



April 1, 2000 - September 30, 2000



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

## *The Challenge of Maintaining Independence*

As our fourth year as an independent Inspector General office within the Postal Service comes to a close, we are proud to report that this agency has continued to grow and thrive. This fiscal year, we achieved a return on investment of almost four to one. As a result of our findings and recommendations, we also provided the Postal Service with our insight into critical areas such as executive relocation benefits, contracting, computer security, new product development, eCommerce projects, and labor management relations. At the same time, we increased our staff by more than one-third between March 31, 2000, and July 30, 2000 and reached our hiring goal of 648. We are confident that we are more capable and better equipped than ever to assist the Postal Service in addressing the unparalleled challenges and opportunities that present themselves in this new century.

We recognize that maintaining our independent status is essential to ensure that our reports and investigations add value. Therefore, our most important challenge this period was to address proposed changes to Government Auditing Standards. Under the proposed changes, this office would not have been considered organizationally independent under generally accepted Government Auditing Standards, and each of our reports would be required to note this lack of independence. Despite the independence provided by the Inspector General Act, the proposed changes could have left our stakeholders with the perception that the work of our office was not independent. After the proposal was issued, we voiced our concerns and obtained an independent legal opinion which questioned the proposal, including its constitutionality. Our efforts were rewarded in September, when the proposal was revised and clarified that this Office of Inspector General was independent.

Another notable event was the change of Deputy Inspectors General. We were sorry and yet proud to see one of our senior management members leave. Richard F. Chambers, Deputy Inspector General, was appointed in August as Inspector General at the Tennessee Valley Authority. We believe this appointment is a testament to the influential and beneficial high-level work Mr. Chambers helped this office perform since its inception. I am pleased that Sylvia L. Owens has agreed to serve as my new Deputy Inspector General. Ms. Owens, a career criminal investigator, has been with the Office of Inspector General since its inception, and brings to the job unique insight and knowledge that will serve us well.

Also during this period, we reorganized the office to better align it to serve the Postal Service. Our reorganization included the establishment of an Assistant Inspector General for eBusiness, which combined our technology teams to reflect the crucial role technology plays in Postal Service operations. We also reorganized and renamed other areas to better reflect the needs of our customers. Because of this reorganization and the new Deputy Inspector General, we recently promoted the following executives: Debra Ritt, Assistant Inspector General for Audit (Business Operations); and Billy Sauls, Assistant Inspector General for Investigations (Business Protection), among others.

The Postal Service also continues to undergo changes in its upper management. We look forward to working with John E. Potter, Chief Operating Officer & Executive Vice President, and Richard J. Strasser, Jr., Chief Financial Officer & Executive Vice President.

This Semiannual Report to Congress details our significant activities and accomplishments, as well as those of the Inspection Service, from April 1, 2000, to September 30, 2000. Submission of this report fulfills our reporting requirement under the Inspector General Act as well as the Deceptive Mail Prevention and Enforcement Act of 1999. This report presents a comprehensive status on the work of this office and the Inspection Service in combating fraud, waste, abuse, and mismanagement within the Postal Service.

In this reporting period, we issued 129 audit reports, including 47 contract audits performed for us by a contract audit agency, and 145 management advisory reports and other products. Our investigative efforts resulted in 13 arrests, 11 indictments, 3 convictions, and about \$10 million in fines, restitution, and recoveries. These efforts resulted in about \$200 million in questioned costs and funds to be put to better use. The work of approximately 2,000 postal inspectors included 184 audits and 40 expenditure, financial, service, and revenue investigative reports that identified over \$1 million in questioned costs and funds to be put to better use. Our combined efforts resulted in 498 written products to strengthen Postal Service programs and operations and \$211 million in monetary benefits.

As we move forward into fiscal year 2001, we are committed to assisting the Postal Service in overcoming the challenges it faces in a marketplace increasingly fueled by electronic commerce. Our independent status and the recognition of this independence by Postal stakeholders enables us to continue to add value to the Postal Service, the Governors, and Congress. We look forward to continuing to provide accurate and objective information that will be used to make decisions that affect the Postal Service's future.

Sincerely,



Karla W. Corcoran  
October 31, 2000

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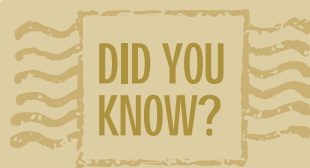


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# Executive Summary

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

Yes. 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.”

*This Executive Summary highlights the Office of Inspector General (OIG) and Inspection Service accomplishments from April 1, 2000, through September 30, 2000, that are contained in this Semiannual Report to Congress.*



The OIG Management Committee is comprised of the Inspector General, Deputy Inspector General, General Counsel, Assistant Inspectors General, and Executive Field Representatives.

## 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 Postal Service reported accomplishments, the major challenges facing the Postal Service as it enters the 21st century and the many projects performed by the OIG and the Inspection Service that help improve postal operations.

The OIG conducts audits and investigations, while the Inspection Service conducts reviews and investigations—independently and jointly—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 in order to present Congress and the Governors a unified report of the Postal Service's efforts to combat fraud, waste, abuse, and mismanagement.

In this, the OIG's eighth Semiannual Report, the work has been categorized into seven subject areas: performance, financial management, technology, labor management, oversight of the Inspection Service, other significant reviews, and customer service. We believe presenting the OIG work in this format provides a clear understanding of where our work falls within the following major management and program challenges facing the Postal Service:

- ◆ Reforming the regulatory environment
- ◆ Managing affordability by controlling costs
- ◆ Growing and protecting revenues
- ◆ Improving workplace climate and labor relations
- ◆ Maintaining a safe and healthy workplace
- ◆ Developing measures and assessing performance
- ◆ Ensuring data integrity and reliability

- ◆ Leveraging technology
- ◆ Maintaining computer security
- ◆ Increasing customer service and satisfaction

*The following highlights the accomplishments of the OIG and Inspection Service under the specific subject areas:*

(1) The area of **organizational dynamics** focuses on the OIG and the Inspection Service vision, value, culture, and diversity that assists with providing value-added service to the Postal Service.

(2) The area of **organizational structure** focuses on the OIG and the Inspection Service.

(3) The area of **customer service** focuses on the OIG and the Inspection Service efforts to provide customer service, including support functions to enhance service to internal customers.

(4) The area of **performance** focuses on the critical core business processes needed to succeed in a competitive environment. The OIG conducted 24 reviews in this area, including projects that will help save the Postal Service about \$84 million in current and future years. A few examples of OIG work in this area included:

- ◆ Working with Postal Service management to develop an alternative plan for transporting Christmas surge mail that could reduce the cost of the dedicated air network by about \$8 million annually.
- ◆ Determining that the Postal Service paid contractors \$5.2 million in commissions based on unverified reported revenue.
- ◆ Determining that processing facilities management did not consistently capture and retain performance data on the \$37.7 million pedestal robot system.
- ◆ Disclosing that Postal Service revenue deficiency assessments were issued up to two years after mail acceptance and sometimes were attributable to incorrect information provided by Postal employees.

The Inspection Service conducted numerous investigations in the area of mail theft, which



resulted in arrests of almost 2,800 employees and nonemployees.

(5) The area of **financial management** incorporates financial-related reviews, financial opinion work, and contracting and facilities reviews. The OIG completed 130 reviews and conducted investigations resulting in 3 convictions, 13 arrests, 11 indictments, and recoveries and restitution of over \$10 million, which included:

- ◆ Identifying over \$56 million in contract costs that were questioned, or considered unsupported.
- ◆ Identifying two former Postal Service managers who devised a scheme to defraud the Postal Service of several million dollars.
- ◆ Investigating a contract with a large telecommunications contractor resulting in a recovery of \$9.2 million in this reporting period, for a total recovery of \$12.2 million to date.
- ◆ Determining that two senior executives who moved about 20 miles with no change in job location were paid \$250,000 in relocation benefits.

In addition to other work, the Inspection Service reported:

- ◆ The results of 175 financial installation and District Accounting Office audits and 4 contract audits, for a total of 179 audits, that identified over \$1 million in questioned costs.
- ◆ The results of 16 revenue investigations during the reporting period, which identified losses of \$27.2 million to the Postal Service.

(6) The area of **technology** encompasses reviews of developmental systems, computer security, and electronic commerce, in addition to computer intrusion detection activities. The OIG performed 13 reviews in this area. Some of the more significant OIG activities included:

- ◆ Issuing a comprehensive report on the state of computer security in the Postal Service.
- ◆ Assessing the justification, management controls, funding, and integration of the \$2.3 billion Information Infrastructure.

- ◆ Determining whether the \$500 million retail system being deployed met all contract requirements.
- ◆ Assessing the security and privacy aspects of the Postal Service's online bill presentment and payment system to facilitate the success of this new venture.
- ◆ Evaluating the functional capabilities, consistency, and reliability of a preproduction system designed to automate the acceptance and verification of bulk business mail.
- ◆ Assisting in the installation of detection devices to determine whether Postal systems are being intentionally compromised or crippled by external or internal users.

In addition to other work, the Inspection Service reported:

- ◆ Developing and conducting training on computer crimes and providing guidance on online investigations.
- ◆ Reviewing security clearance requirements for the Postal Service's online bill presentment and payment system.

(7) The **labor management** area focuses on issues related to violence in the workplace, workplace climate, health care, and workplace safety. During this reporting period, the OIG conducted 55 reviews in this area, which included:

- ◆ Arresting four individuals who allegedly fabricated or stole employee health insurance information to generate \$20 million in fraudulent claims.
- ◆ Evaluating the Postal Service's Violence Prevention and Response Program.
- ◆ Reviewing allegations of hostile working environments and abusive management styles in a New York Metro Area facility.
- ◆ Reviewing the Economic Value Added Variable Pay Program, under which bonuses are calculated for approximately 84,000 executives and administrative employees each year.
- ◆ Assessing a New York Metro Area district's administration of the injury compensation process.



## Who investigates procurement fraud within the Postal Service?

The OIG investigates all procurement fraud within the Postal Service.

The Inspection Service work included:

- ◆ Conducting numerous workers' compensation investigations, resulting in \$95.5 million in long-term and continuation-of-pay cost savings for this fiscal year
- ◆ Arresting seven individuals for selling drugs on postal property, nine individuals for workers' compensation fraud, and 211 individuals for assaults and threats against Postal Service employees.

(8) In the area of **oversight of the Inspection Service**, the OIG completed 17 reviews of the Inspection Service, which included:

- ◆ Determining that senior forensic scientists lacked parity in salaries when compared to their federal counterparts.
- ◆ Determining that FY 2000 budgetary resources were not appropriately linked to performance-related goals and functions when developing the Inspection Service's operating budget.

(9) **Other significant reviews** include projects that do not readily fall into the other six categories. The OIG completed 35 reviews of other significant issues including reviews of Postal Service Career Executive Service employees.

The Inspection Service conducts numerous investigations covering significant issues in the areas of physical security, narcotics offenses and trafficking, child exploitation, prohibited mail, postal burglaries, and mail fraud.

# Postal Service Reported Accomplishments



**Is the OIG part of Postal Service Management?**

No. The OIG is not part of Postal Service management. However, OIG employees are Postal Service employees.

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## POSTAL SERVICE REPORTED ACCOMPLISHMENTS

The OIG's goal is to work in concert with the Postal Service to help ensure the American public receives the best mail delivery service in the world. Highlighting the Postal Service's accomplishments provides context to OIG and Inspection Service activities. During the past six months, the Postal Service has continued to make strides in achieving CustomerPerfect! goals. In addition, the Postal Service announced the following accomplishments, which the OIG has categorized in the areas of performance, financial management, technology, and labor management.

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### PERFORMANCE

- ◆ Delivered the largest household mailing ever—350 million census letters—which was attributed to employee commitment, postal technology, and a close working relationship with the Census Bureau, even though approximately one-third of the letters were misaddressed.
- ◆ Achieved a score of 94 percent for on-time delivery of local overnight First-Class Mail in the last quarter of FY 2000. This marks the 12th consecutive quarter that national overnight delivery scores have reached or exceeded 93 percent.
- ◆ Launched a Spanish-language version of its website to meet the needs of the rapidly-growing Hispanic population in the United States.

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### FINANCIAL MANAGEMENT

- ◆ Formed a strategic partnership with a major communications company to handle its requirements for two-way radio equipment nationwide. This contract is expected to save the Postal Service \$1.7 million annually.
- ◆ Implemented the Money Order Image Delivery System to provide enhanced images of Postal Service money orders and reduce workload at the St. Louis Accounting Service Center.
- ◆ Implemented the Electronic Travel

Voucher System pilot program to provide an online web-based travel voucher system, thus reducing the amount of paper travel vouchers and speeding the travel voucher reimbursement process.

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### TECHNOLOGY

- ◆ Partnered with a leading commercial corporation in the electronic billing and payment services industry to launch USPS eBillPay. This service allows consumers to pay their bills online through a central, secure site from the Postal Service's website.
- ◆ Implemented an Electronic Postmark service for email that provides an official time and date, like a regular mail postmark. The Electronic Postmark also authenticates the sender and receiver of a message and can be attached to any Internet communication to detect tampering.
- ◆ Launched Post Electronic Courier Service, a global electronic document delivery service that allows users to securely send documents via the Internet. It allows for tracking and tracing, proving delivery, and authenticating the sender and receiver. Some of its optional features include encryption, password protection, and use of the Postal Service's Electronic Postmark for added security.
- ◆ Initiated a nationwide experimental program called Mailing Online. This service makes bulk mailings quick and easy for customers who want to send their messages electronically over the Internet and have the Postal Service retrieve and deliver them near the point of delivery.
- ◆ Received recognition at the World Mail Awards 2000 ceremony in Paris for Electronic Merchandise Return Service and FASTForward service.

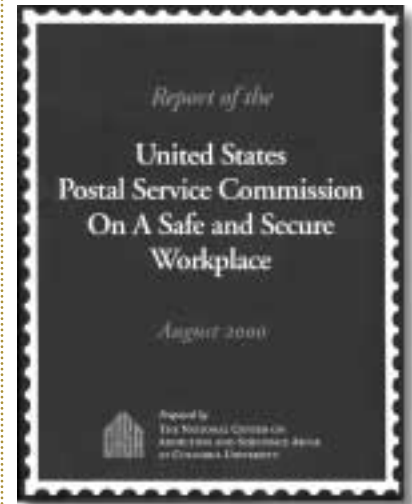
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### LABOR MANAGEMENT

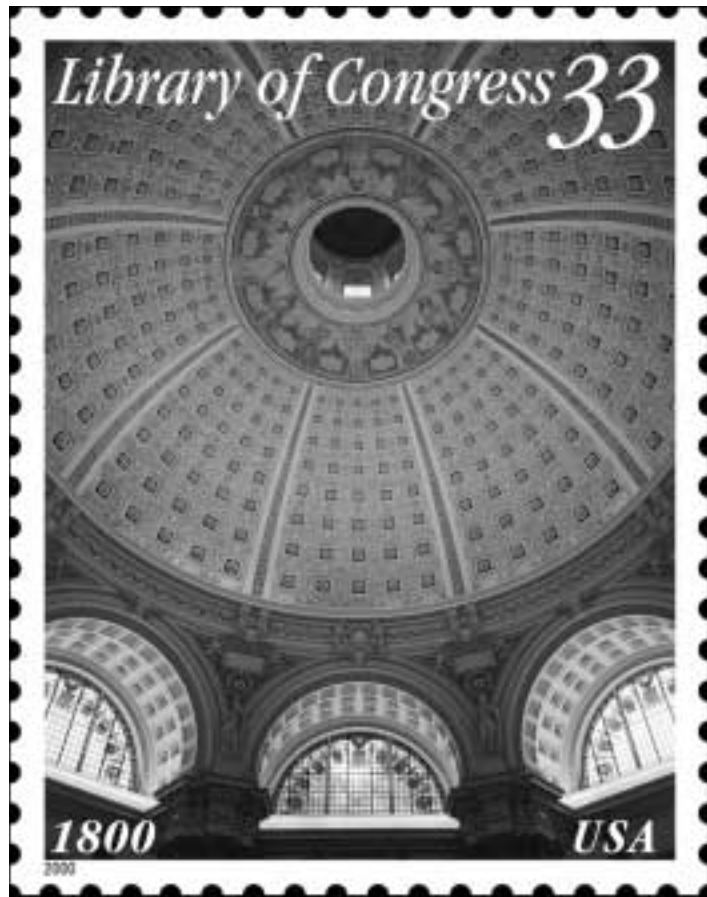
- ◆ Reduced formal complaints by nearly 20 percent annually through the Resolve Employee Disputes, Reach Equitable Solutions Swiftly (REDRESS) program. The success of the REDRESS program continues with the merger of the REDRESS program and the Equal

Employment Opportunity process. This merger will help facilitate the settlement of complaints.

- ◆ Ranked in the Top 10 of *Fortune* magazine's "50 Best Companies for Minorities" list.
- ◆ Successfully finalized the implementation of the enhanced Grievance and Arbitration Tracking System.
- ◆ Completed a workplace safety study<sup>1</sup> that reported Postal Service employees were no more likely to be victims of violence than employees in the national workforce.



<sup>1</sup> *Report of the United States Postal Service Commission on a Safe and Secure Workplace, August 2000, prepared by the National Center on Addiction and Substance Abuse at Columbia University.*



# Major Management Issues Facing the Postal Service



## Why does the Postal Service need an OIG in addition to the Inspection Service?

In a word - Independence. The Inspection Service, headed by the Chief Postal Inspector, is part of Postal management. The OIG, headed by the Inspector General is independent from Postal management, and is under the general supervision of the Governors. By law, Postal management may not direct OIG work.

## MAJOR MANAGEMENT ISSUES FACING THE POSTAL SERVICE

The Postal Service is entering a new era. For the first time in five years, the Postal Service did not achieve a positive net income even though it has reported the highest labor productivity ever. In addition, the Postal Service expects declines in some of its core business areas in the coming years making its future outlook uncertain. The growth of the Internet, electronic communications, and electronic commerce all have the potential to substantially affect mail volume and traditional revenue streams. As a result, the Postal Service will be challenged to maintain its position in a dynamic communications and delivery environment.

In the emerging electronic age, in which some segments of the population are changing the way they communicate and do business, the Postal Service must continue to respond to new customer requirements to meet its mission. Additionally, proposed legislative reforms could alter the fundamental regulatory framework that provides for the structure of the Postal Service's current operations. These developments make it imperative for the Postal Service to (1) reform the regulatory environment; (2) manage affordability by controlling costs; (3) grow and protect revenues; (4) improve workplace climate and labor relations; (5) maintain a safe and healthy workplace; (6) develop measures and assess performance; (7) ensure data integrity and reliability; (8) leverage technology; (9) maintain computer security; and (10) increase customer service and satisfaction.

These issues, their significance, and the key OIG projects that address the major management issues are included in this section. In the OIG Goals and Strategies section these ten issues have been consolidated for audit planning purposes into four major areas.

### REFORM THE REGULATORY ENVIRONMENT

The Postal Service believes it is imperative to have the statutory authority to adapt to new conditions and demands due to rapid changes in electronic communications, coupled with the nation's now mature and highly-competitive

shipping and express mail industry. The Postmaster General has stated that competitors of the Postal Service can move faster, act more agilely, and better respond to the changing marketplace. The Postal Service lacks the flexibility to control its labor costs because binding arbitration is generally used to set labor rates. To compete effectively and in concert with the needs of its customers, the Postal Service believes it needs commercial freedoms, including market-based pricing, the ability to generate income for investment, and the flexibility to set labor rates. Unlike many of the foreign posts that have been privatized or deregulated, the Postal Service is limited by legal restrictions in its ability to invest, enter into forward-looking pacts with labor, or seek new alliances and new markets.

While many stakeholders agree that reform of our nation's postal laws is needed, identifying and implementing the right changes presents a difficult challenge. Legislative initiatives would give the Postal Service greater freedom to compete, while establishing new rules to ensure fair competition and protect the public interest. Postal Service management is working with the House Subcommittee on the Postal Service to amend the Postal Reorganization Act to move the mailing industry forward, while providing the Postal Service with competitive pricing in an effort to strengthen the value and relevance of the mail and respond to customer needs. Postal reform continues to be one of the greatest challenges facing the Postal Service.

To assist the Postal Service with addressing this challenge, we:

- ◆ Reviewed the Economic Value Added program
- ◆ Responded to numerous Congressional inquiries

### MANAGE AFFORDABILITY BY CONTROLLING COSTS

The Postal Service's ability to ensure universal mail service at affordable rates is dependent upon controlling costs, strengthening internal controls, and improving productivity. Most importantly, aggressive cost management will be necessary to mitigate historic cost trends that drive rate increases. To control costs, the Postal Service has launched an initiative to



eliminate \$4 billion in expenses by FY 2004. The majority of these reductions will come from breakthroughs in productivity in postal operations. Further, the Postal Service has taken steps to strengthen internal operating controls to avoid unwarranted costs. While these actions are important, they will not guarantee success unless the Postal Service ensures there are adequate controls in future programs and initiatives. Effective management of the Postal Service's capital investments is also critical if the Postal Service is to achieve its projected return on investments. Because the Postal Service plans to spend billions of dollars on automation projects over the next few years, it must be prepared to meet the critical challenges of effectively implementing automation projects within budget, obtaining planned savings on schedule, and improving overall productivity.

Despite efforts to control costs and increase productivity, the Postal Service requested rate increases in January 2000 to cover its rising operating costs in several areas. Such increases would allow the Postal Service to support its operations solely through sales of its products and services. The ratemaking process also affords the Postal Service the opportunity to pursue classification changes that would benefit mailers. However, many Americans have the perception that the Postal Service raises rates more frequently than it actually does, and without regard to customers' concerns and input. For this reason, the Postal Service continues to face challenges from its competitors as mailing groups and members of the public argue before the Postal Rate Commission against the Postal Service's proposed rate increases.

To assist the Postal Service with addressing this challenge, we:

- ◆ Evaluated a \$3 Billion Telecommunications Contract and the Contractor's Accounting and Billing Process
- ◆ Issued a report describing the complex Postal Ratemaking Process

## **GROW AND PROTECT REVENUES**

In the coming years, the Postal Service will be challenged to grow substantial new revenues to replace the expected loss of revenues from electronic diversion of the mail and other mar-

ketplace competition. Beginning in FY 2003, the Postal Service expects that electronic alternatives to the mail will begin to affect the volume of First-Class and Standard Mail (A). The General Accounting Office estimates that First-Class Mail volumes will decline at an annual rate of 2.5 percent from FY 2003 to FY 2008. Such a decline would be unprecedented in the Postal Service's history and would likely create financial and performance challenges.

The Postal Service has also encountered increasing competition from the private sector and foreign posts. Increased competition places billions of dollars of postal revenues at risk. The Postal Service believes that over the next five years, substantial revenues must be generated from new services and products. Efforts by the Postal Service to introduce new products and services have frequently met with opposition and have caused controversy. Competitors and others have questioned whether it is appropriate for a government entity with monopoly protection to provide nontraditional products and services in competition with the private sector.

In addition to generating new revenues, the Postal Service must ensure that postage and fees for its products and services are collected. However, the Postal Service has not always had effective controls to protect its revenues. With bulk mail business accounting for a substantial portion of the Postal Service's annual revenue, the Postal Service will need to strengthen its controls to improve the efficiency of its revenue assurance process. Recent efforts to tighten controls have met with resistance from the mailing industry and have been subject to congressional scrutiny.

To assist the Postal Service with addressing this challenge, we:

- ◆ Audited Revenues and Commissions Paid to a Sales Force Contractor
- ◆ Reviewed the Revenue Assurance Process

## **IMPROVE WORKPLACE CLIMATE AND LABOR RELATIONS**

In competitive markets where customers face a myriad of choices, improving service and reducing costs are crucial to providing value and maintaining a competitive edge. The Postal Service will succeed only if it can effectively



### **How does the Postal Service transport mail?**

The Postal Service uses a wide variety of transportation methods to ensure mail delivery to every postal customer. Daily, 15,000 commercial airline flights, 179,000 over-the-road vehicles, railroad lines, boats, and even a mule train, deliver and pick up the mail from such far-flung places as the top of the Empire State building and the bottom of the Grand Canyon.

partner with its employees and their unions and management association leadership. However, labor management relations remain one of the Postal Service's major challenges in meeting its goals and maximizing performance. With about 900,000 full and part-time employees, a healthy work environment is key to maximizing employee and organizational performance. The Postal Service must develop recruitment, training, communication, incentive, and other support systems that help employees realize the connection between their efforts and the results desired by customers.

The Postal Service has been hampered by persistent labor management problems, such as adversarial relationships, inadequate performance measurement systems, and management styles that have a negative impact on productivity. Labor management problems have also been perpetuated by numerous unresolved grievances that have impaired initiatives to automate and improve the efficiency of postal operations. These problems have created barriers that have often prevented agreements between the Postal Service and its labor unions.

In August 2000, the United States Postal Service Commission on a Safe and Secure Workplace, released a study on workplace violence which had been requested by the Postmaster General. The Commission's report concluded that Postal Service workers are no more likely to be victims of violence than employees in the national workforce. The Postal Service will work closely with the Commission to review the findings and insights presented in the report.

Additionally, employees sometimes view management attempts to achieve incentives under the Postal Service's Economic Value Added Variable Pay Program as adversarial. The Postal Service will need to address those perceptions in order to resolve persistent labor management problems.

To assist the Postal Service with addressing this challenge, we:

- ◆ Assessed the Implementation of the Violence Prevention and Response Program
- ◆ Explored allegations of Hostile Working Environments

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## **MAINTAIN A SAFE AND HEALTHY WORKPLACE**

Another significant challenge the Postal Service faces is maintaining a safe and healthy workplace. Further reinforcing the importance of this issue, the recent passage of legislation requires the Postal Service to comply with Occupational Safety and Health Act requirements for private sector employers. Accordingly, the Postal Service may now face citations and monetary penalties for noncompliance. The Postal Service has been assessed with over \$429,000 in fines for FY 2000. Challenges associated with meeting the requirements of the act include: (1) modifying existing automated systems; (2) developing and implementing training programs on judicial and other processes that previously were not applicable to the Postal Service for safety personnel, legal staff, and key operations staff; and (3) revising the Postal Service's financial systems to track expenses associated with implementing the new requirements.

The Injury Compensation Program also poses additional management challenges. Workers' compensation medical costs under the Postal Service's Injury Compensation Program have risen dramatically between FY 1999 and FY 2000, and exceeded budgeted estimates. The Postal Service is particularly concerned about the recent program-wide 20 percent increase experienced in medical costs.

To assist the Postal Service with addressing this challenge, we:

- ◆ Evaluated the process for administering Continuation-of-Pay leave benefits
- ◆ Investigated billing practices of health care providers

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## **DEVELOP MEASURES AND ASSESS PERFORMANCE**

The Postal Service's ability to maximize performance in the face of changing customer demands and choices calls for establishing processes to accurately assess performance results. While the Postal Service has previously issued three annual performance plans, this year the Postal Service published its first annual performance report on achievement of goals under the Government Performance and Results Act. This report should help the Postal Service,

Congress, and other stakeholders assess the Postal Service's performance in the past fiscal year against the goals in its performance plan. In this regard, it will be important for the Postal Service to continue to make tangible progress toward implementing a complete set of performance measures and targets for its critical functions and program areas.

For example, in FY 2000, the Postal Service intends to develop new measures to assess the timeliness of the delivery of international mail, publications, and bill payments sent through the mail. Additionally, the Postal Service will need to establish indicators for strengthening labor management relations, improving the consistency and accuracy of mail delivery, and measuring employee proficiency. These measures will help the Postal Service fully assess its progress toward meeting its goals.

To assist the Postal Service with addressing this challenge, we:

- ◆ Appraised Revenues and Evaluated Performance Measures for Stamp Fulfillment Services
- ◆ Analyzed the Inspection Service Budget Process

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## ENSURE DATA INTEGRITY AND RELIABILITY

Accurate measurement of mail delivery is key to the Postal Service's efforts to improve and sustain service performance. However, questions have been raised concerning the integrity of data used to measure the timeliness of overnight First-Class Mail delivery. Reliable data is also a key to effective decisionmaking. In many instances, the OIG has found that the Postal Service does not capture the necessary data to support effective decisionmaking.

A recent contractor study on data reliability, which was commissioned by Postal Service management, concluded that the increasing pace of change in the environment and technology emphasized the need for accurate data in the ratemaking process. Given the importance of data quality to setting postal rates, the Postal Service must continue demonstrating to Congress, the Postal Rate Commission, stakeholders, and the public that it is making progress in improving the quality of its cost data.

To assist the Postal Service with addressing this challenge, we:

- ◆ Audited the Point of Service One Retail System
- ◆ Reviewed the Preventive Maintenance Program for Mail Processing

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## LEVERAGE TECHNOLOGY

The Postal Service is seeking ways of leveraging 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 quickly adapt to each new wave of technology to maintain its competitive position. Customers will expect complete tracking capabilities and a full set of business transactions that can be completed on their personal computers at the office or at home. To address changing customer needs, the Postal Service is developing an "information platform" to help ensure better data management, tracking of mail piece information, communications between the Postal Service and its customers, and activity-based costing.

The large size and diversity of the Postal Service customer base will also present technology challenges and demand that solutions are simple, easy to use, and competitive. To be successful, the Postal Service must also ensure that the corresponding cost savings projected through technology investments are realized by efficiently redeploying the resources replaced by the new technology.

To assist the Postal Service with addressing this challenge, we:

- ◆ Assessed the performance of a New Bulk Business Mail System
- ◆ Examined the Information Infrastructure for Integrating the Postal Service's Business Processes

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## MAINTAIN COMPUTER SECURITY

Computers and electronic data have become indispensable to the critical operations of the Postal Service. However, this reliance on automated systems increases the risk of fraud, inappropriate disclosure of sensitive data, and disruption of critical operations and services. The same factors that enhance operations—

speed and accessibility—also make it possible for individuals and organizations to interfere with or eavesdrop on operations, possibly for purposes of fraud or sabotage. Recent, highly-publicized attacks on major electronic commerce websites revealed a computer security breach can harm brand integrity and lead to revenue loss. Threats of such actions are increasing, in part, because the number of individuals with computer skills is increasing and because intrusion or “hacking” techniques have become readily available through magazines and computer bulletin boards. In addition, natural disasters and inadvertent errors by authorized computer users can have devastating consequences if information resources are poorly protected.

The Postal Service’s systems are as vulnerable to these risks as all other businesses. To combat these risks and protect the critical information infrastructure, comprehensive computer security programs must be developed. The Postal Service is currently taking steps to address these risks; however, resolving them on a lasting basis, as with any organization, will require substantial ongoing management attention. Because the Postal Service is positioning itself as a major participant in electronic commerce, the importance of adequate computer security to operate such programs cannot be overemphasized.

To assist the Postal Service with addressing this challenge, we:

- ◆ Evaluated the Computer Security Within the Postal Service
- ◆ Reviewed the Security and Privacy Requirements for the Postal Service’s Online Bill Presentment and Payment System

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### **INCREASE CUSTOMER SERVICE AND SATISFACTION**

In today’s marketplace, customers have choices about how they conduct transactions, transmit messages, and deliver merchandise. Increasing service delivery and customer satisfaction will be key to maintaining and building customer loyalty and growing new business. However, recent criticisms about the manner in which the Postal Service recovers revenue deficiencies from mailers threatens critical partner-

ships the Postal Service has worked to establish with its mailers. As the Postmaster General indicated at a recent conference, the success of the Postal Service depends on strengthening its partnerships with the mailing industry.

The Postal Service also views its access to the American household as a unique asset that it can leverage as it faces increasing competition. While this gateway to the household has been an asset, the Postal Service must also continue to develop products and services that retain their relevancy and value for customers with changing needs. Customer needs will also have to be satisfied in an increasingly complex manner, and the Postal Service will need to reshape the way it views its traditional role. It must quickly begin building the capabilities to succeed in this environment before the window of opportunity closes.

To assist the Postal Service with addressing this challenge, we:

- ◆ Examined the network for processing International Mail
- ◆ Assessed Delayed Mail

# Goals and Strategies



**DID YOU  
KNOW?**

**What are the OIG's "values?"**

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

*This section describes the OIG and Inspection Service vision and goals for assisting the Postal Service in achieving its operational, performance, and financial goals in the 21st century. In addition, this section describes the process by which the OIG translates its vision into an annual performance plan. In order to differentiate between the OIG and the Inspection Service, the pages concerning the Inspection Service have been color screened.*

The OIG selected the highest priority projects for inclusion in the annual performance plan, the second component of the planning process. The third component is the OIG annual audit workload plan, which is extracted from the annual performance plan. This audit workload plan is presented to the Postal Service Governors each year. The plan may be adjusted as the OIG work reveals new issues or the Postal Service encounters new challenges.

## OIG FY 2001 AUDIT WORKLOAD PLAN

In the previous section of this Semiannual Report, the ten major management issues facing the Postal Service were discussed. These ten issues were consolidated into four major areas along with the oversight of the Inspection Service for the purpose of audit planning.

In FY 2001, the OIG will focus its audit attention on the following areas to help address major challenges facing the Postal Service:

- ◆ growing revenues and competing in a rapidly changing market;
- ◆ maintaining affordability by controlling costs;
- ◆ improving the workplace climate and labor relations;
- ◆ leveraging technology to enhance productivity; and
- ◆ overseeing the Inspection Service.

The following presents each of the five areas and the focus of our audit efforts.

### Growing Revenues and Competing in a Rapidly Changing Market

Increasing competition from electronic commerce and other competitors has slowed the growth of Postal revenue and is expected to have a continuing impact on the Postal Service's financial viability. Electronic commerce threatens to reduce First-Class Mail, putting at risk as much as \$33 billion in revenue over the next nine years. In addition, foreign postal services have recently set up offices in the United States, siphoning away millions of dollars in outbound international mail. Consequently, the Postal Service is being challenged to find new revenue sources at the same time the Postal Service is being challenged to fulfill its core mission of delivering mail in a

## OFFICE OF INSPECTOR GENERAL

### STRATEGIC GOALS

To assure long-term success, the OIG assesses Postal Service operations and activities, broadly defines realistic goals, sets priorities in line with business vision, and conceives effective strategies and action plans.

In January 1998, the OIG issued its first Five-Year Strategic Plan, which was aligned with each of the Postal Service's *CustomerPerfect!* goals: Voice of the Customer, Voice of the Employee, and Voice of the Business. The five-year goals are designed to enhance the Postal Service's:

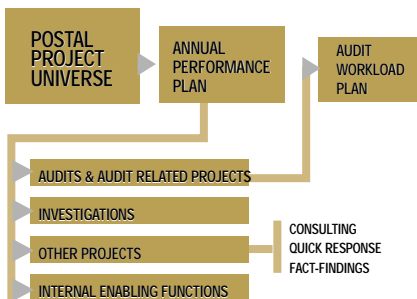
- ◆ Customer Service and Value.
- ◆ Employee and Workplace Environment.
- ◆ Financial Integrity and Business Resources.

### OIG PLANNING PROCESS

*CustomerPerfect!* goals play a crucial 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. This year, the OIG identified a universe of more than 1,800 projects for consideration. Projects from the universe, which is the first component, are selected on the basis of risk and OIG resources available for the year. As part of the selection process, the OIG considers the project's potential impact on:

- ◆ Postal Service labor and capital resources.
- ◆ Postal-wide operations and goals.
- ◆ Public trust.

### Planning System Interrelationships



timely manner and improving customer service.

To assist with this challenge, the OIG is assessing how the Postal Service develops new products and services to grow revenue, enhances core business processes to improve customer service, and maintains the public's trust. OIG audits will focus on the following:

- ◆ New products and services:
  - ◆ Justification and approval
  - ◆ Marketing and sales
  - ◆ Return on investment
- ◆ Leveraging traditional operations:
  - ◆ Strategic alliances
  - ◆ Marketing
  - ◆ Financial initiatives
  - ◆ International mail
- ◆ Service performance and customer satisfaction:
  - ◆ Timeliness and reliability of service
  - ◆ Measurement systems
  - ◆ Postal rates
  - ◆ Re-engineering
- ◆ Public trust:
  - ◆ Brand integrity
  - ◆ Employee integrity

### **Maintaining Affordability by Controlling Costs**

With over \$60 billion in operating expenses each year, the Postal Service needs strong management controls to mitigate historic trends that drive rate increases and to ensure its ability to provide universal mail service at affordable rates. Controlling costs requires strong contract administration, effective program oversight, and sound budget processes to make informed decisions. OIG audits will focus on the following:

- ◆ Financial system integrity:
  - ◆ Financial statement
  - ◆ Field installations
  - ◆ Cost and revenue analyses
  - ◆ Treasury-related issues
- ◆ Budget:
  - ◆ Planning
  - ◆ Execution
  - ◆ Systems

- ◆ Contracting activities:
  - ◆ Fair and reasonable contract pricing
  - ◆ Reasonableness and allowability of incurred costs
  - ◆ Adequacy of contractor systems
  - ◆ Contract administration
- ◆ Facilities and real estate:
  - ◆ Justification, approval, and budgeting
  - ◆ Construction management
- ◆ Logistics:
  - ◆ Transportation systems and operations
  - ◆ Materiel management
- ◆ Health care:
  - ◆ Workers' compensation program administration
  - ◆ Provider billing

### **Improving the Workplace Climate and Labor Relations**

The Postal Service, with approximately 800,000 career and 100,000 non-career employees, has characterized labor management relations as one of its most formidable challenges in achieving its goals in the 21st century. To operate effectively in a rapidly changing environment, the Postal Service has recognized that it will need to give employee issues a higher priority and enhance each employee's contribution to organizational performance. Labor-management partnerships are also critical if the Postal Service is to achieve its overall financial goals. However, employees sometimes view management attempts to achieve incentives under the Postal Service's Economic Value Added Variable Pay Program as adversarial. The Postal Service will need to address those perceptions in order to resolve persistent labor management problems.

Since its inception, the OIG has been working with the Postal Service to address these issues. However, labor management relations continues to be one of the toughest areas to adequately address. To date, the OIG has received over 2,800 individual labor management complaints. Because of the emotional involvement, potential financial impact, and the length of time to resolve these issues for the employee, management, and Postal Service, it is important that OIG's involvement in this area be mean-

ingful and positive. Therefore, in order to deal with the sheer magnitude of complaints, the OIG focuses primarily on systemic issues and conducts Postal-wide reviews. These reviews are designed to identify and prevent potential problems that can detract from a healthy and productive work environment. OIG audits focus on the following:

- ◆ Workplace climate:
  - ◆ Conflict prevention and resolution
  - ◆ Threat assessment programs
  - ◆ Occupational safety and health
- ◆ Employee management:
  - ◆ Training and development
  - ◆ Succession planning
  - ◆ Workforce planning
  - ◆ Performance and compensation
  - ◆ Diversity

### Leveraging Technology to Enhance Productivity

The Postal Service is seeking ways to leverage 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 quickly to each new wave of technology to maintain its competitive position in the market. The unprecedented growth in computer interconnectivity and Internet usage is revolutionizing the way the nation communicates and conducts business and is reshaping customer expectations.

To address these technology challenges, the Postal Service plans to invest approximately \$17 billion through FY 2005 on capital investments, some of which are technology-related investments. These investments are intended to automate and modernize mail processing and acceptance, enhance communications and access to information, and extend the Postal infrastructure to better support core business processes and electronic products and services. In addition, the Postal Service continues to focus on eBusiness and computer security to protect these investments. OIG audits focus on the following:

- ◆ Information systems:
  - ◆ Information infrastructure and architecture

- ◆ System performance and integrity
- ◆ Systems development and implementation

#### ◆ Computer security:

- ◆ Access
- ◆ Data protection
- ◆ Data integrity

#### ◆ Developmental:

- ◆ Automation of core functions
- ◆ Process re-engineering

#### ◆ eCommerce:

- ◆ Business partnerships and joint ventures
- ◆ Brand integrity
- ◆ Justification, cost, budgeting, and risk

### Overseeing the Inspection Service

Enabling legislation requires the OIG to conduct oversight of the Inspection Service in addition to OIG's audit and investigative responsibilities. As a law enforcement agency, it is essential that the Inspection Service be held to the highest standards of conduct to maintain the public's trust and the Postal Service's reputation of reliability.

OIG audits focus on the following:

#### ◆ Public trust:

- ◆ Function and role
- ◆ Operational effectiveness
- ◆ Management controls

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## PERFORMANCE RESULTS

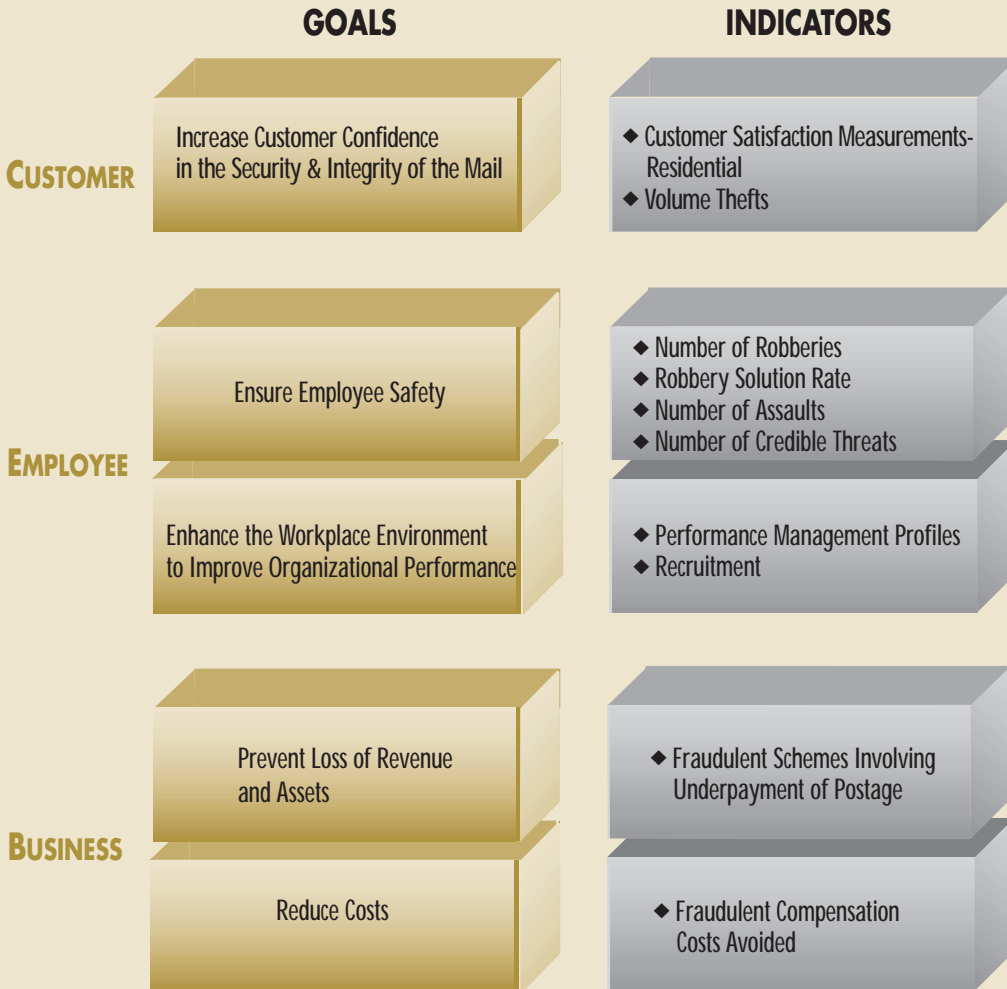
Each year, the OIG establishes annual performance goals to support its strategic goals. During FY 2000, the OIG accomplished nearly 90 percent of its plan. For FY 2001, the OIG is redesigning its annual performance goals to include a new measurement system.



# INSPECTION SERVICE

The Inspection Service continues to support the Postal Service's *CustomerPerfect!* model, which consists of three voices—Voice of the Customer, Voice of the Employee, and Voice of the Business. The management cycle of planning, implementation, and review provides a practical and tangible method for establishing Inspection Service goals. As a result of this process, the Inspection Service identified five goals and ten indicators for FY 2000 as shown below:

## Inspection Service FY 2000 Goals and Indicators





# Organizational Dynamics



## **What is the OIG's primary responsibility?**

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

*This section describes the OIG and the Inspection Service organization visions, values, culture, and diversity that assist with providing value added service to the Postal Service. In order to differentiate the work reported by the OIG and Inspection Service, the pages containing the work reported by the Inspection Service have been color screened.*

## OFFICE OF INSPECTOR GENERAL

### AN INDEPENDENT VOICE

The OIG is an independent agency within the Postal Service and is under the general supervision of nine presidentially-appointed Postal Service Governors. From 1988 until the establishment of the OIG in 1997, the Chief Postal Inspector performed dual roles as the Inspector General and Chief Postal Inspector and reported to the Postmaster General. In January 1997, Karla W. Corcoran was appointed the first independent Inspector General of the Postal Service. The OIG, in carrying out its responsibility under the Inspector General Act:

- ◆ Provides Congress, the Governors, and Postal Service management with timely, objective, and complete information and analysis of Postal Service operations.
- ◆ Conducts audits and investigations of all Postal Service operations and activities, including ratemaking, contract administration, labor management, computer intrusion, electronic commerce, computer security, and marketing.
- ◆ Maintains oversight of Inspection Service operations and performs independent reviews of complaints against its employees.
- ◆ Facilitates audit resolution, which provides a mechanism for resolving findings and recommendations where the OIG and Postal Service management disagree.
- ◆ 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 an objective venue for all Postal Service employees and other stakeholders to report fraud, waste, abuse, mismanagement, and other improprieties and concerns, with protection from management retaliation.
- ◆ Identifies cost savings, enhances contract and program administration, and increases employee integrity and program efficiency.

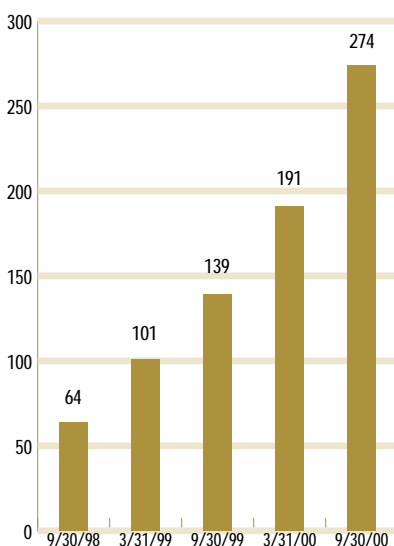
To improve Postal Service programs and operations, the OIG provides objective information, analysis, and recommendations. The OIG is continuing to work with Postal Service management to inform them of the duties and responsibilities of an independent OIG and demonstrate how the OIG adds value to Postal Service processes.

### OIG SUCCESSFULLY DEFENDS ITS INDEPENDENT STATUS

As described in OIG's last semiannual report, the OIG faced challenges to its independent status in February 2000, when the General Accounting Office issued an "Independence Preliminary Views" document for comment. This document proposed changes to generally accepted government auditing standards. According to the proposed changes, Inspectors General who are appointed by an agency head would not be considered organizationally independent, and their reports would be required to identify their lack of independence. Thus, despite the independence provided by the Inspector General Act, these proposed changes had the potential of leaving OIG stakeholders and the public with the misperception that the work performed by the OIG was influenced by management. If the changes were incorporated, Congress, the Governors, and the public might question the credibility and objectivity of OIG reports.

The OIG voiced its concerns to the General Accounting Office, Congress, and other members of the federal and nonfederal audit community about the preliminary views document. In addition, the OIG obtained an independent legal opinion and provided written comments to the General Accounting Office.

Number of OIG Products  
In Last Five Semiannual Periods



The Inspector General also met with the Comptroller General in July 2000 to discuss the proposed changes and the detrimental effect they might have on how the OIG's work is perceived. The OIG's efforts were successful, and in July 2000, the Comptroller General advised the OIG that it would continue to be viewed as organizationally independent. Subsequently, the preliminary views document was modified to recognize the independence of the Postal Service OIG, as well as all other Inspector General offices.

## OIG VISION AND VALUES

The vision of the OIG is "A Constellation of Talented People Making a Difference." This vision reflects the OIG's mission to shed light on problems and opportunities by emphasizing five fundamental values:

- ◆ **Teamwork**—synergy derived from people with diverse backgrounds and ideas working together to achieve more effective results.
- ◆ **Leadership**—applying interpersonal influence to inspire others to move in a meaningful direction with competence and commitment.
- ◆ **Creativity**—taking an innovative approach to business problems or questioning and challenging the quality of conventional work, with the goal of improving Postal Service operations.
- ◆ **Communication**—providing open, positive and honest exchange of information and ideas while showing respect for the contributions and opinions of others.
- ◆ **Conceptualization**—visualizing the big picture and understanding how an individual action affects the bottom line or ultimate goal of the organization by "keeping one's eye on the ball."

## OIG CULTURE AND EMPLOYEES

### Value and Benefit of a Diverse Culture

The OIG's culture is defined by the diversity of its employees, who share the organization's core values of teamwork, leadership, creativity, communication, and conceptualization. The OIG is committed to creating and maintaining a workplace that is enriched by the talents, contributions, and full participation of

all of its employees that reflect the tremendous diversity of the Postal community. Diversity is a tool for achieving the OIG's mission and enhancing its organizational effectiveness by using the creative energies of employees who contribute different approaches, solutions, and innovations.

The OIG workforce is diverse in age, race, ethnicity, gender, and background, as well as education, professional accomplishments, work experience, and work style. The OIG workforce includes Certified Public Accountants, Certified Internal Auditors, Certified Fraud Examiners, Certified Information Systems Auditors, and Certified Acquisition Auditors. OIG employees also hold law enforcement specialty certifications in areas such as polygraph examinations. In addition, many OIG employees have undergraduate or advanced degrees, while other employees are continuing to work towards professional and academic achievements. OIG teams include auditors, evaluators, criminal investigators, lawyers, technicians, and administrative personnel formerly from federal and state government agencies, private industry, non-profit organizations, and the Postal Service.

During the past six months, the OIG carried out an aggressive hiring initiative to staff the organization with additional highly-skilled employees. As of September 30, 2000, OIG had 656 employees, an increase of 40 percent from March 31, 2000. Of the 656 employees, 50 percent were women and 47 percent were minorities. The senior staff is composed of 39 percent women and 28 percent minority. Based on the latest U.S. Bureau of Census estimates, the OIG has met or exceeded the U.S. percentage of total population for women, and for each minority group, except for Hispanics and Native Americans.

### Employee Advisory Council

To help ensure a productive, high-quality, and positive workplace, OIG created an Employee Advisory Council in September 2000 to partner with OIG management. The Council consists of a broad cross-section of non-management employees from headquarters and field offices. Council members represent employees' perspectives by providing a communications link between employees and senior



OIG Values



The OIG created an Employee Advisory Council in September to partner with OIG management to help maintain a productive, high quality, and positive work place environment.

management and making recommendations on OIG policies, procedures, and programs.

### ***Building, Funding, and Supporting the OIG's Workforce***

The Postal Service Governors recently approved the OIG FY 2001 budget of \$113 million, which will allow the OIG to increase its staff to 725 employees. The Governors also approved the opening of four new field offices in Tampa, Florida; Boston, Massachusetts; Pittsburgh, Pennsylvania; and Portland, Oregon.



OIG employees received a special award for their work on the Designation of Functions between the OIG and the Inspection Service which will better serve the interests of the Postal Service.

## **NOTABLE OIG ACHIEVEMENTS**

### **OIG RECEIVES AWARDS OF EXCELLENCE**

The OIG received seven Awards of Excellence and 21 Honorable Mentions Awards from the President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency. The following OIG teams were recognized with Awards of Excellence:

- ◆ The Transportation Team for exemplary reporting and auditing of transportation issues and identifying over \$200 million in savings to the Postal Service.
- ◆ The Corporate Call Management Program Team for their identification of nearly \$1 billion in potential cost avoidance.
- ◆ The Video Audit Team for the production of the first video audit report to Postal Service management.
- ◆ The International Stamp Collection Program Team for their quick response cost and benefit analysis, which identified a \$3.9 million loss and led to the cancellation of the Postal Service's International Stamp Collection Program.
- ◆ The Telecommunication Cost Avoidance and Recoveries Team for their identification of approximately \$108 million in cost avoidance and recoveries in the Postal Service's telecommunications program.
- ◆ The OIG Recruitment and Staffing Team and OIG Diversity Outreach Team for efficiently and effectively completing a major staffing initiative in a timely man-

ner, and for exceptional work and accomplishments in ensuring diversity during that hiring initiative.

- ◆ The Designation of Functions Team for their work in revising the designation of functions between the OIG and the Inspection Service to better serve the interests of the Postal Service.

These awards represent about one-fifth of the total awarded to the entire OIG community and more than one-half of those awarded to the Executive Council on Integrity and Efficiency community.

### **OIG ATTENDS INTERNATIONAL AUDIT BENCHMARKING SYMPOSIUM**

The Assistant Inspector General for Audit and other OIG staff attended the international symposium for Postal Service Audit Departments in Ottawa, Canada. The meeting brought together heads of postal audit departments from several countries to benchmark audit practices. The OIG made presentations on two of its best practices, and found that OIG audit methods and coverage were more advanced in several areas. For example, the OIG proactively identifies computer security issues by conducting intrusion tests as part of information systems audits. The OIG also distinguishes itself through its fraud detection and prevention activities, which other audit departments have only recently considered as an audit assurance function.

### **OIG TECHNOLOGY AT ITS BEST**

The OIG successfully completed implementation, deployment, and testing of its Wide Area Network as follows:

- ◆ The OIG implemented network services at all existing OIG offices for high-speed network connectivity. These network services include access to OIG Intranet, Internet, Postal Service mainframes, and OIG internal business applications.
- ◆ The OIG deployed a secured remote dial-in access to OIG Local and Wide Area Network to provide staff and temporary offices network connectivity with existing workstation architecture.

- ◆ The OIG tested its existing internal digital network, which is used to support computer applications, for voice communications. This will enable the OIG to leverage existing technology and save money.

### OIG PARTICIPATES IN A PILOT TRAINING PROGRAM

OIG personnel assisted with a pilot technical investigative equipment program to train law enforcement agents attending the Federal Law Enforcement Training Center. The program has successfully taught the basics of technical investigations, such as laws, safety, and consensual monitoring techniques, to agents pursuing this area as a collateral duty. To date, two classes were held and 20 special agents from the OIG community have graduated.

### OIG PARTICIPATES IN AN INTERNATIONAL PROGRAM IN RUSSIA

The OIG was invited to join forces with the Department of State, the Department of the Treasury, the Bureau for International Narcotics and Law Enforcement Affairs, the Federal Law Enforcement Training Center, and the Russian Department of the Interior. This group presented a training program entitled “International Banking and Money Laundering” at the Kazan Law Institute in Russia and provided examples of investigative and legislative efforts used to combat money laundering in the United States.

### OIG PARTICIPATES IN LAW ENFORCEMENT COMMUNITY ACTIVITIES

On May 12, 2000, OIG employees participated in the National Police Challenge 50, a 50-kilometer road relay race held in the District of Columbia. The annual event benefited a nonprofit organization, Concerns of Police Survivors, which assists family members of police officers who were killed in the line of duty. The competition drew over 48 law enforcement teams from the Washington Metropolitan area.

On June 8, 2000, OIG employees participated in the Special Olympics Law Enforcement Torch Run. The employees proudly carried the OIG banner during their leg of the run.

### CHAIRMAN OF THE BOARD OF GOVERNORS VISITS OIG

The Chairman of the Postal Service Board of Governors visited the OIG at its open house in St. Louis, Missouri. Guests included representatives from federal, state, and local audit and investigative organizations. In addition, the Chairman provided a keynote address for the OIG financial statement team during its annual training and planning conference.

### OIG PARTICIPATION IN THE COMBINED FEDERAL CAMPAIGN

The OIG’s Dallas, Texas office recently received the highly prestigious “Pacesetter” award for the 1999 Combined Federal Campaign. Each year, the Combined Federal Campaign presents awards to organizations that increase their donations by at least 5 percent over the previous year. The participation rate in the Dallas office for the 1999 campaign was 54 percent. The award was presented during the kick-off meeting for the 2000 Combined Federal Campaign in the Dallas regional office.

### CHALLENGES FACING THE OIG

As an independent entity within the Postal Service, the OIG faces numerous challenges as it looks to the future. The key challenges include:

### ASSUMING ADDITIONAL RESPONSIBILITIES

Under the revised Designation of Functions with the Inspection Service, the OIG will perform all audits within the Postal Service, and the Inspection Service will discontinue performing audits. The OIG will investigate all procurement fraud within the Postal Service, and the Inspection Service will discontinue procurement/expenditure investigations, except cash and money orders. The OIG also will investigate thefts of Postal funds resulting from improper expenditures, including compromise of program integrity. The Inspection Service will conduct all revenue investigations, and embezzlements where there is no formal contract and payments are made in cash or money orders.



An OIG employee provided training on Money Laundering and International Banking to Russian National police officers at the Kazan Law Institute in Russia.



OIG employees participated in the annual “Law Enforcement Torch Run” which benefits Special Olympics.

# Designation of Functions

as of May 2000

## OFFICE OF INSPECTOR GENERAL



- **AUDIT**
  - All audits
- **DISBURSEMENT INVESTIGATIONS**
  - Contract/procurement fraud
  - Improper expenditures except cash and money orders
  - IMPAC Card
- **HEALTH CARE FRAUD - USPS NEXUS**
  - Provider and contractor fraud
  - Health benefit program fraud
- **EMPLOYEE CORRUPTION**
  - Bribery
  - Gratuities
  - Conflict of Interest
- **COMPUTER INTRUSION**
- **FRAUD AWARENESS BRIEFINGS RELATED TO OIG RESPONSIBILITIES**
- **SECURITY PROGRAMS**
  - Employment backgrounds (as requested by the Board of Governors)
- **EXECUTIVE INVESTIGATIONS**
  - Excludes crimes of violence
- **QUI TAM**
- **TORT CLAIM FRAUD**
- **INSPECTION SERVICE OVERSIGHT**

## INSPECTION SERVICE



- **REVENUE/FINANCIAL INVESTIGATIONS**
  - Theft or embezzlement of postal cash and money orders by employees and others where there is no formal contract
  - Fraudulent activity relating to mailings, postage, and meters
- **FRAUDULENT WORKERS' COMPENSATION**
- **FRAUD AGAINST CONSUMERS, BUSINESS, AND GOVERNMENT (NON-POSTAL)**
- **HEALTH CARE FRAUD - OTHER**
- **SECURITY CONSULTATION ON ELECTRONIC PRODUCTS AND SERVICES**
- **CRIME PREVENTION AND SECURITY**
- **CRIMES OF VIOLENCE**
- **DRUGS IN THE WORKPLACE**
- **MAIL THEFT**
- **PROHIBITED MAILINGS**
  - Child Exploitation
  - Bombs
  - Drugs
- **ROBBERIES**
- **BURGLARIES**
- **MONEY ORDERS, FINANCIAL INSTRUMENTS, AND POSTAL PROPERTY CRIMES**
- **SECURITY PROGRAMS**
  - Facilities, Mail, and Products
  - Employee Background Investigations
  - Emergency Preparedness
  - International Security
  - Service Investigations
- **ASSET FORFEITURE PROGRAM**

## JOINT FUNCTIONS

- **RESPONSIBILITY FOR**
  - e-business/e-commerce will be determined in accordance with the principles set forth in this document.
- **FUTURE E-COMMERCE ACTIVITIES WILL BE REVIEWED JOINTLY BY THE OIG AND INSPECTION SERVICE ON AN ONGOING BASIS.**





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## ADAPTING TO CHANGES IN STAFF AND FIELD OFFICES

During the last six months, the OIG increased its staff from 470 to 656 employees. Adding nearly 200 new employees and four new field offices has been a challenge, requiring the OIG to rely on state-of-the-art technology to communicate with its field offices and headquarters. Communication, one of the OIG's core values, is crucial to maintaining the flow of information. The OIG has already made great strides in this area—its September All Hands meeting held in Rosslyn, Virginia, was broadcast to field offices via videoconferences, and was also shown on the OIG's Intranet.

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## REORGANIZING TO BETTER SERVE THE POSTAL SERVICE

The OIG revised its internal structure to better reflect Postal Service business processes and the new designation of functions. To help the OIG better respond to customer needs, the Inspector General named a Deputy Inspector General to work closely with the Inspector General on day-to-day operations. In addition:

- ◆ An Assistant Inspector General for eBusiness was named to recognize the significant role that technology plays in the Postal Service.
- ◆ Audit responsibility was consolidated for the Postal Service's core business processes under the Assistant Inspector General for Business Operations.
- ◆ Revenue Protection was renamed Business Protection to reflect the new designation of functions.
- ◆ Internal enabling functions were consolidated under the Assistant Inspector General for Internal Business.
- ◆ Oversight and Business Evaluations was restructured to place greater emphasis on oversight of the Inspection Service and labor-management.
- ◆ Executive field liaisons were established to quickly address issues unique to the field.



## 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 mail, the Postal Service, Postal Service employees, and customers. The Inspection Service's mission has been refined over the years by statutes related to the mail, creation of an independent OIG, and the needs and requirements of the Postal Service and its customers. The Inspection Service provides an essential service to the American public and the Postal Service by ensuring the security and sanctity of the mail and the safety of Postal Service employees. The Inspection Service has almost 4,300 employees, including approximately 2,000 Postal Inspectors, about 1,400 uniformed Postal Police Officers, and about 900 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 and Resource Development, and Administration. The Inspection Service includes 18 field divisions, which report directly to two Deputy Chief Inspectors for Field Operations. Five Operations Support Groups also support the field offices.

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 online connections to the National Crime Information Center and the National Law Enforcement Telecommunications System.

Postal Inspectors conduct criminal investigations and arrest violators 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. With the completion of the FY 2000 financial installation audits, the Inspection Service will no longer perform audits.

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

Postal Inspectors work cooperatively nationwide with the OIG, the Department of Justice, and other federal, state, and local law enforcement agencies on joint efforts. The expertise of the Inspection Service is recognized internationally, with Postal Inspectors assigned to the U.S. National Central Bureau of Interpol in the District of Columbia and to Interpol Headquarters in Lyon, France. The Inspection Service has a leading role in the Postal Security Action Group, a committee 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.
- ◆ 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.
- ◆ Asset Forfeiture Policy Advisory Group.



Postal Police Officers, the uniformed branch of the Inspection Service, provide security at Postal Facilities.

Postal Inspectors also work with the following organizations regarding child pornography cases:

- ◆ The Child Exploitation and Obscenity Section of the Department of Justice.
- ◆ The National Center for Missing and Exploited Children.
- ◆ 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.
- ◆ Supplying administrative support.

The following are examples of Inspection Service proactive efforts in the area of international mail security:

- ◆ The International Security Group targets initiatives to improve the safety, security, and reliability of international mail products for the Postal Service. The group also develops security strategies and initiatives to improve the quality of service and security of the mail for the 189 member countries of the Universal Postal Union. The Postal Security Action Group continually focuses on contemporary problems and issues that affect the safety, security, and integrity of international communications products.
- ◆ Postal Inspectors coordinated International Mail Quality Assurance/Airport Security Reviews in Australia, Colombia, and Japan to

identify opportunities to improve quality of service and security of mail at international airports.

- ◆ The Chief Postal Inspector chaired the 19th meeting of the Postal Security Action Group in Switzerland. This group is comprised of postal security experts from 48 member and 28 observer countries in the Universal Postal Union, who address key security programs and issues.



The Inspection Service's new seal incorporates the Postal Service eagle in a five-pointed star.



# Organizational Structure

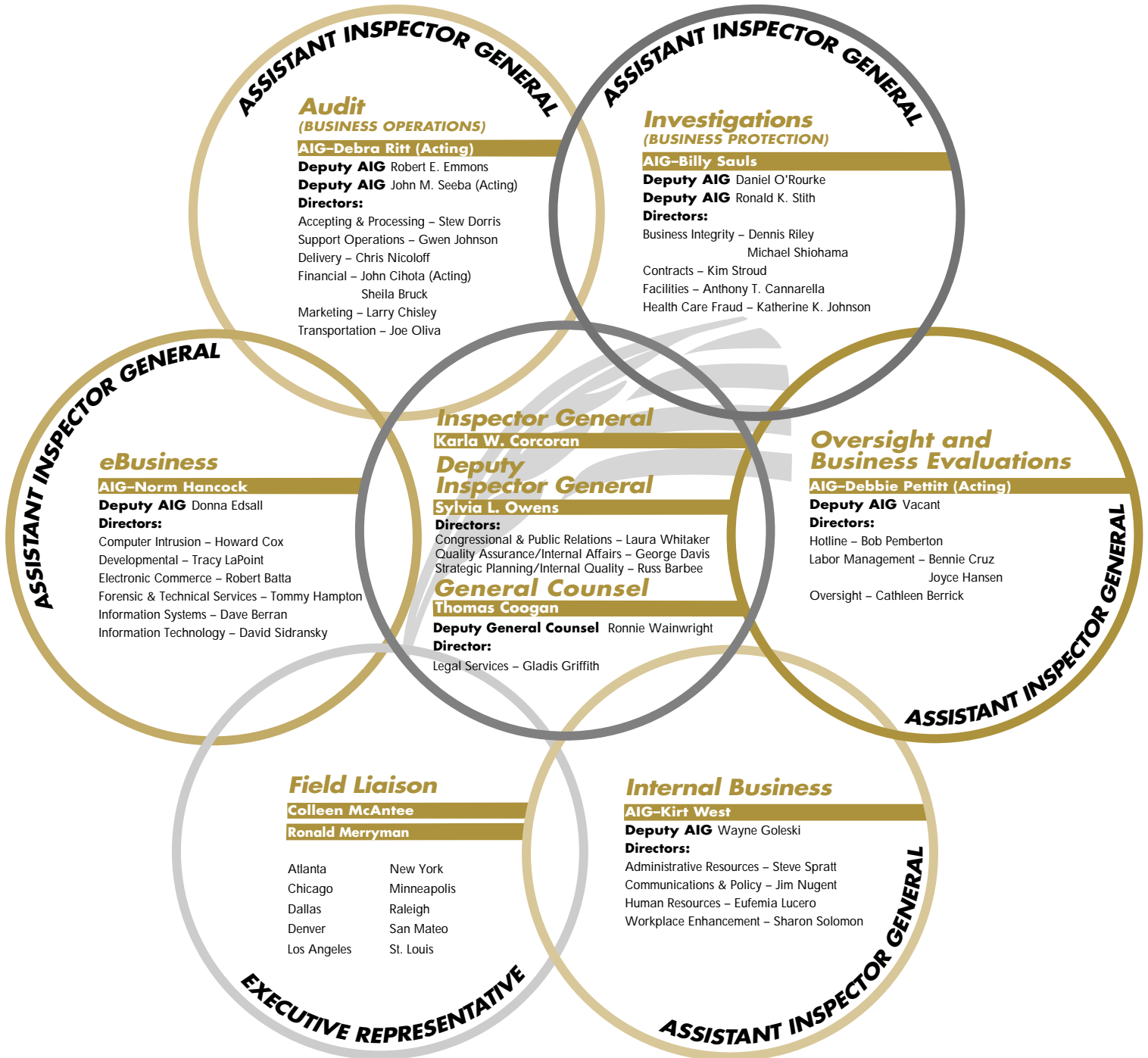


## What is the background of OIG's staff?

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.

# Office of Inspector General Organizational Structure

(as of September 30, 2000)



This section describes the organization of the OIG and the Inspection Service. In order to differentiate between the OIG and the Inspection Service, the pages concerning the Inspection Service have been color screened.

## OFFICE OF INSPECTOR GENERAL

The OIG supports the Postal Service's business and public policy objectives. It is a unique, nontraditional, diverse organization that conducts audits, evaluations, investigations, and other core functions identified by the Inspector General Act of 1978, as amended.

The OIG's core values of teamwork, leadership, communication, creativity, and conceptualization are demonstrated by teams that focus on improving Postal Service business processes and overall organizational achievement. The following section describes the OIG organizational structure as of September 30, 2000.

### DEPUTY INSPECTOR GENERAL

**Sylvia L. Owens** - assists the Inspector General and the OIG Management Committee in leading the organization.

### CONGRESSIONAL AND PUBLIC RELATIONS TEAM

**Director, Laura Whitaker** - serves as liaison and responds to requests from Congress, the Board of Governors, and the media; and coordinates congressional testimony and presentations.

### QUALITY ASSURANCE/INTERNAL AFFAIRS TEAM

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

### STRATEGIC PLANNING/INTERNAL QUALITY TEAMS

**Director, Russ Barbee** - anticipates and plans for current and future changes in the Postal Service, the OIG operations, and technology by identifying workload, providing research and statistical analysis, informing

Postal Service employees and customers about the OIG mission, and promoting the vision of the OIG.

### GENERAL COUNSEL TO THE INSPECTOR GENERAL

**Thomas Coogan**

*Deputy General Counsel,  
Ronnie Wainwright*

### LEGAL SERVICES TEAM

**Director, Gladis Griffith** - provides legal advice to the Inspector General and the OIG staff on criminal, civil, and administrative issues; processes subpoenas; responds to Freedom of Information Act and Privacy Act requests; serves as liaison with the Postal Service Law Department and the Department of Justice legal staffs; and manages compliance with Office of Government Ethics regulations.

### ASSISTANT INSPECTOR GENERAL FOR AUDIT (BUSINESS OPERATIONS)

**Debra Ritt (Acting)**

*Deputy Assistant Inspectors General,  
Robert E. Emmons and  
John M. Seeba (Acting)*

### ACCEPTING & PROCESSING TEAM

**Director, Stew Dorris** - conducts audits and reviews focusing on mail acceptance and collection operations, and mail processing and distribution processes.

### SUPPORT OPERATIONS TEAM

**Director, Gwen Johnson** - provides investigative support to all performance teams and conducts audits and reviews of Postal Service support operations, including general counsel, quality, government relations, and customer service.

### DELIVERY TEAM

**Director, Chris Nicoloff** - conducts audits and reviews to enhance delivery processes and operations and improve customer satisfaction.

### FINANCIAL TEAMS

**Directors, John Cihota (Acting) and Sheila Bruck** - conducts audit work in support of independent public accounting firm's annual financial audit opinion and conducts other



### Is employee diversity important to OIG?

The OIG is proud of the diverse talents, skills, and professional experience of our staff. The OIG believes diversity has enhanced our work environment.

financial-related audits to identify areas for improvement.

#### **MARKETING TEAM**

*Director, Larry Chisley* - examines and evaluates the major sources of revenue from marketing, advertising, stamp services, and retail and international mail business operations, as well as monitors Postal Service rate cases.

#### **TRANSPORTATION TEAM**

*Director, Joe Oliva* - conducts audits and reviews of domestic and international transportation and logistics operations, specifically addressing Postal Service fleet operations and contracts for air, highway, and rail services.

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#### **ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS (BUSINESS PROTECTION)**

##### **Billy Sauls**

*Deputy Assistant Inspectors General, Daniel O'Rourke and Ronald K. Stith*

#### **BUSINESS INTEGRITY TEAMS**

*Directors, Dennis Riley and Michael Shiohama* - investigate bribery, kickbacks, embezzlements, and other cases involving expenditures and contract fraud, such as defective pricing, product substitution, and cost mischarging.

#### **CONTRACTS TEAM**

*Director, Kim Stroud* - conducts audits and investigations of purchasing activities and operations to improve Postal Service contracting.

#### **FACILITIES TEAM**

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

#### **HEALTH CARE FRAUD TEAM**

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

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#### **ASSISTANT INSPECTOR GENERAL FOR INTERNAL BUSINESS**

##### **Kirt West**

*Deputy Assistant Inspector General, Wayne Goleski*

#### **ADMINISTRATIVE RESOURCES TEAM**

*Director, Steve Spratt* - provides the OIG staff with facilities, procurement, financial, budget, and other services necessary to accomplish the OIG mission.

#### **COMMUNICATIONS & POLICY TEAM**

*Director, Jim Nugent* - provides graphics, writing, and editorial services; coordinates and publishes OIG reports as well as other documents for Congress, Governors and Postal Service management; and manages development of internal policies and procedures.

#### **HUMAN RESOURCES TEAM**

*Director, Eufemia Lucero* - provides full-service human resources programs to the OIG in the areas of employee relations, pay and benefits, retirement, awards, performance management, counseling, and training.

#### **WORKPLACE ENHANCEMENT TEAM**

*Director, Sharon Solomon* - provides support and services to the OIG on internal work life, organizational climate, diversity, equal employment opportunity, and other workplace-related issues.

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#### **ASSISTANT INSPECTOR GENERAL FOR OVERSIGHT & BUSINESS EVALUATIONS**

##### **Debbie Pettitt (Acting)**

*Deputy Assistant Inspector General, (Vacant)*

#### **HOTLINE TEAM**

*Director, Bob Pemberton* - operates the OIG Hotline to provide a vital and confidential communications link for Postal employees, other stakeholders, and the public to report fraud, waste, abuse, and mismanagement in the Postal Service.

#### **LABOR MANAGEMENT TEAMS**

*Directors, Bennie Cruz and Joyce Hansen* - conduct audits and reviews of labor management and employee relations



The OIG Human Resources Team provides a variety of important pay and benefit services by using the talents of a diverse and highly qualified staff.



issues within the Postal Service to assist in maintaining a healthy and safe organizational climate for employees and improving operational efficiency.

#### OVERSIGHT TEAM

**Director, Cathleen Berrick** - conducts audits and reviews to provide oversight of Inspection Service programs and operations.

#### ASSISTANT INSPECTOR GENERAL FOR eBUSINESS

##### Norm Hancock

*Deputy Assistant Inspector General,  
Donna Edsall*

#### 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 vulnerable computer systems so that appropriate counter measures may be implemented.

#### DEVELOPMENTAL TEAM

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

#### ELECTRONIC COMMERCE TEAM

**Director, Robert Batta** - conducts audits and reviews in the emerging field of electronic commerce, focusing on new electronic business initiatives and revenues.

#### FORENSIC & TECHNICAL SERVICES TEAM

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

#### INFORMATION SYSTEMS TEAM

**Director, Dave Berran** - audits and reviews major automated Postal management information systems to determine whether general and application controls are properly established and systems are designed to provide accurate data to management; and provides computer-

assisted audit techniques for data retrieval and analysis in support of the OIG administrative, audit, and investigative staff.

#### 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 the OIG staff; and manages agency-wide information systems.

#### EXECUTIVE REPRESENTATIVE FOR FIELD LIAISON

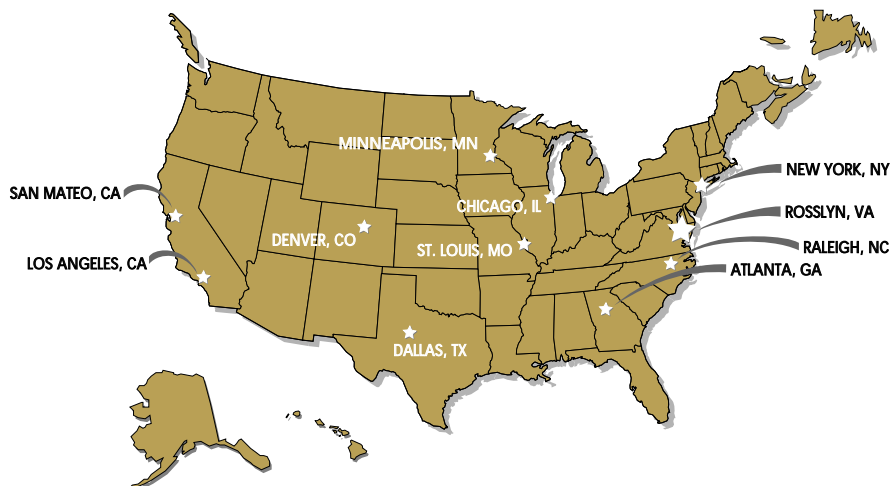
##### Colleen McAntee and Ronald Merryman

Provides senior-level communication links between the OIG Headquarters and its ten field offices, and all Postal Service field operations.

#### OIG FIELD LOCATIONS

As depicted in the chart below, the OIG opened five new field offices, for a total of eleven offices. Field offices supporting headquarters in Rosslyn, Virginia, are located in San Mateo and Los Angeles, California; Denver, Colorado; Atlanta, Georgia; Chicago, Illinois; Minneapolis, Minnesota; St. Louis, Missouri; New York, New York; Raleigh, North Carolina and Dallas, Texas. In FY 2001, the OIG will open four additional offices in Tampa, Florida; Boston, Massachusetts; Portland, Oregon and Pittsburgh, Pennsylvania.

### OIG Locations Nationwide





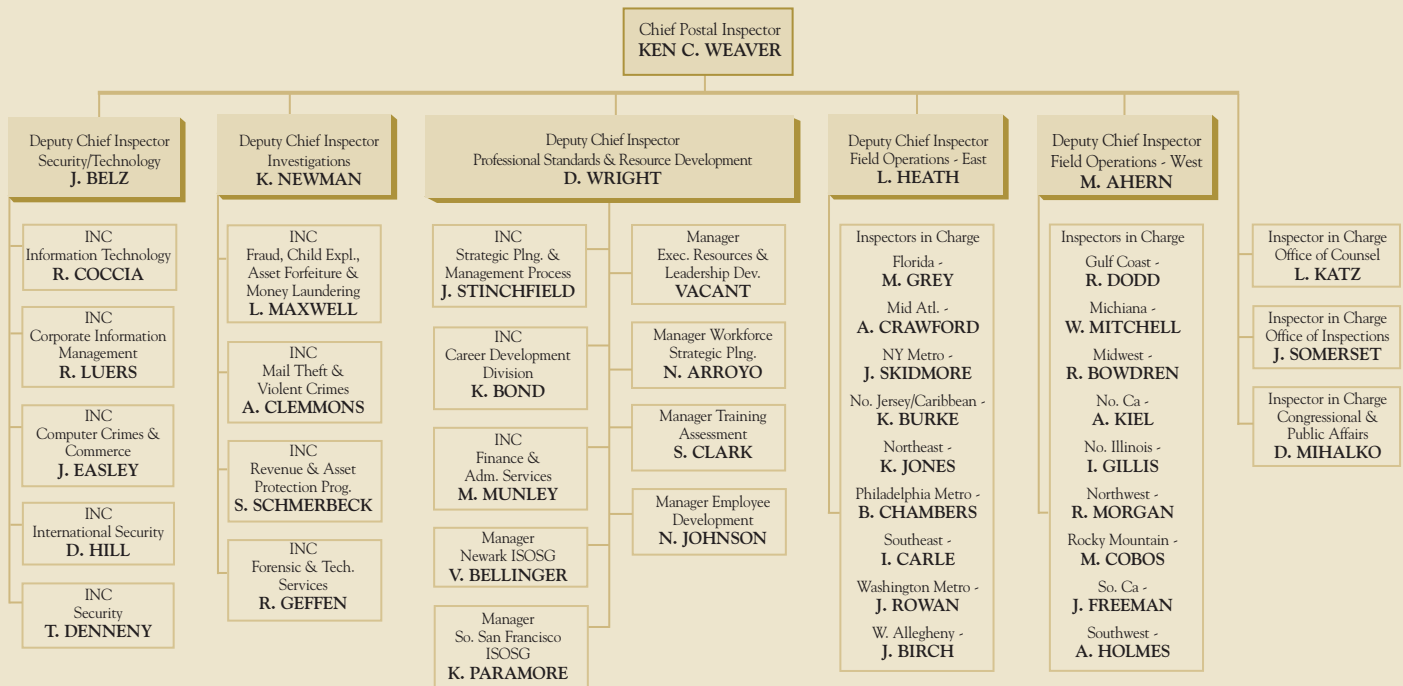
**Chief Postal Inspector  
Kenneth C. Weaver**

## INSPECTION SERVICE

At the end of FY 2000, the Inspection Service completed a realignment of reporting relationships among field divisions. Over the last few years, 30 Inspection Service Field Divisions have been consolidated to 18. This has resulted in increased efficiency and effectiveness. The consolidation of specific support functions, the availability of additional staff resources for

emergency response, and a more uniform span of control among division Inspectors-in-Charge will enhance the Inspection Service's ability to address its goals. The Inspection Service remains committed to the ongoing evaluation of organizational performance, employee development, and customer service with the goal of continuous improvement.

# Inspection Service Organizational Structure



INC - Inspector in Charge  
ISOSG - Inspection Service Operations Support Group



# Customer Service



## OFFICE OF INSPECTOR GENERAL

- External Communications
- Internal Communications
- Specialized Services

## INSPECTION SERVICE

- External Communications
- Specialized Services

*This section describes the OIG and Inspection Service's efforts to provide Customer Service including initiatives by support functions to enhance service to internal customers. Customer satisfaction and service is the underlying creed of most successful organizations and businesses. In order to differentiate work reported by the OIG and the Inspection Service, pages concerning the Inspection Service have been color screened.*

## OFFICE OF INSPECTOR GENERAL

### EXTERNAL COMMUNICATIONS

The OIG is legally responsible for keeping Members of Congress and the Postal Service Governors fully and currently informed. The OIG keeps Congress informed by issuing the Semiannual Report to Congress, testifying at oversight and other hearings, and briefing Members and their staffs on issues related to the Postal Service. The OIG keeps the Governors informed through regular briefings at monthly Board meetings, a monthly activity report from the Inspector General, and responses to requests for information. The OIG also regularly provides Congress and the Governors with copies of audit and management advisory reports.

### CONGRESSIONAL TESTIMONY

Each year, the Inspector General has testified before Congress on the OIG's work. The Act authorizes the OIG to conduct independent audits, investigations, and reviews of Postal Service programs and operations to identify and deter fraud, waste, abuse, and mismanagement.

#### OIG Statement on Electronic Commerce

On September 7, 2000, the Inspector General provided a written statement on electronic commerce initiatives of the Postal Service to the Subcommittee on International Security, Proliferation, and Federal Services, Senate Committee on Governmental Affairs. The Inspector General highlighted challenges that the Postal Service faces in implementing

electronic commerce initiatives to offset the projected \$32.9 billion decrease in First-Class Mail revenue over the next nine years. Those challenges included the need for:

- ◆ centralizing and involving senior management at early stages of project planning;
- ◆ comprehensive, integrated planning and setting priorities for new marketing initiatives;
- ◆ effectively planning the budget and allocating resources;
- ◆ improving systems development, including projections of return on investment, data reliability, and functionality, while keeping pace with installation schedules;
- ◆ controlling and providing oversight of contracting activities; and
- ◆ placing a greater emphasis on comprehensive, integrated computer security.

#### OIG Testimony at Oversight Hearing

On September 19, 2000, the Inspector General testified before the Subcommittee on the Postal Service, House Committee on Government Reform. The Inspector General discussed the progress made in building the organization as the OIG concludes its fourth year, and highlighted how the OIG has helped the Postal Service address significant management challenges in four critical areas:

- ◆ competing in a rapidly changing marketplace and improving customer service while introducing new products and services to generate revenue;
- ◆ controlling costs through improved contract administration, budget planning, and program oversight;
- ◆ improving the workplace climate and relations among labor, management, and unions; and
- ◆ using technology to automate and modernize mail processing and acceptance, improve communications, and support core business processes and electronic products and services.



Inspector General Corcoran unveils for the Governors of the Postal Service the OIG Hotline video which provides an overview of the Hotline operations.

## RESPONDING TO REQUESTS FROM CONGRESS AND THE POSTAL SERVICE GOVERNORS

One of the OIG's highest priorities is to provide accurate and timely responses to Congress and the Postal Service Governors. The OIG responds to many of these requests by conducting individual reviews and providing responses. However, the OIG does not normally perform an audit or investigation when the allegation involves an individual employee issue that can be resolved through contractual grievance-arbitration procedures or the Equal Employment Opportunity process. In those cases, the OIG incorporates individual concerns into a database to identify systemic issues based on the information from Congress and the Governors. When systemic issues have been identified, the OIG conducts independent audits and investigations of Postal Service programs and operations to help ensure their efficiency and integrity.

During this six-month reporting period, the OIG completed 50 congressional inquiries. Appendix H of this report lists the OIG responses to these inquiries by subject area. Narratives describing significant OIG work in response to congressional requests appear in subsequent sections.

## HOTLINE PROVIDES A VITAL AND CONFIDENTIAL COMMUNICATION LINK

The OIG Hotline provides a vital and confidential communication link between the OIG and individuals who contact the Hotline to report allegations of fraud, waste, abuse, and mismanagement.

### Promoting Hotline Awareness

A video representing the OIG Hotline operations has been developed to increase OIG Hotline awareness for Congress, the Governors, the Postal Service, and the public.

Previously, the OIG developed a Hotline poster that heightened stakeholder awareness to report incidents of fraud, waste, abuse, and mismanagement. On August 3, 2000, the Postmaster General directed that the poster be permanently and prominently displayed for all employees. In addition, an article announcing

the Postmaster General's directive was published in *Postal Bulletin*, September 21, 2000.

During this reporting period, the OIG developed a wallet-sized card depicting the poster. The card contains the Hotline's toll-free phone number, email address, toll-free fax, and mailing address. These cards will be distributed to employees and other stakeholders.

### Responding to Hotline Inquiries

The Hotline receives complaints from employees, customers, and the general public concerning 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.

The OIG considers all Hotline contacts when planning audits and projects. However, the Hotline is not a replacement for formal avenues of problem resolution such as grievance arbitration or Equal Employment Opportunity processes. During this reporting period, the Hotline received more than 10,000 contacts, of which:

- ◆ eight percent were referred internally to OIG for resolution or information, and pertained to allegations of fraud, waste, abuse, and mismanagement, or violations of health and safety rules;
- ◆ thirty-four percent were referred to the Inspection Service and involved allegations of criminal activity, including threats of violence, mail theft, vandalism, or mail tampering;
- ◆ eleven percent were customer service matters that were referred directly to the Postal Service Consumer Advocate;
- ◆ forty-five percent were related to miscellaneous requests for information such as ZIP Codes, postage meters, and other Postal Service-related matters; and
- ◆ two percent were related to operational and human resource issues that were referred to Postal Service management.

The OIG Hotline is staffed from 7:00 a.m. to 7:00 p.m., Eastern Time, Monday through Friday (except federal holidays). Calls can be made 24 hours a day, 7 days a week. Threats



The OIG Hotline poster must be posted in all Postal facilities.

and any other potentially violent work situations are routed immediately to the Postal Police Control Center for action 24 hours a day either by an OIG Hotline analyst or through a caller-directed menu system. Anyone interested in contacting the Hotline can call, toll-free, 1-888-USPS-OIG (1-888-877-7644); write to the United States Postal Service, OIG, ATTN: Hotline, 1735 North Lynn Street, Arlington, VA 22209-2020; email the OIG at [hotline@uspsoig.gov](mailto:hotline@uspsoig.gov); or fax information toll-free to (866) 756-6741.

### REVIEWING LEGISLATION AND REGULATIONS

As required by the Inspector General Act, the OIG monitors legislative and regulatory developments to advise Congress and the Governors of the impact such legislation and regulations could have on Postal Service programs and operations. During the six-month period, the OIG evaluated 51 legislative proposals and 31 regulatory initiatives. Highlights of the legislative and regulatory proposals are included at the end of the appropriate section that describes the OIG and the Inspection Service reviews performed in the last six months.

### FREEDOM OF INFORMATION AND SUBPOENA REQUESTS

The OIG responds to many requests for reports and other information under the Freedom of Information Act. In addition, the Inspector General is authorized under the Inspector General Act to issue subpoenas for audits and investigations, and in support of selected investigations for the Inspection Service. In the last six months:

- ◆ The OIG received 87 requests for information, 69 that the OIG could respond to—8 were answered in full, 1 was withheld totally, 53 were partially withheld, 1 was referred to the Inspection Service, and 6 were referred outside the OIG.
- ◆ The OIG issued 188 subpoenas—137 supporting Inspection Service investigations and 51 supporting OIG investigations.
- ◆ To comply with the Electronic Freedom of Information Act, the OIG redesigned its webpage [www.uspsoig.gov](http://www.uspsoig.gov) to allow

the public easy access to its reports. OIG reports that have been released can be found by clicking on “Audit & Management Advisory Reports” or “Freedom of Information Act” on the OIG webpage. The webpage also contains the OIG Freedom of Information Act Reference Guide and links to other useful reference material pertaining to disclosure of information, as well as instructions on requesting OIG reports that are not posted on the webpage.

### INTERNAL COMMUNICATIONS

In addition to responding to official requests by Congress and the Governors for information, the OIG responds to Postal Service management and other agency requests.

### RESPONDING TO MANAGEMENT REQUESTS FOR OIG REVIEWS

The OIG is committed to providing 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 annual planning process and, to the extent practical, are given priority consideration for inclusion in the OIG’s Annual Work Plan, which is summarized in the Goals and Strategies section of this semiannual report. This process creates a unique opportunity to provide independent analysis and information that will assist management officials in fulfilling their responsibilities.

### MONITORING COMPUTER MATCHING REQUESTS FOR POSTAL INFORMATION

Under the Privacy Act, a matching program is defined as any computerized comparison involving the automated federal system of records of two or more agencies. Information contained in a system of records may be disclosed to a recipient agency for use in a computer matching program pursuant to a written agreement between the source and recipient agencies, and after publication in the Federal Register. The Postal Service receives requests from other government agencies for Postal Service data that are used in computer match-



The public can access electronic versions of OIG reports by visiting the OIG webpage at [www.uspsoig.gov](http://www.uspsoig.gov)

ing 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 for information needed to perform computer matches. The Inspector General is a member of the Data Integrity Board, along with the Postal Service Vice President, Employee Resources Management; Vice President, General Counsel; Chief Financial Officer and Executive Vice President, Finance; and the Chief Postal Inspector.

During this six-month period, the Inspector General, as a member of the Data Integrity Board, reviewed and approved the following requests for computer matching data from the Postal Service.

- ◆ A request from the OIG to approve a computer matching agreement with the Department of Labor Office of Workers' Compensation Programs to determine whether current Postal Service automated and manual procedures for monitoring Federal Employees Compensation Act benefit payments made to employees who have returned to work are adequate; and to identify those employees who may have received dual benefits in violations of the Act.
- ◆ Separate requests from state employment agencies in Arkansas, Louisiana, Texas, California, and North Dakota asking for information to identify Postal Service employees who are former students of the respective education systems. Each state will determine whether Postal job duties of former students relate to their education.

## SPECIALIZED SERVICES

### USING COMPUTER FORENSICS

The OIG Computer Forensics Team is staffed by specialists trained and certified in the seizure of computers and the recovery of electronic evidence. Their mission is to provide technical support to extract data to help identify individuals who use computers for criminal purposes, generally in one of three ways. First, a computer may be the target of the offense. In these cases, the criminal's goal is to steal information from or cause damage to a computer.

Second, the computer may be a tool of the offense. This occurs when an individual uses a computer to facilitate some traditional offense, such as fraud. Third, computers are sometimes incidental to the offense but significant to law enforcement because they contain evidence of a crime.

### PROVIDING POLYGRAPH SERVICES

The OIG polygraph program aids criminal investigators and is an effective tool to assist in proving guilt as well as innocence. OIG polygraph examiners represent the OIG within the polygraph community and on the Federal Polygraph Executive Committee.

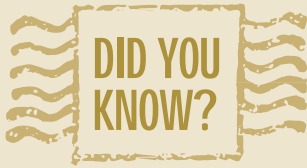
### ASSISTING IN DATA ANALYSES

The OIG's Computer Assisted Assessment Techniques (CAATs) team uses automated methods and tools to extract and analyze electronic data located on over 900 Postal systems in support of OIG audit and investigative efforts. The CAATs team has supported several significant OIG efforts during this reporting period, including:

- ◆ Collecting and analyzing telecommunications invoice data in support of the Facilities Team, resulting in the identification and recovery of \$9 million of overcharges, with an additional \$96 million in cost avoidance.
- ◆ Assisting the Health Care team in an ongoing investigation in identifying over 31,000 fraudulent medical billing records effecting over \$2.6 million of billings to date.
- ◆ Conducting extensive analysis of the delivery confirmation program to support the Delivery team in assessing the accuracy of delivery status information at five Postal Facilities.



The OIG forensic staff provides technical support to OIG auditors and investigators.



## Are mailboxes considered federal property?

Yes. Federal law (18 USC § 1705) makes it a crime to vandalize mailboxes (and to injure, deface, or destroy any mail deposited in them).

Violators can be fined up to \$250,000 or imprisoned for up to three years for each act of vandalism.

## INSPECTION SERVICE

The Inspection Service has adopted numerous initiatives to improve customer service. The Inspection Service alerts 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.

### EXTERNAL COMMUNICATIONS

The Inspection Service is responsible for communicating its law enforcement and crime prevention achievements to the American public, Congress, the Postal Service, and the law enforcement community.

### PROVIDING CONGRESSIONAL LIAISON

Members of the Inspection Service attended or testified at the following Congressional hearings relating to Postal Service and Inspection Service issues:

- ◆ The House Subcommittee on Treasury, Postal Service, and General Government sponsored a hearing that covered a wide range of topics. Topics included H.R. 22, the Within Worldwide Customs study, Customs and the Postal Service's handling of incoming mail, searching outbound mail without a search warrant, Commercial Mail Receiving Agencies, eCommerce, drugs in the mail, and personnel reduction.
- ◆ The Committee on Government Reform, Subcommittee on Government Management, Information and Technology, sponsored a hearing that focused on proposed legislation to establish a Commission for the Comprehensive Study of Privacy Protection.
- ◆ The Chairman, House Subcommittee on Criminal Justice, Drug Policy and Human Resources held a hearing on drugs in the mail. The subcommittee heard about the Inspection Service's initiatives and stance on the U.S. Customs Service's efforts to search outbound mail without warrants. The Inspection Service's efforts to restart a multi-agency antidrug initiative were also highlighted.

The Deputy Chief Inspector for Criminal Investigations testified at the hearing.

## ENSURING CONSUMER PROTECTION

In an effort to maintain the integrity of the mail and to ensure the confidence and trust that government agencies, businesses, and Postal Service customers place in the Postal Service, the Inspection Service conducts mail fraud investigations that focus on a variety of schemes. Because of their complexity and far-reaching implications, mail fraud investigations are often conducted jointly with other federal and local law enforcement agencies to take advantage of the expertise of each agency and to maximize resources. Postal Inspectors also work with other law enforcement agencies and consumer groups in prevention efforts to raise awareness of fraud.

## ANNUAL REPORT OF INVESTIGATIONS

The 1999 Annual Report of Investigations of the Inspection Service was released in March 2000. The accomplishments described in the report are intended to inform the Governors, the Postmaster General, Postal Service managers, and employees about Inspection Service activities and give greater insight into the value and benefits provided by the Inspection Service.

### SPECIALIZED SERVICES

#### PROVIDING FORENSIC SERVICES

Inspection Service forensic analysts provide expert examinations and testimony on evidence submitted by Postal Inspectors for document, fingerprint, chemical, and physical evidence analyses. Laboratory personnel are available to respond to the most critical criminal investigations of violent crimes to assist in processing and evaluating evidence. During this reporting period, over 655 sets of fingerprints were matched on Automated Fingerprint Identification System searches yielding 59 identifications.

#### USING TECHNICAL SERVICES

Technical services personnel assist and support field division staff in the acquisition and use of various sophisticated equipment and services to make their job easier and safer. The





unit utilizes Postal Inspectors, security technicians, and communications specialists to meet program objectives. Programs include radio and electronic surveillance and mail screening. Information relating to each program follows:

- ◆ Installed electronic surveillance equipment to assist Postal Inspectors in identifying suspects in an identity takeover and subsequent murder.
- ◆ Installed long-range surveillance cameras to transmit video footage via microwave to Postal Inspectors observing an individual suspected to have filed fraudulent workers' compensation claims.
- ◆ Screened over 500 pieces of mail at a judicial conference of federal judges, which was considered high-risk because two judges under the U.S. Marshal's protection received threats. One suspect package was identified and subsequently cleared by Postal Inspectors.

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## PROVIDING POLYGRAPH SERVICES

Polygraph examinations have proven effective in resolving cases involving employee assaults, registered and other mail thefts, allegations of assault, and misappropriation of Postal funds or property. An example of effective use of polygraph examinations follows:

- ◆ An audit of a post office disclosed a discrepancy in accounting records of a postal clerk. A polygraph examination of the clerk regarding the discrepancy led to the clerk admitting to "borrowing" funds from the Postal account. The clerk also admitted to altering accounting records to cover missing stamp stock.

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## RECOVERING DIGITAL EVIDENCE

Inspection Service personnel also preserve, access, retrieve, and recover evidence stored on computers, and conducts forensic examinations of audio and video media. This reporting period, the Inspection Service received 141 new requests and completed 23 requests. Examples of the use of digital evidence follow:

- ◆ Program managers and analysts nationwide assisted in searches related to fraud in the insurance settlement industry. Postal Inspectors and program managers

are continuing to assist with processing this data.

- ◆ Analysts provided testimony in federal court relating to an individual's use of a personal computer to commit identity fraud and pass counterfeit checks. The individual was found guilty.



# Performance Reviews



## OFFICE OF INSPECTOR GENERAL

- Accepting and Processing
- Transportation
- Delivery
- Marketing
- Legislative and Regulatory Reviews

## INSPECTION SERVICE

- Mail Theft
- Service Investigations



The OIG evaluated the performance of the robotic tray handling system.

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

## 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 worldwide. During the past six months, the OIG has completed 24 reviews of key and emerging issues relating to the Postal Service's performance of core business processes. The reviews identified opportunities to save about \$84 million during current and future years.

### ACCEPTING AND PROCESSING

On average, over 650 million pieces of mail are accepted each day by the Postal Service in a variety of ways, including collections from more than 300,000 blue collection boxes and residential and business collection mailboxes. Express Mail, First-Class Mail, and some Priority Mail and 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. Situations that result in delayed mail processing must be vigorously evaluated and the underlying causes must be promptly resolved. The Postal Service continues to explore ways to enhance the acceptance and processing of mail through innovative automation. During the past six months, the OIG issued seven reviews in the accepting and processing area. Some of the more significant audits are discussed below.

### ROBOTIC TRAY HANDLING EQUIPMENT WAS NOT OPTIMIZED

The OIG audited the \$37.7 million pedestal robot system designed to lift bundled letter mail trays to containers for dispatching. The audit disclosed that 24 of 42 facilities could not achieve the full benefits of the robot because they lacked tray-feeding mechanisms that were essential to its success. Although this project was an organizational initiative, some managers either refused to install or removed the pedestal robot because funding was not provided for the tray feeding mechanisms. Additionally, 18 managers spent an additional \$7.2 million to install tray-feeding mechanisms to complete the system. The audit also disclosed that facility managers did not consistently capture and retain operational data on system performance needed to assess the benefits of the robots. The OIG recommended, but management did not agree, that a tray feeding mechanism was necessary for every robot. However, management agreed to form a task force to identify where tray feeding mechanisms could be installed, which met the intent of our recommendation. The OIG also recommended and Postal Service management agreed to ensure that system performance data is retained and analyzed to assess the impact on mail processing operations. (OIG AC-AR-00-004)

### REVENUE ASSURANCE PROCESS COULD BE IMPROVED

As a result of a congressional request, the OIG audited the Postal Service's revenue assurance process to determine whether the Postal Service addressed government and business mailers' concerns about the identification, adjudication, and collection of revenue deficiencies. The revenue assurance process allows postal managers to identify lost revenue resulting from misclassified and uncollected postage and fees. The audit disclosed that revenue deficiency assessments were issued up to two years after mail acceptance and sometimes were attributable to incorrect information provided by postal employees. The audit also showed that the Postal Service did not place enough emphasis on preventing and correcting deficiencies and devoted substantial resources to the collection of immaterial deficiencies. While the Postal

Service started several initiatives to address mailers' concerns, such efforts did not fully address all the issues. The OIG recommended and Postal Service management agreed to train mail acceptance employees, provide mailers with a notice of problems and recommended solutions, and revise revenue deficiency instructions. However, Postal Service management did not agree with OIG's recommendation to develop a comprehensive management information system and to realign the revenue assurance reporting structure within districts. The OIG and Postal Service management plan to resolve the recommendation through the audit resolution process. (OIG AC-AR-00-003)

### **PREVENTIVE MAINTENANCE MAY NOT ALWAYS BE PERFORMED**

At the request of the Postal Service's Chief Operating Officer and Executive Vice President, the OIG audited the Preventive Maintenance Program for mail processing equipment to evaluate the data included in the maintenance management information system and to determine whether preventive maintenance was performed as scheduled. The Preventive Maintenance Program is designed to improve and prolong equipment life, avoid unplanned maintenance activity, and decrease the overall maintenance costs. The audit disclosed that the system did not always provide reliable data necessary to successfully manage this program. As a result, Postal Service officials could not ensure that preventive maintenance was always performed as scheduled, mail processing interruptions were minimized, and unsafe working conditions were avoided. The OIG recommended and Postal Service management agreed to evaluate the current maintenance reporting and scheduling system and assess its usefulness. (OIG AC-AR-00-001)

### **PROCESSING OF INTERNATIONAL MAIL NEEDS IMPROVEMENT**

The Postal Service established a network of International Service Centers to process international mail. For FY 1999, the Postal Service reported that it received \$1.6 billion from international mail services, which accounted for 2.7 percent of the \$60.4 billion in total revenues. The OIG conducted two audits

of international mail as follows:

- ◆ In the first audit, the OIG assessed the condition of international mail, determined the accuracy of mail condition reports, and evaluated the operational status of a new International Service Center. The review disclosed that over 200,000 pieces of international mail, some of which was unprotected, rain soaked, and soiled, was delayed and/or unprocessed for several days to three weeks. In addition, mail condition reports did not include accurate quantities or the age of mail on-hand. Also, the new International Service Center Network was not ready to accept and process mail. As a result, customer complaints increased from about three per week to three per day. The OIG recommended and Postal Service management agreed to stage and house mail in covered areas, and that the new International Service Center would be responsible for processing all international mail. (OIG AC-MA-00-002)
- ◆ The OIG's second audit assessed the process of establishing International Service Center Networks and the impact of the Economic Value Added Variable Pay program on the processing of international mail. The audit of this \$535 million project disclosed that Postal Service management significantly revised the project scope without requesting Board of Governors approval. The audit also determined that international mail was not considered in determining manager performance awards under the Economic Value Added Variable Pay program. The OIG recommended and Postal Service management agreed to modify the project funding request to reflect all significant scope changes and report these modifications to the Board of Governors. Management also agreed to examine the development of goals and measurement systems for international mail. (OIG AC-AR-00-005)

### **TRANSPORTATION**

Transportation of mail is a vital part of the Postal Service's mission of binding the nation together by providing prompt, reliable, effi-



Examples of unprocessed, unprotected, and damaged international mail identified during an OIG audit.

cient, and universal mail delivery. To fulfill this mission, the Postal Service spends in excess of \$4.4 billion annually to transport mail by air, rail, and highway transportation. Most transportation is provided by contractors, however, the Postal Service operates its own trucks for some highway routes. During the past six months, the OIG performed five transportation-related audits, the most significant of which are highlighted below:

### **PROPOSED CHRISTMAS AIR NETWORK COULD SAVE AN ADDITIONAL \$8 MILLION**

Based on a request from Postal Service management, the OIG audited the dedicated Christmas Air Network to evaluate its effectiveness and potential for cost savings. This \$137 million dedicated network is contractor-operated and is intended to provide consistent, timely, and reliable two-day service during the Christmas season. The audit identified opportunities to achieve an additional \$8 million in savings annually beyond that being proposed in a current management initiative. The audit also offered an alternative plan that selectively replaced air routes between origin and hub, or hub and destination, without bypassing the Christmas hubs. The Postal Service expressed concern that the OIG's plan did not meet the same parameters as their plan; however, they agreed to fully analyze the OIG's proposal for potential implementation during Christmas 2001. (OIG TR-AR-00-011)

### **EXPENDITURES FOR HIGHWAY TRIPS COULD BE REDUCED**

During this reporting period, the OIG conducted two audits of expenditures for extra highway trips: one audit for a facility in the Southwest Area and one audit in the Mid Atlantic Area. The audits determined that the Postal Service could reduce its expenditures by using the proper equipment to optimize trailer space, increasing oversight of transportation operations, and ensuring that expenditures are charged to the correct facilities. In addition, in the Mid Atlantic Area, the OIG determined that three major processing centers could save about \$2.5 million over five years by eliminating trips to move unprocessed mail and equipment and by discontinuing the payment of special

rates for route diversions. Postal Service management agreed with OIG's recommendations to charge extra trip costs to originating centers, provide adequate equipment, conduct dispatch reviews, renegotiate diversion rates, and use regular trips for transporting equipment.

(OIG TR-AR-00-008 and OIG TR-AR-00-009)

### **IMPROPER EXECUTIVE USE OF CHAUFFEURS AND POSTAL VEHICLES**

The OIG audited the use of chauffeurs and Postal vehicles by Postal Service executives to determine whether the executives complied with federal law and postal policy. The audit disclosed improper use of official vehicles and chauffeurs involving nine executives. These misuses continued over prolonged periods because controls over vehicle use, such as daily logs, were either inadequate or nonexistent. The OIG recommended and Postal Service management agreed to implement controls over administrative vehicles. In addition, management advised the OIG that they would update current guidance emphasizing federal law and postal policy. Further, the OIG provided a separate letter requesting that the Deputy Postmaster General take administrative action, including restitution, as appropriate.

(OIG TR-AR-00-010)

### **DELIVERY**

Universal service—delivering mail to everyone, everywhere in America, at uniform rates—is the cornerstone of the Postal Service's mission. To fulfill this mission, the Postal Service developed a delivery network of approximately 233,000 mail routes that are serviced by nearly 300,000 letter carriers and 200,000 delivery vehicles. During FY 1999, the Postal Service delivered over 200 billion pieces of mail to 130 million homes and businesses—an average of 1,500 pieces of mail for every household and business in America. During the last six months, the OIG issued the following report:

### **MAIL DELIVERY DELAYS IN THE SOUTHWEST AREA**

In response to an employee allegation, the OIG audited mail delays at three Southwest Area postal facilities and found 75,000 pieces of unprocessed time-sensitive mail, such as tax



The OIG audited the Postal Service's use of highway contractors to transport mail.

documents, insurance policies, and medical and educational information. Mail accumulated because managers did not complete daily reviews. The audit also identified uncollected postage and fees caused by managers not reviewing accumulated mail on a daily basis to ensure proper processing and delivery.

The OIG suggested and Postal Service management agreed to take immediate action to correct these deficiencies. The OIG also suggested and management agreed to determine whether the conditions observed during this review existed in other Southwest Area facilities. (OIG DE-MA-00-001)

## **MARKETING**

The Postal Service operates in a competitive environment. The Postal Service's ability to maintain or increase its market share is essential to provide universal service at affordable rates. During this reporting period, the OIG performed eight reviews of marketing, including stamp operations. The most significant marketing-related reviews are highlighted below:

### **REVENUES AND COMMISSIONS PAID TO A SALES FORCE CONTRACTOR COULD NOT BE VERIFIED**

The OIG audited the Postal Service's use of a sales force contractor to sell Postal Service expedited mail products to small and medium-sized businesses. The audit disclosed that the Postal Service paid the contractor over \$5 million in commissions based on unverified reported revenue. The revenue could not be verified because the Postal Service did not have an accurate system to determine whether the number of products reported by the contractor were actually mailed through the Postal Service. The OIG recommended and Postal Service management agreed to recover commissions for unsupported revenues, establish controls to ensure contractor-reported revenue increases are verified, and limit program expansion until internal controls are established. (OIG MK-AR-00-002)

### **REVENUES FROM STAMP FULFILLMENT SERVICES COULD BE INCREASED**

The OIG audited Stamp Fulfillment Services and determined that the Postal Service

could increase revenues by \$6 million annually by charging the full rate of shipping and handling costs for philatelic products sold by mail, telephone, or the Internet. In addition, the OIG found that the Stamp Fulfillment Service's performance measures were generally consistent with industry standards and accurately assessed fulfillment operations with one exception. Improvements were needed to integrate the order entry and automated fulfillment systems to provide consistent and timely processing of customer orders to help ensure organizational goals always meet industry standards.

The OIG recommended that Postal Service management increase shipping charges to cover actual costs, establish order entry processing goals that meet industry standards, take steps to process orders more efficiently, and expand access to customer service representatives. Management agreed to reevaluate shipping and handling charges, but did not agree to establish goals for order entry that are consistent with industry standards. Further, management agreed with the remaining findings and recommendations and proposed responsive solutions to address concerns identified in the report. (OIG MK-AR-00-001)

### **POSTAL RATEMAKING PROCESS SIMPLIFIED FOR CUSTOMERS**

The OIG issued a report on the Postal ratemaking process to provide interested readers with an easy to read guide describing the complex ratemaking process. The process is built around an independent Postal Rate Commission, which receives proposed new rates from the Postal Service Board of Governors. The Commission conducts formal hearings, submits opinions, and recommends rates for postal products and services to the Governors for final approval. (OIG MK-LA-00-002)

## **LEGISLATIVE AND REGULATORY REVIEWS**

### **ENACTED LEGISLATION**

#### **Public Law 106-253 - Semipostal Authorization Act**

During this reporting period, the President signed into law the Semipostal Authorization Act. The Act authorizes the Postal Service to



The OIG reviewed the operations of the Postal Service's Philatelic Center located in Kansas City, Missouri.



## Are all Hotline complaints confidential?

The identities of the people who make complaints or provide information regarding alleged wrongdoing are kept confidential unless the individual gives permission for disclosure or if disclosure is required.

issue semipostal stamps as fundraisers for various charitable causes, and extends the Breast Cancer Research Stamp until July 29, 2002. Semipostals are stamps that sell for more than face value. The difference between the face value and the stamp's selling price, less the costs of producing and distributing the stamp, is given to the cause depicted on the stamp. The OIG has evaluated the Breast Cancer Research Stamp program, and expects to review future semipostal programs to ensure their integrity and efficiency.

### PROPOSED LEGISLATION

#### Semipostal Stamp Legislation

Since OIG's last Semiannual Report to Congress, several bills providing for the issuance of semipostal stamps have been introduced in Congress, as follows:

- ◆ H.R. 5269 -  
National Parks Preservation Stamp Act
- ◆ H.R. 5043 -  
Book Stamp Act
- ◆ H.R. 4872 / S. 2870 -  
Vanishing Wildlife Stamp Act
- ◆ H.R. 4492 / S. 2932 -  
Establishment of a World War II Memorial
- ◆ H.R. 4659 -  
Stamp Out Domestic Violence Act of 2000
- ◆ H.R. 4526 -  
American Battle Monuments Commission

Each of these bills requires the Postal Service to establish a special rate of postage no higher than 125 percent of the current First-Class rate. A stamp for this amount would then be issued to publicize a worthy cause. Postal patrons who desire to support the cause depicted on the stamp would pay the higher rate to purchase the stamp. The Postal Service would give the charitable organization the amount it received over the First-Class rate, less any reasonable costs it incurred in printing, selling, and distributing the stamps.

The OIG has conducted an audit that raised concerns about the Postal Service's ability to accurately account for its costs in producing and marketing semipostal stamps. The Postal Service needs adequate controls in place to ensure that other ratepayers are not subsidizing the costs for semipostal stamps.

#### H.R. 4636 / S. 2686 - Nonprofit Relief Act of 2000

This legislation would modify rates on nonprofit mailings. In January 2000, the Postal Service Board of Governors proposed postage rate increases for all classes of mail. The rate request is currently pending before the Postal Rate Commission. Under the current rate request, rates for nonprofit mail would surpass rates for corresponding commercial mail. The Postal Service has proposed legislation to correct the rate anomaly. The OIG will consider including appropriate steps in future reviews to develop independent and objective information to assist Congress in its decisionmaking.



## INSPECTION SERVICE

The Inspection Service is responsible for investigations that ensure the sanctity of the mail. This section describes some of its work in the areas of mail theft and service investigations.

### 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. During this reporting period, Postal Inspectors arrested nearly 2,800 employees and non-employees or contractors for mail theft. Mail theft targets include not only items of obvious value in the mail, such as jewelry, computers, cash, credit cards, and checks, but mail containing personal and financial information. The following are examples of reviews reported in the last six months.

### NON-EMPLOYEE MAIL THEFT

Thieves frequently concentrate on targets that offer a large volume of mail. Inspection Service efforts are continuing to lessen the vulnerability of such targets to attack. There has been a 48 percent decrease in collection box attacks over the same period last year. Examples of case activity related to mail theft by non-employees are highlighted below:

- ◆ Members of a Mail Theft Task Force searched the residence of a gang leader and recovered approximately 2,500 pieces of mail. Included in this mail were over 100 credit cards and thousands of blank personal checks. Postal Inspectors developed information during the search indicating that the gang was responsible for nearly 75 attacks at postal facilities in the Texas area. To date, one member of the gang has been arrested and warrants are pending for others.
- ◆ Members of an organized crime task force arrested a foreign national at a commercial mail receiving agency. The individual who was arrested assumed the identity of a resident and opened several fraudulent credit card and business checking accounts. Through the use of this scam,

this individual was able to obtain funds exceeding \$150,000.

- ◆ Postal Inspectors and Federal Bureau of Investigations agents arrested two foreign nationals for selling credit card convenience checks that were stolen from the mail. The arrests were based on information obtained through undercover buys of convenience checks by federal law enforcement agents. These convenience checks, which were previously reported stolen prior to delivery to postal customers, led to the arrest of a postal employee for mail theft. The employee admitted to stealing credit cards from the mail and selling them to the suspects. The investigation further revealed the two foreign nationals who were arrested had been associated with credit card convenience check losses that exceeded \$3 million.

### EMPLOYEE MAIL THEFT

The overwhelming majority of Postal Service employees work conscientiously to move the nation's mail to its proper destination, and they take their responsibilities seriously. Unfortunately, a small number of employees abuse the public's trust. It is the job of the Inspection Service to identify these individuals and take steps to have them prosecuted and removed from the Postal Service. An example of case activity related to mail theft by employees follow:

- ◆ Postal inspectors arrested a mail handler at an airmail facility for theft and possession of U.S. Treasury checks. The employee admitted to selling checks after they were obtained from an airline employee who had access to mail destined to various states throughout the United States.

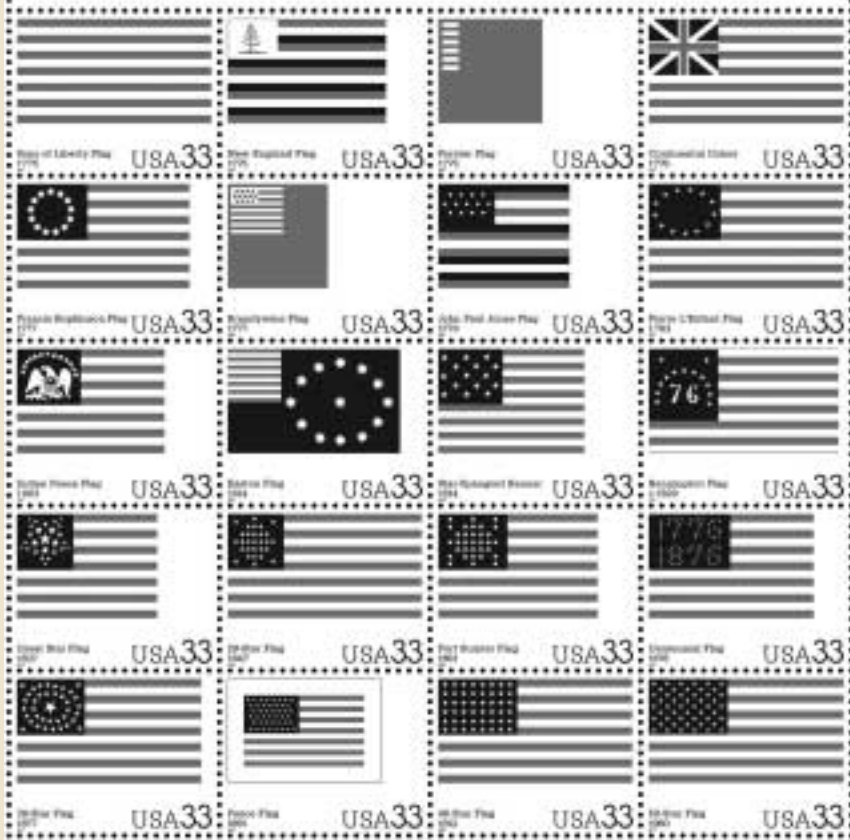
### SERVICE INVESTIGATIONS

Service investigations are conducted to address localized service-related concerns or to verify the accuracy and timeliness of reports of mail processing conditions or delivery services. For example, the Inspection Service reviewed the Census 2000 mailing at selected sites and identified opportunities for improving the efficiency of the Census 2010 mailing.



The Inspection Service enforces over 200 statutes related to crime against the U.S. mail, the Postal Service, and Postal employees and customers.

# THE STARS AND STRIPES



# Financial Management Reviews



## OFFICE OF INSPECTOR GENERAL

- Financial-Related Reviews
- Contracting and Facilities Reviews
- Legislative and Regulatory Reviews

## INSPECTION SERVICE

- District and Installation Financial Audits
- Revenue Investigations
- Embezzlements



## Why does the OIG include inspection Service activity in the Semiannual Report to Congress?

Including Inspection Service activity in the Semiannual Report to Congress provides a complete accounting to stakeholders on efforts within the Postal Service to combat fraud, waste, abuse, and mismanagement.

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

## OFFICE OF INSPECTOR GENERAL

The Postal Service is a \$65 billion business that relies on strong financial management controls to maximize revenue and minimize costs. In the past six months, the OIG has completed 130 financial management reviews. These efforts resulted in about \$116 million in questioned costs and funds put to better use. In addition, the OIG has conducted investigations resulting in 3 convictions, 13 arrests, 11 indictments, and investigative recoveries and restitution of about \$10 million. These projects add value to the Postal Service by identifying opportunities for cost savings and improving financial management, contracting, and facilities practices.

### FINANCIAL-RELATED AUDITS

Financial-related audits examine areas that have significant financial implications and offer the Postal Service an opportunity to save resources. The OIG has taken a proactive approach to identify areas that offer potential cost savings and improve Postal operations. In the past six months, the OIG has completed over 44 financial-related audits and investigations. The most significant reviews and investigations are highlighted below:

### EXECUTIVE RELOCATION EXPENSES SCRUTINIZED

In response to requests by Congress and the Board of Governors, the OIG conducted several audits on relocation benefits paid to Postal Service executives and employees. Two OIG reviews disclosed that relocation payments were

not in the best interest of the Postal Service. For example, the Postal Service:

- ◆ Paid approximately \$250,000 in relocation benefits to two senior executives who moved 20 miles with no change in job location. The OIG questioned whether these relocation benefits were used to augment the salary of these executives and exceeded the statutory pay cap. As a result, the Board of Governors recently passed a resolution that strengthened controls by adding relocation benefits to the list that require Board approval. (OIG FR-FA-00-010)
- ◆ Paid its executives miscellaneous relocation expenses of \$10,000 or \$25,000 without having to document expenses incurred. Through benchmarking, the OIG found that the Postal Service paid executives up to five times more for miscellaneous expenses than private industry and other government agencies. Postal Service management agreed to develop and modify criteria used for requesting payments and to review the expense allowance for miscellaneous payments. However, management did not agree to withhold miscellaneous payments until after the executive relocates. The OIG and the Postal Service plan to resolve this recommendation through the audit resolution process. (OIG FT-AR-00-001)
- ◆ In addition, another OIG audit found that the Postal Service made equity loss payments to executives in accordance with postal relocation policy. (OIG FT-AR-00-004)

### CONTINUED INVESTIGATION OF DINERO SEGURO PROGRAM LEADS TO MORE ARRESTS

Dinero Seguro (translation: “Sure Money”) is a program that enables customers to wire money electronically from 870 post offices in California, Texas, and Illinois to recipients at any Bancomer (the Postal Service’s Mexican banking partner in this program) branch in Mexico. Following the audit of the Dinero Seguro money transfer program, which was reported in the previous Semiannual Report to Congress, OIG personnel continued using sophisticated computer analysis techniques to

review more than 500,000 transactions to identify suspicious activity. The review identified a series of suspicious transactions by various senders. This led to a joint investigation by the OIG and other federal law enforcement agencies, which uncovered a scheme involving drug traffickers using the Dinero Seguro money transfer program to wire drug proceeds from the United States to Mexico. During this reporting period, four additional arrests have been made for distribution of controlled substances, conspiracy, and money laundering. The following items were seized: 40 kilograms of cocaine, over 15 kilograms of methamphetamines, 2 vehicles, and over \$27,000 in cash.

### CONTROLS OVER MONEY ORDERS NEED TO BE IMPROVED

During FY 1999, the Postal Service sold approximately 221 million money orders to its customers. The OIG conducted the following audits to assess controls over money orders:

- ◆ The OIG audited internal controls over the accounting for blank money order destruction at an accounting service center. The OIG found that center personnel did not promptly update the records showing the destruction of blank money orders. As a result, the opportunity to detect fraud was delayed at least 21 weeks. (OIG FT-FA-00-001)
- ◆ The OIG audited controls over the storage of blank money orders and imprinters and found they were not properly inventoried or safeguarded. Postal Service management agreed to implement better internal controls over money orders. (OIG FT-FA-00-001)
- ◆ An OIG audit disclosed the Postal Service's processes and procedures for international list service money orders did not comply with the Bank Secrecy Act, which was enacted to deter money laundering. Specifically, controls and procedures were not in place to ensure that personnel complied with requirements for recordkeeping and reporting to the Department of the Treasury. The OIG recommended and Postal Service management agreed to restrict expansion of the service until it is compliant with the Bank Secrecy Act. (OIG FT-AR-00-002)

### FINANCIAL OPINION WORK CONTINUING

The OIG is continuing to conduct financial opinion work at three accounting service centers and the headquarters. These audits support the independent public accounting firm's overall opinion of the Postal Service's financial statements. The results of the adjustments will be reported in the next Semiannual Report to Congress. In addition, the OIG served as co-contracting officer's representative with Postal Service Finance for the work performed by the independent public accounting firm.

### COST AND REVENUE ANALYSIS DATA GENERALLY IN COMPLIANCE

The OIG conducted audits to observe statistical tests for the Postal Service's FY 2000 Cost and Revenue Analysis in 33 districts. The tests are used to validate the costs and revenues supporting Postal rates. Although the OIG found that the data collectors generally conducted the tests in accordance with postal policies and procedures, 17 had test errors and minor weaknesses in management controls. The OIG issued individual reports to address the errors and weaknesses noted and will issue a summary report providing Postal Service management with recommendations to address systemic issues. (OIG FF-FA-00-001 through OIG FF-FA-00-033)

### OIG ASSISTS WITH COMBATING POTENTIAL TERRORISM

The OIG assisted the Federal Bureau of Investigations and the Immigration and Naturalization Service in the investigation of individuals suspected of smuggling cigarettes to raise money for the Hezbollah, an armed Islamic group in Lebanon that the United States has designated as a terrorist group. The group put aside several thousand dollars in cash for the Hezbollah from the trafficking of cigarettes and from fund raising activities. The investigation led to the execution of 18 search warrants and 17 arrests. The individuals were charged in federal court with mail fraud, money laundering, and immigration violations.

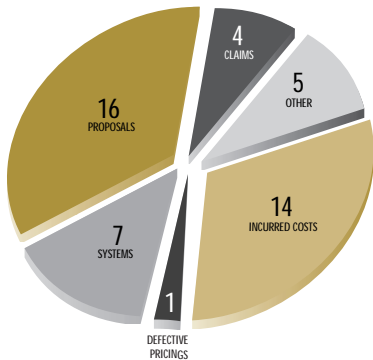


OIG financial-related reviews support the external auditors opinion.



OIG identified unsecured money order imprinters at a Material Distribution Center.

Types<sup>2</sup> and Number of Contract Audits Initiated



## TORT CLAIMANT ARRESTED AND CHARGED WITH PERJURY

As a result of an OIG investigation, a tort claimant was indicted on perjury charges stemming from a \$1 million lawsuit the claimant filed against the Postal Service. The claimant filed the lawsuit as a result of a car accident with a Postal vehicle. Although the claimant's car sustained only \$63.55 in property damage, the claimant later alleged physical and emotional trauma totaling \$1 million as a result of the accident. However, the claimant failed to disclose a prior car accident occurring the month before in which the claimant suffered substantial injuries. Sentencing is pending.

## POSTAL CHECK DIVERTED FOR PERSONAL USE

The OIG investigated the diversion and alteration of a Postal Service check in the amount of about \$192,000 issued to a contractor. The investigation determined that the check was diverted to an individual, altered with a new payee name, and deposited into a mutual fund account. Based on OIG investigative efforts, the corporation holding the mutual fund account refunded the amount to the Postal Service.

## BULK MAILER RETURNS POSTAL SERVICE FUNDS

The OIG and Inspection Service investigated a bulk mailer to whom the Postal Service inadvertently issued a check for about \$32,000. Bulk mailers are offered lower postage rates based on the weight and number of pieces mailed. These bulk mailers have an account with the Postal Service in which funds are deducted for postage. If there is a credit balance in the account, the Postal Service can issue a refund check to the mailer. In this case, the Postal Service issued a check to the wrong mailer and the mailer cashed the check. When the Postal Service demanded the money back via certified mail, the mailer signed for the mail but made no attempt to contact the Postal Service. Due to the investigative efforts of both agencies, the mailer reimbursed the Postal Service for the full amount.

## CONTRACTING AND FACILITIES REVIEWS

In FY 2000, the Postal Service purchased \$7.2 billion in supplies and services, equipment, transportation, and facilities. Contracts for these services included over \$572 million in noncompetitive purchases and \$348 million in credit card purchases. The Postal Service is also one of America's largest owners, developers, and managers of real estate, committing over \$1 billion in FY 2000 for repair, renovation, and new construction of facilities, and paying \$780 million in rent.

The OIG is responsible for contract audits designed to assist Postal Service contracting officers in determining fair and reasonable contract prices, as well as providing them with reviews of contractor accounting systems. In the past six months, the OIG conducted 86 reviews of contracting and facilities-related issues with the assistance of a contract audit agency, which specializes in pre-award and post-award contract audits. Also, the OIG has many open criminal investigations targeting fraud and corruption in these areas. The most significant contracting and facilities reviews are highlighted below.

## CONTRACT AUDITS IDENTIFIED OVER \$56 MILLION IN QUESTIONED COSTS

In the past six months, the OIG completed 47 contract audits, resulting in over \$56 million in questioned and unsupported costs. The audits focused on whether contractors had:

- ◆ Incurred costs and cost proposals that were allowable and reasonable.
- ◆ Submitted defective pricing data.
- ◆ Accounting and billing systems that were adequate for allocating costs to the Postal Service.
- ◆ Estimating systems that were adequate for preparing reasonable cost proposals.

The chart in the margin shows the number of audits, by type, completed in this reporting period<sup>2</sup>.

In addition to raising questions about costs, the audits disclosed that some major Postal

<sup>2</sup> Incurred cost audits evaluate the reasonableness of costs incurred by contractors; proposal audits evaluate the reasonableness of contractor cost estimates; defective pricing audits are performed to determine whether contract prices significantly increased because of defective contractor pricing data; and contractor systems, such as accounting, estimating, and billing systems are reviewed to determine their adequacy to account for contract costs.

Service contractors did not have adequate accounting, estimating and billing systems. Following is a summary of 11 significant contract audits completed in the last six months:

- ◆ Audits of three cost proposals submitted by a contractor valued at \$80 million disclosed questioned and unsupported costs of \$15.1 million. The audit agency also audited the contractor's estimating system and determined that it was not adequate for developing reliable cost estimates due to a lack of written policies and procedures, adequate cost development procedures, adequate training for estimating personnel and independent or self-governance quality assurance reviews. The contractor agreed with these findings regarding the estimating system and agreed to correct the deficiencies. The OIG recommended that the Postal Service insert a clause in any contracts negotiated based on these proposals to allow the Postal Service to recover excess costs if the contractor's actual costs were less than it had proposed. Postal Service contracting officers were still in the process of determining whether to withhold questioned costs identified by these audits. (OIG CA-CAR-00-031, OIG CA-CAR-00-041, OIG CA-CAR-00-054, and OIG CA-CAR-00-065)
- ◆ An audit of a second contractor's \$294.1 million proposal disclosed \$17.7 million in questioned costs primarily due to overstated materials and the costs of purchased parts. The OIG again recommended that the Postal Service include a clause in any negotiated contract based on the proposal to allow recovery of excess costs if it is later found that the company's actual costs were less than its proposed costs. Postal Service contracting officers were still in the process of determining whether to withhold questioned costs identified by this audit. (OIG CA-CAR-00-064)
- ◆ An audit of another contractor's \$224.6 million proposal disclosed \$10.6 million in questioned costs. The company's cost and pricing data was considered inadequate because some of its cost estimates were not based on proper budget data. However, the proposal was prepared in accordance with Postal procurement requirements and is therefore considered acceptable to negotiate a fair and reasonable contract price. Postal Service contracting officers were still in the process of determining whether to withhold questioned costs identified by this audit. (OIG CA-CAR-00-055)
- ◆ Four audits of about \$2 million in costs submitted for payment by a Postal Service construction contractor resulted in the full amount being questioned as to reasonableness and allowability because the contractor did not have adequate or complete accounting records or systems to support the costs. Consequently, there was no assurance that the contractor's costs were chargeable to the Postal Service. The Postal Service contracting officer agreed with OIG's recommendation to withhold payment of these costs. (OIG CA-CAR-00-020, OIG CA-CAR-00-022, OIG CA-CAR-00-023, and OIG CA-CAR-00-025)
- ◆ An audit of a subcontractor's proposal in the amount of \$3.3 million for three million mail trays resulted in the full amount of the proposal being questioned, because the subcontractor refused to provide records to support the proposed costs. The Postal Service contracting officer advised us that based on the audit, the subcontractor was no longer being considered as a source for the mail trays. (OIG CA-CAR-00-051)
- ◆ A review of a contract initially issued for \$1.7 billion disclosed that the contractor had no official estimating system in place for preparing reasonable costs proposals. At the end of this reporting period, the OIG was reviewing the reasonableness and allowability of additional cost claims submitted by the contractor totaling about \$160 million. The OIG is also working with Postal Service management to determine how much of an additional \$265 million in claims from this contractor will be audited.



### What is the OIG's web address?

The OIG's web address is [www.uspsoig.gov](http://www.uspsoig.gov). It also can be accessed on the Postal web address, [www.usps.com](http://www.usps.com), by first clicking on "About USPS," and then clicking on "Office of Inspector General."

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## **TELECOMMUNICATIONS CONTRACTOR PAYS AN ADDITIONAL \$9.2 MILLION SETTLEMENT**

An OIG investigation and review of a \$3 billion telecommunications contract and the contractor's accounting and billing process resulted in the Postal Service recovering \$9.2 million for outage credits<sup>3</sup>, overcharges, and costs for defective and substandard materials and incomplete work during this semiannual reporting period, bringing the total recoveries to over \$12.2 million. Also, Postal Service management agreed to implement OIG recommendations, which could avoid up to \$96 million in overcharges over the remaining eight years of the contract. (OIG FA-MA-00-007)

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## **\$23 MILLION IN REPAIRS NOT DETECTED PRIOR TO PURCHASE**

An OIG audit, conducted at the request of the vice president, Facilities, disclosed that the Postal Service could have avoided \$23 million in roofing, heating, and air conditioning repairs that were not detected at the time the building was purchased for a Western Area processing and distribution center. This occurred because the Postal Service had not conducted the required detailed engineering study before it purchased the building. Postal Service management agreed to define the requirements for engineering studies and to establish controls to ensure that required studies are conducted before future acquisitions of major facilities. (OIG FA-AR-00-005)

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## **USE OF INDUSTRY CONTRACT MODIFICATION STANDARDS COULD REDUCE COSTS**

The OIG audited the Postal Service's major construction contracting process and found the Postal Service incurred \$19 million in excess costs because it had not used industry standards for modifying contract costs. These standards require that modifications of the original contract price should not exceed 5 percent for new construction and 15 percent for alteration projects. Postal Service management agreed with the OIG's recommendations to identify the cause for contract modifications and reduce the dollar amount of future modifications when possible. However, management

did not agree that \$19 million could have been saved because the modifications were necessary to successfully complete the project. (OIG FA-AR-00-004)

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## **WARRANTY CLAIMS FOR \$1.8 MILLION NOT SUBMITTED FOR REIMBURSEMENT**

An OIG audit of the Postal Service Tractor Warranty Repair Program determined that the Postal Service had not been reimbursed over \$1.8 million for warranty repair work performed by its Vehicle Maintenance Facilities. Postal Service officials stated that this occurred because a Postal-wide claims processing system had not been implemented due to computer design and implementation problems. Postal Service management agreed with the OIG's recommendations to recover these costs as appropriate and to establish a system to ensure that tractor repair costs under warranty are recovered in the future. (OIG CA-AR-00-001)

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## **2002 WINTER OLYMPICS RENOVATION PLANS WERE INCOMPLETE**

Based on the results of the OIG review of the Atlanta Olympics facilities plan, Postal Service management requested that the OIG review the Western Area district facilities portion of the 2002 Winter Olympics Plan. The audit disclosed that the costs for work to be performed at 24 facilities were not accurately represented in the project funding document. Because the appropriate level of approval is dependent upon the cost of the work, the project funding document may not have been approved at the appropriate level. In addition, the project was being implemented without a purchase plan or project code and related costs had not been properly identified. Postal Service management agreed with the OIG's recommendations to accurately report the facilities work needed and related costs. (OIG FA-AR-00-002)

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## **CONTRACTING OPPORTUNITIES INCREASED FOR SMALL, WOMEN-OWNED, AND MINORITY BUSINESSES**

In response to a request from the Ranking Minority Member, House Postal Subcommittee,

<sup>3</sup> Outage credits are amounts due the Postal Service because of system failures.



the OIG conducted a review of the Postal Service's process for award of \$150 million in advertising contracts. The review disclosed that the Postal Service did not require companies to provide a plan to show how they would subcontract their advertising work to provide additional opportunities to minority companies. As a result of this review, Postal Service management agreed to require companies to submit these plans. Thus, contracting opportunities could increase for small, minority, and women-owned businesses. Further, for the \$150 million in advertising contracts awarded, management agreed to include a clause that would allow the Postal Service to reduce contract prices as appropriate, based on OIG's audits of contractors' cost proposals. (OIG CA-LA-00-001)

### **POSTAL MANAGERS INDICTED ON MONEY LAUNDERING CHARGES**

A joint investigation by the OIG, the Inspection Service, and the Internal Revenue Service disclosed that two former Postal Service managers devised a scheme to defraud the Postal Service of several million dollars. The Postal employees allegedly conspired with the owner of two computer companies to submit fraudulent invoices to the Postal Service for computers and supplies not received. While under investigation, the couple fled the United States to Venezuela. The Inspection Service working with the Venezuelan authorities apprehended them in Caracas where they had been traveling under false Venezuelan identification documents. The Venezuelan government immediately deported them to the United States where they were arrested in Florida. The couple laundered almost a half million dollars of their ill-gotten gains to banks in Venezuela and the Bahamas. As of September 30, 2000, the OIG has recovered over \$496,000 in cash from both countries. In addition, OIG special agents recovered high-quality multi-carat diamond rings and earrings, gold necklaces, pearl necklaces, expensive watches, gold coins, gold pens, and imported crystal. As a result of the international investigation, the couple was indicted on conspiracy, money laundering, and fraud charges.

### **ADDITIONAL \$151,000 ADJUSTMENTS MADE TO AUTOMATION CONTRACT**

During an investigation into the production and use of a flat sorting machine, the OIG identified potential overcharges pertaining to a claim submitted by the contractor. After negotiations with contractor representatives, the contract was reduced by \$151,000. Including a credit of \$35,000, which was reported in the previous Semiannual Report to Congress, the total amount reduced to date is over \$185,000.

### **CONTRACTORS' CHARGES QUESTIONED**

The OIG conducted several investigations and reviews that questioned contractor charges:

- ◆ An OIG investigation disclosed that due to a discrepancy in billing rates, a telecommunications company overcharged the Postal Service. The overcharges occurred as a result of the Postal Service being billed for the contractor's commercial rates rather than contractual government rates. The contract was adjusted to reflect credit for the billing discrepancy.
- ◆ The OIG investigated an architectural engineering company for billing the Postal Service for work not performed. The company agreed to settle the case by reimbursing the Postal Service, including interest for almost four years.
- ◆ An OIG investigation identified overpayments to a contract airline carrier that charged the Postal Service incorrect transportation rates on mail. As a result, the airline reimbursed the Postal Service for the entire amount.

### **CONTRACTORS SUSPENDED/DEBARRED**

Two OIG investigations reported the following contractor suspensions and debarments:

- ◆ As the result of a multi-agency task force investigation led by the OIG, 35 environmental services contractors were suspended from doing business with the government. The investigation revealed that the contractor submitted false testing data on underground storage tanks to the Postal Service, Department of Defense, and other federal agencies.



Some of the expensive jewelry items seized by OIG agents in a fraud investigation.

- ◆ Based on a Congressional referral, the OIG found that a contractor breached the terms and conditions of its contract for the construction of a new post office. The contractor failed to adhere to generally acceptable construction and quality control practices. The contractor was debarred for three years from conducting business with the Postal Service.

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### **TERMINATING FACILITY LEASE COULD SAVE OVER \$2 MILLION**

An OIG review confirmed allegations that the Postal Service was renting a building under a 20-year lease that was not being used. The review disclosed that the Postal Service could save over \$2 million by terminating the lease for the building, which had remained vacant since lease inception. Postal Service management agreed with the OIG's recommendation and requested approval to sublease the unused building. (OIG FA-MA-00-004)

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### **OPPORTUNITY TO ENHANCE INTERNAL CONTROLS OVER PROPERTY DISPOSAL**

At the request of a Postal Service Governor, the OIG reviewed property disposal at a Great Lakes Area postal facility and disclosed that Postal Service officials may not have properly accounted for the property because they had not conducted an inventory since 1990. In addition, the review identified opportunities to improve information on the location of capital property. The results of the review are being considered for a more comprehensive property audit. (OIG FA-LA-00-002)

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### **POSTAL MANAGER ARRESTED FOR VEHICLE REPAIR SCAM**

A Postal manager in the Northeast Area was arrested by OIG special agents on embezzlement charges. Postal vehicles are usually repaired by Postal vehicle maintenance facilities; however, vehicle maintenance managers are authorized to have contractors perform the work when necessary. The manager conspired with a contractor to repair the family's vehicles at government expense. Between 1995 and 1998, the contractor inflated bills for Postal vehicles by \$87,000 to cover the costs of repairs to the manager's personal vehicles. Judicial action is pending.

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### **POSTAL CONTRACTS TERMINATED FOR DEFAULT**

An OIG investigation determined that a contractor produced substandard cabinets for the Postal Service that did not meet contract specifications. As a result, eight contracts have been terminated for default. The estimated loss to the Postal Service is over \$285,000.

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### **LEGISLATIVE AND REGULATORY REVIEWS**

During this reporting period, the OIG did not identify any significant legislation or regulations affecting Postal Service financial management, contracting, and facilities areas.

## INSPECTION SERVICE

Within the financial management area, the Inspection Service performed District Accounting Office and financial installation audits as well as revenue investigations and embezzlement actions. (Note: As a result of the Designation of Functions between the Inspection Service and the OIG, the Inspection Service will no longer perform financial audits as of October 1, 2000.)

### DISTRICT AND INSTALLATION FINANCIAL AUDITS

The Inspection Service conducted District Accounting Office audits to evaluate controls over district accounts and the security over district computer systems. Inspectors also conducted financial installation audits to review the adequacy of internal controls at the installation level. During this reporting period, the Inspection Service reported the results of 175 financial installation and District Accounting Office audits. Two examples are noted below:

- ◆ A financial audit of a Processing and Distribution Center identified deficiencies in trust fund management. The audit identified a \$498,000 variance in accounting systems in trust funds for postage due business reply mail. District and local employees were unaware of the variance, its source, or how long the system had been out of balance. Postal Service management agreed with the findings and recommendations to strengthen internal controls over the management of customer trust funds.
- ◆ A financial audit of a Business Mail Entry Unit identified over \$14,000 in revenue deficiencies. Postal Inspectors found that procedures were insufficient to ensure that mailing statements were controlled, required reviews were conducted, bypass mailings were identified, and revenues were collected. Improved procedures and regular review of Periodicals, First-Class, and Standard Mail would prevent revenue losses caused by errors. Postal Service management agreed with Inspection Service recommendations and began an action

plan to improve internal controls and collect revenue deficiencies.

### REVENUE INVESTIGATIONS

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

Postal Inspectors focus on revenue investigations where there is customer intent to defraud the Postal Service. In the last six months, there were 26 arrests and 9 successful criminal prosecutions resulting from revenue investigations. Also, Inspectors reported the results of 16 revenue investigations during this reporting period, which identified \$27.2 million in revenue deficiencies. Examples of revenue investigations follow:

- ◆ The president and the production manager of a presort company were indicted on charges of mail fraud. The indictment alleged that the two individuals defrauded the Postal Service through a series of postage schemes. Because the two individuals represented a potential flight risk, the U.S. Attorney's office ordered their arrest the day following the indictments. In addition to the criminal charges involved, the government also filed a civil suit against the individuals, seeking damages and penalties of over \$23 million.
- ◆ The owner of an area mailing service was arrested for tampering with a postage meter, resulting in losses to the Postal Service of \$2.1 million. The owner made a counterfeit key that provided access to the meter's inner workings. The owner pled guilty to an 18-count indictment, and sentencing is pending.
- ◆ The president and owner of a presort company was indicted on charges of mail fraud, false statements, and conspiracy. The indictment charged that the owner deliberately disguised large volumes of mail, resulting in losses to the Postal Service of \$1.3 million.



**What should you do if you receive a mailing promising you a free prize, or if you have been victimized in a free prize promotion through the mail?**

**You should contact your local postmaster or the nearest Inspection Service office.**

- ◆ A direct mail company executed a 13-month meter-tampering scheme, which caused the Postal Service to lose at least \$547,000. One of the company's employees created a special tool to defeat the meter's security features. A civil suit filed against the company's owner resulted in the recovery of \$450,000.

## EMBEZZLEMENTS

Embezzlement is fraudulently appropriating property for individual gain. Within the Postal Service, under the revised Designation of Functions, embezzlements under the primary jurisdiction of the Inspection Service include stealing 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.

Postal Inspectors investigated 97 employee embezzlements this reporting period, which documented losses of \$1.9 million. Examples of Inspection Service embezzlement activities follow:

- ◆ An analysis of trust fund revenue accounts and deposits at a post office disclosed a possible embezzlement of funds by the postmaster. An investigation conducted by Postal Inspectors identified the postmaster as the subject responsible for the embezzlement of more than \$672,000 over a period of 14 years. The postmaster admitted purchasing seven new personal vehicles and a condominium with the postal funds.

- ◆ A postal clerk pled guilty to misappropriation of funds and income tax evasion in an embezzlement case where the Postal Service lost \$725,000. The Postal employee manipulated the postage validation imprinter accounts in the Integrated Retail Terminal system. The employee resigned from the Postal Service and has made full restitution to the Postal Service in the amount of \$725,000.
- ◆ A federal grand jury returned a 12-count indictment against a former postmaster for mail fraud, embezzlement and making false entries when issuing postal money orders. The former postmaster was charged with embezzling over \$60,000 in money order. The postmaster pled guilty and was sentenced to six months home detention, three years probation, and a fine.



# Technology Reviews



## OFFICE OF INSPECTOR GENERAL

- Developmental Reviews
- Computer Security
- Electronic Commerce
- Computer Intrusion Detection Activities
- Legislative and Regulatory Reviews

## INSPECTION SERVICE

- Electronic Commerce

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

## OFFICE OF INSPECTOR GENERAL

The Postal Service recognizes that technology, including electronic commerce, is key to productivity and affordability. 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. Its technology strategy is to provide convenient access to all customers on a daily basis through increasingly sophisticated retail systems, expansion in new electronic access channels, and electronic linkages that integrate customer and postal processes. In addition, the Postal Service is using modern technology (eCommerce initiatives) to improve and build on its existing services and relationships with customers, to continue filling the needs that the Postal Service has traditionally served.

OIG technology reviews encompass developmental systems, computer security, and electronic commerce, in addition to computer intrusion detection activities. In the past six months, the OIG performed thirteen reviews in the technology area. Significant reviews are highlighted below:

### DEVELOPMENTAL REVIEWS

The Postal Service is developing numerous business systems and types of mail processing equipment 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 six audits of major projects currently under development during the reporting period. Some of the most significant reviews are highlighted below:

### INFORMATION INFRASTRUCTURE DOES NOT SUPPORT STRATEGIC GOALS

The OIG audited the Postal Service's efforts to develop and integrate its information infrastructure in early planning phases to assess the justification, management controls, funding, and integration. The infrastructure, estimated at \$2.3 billion, integrates the core business areas of receiving, processing, transporting and delivering mail for resource management and decisionmaking.

The audit disclosed that the Program was not fully aligned with the Postal Service's strategic goals and plans, expected benefits were not adequately supported, a comprehensive funding strategy was not completed, and other business areas impacting the Program were not appropriately integrated. Postal Service management agreed with the OIG's recommendations to enhance management of the Information Platform Program. (OIG DA-AR-00-004)

### RETAIL SYSTEM NOT PERFORMING AS PLANNED

The OIG conducted a series of audits on developing and deploying the \$500 million Point of Service ONE system. The Point of Service ONE system, which has been implemented in stages, is the new Postal Service retail system intended to replace aging and outdated integrated retail terminals at the windows of post offices. During the last six months:

- ◆ The OIG audited the stage two deployment of the Point of Service ONE system and found that the Postal Service has made significant progress in developing, deploying, and improving the Point of Service ONE system since OIG's previous audit. However, the system being deployed has not met all contract requirements or the functionality originally envisioned. The OIG recommended and Postal Service management agreed to incorporate lessons learned from the project in future retail systems development, develop a contingency



OIG reviewed a new Point of Service ONE System which replaced aging and obsolete integrated retail terminals.

plan for network failures, and record help desk calls. However, management did not agree with the OIG's recommendation to provide electronic backup of retail transactions. The OIG and Postal Service plan to resolve this recommendation through the audit resolution process. (OIG DA-AR-00-006)

- ◆ The OIG evaluated the deployment of the Point of Service ONE system to determine its impact on the financial accounting system used to report retail discrepancies. The audit disclosed that the accounting system contained over 62,000 unresolved adjustments that totaled \$61.8 million and were up to 11 years old. These adjustments were generated at both Point of Service ONE and integrated retail terminal sites. The adjustments resulted from untimely clearance of discrepancies before deploying the new system and delays in resolving clerks' discrepancies that could not be cleared until grievance-arbitration cases were resolved. In addition, because the system automatically detects discrepancies, the number of accounting adjustments increased. Postal Service management agreed with the OIG's recommendations to review the best method for resolving accounting adjustments and communicate the results of grievance-arbitration cases to district accounting officials. (OIG DA-AR-00-005)

### **NEW SYSTEM FOR VALIDATING BULK MAIL COULD BE IMPROVED**

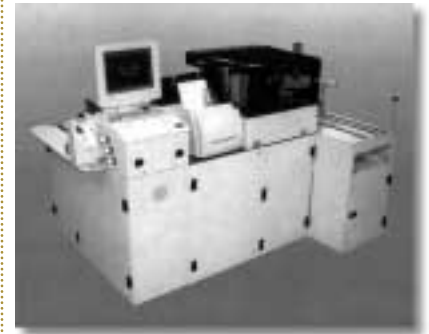
The OIG audit evaluated the functional capabilities, consistency, and reliability of the preproduction of the Postal Service's system designed to automate the acceptance and verification of bulk business mail, known as the Mailing Evaluation, Readability, and Lookup Instrument (MERLIN). The audit disclosed that the system should be generally successful and provide a consistent and reliable technology for mail acceptance. However, improvements are needed to avoid erroneous reporting and the potential loss of postal revenue. Postal Service management agreed to work with the vendor to address the OIG's issues. (OIG DA-AR-00-003)

### **COMPUTER SECURITY**

The Postal Service relies on a massive computer infrastructure to accomplish and streamline operations, manage one of the largest civilian workforces in the world, and move billions of pieces of mail each year. To bolster its position as a major participant in electronic commerce, the Postal Service has initiated several information technology projects to enhance efficiency and revenue. However, computer security needs to be maintained and improved to reduce the risk of fraud, inappropriate disclosure of sensitive data, and disruption of critical operations and services. A comprehensive review is highlighted below:

### **COMPUTER SECURITY REQUIRES HIGHER PRIORITY**

The OIG audited the Postal Service's computer security program to determine whether a comprehensive program has been established to protect automated assets and sensitive data. The audit disclosed that managers needed to develop a more comprehensive integrated computer security program and make computer security a higher priority. The audit also disclosed that Postal Service managers were not fully aware of their responsibilities for computer security and did not place emphasis on planning and budgeting for computer security. Further, policies and procedures for computer security were not developed, implemented, and kept current. Finally, the OIG identified technology and staffing issues involving the lack of background clearances and experience levels and the difficulty in attracting and retaining qualified security personnel because of salary constraints. In this report, the OIG agreed to management's alternative proposal to a six-month trial placement of the national security group within the office of the Chief Technology Officer. The national security group is the corporate-level organization responsible for the creation, and administration of computer security policy postal-wide. The OIG originally recommended placing that group within the office of the Deputy Postmaster General. Therefore, the OIG plans to conduct a follow up security review to determine whether the agreed upon actions address the issues identified in this report. (OIG IS-AR-00-004)



OIG's audit identified strengths and recommended improvements for the MERLIN system.



The USPS webpage at usps.com provides information on the new eBillPay program and other emerging electronic commerce initiatives.

## ELECTRONIC COMMERCE

Businesses worldwide are facing 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 recognizes the need to add new revenue sources and provide systems and services to meet supplier and customer needs.

One major initiative the Postal Service recently implemented is called eBillPay, which allows customers to pay their bills online through a central, secure Internet website. The Postal Service recently launched other initiatives such as Electronic Postmark and Post Electronic Courier Service, and continues to build a strong Internet presence in hopes of becoming the carrier of choice for merchandise purchased on the Internet. The Postal Service, however, faces a formidable challenge in implementing electronic commerce strategies for the new century. Clearly, the advent of electronic commerce will forever change the way the Postal Service conducts business.

The OIG is committed to helping the Postal Service meet this challenge. The OIG has established a separate electronic commerce team directly involved in day-to-day consultation and review of electronic commerce initiatives, and has a number of other teams available to perform related reviews and investigations. The OIG will continue to evaluate the Postal Service's efforts to move successfully and securely into the electronic marketplace of the 21st century. The most significant review is highlighted below:

### NEW ONLINE PAYMENT SYSTEM REVIEWED FOR SECURITY AND PRIVACY REQUIREMENTS

The OIG audited the implementation of the Postal Service's online bill presentment and payment system, to determine whether the Postal Service met information system security and federal privacy requirements. The audit disclosed that the Postal Service should adjust its policies and procedures to meet the needs of electronic commerce partnerships and alliances and better address computer and network security and privacy issues. Postal Service management generally agreed with the OIG's recommendations and initiated corrective actions during the audit. (OIG EC-AR-00-001)

## COMPUTER INTRUSION DETECTION ACTIVITIES

The OIG Computer Intrusion Team investigates violations of federal law pertaining to computer activity, such as the Computer Fraud and Abuse Act. Law enforcement activities include developing and implementing intrusion detection systems for law enforcement purposes, working with Postal management in responding to computer-based attacks, and conducting criminal investigations of attacks.

### OIG ASSISTS IN INSTALLING INTRUSION DETECTION SYSTEMS

The OIG worked with Postal Service management to install Intrusion Detection Systems within Postal Service networks in order to determine whether Postal systems are being intentionally compromised or crippled by external or internal users. These systems will allow management to identify threats and assist the OIG to quickly respond to threats related to traditional mail operations as well as sophisticated eBusiness applications containing sensitive customer information.

### OIG TESTS SECURITY OF POSTAL COMPUTERS

The OIG began testing postal networks and eBusiness applications to ensure they are reasonably secure. The OIG uses proven software, hardware, and hacker tools that report both the security holes and the ways to fix them. These tests are designed to identify unauthorized modems, which can allow new ways to gain unauthorized access to a computer network. Once vulnerabilities are known, the OIG informs Postal Service management of the vulnerabilities so they can make business decisions about the level of risk they are willing to tolerate on a network or application. Rigorous testing of eBusiness computer systems prior to their exposure to the Internet is a routine exercise for prudent businesses.



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## **OIG ASSISTS THE POSTAL SERVICE WITH DEVELOPING A COMPUTER INCIDENT RESPONSE TEAM**

The OIG has assisted Postal Service management with developing a Postal Computer Incident Response Team as well as the processes to support the Response Team's handling of computer security incidents. The Response Team, based at the National Systems Security Center, will prioritize incidents as they occur and engage the OIG's team of computer intrusion investigators when criminal activity is suspected. As the Response Team continues to become the focal point for protecting the integrity, confidentiality, and availability of Postal networks, Postal Service operations and eBusiness initiatives will remain successful even as the number of network security incidents continue to rise across the Internet.

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## **LEGISLATIVE AND REGULATORY REVIEWS**

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### **ENACTED LEGISLATION**

#### **Public Law 106-229 - The Electronic Signature in Global and National Commerce Act**

Congress recently enacted the Electronic Signature in Global and National Commerce Act, which promotes the use of electronic signatures and enacts a federal law prohibiting states from discriminating against entities conducting business using electronic communication and signatures. Government agencies are encouraged to use electronic records and signatures, but can still require paper documents and written signatures if they establish a compelling governmental interest relating to law enforcement or national security.

This law does not apply to the Postal Service. However, the Postal Service anticipates a decline in postal revenue as more individuals and businesses use electronic communications instead of First-Class Mail. This legislation calls for a study on the effectiveness of electronic delivery versus documents delivered via the mail, which could highlight the potential loss in First-Class Mail revenues as a result of increasing reliance on electronic commerce. The OIG will continue to monitor

this law and include appropriate steps in future reviews to develop independent and objective information to assist Congress in its decision-making.

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### **PROPOSED LEGISLATION**

#### **S. 1912 - Electronic Commerce Technology Promotion Act**

This legislation is designed to facilitate the growth of electronic commerce and to signal strong support of the electronic commerce market by promoting its use within federal government agencies and small and medium-sized businesses. This legislation does not apply to the Postal Service. However, it has the potential to diminish postal revenue as more individuals and businesses use electronic communications instead of First-Class Mail. The OIG will continue to monitor this legislation and will include appropriate steps in future reviews to develop independent and objective information to assist Congress in its decision-making.

#### **H.R. 4516 - Treasury/Postal Appropriations Bill**

This legislation, in addition to the routine postal appropriation for free and reduced rate mail and prior year losses, requires Inspectors General to submit a report to Congress disclosing agency activity on using computer software cookies. Cookies collect, review, or create lists containing personally identifiable information about individuals who access the agency's Internet website. The report to Congress would also include whether the agency entered into any agreements with third parties to obtain personally identifiable information. The OIG has initiated an audit to determine how the Postal Service collects and uses sensitive information from customer web-based transactions.

#### **S. 1993 - Reformation of Government Information Security by Strengthening Information Security Practices Throughout the Federal Government**

This proposed legislation amends the Paperwork Reduction Act. Although the Paperwork Reduction Act does not apply to the Postal Service, a specific provision, referencing the Government Performance and Results Act, would require the Postal Service to mention its



## Does the OIG investigate individual labor management complaints?

Generally, the OIG does not review individual employee complaints; however, the OIG has conducted reviews of some complaints to develop an understanding of the postal culture and employee concerns.

information security efforts in its annual strategic plan. The OIG will continue to monitor this legislation and take appropriate steps once it is enacted.

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## OFFICE OF MANAGEMENT AND BUDGET REQUESTS

### eGovernment Initiative

The Office of Management and Budget recently solicited comments from federal agencies at the request of the Chairman and the Ranking Member of the Senate Governmental Affairs Committee, regarding various eGovernment initiatives. The OIG commented on one of the initiatives, “Free Digital Certificate Availability for All Citizens,” which stated that the Postal Service had developed a digital certification process that would allow certificate holders to send and secure electronic mail free of charge.

The OIG is unaware of any Postal Service plan to provide this free service. Further, the OIG suggested that any digital signature program proposed by the federal government must include the implementation of a public key infrastructure to enable the digital signature to effectively replace handwritten signatures. Without a reliable infrastructure, the authenticity of digital signatures could be in doubt.

The OIG believes that the Inspector General community should generally support eGovernment initiatives as a way to provide greater access to government information and service. However, the program should be carefully reviewed to determine whether the transition from paper-based to electronic transactions has unintentionally compromised or removed critical internal controls that are designed to detect and deter fraud in government programs.

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## DUAL ROLES

The OIG is responsible for conducting audits and reviews of developmental programs, eCommerce, and overall information systems of the Postal Service. In addition, the OIG investigates violations of federal law pertaining to computer activity. The Inspection Service is responsible for assuring the security of the Postal Service’s products and services that involve technology.

## INSPECTION SERVICE

The Inspection Service plays an important role in the support of Postal Service eCommerce initiatives and technical applications. The Inspection Service monitors and reviews the security of individual systems before and after implementation, this includes eCommerce initiatives.

### ELECTRONIC COMMERCE

The Inspection Service monitors the development of new postal electronic products and services and consults with Postal Service managers on the capabilities for security, loss prevention, revenue protection, and data retention. Members of the Inspection Service have developed and conducted training on computer crimes, particularly those involving the Internet, and provide program management and guidance to field divisions conducting online investigations.

The Inspection Service continues to review security clearance requirements for the Postal Service's new electronic product, eBillPay. The Inspection Service is evaluating the risks associated with contractor employees having access to sensitive customer information.





# Labor Management Reviews



## OFFICE OF INSPECTOR GENERAL

- Violence in the Workplace
- Workplace Climate
- Health Care
- Legislative and Regulatory Reviews

## INSPECTION SERVICE

- Workplace Climate
- Postal Robberies
- Drugs in the Workplace
- Workers' Compensation

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

## OFFICE OF INSPECTOR GENERAL

The Postal Service has characterized labor management as one of the most important challenges in achieving its goals in the 21st century. To operate effectively in a rapidly changing environment, the Postal Service has recognized the need to give employee issues a higher priority and enhance each employee's contribution to organizational performance. The OIG supports the Postal Service in its overall goal of fostering an inclusive and welcoming workplace consistent with the Postal Service values of fairness, opportunity, safety, and security.

The labor management area includes issues involving workplace violence, workplace climate, workplace safety, and health care. While the OIG has worked diligently and closely with the Postal Service and Congress to address these issues, labor management continues to be one of the OIG's greatest challenges. The OIG has received over 2,800 individual labor management complaints since its inception. Because of the emotional involvement, potential financial impact, and the length of time it takes to resolve these complaints, the OIG's involvement in this area must be meaningful. During this reporting period, the OIG conducted 55 reviews in the labor management area.

### VIOLENCE IN THE WORKPLACE

Both the OIG and the Postal Service are dedicated to preventing violence and consider early intervention and cooperation with management and employee groups essential. Recognizing that workplace stress was an issue and comprehensive steps were needed to

improve the work environment, the Postal Service commissioned a workplace safety study. The study reported that Postal Service employees believed they were at greater risk than the average worker in the United States to be a victim of workplace violence; however, they were no more likely to be victims of violence than employees in the national workforce. The OIG contributed to the study by providing the Commission with information and other assistance as requested. The study reinforced and referenced many of the OIG's findings regarding workplace violence and recommendations to prevent violence and improve the work environment. During this reporting period, the OIG completed 12 reviews of workplace violence issues, several of which are presented below:

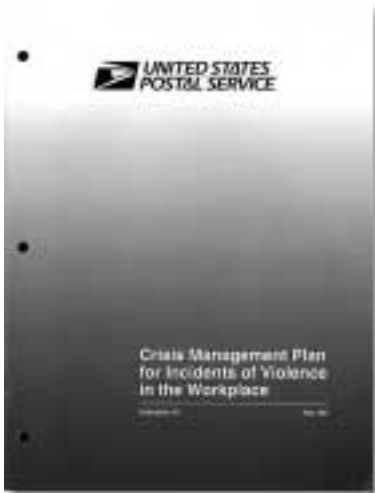
### IMPROVEMENTS COULD BE MADE IN THE VIOLENCE PREVENTION AND RESPONSE PROGRAM

In a series of reviews, the OIG examined the Postal Service's Violence Prevention and Response Program to assess the adequacy of program criteria and the program's implementation in six Southeast Area districts and one Southwest Area district. These reviews disclosed that the criteria were adequate to assist management in reducing the risk of workplace violence and to effectively respond to workplace disruptions. However, the reviews disclosed that although all seven district offices had established threat assessment teams, two of the districts did not establish violence prevention programs and threat assessment teams until two years after the implementation date. In addition, four districts did not have customized threat assessment plans at each facility to fully monitor individual threats through resolution. The OIG recommended and Postal Service management generally agreed to improve controls to ensure the effectiveness of the violence prevention and response programs.

(OIG LB-AR-00-003 through OIG LB-AR-00-010)

### OIG EVALUATES ALLEGATIONS OF HOSTILE WORKING ENVIRONMENTS

The OIG reviewed several allegations of



The Postal Service has prepared a Crisis Management Plan to help postal managers prepare for and handle crisis situations.

hostile working environments at Postal Service facilities.

- ◆ An OIG review of a district facility work environment identified a confrontational and hostile workplace climate that had the potential for violence. Specifically, the OIG found evidence of confrontational communication styles, verbal abuse, and aggressive management practices, including threatening and intimidating behavior. Management agreed to provide training to improve communications, work with union officials to improve labor management relations, provide diversity training, and continue assessing workplace climate issues through meetings with facility management and employees. (OIG LB-FR-00-001)
- ◆ A separate OIG review at a district facility confirmed allegations that a supervisor was harassing employees. However, the OIG found that district and local management had already investigated the allegation and had disseminated information to the facility to raise awareness and enforce postal policy regarding inappropriate behavior. (OIG LR-LA-00-002)

### **WORKPLACE CLIMATE**

The Postal Service believes that signs of workplace stress are present and that comprehensive steps are needed to improve the workplace climate, including aligning human resources with business requirements. In addition, the Postal Service implemented the Postal Employees' Safety Enhancement Act in September 1998 to comply with Occupational Safety and Health Act requirements, which include monetary penalties for noncompliance. To assist the Postal Service in this area, the OIG conducted several reviews of workplace climate and conditions, one of which is highlighted below:

### **ECONOMIC VALUE ADDED VARIABLE PAY PROGRAM REVIEWED**

The OIG reviewed the Economic Value Added Variable Pay Program, under which bonuses are calculated for approximately 84,000 executive and administrative employees each year. The OIG disclosed that Postal Service

managers estimated that bonuses might be about \$325 million at the same time the Postal Service is requesting a rate increase, projecting a negative net income, and considering a reduction in workforce. The OIG is continuing to analyze the reasonableness of the formula used to calculate bonus payments under the variable pay program. (OIG LB-AR-00-001)

### **HEALTH CARE**

In FY 2000, the Postal Service paid over \$670 million for employee injury claims, a \$90 million increase over the \$580 million paid in FY 1999. Controlling injury claims costs continues to be a key to the Postal Service's financial well-being because the Postal Service is self-insured for workers' compensation costs and makes payments out of operating funds, which directly affects the Postal Service's net income.

The OIG assists in protection of the health and welfare of the Postal Service's workforce by conducting audits and investigations to prevent and detect fraud, waste, abuse, and mismanagement related to Postal Service health care program costs. As part of its investigative program, the OIG has initiated proactive projects to identify improper billing practices, such as false claims and false statements by health care providers. OIG audit efforts include evaluating the increase in medical costs within the injury compensation program. In the past six months, the OIG completed ten reviews. Some of the OIG's more significant initiatives in this area are highlighted below:

### **HEALTH CARE SWINDLERS PROSECUTED**

As a result of a task-force investigation that included the OIG, four individuals were arrested during this reporting period and charged in state court for violations related to health care fraud. The individuals allegedly fabricated or stole employee health insurance information from the Postal Service and the state of Florida government to generate and submit fraudulent claims to the Federal Employees' Health Benefits Program, the Florida State Medicaid Program, and other private insurance companies. These claims resulted in payments to the individuals of \$20 million. In addition, under the federal asset forfeiture laws, the OIG seized a 1996 sports utility



To assist Postal managers in responding to threats of violence, the Postal Service has issued guidance on how to prepare for and handle these difficult situations.

vehicle that had been purchased with ill-gotten gains. Three individuals have pled guilty. Judicial action is pending against the remaining individual.

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### **PSYCHOTHERAPY SERVICES RENDERED BY UNLICENSED PROVIDER**

An OIG joint investigation resulted in the indictment and arrest of a health care provider for billing psychotherapy services the physician was not licensed to perform. The investigation determined that the provider falsely claimed that a physician provided or supervised the psychotherapy sessions.

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### **INJURY COMPENSATION PROCESS COULD BE IMPROVED**

Based on a congressional inquiry, the OIG identified opportunities for improving the Postal Service limited duty program in one of its districts by providing training to supervisors, explaining the importance of completing injury claim forms properly, and segregating payment responsibilities for contract physicians. While the limited duty program was generally effective, district officials agreed with OIG recommendations to establish procedures to improve the program. (OIG LB-AR-00-002)

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### **HEALTH CARE PROVIDER REIMBURSES THE POSTAL SERVICE**

The OIG and the California Department of Insurance conducted a joint investigation concerning health care providers who billed the Postal Service for workers' compensation claims. During the investigation, an overpayment to a provider was identified. The provider reimbursed the Postal Service and the investigation is ongoing.

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## **LEGISLATIVE AND REGULATORY REVIEWS**

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### **PROPOSED LEGISLATION**

#### **H.R. 4362 - Equal Employment Opportunity Complaint Data Disclosure Act**

This bill specifically includes the Postal Service in its definition of "Federal executive agency." It directs each agency to post on its public website specified summary statistical data relating to equal employment opportunity com-

plaints filed with the agency by employees, former employees, or applicants for employment with the agency.

This legislation directs the Equal Employment Opportunity Commission to post on its website summary statistical data relating to: (1) hearings requested before an administrative judge of the Commission on complaints involving the agency, and (2) appeals filed with the Commission from final agency actions on such complaints. This legislation, which is not expected to have a major impact on the Postal Service, will be monitored by the OIG and considered for inclusion in future reviews.

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#### **H.R. 3842 / S. 2703 - Postmasters Fairness and Rights Act**

This bill amends the provisions of Title 39, United States Code, relating to the manner in which pay policies, schedules, and fringe benefit programs for postmasters are established. The legislation would require the Postal Service to propose changes in pay policies, schedules, and fringe benefit programs for postmasters, within 45 days of the date on which a collective bargaining agreement is made with the largest Postal union. The bill provides for arbitration should the postmasters and the Postal Service be unable to reach agreement. The bill also defines "postmaster" and "postmasters' organization" and gives the postmasters' organizations the right to participate in the planning and development of pay policies and schedules, fringe benefit programs, and other programs relating to supervisory and other managerial employees. This legislation is expected to have an impact on Postal Service negotiations with management associations.

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### **DUAL ROLES**

The OIG has investigative and oversight authority for issues involving health care within the Postal Service, including the Workers' Compensation Program. Unlike other federal agencies, the Postal Service pays workers' compensation claims from postal revenues versus appropriations, thereby affecting the Postal Service's net income. The OIG investigates allegations involving provider fraud. The Inspection Service assists the OIG by investigating fraudulent claims and receipt of benefits by individual employees.



OIG agents seize a sport utility vehicle under the federal asset forfeiture laws during a health care fraud investigation.



## INSPECTION SERVICE

The Inspection Service reviews a number of labor management relations areas, including workplace climate, postal robberies, drugs in the workplace, and workers' compensation investigations.

### WORKPLACE CLIMATE

The Inspection Service is committed to employee safety in the workplace, and partners with Postal Service management and employee groups in early interventions and other efforts to prevent violence in the workplace. There were 24 arrests for assaults and threats in this reporting period. Examples of significant investigations follow:

- ◆ In a three-day trial, an individual was convicted of assaulting a federal employee and using and discharging a weapon during a crime of violence. The shooter who was found to be mentally ill, but not legally insane, was incarcerated without bail and faces a mandatory ten-year sentence on weapons charges and an additional ten years on assault charges.
- ◆ A Postal police officer was severely assaulted while performing a routine perimeter patrol at a General Mail Facility. The officer was struck in the back of the head with a steel pipe, which caused multiple fractures to the skull. Postal police officers subdued the attacker, who was arrested and charged with attempted murder, assault, and two counts of attempted robbery.

### POSTAL ROBBERIES

The Inspection Service regards the prevention of robberies as one of its highest organizational priorities and affords task force attention to facility, letter carrier, and other Postal robberies to deter these attacks on employees. Letter carrier robberies are generally committed for the purpose of stealing mail and Postal keys to mail receptacles, while robberies of facilities are committed for cash and money orders. The Inspection Service investigated 31 robberies in this reporting period. Robbery-related arrests and convictions for the last six-month period totaled 50 and 30, respectively. Examples of investigations follow:

- ◆ An individual was arrested and charged with the theft of Postal funds from a contract station. During the investigation, this individual initially reported being robbed while counting the cash drawers at the contract station but subsequently admitted to the theft of the Postal funds after several inconsistencies were found in statements provided to the Postal Inspectors.
- ◆ An individual was arrested by Postal Inspectors and charged with three armed Postal robberies and 18 armed bank robberies that occurred in the Gulf Coast area.
- ◆ An individual was sentenced to eight years in custody, five years probation, a fine, and ordered to make restitution to the Postal Service for a post office robbery.

### DRUGS IN THE WORKPLACE

Postal Inspectors investigate the possession, personal use, and sales of narcotics by Postal Service employees or others while on Postal property or on duty. Information regarding the possession or personal use of illegal drugs by Postal employees is referred through Postal Service management to the Employee Assistance Program for attention. In the last six months, Postal Inspectors arrested seven individuals for the sale of drugs on Postal property. Examples of investigations follow:

- ◆ A casual mail handler who was employed at an airmail service center was arrested for possession and distribution of marijuana. After the investigation was completed, the employee was terminated from employment with the Postal Service.
- ◆ After selling crack cocaine to undercover Postal Inspectors, a maintenance custodian at a Postal facility was arrested and charged in federal court with felony distribution of crack cocaine.

### WORKERS' COMPENSATION

The Inspection Service assists the OIG by investigating fraudulent claims and receipt of workers' compensation benefits by individual employees. Unlike other federal agencies, these claims are paid from Postal revenues versus

appropriations, thereby affecting the Postal Service's net income.

Prosecution of workers' compensation fraud serves as a deterrent and prevents future benefit payments from being made to violators. Normally, prosecution is based on showing that the allegedly disabled claimant is receiving outside earnings and failing to report them to the Department of Labor. Inspection Service investigations resulted in \$95.5 million in long-term and continuation-of-pay cost savings for this fiscal year, compared to \$86.6 million for the same period last year. In the last six months, nine individuals were arrested for workers' compensation fraud. Examples of investigations follow:

- ◆ A former letter carrier was sentenced for making false statements to obtain federal employee compensation benefits, mail fraud, and theft of government property. Postal Inspectors revealed that the alleged wheelchair-bound claimant had falsified almost every aspect of the claim that actually occurred while the employee served on active duty with the military. Additionally, the claimant's spouse, who is a nurse's aid, was approved as the primary care attendant thereby increasing monthly benefits to about \$3,300. As a result of this investigation, the claimant was sentenced to one year and one day in prison and three years supervised probation, and was ordered to pay about \$52,000 in restitution and a \$500 assessment. Civil actions are pending to recover other costs. This investigation resulted in \$1.2 million in future cost savings for the Postal Service.
- ◆ A former Postal maintenance supervisor was sentenced to seven months imprisonment, seven months confinement at a halfway house, three years probation, and mental health counseling, and was ordered to pay over \$24,000 in restitution. Postal Inspectors found the former employee had been working as a registered nurse since 1984 while claiming to be totally disabled. As a result, the Postal Service realized a future cost savings of over \$1 million.
- ◆ A former distribution clerk had not worked for the Postal Service since 1988

after allegedly sustaining an injury to the head, neck, and back. However, Postal Inspectors revealed that the claimant was working as a waitress and owned and operated a beauty salon. The claimant was sentenced to six months imprisonment and three years probation and ordered to pay \$6,000 in restitution. The Postal Service realized future cost savings of over \$726,000.

- ◆ A former letter carrier was sentenced in U.S. District Court to three years probation, six months home confinement with electronic monitoring, 400 hours of community service and a \$10,000 fine, with restitution of over \$47,000 to the Social Security Administration and \$72,000 to the Postal Service. Postal Inspectors found the carrier collected dual benefits from the Department of Labor and the Social Security Administration, and failed to report employment activities to either agency as required. As a result of the investigation, the Postal Service realized future cost savings of over \$651,000 in workers' compensation benefits.

# Oversight of the Inspection Service



## OFFICE OF INSPECTOR GENERAL

Oversight of the Inspection Service  
Legislative and Regulatory Reviews



## How does the OIG handle requests for information?

Public requests for OIG information are processed pursuant to the Freedom Of Information Act(FOIA) by OIG staff. FOIA requests may be made in writing, or the public can review reports and other information posted on the OIG website at [www.uspsoig.gov](http://www.uspsoig.gov)

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

## OFFICE OF INSPECTOR GENERAL

One of the primary reasons the OIG was established within the Postal Service was to provide oversight of Inspection Service activities. The OIG's work in this area provides an independent voice with objective information and analyses of Inspection Service operations and issues.

### OVERSIGHT OF THE INSPECTION SERVICE

As a law enforcement agency, it is essential that the Inspection Service be held to the highest standards of conduct to maintain the public's trust and the Postal Service's reputation of reliability. In the last six months, the OIG focused on administrative and budgeting challenges facing the Inspection Service. These challenges included pay parity for forensic scientists, consistency in the implementation of the disciplinary and awards programs, and the alignment of budgetary resources to performance-related goals and functions. During this reporting period, the OIG completed 17 oversight reviews as well as numerous monitoring actions, some of which are highlighted below:

### PAY PARITY RECOMMENDED FOR INSPECTION SERVICE FORENSIC SCIENTISTS

The OIG reviewed concerns that forensic scientists were underpaid when compared to their federal counterparts, resulting in personnel recruiting and retention problems. The review disclosed that while junior forensic scientists had pay parity with their federal counterparts, senior forensic scientists did not. The review also identified that other federal agencies had recently established special pay programs for forensic scientists, which could worsen the

Inspection Service's ability to attract and retain senior forensic scientists. Specifically, the Federal Bureau of Investigation and the Department of Treasury received congressional approval to establish special pay and benefit programs to attract scientists and technicians for positions that have historically had recruiting and retention problems. Both agencies have included forensic scientist positions in these special programs. The OIG found that although the Inspection Service had been working with the Postal Service to resolve the pay parity issue, it did not have a similar special program to attract and retain senior forensic scientists. After receiving the OIG report, the Chief Postal Inspector was able to establish a compensation program that provided pay parity for forensic scientists. (OIG OV-MA-00-002)

### BUDGET PLANNING AND FORMULATION PROCESS REVIEWED

An OIG review of the Inspection Service budget planning and formulation process found that the Inspection Service did not establish a process for annually determining personnel requirements and for allocating these resources by location. In addition, the OIG found that the process could be improved by linking budgetary resources to performance-related goals and functions. Further, the OIG found that the Inspection Service did not issue a written request for estimated expenses from field divisions when developing its operating budget. The Chief Postal Inspector agreed with OIG recommendations to improve the budget planning and formulation process. (OIG OV-AR-00-005)

### IMPROVEMENTS NEEDED IN DISCIPLINARY PROCESS FOR NON-BARGAINING EMPLOYEES

An OIG review of the Inspection Service's disciplinary process for nonbargaining employees found that field inspectors conducted internal investigations of individuals located in the same division. Further, headquarters oversight of internal investigations assigned to field inspectors was not fully documented. In addition, potential violations of the Inspection Service Code of Conduct were not always reported to headquarters as required.

The Chief Postal Inspector agreed with OIG recommendations to assign significant internal investigations to the headquarters office responsible for internal investigations and less serious offenses, to field inspectors assigned to a division other than the division where the individual under investigation is assigned. The Chief Postal Inspector also agreed to establish controls to ensure that potential violations of the Code of Conduct are reported to headquarters as required. (OIG OV-AR-00-004)

### **INSPECTION SERVICE AWARDS PROGRAM FOR LAW ENFORCEMENT EMPLOYEES FAIRLY ADMINISTERED**

An OIG review of the Inspection Service awards program for law enforcement employees found that the program was fairly administered. However, the OIG found that the awards program could be improved by requiring consistent justifications and statements of purpose, and ensuring that awards are appropriately reported to the Internal Revenue Service. The Chief Postal Inspector agreed with OIG recommendations to improve the awards program and to ensure that cash equivalent and noncash tangible awards are also reported as income to the Internal Revenue Service. (OIG OV-AR-00-003)

### **REVIEW OF COMPLAINTS REGARDING THE INSPECTION SERVICE**

The OIG's oversight of the Inspection Service provides customers, employees, and other interested persons with an independent avenue to address their complaints. At the same time, the OIG provides the Inspection Service with an unbiased review of accusations that, if left unresolved, could harm its reputation as a professional law enforcement agency. During this reporting period, the OIG received 8 new complaints, and closed 26 hotline complaints as shown on the chart on this page.

### **MONITORING INSPECTION SERVICE INTERNAL INVESTIGATIONS**

The OIG's oversight team is responsible for monitoring the conduct of internal investigations of Inspection Service non-executive employees. These investigations are conducted when there are allegations of employees' mis-

conduct that affect the performance of duties or when managers have information of employee misconduct. The OIG's oversight team reviews the results of internal investigations, including conclusions reached and recommended actions. At the beginning of the reporting period, the Inspection Service had 35 open internal investigations. During the reporting period 38 cases were closed, and 34 new cases were opened. As of September 30, 2000, 31 cases remained open.

## **LEGISLATIVE AND REGULATORY REVIEWS**

### **ENACTED LEGISLATION**

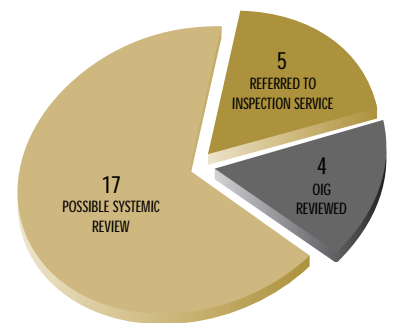
#### **Public Law 106-168 - Deceptive Mail Prevention and Enforcement Act**

The Deceptive Mail Prevention and Enforcement Act, passed in December 1999, granted administrative subpoena authority to the Postmaster General. Prior to enactment, only the Postal Service Inspector General had authority to issue administrative subpoenas. As a result of the Act, the Postal Service issued proposed regulations implementing the subpoena authority. The OIG commented on the proposed regulations, recommending that:

- ◆ Subpoenas be issued only in investigations where specific cases have been opened by the Inspection Service concerning a particular person or entity.
- ◆ Ambiguous language concerning the subpoena issuing authority of the Postal Services' General Counsel be clarified.
- ◆ Material produced by the subpoena not be subject to a broad exemption from the Freedom of Information Act.
- ◆ The underlying statute's new reporting requirements should be listed in the bill.

In response to OIG's concerns, the Postal Service modified the rule to satisfy the OIG's primary concern that subpoenas be issued only to investigate cases opened by the Inspection Service pertaining to a particular person or entity. The Postal Service also modified the rule to satisfy the OIG's concern that the proposed rule seemed to require that the Postal Service General Counsel must sign any subpoena presented. A new section has been added, clarifying that the General Counsel has discretion to issue or deny a subpoena.

Inspection Service-Related Hotline Cases Closed





# Other Significant Reviews



## OFFICE OF INSPECTOR GENERAL

- Executive Investigations
- Subcommittee Request
- Legislative and Regulatory Reviews

## INSPECTION SERVICE

- Physical Security
- Narcotics Offenses and Trafficking
- Child Exploitation
- Prohibited Mail
- Postal Burglaries
- Mail Fraud
- Money Laundering

*This section highlights reviews and investigations performed by the OIG and the Inspection Service in other significant areas. Also, the OIG legislative and regulatory reviews are included at the end of this section. In order to differentiate the work reported by the OIG and Inspection Service, the pages containing the work reported by the Inspection Service have been color screened.*

## OFFICE OF INSPECTOR GENERAL

In addition to reviews summarized earlier in this Semiannual Report, the OIG has completed 35 reviews of other significant issues related to Postal Service operations.

### EXECUTIVE INVESTIGATIONS

The OIG is responsible for reviewing allegations involving senior-level Postal executives for criminal violations and misconduct, including retaliation against individuals who have previously provided the OIG with information about possible fraud, waste, abuse, and mismanagement. Examples of two investigations follow:

- ◆ In an investigation of a Postal Service Career Executive Service employee, the OIG determined that the employee used a Postal desktop computer to view pornographic websites. The executive admitted to misuse of the computer and subsequently was disciplined.
- ◆ In another investigation of a Postal Service Career Executive Service employee, the OIG determined that the employee improperly used the government-sponsored credit card to withdraw cash for gambling purposes. The employee admitted using the card for personal use on 16 occasions. The executive was disciplined.

### SUBCOMMITTEE REQUEST

#### Judicial Officer's Subpoena Authority

The OIG addressed an inquiry from the Chairman of the Subcommittee on the Postal Service, House Committee on Government

Reform, who inquired whether the OIG had comments on proposed rules implementing the Postal Service judicial officer's subpoena authority. Specifically, concerns existed about a provision of the proposed rule permitting a subpoena to be issued with the space for the name of the person to be served left blank. The presiding officer, who is authorized to issue a subpoena in blank to a party, is either an administrative law judge or the judicial officer.

The OIG found that the practice of issuing subpoenas in blank is not unusual. The Federal Rules of Civil Procedure permit subpoenas to be issued in blank to a party requesting it. This is similar to the latitude given to administrative law judges. Therefore, it did not appear to be inappropriate for the Postal Service to issue subpoenas in blank. The OIG provided a letter indicating no objections to the proposed rule.

### LEGISLATIVE AND REGULATORY REVIEWS

#### PROPOSED LEGISLATION

##### Legislation Amending the Inspector General Act

Various bills were proposed in this session of Congress that would impact Offices of Inspectors General.

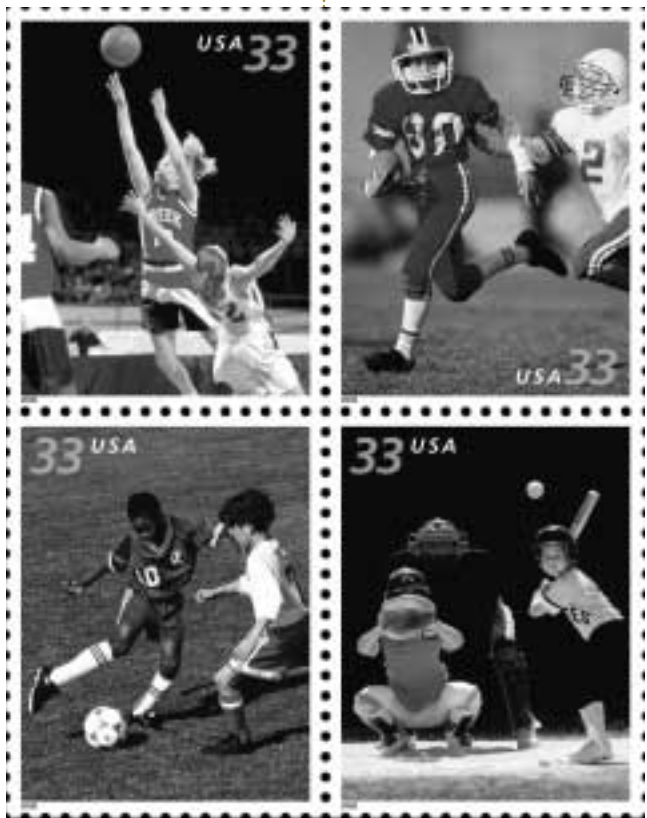
- ◆ **H.R. 2013** would amend the Inspector General Act to provide for the appointment of the Inspector General of certain federal agencies by the President of the United States.
- ◆ **H.R. 305** would amend the Inspector General Act to establish an Office of Inspector General Oversight Council.
- ◆ **S. 870** would amend the Inspector General Act to increase the efficiency and accountability of Offices of Inspectors General within federal departments.
- ◆ **S. 1707**, which we discussed in the previous Semiannual Report to Congress, would make the Inspector General of the Tennessee Valley Authority a presidentially-appointed position and would establish a forensic laboratory for the Inspector General community.

Of the four bills, S. 870 and S. 1707 seem to have the broadest impact and the greatest chance for enactment. S. 870 prohibits the



receipt of any cash award or cash bonus by an Inspector General. However, the legislation compensates for this by increasing the rate of pay of specified Inspectors General, including the Postal Service Inspector General, from Level IV to Level III of the Executive Schedule. It also provides for an external review of the Office of Inspector General at least every three years by the General Accounting Office or a private entity, and a reporting of the results to appropriate congressional committees.

S. 870 also changes the OIG's congressional reporting requirement to an annual report. However, a semiannual activities report may still be requested by a congressional oversight committee or the Comptroller General.



## INSPECTION SERVICE

The Inspection Service conducted numerous investigations and reviews relating to significant issues in the following areas: physical security; narcotics offenses and trafficking; child exploitation; prohibited mail; postal burglaries; mail fraud including fraud against consumers, fraud against businesses, and fraud against government; and money laundering.

### PHYSICAL SECURITY

The Inspection Service devotes significant resources to prevent crimes by conducting employee and customer awareness training programs and implementing security measures. Potential problems and deficiencies are identified and priorities set based on trend analyses of criminal activity. When trends are identified, prevention and security measures are developed to reduce or eliminate the risk of criminal activity against the mail, the Postal Service, and its employees. Some of the more significant physical security activity<sup>4</sup> that occurred during this period is highlighted below:

- ◆ The Inspection Service continued its efforts to increase the security of collection boxes. Modified locks and other security countermeasures were installed in California. Several other districts are scheduled to have the security countermeasures installed in the near future.
- ◆ The Inspection Service kicked off the National Security Messaging Program in June 2000. This campaign is a cooperative effort designed to encourage all Postal Service employees to help improve security at their workplace. Employees are asked to wear identification badges, politely challenge strangers in postal facilities and on loading docks, ensure doors are locked, and identify and report security deficiencies.

### NARCOTICS OFFENSES AND TRAFFICKING

The Inspection Service interdicts mailings of illegal drugs and drug proceeds to protect postal employees from violence related to drug trafficking, and to preserve the integrity of the mail. Postal Inspectors, working with other law enforcement agencies, arrested 787 individuals

during this semiannual period for drug trafficking and money laundering via the mail. Seizures from the mail for this period included over 7,300 pounds of illegal narcotics and about 243,000 units of steroids. Investigations also resulted in the seizure of over \$2.6 million in cash and monetary instruments, 21 vehicles, 67 firearms, and 2 residences. Examples of significant investigations follow:

- ◆ Postal Inspectors, Drug Enforcement Agency agents, and local Sheriff deputies investigated four businesses in the Iowa area known for receiving drug paraphernalia through the mail. The investigation resulted in seizing individual items valued at about \$3 million.
- ◆ A task force of Postal Inspectors, Internal Revenue Service agents, and local police officers was formed to investigate marijuana trafficking between the New York and Los Angeles areas. The investigation involved large-scale activities over at least a four-year period that included more than one ton of marijuana and \$2.1 million.
- ◆ Two individuals were convicted of federal conspiracy, and cocaine and methamphetamine distribution in a District court in California. The convictions culminated a long and highly successful narcotics investigation by multiple law enforcement agencies involving the distribution of crystal methamphetamine by a trafficking organization operating out of California. The traffickers transported large quantities of crystal methamphetamine to Hawaii for distribution. The investigation resulted in the arrests of 35 individuals and several seizures of personal property.

### 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, 26 child molesters were identified and stopped as a result of the Inspection Service's efforts to rid the mail of child pornography. In addition, 43 children were rescued from further incidents of ongoing child sexual abuse, and two other previously vic-

<sup>4</sup> Some investigative statistics in this section do not include 4<sup>th</sup> quarter results because the statistics were not available prior to publication of this report.

timized children were identified. Postal Inspectors nationwide are investigating 516 cases involving child exploitation. During this reporting period, Inspection Service efforts have resulted in 145 arrests and 105 convictions. Some of the more significant child exploitation cases are highlighted below:

- ◆ An individual was sentenced to four consecutive life terms, and another was sentenced to two life terms, for their involvement in a child pornography ring in Oklahoma. Charges are pending against four other codefendants. Search warrants resulted in the seizure of videotapes and photographs depicting the sexual abuse of two children. Defendants include the parents of these children.
- ◆ Multiple felony charges for child sexual abuse were brought against an individual following a joint investigation in California. The investigation revealed that this offender sought out and procured young minor females between the ages of 9 and 16 for “modeling” through newspaper advertisements. Thousands of photographs were seized, and in at least seven cases, young girls were sexually abused during the photo sessions.
- ◆ Postal Inspectors and Federal Bureau of Investigation agents arrested a California youth choir leader for receiving child pornography by mail. This suspect was identified through an international investigation of a child pornography ring operating out of Chile.

### PROHIBITED MAIL

The Inspection Service considers the investigation of mail bombs among its highest priorities. In the last six months, Postal Inspectors arrested 43 individuals and convicted 47 defendants for their involvement in incidents related to mail bombs and bomb threats. These include threats against postal facilities, placement of hoax devices and other suspicious items in the mail, and bombs and devices placed in private mail receptacles. Examples of significant investigations follow:

- ◆ In Tennessee, a letter carrier on a mail collection run found a pipe bomb attached to an envelope addressed to the chief of police. Postal Inspectors, Bureau

of Alcohol, Tobacco and Firearms special agents, and local police rendered the bomb safe. The investigation is continuing in an effort to identify the person or persons responsible.

- ◆ An individual in Maryland pled guilty and was sentenced in circuit court for mailing a “hoax mail bomb.” The individual was sentenced to a 10-year suspended sentence and two years probation.

### 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, mail thefts, and repair expenses for damage to postal facilities as a result of forced entries. In the last six months, there were 93 arrests and 83 convictions related to burglaries compared to 91 arrests and 85 convictions for the previous reporting period. For example:

- ◆ Postal Inspectors and state police responded to a burglary at a Connecticut contract station. The investigation disclosed that a 300-pound safe containing approximately \$5,600 of postage stock was missing. The unopened safe and its contents were recovered.

### MAIL FRAUD

Postal Inspectors protect Postal customers, business mailers, and local, state, and Federal governments from schemes involving investments, insurance, Medicare/Medicaid fraud, telemarketing, loans, and merchandise misrepresentations. The elderly and disadvantaged individuals who depend on mail delivery for purchases are particularly susceptible to fraudulent schemes. These citizens trust the Postal Service to maintain the integrity of the mail, while opportunists take advantage of the anonymity the mail offers. The Inspection Service investigated approximately 54,000 consumer fraud complaints during this reporting period. As a result, 806 individuals were arrested and 662 individuals were convicted on charges of mail fraud.

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## FRAUD AGAINST CONSUMERS

To preserve the public's confidence and trust in the mail, the Inspection Service investigates a variety of mail fraud schemes, including fraud against consumers. Some of the most significant investigations follow:

- ◆ Ten individuals were charged with mail fraud, money laundering, and tax evasion following an investigation by Postal Inspectors and Internal Revenue Service special agents. The investigation revealed an invention promotion scam that defrauded over 34,000 victims of \$60 million. To date, three of the ten individuals charged in the indictments have pled guilty.
- ◆ Two Canadian nationals were sentenced in a Pennsylvania federal district court to one year in prison and two years probation for their roles as manager and salesman for a gemstone portfolio liquidation scheme. During the firm's final five years, over 1,000 victims from the United States, Canada, and Europe were defrauded of more than \$15 million using the mail. At the time of sentencing, the defendants presented a check for \$1 million restitution to the court under a negotiated plea agreement.
- ◆ The founder of a bogus investment company was sentenced to three years imprisonment for investment fraud and ordered to pay over \$12.9 million in restitution. Two other codefendants were also sentenced for their involvement in the investment scheme.
- ◆ An individual was sentenced for an \$8 million investment and mail fraud scheme. This individual was sentenced to four years and three months in prison on four counts (to be served concurrently), to be followed by five years probation, and was ordered to pay over \$8 million in restitution to victims.
- ◆ Three individuals pled guilty to schemes involving senior citizens who were defrauded of \$2.9 million. They were sentenced to various prison terms and probation and ordered to make full restitution.

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## FRAUD AGAINST BUSINESSES

The mail is often used to submit false or inflated invoices to businesses and institutions. Some of the most significant investigations follow:

- ◆ In an investigation into illegal telemarketing conducted by postal inspectors, an individual pled guilty in federal court to one count of structuring transactions. The investigation revealed that the individual was responsible for cashing checks for principals of a telemarketing firm and resulted in losses of over \$3.3 million to its various investors.
- ◆ In an investigation conducted jointly by Postal Inspectors, agents of the Federal Bureau of Investigation and members of local law enforcement officers, the former vice president of a managed health care company was arrested and sentenced to seven years and three months in prison and was ordered to pay over \$729,000 in restitution.
- ◆ In a federal district court in New York, an attorney and a registered nurse pled guilty to conspiracy to commit mail fraud. Postal Inspectors proved that the attorney authorized the payment of \$215,000 in insurance company funds to a phony medical services company that was controlled by the registered nurse.

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## FRAUD AGAINST GOVERNMENT

Postal Inspectors also work to protect the government from being victimized by mail fraud. Some of the most significant investigations follow:

- ◆ Three doctors were convicted in a New York federal district court for their involvement in a multimillion-dollar scheme to defraud Medicare. The doctors defrauded Medicare by signing fictitious claims, which certified they examined patients for treatment. The doctors received kickbacks on payments from Medicare for treatments not rendered.
- ◆ An individual stole blank Treasury checks from the St. Louis Information Service Center and fled to Mexico, where one of the stolen checks was

cashed for over \$1 million. The individual was arrested and served three years in a Mexican prison before being extradited back to the United States. The individual was subsequently sentenced to three years probation and allowed to leave the United States.

- ◆ An individual was sentenced to one year and three months in prison and ordered to pay \$350,000 in restitution. The individual defrauded the U.S. Department of Education of more than \$900,000 by submitting fraudulent student loan applications. The individual seeking assistance claimed to be a student and diverted the funds received for personal use.

### MONEY LAUNDERING

The Inspection Service plays a key role in fulfilling the Postal Service's anti-money laundering program requirements under the Bank Secrecy Act. Postal Inspectors work closely with Postal Service management to ensure that new financial services possess anti-money laundering security measures. In addition, Postal Inspectors participate in Bank Secrecy Act training programs, sharing their anti-money laundering expertise with Postal Service employees involved in the sale of Postal financial products. Examples of significant investigations follow:

- ◆ A U.S. Attorney's Office forwarded two equity share checks totaling about \$109,000 to the Inspection Service. One equity share check was the result of the division's investigation of postal money orders that were purchased in structured transactions in order to evade the reporting requirements.
- ◆ An individual was arrested by U.S. Customs agents and Postal Inspectors for money laundering in the San Juan area. The investigation focused on a Colombian drug distribution organization, which laundered money by purchasing postal money orders in denominations that allowed them to avoid the requirements of transaction reporting.





# Appendices



## **Is the OIG responsible for all audits within the Postal Service?**

Yes. 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 serves as the focal point with other agencies, to coordinate work efforts and avoid any duplication.

## APPENDIX A

# Reports Issued to Postal Management

For the period April 1, 2000, through September 30, 2000

## OVERVIEW

### Office of Inspector General

The 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 team 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 were aligned by the type of audits performed which are primarily performance, financial, contract, and facility audits. The Inspection Service provided Postal-wide attention in the field financial area until September 30, 2000, when this audit function was fully transitioned to the OIG.

## SUMMARY

The following is a summary by principal area of reports issued to Postal Service management for both the OIG and Inspection Service. The following pages list each organization's reports separately.

| Principal Area            | Number of Reports Issued | Questioned Costs    | Unsupported Costs <sup>1</sup> | Recommend Funds Put to Better Use |
|---------------------------|--------------------------|---------------------|--------------------------------|-----------------------------------|
| Performance               | 25                       | \$5,200,000         | \$5,200,000                    | \$78,634,395                      |
| Financial Management      | 319                      | 56,105,289          | 5,304,442                      | 61,039,690                        |
| Technology                | 10                       | 0                   | 0                              | 0                                 |
| Labor Management          | 18                       | 0                   | 0                              | 0                                 |
| Oversight                 | 7                        | 0                   | 0                              | 0                                 |
| Other Significant Reviews | 23                       | 0                   | 0                              | 0                                 |
| <b>GRAND TOTAL</b>        | <b>402</b>               | <b>\$61,305,289</b> | <b>\$10,504,442</b>            | <b>\$139,674,085</b>              |

### Definitions

**Questioned Costs** – A cost that is unnecessary, unreasonable, unsupported, or an alleged violation of law, regulation, contract, etc.

**Unsupported Costs** – A cost that is not supported by adequate documentation.

**Funds Put to Better Use** – Funds that could be used more efficiently by implementing recommended actions.

<sup>1</sup> Unsupported Costs are included with the amounts shown as Questioned Costs.



# REPORT LISTING

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

## OIG REPORTS

### PERFORMANCE

| Report/Case Number              | Subject Title/<br>Project Type   | Location/<br>Contract | Questioned<br>Costs | Un-<br>supported<br>Costs | Recommend<br>Funds Put to<br>Better Use | Issue<br>Date |
|---------------------------------|--|-----------------------|---------------------|---------------------------|---|---------------|
| <b>ACCEPTING AND PROCESSING</b> |  |                       |                     |                           |   |               |
| AC-AR-00-001                    | Preventative Maintenance-<br>Equipment   | Postal-wide           | \$0                 | \$0                       | \$0                                     | 4/28/00       |
| AC-MA-00-002                    | Mail Processing Delays at<br>the Worldway Airport<br>Mail Center, Los Angeles,<br>California | Los Angeles, CA       | 0                   | 0                         | 0                                       | 5/5/00        |
| AC-AR-00-002                    | Integrity of Plant Verified<br>Drop Shipment   | Postal-wide           | 0                   | 0                         | 0                                       | 5/11/00       |
| AC-AR-00-003                    | Revenue Assurance Process  | Postal-wide           | 0                   | 0                         | 0                                       | 7/14/00       |
| AC-AR-00-004                    | Use of Robotic Tray<br>Handling System   | Postal-wide           | 0                   | 0                         | 0                                       | 9/29/00       |
| AC-AR-00-005                    | International<br>Mail Processing   | Postal-wide           | 0                   | 0                         | 0                                       | 9/29/00       |
| <b>DELIVERY</b>                 |  |                       |                     |                           |   |               |
| DE-MA-00-001                    | Unprocessed Mail in<br>Dallas, Texas   | Dallas, TX            | \$0                 | \$0                       | \$0                                     | 5/30/00       |
| <b>MARKETING</b>                |  |                       |                     |                           |   |               |
| MK-LA-00-001                    | Postal Service Dallas<br>District Plan for Retail<br>Operations Performance                  | Dallas District       | \$0                 | \$0                       | \$0                                     | 5/30/00       |
| MK-MA-00-001                    | Citizen's Stamp<br>Advisory Committee  | Postal-wide           | 0                   | 0                         | 0                                       | 6/19/00       |
| MK-LA-00-002                    | Postal Rate-Making Process   | Postal-wide           | 0                   | 0                         | 0                                       | 6/30/00       |
| MK-AR-00-001                    | Review of<br>Stamp Fulfillment Services<br>Performance Measures                              | Postal-wide           | 0                   | 0                         | 28,457,395                              | 9/29/00       |
| MK-AR-00-002                    | Audit of the<br>Management Controls Over<br>the Sales Force<br>Augmentation Program          | Postal-wide           | 5,200,000           | 5,200,000                 | 0                                       | 9/29/00       |
| <b>TRANSPORTATION</b>           |  |                       |                     |                           |   |               |
| TR-AR-00-007                    | Mail and Other Items<br>Missent to Mail Transport<br>Equipment Service Centers               | Postal-wide           | \$0                 | \$0                       | \$0                                     | 4/5/00        |
| TR-AR-00-008                    | Extra Trip Expenditures<br>at the Dallas Bulk Mail<br>Center                                 | Dallas, TX            | 0                   | 0                         | 0                                       | 6/30/00       |
| TR-AR-00-009                    | Extra Trips Expenditures<br>within the Mid-Atlantic<br>Area                                  | Mid-Atlantic Area     | 0                   | 0                         | 2,477,000                               | 7/27/00       |
| TR-AR-00-010                    | Use of Chauffeur-Driven<br>Vehicles by Postal Service<br>Executives                          | Postal-wide           | 0                   | 0                         | 0                                       | 8/29/00       |

| Report/Case Number        | Subject Title/Project Type                | Location/Contract | Questioned Costs | Un-supported Costs | Recommend Funds Put to Better Use | Issue Date |
|---------------------------|---|-------------------|------------------|--------------------|-----------------------------------|------------|
| <b>TRANSPORTATION</b>     |   |                   |                  |                    |                                   |            |
| TR-AR-00-011              | Dedicated Christmas Air Network - Phase 1 | Postal-wide       | \$0              | \$0                | \$47,700,000                      | 9/29/00    |
| <b>PERFORMANCE TOTALS</b> |   |                   | \$5,200,000      | \$5,200,000        | \$78,634,395                      |            |

## FINANCIAL MANAGEMENT

| Report/Case Number             | Subject Title/Project Type   | Location/Contract | Questioned Costs | Un-supported Costs | Recommend Funds Put to Better Use | Issue Date |
|--------------------------------|--|-------------------|------------------|--------------------|-----------------------------------|------------|
| <b>FINANCIAL-RELATED</b>       |  |                   |                  |                    |                                   |            |
| FR-AR-00-008                   | Fiduciary Audit of United States Postal Service's Oversight of the Thrift Savings Plan | Postal-wide       | \$0              | \$0                | \$0                               | 4/3/00     |
| FR-FA-00-010(R)                | Relocation Benefits for Postal Service Officers - Revised                              | Postal-wide       | 0                | 0                  | 0                                 | 5/2/00     |
| BI-MA-00-001                   | Highway Transportation Contracts   | Postal-wide       | 0                | 0                  | 0                                 | 5/11/00    |
| FT-LA-00-001                   | Destroyed Money Order Blank Stock  | Postal-wide       | 0                | 0                  | 0                                 | 6/28/00    |
| FT-FA-00-001                   | Money Order Blank Stock and Imprinters   | Postal-wide       | 0                | 0                  | 0                                 | 8/25/00    |
| FF-FA-00-00(1-33) <sup>2</sup> | Fiscal Year 2000 Cost and Revenue Analysis Audit                                       | Postal-wide       | 0                | 0                  | 0                                 | 8/29/00    |
| FT-AR-00-002                   | International List Service Transmittal of Funds Bank Secrecy Act Compliance            | Postal-wide       | 0                | 0                  | 0                                 | 8/29/00    |
| FT-LA-00-002                   | Terminated Cleaning and Station Contracts  | Postal-wide       | 216,861          | 0                  | 0                                 | 9/20/00    |
| FT-AR-00-003                   | Audit of Chase Insight Treasury Workstations   | Postal-wide       | 0                | 0                  | 0                                 | 9/27/00    |
| FT-AR-00-001                   | Miscellaneous Relocation Expense Payments  | Postal-wide       | 0                | 0                  | 0                                 | 9/28/00    |
| FT-AR-00-004                   | Equity Loss Payments   | Postal-wide       | 0                | 0                  | 0                                 | 9/29/00    |
| FT-AR-00-005                   | Deviations from Postal Relocation Policy   | Postal-wide       | 0                | 0                  | 0                                 | 9/29/00    |

## CONTRACT AUDITS

|               |  |             |           |         |           |         |
|---------------|--|-------------|-----------|---------|-----------|---------|
| CA-AR-00-001  | United States Postal Service Warranty Repair of Tractors | Postal-wide | \$977,598 | \$0     | \$400,000 | 5/17/00 |
| CA-CAR-00-019 | Evaluation of Accounting System                          |             | 0         | 0       | 0         | 4/5/00  |
| CA-CAR-00-020 | Evaluation of Incurred Costs                             |             | 28,890    | 28,890  | 0         | 4/27/00 |
| CA-CAR-00-021 | Evaluation of Accounting System                          |             | 0         | 0       | 0         | 4/27/00 |
| CA-CAR-00-022 | Evaluation of Incurred Costs                             |             | 4,794     | 4,794   | 0         | 4/27/00 |
| CA-CAR-00-023 | Evaluation of Incurred Costs                             |             | 0         | 0       | 0         | 4/27/00 |
| CA-CAR-00-024 | Evaluation of Proposal Submitted                         |             | 131,750   | 0       | 0         | 4/27/00 |
| CA-CAR-00-025 | Evaluation of Incurred Costs                             |             | 471,432   | 471,432 | 0         | 4/27/00 |

<sup>2</sup> This report represents 33 district reports issued during this period.

| Report/Case Number     | Subject Title/<br>Project Type  | Location/<br>Contract | Questioned<br>Costs | Un-<br>supported<br>Costs | Recommend<br>Funds Put to<br>Better Use | Issue<br>Date |
|------------------------|---|-----------------------|---------------------|---------------------------|---|---------------|
| <b>CONTRACT AUDITS</b> |   |                       |                     |                           |   |               |
| CA-CAR-00-026          | Evaluation of Subcontract Proposal                                    |                       | 3,531,433           | 0                         | 0                                       | 4/27/00       |
| CA-CAR-00-027          | Evaluation of<br>Claim Submitted                                      |                       | 316,325             | 188,633                   | 0                                       | 4/27/00       |
| CA-CAR-00-028          | Evaluation of Incurred Costs  |                       | 0                   | 0                         | 0                                       | 5/2/00        |
| CA-CAR-00-029          | Evaluation of Incurred Costs  |                       | 13,107              | 0                         | 0                                       | 6/6/00        |
| CA-CAR-00-030          | Evaluation of<br>Accounting System                                    |                       | 0                   | 0                         | 0                                       | 6/6/00        |
| CA-CAR-00-031          | Evaluation of Incurred Costs  |                       | 5,065,428           | 0                         | 0                                       | 6/26/00       |
| CA-CAR-00-032          | Evaluation of Incurred Costs  |                       | 0                   | 0                         | 0                                       | 6/28/00       |
| CA-CAR-00-033          | Evaluation of<br>Proposal Submitted                                   |                       | 0                   | 0                         | 0                                       | 7/10/00       |
| CA-CAR-00-034          | Evaluation of Incurred Costs  |                       | 0                   | 0                         | 0                                       | 7/12/00       |
| CA-CAR-00-035          | Evaluation of<br>Accounting System                                    |                       | 0                   | 0                         | 0                                       | 7/12/00       |
| CA-CAR-00-036          | Evaluation of<br>Proposal Submitted                                   |                       | 0                   | 0                         | 0                                       | 7/12/00       |
| CA-CAR-00-037          | Evaluation of Incurred Costs  |                       | 0                   | 0                         | 0                                       | 7/12/00       |
| CA-CAR-00-038          | Evaluation of Incurred Costs  |                       | 0                   | 0                         | 0                                       | 7/12/00       |
| CA-CAR-00-039          | Evaluation of<br>Billing System                                       |                       | 0                   | 0                         | 0                                       | 7/14/00       |
| CA-CAR-00-040          | Evaluation of Forward Pricing<br>Direct Labor Rates                   |                       | 0                   | 0                         | 0                                       | 7/27/00       |
| CA-CAR-00-041          | Evaluation of<br>Estimating Systems                                   |                       | 0                   | 0                         | 0                                       | 7/27/00       |
| CA-CAR-00-042          | Evaluation of Time<br>and Material Proposal                           |                       | 580,338             | 0                         | 0                                       | 7/28/00       |
| CA-CAR-00-043          | Evaluation of<br>Indefinite-Delivery,<br>Indefinite-Quantity Proposal |                       | 0                   | 0                         | 0                                       | 7/28/00       |
| CA-CAR-00-044          | Evaluation of<br>Indefinite-Delivery,<br>Indefinite-Quantity Proposal |                       | 57,774              | 0                         | 0                                       | 8/25/00       |
| CA-CAR-00-045          | Evaluation of<br>Claim Submitted                                      |                       | 160,053             | 0                         | 0                                       | 8/25/00       |
| CA-CAR-00-046          | Evaluation of<br>Change Proposal Submitted                            |                       | 82,314              | 61,065                    | 0                                       | 8/25/00       |
| CA-CAR-00-047          | Evaluation of Final<br>Close Out of Contract                          |                       | 917,345             | 0                         | 0                                       | 8/25/00       |
| CA-CAR-00-048          | Evaluation of<br>Firm Fixed Price Proposal                            |                       | 0                   | 0                         | 0                                       | 8/28/00       |
| CA-CAR-00-049          | Post Award Audit  |                       | 0                   | 0                         | 0                                       | 8/29/00       |
| CA-CAR-00-050          | Evaluation of Closeout<br>of Contract                                 |                       | 0                   | 0                         | 0                                       | 8/29/00       |
| CA-CAR-00-051          | Evaluation of<br>Firm Fixed Price Proposal                            |                       | 3,583,880           | 3,264,062                 | 0                                       | 8/29/00       |
| CA-CAR-00-052          | Evaluation of Incurred Costs  |                       | 0                   | 0                         | 0                                       | 8/31/00       |
| CA-CAR-00-053          | Evaluation of Proposed Rates  |                       | 0                   | 0                         | 0                                       | 9/13/00       |
| CA-CAR-00-054          | Evaluation of<br>Firm Fixed Price Proposal                            |                       | 6,172,504           | 0                         | 0                                       | 9/13/00       |
| CA-CAR-00-055          | Evaluation of<br>Firm Fixed Price Proposal                            |                       | 10,565,117          | 0                         | 0                                       | 9/20/00       |
| CA-CAR-00-056          | Evaluation of Lease Costs   |                       | \$0                 | \$0                       | \$0                                     | 9/20/00       |

| Report/Case Number                 | Subject Title/<br>Project Type  | Location/<br>Contract   | Questioned<br>Costs | Un-<br>supported<br>Costs | Recommend<br>Funds Put to<br>Better Use | Issue<br>Date |
|------------------------------------|---|-------------------------|---------------------|---------------------------|---|---------------|
| <b>CONTRACT AUDITS</b>             |   |                         |                     |                           |   |               |
| CA-CAR-00-057                      | Evaluation of Indirect Expense Forward Pricing Rates                                      |                         | \$0                 | 0                         | 0                                       | 9/20/00       |
| CA-CAR-00-058                      | Evaluation of Firm Fixed Price Proposal   |                         | 159,388             | 0                         | 0                                       | 9/20/00       |
| CA-CAR-00-059                      | Evaluation of Incurred Costs  |                         | 49,120              | 0                         | 0                                       | 9/20/00       |
| CA-CAR-00-060                      | Evaluation of Revised Claim Submitted   |                         | 235,534             | 235,534                   | 0                                       | 9/26/00       |
| CA-CAR-00-061                      | Evaluation of Amended Claim B Submitted   |                         | 66,910              | 66,910                    | 0                                       | 9/26/00       |
| CA-CAR-00-062                      | Evaluation of Incurred Costs  |                         | 21,665              | 0                         | 0                                       | 9/26/00       |
| CA-CAR-00-063                      | Evaluation of Billing System  |                         | 0                   | 0                         | 0                                       | 9/29/00       |
| CA-CAR-00-064                      | Evaluation of Firm Fixed Price Proposal   |                         | 17,726,329          | 0                         | 0                                       | 9/29/00       |
| CA-CAR-00-065                      | Evaluation of Firm Fixed Price Proposal   |                         | 3,879,191           | 983,122                   | 0                                       | 9/29/00       |
| CA-LA-00-001                       | Review of Minority Contracting Opportunities Under Advertising Contract                   | Postal-wide             | 0                   | 0                         | 0                                       | 7/14/00       |
| CA-LA-00-002                       | Review of Influence of Postal Service Officials on Contractors' Employment of Consultants | Postal-wide             | 0                   | 0                         | 0                                       | 7/28/00       |
| <b>FACILITY PROGRAM AUDITS</b>     |   |                         |                     |                           |   |               |
| FA-AR-00-002                       | Salt Lake City District 2002 Winter Olympic Plans   | Salt Lake City District | \$0                 | \$0                       | \$0                                     | 6/30/00       |
| FA-AR-00-003                       | Audit of New Construction Owned   | Postal-wide             | 0                   | 0                         | 0                                       | 9/28/00       |
| FA-AR-00-004                       | Review of Postal Service Major Construction Contracting Process                           | Postal-wide             | 0                   | 0                         | 0                                       | 9/29/00       |
| FA-AR-00-005                       | Seattle Processing and Distribution Center  | Seattle, WA             | 0                   | 0                         | 0                                       | 9/29/00       |
| FA-LA-00-002                       | Disposal of Chicago Post Office   | Chicago, IL             | 0                   | 0                         | 0                                       | 6/15/00       |
| FA-MA-00-004                       | Charlottesville Carrier Annex   | Charlottesville, VA     | 0                   | 0                         | 2,439,690                               | 4/3/00        |
| FA-MA-00-005                       | Review of Selected Billing Practices of a Postal Service Telecommunications Contractor    | Postal-wide             | 0                   | 0                         | 0                                       | 6/8/00        |
| FA-MA-00-006                       | Quality of Drinking Water at Anne Arundel County, Maryland Postal Facilities              | Anne Arundel County, MD | 0                   | 0                         | 0                                       | 6/28/00       |
| FA-MA-00-007                       | Review of the Managed Network Services Contract & Billing Process of the Contractor       | Postal-wide             | 0                   | 0                         | 58,200,000                              | 7/28/00       |
| <b>FINANCIAL MANAGEMENT TOTALS</b> |   |                         | <b>\$55,015,080</b> | <b>\$5,304,442</b>        | <b>\$61,039,690</b>                     |               |



## TECHNOLOGY

| Report/Case Number         | Subject Title/<br>Project Type  | Location/<br>Contract | Questioned<br>Costs | Un-<br>supported<br>Costs | Recommend<br>Funds Put to<br>Better Use | Issue<br>Date |
|----------------------------|---|-----------------------|---------------------|---------------------------|---|---------------|
| <b>COMPUTER SECURITY</b>   |   |                       |                     |                           |   |               |
| IS-LA-00-001(R)            | Adequacy of Security Controls for the Audit Tracking System             | Postal-wide           | \$0                 | \$0                       | \$0                                     | 5/31/00       |
| IS-AR-00-004               | State of Computer Security in the Postal Service                        | Postal-wide           | 0                   | 0                         | 0                                       | 9/29/00       |
| <b>DEVELOPMENTAL</b>       |   |                       |                     |                           |   |               |
| DA-MA-00-001               | Corporate Call Management Program                                       | Postal-wide           | \$0                 | \$0                       | \$0                                     | 4/10/00       |
| DA-MA-00-002               | Priority Mail Processing Center Network<br>1999 Christmas Operations    | Postal-wide           | 0                   | 0                         | 0                                       | 6/30/00       |
| DA-AR-00-003               | Mailing Evaluation, Readability, and Lookup Instrument Program (MERLIN) | Postal-wide           | 0                   | 0                         | 0                                       | 7/31/00       |
| DA-AR-00-004               | Information Platform Planning   | Postal-wide           | 0                   | 0                         | 0                                       | 9/28/00       |
| DA-AR-00-005               | Unresolved Accounting Adjustments                                       | Postal-wide           | 0                   | 0                         | 0                                       | 9/28/00       |
| DA-AR-00-006               | Point of Service ONE Phase II   | Postal-wide           | 0                   | 0                         | 0                                       | 9/29/00       |
| <b>ELECTRONIC COMMERCE</b> |   |                       |                     |                           |   |               |
| EC-AR-00-001               | USPS eBillPay Security and Privacy Issues                               | Postal-wide           | \$0                 | \$0                       | \$0                                     | 9/5/00        |
| EC-TR-00-001               | September 2000 Electronic Commerce Testimony                            | Postal-wide           | 0                   | 0                         | 0                                       | 9/26/00       |
| <b>TECHNOLOGY TOTALS</b>   |   |                       | <b>\$0</b>          | <b>\$0</b>                | <b>\$0</b>                              |               |

## LABOR MANAGEMENT

| Report/Case Number | Subject Title/<br>Project Type  | Location/<br>Contract | Questioned<br>Costs | Un-<br>supported<br>Costs | Recommend<br>Funds Put to<br>Better Use | Issue<br>Date |
|--------------------|---|-----------------------|---------------------|---------------------------|---|---------------|
| <b>HEALTH CARE</b> |   |                       |                     |                           |   |               |
| HC-AR-00-003       | Lancaster Performance Cluster's Process for Administering Continuation of Pay Leave Benefits    | Allegheny Area        | \$0                 | \$0                       | \$0                                     | 9/28/00       |
| HC-AR-00-001       | South Jersey Performance Cluster's Process for Administering Continuation of Pay Leave Benefits | Allegheny Area        | 0                   | 0                         | 0                                       | 9/28/00       |
| HC-AR-00-002       | Erie Performance Cluster's Process for Administering Continuation of Pay Leave Benefits         | Allegheny Area        | 0                   | 0                         | 0                                       | 9/29/00       |
| LB-AR-00-002       | Administration of Aspects of the Injury Compensation Process - Long Island District             | Long Island District  | 0                   | 0                         | 0                                       | 9/29/00       |

| Report/Case Number               | Subject Title/<br>Project Type   | Location/<br>Contract    | Questioned<br>Costs | Un-<br>supported<br>Costs | Recommend<br>Funds Put to<br>Better Use | Issue<br>Date |
|----------------------------------|--|--------------------------|---------------------|---------------------------|---|---------------|
| <b>VIOLENCE IN THE WORKPLACE</b> |  |                          |                     |                           |   |               |
| LR-LA-00-001                     | Allegation of a Threat by a Supervisor at a Mid-Atlantic Area Processing and Distribution Center | Mid-Atlantic Area        | \$0                 | \$0                       | \$0                                     | 5/5/00        |
| LR-LA-00-003                     | Responsiveness to Congressional Inquiries in Spokane District                                    | Spokane District         | 0                   | 0                         | 0                                       | 6/22/00       |
| LB-FR-00-001                     | Flash Report - Potential for Violence  | New Jersey               | 0                   | 0                         | 0                                       | 9/8/00        |
| LB-AR-00-010                     | Review of Violence Prevention and Response Programs in the Arkansas District                     | Arkansas District        | 0                   | 0                         | 0                                       | 9/29/00       |
| LB-AR-00-008                     | Violence Prevention and Response Programs in the Central Florida District                        | Central Florida District | 0                   | 0                         | 0                                       | 9/29/00       |
| LB-AR-00-003                     | Evaluation of Postal Service Criteria for Workplace Violence Prevention and Response Program     | Postal-wide              | 0                   | 0                         | 0                                       | 9/29/00       |
| LB-AR-00-007                     | Review of the Violence Prevention and Response Programs in the North Florida District            | North Florida District   | 0                   | 0                         | 0                                       | 9/29/00       |
| LB-AR-00-006                     | Review of the Violence Prevention and Response Programs in the South Florida District            | South Florida District   | 0                   | 0                         | 0                                       | 9/29/00       |
| LB-AR-00-004                     | Review of the Violence Prevention and Response Programs in the Mississippi District              | Mississippi District     | 0                   | 0                         | 0                                       | 9/29/00       |
| LB-AR-00-005                     | Review of the Violence Prevention and Response Programs in the South Georgia District            | South Georgia District   | 0                   | 0                         | 0                                       | 9/29/00       |
| LB-AR-00-009                     | Review of the Violence Prevention and Response Programs in the Atlanta District                  | Atlanta District         | 0                   | 0                         | 0                                       | 9/29/00       |
| <b>WORKPLACE CLIMATE</b>         |  |                          |                     |                           |   |               |
| LR-LA-00-002                     | Allegations of Harassment by a Supervisor at a Mid-Atlantic Area Post Office                     | Mid-Atlantic Area        | \$0                 | \$0                       | \$0                                     | 5/5/00        |
| LB-AR-00-001                     | Economic Value Added Variable Pay Program  | Postal-wide              | 0                   | 0                         | 0                                       | 7/31/00       |
| LB-MA-00-001                     | Management Reassignment Actions  | Postal-wide              | 0                   | 0                         | 0                                       | 8/29/00       |
| <b>LABOR MANAGEMENT TOTALS</b>   |  |                          | <b>\$0</b>          | <b>\$0</b>                | <b>\$0</b>                              |               |

## OVERSIGHT REVIEWS OF THE INSPECTION SERVICE

| Report/Case Number      | Subject Title/<br>Project Type  | Location/<br>Contract | Questioned<br>Costs | Un-<br>supported<br>Costs | Recommend<br>Funds Put to<br>Better Use | Issue<br>Date |
|-------------------------|---|-----------------------|---------------------|---------------------------|---|---------------|
| OV-MA-00-002            | Review of<br>Postal Inspection Service<br>Forensic Scientist Salaries   | Postal-wide           | \$0                 | \$0                       | \$0                                     | 7/17/00       |
| OV-MA-00-003            | Review of<br>Area Case Investigations   | Postal-wide           | 0                   | 0                         | 0                                       | 8/25/00       |
| OV-AR-00-001            | Inspection Service Self-<br>Referral Counseling Program   | Postal-wide           | 0                   | 0                         | 0                                       | 8/29/00       |
| OV-AR-00-005            | Review of the<br>United States Postal<br>Inspection Service<br>Budget Process   | Postal-wide           | 0                   | 0                         | 0                                       | 9/29/00       |
| OV-AR-00-002            | Audit of the Inspection<br>Service Reporting of<br>Cost-Avoidance Savings<br>Under the Fraudulent<br>Workers' Compensation<br>Program | Postal-wide           | 0                   | 0                         | 0                                       | 9/29/00       |
| OV-AR-00-004            | Postal Inspection Service<br>Disciplinary Process for<br>Nonbargaining Employees  | Postal-wide           | 0                   | 0                         | 0                                       | 9/29/00       |
| OV-AR-00-003            | Inspection Service<br>Awards Program for Law<br>Enforcement Employees   | Postal-wide           | 0                   | 0                         | 0                                       | 9/29/00       |
| <b>OVERSIGHT TOTALS</b> |   |                       | <b>\$0</b>          | <b>\$0</b>                | <b>\$0</b>                              |               |

## OTHER SIGNIFICANT REVIEWS

| Report/Case Number | Subject Title/<br>Project Type | Location/<br>Contract | Questioned<br>Costs | Un-<br>supported<br>Costs | Recommend<br>Funds Put to<br>Better Use | Issue<br>Date |
|--------------------|--------------------------------|-----------------------|---------------------|---------------------------|---|---------------|
| 99CX004EX000       | Executive Investigations       |                       | \$0                 | \$0                       | \$0                                     | 5/4/00        |
| 98CX029EX000       | Executive Investigations       |                       | 0                   | 0                         | 0                                       | 6/16/00       |
| 00CX018EX000       | Executive Investigations       |                       | 0                   | 0                         | 0                                       | 6/14/00       |
| 98CX042EX000       | Executive Investigations       |                       | 0                   | 0                         | 0                                       | 5/12/00       |
| 00CX014EX000       | Executive Investigations       |                       | 0                   | 0                         | 0                                       | 5/9/00        |
| 00CX006EX000       | Executive Investigations       |                       | 0                   | 0                         | 0                                       | 9/13/00       |
| 00CX066EX000       | Executive Investigations       |                       | 0                   | 0                         | 0                                       | 9/14/00       |
| 00CX024EX000       | Executive Investigations       |                       | 0                   | 0                         | 0                                       | 9/12/00       |
| 00CX027EX000       | Executive Investigations       |                       | 0                   | 0                         | 0                                       | 9/5/00        |
| 00CX025EX000       | Executive Investigations       |                       | 0                   | 0                         | 0                                       | 6/7/00        |
| 99CX027EX0PI       | Executive Investigations       |                       | 0                   | 0                         | 0                                       | 4/26/00       |
| 99CX007EX000       | Executive Investigations       |                       | 0                   | 0                         | 0                                       | 8/11/00       |
| 98CX043EX000       | Executive Investigations       |                       | 0                   | 0                         | 0                                       | 5/22/00       |
| 98CX003EX000       | Executive Investigations       |                       | 0                   | 0                         | 0                                       | 8/4/00        |
| 00CX031EX000       | Executive Investigations       |                       | 0                   | 0                         | 0                                       | 6/24/00       |
| 00CX046EX00C       | Executive Investigations       |                       | 0                   | 0                         | 0                                       | 9/27/00       |
| 00CX020EX000       | Executive Investigations       |                       | 0                   | 0                         | 0                                       | 8/29/00       |
| 99CX035EX000       | Executive Investigations       |                       | 0                   | 0                         | 0                                       | 9/11/00       |
| 00CX010EX000       | Executive Investigations       |                       | 0                   | 0                         | 0                                       | 5/18/00       |
| 99CX020EX000       | Executive Investigations       |                       | 0                   | 0                         | 0                                       | 5/1/00        |
| 00CX015EX000       | Executive Investigations       |                       | 0                   | 0                         | 0                                       | 4/4/00        |



| Report/Case Number | Subject Title/Project Type | Location/Contract | Questioned Costs | Un-supported Costs | Recommend Funds Put to Better Use | Issue Date |
|--------------------|----------------------------|-------------------|------------------|--------------------|-----------------------------------|------------|
| 00CX026EX000       | Executive Investigations   |                   | \$0              | \$0                | \$0                               | 5/16/00    |
| 99CX009EX000       | Executive Investigations   |                   | 0                | 0                  | 0                                 | 6/8/00     |
| <b>OIG TOTALS</b>  |                            |                   | \$60,215,080     | \$10,504,442       | \$139,674,085                     |            |



# INSPECTION SERVICE REPORTS

## PERFORMANCE

| Report/Case Number   | Subject Title/<br>Project Type         | Location/<br>Contract | Questioned<br>Costs | Un-<br>supported<br>Costs | Recommend<br>Funds Put to<br>Better Use | Issue<br>Date |
|--|--|-----------------------|---------------------|---------------------------|---|---------------|
| <b>ACCEPTING AND PROCESSING, TRANSPORTATION, DELIVERY AND ENABLING FUNCTIONS</b> |  |                       |                     |                           |   |               |
| 044-1248530-PA(2)  | Location of Small Post Offices         | Boston, MA 02210      | \$0                 | \$0                       | \$0                                     | 08/01/00      |
| 043-1274900-PA(2)  | Facilities Service Office              | Buffalo, NY 14202     | 0                   | 0                         | 0                                       | 09/28/00      |
| 042-1290280-PA(2) <sup>3</sup>   | FLSA Reviews                           | New York, NY 10116    | 0                   | 0                         | 0                                       | 01/03/00      |
| <b>SERVICE INVESTIGATIONS</b>  |  |                       |                     |                           |   |               |
| 072-1277924-SI(2) <sup>3</sup>   | International Air<br>Carrier Service   | Jersey City, NJ 07096 | \$0                 | \$0                       | \$0                                     | 2/18/00       |
| 071-1307159-SI(2)  | Aviation Security<br>Screening Program | New York, NY 10116    | 0                   | 0                         | 0                                       | 05/08/00      |
| 070-1289991-SI(1) <sup>3</sup>   | Savings Opportunities                  | Washington, DC 20260  | 0                   | 0                         | 0                                       | 10/12/99      |
| 091-1308234-SI(2) <sup>3</sup>   | Observation of<br>Mail Conditions      | Honolulu, HI 96820    | 0                   | 0                         | 0                                       | 3/13/00       |
| 071-1307844-SI(2)  | Census 2000 Audit                      | Washington, DC 20260  | 0                   | 0                         | 0                                       | 05/01/00      |
| <b>PERFORMANCE TOTALS</b>  |  |                       | <b>\$ 0</b>         | <b>\$ 0</b>               | <b>\$ 0</b>                             |               |

## FINANCIAL MANAGEMENT

| Report/Case Number                   | Subject Title/<br>Project Type | Location/<br>Contract   | Questioned<br>Costs | Un-<br>supported<br>Costs | Recommend<br>Funds Put to<br>Better Use | Issue<br>Date |
|--------------------------------------|--------------------------------|-------------------------|---------------------|---------------------------|---|---------------|
| <b>CONTRACT AUDITS</b>               |                                |                         |                     |                           |   |               |
| 184-1126310-AC(1)                    | Contract Audit                 | New York,<br>NY 10017   | \$514,696           | \$0                       | \$0                                     | 4/3/00        |
| 184-1254390-AC(1)                    | Contract Audit                 | New York,<br>NY 10017   | 644                 | 0                         | 0                                       | 8/30/00       |
| 184-1225141-AC(1)                    | Contract Audit                 | New York,<br>NY 10153   | 0                   | 0                         | 0                                       | 8/30/00       |
| 184-1210121-AC(1)                    | Contract Audit                 | New York,<br>NY 10017   | 574,869             | 0                         | 0                                       | 8/30/00       |
| <b>FINANCIAL INSTALLATION AUDITS</b> |                                |                         |                     |                           |   |               |
| 013-1299606-AF(1)                    | Financial Installation Audit   | Paramount, CA 90723     | \$0                 | \$0                       | \$0                                     | 04/17/00      |
| 011-1298934-AF(1)                    | Financial Installation Audit   | Tampa, FL 33630         | 0                   | 0                         | 0                                       | 04/01/00      |
| 011-1298836-AF(1)                    | Financial Installation Audit   | Merced, CA 95340        | 0                   | 0                         | 0                                       | 04/04/00      |
| 013-1300155-AF(1)                    | Financial Installation Audit   | Conway, AR 72032        | 0                   | 0                         | 0                                       | 04/04/00      |
| 011-1300514-AF(1)                    | Financial Installation Audit   | Reading, PA 19612       | 0                   | 0                         | 0                                       | 04/04/00      |
| 011-1300215-AF(1)                    | Financial Installation Audit   | Topeka, KS 66603        | 0                   | 0                         | 0                                       | 04/05/00      |
| 011-1302404-AF(1)                    | Financial Installation Audit   | Downers Grove, IL 60515 | 0                   | 0                         | 0                                       | 04/05/00      |
| 011-1298888-AF(1)                    | Financial Installation Audit   | Jacksonville, FL 32203  | 0                   | 0                         | 0                                       | 04/06/00      |
| 011-1299223-AF(1)                    | Financial Installation Audit   | Franklin, KY 42134      | 0                   | 0                         | 0                                       | 04/07/00      |
| 011-1302194-AF(1)                    | Financial Installation Audit   | Clinton, IL 61727       | 0                   | 0                         | 0                                       | 04/11/00      |
| 011-1302195-AF(1)                    | Financial Installation Audit   | Peoria, IL 61601        | 0                   | 0                         | 0                                       | 04/11/00      |
| 011-1300983-AF(1)                    | Financial Installation Audit   | Toledo, OH 43601        | 0                   | 0                         | 0                                       | 04/12/00      |
| 011-1302221-AF(1)                    | Financial Installation Audit   | Chicago, IL 60607       | 0                   | 0                         | 0                                       | 04/13/00      |
| 011-1300151-AF(1)                    | Financial Installation Audit   | New Orleans, LA 70113   | 0                   | 0                         | 0                                       | 04/17/00      |

<sup>3</sup> These reports 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, these reports are being included during this reporting period.

| Report/Case Number             | Subject Title/Project Type   | Location/Contract        | Questioned Costs | Un-supported Costs | Recommend Funds Put to Better Use | Issue Date |
|--------------------------------|------------------------------|--------------------------|------------------|--------------------|-----------------------------------|------------|
| 011-1298835-AF(1)              | Financial Installation Audit | Sacramento, CA 95815     | 0                | 0                  | 0                                 | 04/18/00   |
| 014-1300241-AF(1)              | Financial Installation Audit | Renton, WA 98058         | 0                | 0                  | 0                                 | 04/07/00   |
| 014-1300249-AF(1)              | Financial Installation Audit | Seattle, WA 98109        | 0                | 0                  | 0                                 | 04/13/00   |
| 014-1301274-AF(1)              | Financial Installation Audit | New Buffalo, MI 49117    | 0                | 0                  | 0                                 | 04/14/00   |
| 015-1301287-AF(1)              | Financial Installation Audit | Dunreith, IN 47337       | 0                | 0                  | 0                                 | 04/14/00   |
| 011-1301270-AF(1)              | Financial Installation Audit | Midland, MI 48640        | 0                | 0                  | 0                                 | 04/28/00   |
| 013-1299925-AF(1) <sup>3</sup> | Financial Installation Audit | San Diego, CA 92123      | 0                | 0                  | 0                                 | 02/23/00   |
| 011-1298893-AF(1)              | Financial Installation Audit | Greenville, SC 29612     | 0                | 0                  | 0                                 | 04/17/00   |
| 011-1298894-AF(1)              | Financial Installation Audit | Greenville, SC 29602     | 0                | 0                  | 0                                 | 04/17/00   |
| 011-1300505-AF(1)              | Financial Installation Audit | Mechanicsburg, PA 17055  | 0                | 0                  | 0                                 | 04/12/00   |
| 011-1299048-AF(1)              | Financial Installation Audit | Clarksville, TN 37043    | 0                | 0                  | 0                                 | 04/11/00   |
| 011-1300499-AF(1)              | Financial Installation Audit | Harrisburg, PA 17105     | 0                | 0                  | 0                                 | 04/06/00   |
| 011-1298889-AF(1)              | Financial Installation Audit | Tallahassee, FL 32301    | 0                | 0                  | 0                                 | 04/03/00   |
| 011-1300038-AF(1)              | Financial Installation Audit | Seattle, WA 98101        | 0                | 0                  | 0                                 | 04/20/00   |
| 011-1299790-AF(1)              | Financial Installation Audit | Richmond, VA 23230       | 0                | 0                  | 0                                 | 04/25/00   |
| 011-1298648-AF(1)              | Financial Installation Audit | Farmingdale, NY 11735    | 0                | 0                  | 0                                 | 04/14/00   |
| 011-1298657-AF(1)              | Financial Installation Audit | Central Islip, NY 11722  | 0                | 0                  | 0                                 | 04/26/00   |
| 013-1299033-AF(1)              | Financial Installation Audit | McDonough, GA 30253      | 0                | 0                  | 0                                 | 04/21/00   |
| 012-1299206-AF(1)              | Financial Installation Audit | Worcester, MA 01613      | 0                | 0                  | 0                                 | 04/25/00   |
| 014-1301255-AF(1)              | Financial Installation Audit | Carleton, MI 48117       | 0                | 0                  | 0                                 | 04/20/00   |
| 011-1299059-AF(1)              | Financial Installation Audit | Birmingham, AL 35217     | 0                | 0                  | 0                                 | 04/21/00   |
| 011-1299792-AF(1)              | Financial Installation Audit | Washington, DC 20066     | 0                | 0                  | 0                                 | 03/30/00   |
| 011-1300202-AF(1)              | Financial Installation Audit | Madison, WI 53714        | 0                | 0                  | 0                                 | 05/08/00   |
| 014-1299031-AF(1)              | Financial Installation Audit | Jackson, GA 30233        | 0                | 0                  | 0                                 | 05/04/00   |
| 011-1298654-AF(1)              | Financial Installation Audit | Mendota, IL 61342        | 0                | 0                  | 0                                 | 05/12/00   |
| 011-1299239-AF(1)              | Financial Installation Audit | Omaha, NE 68108          | 0                | 0                  | 0                                 | 05/12/00   |
| 011-1301286-AF(1)              | Financial Installation Audit | Terre Haute, IN 47802    | 0                | 0                  | 0                                 | 05/10/00   |
| 011-1301866-AF(1)              | Financial Installation Audit | Boston, MA 02205         | 0                | 0                  | 0                                 | 05/11/00   |
| 011-1299743-AF(1)              | Financial Installation Audit | Chanhasen, MN 55317      | 0                | 0                  | 0                                 | 05/11/00   |
| 014-1298699-AF(1)              | Financial Installation Audit | Monticello, NY 12701     | 0                | 0                  | 0                                 | 05/09/00   |
| 015-1300530-AF(1)              | Financial Installation Audit | Jean, NV 89019           | 0                | 0                  | 0                                 | 05/09/00   |
| 011-1298645-AF(1)              | Financial Installation Audit | Jericho, NY 11753        | 0                | 0                  | 0                                 | 05/15/00   |
| 011-1298833-AF(1)              | Financial Installation Audit | Folsom, CA 95630         | 0                | 0                  | 0                                 | 05/17/00   |
| 015-1300520-AF(1)              | Financial Installation Audit | Salford, PA 18957        | 0                | 0                  | 0                                 | 04/27/00   |
| 011-1298834-AF(1)              | Financial Installation Audit | Rancho Cordova, CA 95670 | 0                | 0                  | 0                                 | 05/11/00   |
| 011-1300245-AF(1)              | Financial Installation Audit | Lincoln, NE 68501        | 0                | 0                  | 0                                 | 05/17/00   |
| 011-1298882-AF(1)              | Financial Installation Audit | Frankfort, KY 40601      | 0                | 0                  | 0                                 | 05/17/00   |
| 011-1299057-AF(1)              | Financial Installation Audit | Birmingham, AL 35203     | 0                | 0                  | 0                                 | 05/17/00   |
| 013-1299932-AF(1)              | Financial Installation Audit | Los Angeles, CA 90015    | 0                | 0                  | 0                                 | 05/18/00   |
| 013-1299950-AF(1)              | Financial Installation Audit | Los Angeles, CA 90025    | 0                | 0                  | 0                                 | 05/18/00   |
| 014-1300986-AF(1)              | Financial Installation Audit | Uniontown, OH 44685      | 0                | 0                  | 0                                 | 05/19/00   |
| 012-1299195-AF(1)              | Financial Installation Audit | Buffalo, NY 14240        | 0                | 0                  | 0                                 | 05/26/00   |
| 011-1298884-AF(1)              | Financial Installation Audit | Shepherdsville, KY 40165 | 0                | 0                  | 0                                 | 05/25/00   |
| 012-1300526-AF(1)              | Financial Installation Audit | Rapid City, SD 57701     | 0                | 0                  | 0                                 | 05/16/00   |
| 015-1300525-AF(1)              | Financial Installation Audit | Oliver, PA 15472         | 0                | 0                  | 0                                 | 05/01/00   |
| 011-1301284-AF(1)              | Financial Installation Audit | Terre Haute, IN 47803    | 0                | 0                  | 0                                 | 05/18/00   |
| 011-1300147-AF(1)              | Financial Installation Audit | Grand Prairie, TX 75051  | 0                | 0                  | 0                                 | 05/22/00   |
| 011-1302200-AF(1)              | Financial Installation Audit | Bridgeview, IL 60455     | 0                | 0                  | 0                                 | 05/24/00   |

| Report/Case Number             | Subject Title/Project Type   | Location/Contract        | Questioned Costs | Un-supported Costs | Recommend Funds Put to Better Use | Issue Date |
|--------------------------------|------------------------------|--------------------------|------------------|--------------------|-----------------------------------|------------|
| 014-1298802-AF(1)              | Financial Installation Audit | Gilroy, CA 95020         | 0                | 0                  | 0                                 | 05/17/00   |
| 014-1300521-AF(1)              | Financial Installation Audit | Holmes, PA 19043         | 0                | 0                  | 0                                 | 05/25/00   |
| 011-1299815-AF(1)              | Financial Installation Audit | Gaithersburg, MD 20898   | 0                | 0                  | 0                                 | 05/31/00   |
| 014-1301277-AF(1)              | Financial Installation Audit | Fenton, MI 48430         | 0                | 0                  | 0                                 | 05/18/00   |
| 013-1298752-AF(1)              | Financial Installation Audit | Sacramento, CA 95825     | 0                | 0                  | 0                                 | 05/22/00   |
| 011-1300210-AF(1)              | Financial Installation Audit | Waseca, MN 56093         | 0                | 0                  | 0                                 | 06/06/00   |
| 012-1301278-AF(1)              | Financial Installation Audit | Grand Rapids, MI 49599   | 0                | 0                  | 0                                 | 05/16/00   |
| 011-1299697-AF(1)              | Financial Installation Audit | Waite Park, MN 56387     | 0                | 0                  | 0                                 | 05/18/00   |
| 014-1298646-AF(1)              | Financial Installation Audit | Aquebogue, NY 11931      | 0                | 0                  | 0                                 | 06/05/00   |
| 014-1299196-AF(1)              | Financial Installation Audit | Lancaster, NY 14086      | 0                | 0                  | 0                                 | 06/06/00   |
| 011-1301267-AF(1)              | Financial Installation Audit | Grand Rapids, MI 49599   | 0                | 0                  | 0                                 | 06/12/00   |
| 014-1300987-AF(1)              | Financial Installation Audit | Wadsworth, OH 44281      | 0                | 0                  | 0                                 | 06/09/00   |
| 011-1299216-AF(1)              | Financial Installation Audit | Dundee, IL 601180        | 0                | 0                  | 0                                 | 06/09/00   |
| 011-1302224-AF(1)              | Financial Installation Audit | Carol Stream, IL 60188   | 0                | 0                  | 0                                 | 06/09/00   |
| 011-1302222-AF(1)              | Financial Installation Audit | Bensenville, IL 60106    | 0                | 0                  | 0                                 | 06/09/00   |
| 014-1298989-AF(1)              | Financial Installation Audit | Wildwood, FL 34785       | 0                | 0                  | 0                                 | 06/12/00   |
| 011-1301290-AF(1)              | Financial Installation Audit | Louisville, KY 40231     | 0                | 0                  | 0                                 | 06/12/00   |
| 011-1299045-AF(1)              | Financial Installation Audit | Knoxville, TN 37950      | 0                | 0                  | 0                                 | 06/15/00   |
| 011-1300513-AF(1)              | Financial Installation Audit | Southampton, PA 18966    | 0                | 0                  | 0                                 | 06/13/00   |
| 011-1301508-AF(1)              | Financial Installation Audit | Altoona, PA 16601        | 0                | 0                  | 0                                 | 06/14/00   |
| 014-1300510-AF(1)              | Financial Installation Audit | Milford, PA 18337        | 0                | 0                  | 0                                 | 06/14/00   |
| 011-1299227-AF(1)              | Financial Installation Audit | Newark, NJ 07102         | 0                | 0                  | 0                                 | 06/15/00   |
| 011-1298985-AF(1)              | Financial Installation Audit | South Holland, IL 60473  | 0                | 0                  | 0                                 | 06/16/00   |
| 014-1299924-AF(1) <sup>3</sup> | Financial Installation Audit | Claremont, CA 91711      | 0                | 0                  | 0                                 | 12/14/99   |
| 011-1298830-AF(1)              | Financial Installation Audit | Medford, OR 97501        | 0                | 0                  | 0                                 | 06/14/00   |
| 014-1300240-AF(1)              | Financial Installation Audit | Salida, CO 82101         | 0                | 0                  | 0                                 | 06/07/00   |
| 011-1300494-AF(1)              | Financial Installation Audit | Wilmington, DE 19808     | 0                | 0                  | 0                                 | 06/27/00   |
| 011-1299603-AF(1)              | Financial Installation Audit | Long Beach, CA 90809     | 0                | 0                  | 0                                 | 06/16/00   |
| 011-1300060-AF(1)              | Financial Installation Audit | Sioux Falls, SD 57104    | 0                | 0                  | 0                                 | 06/19/00   |
| 011-1299214-AF(1)              | Financial Installation Audit | Mundelein, IL 60060      | 0                | 0                  | 0                                 | 06/23/00   |
| 011-1299197-AF(1)              | Financial Installation Audit | Hartford, CT 06101       | 0                | 0                  | 0                                 | 06/28/00   |
| 011-1300154-AF(1)              | Financial Installation Audit | Tulsa, OK 74103          | 0                | 0                  | 0                                 | 06/22/00   |
| 011-1300991-AF(1)              | Financial Installation Audit | Cleveland, OH 44101      | 0                | 0                  | 0                                 | 06/23/00   |
| 011-1301282-AF(1)              | Financial Installation Audit | Seymour, IN 47274        | 0                | 0                  | 0                                 | 06/09/00   |
| 011-1300216-AF(1)              | Financial Installation Audit | Green Bay, WI 54303      | 0                | 0                  | 0                                 | 06/26/00   |
| 014-1298810-AF(1)              | Financial Installation Audit | Payette, ID 83661        | 0                | 0                  | 0                                 | 06/12/00   |
| 011-1298639-AF(1)              | Financial Installation Audit | Hicksville, NY 11801     | 0                | 0                  | 0                                 | 07/13/00   |
| 012-1298993-AF(1)              | Financial Installation Audit | Pembroke Pines, FL 33082 | 0                | 0                  | 0                                 | 07/12/00   |
| 011-1299199-AF(1)              | Financial Installation Audit | Torrington, CT 06790     | 0                | 0                  | 0                                 | 07/19/00   |
| 014-1300994-AF(1)              | Financial Installation Audit | Greenville, KY 42345     | 0                | 0                  | 0                                 | 07/19/00   |
| 011-1300213-AF(1)              | Financial Installation Audit | Mt. Pleasant, IA 52641   | 0                | 0                  | 0                                 | 07/20/00   |
| 014-1299189-AF(1)              | Financial Installation Audit | Boonville, NY 13309      | 0                | 0                  | 0                                 | 07/26/00   |
| 015-1299226-AF(1)              | Financial Installation Audit | St. Paul, MN 55101       | 0                | 0                  | 0                                 | 07/14/00   |
| 011-1299224-AF(1)              | Financial Installation Audit | St. Paul, MN 55164       | 0                | 0                  | 0                                 | 07/14/00   |
| 014-1302407-AF(1)              | Financial Installation Audit | Bartonville, IL 61607    | 0                | 0                  | 0                                 | 07/10/00   |
| 011-1300244-AF(1)              | Financial Installation Audit | Milwaukee, WI 53202      | 0                | 0                  | 0                                 | 07/07/00   |
| 011-1300992-AF(1)              | Financial Installation Audit | Berea, OH 44017          | 0                | 0                  | 0                                 | 07/12/00   |
| 011-1300243-AF(1)              | Financial Installation Audit | Milwaukee, WI 53203      | 0                | 0                  | 0                                 | 07/07/00   |

| Report/Case Number | Subject Title/<br>Project Type | Location/<br>Contract      | Questioned<br>Costs | Un-<br>supported<br>Costs | Recommend<br>Funds Put to<br>Better Use | Issue<br>Date |
|--------------------|--------------------------------|----------------------------|---------------------|---------------------------|---|---------------|
| 011-1299822-AF(1)  | Financial Installation Audit   | Winston-Salem,<br>NC 27120 | 0                   | 0                         | 0                                       | 07/07/00      |
| 011-1299747-AF(1)  | Financial Installation Audit   | Pomona, CA 91766           | 0                   | 0                         | 0                                       | 07/06/00      |
| 014-1300221-AF(1)  | Financial Installation Audit   | Yankton, SD 57078          | 0                   | 0                         | 0                                       | 07/06/00      |
| 011-1299820-AF(1)  | Financial Installation Audit   | Washington, NC 27889       | 0                   | 0                         | 0                                       | 07/05/00      |
| 011-1302378-AF(1)  | Financial Installation Audit   | Carol Stream, IL 60188     | 0                   | 0                         | 0                                       | 06/26/00      |
| 011-1299225-AF(1)  | Financial Installation Audit   | St. Paul, MN 55113         | 0                   | 0                         | 0                                       | 07/21/00      |
| 012-1300222-AF(1)  | Financial Installation Audit   | Aberdeen, SD 57401         | 0                   | 0                         | 0                                       | 07/26/00      |
| 011-1300229-AF(1)  | Financial Installation Audit   | Kenosha, WI 53140          | 0                   | 0                         | 0                                       | 07/27/00      |
| 011-1299939-AF(1)  | Financial Installation Audit   | Kansas City, MO 64108      | 0                   | 0                         | 0                                       | 07/05/00      |
| 011-1299917-AF(1)  | Financial Installation Audit   | Butler, MN 55403           | 0                   | 0                         | 0                                       | 07/05/00      |
| 012-1299745-AF(1)  | Financial Installation Audit   | Vista, CA 92083            | 0                   | 0                         | 0                                       | 07/11/00      |
| 014-1299317-AF(1)  | Financial Installation Audit   | Port Townsend,<br>WA 98368 | 0                   | 0                         | 0                                       | 07/26/00      |
| 014-1299191-AF(1)  | Financial Installation Audit   | Dolgeville, NY 13329       | 0                   | 0                         | 0                                       | 07/31/00      |
| 011-1299056-AF(1)  | Financial Installation Audit   | Montgomery, AL 36119       | 0                   | 0                         | 0                                       | 07/31/00      |
| 011-1299619-AF(1)  | Financial Installation Audit   | Los Angeles, CA 90052      | 0                   | 0                         | 0                                       | 08/02/00      |
| 011-1300996-AF(1)  | Financial Installation Audit   | Versailles, KY 40383       | 0                   | 0                         | 0                                       | 08/02/00      |
| 014-1300995-AF(1)  | Financial Installation Audit   | Winchester, KY 40391       | 0                   | 0                         | 0                                       | 08/02/00      |
| 011-1298650-AF(1)  | Financial Installation Audit   | Flushing, NY 11351         | 0                   | 0                         | 0                                       | 08/03/00      |
| 011-1299232-AF(1)  | Financial Installation Audit   | Union City, NJ 07087       | 0                   | 0                         | 0                                       | 08/04/00      |
| 013-1299611-AF(1)  | Financial Installation Audit   | Inglewood, CA 90311        | 0                   | 0                         | 0                                       | 08/04/00      |
| 011-1301229-AF(1)  | Financial Installation Audit   | Allen Park, MI 48233       | 0                   | 0                         | 0                                       | 08/07/00      |
| 011-1300150-AF(1)  | Financial Installation Audit   | Missouri City, TX 77489    | 0                   | 0                         | 0                                       | 08/14/00      |
| 011-1299184-AF(1)  | Financial Installation Audit   | Saratoga, NY 12866         | 0                   | 0                         | 0                                       | 08/15/00      |
| 015-1301273-AF(1)  | Financial Installation Audit   | Reed City, MI 49677        | 0                   | 0                         | 0                                       | 07/19/00      |
| 011-1299929-AF(1)  | Financial Installation Audit   | Los Angeles, CA 90052      | 0                   | 0                         | 0                                       | 05/08/00      |
| 011-1299198-AF(1)  | Financial Installation Audit   | Old Saybrook, CT 06475     | 0                   | 0                         | 0                                       | 08/18/00      |
| 011-1299789-AF(1)  | Financial Installation Audit   | Richmond, VA 23232         | 0                   | 0                         | 0                                       | 05/01/00      |
| 011-1299818-AF(1)  | Financial Installation Audit   | Raleigh, NC 27676          | 0                   | 0                         | 0                                       | 05/15/00      |
| 011-1304153-AF(1)  | Financial Installation Audit   | Princeton, NJ 08540        | 0                   | 0                         | 0                                       | 08/18/00      |
| 015-1299935-AF(1)  | Financial Installation Audit   | Ontario, CA 91764          | 0                   | 0                         | 0                                       | 08/21/00      |
| 014-1299186-AF(1)  | Financial Installation Audit   | Coxsackie, NY 12051        | 0                   | 0                         | 0                                       | 08/25/00      |
| 011-1300205-AF(1)  | Financial Installation Audit   | Beaver Dam, WI 53916       | 0                   | 0                         | 0                                       | 08/28/00      |
| 011-1300984-AF(1)  | Financial Installation Audit   | Toledo, OH 43601           | 0                   | 0                         | 0                                       | 05/12/00      |
| 014-1299030-AF(1)  | Financial Installation Audit   | Atlanta, GA 30316          | 0                   | 0                         | 0                                       | 08/28/00      |
| 011-1299602-AF(1)  | Financial Installation Audit   | Kansas City, MO 64101      | 0                   | 0                         | 0                                       | 06/22/00      |
| 011-1300201-AF(1)  | Financial Installation Audit   | Effingham, IL 62401        | 0                   | 0                         | 0                                       | 08/31/00      |
| 011-1298832-AF(1)  | Financial Installation Audit   | San Jose, CA 95101         | 0                   | 0                         | 0                                       | 08/25/00      |
| 015-1301865-AF(1)  | Financial Installation Audit   | Pompey, NY 13138           | 0                   | 0                         | 0                                       | 09/07/00      |
| 011-1302223-AF(1)  | Financial Installation Audit   | Franklin Park, IL 60131    | 0                   | 0                         | 0                                       | 08/31/00      |
| 011-1300148-AF(1)  | Financial Installation Audit   | Ft. Worth, TX 76161        | 0                   | 0                         | 0                                       | 09/06/00      |
| 015-1299192-AF(1)  | Financial Installation Audit   | Calcium, NY 13616          | 0                   | 0                         | 0                                       | 09/05/00      |
| 011-1302197-AF(1)  | Financial Installation Audit   | Pontiac, IL 61764          | 0                   | 0                         | 0                                       | 09/07/00      |
| 011-1300146-AF(1)  | Financial Installation Audit   | Dallas, TX 75260           | 0                   | 0                         | 0                                       | 09/07/00      |
| 011-1299207-AF(1)  | Financial Installation Audit   | Randolph, MA 02368         | 0                   | 0                         | 0                                       | 09/08/00      |
| 011-1300149-AF(1)  | Financial Installation Audit   | Houston, TX 77201          | 0                   | 0                         | 0                                       | 09/08/00      |
| 011-1299773-AF(1)  | Financial Installation Audit   | Thousand Oaks,<br>CA 91360 | 0                   | 0                         | 0                                       | 07/02/00      |



| Report/Case Number                       | Subject Title/<br>Project Type | Location/<br>Contract         | Questioned<br>Costs | Un-<br>supported<br>Costs | Recommend<br>Funds Put to<br>Better Use | Issue<br>Date |
|--|--------------------------------|-------------------------------|---------------------|---------------------------|---|---------------|
| <b>DISTRICT ACCOUNTING OFFICE AUDITS</b> |                                |                               |                     |                           |   |               |
| 188-1300427-AF(2)                        | Financial Installation Audit   | Little Rock, AR 72205         | \$0                 | \$0                       | \$0                                     | 04/18/00      |
| 188-1300042-AF(2)                        | Financial Installation Audit   | Seattle, WA 98168             | 0                   | 0                         | 0                                       | 04/19/00      |
| 016-1299248-AF(2)                        | Financial Installation Audit   | Newark, NJ 07102              | 0                   | 0                         | 0                                       | 04/21/00      |
| 016-1300033-AF(2)                        | Financial Installation Audit   | Seattle, WA 98109             | 0                   | 0                         | 0                                       | 04/18/00      |
| 188-1299249-AF(2)                        | Financial Installation Audit   | Newark, NJ 07102              | 0                   | 0                         | 0                                       | 04/28/00      |
| 016-1302205-AF(2)                        | Financial Installation Audit   | St. Louis, MO 63155           | 0                   | 0                         | 0                                       | 04/27/00      |
| 016-1300400-AF(2)                        | Financial Installation Audit   | Coppell, TX 75099             | 0                   | 0                         | 0                                       | 05/10/00      |
| 188-1301279-AF(2)                        | Financial Installation Audit   | Grand Rapids, MI 49599        | 0                   | 0                         | 0                                       | 05/22/00      |
| 016-1300401-AF(2)                        | Financial Installation Audit   | Oklahoma City, OK 73125       | 0                   | 0                         | 0                                       | 06/20/00      |
| 016-1301280-AF(2)                        | Financial Installation Audit   | Grand Rapids, MI 49599        | 0                   | 0                         | 0                                       | 06/09/00      |
| 016-1300988-AF(2)                        | Financial Installation Audit   | Cleveland, OH 44101           | 0                   | 0                         | 0                                       | 06/22/00      |
| 188-1300989-AF(2)                        | Financial Installation Audit   | Cleveland, OH 44101           | 0                   | 0                         | 0                                       | 06/22/00      |
| 016-1302233-AF(2)                        | Financial Installation Audit   | Richmond, VA 23232            | 0                   | 0                         | 0                                       | 04/27/00      |
| 016-1300399-AF(2)                        | Financial Installation Audit   | Little Rock, AR 72205         | 0                   | 0                         | 0                                       | 06/28/00      |
| 016-1299922-AF(2)                        | Financial Installation Audit   | Minneapolis, MN 55402         | 0                   | 0                         | 0                                       | 08/04/00      |
| 188-1299947-AF(2)                        | Financial Installation Audit   | Minneapolis, MN 55402         | 0                   | 0                         | 0                                       | 08/02/00      |
| 016-1302543-AF(2)                        | Financial Installation Audit   | Bedford Park, IL 60499        | 0                   | 0                         | 0                                       | 08/14/00      |
| 188-1302403-AF(2)                        | Financial Installation Audit   | Bedford Park, IL 60499        | 0                   | 0                         | 0                                       | 08/18/00      |
| 016-1298678-AF(2)                        | Financial Installation Audit   | San Francisco, CA 94188       | 0                   | 0                         | 0                                       | 08/29/00      |
| 188-1299176-AF(2)                        | Financial Installation Audit   | New Haven, CT 06500           | 0                   | 0                         | 0                                       | 08/30/00      |
| 188-1299017-AF(2)                        | Financial Installation Audit   | Jackson, MS 39205             | 0                   | 0                         | 0                                       | 08/30/00      |
| <b>FINANCIAL INVESTIGATIONS</b>          |                                |                               |                     |                           |   |               |
| 173-1308487-PVS(1) <sup>3</sup>          | Delivery Point Sequence        | South, FL 33082               | \$0                 | \$0                       | \$0                                     | 03/02/00      |
| 017-1312706-FI(2)                        | Financial Audit                | Halsey, OR 97348              | 0                   | 0                         | 0                                       | 05/01/00      |
| 017-1311604-FI(2)                        | Financial Audit                | Clark Fork, ID 83811          | 0                   | 0                         | 0                                       | 05/05/00      |
| 017-1312705-FI(2)                        | Financial Audit                | Murphy, ID 83650              | 0                   | 0                         | 0                                       | 05/11/00      |
| 017-1312709-FI(2)                        | Financial Audit                | Melba, ID 83641               | 0                   | 0                         | 0                                       | 05/01/00      |
| 017-1315949-FI(2)                        | Financial Audit                | Wishram, WA 98673             | 0                   | 0                         | 0                                       | 06/22/00      |
| 017-1311413-FI(2)                        | Financial Audit                | East Otto, NY 14729           | 0                   | 0                         | 0                                       | 05/16/00      |
| 824-1314103-FI(3)                        | Financial Investigation        | Monroe, OH 45056              | 0                   | 0                         | 0                                       | 05/31/00      |
| 830-1312659-FI(1)                        | Financial Investigation        | Milwaukee, WI 53237           | 0                   | 0                         | 0                                       | 06/15/00      |
| 017-1315820-FI(2)                        | Financial Audit                | Orondo, WA 98843              | 0                   | 0                         | 0                                       | 07/17/00      |
| 798-1291938-ICR(1)                       | Registered Mail                | Royal Oak, MI 48068           | 0                   | 0                         | 0                                       | 07/28/00      |
| 822-1305289-FI(1)                        | Financial Investigation        | Mooresville, IN 46158         | 0                   | 0                         | 0                                       | 04/13/00      |
| 833-1317409-FI(1)                        | Financial Investigation        | Chicago, IL 60646             | 0                   | 0                         | 0                                       | 07/28/00      |
| 017-1317904-FI(2)                        | Financial Audit                | Raymond, WA 98577             | 0                   | 0                         | 0                                       | 08/21/00      |
| 830-1230138-FI(1)                        | Embezzlement                   | San Bernardino,<br>CA 92401   | 0                   | 0                         | 0                                       | 04/07/00      |
| 017-1320223-FI(2)                        | Financial Audit                | Atlanta, NY 14808             | 0                   | 0                         | 0                                       | 09/01/00      |
| 017-1318989-FI(2)                        | Financial Audit                | Stockton, NY 14784            | 0                   | 0                         | 0                                       | 09/01/00      |
| 447-1307663-ECM(3) <sup>3</sup>          | Arrow Key Inventory            | Anchorage, AK 99508           | 0                   | 0                         | 0                                       | 02/15/00      |
| <b>REVENUE INVESTIGATIONS</b>            |                                |                               |                     |                           |   |               |
| 061-1299273-RI(1)                        | Postage Meter                  | Framingham, MA 01702          | \$0                 | \$0                       | \$0                                     | 04/07/00      |
| 061-1302035-RI(1)                        | Postage Meter                  | Fairfield, NJ 07004           | 0                   | 0                         | 0                                       | 04/05/00      |
| 061-1301199-RI(1)                        | Postage Meter                  | McLean, VA 22102              | 0                   | 0                         | 0                                       | 04/07/00      |
| 384-1311120-RI(1) <sup>3</sup>           | Postage Meter                  | Washington, IA 52353          | 0                   | 0                         | 0                                       | 03/27/00      |
| 061-1305920-RI(1)                        | Postage Meter                  | City of Industry,<br>CA 91748 | 0                   | 0                         | 0                                       | 04/28/00      |

| Report/Case Number                 | Subject Title/Project Type | Location/Contract           | Questioned Costs    | Un-supported Costs  | Recommend Funds Put to Better Use | Issue Date |
|------------------------------------|----------------------------|-----------------------------|---------------------|---------------------|-----------------------------------|------------|
| 061-1312692-RI(1)                  | Postage Meter              | Miamisburg, OH 45342        | 0                   | 0                   | 0                                 | 05/12/00   |
| 065-1305006-RI(1)                  | Periodical Mail            | Chicago, IL 60659           | 0                   | 0                   | 0                                 | 05/16/00   |
| 061-1305652-RI(1)                  | Postage Meter              | Wallingford, CT 06492       | 0                   | 0                   | 0                                 | 06/02/00   |
| 064-1314004-RI(1)                  | First-Class Mail           | Norfolk, VA 23501           | 0                   | 0                   | 0                                 | 05/26/00   |
| 064-1314745-RI(1)                  | First-Class Mail           | Arlington Heights, IL 60004 | 0                   | 0                   | 0                                 | 06/01/00   |
| 065-1249966-RI(1)                  | Periodical Mail            | King of Prussia, PA 19406   | 0                   | 0                   | 0                                 | 05/02/00   |
| 068-1314597-RI(1)                  | First-Class Mail           | Bradenton, FL 34208         | 0                   | 0                   | 0                                 | 06/21/00   |
| 069-1312663-RI(2)                  | Express Mail Review        | Tampa, FL 33622             | 0                   | 0                   | 0                                 | 05/25/00   |
| 409-1315507-ECM(2)                 | Bait Money Order Program   | Miami, FL 33128             | 0                   | 0                   | 0                                 | 06/20/00   |
| 061-1296645-RI(1)                  | Postage Meter              | Lisle, IL 60532             | 0                   | 0                   | 0                                 | 07/05/00   |
| 062-1290923-RI(1)                  | Nonprofit Mail             | Wilkes-Barre, PA 18701      | 0                   | 0                   | 0                                 | 06/19/00   |
| 920-1242149-RI(1)                  | Plant Loads                | Bala Cynwyd, PA 14202       | 0                   | 0                   | 0                                 | 04/03/00   |
| <b>FINANCIAL MANAGEMENT TOTALS</b> |                            |                             | <b>\$1,090,209</b>  | <b>\$ 0</b>         | <b>\$ 0</b>                       |            |
| <b>INSPECTION SERVICE TOTALS</b>   |                            |                             | <b>\$1,090,209</b>  | <b>\$ 0</b>         | <b>\$ 0</b>                       |            |
| <b>GRAND TOTALS</b>                |                            |                             | <b>\$61,305,289</b> | <b>\$10,504,442</b> | <b>\$139,674,085</b>              |            |

**APPENDIX B**

# Findings of Questioned Costs

For the period April 1, 2000, through September 30, 2000

**OFFICE OF INSPECTOR GENERAL AND 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                                    | 20                | \$292,730,104          | \$13,151,513                                   |
| Reports requiring management decision that were issued during the reporting period  | 29                | 61,305,289             | 10,504,442                                     |
| <b>TOTALS</b>   | <b>49</b>         | <b>\$354,035,393</b>   | <b>\$23,655,955</b>                            |
| Reports for which a management decision was made during the reporting period (i+ii)   | 9                 | \$277,144,395          | \$5,757,046                                    |
| (i) Dollar Value of disallowed cost   |                   | \$272,041,133          |  |
| (ii) Dollar value of cost not disallowed  |                   | \$5,103,262            |  |
| Reports for which no management decision was made by the end of the reporting period. Negotiations are ongoing.               | 40                | \$76,890,998           | \$17,898,909                                   |
| Reports for which no management decision was made within six months of issuance (See Note 1 for a list of individual reports) | 9                 | \$8,770,318            | \$1,741,537                                    |
| Reports for which no management decision was made within one year of issuance (See Note 2 for a list of individual reports)   | 3                 | \$7,131,716            | \$5,841,563                                    |

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

**OFFICE OF INSPECTOR GENERAL**

| Report Date      | Case Number   | Project Type   | Total Questioned Costs | Unsupported Costs Included In Questioned Costs |
|------------------|---------------|--|------------------------|--|
| 2/21/00          | CA-CAR-00-006 | Contract Audit   | \$121,452              | \$54,185                                       |
| 3/6/00           | CA-CAR-00-011 | Contract Audit   | 36,490                 | 0  |
| 3/14/00          | CA-CAR-00-014 | Contract Audit   | 38,607                 | 0  |
| 3/14/00          | CA-CAR-00-015 | Contract Audit   | 464,644                | 0  |
| 3/29/00          | CA-CAR-00-018 | Contract Audit   | 90,366                 | 0  |
| 3/31/00          | CA-MA-00-001  | Contract Audit Practices   | 92,214                 | 0  |
| 2/29/00          | TR-AR-00-005  | Southwest Area Expenditures for Extra Highway Trips Using Leased Equipment | 848,000                | 0  |
| <b>OIG TOTAL</b> |               |  | <b>\$1,691,773</b>     | <b>\$54,185</b>                                |

## INSPECTION SERVICE

| Report Date                     | Case Number       | Project Type   | Total Questioned Costs | Unsupported Costs Included In Questioned Costs |
|---------------------------------|-------------------|----------------|------------------------|--|
| 11/17/99                        | 181-1294644-AC(1) | Contract Audit | \$7,063,747            | \$1,675,877                                    |
| 3/22/00                         | 184-1289120-AC(1) | Contract Audit | 14,798                 | 11,475   |
| <b>INSPECTION SERVICE TOTAL</b> |                   |                | <b>\$7,078,545</b>     | <b>\$1,687,352</b>                             |
| <b>TOTAL</b>                    |                   |                | <b>\$8,770,318</b>     | <b>\$1,741,537</b>                             |

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

## INSPECTION SERVICE

| Report Date                     | Case Number       | Project Type   | Total Questioned Costs | Unsupported Costs Included In Questioned Costs |
|---------------------------------|-------------------|----------------|------------------------|--|
| 07/28/99                        | 184-1259633-AC(1) | Contract Audit | \$29,758               | \$ 0   |
| 12/07/98                        | 184-1243166-AC(1) | Contract Audit | 7,087,038              | 5,841,563                                      |
| 03/12/98                        | 182-1224877-AC(1) | Contract Audit | 14,920                 | 0  |
| <b>INSPECTION SERVICE TOTAL</b> |                   |                | <b>\$7,131,716</b>     | <b>\$5,841,563</b>                             |



**APPENDIX C**

# Recommendations That Funds Be Put to Better Use

For the period April 1, 2000, through September 30, 2000

**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                                    | 20                | \$44,735,617         |
| Reports requiring a management decision that were issued during the reporting period  | 6                 | \$139,674,085        |
| <b>TOTALS</b>   | <b>26</b>         | <b>\$184,409,702</b> |
| Reports for which a management decision was made during the report period (i + ii + iii)                                      | 15                | \$76,277,584         |
| (i) Value of recommendations implemented by management  |                   | \$71,166,922         |
| (ii) Value of recommendations that management did not recover   |                   | \$5,110,662          |
| (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.   | 11                | \$108,132,118        |
| Reports for which no management decision was made within six months of issuance (See Note 1 for a list of individual reports) | 1                 | \$5,073,926          |
| Reports for which no management decision was made within one year of issuance (See Note 2 for a list of individual reports)   | 8                 | \$24,775,797         |

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

| Report Date  | Case Number       | Project Type              | Recommend Funds Put to Better Use |
|--------------|-------------------|---------------------------|-----------------------------------|
| 3/29/00      | 039-1295484-PA(2) | Transportation Operations | \$5,073,926                       |
| <b>TOTAL</b> |                   |                           | <b>\$5,073,926</b>                |

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

| Report Date   | Case Number       | Project Type   | Recommend Funds Put to Better Use |
|---------------|-------------------|----------------|-----------------------------------|
| 10/30/98      | 181-1252372-AC(1) | Contract Audit | \$1,710,680                       |
| 12/18/98      | 181-1253441-AC(1) | Contract Audit | 145,532                           |
| 11/24/98      | 181-1254410-AC(1) | Contract Audit | 137,480                           |
| 04/14/98      | 181-1237199-AC(1) | Contract Audit | 14,156,740                        |
| 05/20/95      | 181-1165940-AC(1) | Contract Audit | 8,370,460                         |
| 06/15/99      | 181-1288561-AC(1) | Contract Audit | 94,303                            |
| 08/27/99      | 181-1294162-AC(1) | Contract Audit | 122,861                           |
| 09/20/99      | 181-1296773-AC(1) | Contract Audit | 37,741                            |
| <b>TOTALS</b> |                   |                | <b>\$24,775,797</b>               |

## APPENDIX D

# Unresolved Reports

For the period April 1, 2000, through September 30, 2000

### OFFICE OF INSPECTOR GENERAL AND INSPECTION SERVICE

| Description  | Number of<br>OIG Reports | Number of<br>Inspection Service<br>Reports | Total<br>Number of<br>Reports |
|--|--------------------------|--|-------------------------------|
| Reports Unresolved At The Beginning<br>Of Period   |                          |  |                               |
| Reports Issued Before 10/01/99   | 10                       | 23   | 33                            |
| Reports Issued Prior Period, 3/31/00   | 3                        | 42   | 45                            |
| Total Reports  | 13                       | 65   | 78                            |
| Reports Issued This Period, 9/30/00  | 3                        | 220  | 223                           |
| Total Reports <sup>1</sup>   | 16                       | 285  | 301                           |
| Reports Resolved:  |                          |  |                               |
| Issued Before 10/01/99   | 10                       | 9  | 19                            |
| Issued Prior Period 3/31/00  | 2                        | 30   | 32                            |
| Issued This Period 9/30/00   | 0                        | 190  | 190                           |
| Total Resolved   | 12                       | 229  | 241                           |
| Reports Unresolved as of 9/30/00   |                          |  |                               |
| One year or more (10/01/99)<br>(See Note 1 For A List Of Individual Reports)                       | 0                        | 14   | 14                            |
| Six months or more but less than one year, 4/1/00<br>(See Note 2 For A List Of Individual Reports) | 1                        | 12   | 13                            |
| Less Than Six Month  | 3                        | 30   | 33                            |
| <b>TOTAL UNRESOLVED</b>  | <b>4</b>                 | <b>56</b>                                  | <b>60</b>                     |
| Reports Resolved Where Management Did Not Agree to<br>Implement All Recommendation                 | 12                       | 4  | 16                            |

<sup>1</sup> Excludes audits previously reported, in Appendix B - Findings of Questioned Costs; and Appendix C - Recommendations That Funds Be Put To Better Use.

Note 1 – List of reports pending one year or more:

**INSPECTION SERVICE**

| Issue Date | Report/Case Number | Condition   |
|------------|--------------------|---|
| 08/12/97   | 007-1199652-AD(1)  | EDP Controls, San Mateo, CA -- Management is progressing in testing critical applications and providing off-site storage for critical files.  |
| 12/31/97   | 069-1188871-RI(2)  | Inbound Verification Procedures, Jersey City, NJ -- Management is continuing to develop action plans to verify inbound foreign mail.  |
| 05/11/98   | 027-1204380-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.                            |
| 05/12/98   | 023-1209811-PA(1)  | National Audit on Air Transportation Networks -- Management is preparing operating plans and corrective actions are being taken.  |
| 06/05/98   | 024-1214098-PA(1)  | National Audit on City Route Inspections and Adjustment Process -- Management is developing instructions to review, train, and increase supervision for the route inspection/adjustment process and the associated monitoring of savings. |
| 09/15/98   | 020-1220283-PA(1)  | National Audit on Postal Retail Stores -- Management is developing procedures in retail operations and a handbook and instruction are being updated.  |
| 09/28/98   | 061-1234452-RI(1)  | Postage Meter, Chicago, IL -- Management is in the process of reconciling the movement of meters from customers to the direct distribution center.  |
| 09/30/98   | 007-1225935-AD(1)  | EDP Controls, St. Paul, MN -- Management is concluding administrative security review.  |
| 12/30/98   | 023-1223496-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   | 061-1262023-RI(1)  | Postage Meter, Southington, CT -- Management is in the process of implementing recommendations regarding meter inventories and meter control.   |
| 03/17/99   | 022-1244541-PA(1)  | National Audit on Priority Mail -- Management is developing procedures to ensure efficient and effective processing of priority mail.   |
| 04/19/99   | 072-1254408-SI(2)  | Mail Service Review, Chicago, IL -- Management is currently re-evaluating maintenance staffing issues.  |
| 05/22/99   | 061-1263973-RI(1)  | Postage Meter, Washington, DC -- Management is in the process of implementing internal control recommendations.   |
| 08/13/99   | 011-1256263-AF(1)  | Financial Installation Audit, Chicago, IL -- Management is in the process of implementing recommendations relating to employee accountabilities, stamp stock destruction, post office box/caller service and stamp inventories.           |

Note 2 - List of reports pending six months but less than one year:

## OFFICE OF INSPECTOR GENERAL

| Issue Date | Report/Case Number | Report Name  |
|------------|--------------------|--|
| 3/31/00    | RG-AR-00-002       | Review of the Breast Cancer Research Stamp Program |

## INSPECTION SERVICE

| Issue Date | Report/Case Number | Condition  |
|------------|--------------------|--|
| 10/05/99   | 052-1290664-PA(3)  | Flat Operations, San Antonio, TX -- Management is in the process of implementing recommendations regarding flat sorter staffing and compensation levels.   |
| 11/23/99   | 016-1298651-AF(2)  | District Accounting Office, White Plains, NY -- Management is in the process of reconciling money order differences.   |
| 12/22/99   | 011-1299727-AF(1)  | Financial Installation Audit, Capital Heights, MD -- Management is implementing internal controls over postage due and business reply mail trust funds.  |
| 01/28/00   | 071-1294372-SI(2)  | Operation Review, Allen Park, MI -- Management is in the process of implementing recommendations over flat operations, flat sorter staffing and scheduling and compensation levels.  |
| 01/31/00   | 011-1298652-AF(1)  | Financial Installation Audit, Floral Park, NY -- Management is implementing internal controls over capital property and local disbursements.   |
| 02/07/00   | 011-1301231-AF(1)  | Financial Installation Audit, Southfield, MI -- Management is implementing internal controls over retail store stamp accountability.   |
| 02/08/00   | 038-1292495-PA(2)  | Delivery Automation, Western Area -- Management is in the process of implementing recommendation regarding flat sorting operations.  |
| 02/28/00   | 011-1299730-AF(1)  | Financial Installation Audit, Rockville, MD -- Management is implementing internal controls over post office box operations.   |
| 02/29/00   | 011-1299938-AF(1)  | Financial Installation Audit, San Diego, CA -- Management is implementing internal controls over retail store stamp accountability.  |
| 03/16/00   | 011-1302405-AF(1)  | Financial Installation Audit, Chicago, IL -- Management is in the process of implementing recommendations relating to financial reporting, employee accountability, unit reserve accountability, vending accountability, post office box, postage due / business reply mail, collect on delivery mail and window operations. |
| 03/16/00   | 061-1305144-RI(1)  | Postage Meter, Houston, TX -- Management is in the process of implementing recommendations over meter inspections and control of meters.   |
| 03/29/00   | 039-1295484-PA(2)  | Transportation Operations, Indianapolis, IN -- Management is evaluating HCR operations.  |



## APPENDIX E

# Criminal Statistics

For the period April 1, 2000, through September 30, 2000

### OFFICE OF INSPECTOR GENERAL

| Type of Investigation      | Arrests <sup>1</sup> | Convictions <sup>2</sup> |
|----------------------------|----------------------|--------------------------|
| <b>Business Protection</b> |                      |                          |
| Business Protection        | 31                   | 3                        |
| <b>OIG TOTALS</b>          | <b>31</b>            | <b>3</b>                 |

### INSPECTION SERVICE

| Type of Investigation  | Arrests <sup>1</sup> | Convictions <sup>2</sup> |
|--|----------------------|--------------------------|
| <b>Revenue &amp; Asset Protection Program</b>  |                      |                          |
| Expenditure Investigations   | 3                    | 1                        |
| Financial Investigations   | 153                  | 141                      |
| Workers' Compensation Fraud  | 18                   | 22                       |
| Revenue Investigations   | 49                   | 43                       |
| <b>Robbery</b>   | <b>50</b>            | <b>30</b>                |
| <b>Burglary</b>  | <b>93</b>            | <b>83</b>                |
| <b>Miscellaneous External Crimes</b>   |                      |                          |
| Includes counterfeit and contraband postage,<br>money order offenses, vandalism and arson  | 317                  | 285                      |
| <b>Assaults Against Employees</b>  |                      |                          |
| Includes threats and assaults against on-duty postal employees   | 211                  | 161                      |
| <b>Employee Narcotics Cases</b>  |                      |                          |
| Includes employees and non-employees selling<br>narcotics on postal property   | 16                   | 11                       |
| <b>Mail Theft by Employees, Non-Employees, or Contractors</b>  |                      |                          |
| Includes theft and possession of stolen mail   | 2,798                | 2,464                    |
| <b>Miscellaneous Employee Crimes</b>   |                      |                          |
| Includes theft of postal property and sabotage of equipment  | 40                   | 46                       |
| <b>Bombs/Explosive Devices</b>   | <b>37</b>            | <b>41</b>                |
| <b>Mailing of Controlled Substances</b>  |                      |                          |
| Includes hazardous material, firearms and weapons,<br>intoxicants, explosives other than bombs, extortion<br>and false documents | 771                  | 539                      |
| <b>Child Exploitation, Mailing of Obscene Matter and<br/>Sexually Oriented Advisement</b>  | <b>145</b>           | <b>105</b>               |
| <b>Mailing of Miscellaneous Nonmailables</b>   |                      |                          |
| Includes hazardous material, firearms and weapons,<br>intoxicants, explosives other than bombs, extortion<br>and false documents | 43                   | 47                       |
| <b>Mail Fraud</b>  | <b>806</b>           | <b>662</b>               |
| <b>INSPECTION SERVICE TOTALS<sup>3</sup></b>   | <b>5,550</b>         | <b>4,681</b>             |
| <b>GRAND TOTALS</b>  | <b>5,581</b>         | <b>4,684</b>             |

<sup>1</sup> Some of these arrests occurred in a prior semiannual reporting period; however, they were not reported until the current reporting period.

<sup>2</sup> Convictions reported in this time frame may be related to arrests made in prior reporting periods.

<sup>3</sup> Arrests and convictions include joint investigations with other federal law enforcement agencies.



## APPENDIX F

# Summary of Postal Service Investigative Activities Under 39 USC § 3013

For the period April 1, 2000, through September 30, 2000

The Postal Reorganization Act requires the Postmaster General to furnish information on the investigative activities of the Postal Service on a semiannual basis. With passage of the Deceptive Mail Prevention and Enforcement Act in December 1999, the Postal Service's reporting obligations were changed.

The Act requires the Postal Service to submit its semiannual report to the OIG rather than to the Board of Governors; expands the subject matter that must be reported; and revises the reporting schedule to coordinate with the OIG Semiannual Report to Congress. The information in the report includes actions directed at combating crimes involving the mail; costs and expenditures devoted to Postal Service investigative activities; use of subpoena power; and any additional information the OIG may require. This change in reporting requirements was effective the beginning of this reporting period.

## ABUSE OF MAILS

The Postal Service reports to the OIG information related to investigative activities designed to protect the public against unscrupulous mailers perpetrating fraudulent schemes. The following information summarizes the administrative and judicial actions initiated and resolved during the reporting period. These actions include the issuance of cease and desist orders directed to mailers, actions to intercept payments fraudulently induced, and orders seeking to intercept fraudulent mailings. This information is reported as required under 39 USC § 3005 and § 3007.

## INSPECTION SERVICE

| Type of Scheme <sup>1</sup>       | Complaints Filed | Consent Agreements | False Representation Orders | Cease & Desist Orders |
|-----------------------------------|------------------|--------------------|-----------------------------|-----------------------|
| Advance fee                       |                  |                    |                             |                       |
| Boiler rooms/Telemarketing        | 1                |                    |                             |                       |
| Contest/Sweepstakes               | 1                | 1                  |                             | 1                     |
| Rebate fraud                      | 1                | 1                  |                             | 1                     |
| Directory solicitations           |                  |                    |                             |                       |
| Distributorships                  | 1                | 1                  |                             | 1                     |
| Employment                        |                  |                    |                             |                       |
| False billings                    |                  |                    |                             |                       |
| Fraud against government agencies |                  |                    |                             |                       |
| Fraud against the Postal Service  |                  |                    |                             |                       |
| Insurance                         |                  |                    |                             |                       |
| Investments                       | 2                | 2                  |                             | 2                     |
| Loans                             |                  |                    |                             |                       |
| Lotteries (foreign and domestic)  | 10               |                    | 10                          |                       |
| Medical                           | 4                | 3                  | 4                           | 4                     |
| Memberships                       |                  |                    |                             |                       |
| Merchandise:                      |                  |                    |                             |                       |
| Failure to furnish                | 1                | 1                  |                             | 1                     |
| Failure to pay                    | 2                | 2                  |                             | 2                     |
| Misrepresentation                 | 1                |                    | 1                           | 1                     |
| Miscellaneous                     |                  |                    |                             |                       |

<sup>1</sup> Definitions of these schemes are listed at the end of this appendix.

| Type of Scheme | Complaints Filed | Consent Agreements | False Representation Orders | Cease & Desist Orders |
|----------------|------------------|--------------------|-----------------------------|-----------------------|
| Solicitations  |                  |                    |                             |                       |
| Travel         |                  |                    |                             |                       |
| Work at home   | 4                | 4                  |                             | 5                     |
| <b>TOTAL</b>   | <b>28</b>        | <b>15</b>          | <b>15</b>                   | <b>18</b>             |

## ADMINISTRATIVE ACTIONS

|                                       |         |
|---------------------------------------|---------|
| Administrative Action requests        | 27      |
| Temporary Restraining Order requests  |         |
| Temporary Restraining Orders issued   |         |
| Civil Injunction requests             | 4       |
| Civil Injunctions issued              | 4       |
| Cases using Direct Purchase Authority | 0       |
| Refusals of Direct Purchase Authority | 0       |
| Civil penalties imposed               | \$0     |
| Withholding Mail Orders issued        | 68      |
| Voluntary Discontinuances             | 239     |
| Expenditures incurred for:            |         |
| Test Purchases                        | \$0     |
| Expert Testimony                      | \$1,650 |
| Witness Travel                        | \$0     |

## POSTAL SERVICE ADMINISTRATIVE SUBPOENA AUTHORITY

The Postal Service reports to the OIG information on the number of cases in which the Postal Service issued administrative subpoenas in connection with deceptive mailings. The following section identifies the number and nature of cases in which the Postal Service exercised this authority to request relevant business and associated records.

| Case Number | Date Requested | Scheme                        |
|-------------|----------------|-------------------------------|
| USPS-00-001 | 5/25/00        | Identity Takeover             |
| USPS-00-002 | 6/30/00        | Merchandise - Failure to pay  |
| USPS-00-003 | 7/11/00        | Medical Fraud                 |
| USPS-00-005 | 8/9/00         | Work at home schemes          |
| USPS-00-006 | 8/9/00         | Work at home schemes          |
| USPS-00-007 | 8/28/00        | Merchandise Misrepresentation |
| USPS-00-008 | 8/28/00        | Merchandise Misrepresentation |
| USPS-00-009 | 8/28/00        | Merchandise Misrepresentation |
| USPS-00-010 | 8/28/00        | Merchandise Misrepresentation |
| USPS-00-011 | 8/28/00        | Merchandise Misrepresentation |
| USPS-00-012 | 8/28/00        | Merchandise Misrepresentation |

## FINANCIAL REPORTING ON INVESTIGATIVE ACTIVITIES

The Postal Service reports to the OIG information related to the amount of financial expenditures and obligations incurred pursuing the investigative activities of the Postal Service. Information related to these activities is summarized below.

| Type                | Year End Report |
|---------------------|-----------------|
| Personnel           | \$138,045,117   |
| Nonpersonnel        | 38,662,985      |
| Total Expenditures  | \$176,668,102   |
| Capital Obligations | \$6,910,973     |



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## OTHER INVESTIGATIVE ACTIVITIES

The Postal Service also reports to the OIG additional information related to significant investigative activities and other investigative matters. This section outlines a number of significant investigative activities the Postal Service has initiated and is pursuing, to include the Mail Task Forces and the KNOW FRAUD initiative. Inspection Service and OIG criminal statistical information is summarized in Appendix E.

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## MAIL TASK FORCES

The Inspection Service has partnered with the financial services, manufacturing, and direct marketing industries on behalf of the Postal Service to ensure confidence in the mail by forming three task forces to combat fraud: Credit Card Mail Security, Rebate Fraud and Mail Order Security. Each task force helps to reduce mail fraud, theft, and processing problems by identifying and exchanging information on best practices, fraud trends and loss-prevention techniques, and to develop improved processes and procedures.

The Credit Card Mail Security Task Force was created in 1992 and has dramatically reduced nonreceived issued credit card fraud losses by 68 percent, while credit card purchases have increased more than 86 percent. In 1995, the Inspection Service teamed with the coupon rebate industry to combat mail-in rebate fraud. In 1996, the Inspection Service and the direct marketing industry created the Mail Order Task Force to facilitate this continued success by joining together to prevent and detect fraud and theft. In a pilot program, the Mail Order Task Force has reduced nonreceipt losses by 10 percent to 15 percent for direct marketing companies experiencing mail processing problems.

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## KNOW FRAUD

In an effort to educate and help consumers, Inspection Service launched KNOW FRAUD, a consumer protection effort, in November 1999, which served as an excellent example of "coordination among the federal government's consumer protection agencies." To launch the KNOW FRAUD program, the Inspection Service joined forces with several federal, state, and private agencies, including the Department of Justice, Federal Bureau of Investigations, Federal Trade Commission, Securities and Exchange Commission, National Association of Attorneys General, American Association of Retired Persons, and Better Business Bureau. The KNOW FRAUD initiative has included a postcard mailing to 120 million American households alerting consumers to the dangers of telemarketing and mail fraud.

The KNOW FRAUD partnership is now focusing on identity theft. Work is underway by the partners to get an identity theft prevention message to consumers. A toll-free ID theft hotline, 1-877-438-4338, and a KNOW FRAUD website were established to provide consumers with additional information and to link consumers with law enforcement officials who would share information.



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## 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 Postal Service.

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

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## APPENDIX G

# Closed Congressional Inquiries

For the period April 1, 2000, through September 30, 2000

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This appendix lists the 50 Congressional inquiries the OIG closed during this reporting period. The OIG reviewed these inquiries to help identify systemic issues and to determine the need for future Postal-wide audits.

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### PERFORMANCE

| Requestor                           | Allegation/Concern   | Response Date |
|-------------------------------------|--|---------------|
| Senators, Ohio                      | Inquiry into the Citizens' Stamp Advisory Committee                | 7/21/00       |
| Representative, Alabama             | Mail delivery problems at a federal prison                         | 7/21/00       |
| Chairman, House Postal Subcommittee | Mail delivery problems   | 8/11/00       |
| Chairman, House Postal Subcommittee | Request to evaluate the Postal Service's Revenue Assurance Program | 8/14/00       |
| Representative, Alabama             | Survey of proposed ZIP Code change                                 | 9/6/00        |

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### FINANCIAL MANAGEMENT

| Requestor                         | Allegation/Concern                                   | Response Date |
|-----------------------------------|--|---------------|
| Member, House Postal Subcommittee | Review of advertising and promotional contract needs | 8/15/00       |

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### TECHNOLOGY

| Requestor             | Allegation/Concern               | Response Date |
|-----------------------|----------------------------------|---------------|
| Representative, Texas | Review of Postal Service website | 5/22/00       |

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### LABOR MANAGEMENT

| Requestor                           | Allegation/Concern  | Response Date |
|-------------------------------------|---|---------------|
| Chairman, House Postal Subcommittee | Allegations of unsafe working conditions                          | 4/4/00        |
| Representative, North Carolina      | Allegations of managerial harassment                              | 4/26/00       |
| *Representative, Alabama            | Allegations of managerial harassment and hostile work environment | 5/2/00        |
| *Representative, Alabama            | Allegations of managerial harassment and hostile work environment | 5/2/00        |
| *Representative, Alabama            | Allegations of managerial harassment and hostile work environment | 5/2/00        |

\* All six individual Congressional inquiries concerned related issues and were addressed jointly by the OIG.

| <b>Requestor</b>                                | <b>Allegation/Concern</b>  | <b>Response Date</b> |
|---|--|----------------------|
| *Representative, Alabama                        | Allegations of managerial harassment and hostile work environment                          | 5/2/00               |
| *Representative, Alabama                        | Allegations of managerial harassment and hostile work environment                          | 5/2/00               |
| *Representative, Alabama                        | Allegations of managerial harassment and hostile work environment                          | 5/2/00               |
| Senator, Illinois                               | Allegations of discrimination and deceit by Postal Service manager                         | 5/3/00               |
| Senator, Alabama                                | Allegations of managerial harassment and hostile work environment                          | 5/3/00               |
| Chairman, House Postal Subcommittee             | Allegations of managerial harassment and intimidation                                      | 5/4/00               |
| Representative, Maryland                        | Allegations of managerial harassment and hostile work environment                          | 5/4/00               |
| Chairman, House Postal Subcommittee             | Allegations of managerial harassment and poor workplace conditions                         | 5/9/00               |
| Representative, New Jersey                      | Allegations of managerial harassment and mistreatment                                      | 5/9/00               |
| Senator, Massachusetts                          | Allegations of managerial harassment and poor workplace conditions                         | 5/9/00               |
| Representative, Texas                           | Allegations the Postal Service owes compensation for voluntary work completed by employees | 5/9/00               |
| Chairman, Senate Governmental Affairs Committee | Allegations of wrongful termination and harassment   | 5/9/00               |
| Senator, Idaho                                  | Allegations of harassment because of limited duty status                                   | 5/17/00              |
| Representative, California                      | Allegations of managerial harassment   | 5/17/00              |
| Chairman, House Postal Subcommittee             | Employee transferred from a full-time position to a part-time position                     | 5/22/00              |
| Chairman, House Postal Subcommittee             | Allegations of employee and labor management problems                                      | 5/22/00              |
| Chairman, House Postal Subcommittee             | Request for investigation into a suicide of a Postal Service employee                      | 5/22/00              |
| Chairman, House Postal Subcommittee             | Allegations of harassment and intimidation   | 5/31/00              |
| Representative, New Jersey                      | Allegations of managerial abuse  | 5/31/00              |
| Representative, Tennessee                       | Allegations of managerial harassment   | 6/21/00              |
| Chairman, Senate Governmental Affairs Committee | Allegations of managerial harassment   | 6/12/00              |

| <b>Requestor</b>                    | <b>Allegation/Concern</b>  | <b>Response Date</b> |
|-------------------------------------|--|----------------------|
| Representative, Tennessee           | Allegations of an abusive and hostile work environment                       | 6/21/00              |
| Chairman, House Postal Subcommittee | Allegations of managerial harassment and intimidation                        | 7/21/00              |
| Representative, Alabama             | Assistance with Workers' Compensation claim                                  | 7/24/00              |
| Senator, New York                   | Allegations of violations of mail solicitation laws and regulations          | 8/31/00              |
| Representative, New York            | Allegations of managerial harassment, sexual discrimination, and retaliation | 9/6/00               |
| Representative, Alabama             | Receipt of removal notice because of alleged employee actions                | 9/6/00               |

## **OVERSIGHT OF INSPECTION SERVICE**

| <b>Requestor</b>                    | <b>Allegation/Concern</b>  | <b>Response Date</b> |
|-------------------------------------|--|----------------------|
| Representative, New Jersey          | Allegations of mail delivery delays  | 4/5/00               |
| Chairman, House Postal Subcommittee | Designation of Postal Inspectors as auditors or investigators              | 5/3/00               |
| Senator, New York                   | Allegation of a stolen money order   | 8/8/00               |
| Chairman, House Postal Subcommittee | Monitoring investigations of Postal Inspection investigations              | 8/21/00              |
| Senator, New York                   | Allegations of mail tampering  | 8/21/00              |
| Representative, California          | Allegations of false accusation by a Postal Inspector                      | 9/6/00               |
| Senator, New York                   | Allegations of stolen mail   | 9/15/00              |
| Representative, Texas               | Allegations of management misconduct                                       | 9/15/00              |
| Senator, Pennsylvania               | Allegations about improper removal of a Postal Inspection Service employee | 9/15/00              |
| Chairman, House Postal Subcommittee | Review of initial investigation of managerial harassment allegations       | 9/25/00              |

## **OTHER SIGNIFICANT ISSUES**

| <b>Requestor</b>                    | <b>Allegation/Concern</b>                                       | <b>Response Date</b> |
|-------------------------------------|---|----------------------|
| Chairman, House Postal Subcommittee | Allegations of management issues with a Postal Service employee | 8/2/00               |



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# NOTES

# US Postage Stamps

**ISSUED FROM APRIL 1, 2000 THROUGH SEPTEMBER 30, 2000**

## PAGE

- 3 ADOPTION AWARENESS – celebrates the joys of and awareness about adoption, which makes a difference in the lives of thousands of children and families across America.
- 12 LIBRARY OF CONGRESS – commemorates the 200th anniversary of the nation’s oldest federal cultural institution, using a color photograph of the interior dome of the Thomas Jefferson Building
- 24 STAMPIN’ THE FUTURE – immortalizes the winning designs of four talented American children that were turned into postage stamps that illustrate their dreams, hopes, and visions of the future.
- 31 SUMMER SPORTS – celebrates the thrill of watching and participating in athletics with the artistic portrayal of the graceful stride of runners’ legs during a race.
- 34 WILE E. COYOTE AND ROAD RUNNER – honors these classic animated characters and represents the first stamp issued through an on-line Internet event.
- 48 SPACE ACHIEVEMENT & EXPLORATION – represents the nation’s first hologram, circular, and pentagonal postage stamps in a set of 15 related stamps that celebrate space exploration.
- 56 THE STARS AND STRIPES – pays tribute to our cherished flag through a sampling of 20 visually interesting and historically significant flags in U.S. history.
- 66 LOUISE NEVELSON – commemorates the works of one of the most gifted sculptors of the 20th century with five stamps of wooden boxes painted black, white, or gold.
- 73 AMERICAN SAMOA – recognizes the 100th anniversary of the historical union between the United States and its territory of American Samoa, a series of islands located in the South Pacific.
- 74 LEGENDS OF BASEBALL – honors 20 famous individuals known to baseball fans around the world and an American tradition that has universal reach and appeal.
- 84 CELEBRATE THE CENTURY: 1990s – represents the final installment of the series and consists of 15 stamp subjects selected by the public during nationwide balloting.
- 87 YOUTH TEAM SPORTS – encourages everyone to lead a healthy lifestyle, promote positive social interaction, and provide children with the opportunity to learn about teamwork and cooperation.
- 91 DISTINGUISHED SOLDIERS – honors four American war heroes: Lieutenant Audie L. Murphy, General Omar N. Bradley, General John L. Hines, and Sergeant Alvin C. York.
- 92 EDWIN POWELL HUBBLE – honors the efforts of this eminent American astronomer with five stamp images captured by the Hubble Space Telescope.

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## **ACKNOWLEDGEMENTS**

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