION

The following reviews are highlights of Inspection Service work on transportation-related issues at the area, district, and local levels.

UNUSED VEHICLES VALUED AT \$64,000 IDENTIFIED

An audit of vehicle utilization was conducted in the Alabama District to determine if all delivery vehicles were necessary and utilized in the most efficient manner, and to ensure data integrity and system reliability of the Vehicle Management Accounting System. Recommendations were made to re-deploy or salvage unused vehicles, train managers to ensure accuracy of the Automated Vehicle Utilization System, and assign manager accountability for review and analysis of system entries and reports. Management agreed with the audit recommendations and took immediate action to implement their plan, including an agreement to save \$64,000 through redeployment/salvage of unused vehicles.

(IS 045-1291771-PA(2))

HUB AND SPOKE PROJECT OPERATIONS REQUIRE ATTENTION

An audit of the Hub and Spoke Project operations was conducted in the New York Metro Area to ensure that mail was processed efficiently and dispatched timely, and to ensure

project operations were managed and controlled by Postal management in the most efficient and cost effective manner. Inspectors recommended:

- ◆ consolidation of the Bronx and New Jersey Hub and Spoke Project operations;
- ◆ improvement in monitoring of Transportation Information Management Evaluation System reports, completion of Mail Arrival Profiles;
- ◆ improvement in staffing and equipment utilization;
- ◆ implementation of proper color coding and handling of registered mail; and
- ◆ improvement in the accuracy and monitoring of Management Operating Data System reports.

Management agreed to implement all recommendations with the exception of the Hub and Spoke Project consolidation.

(IS 039-1279813-PA(2))

AIR ROUTE CHANGES RECOMMENDED TO IMPROVE TIMELY SERVICE

At the request of a Postal official, the Inspection Service audited the implementation of a revised air routing procedure for San Juan origination and destination First-Class Mail. Both the Postal Service and the air carriers were included in the review. The review was conducted to ensure that inbound and outbound routing was in compliance with new air routing directives, and the San Juan, Puerto Rico, Airport Mail Center airline service and inbound mail processing provided a timely receipt of mail. The review concluded that the air routing changes would assist in improving the service to and from San Juan. To achieve successful implementation, the report recommended continued management oversight to ensure all origins properly route their mail, air carriers provide the required service, and the San Juan Airport Mail Center processes the mail in a timely manner. (IS 071-1273763-SI (2))

DELIVERY

Delivery-related reviews conducted by the Inspection Service at the area, district, and local levels are highlighted in the following section.

OVERSIGHT OF CARRIER STREET TIME REQUIRED

A review was conducted in the New Jersey District to determine the adequacy of management control and oversight of carrier street time after a recent decrease in the street efficiency index. The audit identified incomplete documentation, insufficient street observations, and inadequate supervisory staffing. The report contained recommendations to control carrier street time and highlighted “best practices” to be shared throughout the district. Management has initiated corrective actions.
(IS 071-1289438-SI(2))

USE OF DELIVERY POINT SEQUENCING NOT OPTIMIZED

The Inspection Service conducted an audit of Delivery Point Sequencing within the Southeast Area. The objectives of the audit were to evaluate utilization and deployment of Delivery Bar Code Sorters and Carrier Sequence Bar Code Sorters, determine potential for adding routes to Delivery Point Sequencing, and identify ways to increase sequencing volume. Audit recommendations included the establishment of a formal process to share strategies to increase Delivery Point Sequencing with all districts and plants, and re-deployment of equipment to rural areas to add rural routes into Delivery Point Sequencing. Management agreed with audit recommendations and began implementation.
(IS 041-1292192-PA(2))



Postal Inspectors examine the mail to assure the integrity and safety of the mail system, identify lost revenues, and maintain effective customer service.

MAIL THEFT

Postal Inspectors are committed to reducing mail theft to maintain the public's confidence in the Postal Service and preserve the sanctity of the mail. Postal Inspectors are currently working with major mailers to prevent mail theft and related problems. Mail losses attributed to the Postal Service are often the consequences of actions taken by one of its business “partners.” These actions may occur at some point in the process of mail acceptance, processing, transportation, or delivery. During this reporting period, Postal Inspectors made 2,462 arrests and obtained 2,389 convictions related to mail thefts. The following are examples of significant reviews reported during this semiannual reporting period.

- ◆ An Inspection Service investigation disclosed that an individual was engaged in mail theft, mail fraud, conspiracy, counterfeit securities, access device fraud, and fake identification fraud. The individual stole mail, submitted numerous false changes of address on postal customers to gain access to their personal identifiers, thus causing 100 credit cards to be issued and losses of more than \$1 million. These efforts resulted in the deportation of the individual.
- ◆ An Inspection Service investigation revealed that a bank courier discarded trays of mail intended for the bank. The bank was a clearinghouse used by many businesses to deposit checks. The trays contained more than 3,000 First-Class letters and checks valued at over \$3 million.
- ◆ Inspectors arrested an individual responsible for extensive losses in the San Francisco area. He was a locksmith and computer technician who used counterfeit postal keys to steal mail from apartment boxes. He used computer templates to make driver's licenses and software to make counterfeit checks. At the time of arrest, he admitted stealing mail almost every day and night.
- ◆ Based on an undercover operation, inspectors arrested a ground handler at the Los Angeles Airport who was stealing Treasury checks, with known losses of \$112,000, from the mail.
- ◆ Fourteen individuals were arrested and indicted on 22 counts in Tampa, Florida, federal court. They were part of a larger ring that stole checks and personal banking information from the mail. Losses were estimated at \$500,000.

Financial Management Reviews



OFFICE OF INSPECTOR GENERAL

Financial Related Reviews
Financial Data Processing Systems
Contracting and Facilities
Legislative and Regulatory Reviews

INSPECTION SERVICE

Financial Installation
District Accounting Offices
Contracts and Facilities
Revenue Investigations
Embezzlements
Workers' Compensation



OIG investigators practice defensive tactics.

The following section highlights audits, reviews, and investigations performed by the OIG and the Inspection Service in the Financial Management area. Also, included at the end of this section are OIG legislative and regulatory reviews. In order to differentiate the work reported by the OIG and Inspection Service, the pages containing the Inspection Service work have been color screened. Report numbers are shown in parentheses after the narrative, as appropriate.

OFFICE OF INSPECTOR GENERAL

The Postal Service is a \$62 billion business that relies on strong financial management controls to maximize revenue and minimize costs. In the past six months, the OIG has completed 33 reviews in the financial management area, comprised of financial related, financial data processing systems, and contracting and facilities reviews. In addition, the OIG has conducted investigations that have resulted in five convictions, five arrests, and investigative recoveries and restitution of over \$2 million. These reviews add value by identifying opportunities for cost savings and by improving financial management, contracting, and facilities practices.

FINANCIAL RELATED REVIEWS

Financial related audits are reviews of areas that have significant financial implications and offer the potential to save Postal resources. The OIG has taken a proactive approach to identify areas that offer potential cost saving and improve Postal operations. During this semi-annual period, the OIG completed 13 reviews in areas such as Dinero Seguro and the Bank Secrecy Act.

NO SIGNIFICANT BUSINESS RISKS ASSOCIATED WITH DINERO SEGURO PROGRAM

In response to Congressional concerns relating to a recent indictment of the Postal Service's Mexican wire transfer banking partner, an OIG audit was conducted to determine if the Postal Service Dinero Seguro money transfer program was at risk for money laundering. The

Postal Service initiated this wire transfer program to facilitate the transfer of funds from customers in the United States to recipients in Mexico. The audit identified no significant risk in the overall program. Further, the indictment of the Postal Service's Mexican banking partner did not jeopardize the integrity of the program.

The OIG identified several opportunities for improvements in controls over program transactions, as well as overall compliance with the Bank Secrecy Act. Postal Service management agreed with OIG recommendations to:

- ◆ delay expanding the program until the Postal Service fully implemented the Bank Secrecy Act requirements;
- ◆ coordinate with the Postal Service's Bank Secrecy Act compliance officer before implementing new postal products;
- ◆ implement controls to further minimize the risk of money laundering in the program;
- ◆ provide program related systems training to supervisors and postal clerks;
- ◆ lower the daily transaction threshold from \$3,000 to \$2,000;
- ◆ establish controls to ensure that only intended recipients receive transfers after providing acceptable identification; and
- ◆ provide training to bank employees on the various types of United States passports. (OIG FR-AR-99-006)

REVIEW OF DINERO SEGURO PROGRAM UNCOVERS PREVIOUSLY UNDETECTED MONEY LAUNDERING SCHEME

During the audit of the Dinero Seguro Program, OIG personnel, using sophisticated computer analysis techniques, reviewed more than 500,000 transactions to identify suspicious activity. The review identified a series of suspicious transactions by one sender. This led to a joint investigation by the OIG and other federal law enforcement agencies that uncovered a scheme involving drug traffickers using the Dinero Seguro money transfer program to wire drug proceeds from the United States to Mexico. As of September 30, 1999, five arrests were made for money laundering violations. In addition, 25 kilograms of marijuana and three kilograms of cocaine were seized.



ADDITIONAL EFFORTS NEEDED TO IMPLEMENT THE BANK SECRECY ACT

In OIG's continuing monitoring of the Postal Service's compliance of the Bank Secrecy Act, the OIG determined that Postal Service management had made progress toward implementing the Act, but continued to face funding, systems development, and procedural challenges. Management agreed with OIG recommendations to:

- ◆ fund Bank Secrecy Act implementation;
- ◆ consider appointing a full-time compliance officer to facilitate Bank Secrecy Act system implementation; and
- ◆ establish standard operating procedures and a formalized agreement with Mexico regarding the Postal Service's Bank Secrecy Act Program. (OIG FR-AR-99-007)

FINANCIAL OPINION WORK CONTINUING

The OIG continued to partner with the Inspection Service in conducting financial opinion audits at three accounting service centers and the Headquarters. These audits support the independent public accounting firm's overall opinion of the Postal Service financial statements. The results of the adjustments will be reported in the next Semiannual Report to Congress. These FY 1999 statements are the first statements where the lead has transferred from the Inspection Service to the OIG. In addition, the OIG served as co-contracting officer's representative with Postal Service Finance in overseeing work performed by the independent public accounting firm.

DOCUMENTATION NEEDED TO SUPPORT COST AND PURPOSE OF INTERNATIONAL TRAVEL

International travel costs were over \$2 million during FY 1999. An OIG review disclosed that 98 percent of the international travel requests submitted by Postal Service officials were incomplete. Specifically:

- ◆ 94 percent did not include supporting documents, such as a justification for the trip needed to ensure that the trip was directly related to Postal Service business; and

- ◆ 88 percent of the requests did not include estimated travel cost needed to determine whether the travel was cost-effective.

Postal Service management agreed with the OIG suggestion to ensure international travel requests include all information required by Postal Service policy before travel requests are approved. (OIG RG-MA-99-007)

AMOUNTS SPENT ON POSTAL SERVICE MEMENTOS EXCEED THOSE OF FORTUNE 500 COMPANIES SURVEYED

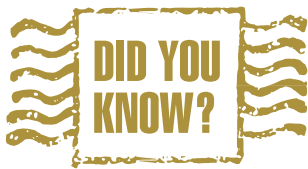
The Postal Service has adopted a private sector practice of giving mementos to employees attending conferences, meetings, or training events in order to promote morale and enhance loyalty to the organization. These mementos include such items as tote bags, commemorative pins, and travel clocks. An OIG review determined that the Postal Service was authorized to give such mementos. However, the review disclosed that the Postal Service's practices were inconsistent with those of ten Fortune 500 corporations surveyed. Postal officials provided mementos, valued at about \$300,000, to employees at 13 of 22 events reviewed, with the average value of mementos per person ranging from \$22 to \$98 per event. In contrast, mementos, when given by the corporations we surveyed, averaged from \$10 to \$25 per person. Postal management concurred with the OIG suggestions. (OIG FR-MA-99-003)

FINANCIAL DATA PROCESSING SYSTEMS REVIEWS

As part of the FY 1999 financial statement audit, OIG conducted four audits to evaluate general controls over computer-based systems, including software, data, personnel, physical security, and information systems security at the Postal Service's San Mateo, Minneapolis, and St. Louis Information Service Centers.

Computer-Based Systems at the San Mateo Information Service Center Required Improvement

General controls over computer-based systems at the San Mateo Center needed improvement in the areas of access control over restricted areas, procurement, sale and control over computer tapes, and use of sensitive and



Why does the OIG maintain oversight of the processing of money orders sold by the Postal Service?

The Postal Service processes over 900,000 money orders on a daily basis, with a face value totaling approximately \$115 million. As part of OIG's financial management reviews, OIG performs periodic tests and audits of this area.

restricted areas in a test environment. In addition, OIG noted repeat findings in the areas of:

- ◆ backup of critical files to off-site location;
- ◆ control and accountability over computer equipment; and
- ◆ system software change control.

Management's comments, including corrective actions taken or planned, were generally responsive to the OIG report. (OIG FR-AR-99-008)

Several Computer-Based Systems Areas Needed Improvement at the Minneapolis Information Service Center

Controls were generally adequate over information systems security and software at the Minneapolis Center. However, several areas needed improvement including limiting access to the mainframe, reviewing security activity reports, correcting previously reported application change control issues, using unique change control identifiers, and updating user access controls for the local area network. Postal management's comments, including corrective actions taken or planned, were generally responsive to the OIG report. (OIG FR-AR-99-009)

Several Computer-Based Systems Areas Needed Improvement at the St. Louis Information Service Center

General controls over software, data, personnel, and physical security at the St. Louis Center were generally adequate. However, several areas needed improvement including assessment of the fire suppression system, local area network security, and disaster recovery plans. Postal management's comments, including corrective actions taken or planned, were generally responsive to the OIG report. In a separate review, OIG noted that the money order branch at the St. Louis Center did not ensure that all money order edit codes were reviewed and, if necessary, corrected. Postal management agreed that the edit code status logs previously cited would be updated to reflect current status. In addition, Postal management agreed to assign responsibility for reviewing and resolving issues arising from the quarterly report of money order edit code activity. (OIG FR-AR-99-010 and OIG FR-FA-99-001)

CONTRACTING AND FACILITIES

The Postal Service purchased \$8 billion in goods and services in FY 1998 through contracts, which represented over 13 percent of expenditures. These contracts included \$845 million in non-competitive purchases and \$383 million in credit card purchases. The Postal Service is also one of America's largest owners, developers, and managers of real estate, spending almost \$1.2 billion in FY 1998 for repair, renovation, and construction of facilities, and over \$629 million in rent. During the semianual period, we conducted 16 reviews, including audits and investigations, of contracting and facilities-related issues. In addition, we have over 190 open criminal investigations, many of which are targeting fraud and corruption in these areas. The most significant contracting and facilities reviews are highlighted below.

\$2.2 MILLION PAID TO CONSTRUCTION CONTRACTORS WITHOUT SUPPORTING DOCUMENTATION

An OIG audit determined that the Postal Service had contract administration procedures in place to assist contracting officer representatives in administering construction contracts, but that these procedures were not always followed and they needed to be improved in some areas. The audit found over \$103,000 in overpayments and \$2.2 million in payments for materials, which Postal Service officials could not validate that they had received. Thus, the \$2.2 million also may be an overpayment. As a result of the audit, Postal Service management agreed with the OIG recommendations to recover payments as appropriate and to implement improved contracting officer representative procedures and controls. (OIG CA-AR-99-003)

CONTRACTOR AND EMPLOYEES SENTENCED FOR MAKING FALSE STATEMENTS

An OIG investigation disclosed a fraud scheme involving a contractor certifying that it had paid its employees in accordance with the wage rate specified in its contract with the Postal Service. In fact, the contractor paid its employees less than the wage rate in the contract. Three contractor personnel pled guilty in federal court to making false statements on U.S.

Government agency payroll reports. The contractor was sentenced to three years probation, ordered to pay restitution of \$192,000 to another agency and a \$25,000 fine. In addition, the contractor was barred from receiving future non-Postal government contracts. The contractor's employees were sentenced to six months' home detention, \$2,000 fine, and three years' supervised probation. The OIG also recommended that the contractor be debarred from receiving Postal Service contracts as a result of guilty pleas for making false statements on payroll reports.

(OIG 016-98-RI-040-RP000)

CONTRACTORS RECOMMENDED FOR SUSPENSION OR DEBARMENT

Based on the findings of three investigations, the OIG recommended that Postal management debar or suspend the following contractors.

- ◆ An OIG investigation revealed that a cleaning service contractor paid a Postal Service supervisor \$1,200 to ensure continuation of a month-to-month contract to clean the post office. As a result, the contractor was debarred after being found guilty of bribery of a public official. (OIG 98-RI-040-RP000)
- ◆ The OIG recommended that a New Jersey contractor be suspended from contracting activities after the company president was arrested on mail and wire fraud charges and for submitting misleading documents in an attempt to secure over \$20 million in U.S. Government contracts. The OIG also recommended debarment if the contractor is found guilty of the charges. (OIG 98-RI-014-CA000)
- ◆ Based on a Congressional complaint, the OIG found that a contractor breached the terms and conditions of its contract and failed to adhere to generally acceptable construction and quality control practices. The OIG recommended that the contractor be suspended and debarred along with its subsidiary companies. (OIG 99-RI-043-FA000)

POST OFFICE LEASED EXCESS SPACE

An OIG review confirmed a hotline allegation that the Postal Service had leased over 14,000 square feet of excess floor space at a Southwest post office. In addition, District officials did not report, as required by Postal Service policy, the unused floor space. In addition, District officials did not conduct market research to determine whether the space was needed for retail operations. Postal Service management agreed with the OIG recommendation to report unused space, but suggested that options to use the remaining space should not be pursued until after a potential partnership with another firm is evaluated.

(OIG FA-MA-99-001)

IMPROVED ADMINISTRATION OF CONTRACTS NEEDED

Two OIG reviews identified needs for enhanced contract administration over Postal Service vehicle maintenance and construction contracts.

- ◆ The OIG conducted a review of vehicle maintenance contracts at one vehicle maintenance facility and identified concerns about monitoring work performed by the contractor. The OIG offered Postal management two suggestions to increase efficiency and enhance quality assurance. Management agreed to strengthen quality assurance procedures to ensure that contractors properly performed maintenance service on Postal vehicles. (OIG CA-MA-99-001)
- ◆ An OIG investigation revealed that due to poor training of contract administrators on Postal Service regulations and building specifications, the Postal Service paid approximately \$370,000 to correct defective work. Postal Service management agreed with the OIG suggestion to provide training for contract facility project managers who are not familiar with Postal Service policies regarding contract administration, performance, and compliance issues. Training for contract administrators should help protect Postal Service assets and programs from fraud, waste, and abuse. (OIG FA-LA-99-002)





Is the Inspector General a member of the President's Council on Integrity and Efficiency or the Executive Council on Integrity and Efficiency?

The Inspector General is a member of the Executive Council on Integrity and Efficiency. Inspectors General, who are appointed by the President, are members of the President's Council on Integrity and Efficiency. Those appointed by their agency heads, as is the Postal Service Inspector General, are members of the Executive Council on Integrity and Efficiency.

LEGISLATIVE AND REGULATORY REVIEWS

PROPOSED LEGISLATION

H.R. 670/S. 556 - Post Office Community Partnership Act of 1999

This legislation would require the Postal Service to follow more detailed procedures and more widely disseminated public notice before relocating, closing, consolidating, or constructing a postal facility. The legislation would allow for more individual and community input before the Postal Service can take action involving relocating, closing, consolidating, or constructing a facility. The legislation permits individuals and downtown communities the opportunity to offer alternatives to Postal Service facilities proposals. In its future planning process, the OIG will consider reviewing the impact of the legislation, if enacted on the Postal Service.

H.R. 1859 - Postal Rate Transition Act

If this bill becomes law, the Postal Service, before implementing a postage rate increase, would have to report the number of stamps needed at the differential rate for a 30-day period following rate implementation. For example, this would be the number of one cent stamps needed when the Postal Service raised its rates from 32 cents to 33 cents for First-Class Mail. This bill would place an additional reporting requirement on the Postal Service.

H.R. 198 - Postal Service Core Business Act of 1999

This bill would prohibit the Postal Service from offering services provided by the private sector except for those services that were already offered nationwide by the Postal Service as of January 1, 1994. In recent years, the Postal Service has been expanding the services it offers to its customers. This has resulted in increased convenience for postal customers and additional revenue for the Postal Service. If H.R. 198 becomes law, any services that began after January 1, 1994, would have to be eliminated. Since September 1996, the retail merchandise program has generated revenues of \$90.8 million and yielded a profit of \$14.1 million. Enactment of H.R. 198 and the elimination of these programs could result in decreased revenue for

the Postal Service and a loss of customers as postal patrons look elsewhere for replacement services and products for those discontinued. The OIG will continue to monitor the new retail programs to determine their profitability and to provide Congress and Postal management with independent and objective information on which to make decisions.

PROPOSED RULES

Bank Secrecy Act-Notice of New System of Privacy Act Records

The Postal Service has notified the public that it will collect and maintain information, including social security numbers, from purchasers of money orders, wire transfers, and stored value cards when the dollar amount of cash purchases totals \$3,000 or more. This rule provides that multiple purchases during one business day totaling \$3,000 or more must be treated as one purchase. Postal Service employees must obtain customer information on such multiple purchases. The OIG during the current reporting period has reviewed Postal Service compliance with the Bank Secrecy Act. Additional reviews regarding compliance with the Bank Secrecy Act are expected. (*Federal Register*, Volume 64, Number 146, Pages 41476-41477, July 30, 1999)

Contractors and Potential Contractors of the Postal Service-Notice of New System of Privacy Act Records

The Postal Service has notified the public that it will collect and maintain information about individuals and small business owners who have expressed an interest in or have entered into contracts with the Postal Service. Records in this system that mention identifiable individuals consist primarily of proprietary or commercial information. However, some of the records in the system that pertain to individuals may reflect personal information, such as an address or social security number. The OIG will consider reviewing Postal Service compliance in maintaining this system of records in accordance with the Privacy Act. Additionally, the OIG may obtain such information when conducting reviews. (*Federal Register*, Volume 64, Number 127, Pages 36051-36052, July 2, 1999)

INSPECTION SERVICE

Within the Financial Management area, the Inspection Service performed financial installation, District Accounting Office, contracting, and facilities audits. In addition, the Inspection Service conducted revenue, embezzlements, and workers' compensation investigations.

FINANCIAL INSTALLATIONS

The Inspection Service conducted 11 financial installation audits during this period. The purpose of these audits is to review the adequacy of internal controls at the installation level. Some of the more significant audits are summarized below.

- ◆ A financial installation audit at the Dallas, TX, Post Office resulted in eight findings in the areas of Periodicals, Official Mail Accounting System manifest mailings, Business Reply Mail Stamp Distribution Office, Stamp Destruction Committee, Postal Retail Store, and station operations. Inadequate internal controls, management's failure to assure verification of mailings and prompt collection of revenue resulted in deficiencies of nearly \$380,000 in Periodicals, Official Mail Accounting System, manifest mailings, and Business Reply Mail. Two of the eight findings had been previously reported in the 1996 Dallas financial audit. Management agreed with the findings and recommendations and provided an action plan to take corrective action. (IS 011-1257699-AF(1))
- ◆ A financial installation audit of the St. Louis, MO, Post Office resulted in six findings and the identification of over \$250,000 in revenue deficiencies. Management agreed with the recommendations to strengthen internal controls in the areas of bulk mail entry, detached mail units, periodicals, stamp accountability, Postage Due/Business Reply Mail, trust, and suspense. (IS 011-1257197-AF(1))
- ◆ A financial installation audit at the San Luis Obispo, CA, Post Office resulted in two findings in the areas of Postage Due/Business Reply Mail and office accountability. Business Reply Mail annual and accounting fees remained uncollected from 1993 to 1999. Inadequate internal controls and management's failure to assure the prompt collection of revenue resulted in a revenue deficiency of nearly \$90,000. Management agreed with our finding and recommendations and provided an action plan to take corrective action. (IS 012-1256722-AF(1))
- ◆ A financial installation audit of the San Francisco, CA, Post Office resulted in the presentation of 12 findings and the identification of over \$100,000 in revenue deficiencies. Seven findings contained internal control deficiencies that had been reported in prior years' financial audits. In addition, a \$33,000 revenue deficiency was identified in unpaid caller service fees and a \$4,800 deficiency was identified in unpaid Business Reply Mail fees. Furthermore, a potential \$61,000 revenue deficiency was identified in the Postage Validation Imprinter and Official Mail Accounting System and postage meter records. (IS 011-1256147-AF(1))
- ◆ A financial installation audit at Baltimore, MD, Post Office resulted in seven findings in the areas of post office box/caller service, business reply mail, business mail entry unit, cash management, contract unit administration, collect on delivery mail and main office window service administration. Continuing weaknesses in the assessment of business reply mail annual fees and the administration of post office box and caller service operations has resulted in the identification of revenue deficiencies totaling \$20,500 for uncollected business reply mail fees and over \$50,000 for delinquent box and caller fees. Additional deficiencies totaling over \$46,000 were identified with respect to unentered periodical mailing statements and uncollected annual fees. Management agreed with the recommendations to strengthen internal controls as presented in the findings and provided action plans to take corrective action. (IS 012-1257164-AF(1))



What is computer "hacking" and what steps does the OIG take to prevent it?

Computer hacking occurs when someone within or outside the Postal Service illegally attempts to gain entry into the Postal Service computer systems. The OIG's Computer Intrusion Team takes action to detect and investigate hacking attempts.

- ◆ An audit of check acceptance procedures was conducted throughout the Pacific Area. Recommendations to reduce financial loss to the Postal Service, due to fraudulent check transactions, were implemented during the audit. Recommendations included:
 - ◆ two forms of identification for purchase of multiple stamp coils;
 - ◆ proof of business affiliation upon presentation of a business check;
 - ◆ “customer known” endorsement, inclusion of telephone number;
 - ◆ notification of suspected or known fraudulent transaction;
 - ◆ notification when multiple unpaid checks are returned; and
 - ◆ disallowance of Liberty Cash Cards for money order purchases. (IS 037-1285447-PA(2))

DISTRICT ACCOUNTING OFFICES

The Inspection Service conducts District Accounting Office audits to evaluate accounting controls as a supplement to financial installation audits. During this period the Inspection Service issued 17 reports related to district accounting office issues. The two recurring issues typically surfaced by the Postal Inspectors in these reviews centered around meter revenue verifications and reconciliation of meter records with the standard field accounting system.

CONTRACTING AND FACILITIES

The Inspections Service conducts pre-award and post-award contract audits to ensure efficiency, effectiveness, and economy in the procurement process. These audits cover defective pricing and procedural compliance.

- ◆ The Inspection Service completed a contract audit of a firm fixed-price proposal submitted by a contractor for services related to Mail Transportation Equipment Service Centers. The proposal totaled approximately \$45.8 million for the operation of mail transportation equipment service centers located in Greensboro, NC. In addition, the contractor submitted costs in support of a cost plus fixed-fee proposal requirement for Process Development Support Services/Testing. These support services

included equipment design, endurance testing, data and failure testing, and dynamic testing of new process procedures and equipment. The audit identified approximately \$6.7 million in questioned costs and approximately \$1.8 million in unsupported costs. The audit also provided an evaluation of labor and overhead rates for negotiation of the cost reimbursement portion of the proposal. (IS 181-1266103-AC(1))

- ◆ The Inspection Service completed an audit of a proposal for approximately \$27.5 million for the Mail Cartridge System Pre-Production. The audit identified \$4.8 million in questioned costs related to labor, other direct costs, overhead, installation, post general and administrative costs, materials, warranty, and profit. The audit also identified \$8.4 million in unsupported costs related to overheads, materials, and profit. (IS 181-12935363-AC(1))
- ◆ The Inspection Service completed an audit of a \$24.7 million firm fixed price proposal submitted by a contractor, for the Forwarding Control System, Phase 2. The audit identified approximately \$3.2 million in questioned costs and approximately \$2.9 million in unsupported costs. The questioned costs related to overhead, materials, an installation subcontract, and warranty. The unsupported costs related to subcontract costs not submitted directly to the contractor. These subcontract costs are being separately evaluated by Contract Pricing, Purchasing. (IS 181-1278136-AC(1))
- ◆ The Inspection Service completed an audit of a \$4.9 million firm fixed price proposal for the Identification Code Sort—Multiple Position Bar Code Sort Upgrade Kit. The audit report identified over \$417,000 in questioned costs related to other direct costs, materials, general and administration, and warranty costs. The audit also identified nearly \$4.4 million in unsupported costs. The unsupported costs include \$3.3 million in materials. The contractor did not provide adequate support documentation for production materials. (IS 181-1289630-AC(1))

- ◆ The Inspection Service completed an audit of the \$37.8 million cost plus fixed fee contract proposal submitted by a contractor to operate and manage the W. F. Bolger Center for Leadership Development. The audit identified \$2.4 million in questioned costs related to labor and overhead. (IS 181-1281155-AC(1))
- ◆ The Inspection Service completed an audit of over \$460,000 in claims submitted by a contractor. The audit identified over \$310,000 in questioned costs related to labor and overhead. (IS 183-1278298-AC(1))
- ◆ The Inspection Service completed an audit of a proposal for approximately \$3.2 million submitted for the development and implementation of a training program for the employees of the 21 Mail Transport Equipment Service Centers. The audit identified over \$180,000 in questioned costs related to labor, equipment, and general and administrative costs. The audit identified over \$711,000 in unsupported costs related to equipment, overhead, other direct costs, and general and administrative costs. (IS 181-1226912-AC(1))

FACILITIES AUDITS

The Inspection Service has responsibility for new construction or leasing activity with an estimated cost of \$5 million and below. During this period the Inspection Service completed five facility audits, one of which is highlighted below.

- ◆ Based on the results of a December 1998 audit, the Inspection Service initiated a national audit of facility projects funded and approved within the \$5 million area approval level. The purpose of the audit was to review internal controls and determine if processes utilized on area level facility projects were appropriate and in compliance with Postal Service policies and procedures. The report concluded that efforts were made to keep project costs within the \$5 million approval authority of the Area Vice President on six projects in the Mid-Atlantic, New York Metro, Southwest, and Western Areas. In an effort to maintain control and avoid perceived

delays associated with the Headquarters review and approval process, area management was reluctant to plan projects that exceeded their authority. The Inspection Service recommended that management plan projects to meet 10-year operational needs of the Postal Service to make the best use of capital funds. Management agreed with the recommendations and has implemented corrective actions where appropriate. (IS 092-1248055-FPA(1))

REVENUE INVESTIGATIONS

The Inspection Service conducts revenue investigations to help ensure that Postal Service revenue is properly assessed and collected. Priority is given to investigating alleged schemes to avoid payment of postage and to identify, pursue, and seek actions against violators through civil, administrative, and criminal remedies.

- ◆ In a report to the New York District Manager, inspectors recapped the results of an ongoing criminal action against former employees of the largest presort bureau in the State of New York. The United States Attorney's Office for the Southern District of New York had earlier announced a 44-count racketeering indictment of three former owners and seven former managers. Two additional managers subsequently pled guilty to similar charges. The government alleges that the company is responsible for defrauding the Postal Service of more than \$24 million. The new company owner has placed all 10 employees in a leave without pay status. (IS 064-1290375-RI(1) and IS 924-1191764-RI(1))
- ◆ An investigation by inspectors in Philadelphia led to a \$22 million civil settlement with a major printer of catalogs and magazines. Inspectors, acting on a tip, found evidence that the mailer knowingly underreported additional per-piece charges that were due the Postal Service. The mailer represented to the Postal Service that its mail was properly presorted so as to claim the full extent of presorted mail discounts available. The underreporting of postage took place at several of the mailer's plants throughout the country. (IS 920-1207670-RI(1) and IS 069-1296866-RI(1))

- ◆ A civil false claims action is being pursued against a for-profit company in Boston. The company is alleged to have engaged in unauthorized mailings with numerous nonprofit organizations, using discounted postage rates to which they were not entitled. Had the business relationship between the for-profit and nonprofit companies been made known to the Business Mail Entry Unit, the nonprofit rate would have been denied and a higher rate of postage charged. The difference in postage is over \$1.6 million. The civil action is based on evidence that the for-profit company knew, or should have known, that the mailings were in violation of Postal regulations. (IS 062-1201749-RI(1))
- ◆ An investigation into a metered postage scheme resulted in guilty pleas of three defendants who ran a presort bureau in the Kansas City, MO, area. The company owner and the plant supervisor manipulated a postage meter and caused it to produce over \$1 million in unpaid postage. Both the owner and supervisor are facing prison terms at a sentencing hearing. The third defendant, was sentenced to probation and restitution. Inspectors documented the investigation in a report to local postal officials earlier this year. (IS-388-1183443-RI(1))
- ◆ Inspectors reported the results of an investigation into an underpayment of postage scheme carried out by a North Carolina presort bureau. The investigation revealed that the mailer routinely understated a portion of the mail requiring additional postage. Loss to the Postal Service was about \$11,000 per week. It is estimated that the scheme was in operation for at least three years. In June 1999, a civil agreement between the mailer and the U.S. Attorney's Office was signed. The mailer agreed to pay the Postal Service \$750,000 over a 5-year period. The first payment of \$150,000 was received in June 1999. (IS 924-1170790-RI(1))
- ◆ Inspectors identified numerous mailings presented by a third-party mailer claiming unqualified discounts. Analysis showed that the mail was not presorted to the extent claimed. Inspectors esti-

mate that the mailer received \$477,000 in discounts not earned. Further investigation revealed that a local postal supervisor had relieved the mailer of the requirement for sorting mail to the 3- and 5-digit ZIP Code levels, yet allowed the mailer to claim presort discounts. Inspectors recommended that the supervisor involved be removed from any further decisions involving the eligibility of postage discounts. The Inspection Service also recommended that area officials inquire among all other offices within their jurisdiction as to the existence of other similar, unauthorized arrangements between mailers and bulk mail entry units. Management agreed and implemented corrective action. (IS 064-1290439-RI(1))

EMBEZZLEMENTS

Embezzlement is appropriating property fraudulently for one's own use. Within the Postal Service, embezzlements include stealing money from cash drawers by Postal Service or contractor employees; kiting schemes involving Postal money orders or falsified financial records; and the theft of merchandise from retail stores.

Inspection Service investigations resulted in the following:

- ◆ A former customer service manager in New York City was sentenced to two years of prison and another two years probation for misappropriation of \$133,000 in Postal funds.
- ◆ A window clerk in Massachusetts was sentenced to six months in a halfway house, six months home detention, five years probation and restitution of over \$150,000. The investigation by Postal Inspectors revealed that the clerk manipulated records of money received for customer postage meters.
- ◆ A window technician in Florida was arrested for embezzling more than \$97,000. The technician manipulated records of postage-due funds and refunds.

WORKERS' COMPENSATION

The Inspection Service investigates fraudulent claims and receipt of benefits by individual employees. Unlike other federal agencies,

these claims are paid from Postal revenues, not appropriations, thereby affecting the Postal Service's net income.

- ◆ A clerk in Washington, DC, pled guilty to making false statements to obtain workers' compensation benefits. The clerk was sentenced to five years probation, followed by six months electronic monitoring, and was ordered to pay restitution of over \$33,000. The clerk alleged an injury to a toe, and fraudulently charged the Department of Labor for travel therapy. As a result of the investigation, potential cost savings to the Postal Service is over \$934,000.
- ◆ As a result of an Inspection Service investigation, a mail handler was sentenced to one year incarceration, followed by three years probation for defrauding the workers' compensation program by claiming disability. In addition, the mail handler was ordered to pay restitution of over \$29,000. The conviction resulted in the termination of workers' compensation benefits with future cost savings to the Postal Service of \$780,000.
- ◆ An Inspection Service investigation disclosed that a former clerk in Georgia was receiving workers' compensation benefits while employed by the U.S. Air Force. The clerk continued to file claims to the Department of Labor. The Postal Inspectors' investigation also showed that the alleged on-the-job injuries were the result of an off-duty accident. The clerk was sentenced to 18 months in prison, followed by three years probation and was ordered to pay restitution of over \$32,000. This action resulted in potential cost savings to the Postal Service of over \$610,000.
- ◆ As a result of an Inspection Service investigation, workers' compensation benefits were terminated for a former letter carrier who fraudulently alleged a disabling back and shoulder injury. The carrier was sentenced to three years probation and was ordered to pay restitution of over \$4,000. Postal Inspectors produced videotapes of the carrier lifting and delivering telephone books weighing over 40 pounds. This action resulted in

a potential cost savings to the Postal Service of over \$516,000.

- ◆ Workers' compensation benefits were terminated for a former mail clerk following an Inspection Service investigation. The clerk pled guilty to three federal felony counts. While allegedly totally disabled due to a job-related back injury, the clerk was the successful owner and operator of a pool and spa repair business. As a result of this Inspection Service investigation, the potential cost savings to the Postal Service is over \$475,000.





Technology Reviews



OFFICE OF INSPECTOR GENERAL

Y2K Issues
Developmental
Computer Security
Information Systems
Electronic Commerce
Legislative and Regulatory Reviews

INSPECTION SERVICE

Electronic Commerce

The following section highlights audits, reviews, and investigations performed by the OIG in the Technology Area. Also included at the end of this section are OIG legislative and regulatory reviews. In order to differentiate the work reported by the OIG and Inspection Service, the pages containing the Inspection Service work have been color screened. Report numbers are shown in parentheses after the narrative, as appropriate.

OFFICE OF INSPECTOR GENERAL

Through technology, the Postal Service is able to deliver more than 650 million pieces of mail every day, and maintain its network of over 38,000 post offices and facilities. The Postal Service recognizes that technology is key to future growth and, therefore, its technology strategy is to provide convenient access to all concerned on a daily basis through increasingly sophisticated retail systems, expansion into new electronic access channels, and electronic linkages that integrate customer and postal processes. The OIG technology reviews encompass the Y2K initiative, information systems, information technology infrastructure, developmental systems, telecommunications, and computer security. During this period, the OIG performed 12 reviews in the technology area.

YEAR 2000 (Y2K) ISSUES

The Postal Service recognizes that technology is critical to its future and has invested heavily in Y2K preparedness. The OIG provided timely audit support by evaluating ongoing Y2K efforts to identify issues and recommend corrective actions. The OIG completed five reviews during the reporting period that address Y2K preparedness.

Y2K PLANNING PROGRESS NOTED BUT CHALLENGES REMAIN

An audit on the status and quality of the Postal Service's Y2K business continuity, contingency, and recovery management efforts showed that management took positive steps to mitigate Y2K disruptions. However, the OIG

was concerned about the Postal Service's ability to successfully complete the continuity planning initiative because program milestones were revised for documenting, reviewing, and testing contingency plans. The audit recommended that management provide sufficient funds to test and execute plans and establish a comprehensive quality assurance process for contingency plans. Management's comments were responsive to the findings and recommendations and planned actions should mitigate the risk of potential Y2K disruptions. (OIG TR-AR-99-002)

Y2K CONTRACT ADMINISTRATION REQUIRES STRENGTHENING

Postal Service management asked OIG to examine opportunities to save resources associated with the Y2K initiative. During the review, it was noted that adequate controls were not always in place to monitor contractor activities, information to control Y2K resources was not always provided, and contractors did not always provide timely or adequate work products. The OIG also noted concerns with unnecessary layers of contractor management, security clearance documentation that was not always submitted in a timely fashion, and deviations from Postal Service travel regulations granted to one contractor. In addition, corrective actions implemented or planned by management should provide opportunities to save resources. Management concurred with seven of eight suggestions for opportunities to save resources. The unresolved suggestion will be further addressed after the audit resolution process is implemented. (OIG FR-MA-99-002)

PROGRESS MADE ON Y2K READINESS

OIG has issued several status reports, including one during this six-month period, on Postal Service Y2K readiness. Overall, the audit disclosed that considerable progress was made on Y2K readiness, but much work remained. The Postal Service demonstrated substantial progress in addressing severe and critical information systems, information technology infrastructure, processing equipment, data exchanges, and supplier readiness. However, the OIG found varying levels of progress in



OIG staff observes data input during Y2K test of a Small Parcel and Bundle Sorter.

addressing component contingency plans, facilities, business continuity and recovery management planning, external suppliers, and information system readiness testing. While this report contained no recommendations, postal management questioned the OIG method of measuring progress against actual performance rather than against planned performance. The OIG took no issue with management's Y2K Plan but believed presenting interim milestones and partial results is less informative than reporting actual results as to what was done and what remains to be done. The OIG is continuing to monitor progress based on baseline performance in assessing the status of Y2K readiness. (OIG IS-AR-99-002)

DEVELOPMENTAL REVIEWS

The Postal Service is developing numerous business systems that will improve performance, enhance service, and reduce operating costs. The OIG understands the importance of reviewing these systems as they are developed, and has completed three audits of major systems currently under development during the reporting period.

POINT OF SERVICE (POS) ONE DEPLOYMENT AND CONTRACT CONCERNS

The POS ONE system will replace the outdated retail terminals at the post office retail windows. The OIG issued two reports on the system during this period.

- ◆ The OIG concluded that the POS ONE project is needed to keep the Postal Service competitive and provide necessary information for management. However, deployment of the system caused additional costs to the Postal Service and did not fully attain desired results or realize expected benefits. Ongoing hardware and software problems contributed to increases in accounting adjustments and window clerk work hours. As a result, deployment has been more costly than anticipated and all of the benefits of the POS ONE system envisioned by management have not been achieved. The OIG made six recommendations to improve monitoring and controls over the system to enhance accountability, quality, and performance. Management generally agreed with the findings and recommen-

dations and has taken or planned actions that are responsive to the issues raised in this report. (OIG DA-AR-99-002)

- ◆ The OIG reviewed circumstances concerning the remaining stages of the pending award of this project to a single vendor. The OIG concluded that the decision to award the project to one vendor might be premature. The OIG recommended that management delay the decision to award the contract to a single vendor until adequate information is obtained to make a best-value determination. (OIG DA-LA-99-004)

TRAY MANAGEMENT SOFTWARE CONTROLS REQUIRE ATTENTION

The Tray Management System automates the movement and staging of mail between most mail sorting operations in a processing plant. As part of an ongoing audit of the Tray Management System, the OIG observed Y2K compliance testing for Tray Management System contractors and whether the project was meeting performance and cost goals. During the compliance tests, the OIG review disclosed that contractors had not satisfied all contract requirements. Specifically, only one of three contractors delivered a software configuration management plan and the only contractor required to provide an object code comparison program (a comparison of the operating site software to the latest approved software release) did not supply the deliverable by the specified contract date.

The OIG suggested that management work with contractors to ensure timely delivery and adherence to both a software configuration management plan and an object code comparison program. The OIG also suggested that management ensure that sufficient resources are dedicated to software issues, procedures are developed to track software versions, and deployed software is identical to software tested and certified as Y2K compliant. Management comments were responsive to the software issues, and actions being taken should strengthen software management overall. (OIG DA-MA-99-002)



The Tray Management System, which was reviewed by the OIG is a critical advancement in automated mail processing.



The OIG is reviewing new Point of Service terminals that have been installed nationwide in over 37,000 retail offices.

COMPUTER SECURITY

Increased reliance on technology results in greater computer security concerns. The OIG is looking at the Postal Service's ability to protect its investment in technology by evaluating computer security and completed two projects that address this area.

OPPORTUNITIES TO STRENGTHEN COMPUTER SECURITY NOTED

◆ The OIG learned that an independent contractor provided the Postal Service with 15 reports identifying numerous significant weaknesses. The OIG made the Senior Vice President and Chief Technology Officer aware of the consultant's recommendations, and suggested that the consultant review the reports and determine what actions should be taken to address their recommendations. The Senior Vice President agreed to review the reports and inform the OIG of the corrective actions to be taken. The

OIG will continue to review management actions taken in response to the recommendations. (OIG CI-LA-99-001)

◆ All Postal Service computers are required to have a warning banner as part of the log-on process informing users that they consent to monitoring of any computer usage and have no expectation of privacy. The OIG evaluated the use of warning banners and found that current and former postal employees and contractors could access critical systems without viewing a warning banner. The OIG suggested that management ensure that all Postal Service computers automatically show the approved warning banner as part of the log-on process. Management concurred with OIG observations and suggestions and have planned or taken actions to ensure that all Postal Service computer users see the approved warning banner at each log-on occurrence. (OIG CI-MA-99-001)



WARNING!

This is a United States Government computer system. Use of this system is authorized only in accordance with Postal Service policies. Unauthorized access is prohibited.

YOU HAVE NO EXPECTATION OF PRIVACY USING THIS SYSTEM.

In order to ensure compliance with applicable federal law and Postal Service policies, all uses of this system may be monitored, read, captured, recorded or copied in any manner and disclosed in any manner, by authorized personnel. There is no right to privacy on this system. System personnel may give to law enforcement personnel any potential evidence of a crime found on this system. Use of this system by any user, authorized or unauthorized, constitutes consent to this monitoring, interception, recording, reading, capturing, copying and disclosure.

All communications are to be in accordance with Postal Service policies and regulations. Non-compliance with any of these conditions is grounds for disciplinary action up to and including removal or termination, as well as criminal prosecution. Report instances of suspected misuse to your Director or to the systems administrator.

INFORMATION SYSTEMS

Information Systems is responsible for the development, operation, and maintenance of 137 severe/critical information systems and another 400 important but not critical information systems. Information Systems is also responsible for two national computer centers, computer systems of the 85 performance clusters, and the Central Management Facility which remotely supports thousands of locally networked desktop computers nationwide. The Information Systems FY 1999 budget was approximately \$1 billion. During this period, the OIG conducted the following two reviews in this area.

MANAGEMENT CONTROLS OVER WIRELESS COMMUNICATIONS REQUIRE IMPROVEMENT

The OIG completed a review of controls over wireless communication equipment and services within the Postal Service. The OIG concluded that opportunities existed to enhance management controls over wireless communication equipment and services. Control weaknesses were noted in multiple contracts and provider procurements, administration and oversight responsibilities, non-official business use reimbursements, various purchasing and issuing methods, and accounting for wireless communication expenses. The OIG suggested that Postal-wide policies and procedures be developed and disseminated, and that all wireless communication equipment and services be coordinated through Postal Service telecommunications specialists. Management agreed and has planned or taken actions to address these concerns. (OIG DS-MA-99-005)

TELECOMMUNICATION COMPANY AGREES TO OVER \$2 MILLION SETTLEMENT

A large telecommunications contractor, responsible for installing telecommunications wiring for 8,000 Postal facilities, agreed to credit the Postal Service for improperly billed work. The investigation revealed that the contractor had subcontractors completing most of the work and was billed for services not rendered, incomplete, or defective. After being notified of this, the contractor recouped over \$2 million

from its subcontractors, which is being credited to the Postal Service contract. (OIG 99-RI-077-FA000)

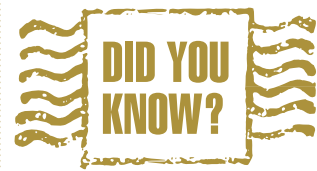
ELECTRONIC COMMERCE

Businesses worldwide are facing the threats and opportunities presented by electronic commerce. Like many other businesses, the Postal Service is expecting little or no growth in its traditional markets (e.g., First-Class Mail) and needs to develop new sources of revenue. The Postal Service views electronic commerce as a strategy for obtaining new sources of revenue. Several of these strategies in electronic commerce are beginning to emerge. For instance, the Postal Service is building a strong Internet presence and working on becoming the “carrier of choice” for merchandise purchased on the Internet. However, the Postal Service faces a formidable challenge in implementing electronic commerce strategies as it moves into the next century.

Clearly, electronic commerce will forever change the way the Postal Service conducts business. As the OIG’s Y2K audit work comes to a close, electronic commerce is quickly becoming one of the OIG’s highest priorities. During this period, the OIG conducted the following review in this area.

MISUSE OF POSTAL SERVICE LOGOS

While attending the 22nd Universal Postal Congress in Beijing, China, OIG officials found that marketing material in the form of a mail piece from a vendor improperly used the Postal Service and PC Postage logos. The material, when taken in context with the vendor’s advertising, improperly implied endorsement by the Postal Service. Moreover, the vendor did not meet requirements for designation as an approved licensed vendor of PC Postage. The matter was referred by OIG to Postal Service marketing officials, who notified the vendor to immediately cease further use of the logos and mail piece design. Postal Service officials further requested a response from the vendor on how it intends to correct the false impression of Postal Service endorsement. (OIG IG-PA-99-001)



Is the OIG Y2K compliant?

Yes, we have implemented an aggressive plan to ensure that all of our computer equipment—network hardware, telecommunications, software and peripherals—have been analyzed and corrected. In addition, our older computer equipment also has been upgraded to be Y2K compliant.



OIG Information Technology staff conduct system tests as the Y2K approaches.

LEGISLATIVE AND REGULATORY REVIEW

ENACTED LEGISLATION

Public Law 106-37, 113 Stat. 185, (July 20, 1999) - Year 2000 Readiness and Responsibility Act

Postal Service systems are vulnerable to Y2K computer failures due to reliance on computers. For this reason, the Year 2000 Readiness and Responsibility Act is extremely important to the Postal Service because it addresses anticipated legal action that could arise as a result of economic losses due to Y2K failures.

The Postal Service also relies extensively on external suppliers that are critical to moving the mail, such as airlines, railroads, and trucking companies who are also susceptible to the Y2K problem. This legislation limits damages and the amount the Postal Service could recover as a result of a Y2K supplier problem. The OIG will continue to monitor the Y2K area and post-Y2K work will consider liability issues.

PROPOSED LEGISLATION

H.R. 439 - The Paperwork Elimination Act of 1999

This legislation would amend the Paperwork Reduction Act by directing the federal government to provide those doing business with the government the option of using electronic communication instead of sending paperwork through conventional mail delivery. The bill encourages the use of electronic signatures to facilitate the transmission of documents. The Department of Justice has raised concerns, which the OIG shares, regarding the validity of and reliance upon documents and signatures that exist only in an electronic, digital format. Without appropriate safeguards, the potential for fraud exists. Also, if small businesses, educational and nonprofit institutions, federal contractors, state and local governments, and others take widespread advantage of electronic filings with the federal government, as encouraged by this bill, revenues of the Postal Service could be affected. Although the Paperwork Reduction Act does not apply to the Postal Service, the OIG will monitor the use of electronic signatures and documents as part of its ongoing work.

INSPECTION SERVICE

The Inspection Service has initiated work in the electronic commerce area as follows.

ELECTRONIC COMMERCE

The Inspection Service is a member of the Postal Service multi-functional team to ensure electronic commerce products and services provide security to:

- ◆ prevent fraud losses;
- ◆ protect customer information; and
- ◆ maintain customer trust.

The Inspection Service is meeting all the challenges and opportunities of the E-commerce era by working with other Postal Service departments, training criminal investigators, developing new loss prevention solutions, and assisting Postal Service customers and suppliers who are vital to the growth of electronic commerce.

Labor Management Reviews



OFFICE OF INSPECTOR GENERAL

Violence in the Workplace
Workplace Climate
Health Care
Postal Employees Safety Enhancement Act
Legislative and Regulatory Reviews

INSPECTION SERVICE

Workplace Climate
Postal Robberies
Drugs in the Workplace

The following section highlights audits, reviews, and investigations performed by the OIG and the Inspection Service in the Labor Management Area. Also, included at the end of this section are OIG legislative and regulatory reviews. In order to differentiate the work reported by the OIG and Inspection Service, the pages containing the Inspection Service work have been color screened. Report numbers are shown in parentheses after the narrative, as appropriate.

OFFICE OF INSPECTOR GENERAL

The OIG has identified the improvement of the Postal Service's labor management area as one of the major performance and management challenges that must be addressed if the Postal Service is to remain competitive in the 21st century. The OIG supports the Postal Service in its overall goal of fostering an inclusive and welcoming workplace consistent with Postal Service values of fairness, opportunity, safety, and security. The Labor Management Area consists of violence in the workplace, workplace climate, health care, and the Postal Employees Safety Enhancement Act. In this area, the OIG conducted 36 reviews during this period.

VIOLENCE IN THE WORKPLACE

The Postal Service widely acknowledges concerns about violence in the workplace. Both the OIG and the Postal Service are dedicated to the prevention of violence and considers early intervention and cooperation with management and employee groups essential. The OIG recently conducted nine reviews of violence in the workplace.

EFFECTIVE VIOLENCE PREVENTION AND RESPONSE PROGRAMS NOT IMPLEMENTED IN A POSTAL DISTRICT

An audit of the violence prevention program in the Suncoast District identified that management did not follow many of the violence prevention policies and procedures outlined in the May 1997 *Threat Assessment Team Guide* and the *Crisis Management Plan* for

Incidents of Violence in the Workplace. The District's limited attention to violence prevention efforts could have adversely affected the workplace climate and Postal Service operations. OIG concluded that District officials had not implemented effective violence prevention and response programs. Although management disagreed with the finding, planned or implemented actions were responsive to the OIG recommendations regarding violence prevention policy, security reviews, mandatory violence awareness training, incident reviews, and responses. (OIG ER-AR-99-002)

MANAGEMENT APPROPRIATELY HANDLED VIOLENT SITUATION

In another review, the OIG concluded allegations were valid that a Western area plant manager jeopardized the safety of postal employees and the public. Specifically, the plant manager solicited postal employees to purchase a pistol for another employee and brought the loaded pistol to an official agency function. While making a speech, the plant manager ejected the loaded clip, pointed the pistol toward a wall, and fired it, igniting a cap that had been chambered in the pistol. The OIG found District management properly investigated the incident and the plant manager was disciplined. (OIG LM-LA-99-003)

ZERO TOLERANCE POLICY ENFORCED

The OIG reviewed several instances involving the Postal Services enforcement of its "Zero Tolerance Policy" for violence in the workplace. For example:

- ◆ The OIG reviewed an allegation that a Southeast Area Post Office supervisor physically assaulted an employee. The OIG also reviewed management's compliance with Postal Service policies and procedures for investigating and resolving the allegation. The OIG concluded that management appropriately followed the Postal Service's published zero tolerance policy regarding violence and inappropriate behavior in the workplace. (OIG LM-MA-99-010)
- ◆ The OIG reviewed an allegation that harassment and intimidation of employees by another employee was occurring at a Midwest Post Office. The OIG



determined that a perception of a hostile working environment existed. The OIG also determined that management followed the Postal Service's published zero tolerance policy regarding violence and inappropriate behavior in the workplace. The lead plant manager took the proper actions, including recommending that the complainant seek counseling through the Employee Assistance Program. (OIG LM-LA-99-002)

- ◆ The OIG evaluated Postal Service compliance with policies and procedures in investigating and resolving an allegation of threats made by a postmaster to assault a Southwest Area Post Office employee. The OIG found no evidence that the postmaster threatened the employee. The OIG review also concluded that management followed the Postal Service's published zero tolerance policy regarding violence and inappropriate behavior in the workplace. (OIG LM-LA-99-001)

WORKPLACE CLIMATE

The Postal Service believes that signs of workplace stress are present, and that they need to take comprehensive steps to address issues of improving the workplace environment. This must be accompanied by the emphasis of aligning human resources with business requirements. The OIG agrees with this assessment and has conducted 22 reviews regarding workplace climate, some of which are highlighted below.

UNWARRANTED DISCIPLINE AND HOSTILE WORK ENVIRONMENT FOUND

The OIG completed two reviews in the Southeast Area:

- ◆ The first review addressed allegations of unwarranted disciplinary actions in a district. The review disclosed that in some cases disciplinary action taken against postmasters was warranted, but in other cases, it was not. The OIG also found that the Postal Service disciplinary action appeals process was not followed and that the policy did not stipulate a timeframe for answering appellants. The OIG recommended that management

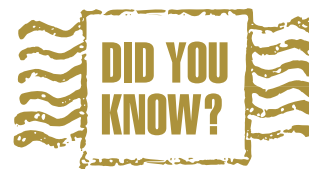
comply with Postal Service policies regarding issuing discipline for unsatisfactory performance and hold managers accountable for issuing punitive discipline when corrective measures are available.

Southeast Area management disagreed with the OIG conclusion that discipline received by the postmasters was unwarranted but agreed with the recommendation to comply with policy regarding the disciplinary action appeals process of non-bargaining employees. Management also agreed to provide specific timeframes for appeal processes and to hold managers accountable for not handling appeals in a timely manner. (OIG LR-AR-99-012)

- ◆ While performing an audit at a district, the OIG found that a potentially hostile environment existed at a processing and distribution center. Upon further investigation, the OIG determined that a plant manager treated employees in an abusive manner. Furthermore, despite the fact that the district manager was aware of the plant manager's behavior, the labor climate at the center continues to be hostile and intimidating. Although management did not agree with the OIG conclusion that the labor climate at the plant continues to be hostile and intimidating, they did agree with the OIG suggestions and plan to implement them. (OIG LR-MA-99-009)

OTHER LABOR MANAGEMENT REVIEWS

The OIG generally does not review individual employee complaints. However, over the past six months, we have performed 24 individual reviews of workplace violence and climate issues that resulted from congressional requests. As a new agency, we undertook these reviews to develop a greater understanding of the Postal culture and to establish a working relationship with Postal Management to ensure that employees' concerns are addressed. The chart shows the diversity of the labor relations complaints we received (see chart on the next page).

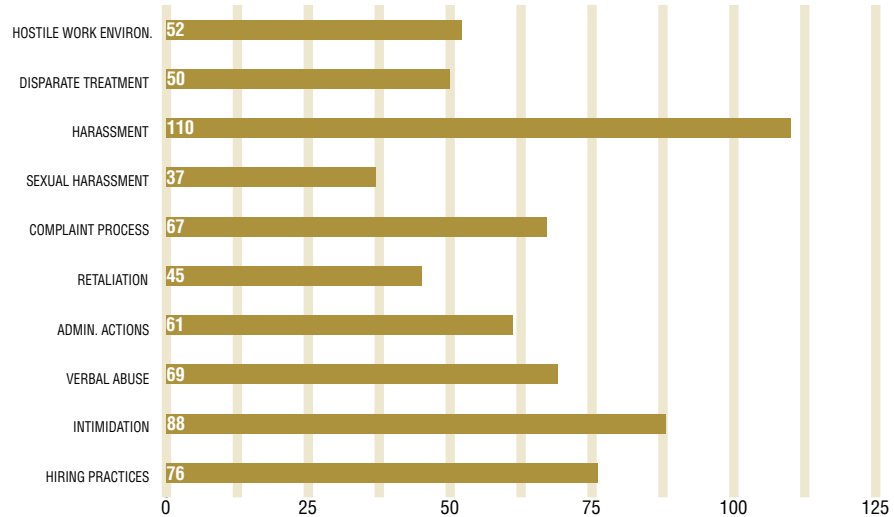


Will the OIG investigate allegations of retaliation when wrongdoing is reported to them?

The OIG will investigate all management retaliation complaints received from Postal Service employees who had previously reported wrongdoing to this office.

Top 10 Labor Management Complaints

Analysis of 655 allegations received in the past six months



HEALTH CARE

For FY 1999, the Postal Service paid over \$580 million for employee injury claims, an \$18 million increase over FY 1998. Because the Postal Service is self-insured for workers' compensation costs, they make such payments out of operating funds. Thus, the Postal Service's net income is affected every time an employee is injured and unable to return to work. Containing these costs continues to be key to the Postal Service's financial well being. During this period, OIG completed five reviews in this area, one which is highlighted below.

WEAK CONTROLS OVER INJURY CLAIMS NOTED

The OIG conducted an audit of a district's process for submitting, controverting, and challenging injury claims. The audit revealed opportunities for improving timeliness, controversions, challenges, and management control of injury claims. The OIG made recommendations to hold supervisors accountable for submitting injury claims timely, to reemphasize the importance of applying existing procedures when processing and reviewing injury claims, and to develop additional management controls over injury claims. Management agreed with 8 of 11 recommendations. With one exception, management's planned actions were responsive to the issues raised in this report. (OIG HC-AR-99-001)

THE POSTAL EMPLOYEES SAFETY ENHANCEMENT ACT

The Postal Employees Safety Enhancement Act, enacted on September 28, 1998, changed the status of the Postal Service as an employer under the Occupational Safety and Health Act of 1970. As a result, the Postal Service can be cited, fined, and referred for prosecution by the Occupational Safety and Health Administration for safety violations. This Act was meant to assure safe and healthful working conditions for Postal workers.

We have initiated and planned several audits to determine the impact of the Postal Employees Safety Enhancement Act on the Postal Service. For example, we are currently reviewing the Postal Service's implementation of the Act and its effect on organizational climate and operations in general. Future work will include a review of the mechanisms used by the Postal Service to identify substandard facilities and for upgrading those facilities to meet health and safety standards.

LEGISLATIVE AND REGULATORY REVIEW

PROPOSED LEGISLATION

H.R. 2385 - Postal Service Employee Violence - General Accounting Office Study

This legislation requires the General Accounting Office to study and report to Con-



Periodical mailings account for a significant portion of the Postal Service's revenue.

gress on possible connections between violence by current or former Postal employees and workplace-related frustrations experienced by Postal workers. Special attention would be directed to gender, race, and disability discrimination; sexual harassment; retaliatory assignments; and irregularities in hiring, training, promotions, and disciplinary actions.

The Postal Service has a process for assessing risk posed by the potential for violence in the workplace. The OIG evaluates this process on a continuing basis. The OIG also receives many inquiries from the public and members of Congress on the subjects that would be examined in the General Accounting Office study. This study could replicate much of what OIG does in the labor management area. Evaluating violence in the workplace is a high priority for the Postal Service and the OIG.



INSPECTION SERVICE

The Inspection Service reviews a number of Labor Management Areas including: workplace climate, Postal robberies, and drugs in the workplace.

WORKPLACE CLIMATE

An audit of workplace behavior was conducted within the Allegheny Area to evaluate management attention to workplace environmental conditions that affect workplace behavior. The audit disclosed postal management's attention to workplace conditions affecting employee attitude and behavior throughout the Allegheny Area was generally effective. The membership, participation, and operation of threat assessment teams varied from one performance cluster to another. Recommendations included establishing a process to coordinate and monitor threat assessment teams' activities to ensure consistency throughout the area. Management agreed with audit recommendations. (IS 044-1281484-PA(2))

POSTAL ROBBERIES

The Inspection Service regards the prevention of robberies as one of its highest organizational priorities and affords task force attention to facility, carrier, and other Postal robberies to deter these attacks on employees. The Inspection Service investigated 62 robberies in this reporting period. Robbery-related arrests and convictions for this semiannual period totaled 69 and 79, respectively.

Examples of these investigations follow.

- ◆ An individual responsible for the September 1998 robbery of the Old Mystic, Connecticut, Post Office was sentenced to over 19 years in a Connecticut State Prison. At least 15 years of the sentence must be served. The individual already had an extensive criminal history involving armed robberies, burglaries, and assaults prior to this arrest.
- ◆ An individual was sentenced to 40 years in a Louisiana prison without parole for the November 1997 robbery of the Ferri-day, Louisiana, Post Office. An accomplice had been previously sentenced to 25 years incarceration, also without parole. Another accomplice was sentenced to 15 years of hard labor and must serve at least ten years.

- ◆ A former Postal employee was convicted of felony murder and attempted murder by a Suffolk County, New York court. He and a cousin were arrested for the September 1997 armed robbery of a former employer's armored car. The robbers stole over \$320,000 in postal remittances from the guards. The former employee faces a sentence of 50 years to life.
- ◆ The ringleader of three robberies of a Kerman, California, highway contract route over a six-month period was sentenced to seven years and six months in prison and ordered to pay over \$35,000 in restitution. An accomplice who cooperated in the investigation was sentenced to two years and five months in prison and ordered to pay nearly \$18,000 in restitution. Five others involved in the robberies were previously sentenced.

DRUGS IN THE WORKPLACE

To help ensure a safe working environment, the Inspection Service investigates narcotics-related offenses, particularly the sale of narcotics on Postal premises. During this semiannual period, Postal Inspectors arrested 14 employees for narcotics violations.

The following are drug related offenses committed by postal employees.

- ◆ A postal supervisor in Michigan was arrested after Postal Inspectors intercepted an Express Mail parcel. The parcel contained more than five pounds of marijuana. Postal Inspectors searched the supervisor's vehicle and home. The search produced a drug scale and an unregistered firearm.
- ◆ A mail handler in Missouri was arrested for establishing a marijuana growing operation. Inspectors discovered the operation within the mail handler's home which included grow lights, over 300 marijuana plants, and 40 pounds of harvested marijuana in bags.
- ◆ A highway contract driver in Tennessee was arrested for using marijuana while transporting mail.
- ◆ A casual custodian in Illinois was arrested for selling crack and marijuana.
- ◆ A letter carrier in Ohio was arrested for possession of heroin, marijuana, and drug paraphernalia.

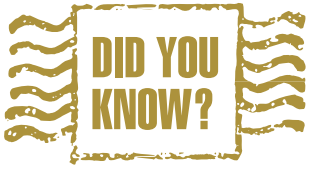
Oversight Reviews of Inspection Service



OFFICE OF INSPECTOR GENERAL

Oversight

Legislative and Regulatory Reviews



How long has the Inspection Service protected the U.S. mails?

For over 200 years, Postal Inspectors have protected the mail and U.S. citizens to ensure that the public's confidence in the mail is not undermined.



Former Chief Inspector Hunter presides over the 1998 Leadership Conference, which OIG reviewed.

The following section highlights audits, reviews, and investigations performed by the OIG in conducting its oversight of the Inspection Service. Also, included at the end of this section are OIG legislative and regulatory reviews. Report numbers are shown in parentheses after the narrative, as appropriate.

OFFICE OF INSPECTOR GENERAL

One of the primary reasons the OIG was established in the Postal Service was to provide oversight of Postal Inspection Service activities. The OIG's work in other significant areas provides an independent voice with objective information and analysis of Postal Service operations and issues.

OVERSIGHT

The OIG seeks to review and resolve all individual complaints received against the Inspection Service. During this six month period, we completed 10 oversight reviews of the Inspection Service. Two recent oversight reviews are highlighted below.

INSPECTORS PERFORMING AUDITS WERE NOT SPENDING AT LEAST 50 PERCENT OF THEIR TIME PERFORMING LAW ENFORCEMENT DUTIES

The OIG conducted an audit to determine if Postal Inspectors performing audits were properly classified as law enforcement officers. The OIG concluded that at least 91 percent of the 234 inspectors in the audit universe who were classified as criminal investigators performed audits as their primary duties. The OIG recommended that the Chief Postal Inspector establish controls to ensure Postal Inspectors devote 50 percent or more of their work hours to law enforcement duties, or reclassify the positions to reflect work performed. In addition, the OIG recommended that Postal Inspector duties be reviewed to ensure they meet the regulatory requirements of a law enforcement officer.

As a result of the audit, the Chief Postal Inspector plans to divest the Inspection Service of "Yellow Book" audit work and agreed to

establish a system to monitor Postal Inspectors' work hours to ensure compliance with regulatory guidance for law enforcement officers. Management also agreed to review Postal Inspectors' duties to ensure that they meet regulatory guidance for law enforcement officers. (OIG OV-AR-99-001)

ALLEGATIONS CONCERNING 1998 LEADERSHIP CONFERENCE

The OIG evaluated an allegation that the Inspection Service abused and wasted Postal Service funds at their FY 1998 Leadership Conference. The OIG concluded that several conference expenditures and agenda items appeared unnecessary or extravagant, including \$82,000 in mementos. In addition, several workshop topics were not directly related to the Inspection Service mission. The OIG offered several suggestions for future conferences including ensuring workshops are clearly mission related, assigning contracting responsibility to one activity to centrally control expenditures, requiring that memento expenditures are modest, and limiting conference publication content. To ensure timely dissemination of the information contained in the report, the OIG elected to publish the report without management's comments. A revised report will be issued when management comments are received. (OIG OV-MA-99-003)

REVIEW OF COMPLAINTS REGARDING THE INSPECTION SERVICE

The OIG completed several reviews of complaints concerning the Inspection Service. Four examples are discussed below.

- ◆ The OIG reviewed an allegation that Postal Inspectors failed to properly investigate a customer's allegations of mail tampering. The OIG spoke with the customer on several occasions regarding the allegations to determine if additional action was necessary. The Inspection Service's documentation on the case was reviewed and the Postal Inspectors assigned to the case were interviewed. The OIG inquiry found that the Inspection Service appropriately closed the case due to lack of evidence. (OIG OV-CR-00-001)

- ◆ The OIG also reviewed an allegation from a Postal Service employee at a processing and distribution center that the Inspection Service failed to adequately investigate his charges of misconduct by postal management. The OIG spoke with the Postal Service employee, interviewed Postal Service officials and Inspectors from the Inspection Service, and reviewed documentation provided by all sources. The OIG inquiry found that the Postal Service employee had filed an Equal Employment Opportunity complaint against Postal Service management. As a result, no further contact was made with the Postal Service employee and the case was closed. (OIG OV-CR-99-004)
- ◆ The OIG reviewed an allegation from a Postal Service contractor regarding his removal from Postal Service employment and misconduct by Postal Inspectors. The OIG preliminary inquiry warranted further investigation by the Inspection Service Internal Affairs Division. The investigation confirmed the Postal Service employee's allegations that Postal Inspectors acted unprofessionally, used profanity, and unnecessarily displayed a service weapon. The two Postal Inspectors were counseled on their unprofessional conduct. (OIG OV-CR-99-011)
- ◆ The OIG reviewed a complaint from a customer who alleged Postal Inspectors had not satisfactorily investigated allegations of delayed and undelivered mail by Postal Service employees, and mail theft. The OIG found that Postal employees made various efforts, including increased attention, to ensure timely and accurate delivery of mail to the customer's address and had attempted numerous times to contact the customer and reach a mutually satisfactory solution. Based on the review, the OIG found no evidence that would substantiate the allegations. (OIG OV-CR-99-005)

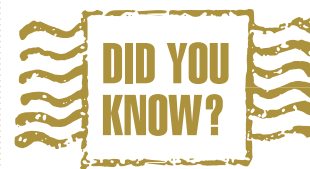
LEGISLATIVE AND REGULATORY REVIEWS

PROPOSED LEGISLATION

SWEEPSTAKES MAILING

- ◆ S. 335 - Deceptive Mail Prevention and Enforcement Act
- ◆ S. 336 - Deceptive Games of Chance Mailings Elimination Act of 1999

Senate Bills 335 and 336 would require sweepstakes mailings and other promotional mail to contain clearly written and easily understood participation rules, and advisories on the recipients' chances of winnings. Both bills provide additional subpoena authority for the Postal Service. This legislation would give the Postal Service enhanced law enforcement authority. The Inspector General submitted a statement to the Subcommittee supporting the legislation. The legislation's enhanced law enforcement authority is of interest to the OIG because the OIG has oversight responsibility for the Inspection Service.



What is the Mail Fraud Statute?

The Mail Fraud Statute contained in Title 18 of the United States Code, Section 1341, makes it a criminal violation to use the United States mail or the services of any private or commercial carrier to carry out a fraudulent scheme.





Other Significant Reviews



OFFICE OF INSPECTOR GENERAL

- Integrity Reviews
- Executive Investigations
- Government Performance and Results Act
- Legislative and Regulatory Reviews

INSPECTION SERVICE

- Physical Security
- Narcotics Offenses and Trafficking
- Fraud Against Consumers
- Fraud Against Businesses
- Fraud Against the Government
- Child Exploitation
- Prohibited Mail
- Postal Burglaries



The following section highlights audits, reviews, and investigations performed by the OIG and the Inspection Service in other significant areas. Also, included at the end of this section are OIG legislative and regulatory reviews. In order to differentiate the work reported by the OIG and Inspection Service, the pages containing the Inspection Service work have been color screened. Report numbers are shown in parentheses after the narrative, as appropriate.

OFFICE OF INSPECTOR GENERAL

In addition to reviews that are summarized earlier in this Semiannual Report, the OIG has conducted 20 reviews of significant issues related to Postal Service operations. The significant issues highlighted below center around integrity.

INTEGRITY REVIEWS

Integrity in the operation of top Postal management is essential to ensuring that the Postal Service serves its customers and employees in an ethical manner.

OPPORTUNITIES TO IMPROVE PROCEDURES FOR DISCLOSING POTENTIAL CONFLICTS OF INTEREST

During an inquiry, the OIG noted opportunities to enhance the administration of the Postal Service ethics program. Specifically, the OIG found the procedures for disclosing potential conflicts of interest could be improved. The OIG suggested that senior Postal officials be provided advance notice of: the names of companies and contractors potentially impacted by their decisions prior to their participation in decisional meetings, and that senior officials disclose intermediary business relationships to the General Counsel, who serves as the designated agency ethics official. During the inquiry, the Postal Service law department instituted enhancements in the ethics program that fully addressed the first issue and partially addressed the second issue. Although not required, the OIG suggested that the Law Department offer

an additional service to senior Postal management by requesting voluntary disclosure of intermediary business relationships. The General Counsel did not agree to implement the OIG suggestion. While the OIG believes these enhancements would aid in timely identification of potential conflicts of interest in the future, the OIG will not pursue this issue further. (OIG EX-LA-99-001)

EMPLOYEE PLEADS GUILTY IN CONFLICT OF INTEREST

An OIG investigation revealed that a high-level Postal Service employee had a conflict of interest while negotiating with a company for future employment and at the same time providing advice to the Postal Service about changing policy that would favor the contractor. The employee pled guilty in federal court, was sentenced to two years supervised probation, and fined \$2,000.

EXECUTIVE INVESTIGATIONS

The OIG is responsible for reviewing allegations against senior-level Postal Service executives and has over 30 ongoing investigations. These investigations result from allegations involving criminal violations. The team is also the focal point for investigations of administrative violations, including those resulting from allegations of retaliation action against subordinate personnel by Postal officials.

GOVERNMENT PERFORMANCE AND RESULTS ACT

Both the Postal Service and the OIG are directly impacted by the enactment of the Government Performance and Results Act of 1993. The Act mandates that all federal agencies establish a set of measurable performance goals and define their strategies to achieve these goals. Beginning in 1999, annual performance plans must be prepared and a report must be submitted annually beginning March 31, 2000. The Postal Service believes that their *CustomerPerfect!* system complements the intent of the Act and supports the law's mandate. The OIG is in the process of designing its review coverage of Postal Service's implementation of and compliance with the Act. In addition, OIG will continue to monitor and review proposed

amendments to the Act and will actively participate in interagency groups to discuss and refine the roles and responsibilities of the OIG. The result of these discussions will be used, as appropriate, to adjust the OIG review coverage.

LEGISLATIVE AND REGULATORY REVIEWS

PROPOSED LEGISLATION

S. 870 - Inspector General Act Amendments

This legislation would amend the Inspector General Act. If this bill became law, Presidentially-appointed Inspectors General would be appointed to a term of nine years. Appointees could serve more than one term. Another provision provides for a General Accounting Office review of designated federal entities, such as the Postal Service, every three years. In addition, the semiannual reporting requirement to Congress would be changed to an annual reporting requirement.

The Postal Service Inspector General is not Presidentially appointed and would not be affected by the term provision. However, some other provisions of the bill do apply to the Postal Service Inspector General, such as General Accounting Office review and annual reporting. This legislation would not have a significant impact on the current operation of the Postal Service OIG.

H.R. 305 - Office of Inspector General Oversight Act of 1999

This bill would establish a seven-member council to oversee the operations of Inspectors General throughout the federal government. Congress would appoint four members, and the remaining three would be selected jointly by Inspectors General of federal agencies. The council would receive and investigate complaints about decisions and actions of offices of Inspectors General and issue recommendations regarding such complaints.

House Bill 305 would have an impact on the Postal Service OIG. It would establish additional oversight of the OIG, beyond the current peer review process and potential reviews by the General Accounting Office, the President's Council on Integrity and Efficiency Integrity Committee, and Congress. The coun-

cil's authority over Inspectors General would be limited to issuing recommendations regarding any decisions and actions an Inspector General may have taken, and the council would submit a report to Congress listing its activities and recommendations. Congress could take action affecting the Inspectors General based on the council's recommendations.

H.R. 2013 - Inspector General Act Amendments

This legislation would provide for the Presidential appointment of Inspectors General for those designated federal entities whose Inspectors General are currently appointed by the head of the agency. This legislative provision would affect the Postal Service whose Inspector General is currently selected by the Postal Service Governors.

PROPOSED RULES

CHANGES IN ORGANIZATION NAMES AND TITLES—EFFECT UPON RELEASE OF INFORMATION AND RECORDS MANAGEMENT

This rule revises the organizational names and titles contained in Postal Service regulations relating to policies for the release of information and records management. These names and titles changed as a result of agency restructuring. The revisions reflect to whom the public should address issues relating to the release of information and records management. This rule also updates composition of the Postal Service's Data Integrity Board, of which the Inspector General is a member. (*Federal Register*, Volume 64, Number 146, Pages 41289-41291, July 30, 1999.)



Is the OIG part of the Postal Service?

Yes, OIG employees are Postal Service employees; however, the OIG is not part of Postal Service management chain and does not report to the Postmaster General, as do the other Postal Service employees. To the extent practical, the OIG follows Postal Service procedures.

INSPECTION SERVICE

The Inspection Service conducted numerous audits and investigations covering significant issues in the following areas: physical security; narcotics trafficking; fraud against businesses; fraud against the government; child exploitation; mail bombs and mail threats; and prohibited mail.

PHYSICAL SECURITY

An area coordination audit of facility security in the Western Area was completed in June. Audit results revealed that deficiencies existed in the following areas: security program, security awareness training, identification badges, contingency planning, crisis management planning, and registry operations. Management agreed with all recommendations and began implementation of corrective actions. (IS 044-1272744-PA(2))

NARCOTICS TRAFFICKING

The Inspection Service interdicts drug mailings to protect Postal employees and customers from the violence associated with this crime and to prevent the abuse of the mail for such illicit purposes. Inspectors made 802 arrests and obtained 747 convictions in this area during this reporting period.

- ◆ Inspectors in Pennsylvania arrested two individuals and two other individuals were indicted for their involvement in a conspiracy to distribute heroin, prescription drugs, and marijuana into the Pennsylvania State Correctional Institute. An Express Mail package, with four heroin balloons, was delivered to an inmate. The recipient died after ingesting the contents of one of the balloons. One defendant pled guilty and the others were convicted on conspiracy and distribution charges. The individual who pled guilty disclosed a scheme in which heroin was being smuggled into prisons under self-adhesive stamps. As a result of this investigation, all state correctional institutions in Pennsylvania now remove stamps prior to delivery to the inmates.

FRAUD AGAINST CONSUMERS

To preserve the public's confidence and trust in the U.S. Mail, the Inspection Service

investigates a variety of mail fraud schemes, including fraud against consumers. Some of the most significant investigations follow.

- ◆ An individual pled guilty to a three-count indictment charging conspiracy to commit securities fraud and perjury. The individual participated in a scheme to manipulate the stock price of an initial public offering, resulting in investment losses to the public of over \$100 million. The individual agreed to forfeit \$850,000.
- ◆ As a result of an Inspection Service investigation, 10 individuals were indicted in a \$60 million scheme that defrauded over 34,000 investors. The 10 individuals ran three invention promotion companies that used mass mailings to lure victims with false and misleading representations to pay advance fees as high as \$11,000.
- ◆ An Inspection Service investigation of a well-known financial advisor for schools was indicted on 134 counts of mail fraud, securities fraud, false statements, money laundering, and criminal forfeiture. The individual, who managed investment funds for a number of school districts, was charged with defrauding the school districts of \$71 million.
- ◆ As a result of an Inspection Service investigation, three individuals were arrested for mail and wire fraud for submitting more than \$14 million in false invoices to over 13,000 businesses and institutions.
- ◆ An Inspection Service mail fraud investigation resulted in an individual being sentenced to 37 months imprisonment followed by two years supervised release and restitution of \$3.5 million. Seven additional individuals assisted in the scheme to defraud \$8.4 million from at least 6,500 investors.
- ◆ As a result of an Inspection Service investigation, an individual was sentenced to 30 years imprisonment and ordered to pay restitution of more than \$8.6 million for organizing an illicit advertising operation.

FRAUD AGAINST BUSINESSES

The mail is often used to submit false or inflated invoices to businesses and institutions. A notable investigation follows:

- ◆ An individual who previously pled guilty in an Inspection Service case involving mail fraud and wire fraud was found guilty of capital murder and sentenced to a mandatory life sentence.

FRAUD AGAINST THE GOVERNMENT

Postal Inspectors also work to protect the Government from being victimized by mail fraud. Two notable investigations involving fraud against the government follow.

- ◆ An Inspection Service investigation resulted in a State representative being convicted on mail fraud and conspiracy charges. The representative submitted \$51 million in fraudulent transactions and mailings.
- ◆ As a result of an Inspection Service investigation in California, two individuals who defrauded the Department of Veterans' Affairs of educational assistance benefits of more than \$3.8 million were found guilty of mail fraud, conspiracy, and false claims.

CHILD EXPLOITATION

Postal Inspectors employ proactive investigative techniques to identify and bring to justice individuals who use the mail to distribute or knowingly receive child pornography. During this reporting period, Postal Inspectors made 96 arrests and obtained 72 convictions in this area. One investigation in this area included:

- ◆ Inspection Service participation on a task force of local and federal law enforcement agencies in Indiana resulted in the sentencing an individual who was sentenced to 27 years in prison and fined \$5,000 for offenses relating to ordering child pornography videos through the mail.

PROHIBITED MAIL

In the interest of protecting customers and Postal employees, Postal Inspectors place a high priority on the investigation of explosive

devices sent through the mail. The Inspection Service responded to 925 incidents of suspicious items in the mail and 108 bomb threats against Postal facilities. The following are significant investigations.

- ◆ An Inspection Service investigation resulted in an individual being sentenced to two life terms plus 10 years for mailing an explosive device, which caused the death of a person who was the roommate of the intended victim. The individual was also convicted of placing an explosive device on the vehicle of the intended victim's boyfriend.
- ◆ As a result of an Inspection Service investigation, an individual was sentenced to seven years in prison for sending a former spouse an explosive device inside a hollowed-out Bible.

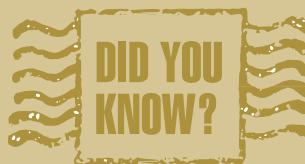
POSTAL BURGLARIES

The Inspection Service employs sophisticated burglary prevention techniques and detection devices to make Postal facilities less vulnerable to attack. Burglaries may result in property losses or mail thefts and indirect losses for damage repairs from forced entries. During this reporting period, the Inspection Service made 75 burglary arrests, and obtained 62 convictions, including the following:

- ◆ In August and November of 1994, two post offices in Pennsylvania were burglarized. After a five year investigation, an individual was extradited from a Texas jail to Pennsylvania and arrested for both burglaries. Prior to initiation of the trial the individual pled guilty to burglary and corruption charges and was sentenced to two and one-half to five years in prison.



Appendices



What is the OIG's website address?

OIG's website is www.uspsoig.gov.

APPENDIX A

Closed Congressional Inquiries

This appendix represents the 50 congressional inquiries the Office of Inspector General closed during this reporting period (April 1, 1999, to September 30, 1999). We reviewed these inquiries to help identify systemic issues and to determine the need for future Postal-wide audits.

PERFORMANCE

Requestor	Allegations/Concern	Location	Response Date
Representative, Connecticut	Relocation of postal facility and environmental issues	New Haven, Connecticut	5/17/99
Representative, California	Excessive bulk mail deliveries	Azusa, California	7/2/99
Chairman, Postal Subcommittee	Misdirection and delay of government mailings	Washington, DC	9/30/99
Chairman, Postal Subcommittee	Untimely delivery of newspapers sent via Periodical Class mail	Postal-wide	9/30/99
Representative, California	Lost contents of package	San Francisco, California	9/30/99
Representative, Hawaii	Mail not delivered to house mailbox	Hilo, Hawaii	9/30/99

FINANCIAL MANAGEMENT

Requestor	Allegations/Concern	Location	Response Date
Representative, Pennsylvania	Viability of the Postal Service Corporate Treasury to manage in current financial market	Postal-wide	5/14/99
Representative, Pennsylvania	Examine Postal Service policies and procedures regarding revenue assessment for periodicals	St. Louis, Missouri; Southern Illinois	5/17/99
Representative, Missouri	Examine Postal Service policies and procedures regarding revenue assessment for periodicals	St. Louis, Missouri; Southern Illinois	5/17/99
Representative, Missouri	Examine Postal Service policies and procedures regarding revenue assessment for periodicals	St. Louis, Missouri; Southern Illinois	5/17/99
Representative, Illinois	Examine Postal Service policies and procedures regarding revenue assessment for periodicals	St. Louis, Missouri; Southern Illinois	5/17/99
Senator, Iowa	Evaluate the Postal Service's relationship with a Mexican-based bank to identify potential business risks	Postal-wide	6/18/99
Chairman, Postal Subcommittee	Mechanical work performed at vehicle maintenance facility	Wilmington, Delaware	9/30/99

LABOR MANAGEMENT

Requestor	Allegations/Concern	Location	Response Date
Representative, New York	Unfair suspension for assaulting a Postal Service supervisor	Mid-Island, New York	4/22/99
Representative, Massachusetts	Personnel hiring process	Edgartown, Massachusetts	5/10/99
Senator, Massachusetts	Personnel hiring process	Edgartown, Massachusetts	5/10/99
Senator, Virginia	Working conditions, back pay, and benefits	Prince George, Virginia	6/24/99
Representative, New Jersey	Allegations of supervisor assault and harassment	New Brunswick, New Jersey	7/17/99
Representative, California	Mistreatment by Postal Service management relative to a Workers' Compensation claim	Oakland, California	7/19/99
Senator, North Carolina	Discriminatory treatment by Human Resources personnel and management	Greensboro, North Carolina	7/19/99
Representative, New York	Arbitration for Postal Service disciplinary action was prolonged and unfair	Babylon, New York	7/19/99
Senator, Wisconsin	Reimbursement of lost wages, working conditions	Racine, Wisconsin	7/19/99
Representative, California	Discrimination against a transitional employee	Oakland, California	7/19/99
Chairman, Postal Subcommittee	Abusive labor practices, harassment and discrimination with the Postal Service	Postal-wide	7/29/99
Representative, Virginia	Request for OIG documents used in preparing reply	Herndon, Virginia	7/29/99
Representative, California	Review of terms of "constructive resignation" from part-time position with the Postal Service	Stockton, California	9/3/99
Representative, California	Hostility, mismanagement, and harassment of employees	Milpitas, California	9/3/99
Representative, California	Unresponsiveness and misconduct by Postal Service management	San Francisco, California	9/3/99
Representative, Massachusetts	Intimidation and retaliation by a supervisor	Boston, Massachusetts	9/24/99
Representative, California	Denial of a position with the Postal Service because of age and racial discrimination and retaliation for union involvement	Stockton, California	9/30/99
Representative, Vermont	Hostile work environment and unfair hiring process for "casual" employees	Essex, Vermont	9/30/99

Requestor	Allegations/Concern	Location	Response Date
Senator, Texas	Mismanagement, harassment and retaliation by district Postal Service managers	Granbury, Texas	9/30/99
Representative, Pennsylvania	Abusive behavior by supervisors and managers	Postal-wide	9/30/99
Representative, Arizona	Mismanagement, harassment and impropriety by Postal Service management	Payson, Arizona	9/30/99
Representative, Mississippi	Physical violence, racism, and discrimination	Jackson, Mississippi	9/30/99
Representative, New York	Wrongful termination	New York, New York	9/30/99
Representative, Alabama	Harassment and retaliation by supervisor	Huntsville, Alabama	9/30/99
Representative, Illinois	Mishandling of disability claim	Tolono, Illinois	9/30/99

OVERSIGHT OF INSPECTION SERVICE

Requestor	Allegations/Concern	Location	Response Date
Senator, Maryland	Constituent was concerned about a possible wiretap	Belcamp, Maryland	4/21/99
Chairman, Postal Subcommittee	Mail theft, delayed and undeliverable mail, and concerns of mail service by Postal Service employees	Washington, DC	4/26/99
Chairman, Postal Subcommittee	Misconduct by Postal Service management and incomplete investigation by Postal Inspection Service	Herndon, Virginia	4/28/99
Senator, New Jersey	Mail fraud and collusion by Postal Service employees and inadequate investigation by Inspection Service	Postal-wide	5/10/99
Representative, Maryland	Postal Inspectors failed to properly investigate allegations of mail tampering	Greenbelt, Maryland	5/17/99
Senator, Montana	Postal Inspection Service employees acted unprofessionally in the course of an investigation	Great Falls, Montana	7/29/99
Chairman, Postal Subcommittee	Postal Inspection Service inappropriately providing law enforcement pay and benefits to Inspectors performing audit work	Postal-wide	9/24/99
Representative, Minnesota	Unresponsiveness of Postal Inspection Service and mail delivery problem	Mankato, Minnesota	9/30/99

OTHER SIGNIFICANT REVIEWS

Requestor	Allegations/Concern	Location	Response Date
Chairman Postal Subcommittee	Additional investigation required	Suncoast, Florida	5/17/99
Senator, New York	Delayed response	Jordan, New York	9/2/99
Chairman, Postal Subcommittee	Violations of anti-lobbying provisions of Title 18, Section 1913, of the United States Code Act	New Hampshire	9/30/99
Senator, Florida	Additional investigation required	Tampa, Florida	9/30/99

APPENDIX B

Reports Issued to Postal Management

OVERVIEW

Office of Inspector General

The Office of Inspector General (OIG) audit teams are aligned to conduct performance and financial audits, evaluations, and other reviews to address the business processes of the Postal Service. Each directorate issues audit reports (AR), letter advisory reports (LA), or management advisory reports (MA) in accordance with the identified needs of the project.

Inspection Service

The Inspection Service audit groups are aligned by the type of audits performed which are primarily performance, financial, contract, and facility audits. The Inspection Service continued to provide Postal-wide attention in selected areas until these functions are fully transitioned to the OIG.

SUMMARY

The following is a summary by principal areas of reports issued to Postal management between April 1, 1999 and September 30, 1999. Congressional inquiries completed by OIG are listed in Appendix A.

Principal Area	Number of Reports Issued	Questioned Costs	Unsupported Costs	Recommend Funds Put to Better Use
Accepting and Processing	6	\$0	\$0	\$0
Computer Security	2	0	0	0
Contracting and Facilities	15	0	0	0
Delivery Operations	3	0	0	0
Developmental	3	0	0	0
Electronic Commerce	1	0	0	0
Financial Data Processing Systems	4	0	0	0
Financial Related	7	0	0	0
Health Care	4	0	0	0
Information Systems	1	0	0	0
Integrity	16	0	0	0
Marketing	8	0	0	962,000,000
Oversight	2	0	0	0
Transportation	5	0	0	204,700,000
Violence in the Workplace	5	0	0	0
Workplace Climate	2	0	0	0
Y2K	5	0	0	0
Contract Audit	36	16,275,943	10,383	35,919,897
District Accounting Office Audit	17	0	0	0
Expenditure Investigation	2	0	0	0
Facility Program Audits	5	0	0	0
Financial Installation Audit	111	0	0	0
Financial Investigation	21	0	0	0
Financial Opinion Audit	78	0	0	0
Performance Audit	44	0	0	1,240,000
Revenue Investigation	98	0	0	1,023,252
GRAND TOTAL	501	\$16,275,943	\$10,383	\$1,204,883,149

REPORT LISTING

The following is a list of each audit grouped by core business processes and enabling functions.

OIG REPORTS

April 1, 1999 through September 30, 1999

PERFORMANCE

Case/Report Number	Subject Title/ Project Type	Location/ Contract	Questioned Costs	Un- supported Costs	Recommend Funds Put to Better Use	Issue Date
ACCEPTING AND PROCESSING						
AC-MA-99-001	Review of the USPS Equipment Preventive Maintenance Program	Postal-wide	\$0	\$0	\$0	9/20/99
DA-AR-99-001	Priority Mail Processing Center Network	Postal-wide	0	0	0	9/24/99
AC-LA-99-001	Review of Periodicals		0	0	0	9/27/99
AC-MA-99-002	Review of Periodicals in the Atlanta District	Atlanta, GA	0	0	0	9/27/99
AC-AR-99-001	Plant Verified Drop Shipment System	Postal-wide	0	0	0	9/28/99
DS-AR-99-003	Government Mails Section of the Brentwood Processing and Distribution Center, Washington, DC	Washington, DC	0	0	0	9/29/99
TRANSPORTATION						
97RI002CA001	Fuel Test Implementation and Environmental Compliance		0	0	0	4/19/99
TR-AR-99-001	Compliance Opportunities for Savings in Rail Detention Costs	Postal-wide	0	0	\$55,000,000	9/23/99
TR-AR-99-003	Emergency and Extra Trip Expenditures on Highway Routes	Postal-wide	0	0	\$137,000,000	9/29/99
CA-AR-99-001	Opportunities to Increase Savings Through the Use of Natural Gas Vehicles	Postal-wide	0	0	\$12,700,000	9/30/99
CA-AR-99-002	Removal of Underground Storage Tanks	Postal-wide	0	0	0	9/30/99
SERVICE DELIVERY						
99-RI-052-RQ000	False Claims Allegation		0	0	0	8/18/99
DS-MA-99-006	Complaint Resolution Process, Mankato Post Office		0	0	0	9/10/99
DS-AR-99-002	USPS Welcome Kit Program	Postal-wide	0	0	0	9/20/99
MARKETING						
RG-LA-99-001	Review of the Printing Error in Grand Canyon Stamp		0	0	0	5/20/99
RG-MA-99-005	Review of the Operations of the Citizens' Stamp Advisory Committee	Postal-wide	0	0	0	7/27/99
DA-AR-99-003	Corporate Call Management	Postal-wide	0	0	\$962,000,000	9/29/99
RQ-MA-99-001	Maintenance of Self-Serve Postal Centers	Postal-wide	0	0	0	9/30/99

Case/Report Number	Subject Title/ Project Type	Location/ Contract	Questioned Costs	Un- supported Costs	Recommend Funds Put to Better Use	Issue Date
RG-MA-99-006	Review of the Revamped Sales and Services Associate Training Program	Postal-wide	0	0	0	9/30/99
RG-MA-99-008	Review of Initiative to Improve the National Accounts Management Program	Postal-wide	0	0	0	9/30/99
RG-MA-99-009	Continuous Tracking Study	Postal-wide	0	0	0	9/30/99
RG-MA-99-010	Reproductions of Stamp Images	Postal-wide	0	0	0	9/30/99
TOTAL			0	0		
				\$1,167,300,000		

FINANCIAL MANAGEMENT

Case/Report Number	Subject Title/ Project Type	Location/ Contract	Questioned Costs	Un- supported Costs	Recommend Funds Put to Better Use	Issue Date
FINANCIAL-RELATED						
FR-AR-99-006	Review of Dinero Seguro Program	Postal-wide	0	0	0	4/29/99
99-RP-009-RQ000	Deceased Annuitant Benefits Payments		0	0	0	8/18/99
98-RI-017-RP000	Embezzlement Allegation		0	0	0	8/3/99
98-RI0-18-RP000	Embezzlement Allegation		0	0	0	8/30/99
FR-AR-99-007	Bank Secrecy Act System Update	Postal-wide	0	0	0	9/20/99
RG-MA-99-007	Review of International Travel Process	Postal-wide	0	0	0	9/21/99
FR-MA-99-003	Mementos and Other Items Provided at Conferences, Meeting and Training Sessions	Postal-wide	0	0	0	9/27/99
FINANCIAL DATA-PROCESSING SYSTEMS						
FR-FA-99-001	Money Order Edit Codes	Postal-wide	0	0	0	7/22/99
FR-AR-99-010	Fiscal Year 1999 Information System Controls, St. Louis Information Service Center	St. Louis, MO	0	0	0	9/28/99
FR-AR-99-008	Fiscal Year 1999 Information System Controls, San Mateo Information Service Center	San Mateo, CA	0	0	0	9/29/99
FR-AR-99-009	Fiscal Year 1999 Information System Controls, Minneapolis Information Service Center	Minneapolis, MN	0	0	0	9/29/99
CONTRACTING AND FACILITIES						
98-RI-013-CA000	Conflict of Interest Allegation		0	0	0	8/30/99
98-RI-036-RP000	Bribery Allegation		0	0	0	6/1/99
CA-MA-99-001	Contracting Concerns Identified at the Wilmington, Delaware Vehicle Maintenance Facility	Wilmington, DE	0	0	0	7/7/99
LA-FA-99-002	Procurement Training for Contract Employees Assigned to Facilities Project Manager Positions	Postal-wide	0	0	0	7/23/99
99-RI-012-RQ000	Improper Property Disposal		0	0	0	8/18/99

Case/Report Number	Subject Title/ Project Type	Location/ Contract	Questioned Costs	Un- supported Costs	Recommend Funds Put to Better Use	Issue Date
99-RP-018-RQ000	Corruption Allegation		0	0	0	8/18/99
99-RI-019-RQ000	False Statements Allegation		0	0	0	8/18/99
99-RP-004-RP000	Postal Money Orders Project		0	0	0	8/30/99
99-RI-078-RQ000	False Statements Allegation		0	0	0	9/7/99
FA-MA-99-001	Tulsa Chimney Hill Carrier Annex	Tulsa, Ok	0	0	0	9/8/99
99-RI-018-RQ000	Conflict of Interest Allegation		0	0	0	9/14/99
99-RP-021-RP000	False Statement Allegation		0	0	0	9/29/99
CA-AR-99-003	Responsibilities of Contracting Officer's Representatives	Postal-wide	0	0	0	9/30/99
98-RP-012-RP000	Gratuities Allegation		0	0	0	9/30/99
99-RP-002-RP000	Quality Assurance		0	0	0	9/30/99
TOTAL			\$0	\$0	\$0	

TECHNOLOGY

Case/Report Number	Subject Title/ Project Type	Location/ Contract	Questioned Costs	Un- supported Costs	Recommend Funds Put to Better Use	Issue Date
Y2K						
FR-MA-99-002	Y2K Initiative: Review of Administration	Postal-wide	\$0	\$0	\$0	7/7/99
99-RP-024-RQ000	False Statements Allegation, Y2K		0	0	0	8/13/99
99-RP-019-RQ000	Product Substitution Allegation, Y2K		0	0	0	8/27/99
IS-AR-99-002	Y2K Initiative: Status on Postal Service Y2K Readiness	Postal-wide	0	0	0	9/20/99
TR-AR-99-002	Y2K Business Continuity and Contingency Planning: Initiation and Business Impacts	Postal-wide	0	0	0	9/29/99
DEVELOPMENTAL						
DA-MA-99-002	Tray Management System Software Management	Postal-wide	0	0	0	6/28/99
DA-AR-99-002	Point of Service ONE	Postal-wide	0	0	0	9/20/99
DA-LA-99-004	Point of Service ONE	Postal-wide	0	0	0	9/30/99
COMPUTER SECURITY						
CI-MA-99-001	Warning Banners and Monitoring on USPS Computer System	Postal-wide	0	0	0	6/11/99
CI-LA-99-001	Computer Security	Postal-wide	0	0	0	7/30/99
INFORMATION SYSTEMS						
DS-MA-99-005	Review of Wireless Communications Equipment and Services	Postal-wide	0	0	0	6/29/99
ELECTRONIC COMMERCE						
IG-PA-99-001	Misuse of Postal Service Logo	Postal-wide	0	0	0	
TOTAL			\$0	\$0	\$0	

LABOR MANAGEMENT

Case/Report Number	Subject Title/ Project Type	Location/ Contract	Questioned Costs	Un- supported Costs	Recommend Funds Put to Better Use	Issue Date
VIOLENCE IN THE WORKPLACE						
ER-AR-99-002	Review of the Violence Prevention Program in the Suncoast District and the Impact on Workplace Climate and Operations	Suncoast (FL) District	\$0	\$0	\$0	8/24/99
LM-LA-99-001	Allegation of a Threat to Physically Assault an Employee at a Southwest Area Post Office	Southwest Area	0	0	0	9/27/99
LM-LA-99-002	Allegation of a Hostile Working Environment at a Midwest Area Post Office	Midwest Area	0	0	0	9/27/99
LM-LA-99-003	Allegation Plant Manager in the Western Area Jeopardized the Safety of USPS Employees and the Public	Western Area	0	0	0	9/27/99
LM-MA-99-010	Allegation of a Physical Assault on an Employee in a Southeast Area Carrier Unit	Southeast Area	0	0	0	9/29/99
WORKPLACE CLIMATE						
LR-MA-99-009	Allegations of Harassment and Intimidation of Employees at the Atlanta North Metro Processing and Distribution Center	Atlanta, GA	\$0	\$0	\$0	7/30/99
LR-AR-99-012	Allegation of Unwarranted Disciplinary Actions Against Postmasters in a District in the Southeast Area	Southeast Area	0	0	0	9/29/99
HEALTH CARE						
98-R1-037-CA000	False Claims Allegation		0	0	0	4/19/99
99-R1-014-HC000	False Claims Allegation		0	0	0	4/19/99
99-R1-080-HC000	False Claims Allegation		0	0	0	9/21/99
HC-AR-99-001	Northern Virginia District's Process for Submitting, Controverting, and Challenging Injury Claims	Northern Virginia	0	0	0	9/29/99
TOTAL			\$0	\$0	\$0	

OVERSIGHT REVIEWS OF INSPECTION SERVICE

Case/Report Number	Subject Title/ Project Type	Location/ Contract	Questioned Costs	Un- supported Costs	Recommend Funds Put to Better Use	Issue Date
OV-AR-99-001	Classification of Inspection Service Personnel Performing Audits	Postal-wide	\$0	\$0	\$0	9/21/99
OV-MA-99-003	Fiscal Year 1998 Leadership Conference	Postal-wide	0	0	0	9/30/99
TOTAL			\$0	\$0	\$0	

OTHER SIGNIFICANT REVIEWS

Case/Report Number	Subject Title/ Project Type	Location/ Contract	Questioned Costs	Un- supported Costs	Recommend Funds Put to Better Use	Issue Date
98-RI-043-RP000	Conflict of Interest Allegation		\$0	\$0	\$0	6/1/99
98-CX-022-EX000	Executive Investigation		0	0	0	6/2/99
99-CX-008-EX000	Executive Investigation		0	0	0	6/21/99
99-CX-022-EX000	Executive Investigation		0	0	0	6/24/99
98-CX-024-EX000	Executive Investigation		0	0	0	6/29/99
98-CX-020-EX000	Executive Investigation		0	0	0	7/7/99
99-CX-005-EX000	Executive Investigation		0	0	0	7/15/99
98-RI-031-RP000	Conflict of Interest Allegation		0	0	0	7/29/99
98-CX-034-EX000	Executive Investigation		0	0	0	8/11/99
99-CX-018-EX000	Executive Investigation		0	0	0	8/16/99
99-RI-002-RP000	Gratuities Allegation		0	0	0	8/18/99
99-RI-060-RQ000	Credit Card Fraud Allegation		0	0	0	8/18/99
99-RI-059-RQ000	Impersonation Allegation		0	0	0	9/7/99
99-CX-013-EX000	Executive Investigation		0	0	0	9/8/99
99-CX-028-EX0PI	Executive Investigation		0	0	0	9/8/99
EX-LA-99-001	USPS Ethics Program - Conflicts of Interest		0	0	0	9/30/99
TOTAL			\$0	\$0	\$0	
OIG GRAND TOTAL			\$0	\$0	\$1,167,300,000	

INSPECTION SERVICE REPORTS

FINANCIAL MANAGEMENT

Case/Report Number	Subject Title/ Project Type	Location/ Contract	Questioned Costs	Un- supported Costs	Recommend Funds Put to Better Use	Issue Date
CONTRACTS						
181-1226912-AC(1)	New Breed Leasing Corporation		\$0	\$0	\$894,638	4/21/99
181-1258890-AC(1)	Control Logic, Inc.		0	0	30,449	5/14/99
181-1266103-AC(1)	New Breed Leasing Corporation		0	0	8,475,352	4/23/99
181-1269196-AC(1)	Control Logic, Inc.		0	0	0	9/24/99
181-1278136-AC(1)	Siemens ElectroCom, L.P.		0	0	6,079,291	4/2/99
181-1280201-AC(1)	Rudolph/Libbe, Inc.		0	0	0	7/26/99
181-1281155-AC(1)	Aramark Services, Inc.		0	0	2,433,275	6/10/99
181-1282982-AC(1)	Laurits R. Christensen Associates, Inc.		0	0	0	4/29/99
181-1283348-AC(1)	Alan Ritchey, Inc.		0	0	9,795	5/11/99
181-1283911-AC(1)	Siemens ElectroCom, L.P.		0	0	46,162	4/30/99
181-1286335-AC(1)	Burns & McDonnell Engineering Company, Inc.		0	0	33,419	6/16/99
181-1288330-AC(1)	Learning Systems International		0	0	0	5/27/99
181-1288561-AC(1)	VISTA Network Integration Services, Inc.		0	0	94,303	6/15/99
181-1289630-AC(1)	Siemens ElectroCom, L.P.		0	0	4,403,092	7/21/99
181-1292836-AC(1)	Kling Lindquist Partnership		0	0	0	7/26/99
181-1293536-AC(1)	Siemens ElectroCom, L.P.		0	0	13,259,519	8/13/99
181-1294162-AC(1)	Siemens ElectroCom, L.P.		0	0	122,861	8/27/99
181-1296773-AC(1)	Rapistan Systems		0	0	37,741	9/20/99
182-1227773-AC(1)	The Austin Company		0	0	0	9/21/99
183-1278298-AC(1)	D&M Maryland General Contracting, Inc.		310,763	0	0	4/6/99
183-1286194-AC(1)	The Haskell Company		203,511	10,383	0	7/27/99
184-1218532-AC(1)	New Breed Leasing Corporation		0	0	0	5/21/99
184-1259633-AC(1)	ACME Consulting Corporation		29,758	0	0	7/28/99
185-1272701-AC(1)	ITC Real Estate Group/ McKinley III, Inc.		4,811	0	0	9/2/99
185-1276374-AC(1)	Sunbelt Properties		0	0	0	6/8/99
185-1278370-AC(1)	Boardwalk Development		57	0	0	4/12/99
185-1290622-AC(1)	PM Realty Group		11,247	0	0	8/30/99
185-1294974-AC(1)	Burnham Pacific Properties, Inc.		3,445	0	0	9/17/99
186-1259748-AC(1)	Siemens ElectroCom, L.P.		0	0	0	9/2/99
190-1220527-AC(2)	PhotoAssist, Inc.		0	0	0	4/19/99
190-1290163-AC(2)	Siemens ElectroCom, L.P.		15,662,099	0	0	9/24/99
192-1262874-AC(2)	Independent Postal Financial Consultants		50,252	0	0	
192-1262877-AC(2)	Ernst & Young, LLP		0	0	0	8/2/99
192-1262879-AC(2)	Foster Associates, Inc.		0	0	0	4/19/99
192-1262885-AC(2)	Tad Resources		0	0	0	8/26/99

Case/Report Number	Subject Title/ Project Type	Location/ Contract	Questioned Costs	Un- supported Costs	Recommend Funds Put to Better Use	Issue Date
192-1263828-AC(2)	International, Inc. Aramark Services, Inc.		0	0	0	6/2/99
TOTAL			\$16,275,943	\$35,919,897	\$10,383	

Case/Report Number	Subject Title/ Project Type	Location/ Contract	Questioned Costs	Un- supported Costs	Recommend Funds Put to Better Use	Issue Date
FINANCIAL OPINION						
004-1267027-AD(1)	Imprest Fund Audit	Philadelphia, PA 19107	0	0	0	6/7/99
004-1270207-AD(1)	Imprest Fund Audit	Topeka, KS 66624	0	0	0	2/16/99*
004-1283356-AD(1)	Imprest Fund Audit	Norman, OK 73070	0	0	0	6/16/99
004-1283361-AD(1)	Imprest Fund Audit	Norman, OK 73070	0	0	0	6/23/99
009-1256125-AD(1)	Cost and Revenue Analysis	Columbus, OH 43216	0	0	0	5/28/99
009-1256127-AD(1)	Cost and Revenue Analysis	Akron, OH 44309	0	0	0	8/26/99
009-1257636-AD(1)	Cost and Revenue Analysis	Seattle, WA 98109	0	0	0	8/16/99
009-1257637-AD(1)	Cost and Revenue Analysis	Sacramento, CA 95799	0	0	0	8/23/99
009-1257638-AD(1)	Cost and Revenue Analysis	San Francisco, CA 94188	0	0	0	5/6/99
009-1261327-AD(1)	Cost and Revenue Analysis	Richmond, VA 23232	0	0	0	8/30/99
009-1261332-AD(1)	Cost and Revenue Analysis	Baltimore, MD 21233	0	0	0	8/30/99
009-1261334-AD(1)	Cost and Revenue Analysis	Merrifield, VA 22081	0	0	0	5/13/99
009-1264539-AD(1)	Cost and Revenue Analysis	Providence, RI 02904	0	0	0	4/9/99
009-1264540-AD(1)	Cost and Revenue Analysis	Boston, MA 02205	0	0	0	8/9/99
009-1264542-AD(1)	Cost and Revenue Analysis	Chicago, IL 60669	0	0	0	9/2/99
009-1264544-AD(1)	Cost and Revenue Analysis	Chicago, IL 60669	0	0	0	4/27/99
009-1264585-AD(1)	Cost and Revenue Analysis	Farmingdale, NY 11735	0	0	0	8/2/99
009-1264586-AD(1)	Cost and Revenue Analysis	Hicksville, NY 11802	0	0	0	9/7/99
009-1264587-AD(1)	Cost and Revenue Analysis	Rochester, NY 14692	0	0	0	4/16/99
009-1265208-AD(1)	Cost and Revenue Analysis	Knoxville, TN 37950	0	0	0	5/20/99
009-1265279-AD(1)	Cost and Revenue Analysis	Indianapolis, IN 46206	0	0	0	6/3/99
009-1265358-AD(1)	Cost and Revenue Analysis	Atlanta, GA 30304	0	0	0	3/08/99*
009-1265363-AD(1)	Cost and Revenue Analysis	Dallas, TX 75260	0	0	0	4/7/99
009-1265367-AD(1)	Cost and Revenue Analysis	Tulsa, OK 74101	0	0	0	7/21/99
009-1265373-AD(1)	Cost and Revenue Analysis	Kansas City, MO 64108	0	0	0	8/30/99
009-1265493-AD(1)	Cost and Revenue Analysis	Dayton, OH 45401	0	0	0	5/27/99
009-1265808-AD(1)	Cost and Revenue Analysis	St. Paul, MN 55101	0	0	0	8/23/99
009-1265817-AD(1)	Cost and Revenue Analysis	Minneapolis, MN 55401	0	0	0	8/23/99
009-1265822-AD(1)	Cost and Revenue Analysis	St. Cloud, MN 56301	0	0	0	8/23/99
009-1265825-AD(1)	Cost and Revenue Analysis	Eagan, MN 55121	0	0	0	8/23/99
009-1265904-AD(1)	Cost and Revenue Analysis	New Orleans, LA 70113	0	0	0	5/6/99
009-1265905-AD(1)	Cost and Revenue Analysis	Austin, TX 78710	0	0	0	8/27/99
009-1266391-AD(1)	Cost and Revenue Analysis	Jacksonville, FL 32203	0	0	0	4/2/99
009-1267245-AD(1)	Cost and Revenue Analysis	Jacksonville, FL 32203	0	0	0	4/2/99
009-1268616-AD(1)	Cost and Revenue Analysis	Philadelphia, PA 19104	0	0	0	9/3/99
009-1268617-AD(1)	Cost and Revenue Analysis	Bellmawr, NJ 08099	0	0	0	7/26/99
009-1268618-AD(1)	Cost and Revenue Analysis	Harrisburg, PA 17105	0	0	0	7/21/99
009-1269794-AD(1)	Cost and Revenue Analysis	Spokane, WA 99210	0	0	0	5/26/99
009-1269800-AD(1)	Cost and Revenue Analysis	Billings, MT 59101	0	0	0	5/11/99
009-1272247-AD(1)	Cost and Revenue Analysis	Salt Lake City, UT 84199	0	0	0	03/29/99*
009-1275468-AD(1)	Cost and Revenue Analysis	Portland, OR 97208	0	0	0	7/29/99

Case/Report Number	Subject Title/ Project Type	Location/ Contract	Questioned Costs	Un- supported Costs	Recommend Funds Put to Better Use	Issue Date
009-1281704-AD(1)	Cost and Revenue Analysis	Denver, CO 80266	0	0	0	4/9/99
009-1282589-AD(1)	Cost and Revenue Analysis	West Palm Beach, FL 33406	0	0	0	8/13/99
009-1282592-AD(1)	Cost and Revenue Analysis	Ft. Lauderdale, FL 33310	0	0	0	4/2/99
009-1282595-AD(1)	Cost and Revenue Analysis	Tampa, FL 33630	0	0	0	4/2/99
009-1282596-AD(1)	Cost and Revenue Analysis	Miami, FL 33152	0	0	0	4/2/99
009-1283430-AD(1)	Cost and Revenue Analysis	Randolph, MA 02368	0	0	0	4/1/99
009-1288756-AD(1)	Cost and Revenue Analysis	Long Beach, CA 90809	0	0	0	5/24/99
009-1288757-AD(1)	Cost and Revenue Analysis	Van Nuys, CA 91383	0	0	0	8/30/99
009-1288758-AD(1)	Cost and Revenue Analysis	Santa Ana, CA 92711	0	0	0	5/24/99
009-1290671-AD(1)	Cost and Revenue Analysis	Erie, PA 16515	0	0	0	8/31/99
009-1291223-AD(1)	Cost and Revenue Analysis	Las Vegas, NV 89199	0	0	0	6/18/99
009-1291257-AD(1)	Cost and Revenue Analysis	Wichita, KS 67276	0	0	0	7/20/99
009-1292349-AD(1)	Cost and Revenue Analysis	Pittsburgh, PA 15290	0	0	0	8/31/99
009-1292382-AD(1)	Cost and Revenue Analysis	Cleveland, OH 44101	0	0	0	8/31/99
009-1293004-AD(1)	Cost and Revenue Analysis	Florence, SC 29501	0	0	0	8/2/99
009-1293006-AD(1)	Cost and Revenue Analysis	Charlotte, NC 28228	0	0	0	8/23/99
009-1293255-AD(1)	Cost and Revenue Analysis	Federal Way, WA 98003	0	0	0	7/30/99
009-1293350-AD(1)	Cost and Revenue Analysis	San Juan, PR 00936	0	0	0	9/8/99
009-1294524-AD(1)	Cost and Revenue Analysis	Louisville, KY 40231	0	0	0	8/23/99
009-1295775-AD(1)	Cost and Revenue Analysis	Springfield, MA 01101	0	0	0	9/10/99
010-1270980-AD(1)	Air Transportation Procedures	Anchorage, AK 99502	0	0	0	5/18/99
010-1293686-AD(1)	Vehicle Management Accounting System	Ft. Worth, TX 76161	0	0	0	8/27/99
010-1294008-AD(1)	Vehicle Management Accounting System	Denver, CO 80202	0	0	0	8/19/99
010-1294009-AD(1)	Vehicle Management Accounting System	Denver, CO 80202	0	0	0	8/25/99
010-1294033-AD(1)	Vehicle Management Accounting System	South Suburban, IL 60499	0	0	0	7/29/99
010-1294070-AD(1)	Vehicle Management Accounting System	Boston, MA 02210	0	0	0	8/11/99
010-1294072-AD(1)	Vehicle Management Accounting System	Providence, RI 02940	0	0	0	8/12/99
010-1294164-AD(1)	Vehicle Management Accounting System	Houston, TX 77007	0	0	0	8/5/99
010-1294270-AD(1)	Vehicle Management Accounting System	Sacramento, CA 95813	0	0	0	9/14/99
010-1294325-AD(1)	Vehicle Management Accounting System	Duluth, GA 30026	0	0	0	8/19/99
010-1294328-AD(1)	Vehicle Management Accounting System	Memphis, TN 38101	0	0	0	8/23/99
010-1294487-AD(1)	Vehicle Management Accounting System	Sterling, VA 20166	0	0	0	8/25/99
010-1294656-AD(1)	Vehicle Management Accounting System	Baltimore, MD 21201	0	0	0	9/3/99
010-1294726-AD(1)	Vehicle Management Accounting System	Pensacola, FL 32501	0	0	0	8/24/99
010-1294923-AD(1)	Vehicle Management Accounting System	Royal Oak, MI 48068	0	0	0	8/26/99
010-1295180-AD(1)	Vehicle Management Accounting System	Pittsburgh, PA 15233	0	0	0	8/27/99

Case/Report Number	Subject Title/Project Type	Location/Contract	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Issue Date
010-1295366-AD(1)	Vehicle Management Accounting System	Cincinnati, OH 45234	0	0	0	8/24/99
TOTAL			\$0	\$0	\$0	

Case/Report Number	Subject Title/Project Type	Location/Contract	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Issue Date
FINANCIAL INSTALLATION AUDITS						
011-1255371-AF(1)	Financial Installation Audit	Columbus, OH 43216	0	0	0	6/4/99
011-1255377-AF(1)	Financial Installation Audit	Altoona, PA 16601	0	0	0	7/8/99
011-1255752-AF(1)	Financial Installation Audit	Farmingdale, NY 11735	0	0	0	8/3/99
011-1255756-AF(1)	Financial Installation Audit	Hicksville, NY 11802	0	0	0	7/14/99
011-1255760-AF(1)	Financial Installation Audit	Rochester, NY 14692	0	0	0	4/16/99
011-1255814-AF(1)	Financial Installation Audit	Reading, PA 19612	0	0	0	6/30/99
011-1255815-AF(1)	Financial Installation Audit	Newark, NJ 07102	0	0	0	8/5/99
011-1255819-AF(1)	Financial Installation Audit	Syracuse, NY 13220	0	0	0	7/29/99
011-1256147-AF(1)	Financial Installation Audit	San Francisco, CA 94188	0	0	0	6/30/99
011-1256263-AF(1)	Financial Installation Audit	Chicago, IL 60607	0	0	0	8/13/99
011-1256266-AF(1)	Financial Installation Audit	Minneapolis, MN 55401	0	0	0	7/30/99
011-1256274-AF(1)	Financial Installation Audit	Seattle, WA 98109	0	0	0	8/6/99
011-1256380-AF(1)	Financial Installation Audit	Saratoga Springs, NY 12866	0	0	0	5/28/99
011-1256401-AF(1)	Financial Installation Audit	Richmond, VA 23232	0	0	0	7/22/99
011-1256403-AF(1)	Financial Installation Audit	Jacksonville, FL 32203	0	0	0	4/2/99
011-1257137-AF(1)	Financial Installation Audit	Boulder, CO 80302	0	0	0	6/17/99
011-1257138-AF(1)	Financial Installation Audit	Little Rock, AR 72202	0	0	0	9/7/99
011-1257160-AF(1)	Financial Installation Audit	Merrifield, VA 22081	0	0	0	5/27/99
011-1257164-AF(1)	Financial Installation Audit	Baltimore, MD 21233	0	0	0	9/2/99
011-1257197-AF(1)	Financial Installation Audit	St. Louis, MO 63155	0	0	0	4/8/99
011-1257201-AF(1)	Financial Installation Audit	Salt Lake City, UT 84199	0	0	0	5/24/99
011-1257202-AF(1)	Financial Installation Audit	Hazelwood,, MO 63042	0	0	0	6/18/99
011-1257203-AF(1)	Financial Installation Audit	Kansas City, MO 64108	0	0	0	8/26/99
011-1257697-AF(1)	Financial Installation Audit	Dallas, TX 75260	0	0	0	7/3/99
011-1257730-AF(1)	Financial Installation Audit	Tulsa, OK 74101	0	0	0	8/16/99
011-1287844-AF(1)	Financial Installation Audit	Pewaukee, WI 53072	0	0	0	5/12/99
012-1255822-AF(1)	Financial Installation Audit	Cranford, NJ 07016	0	0	0	4/9/99
012-1256130-AF(1)	Financial Installation Audit	Sandy, UT 84070	0	0	0	8/24/99
012-1256271-AF(1)	Financial Installation Audit	Santa Clara, CA 95050	0	0	0	9/9/99
012-1256278-AF(1)	Financial Installation Audit	Palo Alto, CA 94303	0	0	0	9/10/99
012-1256281-AF(1)	Financial Installation Audit	Eau Claire, WI 54701	0	0	0	6/3/99
012-1256285-AF(1)	Financial Installation Audit	Minot, ND 58701	0	0	0	8/31/99
012-1256381-AF(1)	Financial Installation Audit	Dover, NH 03820	0	0	0	4/6/99
012-1256385-AF(1)	Financial Installation Audit	Niagara Falls, NY 14302	0	0	0	8/19/99
012-1256408-AF(1)	Financial Installation Audit	West Palm Beach, FL 33406	0	0	0	6/9/99
012-1256583-AF(1)	Financial Installation Audit	Watkinsville, GA 30677	0	0	0	5/11/99
012-1256722-AF(1)	Financial Installation Audit	San Luis Obispo, CA 93401	0	0	0	8/12/99
012-1256724-AF(1)	Financial Installation Audit	Costa Mesa, CA 92626	0	0	0	4/13/99
012-1256729-AF(1)	Financial Installation Audit	Visalia, CA 93277	0	0	0	5/26/99
012-1256732-AF(1)	Financial Installation Audit	Temecula, CA 92591	0	0	0	4/1/99
012-1256734-AF(1)	Financial Installation Audit	Burbank, CA 91505	0	0	0	8/30/99
012-1257156-AF(1)	Financial Installation Audit	Greenville, NC 27834	0	0	0	4/7/99

Case/Report Number	Subject Title/ Project Type	Location/ Contract	Questioned Costs	Un- supported Costs	Recommend Funds Put to Better Use	Issue Date
012-1257199-AF(1)	Financial Installation Audit	Rapid City, SD 57701	0	0	0	4/14/99
012-1257368-AF(1)	Financial Installation Audit	Racine, WI 53401	0	0	0	7/28/99
012-1257725-AF(1)	Financial Installation Audit	Alexandria, LA 71301	0	0	0	4/30/99
012-1259865-AF(1)	Financial Installation Audit	Cherry Hill, NJ 08034	0	0	0	5/13/99
012-1261755-AF(1)	Financial Installation Audit	Crawfordsville, IN 47933	0	0	0	8/6/99
012-1261756-AF(1)	Financial Installation Audit	Fort Wayne, IN 46802	0	0	0	7/28/99
012-1261757-AF(1)	Financial Installation Audit	Mt. Clemens, MI 48046	0	0	0	6/14/99
013-1255376-AF(1)	Financial Installation Audit	Logan, WV 25601	0	0	0	5/26/99
013-1255758-AF(1)	Financial Installation Audit	Roslyn, NY 11576	0	0	0	5/21/99
013-1256131-AF(1)	Financial Installation Audit	Espanola, NM 87532	0	0	0	9/3/99
013-1256133-AF(1)	Financial Installation Audit	Mesquite, NV 89024	0	0	0	7/20/99
013-1256142-AF(1)	Financial Installation Audit	Porterville, CA 93257	0	0	0	4/1/99
013-1256276-AF(1)	Financial Installation Audit	Ketchikan, AK 99901	0	0	0	7/23/99
013-1256280-AF(1)	Financial Installation Audit	Battle Ground, WA 98604	0	0	0	6/2/99
013-1256287-AF(1)	Financial Installation Audit	Marquette, MI 49855	0	0	0	6/2/99
013-1256388-AF(1)	Financial Installation Audit	Edmeston, NY 13335	0	0	0	4/6/99
013-1256392-AF(1)	Financial Installation Audit	Seneca Falls, NY 13148	0	0	0	5/28/99
013-1256394-AF(1)	Financial Installation Audit	Atkinson, NH 03811	0	0	0	6/17/99
013-1256396-AF(1)	Financial Installation Audit	Lyndonville, VT 05851	0	0	0	8/27/99
013-1256412-AF(1)	Financial Installation Audit	Okeechobee, FL 34972	0	0	0	4/16/99
013-1256415-AF(1)	Financial Installation Audit	Eustis, FL 32726	0	0	0	8/23/99
013-1256421-AF(1)	Financial Installation Audit	Bushnell, FL 33513	0	0	0	6/9/99
013-1256576-AF(1)	Financial Installation Audit	Laurens, SC 29360	0	0	0	4/8/99
013-1256731-AF(1)	Financial Installation Audit	Harbor City, CA 90710	0	0	0	7/19/99
013-1257161-AF(1)	Financial Installation Audit	Huntersville, NC 28078	0	0	0	8/26/99
013-1257754-AF(1)	Financial Installation Audit	Bonham, TX 75418	0	0	0	8/9/99
013-1257755-AF(1)	Financial Installation Audit	Hondo, TX 78861	0	0	0	6/14/99
013-1259871-AF(1)	Financial Installation Audit	Clementon, NJ 08021	0	0	0	7/21/99
013-1259872-AF(1)	Financial Installation Audit	Devon, PA 19333	0	0	0	6/4/99
013-1259873-AF(1)	Financial Installation Audit	Peckville, PA 18452	0	0	0	6/18/99
013-1259874-AF(1)	Financial Installation Audit	Nazareth, PA 18064	0	0	0	4/26/99
013-1259875-AF(1)	Financial Installation Audit	Hummelstown, PA 17036	0	0	0	8/4/99
013-1259876-AF(1)	Financial Installation Audit	Moundsville, WV 26041	0	0	0	5/18/99
013-1259877-AF(1)	Financial Installation Audit	Rochester, PA 15074	0	0	0	8/12/99
013-1259878-AF(1)	Financial Installation Audit	Brownsmills, NJ 08015	0	0	0	7/29/99
013-1259879-AF(1)	Financial Installation Audit	Milton, PA 17847	0	0	0	9/3/99
013-1259881-AF(1)	Financial Installation Audit	Riegelsville, PA 18077	0	0	0	6/10/99
013-1261759-AF(1)	Financial Installation Audit	Crown Point, IN 46307	0	0	0	8/30/99
013-1261760-AF(1)	Financial Installation Audit	Friendswood, TX 77546	0	0	0	9/13/99
013-1261761-AF(1)	Financial Installation Audit	Grand Blanc, MI 48439	0	0	0	9/3/99
014-1255751-AF(1)	Financial Installation Audit	Gardiner, NY 12525	0	0	0	8/20/99
014-1255755-AF(1)	Financial Installation Audit	Grahamsville, NY 12740	0	0	0	8/16/99
014-1255761-AF(1)	Financial Installation Audit	East Durham, NY 12423	0	0	0	5/19/99
014-1255831-AF(1)	Financial Installation Audit	Hope, NJ 07844	0	0	0	8/26/99
014-1256146-AF(1)	Financial Installation Audit	Woodlake, CA 93286	0	0	0	4/1/99
014-1256288-AF(1)	Financial Installation Audit	Girard, IL 62640	0	0	0	7/26/99
014-1256397-AF(1)	Financial Installation Audit	Dennis, MA 02638	0	0	0	5/28/99
014-1256398-AF(1)	Financial Installation Audit	Shirley, MA 01464	0	0	0	8/11/99

Case/Report Number	Subject Title/Project Type	Location/Contract	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Issue Date
014-1256402-AF(1)	Financial Installation Audit	Duanesburg, NY 12056	0	0	0	4/6/99
014-1256573-AF(1)	Financial Installation Audit	Frisco City, AL 36445	0	0	0	4/2/99
014-1256725-AF(1)	Financial Installation Audit	Littlerock, CA 93543	0	0	0	9/7/99
014-1257200-AF(1)	Financial Installation Audit	Fennimore, WI 53809	0	0	0	4/19/99
014-1257234-AF(1)	Financial Installation Audit	Patton, PA 16668	0	0	0	5/24/99
014-1259883-AF(1)	Financial Installation Audit	Mt. Gretna, PA 17064	0	0	0	9/2/99
014-1261363-AF(1)	Financial Installation Audit	Fosston, MN 56542	0	0	0	5/28/99
014-1261778-AF(1)	Financial Installation Audit	Prescott, MI 48756	0	0	0	7/2/99
015-1255374-AF(1)	Financial Installation Audit	Stanville, KY 41659	0	0	0	5/26/99
015-1256289-AF(1)	Financial Installation Audit	Chesterfield, IL 62630	0	0	0	7/16/99
015-1256290-AF(1)	Financial Installation Audit	Ellisville, IL 61431	0	0	0	8/26/99
015-1256404-AF(1)	Financial Installation Audit	Bethlehem, NY 12161	0	0	0	6/17/99
015-1256407-AF(1)	Financial Installation Audit	Grafton, NY 12082	0	0	0	7/8/99
015-1256410-AF(1)	Financial Installation Audit	Hubbardsville, NY 13355	0	0	0	6/17/99
015-1257236-AF(1)	Financial Installation Audit	Mineral Springs, PA 16855	0	0	0	6/2/99
015-1259884-AF(1)	Financial Installation Audit	Mainland, PA 19451	0	0	0	8/24/99
015-1259885-AF(1)	Financial Installation Audit	Spring Mount, PA 19478	0	0	0	7/29/99
015-1260055-AF(1)	Financial Installation Audit	Butte, NE 68722	0	0	0	7/21/99
015-1260056-AF(1)	Financial Installation Audit	Chili, WI 54420	0	0	0	7/20/99
015-1261779-AF(1)	Financial Installation Audit	Branch, MI 49402	0	0	0	4/12/99
015-1261781-AF(1)	Financial Installation Audit	Hayden, IN 47245	0	0	0	4/5/99
TOTAL			\$0	\$0	\$0	

Case/Report Number	Subject Title/Project Type	Location/Contract	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Issue Date
DISTRICT ACCOUNTING OFFICE AUDITS						
016-1254866-AF(2)	Financial Installation Audit	Washington, DC 20260	0	0	0	1/21/99*
016-1255379-AF(2)	Financial Installation Audit	Indianapolis, IN 46206	0	0	0	9/10/99
016-1255759-AF(2)	Financial Installation Audit	Hauppauge, NY 11760	0	0	0	9/1/99
016-1255833-AF(2)	Financial Installation Audit	San Juan, PR 00936	0	0	0	4/8/99
016-1255849-AF(2)	Financial Installation Audit	Hauppauge, NY 11760	0	0	0	8/30/99
016-1255853-AF(2)	Financial Installation Audit	Chicago, IL 60607	0	0	0	4/13/99
016-1256151-AF(2)	Financial Installation Audit	Billings, MT 59103	0	0	0	4/13/99
016-1256374-AF(2)	Financial Installation Audit	Jacksonville, FL 32203	0	0	0	4/2/99
016-1256417-AF(2)	Financial Installation Audit	Portland, ME 04104	0	0	0	8/3/99
016-1256828-AF(2)	Financial Installation Audit	Portland, ME 04103	0	0	0	7/21/99
016-1257204-AF(2)	Financial Installation Audit	Salt Lake City, UT 84199	0	0	0	5/10/99
016-1262205-AF(2)	Financial Installation Audit	Merrifield, VA 22081	0	0	0	5/6/99
016-1268028-AF(2)	Financial Installation Audit	Merrifield, VA 22081	0	0	0	5/19/99
016-1279227-AF(2)	Financial Installation Audit	Chicago, IL 60669	0	0	0	7/1/99
016-1288956-AF(2)	Financial Installation Audit	San Diego, CA 92150	0	0	0	5/7/99
016-1290066-AF(2)	Financial Installation Audit	Princeton, NJ 08540	0	0	0	8/3/99
178-1295164-AF(2)	Financial Installation Audit	San Juan, PR 00936	0	0	0	9/17/99
TOTAL			\$0	\$0	\$0	

Case/Report Number	Subject Title/Project Type	Location/Contract	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Issue Date
EXPENDITURE INVESTIGATIONS						
195-1252402-EI(1)	IMPAC Credit Card Review	Washington, DC 20260	0	0	0	7/12/99
462-1289302-EI(1)	Insured Parcel Review	Miami, FL 33152	0	0	0	6/4/99
TOTAL			\$0	\$0	\$0	

Case/Report Number	Subject Title/Project Type	Location/Contract	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Issue Date
FINANCIAL INVESTIGATIONS						
017-1159205-FI(2)	Financial Investigation	St. Marys, WV 26170	0	0	0	03/10/99*
017-1260093-FI(2)	Financial Investigation	Lakeville, MI 48366	0	0	0	11/09/98*
017-1261674-FI(2)	Financial Investigation	Washington, DC 20066	0	0	0	4/19/99
017-1261734-FI(2)	Financial Investigation	Allenton, MI 48002	0	0	0	11/25/98*
017-1274106-FI(2)	Financial Investigation	Pittsfield, MA 01201	0	0	0	6/7/99
017-1278451-FI(2)	Financial Investigation	Norwalk, CT 06852	0	0	0	4/15/99
017-1282722-FI(2)	Financial Investigation	Unalaska, AK 99684	0	0	0	5/12/99
017-1291576-FI(2)	Financial Investigation	Stevenson, WA 98648	0	0	0	9/10/99
017-1291765-FI(2)	Financial Investigation	Storrs, CT 06268	0	0	0	8/2/99
017-1292668-FI(2)	Financial Investigation	North Bend, OR 97459	0	0	0	7/6/99
017-1292669-FI(2)	Financial Investigation	Port Orford, OR 97465	0	0	0	7/7/99
017-1296172-FI(2)	Financial Investigation	Plessis, NY 13675	0	0	0	9/20/99
017-1296509-FI(2)	Financial Investigation	Wyoming, NY 14591	0	0	0	9/23/99
017-1296648-FI(2)	Financial Investigation	Darby, MT 59829	0	0	0	9/21/99
017-1296713-FI(2)	Financial Investigation	Sandy Springs, GA 30328	0	0	0	9/13/99
017-1297309-FI(2)	Financial Investigation	Stratford, NY 13470	0	0	0	9/21/99
017-1297550-FI(2)	Financial Investigation	Frewsburg, NY 14738	0	0	0	9/23/99
827-1251750-FI(1)	Financial Investigation	Franklin Park, IL 60131	0	0	0	5/10/99
827-1285202-FI(1)	Financial Investigation	Irrigon, OR 97844	0	0	0	4/29/99
840-1289523-FI(2)	Financial Investigation	Detroit, MI 48233	0	0	0	7/12/99
447-1255210-ECM(3)	Financial Investigation	Detroit, MI 48232	0	0	0	4/28/99
TOTAL			\$0	\$0	\$0	

Case/Report Number	Subject Title/Project Type	Location/Contract	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Issue Date
FACILITY PROGRAM AUDITS						
092-1248055-FPA(1)	Area Approved Facility Projects	Memphis, TN 38161	0	0	0	6/21/99
092-1279194-FPA(1)	Indefinite Quantity Contracts	Washington, DC 20066	0	0	0	9/27/99
092-1289784-FPA(1)	Lease Administration	Washington, DC 20066	0	0	0	9/24/99
098-1206355-FPA(1)	New Construction Owned	Greensboro, NC 27420	0	0	0	7/30/99
098-1209237-FPA(1)	New Construction Owned	Columbus, OH 43216	0	0	0	7/30/99
TOTAL			\$0	\$0	\$0	

Case/Report Number	Subject Title/Project Type	Location/Contract	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Issue Date
REVENUE INVESTIGATIONS						
061-1253949-RI(1)	Postage Meter	Hayward, CA 94544	0	0	0	7/6/99
061-1257801-RI(1)	Postage Meter	Beaverton, OR 97008	0	0	0	5/4/99
061-1258638-RI(1)	Postage Meter	Southfield, MI 48037	0	0	0	5/27/99
061-1258804-RI(1)	Postage Meter	Louisville, KY 40299	0	0	0	5/12/99
061-1258805-RI(1)	Postage Meter	Greensboro, NC 27625	0	0	0	5/6/99
061-1262144-RI(1)	Postage Meter	West Allis, WI 53227	0	0	0	5/17/99



Case/Report Number	Subject Title/Project Type	Location/Contract	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Issue Date
061-1263843-RI(1)	Postage Meter	East Providence, RI 02914	0	0	0	5/28/99
061-1263876-RI(1)	Postage Meter	Englewood, CO 80113	0	0	0	4/9/99
061-1263973-RI(1)	Postage Meter	Lanham, MD 20706	0	0	0	5/22/99
061-1277357-RI(1)	Postage Meter	Tampa, FL 33607	0	0	0	5/6/99
061-1277470-RI(1)	Postage Meter	Norcross, GA 30071	0	0	0	4/29/99
061-1278428-RI(1)	Postage Meter	Atlanta, GA 30336	0	0	0	4/28/99
061-1279018-RI(1)	Postage Meter	Grand Prairie, TX 75051	0	0	0	4/16/99
061-1279184-RI(1)	Postage Meter	Oklahoma City, OK 73114	0	0	0	5/11/99
061-1289491-RI(1)	Postage Meter	Raleigh, NC 27612	0	0	0	5/24/99
061-1292177-RI(1)	Postage Meter	Cambridge, MA 02138	0	0	0	6/28/99
061-1293691-RI(1)	Postage Meter	Ft. Smith, AR 72901	0	0	0	7/21/99
061-1293830-RI(1)	Postage Meter	Smyma, GA 30082	0	0	0	7/30/99
061-1295320-RI(1)	Postage Meter	Ft. Collins, CO 80525	0	0	0	9/10/99
061-1295321-RI(1)	Postage Meter	Phoenix, AZ 85009	0	0	0	8/31/99
061-1297397-RI(1)	Postage Meter	Killeen, TX 76542	0	0	0	9/28/99
062-1201749-RI(1)	Nonprofit Mail	Boston, MA 02210	0	0	0	5/27/99
062-1252671-RI(1)	Nonprofit Mail	Maple Grove, MN 55369	0	0	0	7/14/99
062-1279732-RI(1)	Nonprofit Mail	Harrison Township, MI 48045	0	0	0	7/19/99
062-1282411-RI(1)	Standard Mail	Punta Gorda, FL 33950	0	0	0	3/16/99*
062-1283291-RI(1)	Standard Mail	Kennesaw, GA 30144	0	0	0	4/28/99
062-1283532-RI(1)	Nonprofit Mail	Atlanta, GA 30341	0	0	0	4/8/99
062-1284300-RI(1)	Nonprofit Mail	Delano, MN 55328	0	0	0	4/23/99
062-1290326-RI(1)	Nonprofit Mail	Sterling Heights, MI 48312	0	0	0	5/18/99
062-1290784-RI(1)	Standard Mail	St. Clair Shores, MI 48082	0	0	0	6/25/99
062-1291093-RI(1)	Standard Mail	Athens, GA 30601	0	0	0	6/21/99
062-1291732-RI(1)	Nonprofit Mail	Royal Oak, MI 48083	0	0	0	8/13/99
062-1294846-RI(1)	Nonprofit Mail	Southfield, MI 48075	0	0	0	8/26/99
062-1295451-RI(1)	Standard Mail	Atlanta, GA 30338	0	0	0	8/25/99
062-1295819-RI(1)	Nonprofit Mail	Farmington Hills, MI 48333	0	0	0	8/30/99
062-1297028-RI(1)	Nonprofit Mail	Richmond, VA 23233	0	0	0	9/14/99
062-1297451-RI(1)	Nonprofit Mail	Rochester, MI 48308	0	0	0	9/24/99
063-1129974-RI(2)	Nonprofit Mail	Appleton, WI 54919	0	0	0	5/27/99
063-1129976-RI(2)	Nonprofit Mail	Menasha, WI 54952	0	0	0	5/27/99
063-1130002-RI(2)	Nonprofit Mail	Green Bay, WI 54303	0	0	0	5/27/99
063-1238283-RI(2)	Standard Mail	St. Cloud, MN 56301	0	0	0	8/24/99
063-1282416-RI(2)	Standard Mail	Clearwater, FL 33764	0	0	0	3/16/99*
063-1282419-RI(2)	Standard Mail	Brandon, FL 33511	0	0	0	3/12/99*
063-1282428-RI(2)	Standard Mail	Versailles, KY 40383	0	0	0	3/15/99*
063-1290785-RI(2)	Periodical Mail	Waseca, MN 56093	0	0	0	6/11/99
064-1243854-RI(1)	First-Class Mail	Atlanta, GA 30324	0	0	0	7/06/98*
064-1253100-RI(1)	Nonprofit Mail	Boston, MA 02205	0	0	0	9/23/99
064-1275422-RI(1)	First-Class Mail	Richmond, VA 23232	0	0	0	3/01/99*
064-1281509-RI(1)	First-Class Mail	Boston, MA 02205	0	0	0	4/21/99
064-1283665-RI(1)	Business Reply Mail	Norfolk, VA 23501	0	0	0	4/9/99
064-1283749-RI(1)	First-Class Mail	Boston, MA 02210	0	0	0	6/14/99
064-1285571-RI(1)	First-Class Mail	New Orleans, LA 70160	0	0	0	5/19/99
064-1286154-RI(1)	First-Class Mail	Fortuna, CA 95540	0	0	0	4/30/99
064-1289899-RI(1)	Business Mail Entry Unit	San Francisco, CA 94120	0	0	0	5/28/99

Case/Report Number	Subject Title/Project Type	Location/Contract	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Issue Date
064-1290375-RI(1)	Presort Bureaus	New York, NY 10001	0	0	0	7/23/99
064-1290439-RI(1)	First-Class Mail	Huntington, WV 25704	0	0	0	5/21/99
064-1291820-RI(1)	First-Class Mail	Greenville, SC 29605	0	0	0	6/29/99
064-1293203-RI(1)	First-Class Mail	Charlotte, NC 28228	0	0	0	7/15/99
064-1295917-RI(1)	First-Class Mail	St. Louis, MO 63105	0	0	0	9/13/99
065-1261668-RI(1)	Periodical Mail	Frederick, MD 21701	0	0	0	6/9/99
065-1285995-RI(1)	Periodical Mail	Mason City, IA 50401	0	0	0	4/22/99
065-1289839-RI(1)	Periodical Mail	St. Marys, WV 26170	0	0	0	5/17/99
065-1293626-RI(1)	Periodical Mail	San Francisco, CA 94120	0	0	0	7/30/99
065-1296800-RI(1)	Periodical Mail	Oakland, CA 94615	0	0	0	9/9/99
066-1245797-RI(1)	Standard Mail	Howard, CO 81233	0	0	0	5/3/99
066-1284083-RI(1)	Business Mail Entry Unit	Denver, CO 80266	0	0	0	4/7/99
066-1286157-RI(1)	Business Mail Entry Unit	Fortuna, CA 95540	0	0	0	9/10/99
066-1293525-RI(1)	Standard Mail	St. Louis, MO 63155	0	0	0	8/11/99
066-1296792-RI(1)	Standard Mail	Oakland, CA 94615	0	0	0	9/9/99
066-1296926-RI(1)	Nonprofit Mail	Old Saybrook, CT 06475	0	0	0	9/9/99
066-1297856-RI(1)	Nonprofit Mail	Mattoon, IL 61938	0	0	0	9/20/99
067-1223421-RI(1)	Manifest Mailings	Miami, FL 33052	0	0	0	9/21/99
068-1275423-RI(1)	Business Mail Entry Unit	Boston, MA 02205	0	0	0	6/10/99
068-1291045-RI(1)	Impact Credit Card	Houston, TX 77251	0	0	0	8/31/99
068-1291603-RI(1)	Postage Meter	Wilmington, DE 19808	0	0	0	6/17/99
068-1291672-RI(1)	Contract Unit Review	Vega Alta, PR 00762	0	0	0	7/13/99
068-1296668-RI(1)	Goods and Services	Virginia Beach, VA 23456	0	0	0	8/26/99
069-1278476-RI(2)	Bulk Mail Permits and Fees	Rocky Mount, VA 24151	0	0	0	3/05/99*
069-1289963-RI(2)	Postage Meter	Philadelphia, PA 19124	0	0	0	5/21/99
069-1296866-RI(2)	Nonprofit Mail	Lancaster, PA 17601	0	0	0	9/8/99
380-1221556-RI(1)	Counterfeit Postage Stamps	Hazel Green, WI 53811	0	0	0	5/17/99
384-1289912-RI(1)	Bypass Mailing	Edison, NJ 08906	0	0	0	8/24/99
384-1294489-RI(1)	Business Reply Mail	Chicago, IL 60605	0	0	0	9/14/99
388-1183443-RI(1)	Postage Meter	Kansas City, MO 64108	0	0	0	4/15/99
920-1293409-RI(1)	Plant Loads	Franklin Park, IL 60131	0	0	1,023,252	7/28/99
920-1297017-RI(1)	Periodical Mail	Des Moines, IA 50321	0	0	0	9/13/99
922-1256220-RI(1)	Manifest Mailings	St. Paul, MN 55101	0	0	0	6/22/99
923-1221400-RI(1)	Business Mail Entry Unit	Holliston, MA 01746	0	0	0	9/22/99
923-1274894-RI(1)	Business Mail Entry Unit	Richmond, VA 23232	0	0	0	4/26/99
924-1170790-RI(1)	Presort Bureaus	Charlotte, NC 28228	0	0	0	7/15/99
924-1240141-RI(1)	Business Mail Entry Unit	Seattle, WA 98111	0	0	0	3/25/99*
924-1257645-RI(1)	Presort Bureaus	Canton, OH 44711	0	0	0	5/12/99
924-1262702-RI(1)	First-Class Mail	Denver, CO 80239	0	0	0	5/13/99
924-1266353-RI(1)	Business Mail Entry Unit	Seattle, WA 98134	0	0	0	3/25/99*
924-1282716-RI(1)	Presort Bureaus	Lansing, MI 48913	0	0	0	7/9/99
924-1284723-RI(1)	Presort Bureaus	Memphis, TN 38173	0	0	0	9/13/99
924-1290085-RI(1)	Presort Bureaus	Nashville, TN 37210	0	0	0	9/13/99
924-1290851-RI(1)	First-Class Mail	Boston, MA 02205	0	0	0	7/12/99
TOTAL			\$0	\$0	\$1,023,252	

PERFORMANCE AUDITS

ACCEPTING AND PROCESSING, TRANSPORTATION, DELIVERY AND ENABLING FUNCTIONS

Case/Report Number	Subject Title/ Project Type	Location/ Contract	Questioned Costs	Un- supported Costs	Recommend Funds Put to Better Use	Issue Date
036-1247658-PA(2)	Mail Order Customer Service		0	0	0	4/2/99
037-1285447-PA(2)	Check Acceptance Procedures		0	0	0	9/9/99
038-1277601-PA(2)	Periodical Processing		0	0	0	8/20/99
039-1273237-PA(2)	Priority Mail		0	0	0	5/12/99
039-1279813-PA(2)	HASP Operations		0	0	1,000,000	9/8/99
040-1241887-PA(2)	Special Services		0	0	0	5/18/99
040-1267682-PA(2)	City Delivery Operations		0	0	0	8/31/99
040-1278676-PA(2)	Priority Mail		0	0	0	9/21/99
041-1292192-PA(2)	Delivery Point Sequence		0	0	0	9/21/99
042-1274505-PA(2)	Information Systems Security		0	0	0	6/29/99
044-1272744-PA(2)	Physical Security		0	0	0	6/10/99
044-1281484-PA(2)	Workplace Behavior		0	0	0	9/17/99
045-1290390-PA(2)	City Route Inspections/ Adjustments Follow-Up		0	0	0	7/1/99
045-1291771-PA(2)	Vehicle Utilization Follow-Up		0	0	240,000	9/3/99
045-1291772-PA(2)	Vehicle Utilization Follow-Up		0	0	0	9/25/99
052-1257657-PA(3)	Indefinite Quantity Contract Work Orders		0	0	0	5/26/99
052-1257658-PA(3)	Indefinite Quantity Contract Work Orders		0	0	0	5/26/99
052-1270438-PA(3)	Delivery Units		0	0	0	8/27/99
052-1273552-PA(3)	Injury Compensation		0	0	0	9/30/99
052-1284213-PA(3)	Operational Efficiency		0	0	0	7/7/99
052-1290419-PA(3)	Operational Efficiency		0	0	0	6/25/99
052-1294288-PA(3)	Endorsement Mail		0	0	0	9/23/99
311-1262202-PA(3)	Registered Mail Operations		0	0	0	4/16/99
312-1272877-PA(3)	Processing & Distribution		0	0	0	5/25/99
312-1274544-PA(3)	Mail Processing-Utilization of Manpower		0	0	0	5/27/99
312-1275293-PA(3)	Registered Mail Operations		0	0	0	8/12/99
312-1294973-PA(3)	Operation 030 Productivity		0	0	0	8/10/99
070-1294280-SI(1)	Observation of Mail Conditions	Federal Way, WA 98063	0	0	0	8/17/99
071-1251330-SI(2)	EXFC Expansion Readiness	New Brunswick, NJ 08899	0	0	0	11/24/98*
071-1251331-SI(2)	EXFC Expansion Readiness	Newark, NJ 07101	0	0	0	11/09/98*
071-1273763-SI(2)	Air Route Review	Newark, NJ 07114	0	0	0	4/1/99
071-1275896-SI(2)	Mail Processing Operations	Miramar, FL 33027	0	0	0	6/16/99
071-1278421-SI(2)	Mail Service	San Diego, CA 92121	0	0	0	5/11/99
071-1280286-SI(2)	Observation of Mail Conditions	San Diego, CA 92121	0	0	0	03/29/99*
071-1286044-SI(2)	Observation of Mail Conditions	San Antonio, TX 78245	0	0	0	5/5/99
071-1288464-SI(2)	Mail Transport Equipment Review	Washington, DC 20260	0	0	0	5/24/99
071-1289438-SI(2)	Oversight of Carrier Street Time	Edison, NJ 08899	0	0	0	5/14/99
072-1254408-SI(2)	Cleaning Maintenance Review	Chicago, IL 60669	0	0	0	4/19/99

Case/Report Number	Subject Title/ Project Type	Location/ Contract	Questioned Costs	Un- supported Costs	Recommend Funds Put to Better Use	Issue Date
072-1288453-SI(2)	Observation of Mail Conditions	Los Angeles, CA 90052	0	0	0	8/18/99
072-1289253-SI(2)	Observation of Mail Conditions	Columbus, OH 43216	0	0	0	5/28/99
072-1289303-SI(2)	Political Mail Review	Miami, FL 33152	0	0	0	9/29/99
072-1290929-SI(2)	Mail Transport Equipment Service Center	Washington, DC 20260	0	0	0	6/21/99
072-1291355-SI(2)	Observation of Mail Conditions	Kearny, NJ 07032	0	0	0	7/2/99
096-1292237-SI(3)	Observation of Mail Conditions	San Juan, PR 00936	0	0	0	8/12/99
TOTAL			0	0	\$1,240,000	

INSPECTION SERVICE GRAND TOTAL
\$16,275,943
\$10,383
\$38,183,149

Reports with an () were issued in a prior semiannual reporting period; however, they were not entered into the Inspection Service Database Information System until the current reporting period. To ensure all reports issued to management are reported to Congress, they are being included during this reporting period.

APPENDIX C

Findings of Questioned Costs

For Period Ending September 30, 1999

INSPECTION SERVICE

Description	Number of Reports	Total Questioned Costs	Unsupported Costs Included In Questioned Costs
Reports for which no management decision was made at the beginning of the reporting period	28	\$168,067,185	\$12,941,373
Reports requiring a management decision that were issued during the reporting period	9	\$16,286,326	\$10,383
TOTAL	37	\$184,353,511	\$12,951,756
Reports for which a management decision was made during the reporting period (i + ii)	17	\$159,906,695	\$6,701,135
(i) Dollar value of disallowed costs		\$159,813,108	
(ii) Dollar value of costs not disallowed		\$93,587	
Reports for which no management decision was made by the end of the reporting period. Negotiations are ongoing.	20	\$24,446,816	\$6,250,621
Reports for which no management decision was made within six months of issuance (Note 1)	4	\$7,122,599	\$5,841,563
Reports for which no management decision was made within one year of issuance (Note 2)	9	\$1,348,710	\$398,675

Note 1 - Reports for which no management decision was made within six months of issuance:

Report Date	Case Number	Subject	Total Questioned Costs	Unsupported Costs Included In Questioned Costs
01/21/99	184-1228152-AC(1)	Marriott Corporation	\$28,437	\$0
12/07/98	184-1243166-AC(1)	Emery Worldwide Airlines	\$7,087,038	\$5,841,563
03/18/99	184-1265466-AC(1)	Marriott Corporation	\$5,576	\$0
10/30/98	192-1254969-AC(2)	Remitco Management Corporation	\$1,548	\$0
TOTAL			\$7,122,599	\$5,841,563

Note 2 - Reports for which no management decision was made within one year of issuance:

Report Date	Case Number	Subject	Total Questioned Costs	Unsupported Costs Included In Questioned Costs
06/16/98	184-1218249-AC(1)	First Data Merchant Services Corporation	\$515,521	\$398,675
09/18/98	184-1244332-AC(1)	King-Casey, Inc.	\$57,213	
09/18/98	184-1244333-AC(1)	King-Casey, Inc.	\$70,668	
09/18/98	184-1244335-AC(1)	King-Casey, Inc.	\$31,805	
03/12/98	182-1224877-AC(1)	MidCon Gas Services Corporation	\$14,920	
05/20/96	184-1183079-AC(1)	King Casey, Inc.	\$353,962	
02/28/97	184-1203149-AC(1)	King Casey, Inc.	\$14,542	
02/28/97	184-1203150-AC(1)	King Casey, Inc.	\$247,133	
02/28/97	184-1203153-AC(1)	King Casey, Inc.	\$42,946	
TOTAL			\$1,348,710	\$398,675

APPENDIX D

Recommendations That Funds Be Put to Better Use

For Period Ending September 30, 1999

OFFICE OF INSPECTOR GENERAL AND INSPECTION SERVICE

Description	Number of Reports	Dollar Value
Reports for which no management decision was made at the beginning of the reporting period	81	\$129,941,066
Reports requiring a management decision that were issued during the reporting period	20	\$1,204,883,149
TOTAL	101	\$1,334,824,215
Reports for which a management decision was made during the reporting period	52	\$1,230,655,362
(I) Value of recommendations implemented by management		\$1,184,713,517
(ii) Value of recommendations that management did not recover		\$45,941,845
(iii) Value of recommendations that management did not agree to implement		\$0
Reports for which no management decision was made by the end of the reporting period	49	\$104,768,853
Reports for which no management decision was made within six months of issuance (Note 1)	10	\$9,864,818
Reports for which no management decision was made within one year of issuance (Note 2)	28	\$59,912,195

Note 1 - Reports for which no management decision was made within six months of issuance:

Report Date	Case Number	Subject	Recommend Funds Put to Better Use
12/11/98	181-1251878-AC(1)	Key Handling Systems, Inc.	\$516,256
11/18/98	181-1252266-AC(1)	Remitco Management Corporation	\$544,519
10/13/98	181-1252323-AC(1)	Siemens ElectroCom, L.P.	\$6,166,150
10/30/98	181-1252372-AC(1)	The Freeman Companies	\$1,710,680
12/18/98	181-1253441-AC(1)	Motion System, L.C.	\$145,532
11/24/98	181-1254410-AC(1)	Dearborn Mid-West Conveyor, Inc.	\$137,480
11/25/98	181-1254812-AC(1)	North American Conveyor, Inc.	\$171,823
01/08/99	181-1262969-AC(1)	Remitco Management Corporation	\$250,252
03/09/99	181-1265241-AC(1)	GFI Genfare	\$103,476
03/05/99	181-1273828-AC(1)	URS Greiner Woodward Clyde	\$118,650
TOTAL			\$9,864,818

Note 2 - Reports for which no management decision was made within one year of issuance:

Report Date	Case Number	Subject	Recommend Funds Put to Better Use
04/14/98	181-1237199-AC(1)	Siemens ElectroCom, L.P.	\$14,156,740
04/17/98	181-1238604-AC(1)	Siemens ElectroCom, L.P.	\$505,224
09/25/98	181-1246015-AC(1)	MOS International	\$773,938
08/28/98	181-1246017-AC(1)	MOS International	\$280,277
08/14/98	181-1248027-AC(1)	Siemens ElectroCom, L.P.	\$5,541,722

Report Date	Case Number	Subject	Recommend Funds Put to Better Use
08/17/98	181-1248178-AC(1)	Siemens ElectroCom, L.P.	\$10,687,390
08/20/98	181-1249368-AC(1)	Key Handling Systems, Inc.	\$189,668
05/30/95	181-1165940-AC(1)	ElectroCom Automation, L.P.	\$8,370,460
05/23/96	181-1187389-AC(1)	ElectroCom Automation, L.P.	\$2,799,714
07/25/96	181-1192269-AC(1)	ElectroCom Automation, L.P.	\$89,068
09/25/96	181-1194800-AC(1)	ElectroCom Automation, L.P.	\$9,178,587
09/20/96	181-1195161-AC(1)	ElectroCom Automation, L.P.	\$34,876
07/03/97	181-1204343-AC(1)	Key Handling Systems, Inc.	\$134,283
04/22/97	181-1208530-AC(1)	Electrocom Automation, L.P.	\$283,626
06/09/97	181-1211514-AC(1)	Siemens ElectroCom L.P.	\$20,151
07/22/97	181-1212417-AC(1)	Carter Control Systems, Inc.	\$10,595
09/10/97	181-1213327-AC(1)	Motion Systems, L.C.	\$491,132
09/10/97	181-1213328-AC(1)	Motion Systems, L.C.	\$545,692
09/10/97	181-1213329-AC(1)	Motion Systems, L.C.	\$561,088
09/08/97	181-1213332-AC(1)	Motion Systems, L.C.	\$569,652
08/14/97	181-1215545-AC(1)	Carter Control Systems, Inc.	\$52,347
09/12/97	181-1218347-AC(1)	Siemens Electrocom L.P.	\$196,086
01/23/98	181-1214298-AC(1)	Midwest Conveyor Company, Inc.	\$135,198
12/03/97	181-1215690-AC(1)	K&T Electrical Contractors	\$481,301
03/06/98	181-1216419-AC(1)	Siemens ElectroCom L.P.	\$66,317
11/26/97	181-1216446-AC(1)	North American Conveyor Inc.	\$517,017
03/06/98	181-1229831-AC(1)	Siemens ElectroCom L.P.	\$3,215,867
03/06/98	181-1231556-AC(1)	Siemens ElectroCom L.P.	\$24,179
TOTAL			\$59,912,195

APPENDIX E

Unresolved Reports

Description	Number of OIG Reports	Number of Inspection Service Reports	Total Number of Reports
Reports Unresolved at Beginning of Period:			
Reports Issued Before 10/1/98	1	57	58
Reports Issued Prior Period, (3/31/99)	7	69	76
Total Reports	8	126	134
Reports Issued This Period, (9/30/99)	3	151	154
Total Reports (Note 1)	11	277	288
Reports Resolved:			
Issued Before (10/1/98)	1	35	36
Issued Prior Period (3/31/99)	0	46	46
Issued This Period (9/30/99)	0	100	100
Total Resolved	1	181	182
Reports Unresolved as of (9/30/99):			
More Than one Year, (Note 2)	0	22	22
More Than Six Months, (Note 3)	7	23	30
Less than Six Months	3	51	54
Total Unresolved	10	96	106
Reports Resolved Where Management Did Not Agree to Implement All Recommendations	0	7	7

Note 1: Excludes audits previously reported, in Appendix C, Findings of Questioned Costs; and Appendix D, Recommendations That Funds Be Put To Better Use.

Note 2 - List of reports pending more than one year:

INSPECTION SERVICE

Report Date	Report Number	Condition
08/12/97	1199652-AD(1)	EDP Controls, San Mateo, CA - Management is progressing in testing critical applications and providing off-site storage for critical files.
07/31/97	1217968-PA(1)	Excessive Overtime Usage, Washington, DC - Management has not implemented recommendation regarding employee scheduling.
11/28/97	1196577-AD(1)	FY 1997 Financial Opinion Audit, San Mateo, CA - Management is progressing in developing procedures for the inventory contract payment and reconciliation process.
12/31/97	1188871-RI(1)	Inbound Verification Procedures, Jersey City, NJ - Management is continuing to develop action plans to verify inbound foreign and Canadian mail.
09/30/98	1225145-AD(1)	EDP Controls, San Mateo, CA - Security reviews ongoing.
09/30/98	1225935-AD(1)	EDP Controls, St. Paul, MN - Management is concluding administrative security issues.
05/05/98	1169074-AD(1)	Inbound International Statistical Systems, Jersey City, NJ - Management is strengthening controls for international and military mail operations.
08/13/98	1223405-AF(1)	Financial Installation Audit, Washington, DC - Management is developing procedures for the BMEU to strengthen internal controls.
06/04/98	1225186-AF(1)	Financial Installation Audit, Atlanta, GA - Management is providing attention to ensure proper administration and collection of fees on mailings.
09/02/98	1222998-AF(1)	Financial Installation Audit, South Elgin, IL - Management is acquiring new equipment for COD operations. Training is being given in BMEU operations.
09/15/98	1220283-PA(1)	National Audit on Postal Retail Stores - Management is developing procedures in retail operations and a handbook and instructions are being updated.
05/12/98	1209811-PA(1)	National Audit on Air Transportation Networks - Management is preparing operating plans and corrective actions are being taken.
06/05/98	1214098-PA(1)	National Audit on City Route Inspections and Adjustment Process - Management is developing instructions to review, train, and increase supervision for the route inspections/adjustment process and the associated monitoring of savings.
05/11/98	1204380-PA(1)	National Audit on Effectiveness of Employee Reassignments - Management is developing integrated policies and procedures on reassignment processes and providing attention in complement planning initiatives.
06/04/98	1234520-PA(2)	Flats Automation, Denver, CO - Management is developing implementation plans to address flat sorting machine utilization, flat automation processing, performance targets, staffing and maintenance.
08/20/98	1241721-PA(2)	Carrier Transportation, St. Louis, MO - Management is continuing to provide attention to vehicle maintenance operations.
08/11/98	1233190-PA(2)	Injury Compensation and Safety Programs, Kansas City, MO - Management is progressing in finalizing training material.
09/16/98	1238815-PA(2)	Limited and Light Duty Program, Dallas, TX - Management is developing instructions on claim management.
07/10/98	1244116-PA(3)	Service and Efficiency Mail Condition Reporting System, Anchorage, AK - Management is awaiting final approval of operating plan.
09/11/98	243831-PA(3)	Highway Contract Route Driver Screening Process, New Brunswick, NJ - Management indicated the driver screening process is complete. Functional responsibility for the driver screening process needs to be identified.
07/01/98	1245454-PA(3)	Commercial Mail Receiving Agencies, Van Nuys District - Management indicated that training will be provided.
07/28/98	1245455-PA(3)	Commercial Mail Receiving Agencies, San Diego District - Management is working to improve CMRA controls.

Note 3 - List of reports pending more than 6 months:

OFFICE OF INSPECTOR GENERAL

Report Date	Report Number	Condition
03/31/99	LR-AR-99-001	United States Postal Service Labor and Management Workplace Disputes - USPS and OIG are in the process of implementing a resolution process to address the disagreements.
03/31/99	DS-MA-99-002	Accident Reporting Process - USPS and OIG are in the process of implementing a resolution process to address the disagreements.
03/31/99	FA-AR-99-001	Atlanta Olympic Facility Improvement Plan - USPS and OIG are in the process of implementing a resolution process to address the disagreements.
03/30/99	LR-AR-99-006	Allegations of Retaliation at the Garden Grove, Post Office - USPS and OIG are in the process of implementing a resolution process to address the disagreements.
03/31/99	LR-AR-99-008	Follow-up on Postal Service Recommendations to Investigate Sexual Harassment Allegations and to Reassign a Supervisor - USPS and OIG are in the process of implementing a resolution process to address the disagreements.
03/31/99	LR-AR-99-009	Health and Safety Issues and Administration of the Advance Sick Leave Program at the Garden Grove, California Post Office - USPS and OIG are in the process of implementing a resolution process to address the disagreements.
03/30/99	LR-MA-99-006	Employee Allegations at the Ponca City Post Office - USPS and OIG are in the process of implementing a resolution process to address the disagreements.

INSPECTION SERVICE

Report Date	Report Number	Condition
01/29/99	1258946-RI(1)	Postage Meter, Miami, FL - Management is in the process of implementing a new meter inspection schedule.
01/25/99	1262707-RI(1)	Postage Meter, Houston, TX - Management is developing a new meter inspection schedule and updating the Meter Accounting Tracking System.
03/29/99	1261754-AF(1)	Financial Installation Audit, Royal Oak, MI - Management is providing attention to internal controls in the BMEU.
03/12/99	1224758-AD(1)	FY 1998 Financial Opinion Audit, St. Louis, MO - Management is providing attention to internal controls in the International Records Unit and developing control procedures for the Pseudo Voucher process.
03/12/99	1225936-AD(1)	FY 1998 Financial Opinion Audit, St. Paul, MN - Management is strengthening controls for the National Accounts Receivable System and is in the process of developing a report regarding employee separations.
03/12/99	1219706-AD(1)	FY 1998 Financial Opinion Audit, San Mateo, CA - Management is in the process of implementing recommendations regarding certification of invoices.
02/26/99	1256273-AF(1)	Financial Installation Audit, Franklin Park, IL - Management is reviewing procedures and providing training for BMEU, employee accountabilities, postage due/business reply mail, post office box/caller service, and COD mail.
12/17/98	1256279-AF(1)	Financial Installation Audit, Mattoon, IL - Management is reviewing procedures relating to unit reserve accountability and employee accountabilities.
12/23/98	1256284-AF(1)	Financial Installation Audit, Elmhurst, IL - Management is reviewing procedures relating to employee accountabilities.
01/08/99	1215615-FPA(1)	National Priority System, Chicago, IL - Management is in the process of implementing recommendations regarding functional responsibility, ranking, training, and evaluation factors.
12/30/98	1223496-PA(1)	National Audit on Logistics and Transportation - Management is in the process of implementing recommendations regarding air-to-surface mail routing.
12/30/98	1262023-RI(1)	Postage Meter, Southington, CT - Management is in the process of implementing recommendations regarding meter inventories, meter control, and mis-set meters.
01/27/99	1260310-RI(1)	Postage Meter, Anchorage, AK - Management is in the process of reconciling in-stock inventory records.
11/03/98	1234435-RI(1)	Postage Meter, Denver, CO - Management is developing a new meter inspection schedule.

Report Date	Report Number	Condition
02/17/99	263807-RI(1)	Postage Meter, Las Vegas, NV - Management is strengthening meter security procedures.
03/16/99	1277504-RI(1)	Postage Meter, Denver, CO - Management is developing a new meter inspection schedule.
12/18/98	1256726-AF(1)	Financial Installation Audit, Mission Hills, CA - Management is providing attention to ensure proper administration of business mail acceptance procedures.
11/03/98	1242213-PA(3)	Mail Preparation, Distribution and Flow - Management is updating operational SOPs and establishing uniform goals.
01/07/99	1262128-RI(1)	Postage Meter, Santa Ana, CA - Management is in the process of developing a new meter inspection schedule.
11/06/98	1243860-PA(2)	Two-Day and Three-Day Mail - Management is improving dispatch disciplines to facilitate the transport of mail by surface rather than air.
03/17/99	1244541-PA(1)	National Audit on Priority Mail - Management is developing procedures to ensure efficient and effective processing of priority mail.
03/17/99	1255370-AF(1)	Financial Installation Audit, Oak Hill, OH - Procedures are being developed to strengthen internal controls in office accountability.
03/26/99	1223382-AX(1)	Mail Transport Equipment Service - Management is implementing recommendations regarding program planning management.

APPENDIX F

Summary of Inspection Service Actions Under 39 USC 3005 and 3007

For the period April 1, 1999 through September 30, 1999

Type of Scheme (Definitions of schemes follow)	Complaints Filed	Consent Agreements	False Representation Orders	Cease & Desist Orders
Advance fee	3	3	4	5
Boiler rooms/Telemarketing	2		1	1
Contest/Sweepstakes	1	1		1
Rebate fraud	19	19		19
Directory solicitations	1	1	1	1
Distributorships				
Employment				
False billings	5	4		2
Fraud against government agencies				
Fraud against USPS				
Insurance				
Investments				
Loans				
Lotteries (Foreign and Domestic)	52		53	1
Medical	1	1		1
Memberships				
Merchandise:				
Failure to furnish	2	2		2
Failure to pay	1	1		1
Misrepresentation	4	2		2
Miscellaneous	4	5	2	5
Solicitations	2	3	1	3
Travel				
Work at home	5	5	1	5
TOTAL	102	47	63	49

Other Administrative Actions

Administrative Action Requests	82
Temporary Restraining Orders Requested	3
Temporary Restraining Orders Issued	3
Civil Injunctions (1345) Requested	0
Civil Injunctions (1345) Issued	0
Cases Using Direct Purchase Authority	2
Refusals of Direct Purchase Authority	0
Civil Penalties (Section 3012) Imposed	\$7,000
Expenditures Incurred for:	
Test Purchases	\$588
Expert Testimony	\$250
Witness Travel	\$0
Withholding Mail Orders Issued	98
Voluntary Discontinuances	252

DEFINITIONS OF SCHEMES

Advance fee. Obtaining fees purporting to secure buyers or obtain loans.

Boiler rooms/Telemarketing. An office or suite of offices with banks of telephones and telephone solicitors who use high-pressure techniques to persuade consumers to respond to bogus offers.

Contest/Sweepstakes. Schemes in which the respondent is required to pay a fee to obtain prizes of money, gifts or other items of value. "Prizes" are either never shipped or are inferior to what was promised.

Rebate fraud. Redeeming cents-off coupons or manufacturers' rebates when no merchandise was actually purchased; establishing fictitious stores, clearing houses or addresses; submitting counterfeit coupons or rebates by consumers.

Directory solicitations. Fraudulent solicitations in the guise of invoices for advertisement or renewal in business directories.

Distributorships. Pyramid schemes in which it is mathematically impossible for all participants to recoup their investments. The emphasis is not on the sale of the product, but on getting others to participate.

Employment. Soliciting money for information or assistance in obtaining nonexistent or misrepresented jobs.

False billings. Mailing solicitations in the guise of billings.

Fraud against government agencies. Any scheme that attempts to defraud a U.S. government agency except the U.S. Postal Service.

Fraud against U.S. Postal Service. Any scheme that attempts to defraud the U.S. Postal Service.

Insurance. Investigation of insurance-related fraud involving false claims, false advertising on the availability of insurance, or the collection of premiums for nonexistent policies.

Investments. Misrepresented opportunities to invest in commodities, gems, metals, stocks, bonds, certificates of deposit, mutual funds, IRAs, coins, stamps, art, etc.

Loans. Mailings soliciting money for information on nonexistent or misrepresented loans.

Lottery. Advertisements seeking money or property by mail for participation in schemes to win prizes through chance.

Medical. Sales by mail of misrepresented health products or services, including fraudulent medical degrees.

Memberships. Failure to provide services advertised in connection with organization membership.

Merchandise failure to furnish. A mail order operator that does not provide ordered merchandise.

Merchandise failure to pay. Mail order merchandise that is acquired without providing payment.

Merchandise misrepresentation. Mail order merchandise or services that are materially misrepresented in advertising.

Miscellaneous. Any other scheme not described in a specific category.

Solicitations. Fraudulent solicitation of funds through the mail for alleged charitable, religious minority-oriented groups and similar causes or organizations.

Travel. Fraudulent vacation or travel opportunities.

Work at home. Schemes, such as envelope stuffing, that do not provide home employment.

APPENDIX G

Criminal Statistics

For the Period April 1, 1999 through September 30, 1999

OFFICE OF INSPECTOR GENERAL

Type of Investigation	ARRESTS	CONVICTIONS ¹
Revenue & Cost Containment		
Revenue Protection	5	2
Contracts		3
OIG Total ²	5	5

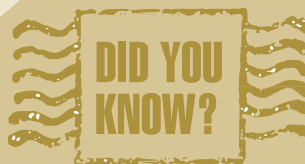
INSPECTION SERVICE

Type of Investigation	ARRESTS	CONVICTIONS ¹
Revenue & Asset Protection Program		
Expenditure Investigations	11	7
Financial Investigations	159	144
Workers' Compensation Fraud	35	26
Revenue Investigations	64	41
Robbery	69	79
Burglary	75	62
Miscellaneous External Crimes (includes counterfeit and contraband postage, money order offenses, vandalism and arson)	316	295
Assaults Against Employees (includes threats and assaults against on-duty postal employees)	214	178
Employee Narcotics Cases (includes employees and non-employees selling narcotics on postal property)	14	9
Mail Theft by Employees (includes theft and possession of stolen mail)	229	210
Mail Theft by Non-Employees or Contractors (includes theft and possession of stolen mail)	2,233	2,179
Miscellaneous Employee Crimes (includes theft of postal property and sabotage of equipment)	49	39
Bombs/Explosive Devices	37	41
Mailing of Controlled Substances (includes narcotics, steroids, drug-related proceeds and drug paraphernalia)	802	747
Child Exploitation, Mailing of Obscene Matter and Sexually Oriented Advertisements	96	72
Mailing of Miscellaneous Nonmailables (includes hazardous material, firearms and weapons, intoxicants, explosives other than bombs, extortion and false documents)	68	29
Mail Fraud	775	706
Inspection Service Total ²	5,246	4,864
GRAND TOTAL	5,251	4,869

¹ Convictions reported in this time frame may be related to arrests made in prior reporting periods.

² Arrests and convictions include joint investigations with other federal law enforcement agencies.

Exhibits



DID YOU KNOW?

Does the OIG investigate individual labor management complaints?

The OIG generally does not review individual employee complaints. However, as a new agency, we have conducted reviews of some complaints to develop an understanding of the Postal culture and employee concerns.

This exhibit describes the designation of audit and investigative functions agreed to by the OIG and Inspection Service upon passage of the 1996 amendments to the Inspector General Act. The designation, which was approved by the Board of Governors, identifies work already transitioned; work in transition; and new functions now being performed by the OIG. This designation is currently being revised by OIG and the Inspection Service.

TRANSITION OF INVESTIGATIVE FUNCTIONS

TRANSITION OF AUDIT FUNCTIONS

ADDITIONAL/EXPANDED OIG FUNCTIONS



Exhibit A

Designation of Functions (under revision)

OFFICE OF INSPECTOR GENERAL

REVENUE

- Bribery, Kickback, and Conflict of Interest
- Systemic Reviews

HEALTH CARE FRAUD

- Provider Fraud
- Workers' Compensation Program Oversight

EMBEZZLEMENTS

- Conduct/Partner on cases of \$100K or More

EXPENDITURES

- Bribery, Kickback and Conflict of Interest
- Systemic Reviews

● CONDUCT/PARTNER ON CASES INVOLVING EXECUTIVES

✕ TORT CLAIMS: SERIOUS INCIDENTS

● INSPECTION SERVICE INTERNAL AFFAIRS

- Executives

● COMPUTER FORENSICS

● HOTLINE

OFFICE OF INSPECTOR GENERAL

FACILITIES

- ✕ New Facilities Construction of \$10M or More
- ✕ New Facilities Right of First Choice Between \$5 – \$1 M
- ✕ Leases of \$1M or More
- ✕ Repair and Alterations of \$1M or More

REVENUE FOCUSED

- ✕ International Mail

● FINANCIAL STATEMENT - OVERALL OPINION

● POSTAL-WIDE PERFORMANCE

● CONTRACTS, EXCEPT PRE-AWARD AND POST-AWARD

● ALL DEVELOPMENTAL

OFFICE OF INSPECTOR GENERAL

☞ REVENUE GENERATION

☞ OVERSIGHT OF INSPECTION SERVICE

☞ RATE-MAKING REVIEWS

☞ SELF-INITIATED AND PROACTIVE WORK (CONTRACTING/PERFORMANCE)

☞ LABOR-MANAGEMENT

☞ ELECTRONIC COMMERCE

☞ COMPUTER INTRUSION

INSPECTION SERVICE

REVENUE

- Revenue Loss Detection

WORKERS' COMPENSATION

- Recipient Cases

EMBEZZLEMENTS

- Under \$100 K

EXPENDITURES

- As Referred by IG
- IMPAC Cards
- Local Purchases/Procurements

EMERGENCY RESPONSE ON CASES INVOLVING EXECUTIVES

INTERNAL/EXTERNAL CRIMES

PROTECTION OF EMPLOYEES

SECURITIES FRAUD AND PROHIBITED MAILINGS

TORT CLAIMS

INSPECTION SERVICE INTERNAL AFFAIRS

- Non-executives

FORENSIC AND TECHNICAL SERVICES

INSPECTION SERVICE

FACILITIES

- New Facilities Construction of \$5M or Less
- New Facilities Between \$5 – \$1 M if not chosen by IG
- Leases under \$1M
- Repair and Alterations under \$1M

FINANCIAL STATEMENT - INSTALLATION AND DISTRICT

AREA DISTRICT AND LOCAL PERFORMANCE

SERVICE INVESTIGATION

CONTRACTS PRE-AWARD AND POST-AWARD

Key: FY 1999 Status

● Transitioned

✕ In Transition

☞ New Function

Exhibit B



Office of Inspector General
1735 N. Lynn Street
Arlington, VA 22209-2020
(703) 248-2300
Fax: (703) 248-2291
Internet: www.uspsoig.gov

OFFICE OF INSPECTOR GENERAL

The OIG is organized consistent with the three voices of the Postal Service *CustomerPerfect!* Program: Voice of the Customer, Voice of the Employee, and Voice of the Business. The Inspector General, General Counsel, the five Assistant Inspectors General, and the seven Deputy Assistant Inspectors General form the OIG Management Committee.

ASSISTANT INSPECTOR GENERAL FOR STRATEGIC PLANNING & QUALITY MANAGEMENT

Electronic Commerce Team - conducts reviews of Postal Service initiatives in the emerging field of electronic commerce, including areas such as information-based indicia and electronic bill payment.

Forensic and Technical Services Team - provides technical support in such areas as surveillance, evidence recovery, firearms, computer forensics, and polygraph examinations; and maintains close liaison with technical experts in the law enforcement community.

Information Technology Team - manages computer operations and telecommunications within the OIG; operates the local and wide-area networks; provides computer security and technical support to OIG staff; and manages agency-wide information systems.

Internal Quality Team - instills continuous internal process improvement and facilitates internal communications through orientation, teambuilding, and mentoring.

Quality Assurance/Internal Affairs Team - conducts internal reviews of OIG operations and procedures to ensure that they are effective and appropriate, provides advice on improving operations, and conducts reviews of allegations made against OIG employees.

Strategic Planning Team - anticipates and plans for current and future changes in the Postal Service, OIG operations, and technology by identifying workload, providing research and statistical analyses, informing Postal Service employees and customers about the OIG mission, and promoting the vision of the OIG.

ASSISTANT INSPECTOR GENERAL FOR AUDITS (PERFORMANCE)

Accepting and Processing Team - conducts audits and reviews focusing on mail acceptance and collection operations, and mail processing and distribution processes.

Delivery Operations Team - conducts audits and reviews to enhance delivery processes and operations and to improve customer satisfaction.

Developmental Team - conducts audits and reviews of new or redesigned Postal Service systems, programs, and operations that are under development.

Financial Audit Team - conducts audit work in support of the independent public accounting firm's annual financial audit opinion and conducts other financial-related audits to identify areas for improvement.

Support Team - provides investigative support to all Performance teams, and conducts audits and reviews of the Postal Service enabling operations to include quality, government relations, and customer service.

Transportation Team - conducts audits and reviews focusing on domestic and international transportation, and logistics operations, specifically addressing Postal Service fleet operations and contracts for airline, highway, and rail services.

ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS (REVENUE & COST CONTAINMENT)

Contract Audit Team - improves Postal Service contracting by conducting audits and investigations of purchasing activities and operations.

Facilities Team - conducts audits, management reviews, and investigations of all aspects of facilities

including repair, renovation, and new construction.

Health Care Team - identifies and investigates medical providers that have falsely billed the Postal Service for work-related injury claims, and conducts audits of systemic issues involving the Workers' Compensation Program.

Revenue Generation Team - examines and evaluates the major sources of revenue from marketing, advertising, stamp services, retail, and international mail business operations, and also monitors Postal rate cases.

Revenue Protection Team - investigates bribery, kickbacks, embezzlement, and other cases involving revenue losses and contract fraud, such as defective pricing, product substitution, and cost mischarging.

ASSISTANT INSPECTOR GENERAL FOR EMPLOYEE

Administrative Resources Team - provides the OIG staff with facility, procurement, financial, budget, and other services necessary to accomplish the OIG mission.

Human Resources Team - delivers full-service human resources programs for the OIG in the areas of employee relations, ethics, pay and benefits, retirement awards, performance management, counseling, diversity opportunities, and training.

Information Systems Team - audits major automated Postal management and information systems to determine Y2K readiness, and whether applications are properly established and systems are properly designed to provide accurate data to management; and provides computer assisted audit techniques to support OIG staff.

Labor-Management Teams - conduct audits and evaluations of labor management and employee relations issues within the Postal Service to assist in fostering and maintaining a healthy organizational climate for employees and improving operational efficiency; also audits and evaluates Postal Service systems and operations involving violence prevention.

ASSISTANT INSPECTOR GENERAL FOR CUSTOMER

Computer Intrusion Team - detects and investigates "computer hacking" and other high-technology crimes involving Postal Service computers and telecommunications systems; and assists in identifying computer systems vulnerabilities so that appropriate counter-measures may be implemented.

Consulting Services Team - will assist Postal Service management by identifying best practices for improving the effectiveness of Postal Service operations. (This team will be established in FY 2001.)

Executive Investigations Team - investigates allegations of criminal activities and misconduct involving Postal Service executives.

Hotline Team - operates the OIG Hotline to provide a vital and confidential communication link between the Postal Service and the public.

Oversight Team - conducts audits and evaluations of Inspection Service programs and operations.

Quick Response Team - will evaluate critical, time-sensitive issues. This team will assist in responding to requests from Congress and the Governors. (This team will be established in FY 2001.)

GENERAL COUNSEL TO THE INSPECTOR GENERAL

Congressional and Public Relations Team - serves as liaison to Congress, the Board of Governors, and the media; coordinates congressional testimony and presentations; reviews legislation and regulations; coordinates internal policies and procedures; and reviews and comments on Postal Service policies and procedures.

Legal Services Team - provides legal advice to the Inspector General and OIG staff on criminal, civil, and administrative issues; processes subpoenas; responds to Freedom of Information and Privacy Act requests; and serves as liaison with the Postal Service Law Department and Department of Justice legal staffs.



REPORT FRAUD, WASTE, ABUSE, & MISMANAGEMENT

HOTLINE
1-888-USPS-OIG

(1-888-877-7644)

ALL CALLS ARE CONFIDENTIAL



Notes

US Postage Stamps

ISSUED FROM APRIL 1, 1999 THROUGH SEPTEMBER 30, 1999

PAGE

- 3 UNIVERSAL POSTAL UNION - recognizes the accomplishments of the Universal Postal Union on its 25th anniversary.
- 8 NIAGARA FALLS - recognizes one of the greatest natural wonders of the world and celebrates the long-lasting friendship between the U.S. and Canada.
- 13 FREDRICK LAW OLMSTED - recognizes one of the founders of American landscape architecture and one of America's most prolific park designers.
- 14 HOLLYWOOD COMPOSERS - honors the outstanding contributions made to the world of music and entertainment by six distinguished composers: Max Steiner, Dimitri Tiomkin, Alfred Newman, Bernard Hermann, Franz Waxman, and Erich Wolfgang Korngold.
- 21 DAFFY DUCK - celebrates the third Looney Tunes animated character to be honored on a U.S. stamp and joins Bugs Bunny, and Sylvester and Tweety.
- 26 ALL ABOARD - recognizes the art deco-style passenger trains of the 1930s and 1940s.
- 40 SONORAN DESERT - colorfully depicts the beautiful landscape and teeming wildlife of the Sonoran Desert in a pane of ten stamps that are part of a larger illustrative scene.
- 46 AYN RAND - celebrates the achievements of novelist Ayn Rand, who became the 16th honoree in the American Literary Arts series.
- 48 PROSTATE CANCER AWARENESS - helps to raise awareness about prostate cancer and its often devastating effects on the health of thousands of American men.
- 49 AQUARIUM FISH - pays tribute to the spectacular world of the fragile coral reef and depicts delicate corals, sea anemones, fish, and other species.
- 57 CALIFORNIA GOLD RUSH —honors the 150th anniversary of the thousands of hopeful “forty-niners” who rushed to California in the hopes of “striking it rich.”
- 63 HONORING THOSE WHO SERVED - pays tribute to the nation's military veterans, police officers and firefighters.
- 64 AMERICAN GLASSMAKING - showcases four of the finest American glass designs and glassmaking techniques from the mid-18th century to the early 20th century: freeblown, mold-blown, pressed, and art glass.
- 75 XTREME SPORTS - captures the speed and action of four competitors involved in BMX biking, inline skating, skateboarding, and snowboarding.
- 79 JAMES CAGNEY - celebrates the Oscar-winning film and stage great on the 100th anniversary of the year of his birth.
- 80 TROPICAL FLOWERS - features the breathtaking beauty and color of four species of tropical flowers: the bird of paradise, royal poinciana, gloriosa lily, and Chinese hibiscus.
- 86 JOHN AND WILLIAM BARTRAM - recognizes the work of John, and his son William, in establishing the oldest existing botanical garden in the U.S.

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