



April 1, 2002 – September 30, 2002



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OFFICE OF INSPECTOR GENERAL

# Semiannual Report to Congress

Including Significant Activities of the Inspection Service



# U.S. Postage Stamps

ISSUED FROM APRIL 1, 2002 THROUGH SEPTEMBER 30, 2002

## PAGE

- 3 SPECIAL OLYMPICS - an international rate stamp intended to help raise awareness about Special Olympics' international year-round sports training and athletic competition program for children and adults with mental retardation.
- 11 IRVING BERLIN - honors a talent who changed the direction of American popular music.
- 13 CARLSBAD CAVERNS NATIONAL PARK - honors Carlsbad Caverns National Park.
- 14 LOVE STAMP - features colorful abstract design.
- 16 OGDEN NASH - honors poet Ogden Nash on the centennial of his birth.
- 23 LONGLEAF PINE FOREST - features the beauty and majesty of America's longleaf pine.
- 28 WOMEN IN JOURNALISM - honors four accomplished female journalists, Nellie Bly, Marguerite Higgins, Ethel L. Payne and Ida M. Tarbell.
- 34 ANTIQUE TOYS - depicts antique toys from the world-renowned collections of Strong Museum in Rochester.
- 36 GREETINGS FROM AMERICA - encourages domestic travel.
- 46 MASTERS OF AMERICAN PHOTOGRAPHY - features dramatic black and white photographs taken by 20 of the nation's most important and influential photographers.
- 53 CESAR E. CHAVEZ - features the founder of the United Farm Workers of America, AFL-CIO (UFW).
- 58 ANDY WARHOL - features artist, filmmaker and illustrator, Andy Warhol.
- 60 DUKE KAHANAMOKU - features the legendary swimmer and Olympian who is best known as the father of international surfing.
- 63 THURGOOD MARSHALL - features civil rights giant and first black Supreme Court justice.
- 71 COVERLET EAGLE - features a woven coverlet, or bedspread, nearly 150 years old.
- 78 AMERICAN TOLEWARE - features American arts and crafts. This stamp beautifully illustrates American toleware, a colorful type of unique American art.
- 83 RATE CHANGE - U.S. Flag Stamp represents a change in domestic postage rates.
- 90 HARRY HOUDINI - commemorates the 100th anniversary of the Society of American Magicians, with America's most famous escape artist and magician.
- 92 CARY GRANT - an addition to the Legends of Hollywood series, features Cary Grant who will long be remembered for his charming and sophisticated manner in his many roles on the silver screen.

## ACKNOWLEDGEMENTS

*This report represents the outstanding efforts and accomplishments of OIG and Inspection Service staff. The production of this report would not have been possible without the contributions and dedication of the many OIG and Inspection Service staff who contributed to this effort, particularly, Felicia Hawthorne, Sandra Hackworth and Jim Nugent of the OIG; and James J. Rowan of the Inspection Service.*



**KARLA W. CORCORAN**  
Inspector General

# A Message from the Inspector General

## *A Crucial Time to Recommit to Our Role*

Corporate scandals such as we have witnessed lately dot America's landscape and remind us of the dire need for the work performed by inspectors general and others in oversight roles. Whether it is the federal government or the private sector, organizations need independent oversight to help them prosper through sound business practices and basic integrity.

Perhaps some of us in oversight positions may have been disheartened over the years by an apparent lack of respect or appreciation for our jobs often demonstrated by others. Well, it is obviously time for us to be proud of our role in helping keep America on its feet. In fact, never have we been more needed than we are right now!

We at the U.S. Postal Service Office of Inspector General are playing a significant role in auditing and investigative issues that have an effect on the integrity and financial viability of Postal Service operations. To meet this responsibility, we are investigating procurement fraud against major Postal Service suppliers, transitioning Office of Workers' Compensation cases from the Inspection Service, and expanding our audit focus to include public policy as well as operational issues.

We also dramatically increased our outreach efforts recently to educate diverse audiences — internally and externally — not only about our office, but also about the role, function, and value of all inspectors general. Using our core organizational values of teamwork, leadership, communication, conceptualization, and creativity, we explain how our independence ensures they are receiving impartial results, showcase how we perform audits and investigations, and illustrate how our work makes a positive difference in their lives and Postal Service operations. We feel so strongly about this effort that we actually incorporated outreach into our annual performance measures and far exceeded our goal in the past year. One of many noteworthy benefits we have reaped is hearing first-hand from postal management associations, employee unions, and business mailers. Their perspectives on postal issues give us invaluable insight we could not get anywhere else and help us in planning and carrying out our work. We have found that developing these relationships with our stakeholders truly benefits us all.

This, our twelfth Semiannual Report, sets forth the significant activities and accomplishments of this office and the Inspection Service from April 1, 2002, through September 30, 2002. It details our efforts to combat fraud, waste, abuse, and mismanagement within the Postal Service; and fulfills our reporting requirement under the Inspector General Act and Inspection Service requirements under the Mail Order Consumer Protection Act. In this reporting period, the Office of Inspector General issued 285 audit reports, 70 management advisory reports and other products, and closed 58 investigations.

We also want to bid a fond farewell to Governor Einar Dyhrkopp, who will retire from the Board of Governors in November after many years of distinguished service. His unwavering support and his determination to improve Postal Service operations have been invaluable to the Postal Service and to us. We would also like to welcome the new Chief Postal Inspector, Lee Heath, and look forward to working with him on a regular basis.

Finally, I would like to congratulate my wonderful staff for receiving 11 of 100 Awards of Excellence given by the President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency for audit and investigative work performed in fiscal year 2002. In addition, we share with others in the inspector general community a strong sense of pride for a special award thanking us for our unprecedented efforts to respond to the September 11, 2001, terrorist attacks on the United States. This type of outstanding work and dedication continues to prove our value to Congress, the Governors, the Postal Service, and the American public.

It also inspires me to recommit myself every day to my job.



**Governor Einar Dyhrkopp retires from the Postal Service Board of Governors.**

A handwritten signature in cursive script that reads "Karla W. Corcoran".

Karla W. Corcoran  
October 31, 2002

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# Executive Summary

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## DID YOU KNOW?

### **What is the OIG mission?**

To conduct and supervise objective and independent audits, reviews, and investigations relating to Postal Service programs and operations to promote economy, efficiency, and effectiveness. To prevent and detect fraud, waste, abuse, and mismanagement. To provide oversight of the Postal Inspection Service and keep the Governors and Congress informed of problems and deficiencies, and corresponding corrective actions.



*This Executive Summary highlights the Office of Inspector General (OIG) and Inspection Service accomplishments from April 1, 2002, through September 30, 2002, that are contained in this Semiannual Report to Congress.*

**The OIG's Management Committee members and Deputies.**



**Ronald Merryman, Mary Demory and Ronald Stith**



**Thomas Coogan and Colleen McAntee**



**John Seeba, Donna Edsall and Daniel O'Rourke**

## EXECUTIVE SUMMARY

This Executive Summary provides a synopsis of the work reported during this 6-month period. This Semiannual Report addresses the major issues facing the Postal Service and the work performed by the OIG that helps improve postal operations. It also provides a general overview of Inspection Service operations and specific examples of work related to the detection and prevention of fraud, waste, abuse, and mismanagement.

The OIG is responsible for conducting all audits of Postal Service programs and operations. In addition, the OIG, along with the Inspection Service, conducts investigations to prevent and detect fraud, waste, abuse, and mismanagement affecting the Postal Service. Both conduct investigations that play a vital role in helping the Postal Service make improvements. Work performed by 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 twelfth Semiannual Report, the work has been categorized into eight subject areas: performance, financial management, technology, labor management, oversight of the Inspection Service and other significant reviews, customer service, organizational dynamics, and organizational structure. These eight areas include OIG work addressing the following 10 major management issues facing the Postal Service:

- ◆ managing acquisitions and contracts;
  - ◆ leveraging technology;
  - ◆ improving the quality of information for making decisions;
  - ◆ safeguarding the integrity, confidentiality, and availability of information; and
  - ◆ balancing public service and commercial enterprise.
- The following highlights the accomplishments of the OIG and the Inspection Service under the specific subject areas:
- (1) **Performance** focuses on the critical core business processes needed to succeed in a competitive environment. The OIG conducted 10 reviews in this area, including projects that will help save the Postal Service over \$21 million in current and future years. A few examples of OIG work in this area included:
- ◆ Disclosing three organizations identified by law enforcement as having alleged ties to terrorist activities used nonprofit mailing accounts.
  - ◆ Concluding that the Postal Service lacked data to properly analyze the acquisition of trailers that could have cost as much as \$30 million if they made the purchase.
  - ◆ Observing commercial airline employees negligently handling mail and leaving it unprotected and subject to theft and other problems such as exposure to inclement weather.
  - ◆ Uncovering several schemes, through a joint investigation with the Postal Inspection Service, used to defraud the Postal Service which resulted in one of the largest presort mailers being ordered to pay over \$17 million in restitution.
  - ◆ Disclosing an employee knowingly approved fraudulent invoices from a vehicle repair contractor in exchange for free automobile services for vehicles owned by the Postal Service employee and family members. The former employee was ordered to pay \$20,000 in restitution to the Postal Service.
  - ◆ Disclosing several highway contract route drivers conspired to fix prices during the contract renewal process. OIG investiga-

tors followed-up a complaint from a Postal Service contract manager who received identical bids from several contractors.

The Inspection Service conducted numerous investigations in the area of mail theft, resulting in the arrests of over 300 employees and 2,500 non-employees or contractors.

(2) **Financial Management** incorporates financial-related reviews, financial opinion work, and contracting and facilities reviews. The OIG completed 282 reviews and investigations that identified over \$159 million in questioned costs. In addition, OIG investigations resulted in 7 convictions, 16 indictments, and recoveries and restitution of over \$18 million, which included:

- ◆ Determining the Postal Service overpaid approximately \$7.2 million for tabbing equipment and lost the opportunity to take \$130,000 in quantity discounts.
- ◆ Determining the Postal Service's advanced annual leave policy resulted in advance payments of approximately \$9.4 million with low probability of collection from employees who separated for reasons other than death or disability.
- ◆ Identifying the Postal Service did not receive credit for \$1.9 million in payments made to a utility company and about \$669,000 paid in state taxes from which it was exempt.
- ◆ Investigating a \$1.5 million tort claim filed against the Postal Service for pain, suffering, and property damage resulting from a car accident with a Postal Service vehicle that was settled for \$200,000.
- ◆ Investigating a \$1 million claim against the Postal Service for serious injuries allegedly caused by a Postal Service truck rear-ending a parked vehicle that was settled for \$500.
- ◆ Investigating a structural engineer for defrauding the Postal Service by accepting \$12,500 from a subcontractor for construction and design work for which the prime contractor had already compensated the engineer.

In addition to other work, the Inspection Service reported:

- ◆ Revenue investigations that resulted in 34 arrests and 14 successful criminal convictions.
- ◆ Initiation of 208 employee embezzlement investigations, which documented losses of over \$2.6 million.

(3) **Technology** encompasses reviews of developmental systems, computer security, electronic commerce, and computer intrusion detection activities. The OIG performed 24 reviews and 8 investigations in this area. Some of the more significant OIG activities included:

- ◆ Determining the first phase test of the Segway Human Transporter program was not properly planned or conducted independently.
- ◆ Revealing weaknesses related to contracting practices for CONFIRM including inadequate documentation for contract negotiations, inappropriate increases in costs, and improper disclosure of information to the contractor.
- ◆ Identifying inadequacies in the testing program for Biohazard Filtration and Biohazard Detection Systems.
- ◆ Identifying program mismanagement and contracting irregularities associated with the Automated Seamless Dispatch Program.
- ◆ Analyzing approximately 1,000 incidents reported as potential attacks or suspicious activity against the Postal Service's information network.
- ◆ Determining an individual at a Canadian college was involved in hacking the OIG website and providing information to the Royal Canadian Mounted Police leading to the hacker's arrest.

In addition to other work, the Inspection Service reported:

- ◆ The Inspection Service is an active participant in two international groups focused on security. The International Security Group targets initiatives to improve the safety, security, and reliability of international mail products for the Postal Service.
- ◆ As a result of the growing trend among fraudsters to use the Internet, the Inspection Service participates in a multi-feder-

**The OIG's Management Committee members and Deputies.**



**Kirt West, Karla Corcoran and Wayne Goleski**



**Robert Emmons, Gladis Griffith and Sam Maxey**



## Does the Postal Service follow federal government statutes and regulations?

Except for certain statutes and regulations expressly made applicable to the Postal Service, most federal laws of government-wide applicability do not apply to the Postal Service. This permits the Postal Service, an independent establishment of the executive branch, to operate in a business-like manner.

al project known as the Internet Fraud Complaint Center. The project is aimed at stemming Internet fraud by gathering, analyzing, and referring Internet complaints.

(4) **Labor Management** focuses on issues related to workplace environment, human resource, and health care. During this reporting period, the OIG completed 39 inquiries, 5 reviews and 10 investigations in this area, which included:

- ◆ Finding the Postal Service did not receive credit adjustments of \$286,000 for wage compensation and refundable overpayments in their Workers' Compensation program.
- ◆ Concluding that after the pay for performance program was established, mail delivery and employee safety improved, but workplace relations and financial performance did not.
- ◆ Determining the Postal Service did not fully assess their Associate Supervisor Program to determine its impact on labor management relations and postal operations.
- ◆ Completing a joint investigation with other federal agencies resulting in a dentist being sentenced to 27 months in prison and payment of \$264,000 in restitution for involvement in a scheme to submit false insurance claims for dental services never rendered.
- ◆ Disclosing a Missouri doctor recommended or performed unnecessary surgeries and billed for unperformed surgeries, which resulted in the doctor being sentenced to 72 months in prison.

The Inspection Service work resulted in the:

- ◆ Sentencing of a former officer in charge to 15 months imprisonment and 3 years probation, for the embezzlement of postal money order funds and stamp stock sales. The former officer in charge was also ordered to pay over \$43,000 restitution.
- ◆ Sentencing of a former clerk to 27 months imprisonment and 3 years supervised probation for mail fraud for claiming total disability, while running a private business.

- ◆ A former letter carrier pled guilty to theft of postal money orders. The plea agreement ordered the former carrier to make full restitution of over \$500,000 to the Postal Service.

(5) **Oversight of the Inspection Service and Other Significant Activities.** In this area, the OIG completed several reviews of the Inspection Service, and 13 investigative efforts and reviews of other significant issues related to Postal Service operations, which included:

- ◆ Finding that Inspection Service management appropriately focused their efforts on ensuring the safety of postal service employees and the public, but postal management could not ensure that all mail located at decontaminated postal facilities or processed at irradiation facilities was secure.
- ◆ Revealing that management did not ensure postal inspectors possessed the physical abilities necessary to effectively perform their duties.
- ◆ Finding that a Postal Service executive developed a consultant relationship and participated in discussions concerning future full-time employment with a former Postal Service contractor who had been awarded a \$1.4 million contract.

The Inspection Service conducts numerous investigations covering significant issues in the areas of physical security; narcotics offenses and trafficking; child exploitation; prohibited mailings; postal burglaries; mail fraud including fraud against consumers, fraud against businesses, and fraud against government; and money laundering.

(6) **Customer Service** focuses on the OIG and the Inspection Service efforts to provide customer service, including support functions to enhance service to internal customers and Hotline operations.

(7) **Organizational Dynamics** focuses on the OIG and the Inspection Service vision, values, culture, and diversity.

(8) **Organizational Structure** focuses on the OIG and the Inspection Service headquarters and field structure.

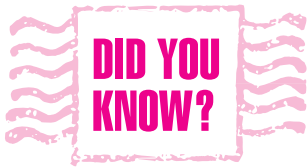
# Major Management Issues Facing the Postal Service



**DID YOU KNOW?**

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

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



## What standards are used as the OIG conducts audits and investigations?

By law, the OIG follows General Accounting Office standards in conducting audits. In conducting investigations and inspections, the OIG follows the standards set forth by the President's Council on Integrity and Efficiency.

## MAJOR MANAGEMENT ISSUES FACING THE POSTAL SERVICE

The Postal Service needs to identify specific long-term strategies to better balance its statutory mandate of providing universal service with its need to remain a viable commercial enterprise. At stake, according to the Postal Service, is every American's right to send and receive mail. The Postal Service's April 2002 Transformation Plan begins this process. As it proceeds with transformation, the Postal Service continues to face significant challenges, including financial instability, bioterrorism threats, and labor problems. Recently, the Postmaster General testified before Congress that the Postal Service's current financial situation is improving. To assist Congress, the Governors, and postal management as they address these challenges, the OIG has independently identified the following major management issues:

- ◆ physical security and safeguarding the mail;
- ◆ maintaining customer confidence;
- ◆ improving financial performance and accountability;
- ◆ resolving workforce and workplace issues;
- ◆ controlling workers' compensation costs;
- ◆ managing acquisitions and contracts;
- ◆ leveraging technology;
- ◆ improving the quality of information for making decisions;
- ◆ safeguarding the integrity, confidentiality, and availability of information; and
- ◆ balancing public service and commercial enterprise.

These issues generally reflect the issues the OIG has identified in past years. Controlling costs and growing revenues have been combined to form improving financial performance and accountability. In addition, because of the significant impact workers' compensation costs are having on the Postal Service, the OIG has made workers' compensation costs a separate issue.

These major issues, their significance, and the key OIG projects addressing them are included in this section.

## PHYSICAL SECURITY AND SAFEGUARDING THE MAIL

With 38,000 facilities and over 200 billion pieces of mail delivered each year, the Postal Service faces the enormous challenge of moving the mail efficiently and economically while effectively safeguarding postal employees, customers, and the mail. Historically, the Postal Service has dealt with numerous disasters, both natural and man-made, which have interfered with mail delivery. However, the October 2001 anthrax attacks using the mail exposed a new danger, and as a result, led to a renewed emphasis on the security of the nation's postal system. The OIG reviewed the Postal Service's response to bioterrorist attacks on the mail and commended the Postmaster General for his leadership. The OIG found the Postal Service's communication efforts, safety efforts, and other efforts initiated after terrorists used the mail to carry out anthrax attacks were adequate to ensure the safety and health of its employees.

In the past year, the Postal Service has acted to ensure the physical security and safety of the mail and sought new methods to detect biohazardous materials and sanitize the mail. The technological solutions may necessitate procuring new equipment and changing processes to accommodate use of new equipment, which could impact floor plans and staffing requirements. Regardless of technology or any other improvement or expenditure, the threat of terrorists using the mail to carry out an attack can be reduced, but not eliminated. To better protect its employees and customers, the OIG believes the Postal Service must also reassess its facility designs, especially the ventilation systems, maintenance practices, and emergency response and evacuation procedures.

To assist the Postal Service in addressing this issue, the OIG:

- ◆ Reviewed whether the Postal Service properly safeguarded mail while facilities were decontaminated and mail was irradiated.
- ◆ Reviewed Inspection Service contingency plans related to the physical security of the mail when biohazard threats were suspected or detected.
- ◆ Is participating in Postal Service Mail Security Task Force meetings.

## MAINTAINING CUSTOMER CONFIDENCE

To remain competitive, the Postal Service must be customer-focused and deliver the mail in a timely manner and at affordable rates. Moreover, the Postal Service needs to adapt its services to address changing customer needs and a changing mailing public. In today's marketplace, customers have more choices about how they conduct postal transactions, transmit messages, and deliver merchandise. Increasing customer confidence will be the key to growing new business. The Postal Service views its access to the American household as a unique asset it can leverage as it faces increasing competition. The Postal Service must continue to develop and provide products and services that retain relevance and value for customers with changing needs by:

- ◆ identifying better ways to deliver the mail;
- ◆ optimizing the current infrastructure;
- ◆ increasing customer satisfaction; and
- ◆ adjusting to a changing mailing public, including any changes in the customer base and customers with increased technological options.

To effectively transition to a changing customer base, the Postal Service must address such factors as declining mail volumes due partly to new technological options such as electronic bill paying, different mail mixes including increased package delivery, and rapid growth in delivery points. These factors can impact the efficiency of mail collection, processing, and delivery to customers, as well as consistently pose challenges in efficiently scheduling and procuring transportation, identifying efficient processing and delivery modes, effectively scheduling staff, and maximizing technological options.

To assist the Postal Service in addressing this issue, the OIG:

- ◆ Assessed the efficiency and effectiveness of Postal Service procurement of fuel and delivery vehicle maintenance.
- ◆ Assessed the methods used to procure mail transportation vehicles and equipment in selected areas.

- ◆ Assessed certified mail processing operations at a processing and distribution center.
- ◆ Investigated allegations of corruption and bribery.
- ◆ Is assessing the effectiveness of scheduled highway contract routes.
- ◆ Is assessing the transportation agreement with Federal Express.

## IMPROVING FINANCIAL PERFORMANCE AND ACCOUNTABILITY

Unlike most federal agencies, the Postal Service relies primarily on its revenues, not appropriations, to fund its operations. Without adequate revenues, the Postal Service would have to reduce services, raise rates, or seek taxpayer subsidies. Thus, the Postal Service needs to meet the challenge of increasing its revenue each year to cover increasing costs.

The Postal Service's financial position has deteriorated, despite recent rate increases, employee reductions, and a freeze on capital expenditures. The Postal Service has reported over \$2 billion in losses since FY 2000. Financial performance needs to improve to assure the public that the Postal Service is providing the best possible service at the lowest cost. The Postal Service must address this challenge by improving its financial systems and continuing its efforts to grow revenues, manage debt, reduce costs, and increase productivity.

Recent financial data indicate that the Postal Service's current financial situation is better than originally projected for FY 2002. While the Postal Service originally projected a \$1.35 billion net loss for FY 2002, it now reports a loss of less than \$1 billion and projects a net income of \$600 million for FY 2003. The projected positive net income can most likely be attributed to the Postal Service's cost reduction efforts; sustained productivity increases, particularly labor productivity; and postal rate increases effective in June 2002. The Postal Service's outstanding debt as of August 2002 was approximately \$11.1 billion, slightly down from \$11.3 billion in FY 2001. The Postal Service projects it will continue to reduce its debt in FY 2003. These are encouraging trends.





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

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

In the past, increasing productivity and controlling costs has helped the Postal Service's financial position. It is crucial, however, that these efforts continue, and, more importantly, prove sustainable in the long term. It is also critical that the Postal Service continues to improve its financial operations to ensure it is accountable to the public.

The Postal Service recognizes its responsibility to improve financial performance and accountability. Therefore, it has initiated projects to replace the current general ledger, implement a monthly reporting cycle, realign its fiscal year with the government fiscal year, and consolidate common accounting services. Additionally, the Postal Service has acted to reduce the need for additional borrowing as it approaches the debt ceiling. These initiatives should help improve financial management. However, these efforts must go hand-in-hand with other efforts, such as cost reduction, revenue generation, and productivity gains.

In addition to improving financial performance and accountability and reducing costs, growing revenues is important to assure long-term financial viability.

To assist the Postal Service in addressing this issue, the OIG:

- ◆ Evaluated the Executive Relocation Program's effect on cost.
- ◆ Identified opportunities for the Postal Service to recover funds from overpayments.
- ◆ Evaluated the availability of data to ensure Postal Retail Stores are profitable and generating revenue.
- ◆ Assessed the role of marketing in increasing revenue.
- ◆ Is monitoring the Postal Service's initiatives related to financial system and process redesign.
- ◆ Is assessing the profitability of eCommerce initiatives and sponsorship programs and their contribution to increase revenues.

## RESOLVING WORKFORCE AND WORKPLACE ISSUES

Resolving long-standing disagreements between Postal Service management and its unions and associations continues to be a main priority for the Postal Service, and is an essential element of effective transformation. The Postal Service has more than 850,000 full and part-time employees with personnel compensation and benefits costs totaling over \$51 billion for FY 2001. This accounts for more than three-quarters of the Postal Service's total operating expenses. Consequently, improving the work environment and labor relations is key to maximizing Postal Service operational and financial performance. In an increasingly competitive environment, improving labor relations is essential if the Postal Service is to provide universal service at reasonable rates. Past attempts to improve labor relations have not been as successful as planned.

Future efforts to improve in these areas will only succeed if the Postal Service can effectively partner with its employees and engage them in a shared vision of success. This vision must include eliminating any confrontational environment on the workroom floor and giving employees the freedom to raise concerns without fear of retaliation. As the Postal Service pursues efforts to partner with employees, it must also develop programs for recruiting, training, communicating, compensating, and rewarding employees consistent with the Postal Service's vision for the future. In this regard, the Postal Service needs to establish an effective way to link employees' pay to their performance.

To assist the Postal Service in addressing this issue, the OIG

- ◆ Reviewed workplace environment issues.
- ◆ Reviewed succession planning programs.
- ◆ Investigated alleged reprisals against employees for reporting fraud, waste, abuse, or mismanagement.
- ◆ Is reviewing efforts to reduce the number of grievances and the applicability of best practices to the grievance-arbitration process.
- ◆ Is auditing sexual harassment prevention programs.

## CONTROLLING WORKERS' COMPENSATION COSTS

The Postal Service is the largest participant in the Federal Workers' Compensation Program and accounts for approximately \$760 million, or over one-third, of the \$2.2 billion in total federal workers' compensation cash outlays from claims for reporting year 2002. The Postal Service's workers' compensation cash outlays from claims have risen dramatically, increasing by approximately 35 percent over the last 3 years. This is a considerable cost for an agency that recorded a \$1.7 billion net loss in FY 2001 and projects a loss of less than \$1 billion in FY 2002. Many factors have contributed to these increased costs, including the rising age of the Postal Service workforce; higher costs for medical equipment, medications, and medical treatments; overpayments, including duplicate payments made by the program administrator; and increased incidents of fraud by doctors and hospitals.

To assist the Postal Service in addressing this issue, the OIG:

- ◆ Identified factors that have contributed to an increase in workers' compensation costs.
- ◆ Provided congressional testimony on OIG efforts to assist the Postal Service in identifying ways to better administer its workers' compensation program.
- ◆ Is partnering with postal management and the Department of Labor to find ways to reduce injury compensation costs.

## MANAGING ACQUISITIONS AND CONTRACTS

The Postal Service administers over \$18 billion a year (over one-quarter of its revenues) in contracts for essential goods and services, including facilities, transportation, mail processing equipment, and supplies. The Postal Service's challenge in this area is to balance efficient contracting practices with effective controls to prevent fraud, waste, and abuse. Over the past several years, the Postal Service has progressed towards adopting purchasing practices consistent with best commercial practices. Recently, it has identified the supply chain management philosophy to further its business

and competitive objectives in the purchasing process by consolidating procurements. While this practice allows for certain efficiencies and cost savings, adequate controls must be established and enforced to decrease the risk of loss in the procurement area. The Postal Service must ensure that its supply chain management contracting practices are consistent with applicable laws and regulations and increase its efforts to ensure that postal contracts contain sufficient language to pursue action against contractors as necessary or conduct independent reviews.

Over the last year, the OIG has proposed numerous revisions to the Postal Service purchasing manual, including strengthening the examination of records clause, requiring contractors to have approved accounting systems, incorporating standard computer security provisions, and increasing the use of suspension and debarment authority. As recently as September 16, 2002, the Postmaster General indicated that the Postal Service should continue to make improvements to its purchasing system and will consider the OIG's findings and recommendations, but stressed that the Postal Service needed to maintain its flexibility and business discretion in this area.

To continue to promote better procurement practices, and to assist the Postal Service in addressing this issue, the OIG:

- ◆ Conducted audits of contractor proposals, incurred cost submissions, systems, and contract closeouts.
- ◆ Increased the number of debarments and suspensions of unscrupulous postal contractors.
- ◆ Is continuing to conduct fraud awareness briefings throughout the Postal Service to raise awareness of potential fraud indicators.

## LEVERAGING TECHNOLOGY

The Postal Service depends greatly on technology to help process the mail in the most productive manner. Further, as the Postal Service addresses the anthrax threats, it is identifying and deploying technology that best fits its operational requirements, is compatible with existing systems, and improves the security and safety of its processing operations.



Carlsbad Caverns National Park, NM



OIG investigators along with various federal law enforcement agencies identified fraudulent practices used by a contractor which charged the Postal Service for work that was never performed.





The Postal Service is working to leverage technology to improve its service, productivity, and profitability. While it depends on technology to deliver more than 660 million pieces of mail daily to 138 million addresses, the Postal Service must continue to adapt to each new wave of technology quickly to maintain its competitive position in the market. To address changing customer needs, the Postal Service has committed resources to help ensure better data management, track mail piece information, and improve communication between the Postal Service and its customers.

The large size and diversity of the Postal Service's customer base presents technological challenges and demands that solutions be simple, easy to use, and competitive. To be successful, the Postal Service should also ensure that the corresponding cost savings projected from technology investments are realized by efficiently redeploying the resources replaced by the new technology. Decisions on technology investments should continue to be scrutinized more closely and be based on information that is current, accurate, and reliable.

To assist the Postal Service in addressing this issue, the OIG:

- ◆ Assessed system life cycle development and performance of major projects associated with the information platform.
- ◆ Reviewed the performance and costs of the Postal Automated Redirection System for processing undelivered as addressed mail.
- ◆ Is reviewing the Postal Service's automation and streamlining of its accounting process.

### **IMPROVING THE QUALITY OF INFORMATION FOR MAKING DECISIONS**

Accurate measurement of mail delivery is key to improving and sustaining service performance. Reliable data is also the key to effective decision making. Data justifying the need for major capital expenditures must be reliable so that postal management can decide whether to invest in the project. Furthermore, reliable data is needed to assess whether the project's estimated and actual return on investment is reasonable and has been realized. However, in

many instances, the OIG has found that the Postal Service does not adequately capture or track the data necessary to support effective decision making. For example, postal managers do not always track data to determine whether they are achieving expected return on investment. The OIG has also noted the Postal Service's inability to track costs that have been incurred but not paid, making it difficult for managers to monitor expenses.

Changes in technology and the business environment emphasize the need for providing timely, accessible, relevant, and accurate data to Postal Service decision makers. Also, given the importance of data quality in setting postal rates and, recently, requesting emergency appropriations, 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 revenue, cost, and service measurements.

To assist the Postal Service in addressing this issue, the OIG:

- ◆ Evaluated data reliability issues related to mailing operations.
- ◆ Reviewed the Postal Service's short-term transformation pricing initiatives.
- ◆ Is reviewing the rate case development process and discount methodology.
- ◆ Is evaluating the Retail Data System to ensure sales data captured is accurate and used for management decision making.

### **SAFEGUARDING THE INTEGRITY, CONFIDENTIALITY, AND AVAILABILITY OF INFORMATION**

Computers and electronic data are vital to the critical operations of the Postal Service. The same factors that benefit 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. For example, terrorist organizations could use computer networks to attack the federal infrastructure. Attacks that have already occurred on both government and private industry websites reveal the damage a computer security breach can inflict on brand integrity and an organization's revenue stream.

The OIG's work on telecommunications security continues to identify vulnerabilities in

the security of computer equipment that are being addressed by postal management. There remains a continuing need to emphasize computer security throughout the Postal Service. Furthermore, the Postal Service's Internet initiatives reinforced the need for increased security awareness and compliance. Success in this area will depend on the level of protection afforded sites such as the Postal Service's website and the programs operating on it. In addition, the Postal Service needs to continually protect consumer information and guarantee customer privacy.

To assist the Postal Service in addressing this issue, the OIG:

- ◆ Identified eBusiness agreements that lacked sufficient security, privacy, and access language to protect the Postal Service and its commercial partners and customers.
- ◆ Ensured the Postal Service was identified as a critical infrastructure for national security.
- ◆ Is continuing to represent the Postal Service's information infrastructure concerns by working on the Cyber Interagency Working Group, chartered by the President's Critical Infrastructure Protection Board.
- ◆ Plans to continue to work with Postal Service Computer Incident Response Team to detect, report, and respond to attacks on the Postal Service's information infrastructure.

## **BALANCING PUBLIC SERVICE AND COMMERCIAL ENTERPRISE**

The 1970 Postal Reorganization Act required the Postal Service to function as a government entity tasked to operate in a business-like manner supported by its own revenues. As a public agency, it is charged with binding the nation together with universal mail service at affordable rates. Its government status carries certain advantages, such as a monopoly on letter mail, exclusive access to customers' mailboxes, and a tax-free status. The universal service obligation requires a significant, costly infrastructure to deliver postal services, but unlike private corporations, the Postal Service is bound by statutory constraints that limit its

ability to quickly adjust rates to respond to changing costs, negotiate with customers and employees, develop and price new products, close unprofitable outlets, and generate and invest profits. The Postal Service performs a wide range of significant law enforcement duties for the protection of the public, even in cases that have no direct impact on the Postal Service. To survive, it needs to articulate how it will balance providing public service with its goal of operating like a commercial/private enterprise in implementing strategies to meet future service and delivery challenges.

The Postal Service is a public service that must operate like a commercial enterprise. This dual role has become more challenging in the face of increased competition in the delivery and communication industries, especially with electronic communication steadily eroding First-Class Mail revenues. The postal community has been aware of and debated these challenges for years, but no consensus has emerged on how the challenges should be addressed. To date, efforts at comprehensive legislative reform have been unsuccessful.

In its Transformation Plan published earlier this year, the Postal Service presented its strategy to address concerns raised by Congress, the General Accounting Office, and others. The plan is a good starting point and provides information about challenges the Postal Service faces, identifies short-term actions to take under its existing authority, and outlines long-term strategies that require congressional action. However, the plan does not define key terms such as universal service, lacks an overall implementation plan, and relies heavily on congressional action.

The Postal Service must act decisively to balance its public service obligation with its need to remain commercially viable. Until its statutory framework is changed, it must work within existing law to increase its accountability in contracting and other major expenditures to achieve profitability in the near future. It must identify its core businesses and ensure that new products and services are self-sustaining. In short, the Postal Service must continue to refine its operations under the existing statutory model, while developing and re-defining its role under the Transformation Plan. The Postal

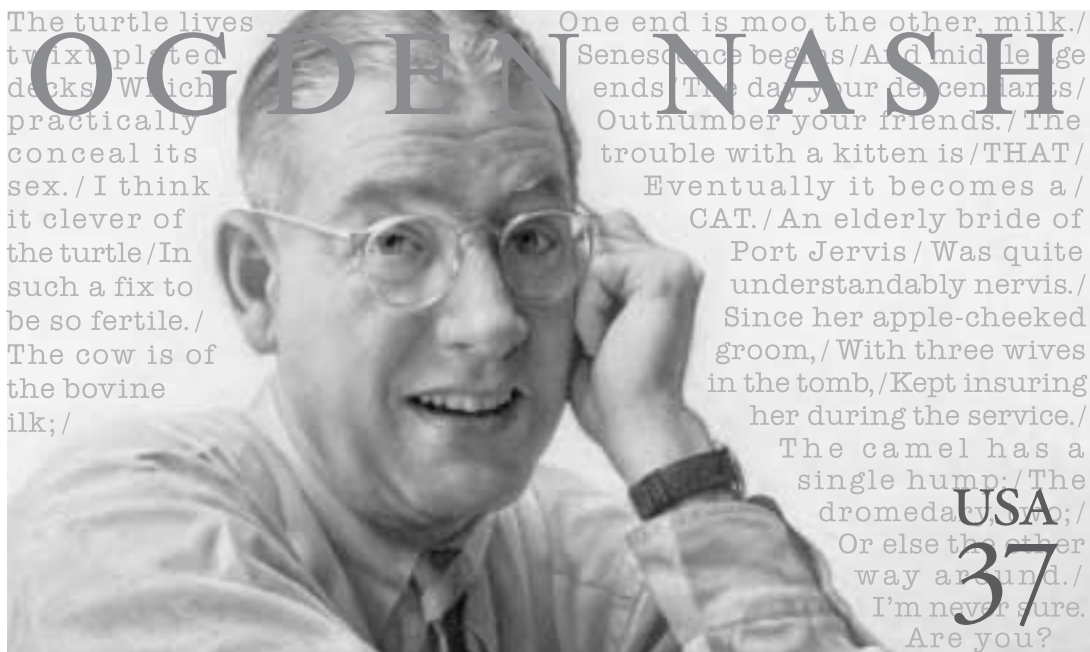


**Delivering mail to the bottom of the Grand Canyon by mule is one of the many ways the Postal Service serves its customers**

Service cannot successfully transform itself without congressional oversight and attention, as well as a public debate about the continued relevance of the Postal Service.

To assist the Postal Service in addressing this issue, the OIG:

- ◆ Identified previously completed OIG work that provided insight on the issues discussed in the Transformation Plan.
- ◆ Is examining the ratemaking process.
- ◆ Is examining mailer discounts.



2002

# Performance Reviews



## **OFFICE OF INSPECTOR GENERAL**

- Accepting and Processing Reviews
- Transportation and Delivery Reviews
- Marketing Reviews
- Quick Response Reviews
- Legislative, Regulatory & Policy Reviews

## **INSPECTION SERVICE**



### What is a performance audit?

Performance auditing is a specific type of audit that assesses whether Postal Service programs and operations are managed economically and efficiently, achieve desired results, or are conducted in compliance with applicable laws and regulations. The OIG plans and executes a wide range of performance audits of Postal Service programs and operations.



The OIG's review of certified mail operations found that a Pacific Area processing and distribution center reduced mail-processing delays during the 2002 tax season

*This section highlights audits, reviews, and investigations performed by the OIG and Inspection Service activities in the Performance area. Report numbers are shown in parentheses after the narrative, as appropriate. Also, the OIG legislative, regulatory, and policy reviews are included at the end of this section. In order to differentiate the work reported by the OIG and Inspection Service, the page containing the activities reported by the Inspection Service has 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. The OIG has audit teams specializing in these areas and also has a quick response team to conduct expedited reviews of Postal Service business practices. During the past 6 months, the OIG completed 10 reviews of the Postal Service's performance of core business processes. The reviews identified opportunities to save over \$21 million during current and future years.

### ACCEPTING AND PROCESSING REVIEWS

On average, over 660 million pieces of mail are accepted each day by the Postal Service in a variety of ways, including mail collected from more than 300,000 blue collection boxes, as well as residential and business collection mailboxes. Express Mail, First-Class Mail, and some Priority Mail and periodicals are sorted at more than 470 processing and distribution centers, while Standard Mail is generally handled at 21 bulk mail centers. In order to ensure timely and accurate delivery of mail, accepting and processing equipment must be state-of-the-art. Situations that result in delayed mail processing must be vigorously evaluated and the underlying causes promptly resolved. In this regard, the Postal Service continues to explore ways to

enhance the accepting and processing of mail through innovative automation.

During the last year, mail processing was greatly affected by terrorist activities, including anthrax contamination, which caused the closing of a number of major mail processing centers. Although the closures protected employees and customers, they required the Postal Service to divert mail, causing increased costs and processing challenges. To address the anthrax contamination of the mail, the Postal Service purchased and plans to purchase additional specialized equipment designed to sterilize the mail and protect employees and the public from the threat of anthrax and other possible biohazard contamination. During the past 6 months, the OIG conducted work in the areas of accepting and processing, which is highlighted below:

### THREE ORGANIZATIONS WITH ALLEGED TERRORIST TIES USED NONPROFIT MAILING ACCOUNTS

An OIG audit of Southeast Area Nonprofit Standard Mail operations disclosed three organizations with alleged ties to terrorist activity were authorized to mail at nonprofit rates. These organizations were included in a Presidential Executive Order to freeze the assets of organizations and individuals suspected of supporting or associating with foreign terrorists. The audit revealed one of these organizations continued to mail at nonprofit rates five months after the Executive Order was issued. Also, two of the organizations had mailing accounts with the Postal Service of more than \$10,000 that had not been frozen or reported to the Treasury Department as required by the Executive Order. The OIG reported its findings to appropriate law enforcement agencies and Postal Service officials, who then took control of the mailing account funds, reported the funds to the Treasury Department, and requested a legal opinion regarding their authority to hold these organizations' accounts and revoke their nonprofit mailing status. Subsequently, the Justice Department indicted one of the mailers for using contributions to support terrorist activities.

In addition, the OIG audit found other organizations with nonprofit mail permits were either not listed or incorrectly listed in Postal

Service records. Several organizations were using the same nonprofit authorization number without the Postal Service verifying that each organization was eligible to mail at nonprofit rates. The Postal Service agreed with the OIG's recommendation to increase controls over the nonprofit mailing authorization process by establishing a standardized process for entering and updating information into the nonprofit authorization database, and establishing policies clarifying the use of authorization numbers by for-profit organizations affiliated with nonprofit organizations. (OIG AC-MA-02-002)

### **PRESORT MAILER ORDERED TO PAY OVER \$17 MILLION**

As a result of a joint investigation by the OIG and the Postal Inspection Service, several owners and managers of one of the largest presort mailers in New York were convicted of several counts of mail fraud and racketeering. The company was responsible for sorting and metering mail for a variety of corporate clients and then submitting the mail to the Postal Service. The investigation uncovered several schemes used to defraud the Postal Service, including bribery, postage meter fraud, alteration of presort qualification reports to reflect less postage owed, and hiding unqualified mail in large quantity mailings. A cooperative effort between an OIG investigator and postal inspectors obtained confessions from the manager of the company and the postal manager regarding the payment of bribes to the postal employee. The confessions were subsequently used at trial against the owners of the company. The manager of the company was sentenced to 37 months imprisonment, 3 years supervised release, and joint restitution of over \$17 million.

### **DELAYS IN CERTIFIED MAIL PROCESSING SIGNIFICANTLY REDUCED DURING 2002 TAX SEASON**

An OIG review of certified mail operations revealed that a Pacific Area processing and distribution center significantly reduced mail processing delays from up to four-day delays during the 2001 tax season to just one or two-day delays during the 2002 tax season. Improvements occurred because of better planning and increased communications with a

State Franchise Tax Board. Specifically, postal management assigned a dedicated certified mail coordinator to oversee mail operations, temporarily relocated certified mail processing to a larger facility, and hired 60 temporary employees to process certified mail during the 2002 tax season. Postal management agreed to continue improving operations by refining the action plan for seasonal certified mail increases and adjusting the cut-off date for certified mail processing to ensure operations are not ended prematurely. (OIG AC-MA-02-001)

### **TRANSPORTATION AND DELIVERY REVIEWS**

Transportation of mail is a vital part of the Postal Service's mission of binding the nation together by providing prompt, reliable, efficient, and universal mail delivery at affordable rates. The Postal Service spends over \$5 billion annually for air, highway, rail, and water transportation. As a result of the September 11, 2001, terrorist attacks, the Postal Service has been forced to rely more heavily on highway and rail transportation because of restrictions on commercial airlines carrying certain types of mail. Contractors provide most transportation; however, the Postal Service operates its own fleet of trucks for some highway routes, including a delivery network of approximately 230,000 mail routes serviced by 300,000 city and rural letter carriers and more than 180,000 delivery vehicles. A Postal Service agreement with FedEx to transport Express, Priority, and First-Class Mail was entered into to provide more reliable service and reduce costs. During FY 2001, the Postal Service delivered over 207 billion pieces of mail to 138 million homes and businesses—a yearly average of 1,500 pieces of mail for every household and business in America. During the past 6 months, the OIG completed several investigations and six transportation and delivery related reviews, some of which are highlighted below:

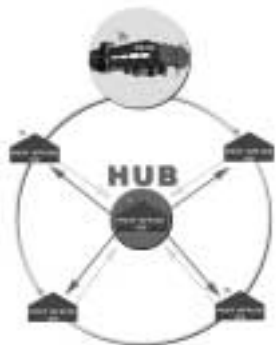
### **TRAILER REPLACEMENT NOT ADEQUATELY JUSTIFIED**

An OIG audit, conducted in response to a congressional request, determined Postal Service management did not properly analyze and justify a plan to purchase 45-foot trailers to replace 40-foot trailers. The acquisition was

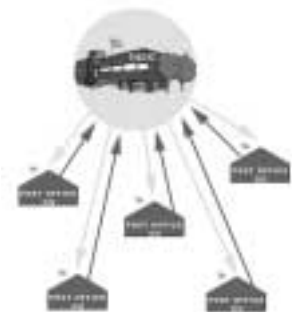


**An OIG audit found that a planned trailer replacement was not adequately justified.**

proposed at a cost of \$30 million. The OIG recommended and postal management agreed to delay its purchase plans until operating conditions and trailer requirements were analyzed and justified in accordance with Postal Service investment policies and procedures. (OIG TD-MA-02-003)



An OIG review found that sending mis-sent mail to a “hub” (diagram above) rather than to a processing and distribution center (diagram below) to be redistributed delayed letter carriers by up to two hours and caused increased transportation costs.



### **MAIL LEFT UNPROTECTED BY AIRLINE EMPLOYEES AT LAGUARDIA AIRPORT**

The OIG observed commercial airline employees negligently unloading mail from a flight and roughly throwing mail containers into a pile on a truck. Airline employees then left the area, leaving mail on the tarmac unprotected and subject to theft and other problems such as inclement weather. Postal management agreed to inquire into the conditions observed and take corrective action. After being notified by Postal Service managers, the airline took action to prevent future occurrences of mishandled mail. Specifically, the entire airline ground handling staff was briefed on proper mail handling procedures, written notices were placed in the personnel files of the crew members involved in mishandling mail, and the airline agreed to hire two additional ground handlers to load and unload mail. (OIG TD-MA-02-004)

### **HIGHWAY CONTRACTORS CONSPIRE TO FIX PRICES**

An OIG investigation disclosed several highway contract route drivers conspired to fix prices during their contract renewal process. The OIG initiated the investigation after receiving a complaint from a Postal Service area contract manager who received identical bids from several contractors. The investigation revealed the contractors met at a North Carolina restaurant and schemed to obtain higher reimbursement in their contract renewals. The investigation saved the Postal Service more than \$200,000 over the 4-year contract period.

### **LETTER CARRIERS DELAYED AND TRANSPORTATION COSTS INCREASED BY HANDLING OF MISSENT MAIL**

At the request of the Postmaster General, the OIG conducted an audit that revealed letter carriers in the Capital Metro Area were

delayed up to two hours waiting for “missent” mail being redistributed to the correct post office. Mail sent to the wrong post office should normally be returned to a processing and distribution center where it would be sent to the proper office. However, in this case missent mail was rerouted, using local transportation, to a centrally located post office or “hub operation” where it was then sent directly to the correct post office for delivery. This process sometimes caused increased transportation costs and unnecessary overtime costs for letter carriers waiting for missent mail. Postal management agreed with the OIG’s recommendation to discontinue hub operations that were not cost effective. (OIG TD-MA-02-005)

### **CANCELING UNNECESSARY TRIPS BETWEEN PROCESSING FACILITIES COULD SAVE \$4.5 MILLION**

An OIG audit revealed the Postal Service could save about \$4.5 million over the term of existing Pacific Area highway contracts by canceling unnecessary highway contract trips between postal mail processing facilities. The OIG found that due to low mail volume, 158 unnecessary trips could be terminated and mail could be consolidated on other trips without negatively affecting service. Postal Service managers agreed to eliminate 124 trips; however, management disagreed with eliminating the remaining 34, stating this would reduce operational flexibility. Subsequently, postal management informed the OIG they eliminated 110 trips, 14 trips were pending final action, and they were reassessing the remaining 34 trips. (OIG TD-AR-02-003)

### **ST. LOUIS HIGHWAY CONTRACTOR CONVICTED OF MAIL FRAUD**

As a result of an OIG investigation, a St. Louis highway contractor pled guilty to mail fraud and was sentenced to 3 years supervised probation and ordered to pay approximately \$29,000 in fines and restitution to the Postal Service. The OIG investigation found that from 1996 through 2000 the contractor submitted false receipts and fuel certifications related to approximately \$28,000 in fuel expenses.

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## **VOYAGER CARDS NOT ADEQUATELY PROTECTED**

An OIG review of the Postal Service Voyager card program in the Great Lakes Area revealed these cards, used for fuel purchases and vehicle maintenance, were not adequately protected. Specifically, personal identification numbers were not canceled when necessary and Voyager account activities were not reconciled monthly as required. As a result, the Postal Service incurred costs for unauthorized purchases and there was an increased risk the cards could be used fraudulently. Postal Service management agreed with the OIG's recommendations to improve oversight of the Voyager program and better protect it from fraudulent or questionable purchases by ensuring that officials follow controls included in nationwide guidelines and by providing additional training to staff. (OIG TD-AR-02-004)

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## **IMPROVEMENTS TO DELIVERY VEHICLE GASOLINE PROGRAM COULD SAVE MILLIONS**

An OIG audit revealed the Postal Service could recover approximately \$4 million in unclaimed discounts and overpaid state taxes. Specifically, the OIG found the fuel credit card company did not process state tax exemptions electronically, which required them to be processed manually by the Postal Service. Further, the Postal Service paid too much in taxes because the process to recoup taxes was not fully developed. The OIG also found the Southeast Area could reduce the letter carrier workhour budget annually by \$6 million by capturing cost reductions projected from outsourcing fuel delivery. The Postal Service could further reduce fuel costs by implementing a prior OIG recommendation to establish a centralized fuel management unit and pursue volume discounts from vendors. Postal management agreed to establish a centralized fuel management team, pursue discounts, and recover erroneously paid taxes. (OIG TD-AR-02-005)

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## **MECHANIC ORDERED TO PAY RESTITUTION TO THE POSTAL SERVICE**

A former Postal Service vehicle maintenance mechanic was sentenced to 5 years pro-

bation and ordered to pay over \$13,000 in restitution to the Postal Service. The individual pled guilty to misappropriation of Postal Service property and conflict of interest when the mechanic advised the Postal Service to purchase vehicle parts from a company in which the mechanic and spouse had a financial interest. The mechanic took vehicle parts belonging to the Postal Service, cleaned them, and sold them back to the Postal Service as new. A debarment proceeding against the company is pending.

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## **FORMER VEHICLE MAINTENANCE FACILITY MANAGER SENTENCED FOR EMBEZZLEMENT**

As a result of an OIG investigation, a former Postal Service vehicle maintenance facility manager in New York was sentenced to 3 years probation, 6 months home detention, and 300 hours of community service for embezzlement and conspiracy to defraud the Postal Service. The former employee was also ordered to pay restitution of \$20,000 to the Postal Service. The OIG's investigation revealed between 1996 and 1999, the employee knowingly approved \$87,000 in fraudulent invoices from an automobile repair contractor in exchange for free services for vehicles owned by the employee and family members. The manager included the costs of repairs to personal vehicles in the invoices charged to the Postal Service.

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## **MARKETING REVIEWS**

The Postal Service operates in a globally competitive environment, and its ability to maintain or increase its market share of the \$900 billion mailing industry is essential to providing universal service at affordable rates. Therefore, the Postal Service designs its marketing programs and services to build customer awareness and loyalty. The Postal Service also wants to ensure its services are available at places where customers choose to do business. During this reporting period, the OIG conducted work in the area of marketing, which is highlighted below:

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## **NATIONAL POSTAL FORUM STRENGTHENED CUSTOMER RELATIONS**

An OIG audit found that the National Postal Forum generated sufficient revenues to



**An OIG review found that airline employees at LaGuardia Airport left mail unprotected and subject to theft and inclement weather.**



**The OIG's review of the Voyager card program revealed that the cards were not adequately protected against unauthorized purchases or fraud. Shown here is a personal identification number written on the back of the card and cards left unattended.**



cover its costs and strengthened Postal Service's customer relations. Approximately 11,000 mailers attended the spring 2001 Postal Forum, including representatives from over 100 of the largest Postal Service accounts, which accounted for over \$7 billion in Postal Service revenue for FY 2000. The OIG also noted several Postal Service employees performed operational support duties during the postal forums, which may give the impression the forum is not independent of the Postal Service. Postal management agreed to continue emphasizing prudent spending at postal forums and discontinue having Postal Service employees perform support duties at forums. (OIG EM-AR-02-011)

### QUICK RESPONSE REVIEWS

The OIG quick response team coordinates and conducts expedited reviews of Postal Service business practices and operations to improve and advise postal management and the Governors on information needed to address time sensitive issues raised by internal and external stakeholders. In addition to the work highlighted in this section, the OIG's quick response team has conducted work that is highlighted in the Customer Service section of this Semiannual Report. During the past 6 months, the OIG conducted quick response work in the area of workhour savings, which is highlighted below:

### OVER \$1 MILLION PER YEAR COULD BE SAVED BY REDUCTION OF EMPLOYEES AT TWO WESTERN AREA FACILITIES

An OIG review disclosed that a reduction of 16 to 22 employees at two facilities in the Western Area could save over \$1 million a year. Specifically, the audit revealed excessive work-hours were assigned because when workload was minimal, business mail entry technicians performed duties that should have been accomplished by dock personnel. In addition, postal managers did not consider consolidating business mail entry units less than a mile apart; and did not periodically reevaluate staffing levels to improve productivity. The OIG recommended, and Postal Service management agreed, to consolidate business mail entry operations, reduce staff as appropriate, and reevaluate staffing periodically to determine whether further

reductions are necessary based on changes in workload and revenue. Postal Service managers initiated an aggressive plan to implement these recommendations prior to the completion of the review. (OIG CQ -AR-02-001)

### LEGISLATIVE, REGULATORY & POLICY REVIEWS

During this reporting period, the OIG identified legislation, regulations, and policies affecting Postal Service performance. Some of the legislation and regulations reviewed are highlighted below:

#### ENACTED LEGISLATION

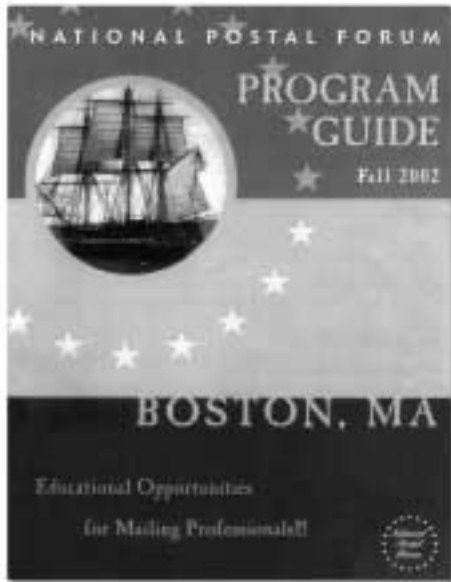
Public Law 107-210 —  
The Trade Act of 2002

This law permits the Customs Service to stop and search outbound and inbound mail processed by the Postal Service. By law, First-Class Mail is sealed against inspection. However, customs officers may now search First-Class Mail weighing more than 16 ounces without a warrant, if there is reasonable cause to suspect the item contains contraband. The OIG plans to examine the Postal Service's international products and services in the near future, including the effect of this legislation on the processing and marketability of international mail.

#### PROPOSED LEGISLATION

H. R. 4970 — The Postal Accountability and Enhancement Act

This bill would give postal management and employees the tools to adapt and maintain viability in the face of challenges due to changing technology and a dynamic communications marketplace. The bill encourages innovation and efficiency by permitting the Postal Service to distribute earnings as bonuses to all employees. However, losses could not be recovered by increasing rates beyond specified parameters. The bill also allows the Postal Service to react more quickly and efficiently to economic conditions by streamlining the rate setting process and permitting rates better tailored to consumers' needs. The Postal Service's Transformation Plan highlights the need for several proposed legislative reforms contained in this bill. The OIG discussed issues related to reform with staff from the offices of



An OIG review found that the National Postal Forum strengthened the Postal Service's customer relations.



An OIG audit found that the Postal Service could save \$1 million by consolidating business mail entry unit work from two facilities.

Representative John McHugh, the bill's sponsor, and Representative Henry Waxman, Ranking Minority Member of the House Committee on Government Reform.

A vote taken in the Committee on Government Reform to send the bill to the House failed. The OIG urges the next Congress to reconsider some of the proposals contained in this bill. The OIG is encouraged by statements from certain members that a new reform bill will be proposed in the Senate in the next Congress.

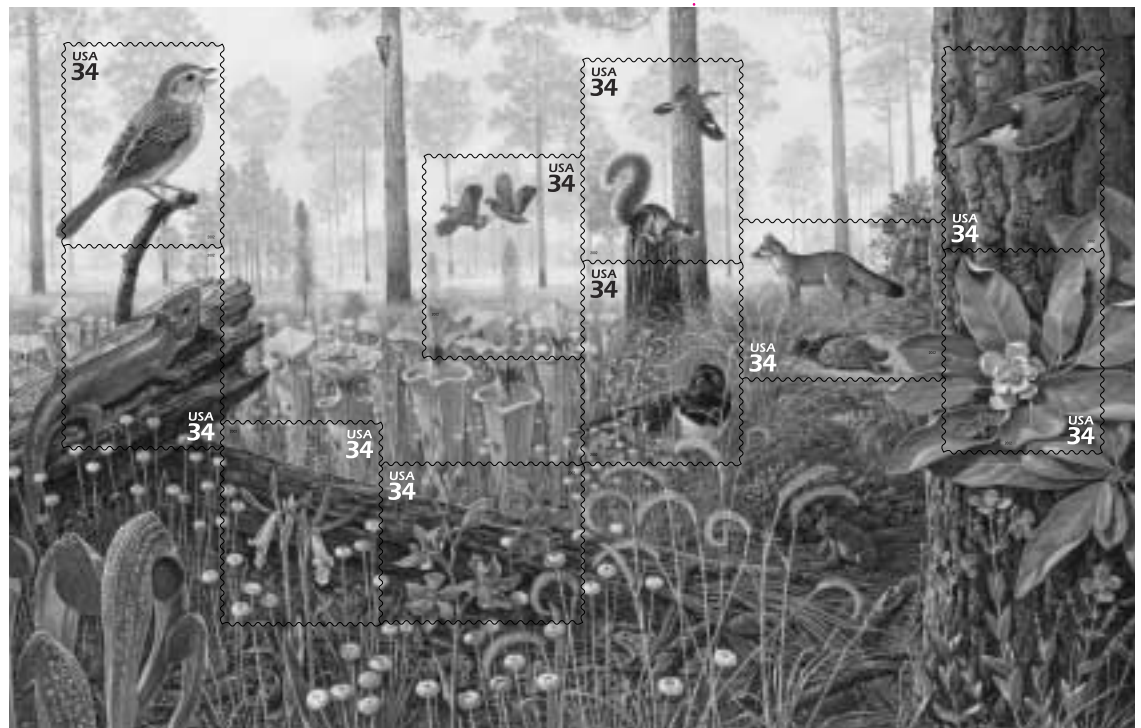
### S. 2445 — The Book Stamp Act

This bill promotes child literacy by making books available through early learning, child-care, literacy, and nutrition programs. Language in the bill would require the Postal Service to issue a semipostal stamp to support the child literacy promotion program. Semipostal stamps are issued at special rates higher than the current First-Class rate in order to generate revenue to promote causes the Postal Service deems to be in the national public interest. The Postal Service will establish a special postage rate, no higher than 25 percent over the current First-Class rate, and contribute this premium, less any reasonably incurred printing, selling, and distribution costs, to the child literacy program.

The OIG conducted an audit that raised concerns about the Postal Service's ability to accurately account for its costs in producing and marketing semipostal stamps. As a result, the Postal Service issued new regulations to correct this situation. With the new regulations in place, the Postal Service is better prepared to administer the semipostal program, track costs, and effectively raise funds.

### S. 2754 — The United States Postal Service Commission Act of 2002

This bill would establish a Presidential Commission on the Postal Service to examine challenges the Postal Service faces. The commission would develop specific recommendations and legislative proposals that Congress and the Postal Service can implement. A commission could generate debate on ways to transform the Postal Service and ensure its continued viability and relevance into the 21st century.



## INSPECTION SERVICE

Mail thieves frequently concentrate on targets that offer a large volume of mail including not only items of obvious value in the mail, such as jewelry, computers, cash, credit cards, and checks, but also mail containing personal and financial information. Postal Inspectors investigate mail theft to maintain the public's confidence in the Postal Service and preserve the sanctity of the mail. Postal Inspectors are working with major mailers to prevent mail theft and related problems. While the overwhelming majority of Postal Service employees work conscientiously to move the nation's mail to its proper destination, 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. The following chart provides the activity during this reporting period.



The Postal Inspection Service investigates mail tampering to ensure the sanctity of the mail.

TYPE OF INVESTIGATION	ARRESTS	CONVICTIONS
Non-Employee Mail Theft	2,592	2,396
Employee Mail Theft	347	329

# Financial Management Reviews



## **OFFICE OF INSPECTOR GENERAL**

Financial Opinion Audits  
Financial-Related Reviews  
Contracting and Facilities Reviews  
Legislative, Regulatory & Policy Reviews

## **INSPECTION SERVICE**



## 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.uspsoid.gov](http://www.uspsoid.gov)



The OIG conducted audits at 187 postal facilities and found that financial information was reasonably and accurately represented in the accounting records.

*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, regulatory, and policy 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 currently faces one of the most challenging financial periods in its history. In FY 2001, the Postal Service incurred a net loss of \$1.68 billion on \$66 billion in revenue. After September 11, 2001, and the anthrax attacks, the initial outlook for FY 2002 was not much better. In response to the declining financial situation, the Postal Service took aggressive actions to cut costs. In addition, the Postal Service implemented a rate increase effective June 30, 2002. As a result, the Postal Service expects FY 2002 net losses to be less than \$1 billion.

The Postal Service relies on strong financial management controls to maximize revenue and minimize costs. In the past 6 months, the OIG has completed 255 financial management reviews and 27 investigations. These efforts identified almost \$159.8 million in questioned costs and opportunities to save \$3.2 million during current and future years. These projects add value to the Postal Service by identifying opportunities for cost savings and improving financial management, contracting, and facilities practices, and detecting and deterring fraud, waste, abuse, and mismanagement.

## FINANCIAL OPINION AUDITS

The Postal Reorganization Act of 1970 requires an annual audit of the Postal Service's financial statements. The OIG conducts audits in support of the independent public accounting firm's overall opinion on those statements. These audits assess the integrity and reliability

of the financial information contained in the Postal Service financial statements. The Information Technology and Accounting Service Centers in Eagan, Minnesota; St. Louis, Missouri; San Mateo, California; and at Postal Service Headquarters in Washington, DC, oversee the collection of approximately \$66 billion in revenue and the recording and disbursement of a similar amount each year. Since inception, the OIG served as co-contracting officer's representative with Postal Service Finance for the work performed by the independent public accounting firm. However, beginning in FY 2003, the OIG will be the sole contracting officer's representative.

## FY 2002 FINANCIAL INSTALLATION AUDITS

The OIG conducted audits at 187 postal facilities and found financial information was reasonably and fairly represented in the accounting records, and internal controls were generally in place and effective. However, at three facilities, the OIG identified accounting records were not reasonably and fairly represented and internal controls were not in place and effective. In addition, at 151 facilities, the OIG identified non-compliance with Postal Service instructions and minor internal control weaknesses. The OIG issued individual reports to address these issues and will issue a summary report providing Postal Service management with recommendations to address systemic issues. (For specific reports see Appendix A, pages 95-99)

## CONTRACTOR PAID AFTER CONTRACT TERMINATED

During the FY 2002 financial statement audits, the OIG identified over \$58,000 in payments made to a contractor for a station contract that had been terminated. A station contractor operates in a store or place of business and accepts mail from the public, sells postage and postal service supplies, and provides other selected special services. The OIG found the appropriate accounting service center did not receive a notification of termination for the contract. As a result, the contract was not canceled and the contractor received 45 monthly payments for services not performed. Based on the results of the OIG review, the contract was

terminated and action was taken to recover the overpayments and ensure no additional payments were made to the contractor. Because this discrepancy appeared to be an isolated instance and corrective actions were initiated, the OIG made no recommendations; however, this area will be continually monitored. (OIG FT-MA-02-004)

## **FINAL WRAP-UP OF FY 2001 FINANCIAL INSTALLATION AUDITS**

The OIG wrapped-up its FY 2001 financial installation audits. These audits were conducted at postal facilities and revealed financial information was reasonably and fairly represented in the accounting records, and internal controls were generally in place and effective. However, the OIG identified the following areas for improvement including controls over accountable paper and cash; controls over collect on delivery items and post office box inventory; Express Mail corporate account collection activities; clearing suspense items; and business mail reviews and computer system access. Postal Service management generally agreed with OIG recommendations to improve all of the areas. (OIG FF-AR-02-208, OIG FF-AR-02-309, OIG FF-AR-02-324, and OIG FF-AR-02-326)

## **FINANCIAL-RELATED REVIEWS**

Financial-related reviews 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 6 months, the OIG has completed 37 financial-related audits and 27 investigations. These investigations have resulted in 16 indictments and 7 convictions. Some significant reviews and investigations are highlighted below:

### **EXCESSIVE EXECUTIVE RELOCATION BENEFITS SUMMARIZED IN OIG CAPPING REPORT**

At the request of the Board of Governors, the OIG examined all aspects of the Postal Service's executive relocation program. During this reporting period, the OIG issued a capping

report to summarize the relocation audit work performed. The OIG concluded the Postal Service paid excessive relocation benefits to Postal Service executives in three areas: miscellaneous relocation expense benefits, the Shared Real Estate Appreciation Loan Program, and equity loss payments. The audit found the \$25,000 miscellaneous relocation expense benefits paid to executives were excessive when compared to the public and private sectors. The Shared Real Estate Appreciation Loan Program was not cost effective and was only offered to a limited number of executives. In addition, the controls of payments for reimbursing employees for losses incurred on real estate transactions needed improvement.

Postal Service management agreed with OIG's recommendation to fully document policies and procedures for equity loss calculation and reimbursement and publish a list of appropriate capital improvements. However, postal management disagreed with recommendations to reduce the amount of officers' and other executives' miscellaneous relocation expense benefits and require officers who relocate more than once during a 3-year period to document costs before receiving miscellaneous relocation expenses. In addition, postal management disagreed with OIG's recommendation to replace the Shared Real Estate Appreciation Loan Program with a more cost effective alternative program that enables the Postal Service to still recruit and retain executives. The OIG considers these recommendations unresolved and is pursuing them through the audit resolution process. (OIG FT-AR-02-012)

### **\$1.9 MILLION IN UTILITY PAYMENT CREDITS DUE TO POSTAL SERVICE**

At the request of postal management, the OIG conducted an audit of postal utility payments. The audit disclosed the Postal Service did not receive credit for \$1.9 million in payments made to a utility company and paid about \$669,000 in state taxes from which it was exempt. The OIG found the Postal Service did not obtain the state tax exemptions at two of three accounting offices and was unsuccessful in obtaining a refund from the utility company. Postal Service management agreed with recommendations to seek reimbursement or credit for



**An OIG audit found that the Postal Service did not receive credit for \$1.9 million in payments made to a utility company.**

the funds cited, discontinue paying state taxes on utility bills, and determine whether the Postal Service is exempt from paying local taxes and franchise costs. The Postal Service is in active discussions with the utility company and the OIG requested written confirmation when corrective actions are completed. (OIG FT-AR-02-015)



### **MILLIONS MAY BE LOST THROUGH ADVANCE ANNUAL LEAVE POLICY**

Postal Service policy is to advance annual leave to full-time and part-time career employees at the beginning of the leave year allowing them to take annual leave before it is earned. An OIG audit disclosed over 12,000 former Postal Service employees used advance leave worth over \$15.4 million. These former employees neither earned the leave nor reimbursed the Postal Service prior to their separation. The Postal Service has little probability of immediate collection of approximately \$9.4 million from employees who separated for reasons other than death or disability. The OIG recommended discontinuing the advanced annual leave policy; however, Postal Service management contends this would have a negative operational impact during peak periods and would be subject to union negotiations. The OIG is working with management to resolve these issues. (OIG-FT-AR-02-016)

### **POSTAL EMPLOYEE SCHEMED TO DEFRAUD BY FICTITIOUS INVOICES AND FORGERY OF SIGNATURES**

A former Postal Service employee pled guilty to one count of embezzlement of public funds. The OIG investigation disclosed from July 1997 to May 2000, the employee schemed to defraud the Postal Service by creating fictitious invoices and forging signatures of Postal Service employees certifying goods and services were delivered. The employee invoiced the Postal Service almost \$260,000 for goods and services not delivered. The actual loss to the Postal Service was over \$220,000 and these funds were deposited into personal bank accounts.

### **UNCLAIMED ASSET IDENTIFICATION & COLLECTION PROCEDURES CAN BE IMPROVED**

An OIG audit disclosed the Postal Service's unclaimed asset identification and collection procedures can be improved. Unclaimed assets are financial assets held by states until the rightful owners or heirs claim the property. Specifically, approximately \$877,000 of unclaimed assets, dating as far back as 1968, were not recovered. Additionally, at least three Postal Service district office personnel and one postmaster collected unclaimed assets in violation of current postal policy. Postal Service management agreed to: pursue potential collection of unclaimed assets where cost effective, include web-based searches as part of their collection procedures, and reissue the unclaimed asset collection policy. During the audit, the OIG learned the Postal Service was in the process of recovering approximately \$200,000 of these assets. (OIG-FT-AR-02-017)

### **OIG INVESTIGATIVE EFFORTS REDUCED CIVIL CLAIMS AGAINST THE POSTAL SERVICE BY OVER \$19.5 MILLION**

The OIG assists the Postal Service in reducing civil claims by working with the Postal Service Law Department and the United States Attorney's Offices to conduct investigations into tort claims filed against the Postal Service. These investigations have proven to be a valuable source of information in determining the severity of the claimant's injury and the truthfulness of the complaint. Furthermore, in some instances, these investigations often result in significant reductions in the initial claim amount. During the past 6 months, the OIG has closed 3 tort claim investigations and reported significant activity on the following cases:

- ◆ As a result of an OIG investigation, a \$1.5 million tort claim filed against the Postal Service was settled for \$200,000, plus the cost of a Medicare lien. The claim sought damages for pain, suffering, and property damage resulting from a car accident with a Postal Service vehicle. The individual had undergone double bypass heart surgery prior to the accident and alleged the impact of the accident

caused the surgical repairs to come loose, thus requiring additional surgery. The OIG's investigation uncovered evidence suggesting the individual was re-injured prior to the accident and the investigation also raised questions about the severity of the pain and suffering claimed by the individual.

- ◆ A Florida individual filed a \$1 million claim against the Postal Service alleging injuries due to an accident with a Postal Service vehicle. The OIG investigation revealed the accident was a result of the individual making an illegal passing maneuver. In addition, the state trooper's documentation disclosed the individual stated they were not injured and minimal damage was caused to the vehicle. Surveillance and investigative support by OIG resulted in a settlement of \$5,000, amounting to a \$995,000 cost avoidance to the Postal Service.
- ◆ As a result of an OIG investigation, a \$1 million claim against the Postal Service was settled for \$500. The individual claimed to be sitting in a parked vehicle when it was rear-ended by a Postal Service truck, which allegedly caused serious injuries. As a result of the alleged injuries, the individual claimed bodily pain and mental anguish, which substantially impaired financial earnings and caused significant medical expenses. The OIG investigation did not substantiate the severity of the individual's injuries and resulted in a cost avoidance of \$999,500.
- ◆ An individual filed a \$250,000 lawsuit against the Postal Service after allegedly slipping and falling on a wet lobby floor at a Florida postal facility. A leaking roof and postal patrons tracking rainwater into the facility caused the wet floor. The area was marked with yellow caution signs and the Postal Service custodian was performing periodic mopping of the floor. The individual was wearing four-inch, high-heeled shoes at the time of alleged fall. Surveillance and investigative support failed to support the allegations in this complainant. The claim of personal injury was found to be excessive and without foundation of sufficient

diagnosis/prognosis documentation and medical payment records; thereby, resulting in a civil settlement of \$40,000.

- ◆ An individual settled a \$100,000 claim for \$25,000 for injuries allegedly sustained when struck from behind by a postal vehicle while riding a bicycle. The OIG's investigation revealed the individual worked full-time, although claiming an inability to work since sustaining the injuries. The individual also sustained a significant shoulder injury just five months prior to the accident. The OIG's investigation resulted in a cost avoidance of over \$75,000.

### **FY 2002 OBSERVATIONS OF STATISTICAL TESTS FOR THE COST AND REVENUE ANALYSIS**

The OIG performed cost and revenue analysis audits in 30 districts and found that, generally, the tests were conducted in accordance with policy and procedures by the Postal Service. However, employees did not always adhere to instructions for sampling, equipment use, and telephone readings in 18 districts. The OIG issued individual reports to address these issues and will issue a summary report providing Postal Service management with recommendations to address systemic issues. (For specific reports see Appendix A, pages 99-101)

### **HUSBAND AND WIFE, POSTAL MANAGERS, TERMINATED FOR PROVIDING FALSE INFORMATION**

As a result of an OIG investigation, two Florida postal managers were terminated from the Postal Service for providing false information during an official investigation. Both individuals were interviewed on three separate occasions and failed to disclose pertinent information to investigators. It was determined the pair concealed their involvement and knowledge about two former Postal Service managers, who embezzled over \$3.2 million from the Postal Service. This investigation was a part of an ongoing investigation reported in a previous Semiannual Report to Congress.



**OIG investigators have reduced civil claims against the Postal Service by millions of dollars.**



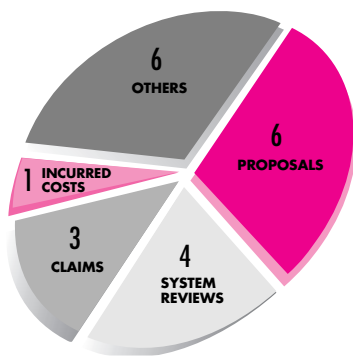
## OHIO INDIVIDUAL SENTENCED FOR POSTAL SERVICE CREDIT CARD FRAUD

As a result of an OIG investigation, an Ohio individual was sentenced to a confinement house for 6 months and 3 years probation for unauthorized use of a postal credit card. The OIG investigation revealed the individual used the credit card of a postal employee and made purchases totaling approximately \$2,800. The individual obtained the credit card information after the postal employee made a legitimate purchase at a company where the individual worked.



An OIG investigation led to the sentencing of an individual for fraudulently using a postal employee's credit card.

Types and Number of Contract Audits Completed



The OIG completed 20 audits of contracts valued at almost \$790 million.

## CONTRACTING AND FACILITIES REVIEWS

The Postal Service manages approximately \$18 billion annually in contracts for essential goods and services, including facilities, mail processing equipment, and supplies. Consequently, this makes the Postal Service one of the largest civilian contracting agencies in government. During FY 2002, postal purchases included over \$627 million in noncompetitive contracts and over \$295 million in credit card purchases. The Postal Service is also one of America's largest owners, developers, and managers of real estate, committing over \$700 million in FY 2002 for repair, renovation, and construction of new facilities, and over \$800 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 financial systems. In the past 6 months, the OIG conducted 20 reviews of contracting and facilities-related issues with the assistance of a contract audit agency. Also, the OIG has many open criminal investigations targeting fraud and corruption in these areas. Highlights of some contracting and facilities reviews follow below:

## POSTAL SERVICE DISCONTINUED CONTRACT WITH A FORMER MAJOR ACCOUNTING FIRM

On or about April 15, 2002, the Postal Service suspended or discontinued service with 16 companies and/or individuals related to the Arthur Andersen, LLP and Enron Corporation

investigation. The Postal Service initiated the debarment based on OIG recommendations. Future contracts with Arthur Andersen, LLP were discontinued indefinitely because of its March 2002, indictment for obstruction of justice. Debarment for 2 years was proposed for a former partner of the accounting firm, based on a guilty plea to obstruction of justice. The 14 other entities were suspended from doing business with the Postal Service for 6 months.

## OVER \$159 MILLION IN QUESTIONED COSTS IDENTIFIED BY CONTRACT AUDITS

In the past 6 months, the OIG worked with the Defense Contract Audit Agency and completed 20 audits of contracts valued at almost \$790 million. These audits resulted in approximately \$159 million in questioned and unsupported costs. The contract audits include: incurred cost audits that evaluated the reasonableness of costs incurred by contractors; proposal audits that evaluated the reasonableness of contractor cost estimates; defective pricing audits performed to determine whether contract prices significantly increased because of contractor pricing data that was not accurate or complete; and contractor financial system audits, such as accounting, estimating, and billing systems that are reviewed to determine their adequacy to account for contract costs.

These audits, which are summarized in the graph in the margin, focus on whether contractors':

- ◆ Proposed and incurred costs were allowable and reasonable;
- ◆ Pricing data was accurate, complete, and current; and
- ◆ Accounting systems for allocating costs to the Postal Service were adequate.

In addition to raising questions about cost, the audits disclosed a major contractor's proposal was not prepared in accordance with Postal Service policy. The following is a summary of seven significant contract audits completed in the last 6 months:

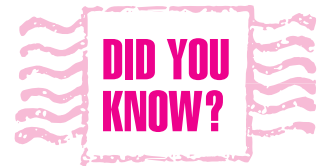
- ◆ An audit of a contractor's \$120 million termination for convenience settlement proposal for operation of an air transportation network disclosed questioned costs of over \$38 million. All of the

questioned costs are generally classified as unallowable or unreasonable under Postal Service policies and procedures or in noncompliance with generally accepted accounting principles. (OIG CA-CAR-02-043)

- ◆ A review of a contractor's \$3.8 million termination for convenience settlement proposal for the Tray Management System at a Postal Service facility disclosed questioned costs of over \$1.6 million for proposed wind up costs, contract impact costs, and settlement costs. The questioned contract impact costs represented unallowable overhead and general and administrative costs for other contracts affected by the termination. Questioned settlement costs were unallowable costs associated with severance pay and employee transfer and reassignment costs. (OIG CA-CAR-02-042)
- ◆ An analysis of a contractor's equitable adjustment claim related to the construction of a new post office questioned the entire claim amount of over \$1 million. Approximately 76 percent of the claimed amount represented unallowable anticipated profit and the contractor did not provide sufficient documentation to support the remaining costs. Therefore, the OIG did not consider the claim acceptable as a basis for negotiation of settlement. (OIG CA-CAR-02-045)
- ◆ An evaluation of a contractor's firm fixed price proposal for various configurations of automated package processing system machines and related spares and support items disclosed unsupported costs of over \$117 million and questioned costs of over \$577,000. Due to the significant cost and pricing inadequacies, the OIG did not consider the proposal to be acceptable as a basis for negotiation of a fair and reasonable price. (OIG-CA-CAR-02-050)
- ◆ A review of three equitable price adjustment claims concerning renovation of toilets at a Postal Service processing and distribution center questioned the entire claim of over \$620,000, and disclosed alleged delays and additional supervision costs were not adequately supported with sufficient auditable documentation. The

OIG did not consider the claims to be acceptable as a basis for settlement of a fair and reasonable price increase and recommended the contracting officer contact the OIG or Defense Contract Audit Agency prior to negotiating a final settlement. (OIG-CA-CAR-02-051)

- ◆ An audit of a contractor's accounting system controls revealed the overall accounting system and related internal control policies and procedures were inadequate. Significant deficiencies were found in the design and operation of the internal control structure including: inadequate accounting system policies and procedures; irreconcilable proposal and cost work breakdown structures; insufficient material and production labor cost detail; excessive volume of material transfers; and inadequate management risk assessment and monitoring. The OIG recommended disapproval of the contractor's accounting system and proposed several corrective actions. The contractor concurred and is in the process of implementing the corrective actions. (OIG CA-CAR-02-052)
- ◆ An analysis of a contractor's billing system and related controls revealed the billing system and related internal control policies and procedures were inadequate. Significant deficiencies were found in the design or operation of the internal control structure including: inadequate monitoring of timely payment of vendors; inadequate contracts department policies and procedures; use of indirect billing rates on legacy contracts; inaccurate estimates to complete; and failure to exclude advance payments to subcontractors from requests for progress payment. The contractor concurred with identified deficiencies and is in the process of implementing corrective actions. The Postal Service contracting officer agreed to ensure the contractor implemented all corrective actions. (OIG CA-CAR-02-053)



## Who determines what the OIG audits or investigates?

The OIG receives requests to conduct audits and investigations from many sources. However, the OIG independently determines what it audits or investigates.



**An OIG review of a contractor's termination for convenience settlement proposal for a Tray Management System disclosed questioned costs of over \$1.6 million. The Tray Management System is designed to automate the moving and staging of mail.**

## POSTAL TRAINING CENTER CONSTRUCTION PROJECT COSTS DEEMED REASONABLE

An OIG audit of capital construction projects at a Postal Service center for leadership development found that, over the past 5 years, 17 projects totaling approximately \$8.3 million were necessary and reasonably completed. However, a review of the site's \$6.3 million master plan found at least \$300,000 of the project's costs were nonessential enhancements. Additionally, the OIG found the current center marketing strategies to attract external customers might not be appropriate when compared with the primary Postal Service mission of delivering the mail.

The OIG recommended future capital construction projects at the center include only essential repairs. Postal Service management disagreed but planned actions met the intent of the recommendation. The OIG also recommended postal management evaluate the center's marketing strategies to ensure investment in areas appropriate to the overall mission. Postal management did not explicitly agree or disagree with these recommendations. Instead, postal management stated the center functions and marketing strategies add revenue and train Postal Service managers who support the overall Postal Service mission. The OIG is actively working with postal management to resolve this issue. (OIG CA-AR-02-006)



An OIG audit found that at least \$300,000 of the Postal Service's costs for renovating a training center were for nonessential enhancements. Shown here is the training center courtyard before and after renovation.

## WEAKNESSES IDENTIFIED IN UNDEFINITEZED CONTRACT ACTIONS

An OIG review identified weaknesses in the Postal Service's controls over undefinitized contract actions. Undefinitized contract actions are letter contracts or contract modifications that direct a contractor to provide products or services without agreed to price or terms. The OIG reviewed 51 contracts and found 20 contracts containing 81 undefinitized actions totaling over \$728 million. The audit found that postal management did not effectively track and monitor undefinitized contract actions and use proper price-to-be-determined-later notifications. Also, independent postal cost/price estimates, negotiations, and best value determinations were not always documented, and were not always timely. Postal management

agreed to require tracking and monitoring, clarify policies over use and justification, enforce policies for preparing cost or price estimates, and document rationale for best value determinations. (OIG CA-AR-02-004)

## NONCOMPETITIVE PURCHASING PROCESS LED TO OVERPAYMENT FOR TABBING SYSTEMS

An OIG audit revealed the Postal Service did not effectively use the competitive purchasing process to purchase tabbing systems. Consequently, the OIG concluded the Postal Service overpaid approximately \$7.2 million for tabbing equipment and lost the opportunity to take \$130,000 in quantity discounts. The tabbing system places a translucent tab on open-ended mail such as fliers and booklets, allowing the mail to be handled by high-speed automation equipment without being torn or jammed. The OIG also found 30 of the 83 tabbing systems were underutilized because the Postal Service did not perform an adequate needs analysis. While postal management disagreed with the estimated \$7.2 million overpayment, the OIG considers this amount to be accurate and fully supported. Postal management agreed with the recommendation to ensure justifications provided in support of noncompetitive purchases are valid and purchases are consolidated in order to take advantage of available quantity discounts. Postal management also agreed with the recommendation to remove the tabbing system from the catalog of approved products, to perform needs analysis, and to redeploy tabbing systems. (OIG CA-AR-02-005)

## OIG CONTRACTOR INVESTIGATIONS TARGET FRAUD & CORRUPTION

The OIG conducts investigations relating to the Postal Service's contracting and facilities areas. These investigations target contractors who have attempted to defraud the Postal Service by submitting false invoices, performing poor work, or using substandard construction material. These investigations ensure the financial interests of the Postal Service are protected in these areas. In some instances, these investigations often result in significant recoveries and improve the safety of employees and customers.

During the past 6 months, the OIG has reported significant activity in this area, some of which are highlighted below:

- ◆ The OIG partnered with various federal law enforcement agencies, including the Environmental Protection Agency, Defense Criminal Investigative Service, and the Federal Bureau of Investigation, to identify fraudulent practices used by a contractor when testing underground storage tanks. The efforts of this team resulted in the filing of 10 criminal complaints in nine states. The company charged the Postal Service, and other government agencies, for underground storage tank testing that was never performed or inadequately conducted.
- ◆ The OIG initiated an investigation after receiving information from the St. Louis Service Center, concerning a \$679,700 erroneous payment to a contractor. The investigation disclosed the contractor was mistakenly paid for service actually performed by another contractor. The contractor was contacted for repayment but fled to New Zealand. The OIG coordinated with the Department of Justice and the New Zealand authorities to apprehend and extradite the contractor. The Department of Justice seized approximately \$27,000 of the contractor's assets and is in the process of seizing approximately \$470,000 held in other foreign bank accounts. Additionally, the contractor repaid the Postal Service \$59,000 of the \$679,700 and is currently awaiting trial for theft of government property and money laundering.
- ◆ As a result of an OIG investigation, a major technology company, hired by the Postal Service to ensure that systems would function properly for the Y2K deadline, paid the Postal Service \$882,000 to settle a complaint regarding labor rates. The complaint alleged the company placed employees in labor categories with higher labor rates than those for which the employees were qualified. An OIG analysis determined the company hired employees for administrative positions; then billed the Postal Service for documentation specialists. In addition, the company hired several people as

managers, but billed the Postal Service for higher rated technical positions. The OIG analysis revealed a potential loss of over \$1.4 million to the Postal Service. The company claimed these were not false claims, but contractual issues. The OIG worked closely with the Postal Service Law Department during the litigation to achieve the settlement.

- ◆ As a result of a joint investigation by the OIG and the Inspection Service, a contractor pled guilty to one count of wire fraud for attempting to defraud the Postal Service of almost \$10,000 by submitting false invoices. The Postal Service paid a contractor over \$2,300 based on false invoices that stated a truck lift gate was purchased recently. The investigation disclosed the contractor already owned the lift gate and submitted false invoices to two different offices.
- ◆ As the result of an OIG investigation, a structural engineer was indicted for fraudulent construction practices at two Maryland postal facilities. Investigation revealed the engineer defrauded the Postal Service by accepting \$12,500 from a subcontractor for construction and design work for which the prime contractor had already compensated the engineer. Problems with construction at the facilities disrupted postal operations, which were relocated while repairs were made.

## LEGISLATIVE, REGULATORY & POLICY REVIEWS

During this reporting period, the OIG identified legislation, regulations, and policies affecting Postal Service financial management. Some of the legislation, regulations, and policies reviewed are below:

### ENACTED LEGISLATION

#### Public Law No. 107-206 — The Supplemental Appropriations Act

This law provides an additional \$87 million funding to the Postal Service for emergency expenses to enable the Postal Service to protect its employees and customers from exposure to biohazardous material and to sanitize and screen the mail.

The law contains a provision of the Rural



The OIG found the Postal Service underutilized 30 of 83 tabbing systems. The tabbing system allows open-ended mail such as fliers and brochures to be handled by high-speed automation equipment.



OIG investigators worked with Department of Justice and New Zealand authorities to apprehend and extradite a contractor who had received a \$679,700 payment in error and fled to New Zealand.



### What are the OIG's values?

The OIG's core values are teamwork, leadership, creativity, communication, and conceptualization (TLC3).

Service Improvement Act of 2002, amending the Alaska Bypass Mail Service law, governing the selection of carriers for non-priority bypass mail to remote areas of Alaska, referred to as "the bush." It prescribes requirements for the selection of bypass mail to: (1) bush passenger carriers and non-mail freight carriers for the delivery of non-priority bypass mail at mainline service rates, bush rates, or composite rates; (2) mainline and non-mainline air carriers to hub points; and (3) all air carriers providing scheduled passenger service to bush points. The OIG conducted a fact-finding review of the bypass mail system and plans to address some of the public policy issues pertaining to bypass mail in future reviews. Our future work will include operational and financial aspects of bypass mail service.

### PROPOSED LEGISLATION

#### H.R. 5120/S. 2740 — Treasury and General Government Appropriations Act of 2003

These companion bills include the Postal Service Appropriations Act for FY 2003, providing for a \$60 million payment to the Postal Service Fund for revenue forgone on free mail for overseas voting, mail for the blind, and reduced rate mail. None of the funds provided in this Act can be used to consolidate or close small rural and other small post offices in FY 2003.

S. 2740 would appropriate \$60 million for the Postal Service. H.R. 5120 requests \$76.6 million for the Postal Service. The apparent difference between the recommended amounts of the two bills relates to timing of the payments by the advanced funding provisions of the authorizing legislation.

#### H.J. Resolution 98 — Postage Rate Moratorium

This joint resolution would provide for a 3-year moratorium on postage rate increases for nonprofit organizations and certain other mailers. During the proposed moratorium, rates of postage would not be increased for: periodicals with a paid circulation of less than 50,000; any issue of a periodical with an advertising portion of less than 20 percent; and any publication of a nonprofit organization. Although the resolution does not have the force of law, the OIG has concerns about whether revenue-depressing measures are appropriate at a time when the Postal Service faces serious financial challenges.



## INSPECTION SERVICE

Within the financial management area, the Inspection Service performs 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 intent by a customer to defraud the Postal Service. In the last 6 months, there were 34 arrests and 14 successful criminal convictions resulting from revenue investigations.

Further, the Inspection Service investigates embezzlements involving employee theft from cash drawers and schemes involving postal money orders. Postal Inspectors initiated 208 investigations of employee embezzlements this reporting period, which documented losses of over \$2.6 million. Examples of investigations in this area are summarized below:

- ◆ A former Oklahoma officer-in-charge was sentenced to 15 months imprisonment, 3 years probation, 104 hours of community service, and ordered to pay restitution of over \$43,700 for embezzling postal money orders and stamp stock sales. The officer-in-charge issued over \$23,000 in postal money orders without making payment and deposited the funds into checking accounts controlled by the officer-in-charge. The investigation also found that approximately \$5,800 was not deposited into postal bank accounts from stamp stock sales. The scheme was discovered during the investigation of a fire at the office, which occurred the day before the office was to be transferred to a new officer-in-charge.
- ◆ A former New York letter carrier pled guilty to theft of postal money orders. The Inspection Service investigation disclosed serious deficiencies in internal controls relating to the receipt and distribution of money orders at the post office. The plea agreement ordered the carrier to make full restitution of approximately \$503,000 to the Postal Service.
- ◆ A former remote encoding center manager was sentenced to 10 months in prison and two years supervised release for submitting false information on travel vouchers. The former manager reported personal travel expenses, expenses for relatives, vacation expenses, false travel and relocation expenses, and duplicate claims for miscellaneous expenses as official travel expenses. The investigation revealed the manager used a fictitious name as the approving official. The former manager was ordered to pay over \$94,700 in restitution to the Postal Service.
- ◆ As the result of an investigation, a former Louisiana postmaster was sentenced to 1 year in prison and 3 years probation for stealing postal funds. The postmaster failed to remit money order, postage, and vending sales and also posted fraudulent or inflated disbursements to accounts. The postmaster first claimed the office had been robbed at gunpoint several times and that it was never reported and losses were covered up because the robbers threatened harm if the authorities were notified. The former postmaster was also ordered to pay over \$77,400 in restitution.
- ◆ A former Virginia sales and service associate was sentenced to 1 year in prison and 3 years probation for conspiring to negotiate stolen postal money orders. Postal Inspectors discovered that money orders missing from the station had been imprinted for \$700 with an inkjet printer and were cashed in Virginia and Alabama. The former employee was also ordered to pay \$30,800 in restitution to the Postal Service.



Postal Inspectors work diligently to protect the elderly from being victims of fraud.



# Technology Reviews



## OFFICE OF INSPECTOR GENERAL

Developmental Reviews  
Information Systems Reviews  
Systems Development Reviews  
eCommerce Reviews  
Computer Intrusion Investigation Activities  
Legislative, Regulatory & Policy Reviews

## INSPECTION SERVICE



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



**The OIG found that the first testing phase of the Human Transporter program lacked a written test plan. As a result, there was no assurance that test procedures or data collection were uniform or consistent.**

## OFFICE OF INSPECTOR GENERAL

The Postal Service recognizes that technology is key to productivity and affordability. Through technology, the Postal Service handles more than 660 million pieces of mail every day and maintains its network of over 38,000 post offices and facilities. Its technology strategy is to provide convenient and secure 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, such as NetPost™ Mailing Online, NetPost™ Cardstore, and eBillPay™. These initiatives will improve and build on its existing services and relationships with customers and continue meeting traditional customer demands.

Last year's terrorist attacks have demonstrated how the nation's infrastructure, including information systems, may be vulnerable to attacks. Computer systems are also a critical component of every aspect of postal operations that must be protected from potential cyber-terrorism to prevent disruption in service. Technology investments not only need to be scrutinized to minimize the risk of compromise, but also to ensure that sound business decisions are made. This is particularly important as the Postal Service reviews several technologies to identify an efficient, effective, and safe method to sanitize mail.

OIG reviews have covered developmental

systems, information systems, electronic commerce, and computer intrusion detection activities. In the past 6 months, the OIG performed 24 reviews in the technology area, some of which are highlighted below:

### DEVELOPMENTAL REVIEWS

The Postal Service is developing business systems and mail processing equipment to improve performance, enhance service, and reduce operating costs. The typical development process begins with the identification of a business need. After the business need has been identified, a solution is developed, followed by the proof of concept, and first article tests and final deployment. The OIG understands the importance of reviewing these systems as they are developed and has completed 8 audits of major projects currently under development during the reporting period. These reviews are highlighted below:

### TESTING OF HUMAN TRANSPORTER INADEQUATE

An OIG audit determined that the first testing phase of the Human Transporter program did not have a written test plan. As a result, there was no assurance that test procedures and data collection methodologies were uniform or consistent. Furthermore, the administration of the testing by the Postal Service did not ensure an independent assessment of the program. Postal management agreed to delay the first testing phase until a written test plan is developed in collaboration with the Postal Service's Test, Evaluation, and Quality group. In addition, postal management agreed to provide the OIG with a written test plan and to perform future tests of the Human Transporters with the Postal Service's Test Evaluation and Quality group. (OIG DA-AR-02-009)

### CONFIRM MAIL TRACKING SYSTEM NOT USED CONSISTENTLY IN POSTAL OPERATIONS FOR DIAGNOSTIC PURPOSES

An OIG audit revealed that Confirm should be a valuable tool in managing the mail and improving customer satisfaction; however, at this time the service is not consistently used as a diagnostic tool to improve Postal Service

operations. Confirm is a new Postal Service mail-tracking system intended to improve customer satisfaction by allowing business customers to track individual letter-size and flat mail pieces using a special barcode. The audit also disclosed several weaknesses in the contract process, including lack of documentation for contract negotiations, inappropriate increases in costs, and improper disclosure of contract information to the contractor.

Postal Service management agreed with seven OIG recommended improvements. However, postal management disagreed with recommendations to explore the feasibility of using Confirm to supplement the External First-Class Measurement System and refrain from disclosing budget information to the contractor prior to contract award. The OIG does not plan to pursue these recommendations through formal audit resolution. (OIG DA-AR-02-007)

### **WEAKNESSES FOUND IN SURFACE-AIR MANAGEMENT SYSTEM**

An OIG audit disclosed the Surface-Air Management System was an improvement over the Air Contract Data Collection System being replaced. However, the OIG found the system does not comply with some Postal Service software requirements. In addition, the system has insufficient security controls and unreliable information due to weaknesses in operational and functional areas. The Surface-Air Management System assigns mail to air carriers and supports air contract payments. Postal Service management agreed to ensure the system complies with Postal Service standards and policy for computer access and system classification, and to update the system's risk assessment. Further, postal management agreed to train field maintenance staff and take advantage of future opportunities to obtain the best contractual value. (OIG DA-AR-02-005)

### **PRE-PRODUCTION TEST SHOWS LOWER THAN ANTICIPATED PERFORMANCE FOR THE POSTAL AUTOMATED REDIRECTION SYSTEM**

The OIG conducted a survey to validate the justification to purchase the Postal Automated Redirection System, Phase I, and

examined the official results of the pre-production test. The system is designed to reduce the expenses related to handling undeliverable as addressed mail. The OIG identified issues with testing that was used to justify the purchase.

The OIG recommended that postal management not approve the request for \$307.6 million for production until the system meets higher performance requirements. Postal Service management stated that OIG concerns were already addressed because the contractor receives payment incentives when performance objectives are met. In addition, postal management is committed to improving performance and the contractor has designed a system that will allow the existing system to work with the new system. The OIG plans to perform follow-up work on these performance issues as the project progresses. (OIG DA-AR-02-006)

### **POSTAL SERVICE PAID \$39 MILLION TO AUTOMATED SEAMLESS DISPATCH PROGRAM CONTRACTOR WITHOUT A SPECIFIED CONTRACT**

At the request of postal management, the OIG reviewed the Automated Seamless Dispatch program. That review revealed shortcomings in the management of the program, and contract administration negatively affected the program's cost and integrity. In addition, mismanagement of the Automated Seamless Dispatch program and related contracts contributed to improper contracting practices. For example, the Postal Service paid the contractor approximately \$39 million without validating whether reported costs were allowable and properly charged.

In addition, a statement of work was not completed until 11 months after the funds were initially authorized. Specifically, the contractor claimed it had been performing and delivering to the requirements of the program without a specified contract. As a result, the contractor claimed its costs to complete the program grew to an estimated \$78 million, far exceeding the original \$25 million proposal. After Postal Service management stopped work on the program, it limited the contractor's liability, redirected the remaining integration work, and completed deployment of the dispatch equipment within budget.



**An OIG audit revealed that the Confirm mail tracking system is not used consistently as a diagnostic tool to improve operations and measure performance.**

Additionally, postal management identified but took no action regarding \$2.9 million in costs incorrectly included in the program. The OIG considers the \$2.9 million as questioned costs requiring action by postal management.

The OIG made eight recommendations to improve contracting and program management. Postal management generally agreed with the recommendations; however, postal management's response to four of the recommendations was not responsive. Two of those recommendations are being pursued through the audit resolution process. The OIG will follow-up on the other two recommendations in a future audit report. (OIG DA-AR-02-010)

### **BIOHAZARD PREVENTION AND DETECTION TECHNOLOGY NEEDS SIMULTANEOUS TESTING**

In response to last year's anthrax attacks, the Postal Service has assessed various technologies to address the threat of biohazards in the mailstream and is currently focusing on filtration and detection systems. The goal of filtration technology is to reduce the risk of biohazards being introduced into the mailstream, reduce the risk of exposure to employees and the public, and prevent cross contamination of mail. The Postal Service will rely on detection technology to identify potential biohazardous materials as early as possible in the mailstream.

Testing of prototype filtration systems and biohazard detection systems is currently underway at various postal facilities. However, OIG reviews found that the Postal Service had not tested the systems concurrently to determine how either system will affect the performance of the other. Postal Service management agreed to test the filtration and detection systems simultaneously on a single piece of mail processing equipment to ensure there are no adverse effects on either system prior to acquisition. Of the \$587 million appropriated by Congress to address the biohazard threat, the Postal Service has designated a portion for filtration systems and biohazard detection equipment. (OIG DA-AR-02-008)

### **BIOHAZARD DETECTION SYSTEM IMPROVEMENTS NEEDED**

The Biohazard Detection System was

tested on various mail processing equipment. The OIG had concerns with the air collection efficiency and testing of the alarm notification system. The Postal Service generally agreed to continue to search for complementing technologies, such as trigger capabilities. Additionally, postal management agreed to address air collection efficiency differences during tests and identify requirements needed for the alarm notification system. The Postal Service stated it has an ongoing effort to conduct further testing and evaluation of promising technologies to be integrated with the existing Biohazard Detection System. (OIG DA-MA-02-001)

### **EFFECTIVENESS OF BIOHAZARD FILTRATION SYSTEM QUESTIONED**

An OIG review questioned the effectiveness and level of protection of the Postal Service's Ventilation and Filtration System. The audit revealed the Postal Service needs to test the filtration portion of the system to determine its effectiveness and base its testing strategy on a detailed risk assessment. Additionally, the total cost of site upgrades could outweigh the benefits of installing the system. Postal Service management agreed with OIG recommendations to continue to assess the system to determine whether it is beneficial to install. Further, the Postal Service agreed to have the National Institute for Occupational Safety and Health test the filtration unit to determine its actual efficiency. (OIG DA-MA-02-002)

### **INFORMATION SYSTEMS REVIEWS**

The Postal Service relies on a complex 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. The Postal Service has initiated several information technology projects to enhance efficiency and increase revenue. The Postal Service must continue to ensure computer security is maintained and improved to reduce the risk of fraud, inappropriate disclosure of sensitive data, unauthorized disclosure of customer information, and disruption of critical operations and services. The OIG has initiated a major telecommunications review and reviews of Postal Service



**The OIG found that the Postal Service did not effectively manage the Automated Seamless Dispatch Program.**



**OIG reviews recommended improvements to the Postal Service's biohazard prevention and detection efforts, including the ventilation and filtration system.**

general controls at an engineering research and development center. In addition, the OIG conducts annual assessments of general controls at major processing centers. The most significant reviews are highlighted below:

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### **SENSITIVE TEST DATA VULNERABLE TO DISCLOSURE AND UNAUTHORIZED MODIFICATIONS**

While conducting a survey review of general controls and the network layout at an engineering research and development center site, the OIG identified vulnerabilities in the protection of sensitive test data used in developing new mail processing systems and supporting new equipment acquisitions. Disclosure or unauthorized modification of this data could result in a loss of public trust, fraud, or manipulation for financial gain by vendors competing for Postal Service automation equipment contracts. The Postal Service agreed with the OIG's recommendations and has initiatives completed or in progress to install firewalls or filters and encrypt sensitive data traveling over the network. (OIG IS-AR-02-007)

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### **SECURITY WEAKNESSES IDENTIFIED BY NETWORK VULNERABILITY TESTS**

The OIG issued six technical reports on security weaknesses in network switches and selected servers at Postal Service Headquarters and other localities nationwide. These vulnerabilities, if left uncorrected, could result in the loss of confidentiality, integrity, and availability of vital financial and operational systems; or allow an unauthorized user to gain access to additional information and systems. Postal Service management agreed with the OIG's recommendations and indicated corrective actions were planned or taken. (OIG IS-AR-02-008, OIG IS-AR-02-009, OIG IS-AR-02-010, OIG IS-AR-02-011, OIG IS-AR-02-012, and OIG IS-AR-02-013)

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### **MULTIPLE VULNERABILITIES DISCOVERED IN DATABASES**

OIG vulnerability tests on selected databases at a Postal Service data center revealed multiple vulnerabilities that, if uncorrected, could result in the loss of confidentiality and integrity of vital application data. Further, the

audit revealed that these databases resided on servers that were not secure. The vulnerabilities occurred because, at the time of our review, the Postal Service did not have complete and current guidance for securing databases, and semi-annual reviews of user permissions had not been documented. Postal Service management agreed with four OIG recommendations regarding improving server and database security and corrective actions are planned or taken. (OIG IS-AR-02-014)

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### **FY 2002 INFORMATION SYSTEMS CONTROLS AUDIT CONDUCTED**

The OIG conducts an audit of information systems controls each year in support of the annual financial statement audit. The FY 2002 audit revealed that controls over software and data security at the Information Technology and Accounting Service Centers were adequate and postal management had taken action to resolve recommendations made in previous reports. However, additional improvements were necessary in the area of computer equipment accountability and access badge permissions for employees, contractors, and visitors who no longer needed to access the facilities where the badges were assigned. Postal Service management has taken or planned appropriate corrective actions. (OIG IS-AR-02-015)

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### **NETWORK SECURITY COULD BE IMPACTED BY GENERAL CONTROL WEAKNESSES**

The OIG's reports on general controls at two locations collectively identified weaknesses in implementing the information security assurance process and/or physical and network security. The OIG identified a need to follow the formal security assurance process to ensure that minimum system security requirements are defined and properly implemented. Vulnerability tests conducted on selected network equipment identified a variety of weaknesses that require immediate management attention. The network deficiencies occurred because at the time of the OIG's review, the Postal Service did not have definitive guidance for managing and securing these devices. Postal Service management indicated that corrective actions were planned or taken to



#### **Did You Know?**

In 1777, the Continental Congress created a system for handling "dead letters", pieces of mail rendered undeliverable by incomplete, improper, or even missing addresses. Employees of the Dead Letter Office were and still are, allowed to break the sanctity of the mail by opening and reading mail only as far as needed to ascertain the proper recipient. If they are unable to determine either who the letter came from, or to whom it was intended, the letter is destroyed.



**The OIG conducted vulnerability tests on selected servers at Postal Service headquarters and other localities nationwide.**



### What is computer hacking?

Computer hacking is an event in which someone within or outside the Postal Service illegally attempts to gain entry into the Postal Service computer systems. The OIG's computer intrusion team investigates hacking attempts.



**An OIG audit made recommendations to improve Postal Service policy and procedures for a pilot program to auction off the contents of undeliverable mail online.**

address all OIG recommendations. (OIG IS-AR-02-016 and OIG IS-AR-02-017)

## SYSTEMS DEVELOPMENT REVIEWS

Reviewing systems during the development process provides an opportunity to identify potential cost and time savings, and a greater assurance that appropriate internal controls will be included in the completed system. Industry practices show that it is 50 to 100 times more costly to make changes after a system is placed into production. During system development, the OIG reviewed two initiatives. The first, which is designed to improve mail tracking to support service measurement, is an umbrella covering multiple programs. The OIG recommended that Postal Service management further define the project and address information security requirements. Postal Service management disagreed with two recommendations and provided existing documentation that further defined the program and appointed an executive sponsor. Management agreed with the remaining recommendations and has implemented corrective actions to address them.

The second initiative provides data to a program that enables the Postal Service to share mail tracking and status information with mailers. The OIG identified concerns with the communications approach, software change management, information security requirements, and hardware resources. Postal Service management disagreed with two recommendations; however, corrective actions planned satisfy the intent of one recommendation and the OIG does not plan to pursue the second item through the formal audit resolution process. Postal Service management has taken or has planned corrective actions to address the remaining recommendations.

(OIG EM-AR-02-013 & OIG EM-AR-02-014)

## DIRECTOR OF AN INFORMATION TECHNOLOGY COMPANY EMBEZZLED \$1.1 MILLION FROM PAYROLL, PLED GUILTY TO FRAUD

As a result of a joint investigation by the OIG, Federal Bureau of Investigation, Defense Criminal Investigative Service, and the Air Force Office of Special Investigations, the for-

mer financial systems director for an information technology company pled guilty to one count of wire fraud. The director defrauded the company by manipulating the payroll system to embezzle over \$1.1 million. The company provided outsourcing and information technology solutions to various federal, state, and local government agencies including the Postal Service. As a result of this theft, the overhead rates for government contracts with the company were inflated.

## eCOMMERCE REVIEWS

The Postal Service continues to provide customers with new online products and services to enhance their personal and professional lives. In addition, the Postal Service continues to improve the performance and usability of its web presence to ensure secure access and protect customer privacy. The Postal Service has also eliminated or consolidated initiatives that do not fully support the core products and contribute to revenue. OIG efforts during this period focused on security, privacy, access, contract, and cost containment issues. Three of these efforts are highlighted below:

## eBUSINESS AGREEMENTS NEED IMPROVED CONTRACT LANGUAGE

Based on a review of selected eBusiness agreements, the OIG found that the Postal Service did not always include in its contracts clauses relating to computer security, Privacy Act issues, and access to contractor records. As a result, the Postal Service's systems, trusted third-party status, and access rights were placed at risk. For example, one contract for a greeting card service the Postal Service offers on its website did not have a security clause in the agreement with its service provider. The Postal Service identified that the service was transmitting customer data in a way that exposed personal and financial data to other Internet users. After the problem was identified, the Postal Service took immediate corrective action. However, if adequate contract language and controls had been in place, this situation may have been mitigated. Postal management initially disagreed with seven recommendations; however, all disagreements have been resolved. (OIG EM-AR-02-012)

## INTERNET AUCTION PROCESS CAN BE STRENGTHENED

In response to three Hotline allegations, the OIG conducted an audit of mail recovery center auctions. The Postal Service auctioned the contents of undeliverable mail and parcels under a pilot program using an online auction company. The audit revealed that by using an online auction company, the Postal Service increased revenue, the frequency of auctions, and its customer base. For example, online auctions of undeliverable mail from one of the three mail recovery centers brought in additional revenue totaling \$1.7 million over 10 accounting periods. The audit substantiated one of the allegations that Postal Service employees, their families, and friends were not always restricted from purchasing Postal Service items on the auction website. Because policies and controls were not adequate, the Postal Service may not be able to detect improper auction purchases. The OIG did not substantiate the other two allegations related to non-compliance with the Americans with Disabilities Act and contract awards.

The audit also revealed that privacy and security issues were not adequately addressed and concluded that the Postal Service may not be adequately maintaining and protecting information collected through online auctions. Furthermore, the Postal Service did not perform the required security review of the online auction system, thereby increasing security risks and exposure to potential problems. The OIG recommended Postal Service management update its guidance for online auctions, determine whether the Privacy Act applies to online auctions, implement the appropriate protections, and complete the required security review. Postal management agreed with the majority of recommendations; however, because the online auction pilot project was discontinued, postal management responded that no further action was necessary.

(OIG EM-AR-02-010)

## USERS SURVEYED SATISFIED WITH THE RETAIL DATA MART SYSTEM

The OIG conducted two agency-wide surveys of Postal Service employees using the Retail Data Mart System to determine the level

of system usage, satisfaction, and decision-making capabilities. The Retail Data Mart System is designed to warehouse and provide retail information captured through the POS One terminals on products sold. Survey results revealed that employees using the system gave it an overall positive rating. Of the 71 authorized users and 50 district managers who responded to the survey, the majority were generally pleased with the system, indicating that it provided useful and timely data; and was accurate, reliable, complete, and cost justified. However, users indicated that few respondents use the system in the decision-making process, specifically in areas such as inventory, finance, and marketing. The report made no recommendations to postal management. (OIG EM-MA-02-002)

## COMPUTER INTRUSION INVESTIGATION ACTIVITIES

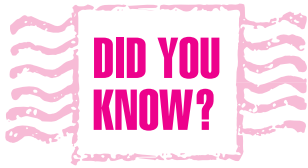
The OIG Computer Intrusion Team investigates criminal violations of state and federal laws enacted to protect the authenticity, privacy, integrity, and availability of electronically stored and transmitted information. eCommerce ventures make the protection of postal information systems critical to the financial viability of the Postal Service. Because such ventures involve connectivity between postal systems and eCommerce partners, the Computer Intrusion Team conducts investigations of attacks on the security of those systems in order to maintain the integrity of eCommerce information. The team informs Postal Service management and eCommerce partners regarding emerging threats to information systems, and assists them in identifying and eliminating potential vulnerabilities. These efforts include assisting the Postal Service in developing security policies, information systems, and eCommerce procedures that conform to the best practices in industry and government. During this reporting period, the OIG completed a number of investigations and provided technical assistance to the Postal Service. Some efforts are highlighted below:

## CANADIAN ARRESTED FOR INVOLVEMENT IN HACKING OIG WEB SITE

In June 2002, based upon information provided by OIG investigators, the Royal



The OIG surveyed postal employees who used the Retail Data Mart System to determine their satisfaction with the system. The system provides retail information captured through the POS One terminal shown here.



### **What law enforcement authority do OIG investigators have?**

OIG criminal investigators have full law enforcement authority. These special agents are authorized to carry firearms, serve subpoenas, execute search warrants, and make arrests.

Canadian Mounted Police arrested a 20-year-old Canadian citizen for involvement in hacking a postal web page. OIG investigators determined that an individual participated in the hack by using computers at a Canadian college. Based upon information provided by the OIG, the Royal Canadian Mounted Police determined that the Canadian college's computers had also been hacked. The Royal Canadian Mounted Police identified and arrested the hacker, who now faces charges in Montreal.

### **OIG PROTECTS THE POSTAL SERVICE'S INFRASTRUCTURE**

The OIG computer intrusion team, working jointly with the Postal Service's Computer Incident Response Team, analyzed approximately 1,000 events reported as potential attacks or suspicious activity against the Postal Service's information network.

The computer intrusion team continues to work with the Postal Service to enhance its ability to detect, report, and respond to attacks on the Postal Service's information network.

### **LEGISLATIVE, REGULATORY & POLICY REVIEWS**

During this reporting period, the OIG did not identify legislation, regulations, and policies affecting Postal Service technology.

## INSPECTION SERVICE

The Inspection Service plays an important role in the support of Postal Service Internet products and services. The Inspection Service evaluates the need for and processes security clearances of employees and contractors accessing postal systems or sensitive information. In addition, the Inspection Service monitors the development of new postal products and services and provides consultation to postal managers on security, loss prevention, revenue protection, and evidence retention capabilities. The Inspection Service also monitors and reviews the physical security of individual systems before and after implementation.



**Postal Inspectors were presented with an award by the National Center for Missing and Exploited Children at the 2002 Congressional Breakfast.**





# Labor Management Reviews



## **OFFICE OF INSPECTOR GENERAL**

- Workplace Environment Reviews
- Human Resources Process Reviews
- Health Care Reviews
- Legislative, Regulatory & Policy Reviews

## **INSPECTION SERVICE**

*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, regulatory, and policy reviews are included at the end of this section. In order to differentiate the work reported by the OIG and Inspection Service, the page containing the work reported by the Inspection Service has been color-screened.*



**The Postal Service deals with four labor unions and two management associations.**

## OFFICE OF INSPECTOR GENERAL

The Postal Service has characterized labor management as one of the most important challenges in achieving its mission in the 21st century. A key Postal Service goal in the labor management area is to foster an inclusive, welcoming, and productive workplace consistent with its values of fairness, opportunity, safety, and security. With more than 850,000 full and part-time employees working at more than 38,000 facilities nationwide, the Postal Service realizes that to operate effectively, in a rapidly changing environment, it needs to give employee issues a higher priority and enhance each employee's contribution to organizational performance. Additionally, in light of terrorist attacks, including attacks involving the transport of anthrax through the mail, the Postal Service must take every precaution to ensure the safety and well-being of its employees.

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 workplace environment, human resources, and health care. While the OIG has worked diligently with the Postal Service and Congress to address these areas of concern, reviewing labor management areas continues to be one of the OIG's greatest challenges. In this regard, the OIG has received over 3,896 individual labor management complaints since 1997. During this reporting period, the OIG

completed 5 reviews and 10 investigations in the labor management area.

### WORKPLACE ENVIRONMENT REVIEWS

The Postal Service has identified signs of workplace stress in many of its facilities and is developing comprehensive steps to improve the workplace environment, including improving relations between managers and employees and aligning human resources with business requirements. During this reporting period, the OIG completed 39 inquiries into complaints of a hostile work environment or other health and safety issues, some of which are highlighted below:

- ◆ Postal Service district management proposed a reduction in pay for a postmaster after an OIG review determined the postmaster caused a hostile work environment. An employee alleged the postmaster created a hostile work environment through sexual harassment.
- ◆ As a result of an OIG review, a supervisor at a California processing and distribution center was detailed to another position after it was determined the supervisor may have caused a hostile work environment. An employee complained of deteriorating working conditions when the supervisor returned to the center. Postal Service management took corrective action to resolve this issue including remedial training for the supervisor.

### HUMAN RESOURCE PROCESS REVIEWS

Postal Service managers are responsible for preserving and protecting official records and privacy information. In addition, managers must avoid conflicts of interest, which could affect both the public's trust and confidence in Postal Service human resources processes. Postal Service managers are also responsible for complying with existing policies and procedures regarding sexual harassment, overtime, leave, compensation and benefits, and training. The OIG conducted the following audits and investigations to assess controls over these processes:

## **\$700,000 CREDIT ADJUSTMENT POSSIBLE IN WORKERS' COMPENSATION PROGRAM**

An OIG audit of the Southwest Area revealed the Postal Service did not receive credit adjustments for approximately \$286,000 in wage compensation overpayments and refundable disbursements from the Department of Labor. Based on sample results, the OIG projected approximately \$700,000 in overpayments were not monitored to ensure the Postal Service received appropriate credits. Although the Postal Service had policies to ensure appropriate credit adjustments for wage compensation overpayments, and third-party liability refundable disbursements were received, some locations did not implement the procedures.

Postal Service management agreed with OIG recommendations to renew its emphasis on monitoring overpayments and disbursements; issue follow-up procedures that adhere to existing policies; develop a system to track previously identified wage compensation overpayments; and review the cases the OIG did not audit to determine whether credit adjustments were received. In addition, Postal Service management agreed to implement these recommendations nationwide. (OIG LH-AR-02-003)

## **CORPORATE SUCCESSION PLANNING CAN BE BETTER DEFINED AND DOCUMENTED**

At the Board of Governors' request, the OIG conducted an audit, which revealed the Postal Service's corporate succession planning process for filling vacant Postal Career Executive Service positions included many features the OIG identified as best practices for successful organizations. However, the Postal Service had not fully documented its corporate succession planning process or clearly defined how the plan would help meet corporate strategic goals, and address significant changes in the Postal Service business environment. Additionally, the Postal Service needed to improve its oversight of potential successors' executive development and the associated training costs.

The OIG also found the Postal Service implemented diversity programs into the corporate succession planning process, resulting in a slight increase of some diversity statistics, and

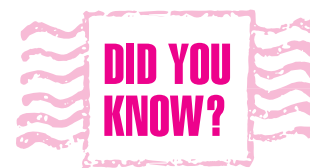
little or no change in others. The Postal Service agreed it could improve its representation of women and minorities at the Postal Career Executive Service level. Postal Service management agreed to improve the corporate succession planning process by fully documenting the process, and to identify and address obstacles to increase diversity of postal executives. (OIG LH-AR-02-004)

## **ECONOMIC VALUE ADDED PAY FOR PERFORMANCE PROGRAM TERMINATED**

The OIG performed a comprehensive review of the Postal Service's executive pay for performance program. In August 2001, the Board of Governors asked the Postmaster General to find alternatives to its pay for performance program after an OIG report raised questions about whether the program, as structured, was appropriate for the Postal Service's breakeven operating environment.

Some highlights of the two reports issued include advising management that there appeared to be little connection between the amount of incentive awards paid and financial performance. While incentive awards remained fairly level at about \$300 million per year, at the same time profits steeply declined from \$1.8 billion in 1995 to a loss of \$1.7 billion in FY 2001. After the pay for performance program was established in 1996, on-time mail delivery service improved, but results were only measured for one-half of the year. The Postal Service spent an extra \$130 million per year for fall and winter mail delivery; however, they stated service during this period was not measured because the impact of weather and airline traffic did not equally affect transportation networks at all locations.

In addition, participants received almost \$223 million in incentive awards based on measures and targets that did not challenge participants to improve workplace relations or overall safety. For instance, while employee safety improved significantly overall, program participants received approximately \$117 million in incentive awards for achieving targets even though the number of lost workdays increased in FYs 1999 and 2000 when compared to FY 1998. Additionally, the program resulted in



### **Why are workers' compensation costs increasing?**

Many factors contribute to this. Some are beyond the control of the Postal Service such as higher medical costs, claim overpayments by the program administrator, increased incidents of fraud by doctors and hospitals, and an aging work force. The OIG and Postal Service are focusing their efforts on improving the program and reducing costs.



**An OIG audit revealed that the Postal Service needs to improve its monitoring to obtain credits for wage compensation overpayments.**

managers receiving over \$500 million in incentive awards for allegedly improving financial performance, when all indicators showed financial performance declined.

While the Postal Service announced the end of its pay for performance program, it generally agreed with OIG recommendations to add performance measures to the new program and hold managers accountable for improving labor management relations and financial performance. Improvements included reducing debt, and establishing controls to assure a return on its investments.

(OIG AC-AR-02-005 & OIG AC-AR-02-006)

### **ASSOCIATE SUPERVISOR PROGRAM BENEFITS NOT FULLY REALIZED**

An OIG audit revealed while the Great Lakes Area was successful in training over 900 employees through the Associate Supervisor Program, the Postal Service had not fully assessed the program to determine its impact on labor management relations and operations. Specifically, the OIG found procedures for screening applications and selecting program candidates were adequate; however, these procedures were not always followed. The OIG also found the Postal Service deviated from the selection procedures when processing applications and selecting candidates for the program. In addition, benefits of the program were not maximized because postal management did not determine the appropriate number of entry-level supervisor positions, nor place graduates when and where needed. Furthermore, Postal Service management did not have a budget or track expenditures for the program. Finally, oversight was not provided to ensure the program was implemented efficiently and effectively.

Postal management agreed to the majority of the findings and recommendations. However, they did not agree with recommendations to assess the impact of the program to improve labor management relations and Postal Service operations, or to establish a budget and cost center to capture program expenditures Postal-wide. OIG meetings with postal management resulted in planned actions by the Postal Service, which satisfy the intent of the recommendations. Based on these meetings, the OIG

considers these issues resolved.  
(OIG LH-AR-02-005)

### **HEALTH CARE REVIEWS**

Controlling injury claim costs continues to be key to the Postal Service's financial well-being because it is self-insured for workers' compensation costs and makes payments out of operating funds, which directly affect the net income. In FY 2002, the Postal Service paid over \$760 million for employee injury claims, a \$66 million increase over the \$694 million paid in FY 2001.

The OIG assists in protecting 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 health care program costs. In addition, involvement in health care fraud investigations is vital to controlling costs related to health care premiums. To enhance these efforts, the OIG entered into a partnership with the Department of Labor Office of Inspector General to conduct joint reviews of workers' compensation claims.

The OIG investigates allegations of fraud involving health care providers who are paid by, or on behalf of, the Postal Service for medical services rendered to Postal Service employees related to:

- ◆ **Federal Employees' Compensation Act.** This act is administered by the Department of Labor with costs charged back to the Postal Service.
- ◆ **Postal Service-contracted doctors and facilities.** Approximately 1,500 physicians and facilities are contracted and paid directly by the Postal Service to provide medical services to its employees.
- ◆ **Federal Employees Health Benefits Program.** Under the program, the Postal Service pays 80 percent of approximately 850,000 employees' health care premiums, which is a direct expenditure for the Postal Service.

In the past 6 months, the OIG completed 10 investigations in this area. These investigations identified improper billing practices, such as false claims and false statements by health care providers. The OIG's health care fraud investigations have resulted in 9 arrests,



**An OIG audit revealed that the Postal Service had not fully assessed the Associate Supervisor Program to determine its impact on labor management relations and operations.**

10 indictments, and 5 convictions. Some investigations are highlighted below:

- ◆ A joint OIG investigation with the Defense Criminal Investigative Service, Federal Bureau of Investigation and Internal Revenue Service, Criminal Investigation Division, resulted in a dentist pleading guilty and being sentenced to 27 months in prison and 3 years probation. The investigation disclosed the dentist was involved in a scheme to submit insurance claims for dental services never rendered to government employees, including Postal Service employees. The dentist was ordered to pay restitution of more than \$264,000 to several health insurance companies, surrender a license to practice dentistry, and pay the Internal Revenue Service approximately \$1 million.
- ◆ Two Texas siblings were indicted and pled guilty in a Texas court for involvement in a health care fraud scheme involving durable medical equipment. The siblings, who owned and operated a telemarketing company, allegedly contacted disabled people and offered free medical equipment such as hospital beds, motorized vehicles, and wheelchairs. The disabled were told, if the equipment was covered under their insurance policy and their doctor submitted a prescription, the equipment would be provided free. Customers' information was used to file claims with insurance companies, including claims on behalf of Postal Service employees, for equipment not delivered or inferior to that claimed.
- ◆ As a result of a joint OIG investigation with the Department of Labor, Office of Inspector General, Texas Workers' Compensation Commission, and the Texas Mutual Insurance Company, a Texas health care provider pled guilty to stealing fees in excess of \$100,000 in a health care fraud scheme. The provider was ordered to pay over \$168,000 in restitution to numerous federal and state workers' compensation system participants. The Postal Service received over \$8,000 in restitution and \$10,000 for investigative costs. The investigation was conducted after an audit of the provider identified deceptive billing practices. A former employee revealed the provider fraudulently billed the Department of Labor, Postal Service, and other private insurance carriers.
- ◆ As a result of an OIG investigation, a Postal Service employee was removed from a temporary position with the Postal Service for working as a part-time chiropractor with an expired license. The investigation disclosed the former employee wrote a light duty status note on Postal Service letterhead for a fellow employee.
- ◆ As part of a joint investigation by the OIG, the Postal Inspection Service, the Defense Criminal Investigative Service, and the Florida Department of Insurance Fraud, four subjects were arrested in Miami for involvement in a fraudulent health care billing scheme. The investigation was initiated based on fraudulent medical claims submitted by fictitious medical providers to the Federal Employees Health Benefits Program, TRICARE, and private medical insurance companies for services never rendered. A total of over \$660,000 in fraudulent health care insurance checks were cashed in this scheme.
- ◆ An OIG investigation revealed a Kansas City doctor recommended or performed unnecessary surgeries and billed for surgeries not performed. Convicted of 33 counts of health care fraud, 7 counts of mail fraud, and 3 counts of perjury, the doctor was sentenced to 72 months in prison, 3 years of supervised release, and ordered to pay a \$4,300 special assessment fee. The doctor also agreed to be excluded from Medicare, TRICARE, Medicaid, and all Federal Employee Health Benefit Programs, for 15 years after being released from jail.
- ◆ As a result of an OIG analysis, the Department of Labor, Office of Workers' Compensation reimbursed the Postal Service nearly \$70,000. The investigation disclosed that although a series of payments made to a provider were never negotiated, the charges were passed to the Postal Service. The charges were cancelled and the credits were issued to the Postal Service.



**The OIG issues subpoenas in support of its activities and of selected investigations undertaken by the Inspection Service.**

## LEGISLATIVE, REGULATORY, & POLICY REVIEWS

During this reporting period, the OIG identified and reviewed legislation, regulations, and policies affecting Postal Service labor management. Some of the legislation and regulations reviewed are highlighted below:

### ENACTED LEGISLATION

#### Public Law 107-174 — The Notification and Federal Employee Anti-discrimination and Retaliation Act of 2002 (No FEAR Act)

This law requires federal agencies, including the Postal Service, to be accountable for violations of anti-discrimination and whistleblower protection laws. Accordingly, the amount of any claim, final judgment, award, or compromise settlement paid to any current or former federal employee or applicant in connection with specified anti-discrimination and whistleblower protection complaints will be paid out of the operating expenses of the agency to which the discriminatory conduct is attributable. The legislation sets forth requirements for: the written notification of federal employees and applicants of their rights and remedies under these laws, including posting that information on the Internet; and providing employee training regarding such rights and remedies.

It requires each federal agency to submit an annual report to the Speaker of the House of Representatives, the President pro tempore of the Senate, the Committee on Governmental Affairs of the Senate, the Committee on Government Reform of the House of Representatives, each congressional committee with jurisdiction relating to the agency, the Equal Employment Opportunity Commission, and the Attorney General. The report includes the number and status of cases arising under such laws and the amount of money involved; the number of employees disciplined; data relating to complaints filed; agency policy relating to disciplinary actions against employees who discriminated or committed another prohibited personnel practice; an analysis of all such information in conjunction with certain

data provided to the Equal Employment Opportunity Commission; and any adjustment to comply with the reimbursement requirement under this Act.

Additionally, the law directs each federal agency to post on its public website specified summary statistical data relating to equal employment opportunity complaints filed with such agency by employees or applicants; the Equal Employment Opportunity Commission to post on its public website summary statistical data relating to hearings requested on such complaints and appeals filed with it from final agency actions; and the Equal Employment Opportunity Commission to issue rules governing the posting of such data.

The OIG strongly supports statutes to protect employees from discrimination and retaliation resulting from reporting misconduct, fraud, waste, and abuse. The OIG is assisting the Postal Service in extending reprisal protection afforded to other federal employees under the Whistleblower Protection Act, to its employees. Although the Postal Service agreed to extend protection in May 2001, the regulations have not been finalized. The OIG has raised its concerns in this matter with senior postal management as well as certain members of Congress including Representative John McHugh, Representative Henry Waxman, and Senator Daniel Akaka, Chairman of the Senate Subcommittee on International Relations, Proliferation and Federal Services. In response, the Postal Service has stated it plans to issue regulations soon. If that is not the case, legislation may be necessary to secure this protection for Postal Service employees.

### PROPOSED LEGISLATION

#### H.R. 4763 — Federal Law Enforcement Officers Pay Equity and Reform Act

#### Similar: S. 2770 — The Federal Law Enforcement Pay Reform Amendments Act

H.R. 4763 would amend chapter 55 of Title 5, United States Code, to exclude availability pay for criminal investigators from the limitation on premium pay. S. 2770 is similar to the House version of the bill as one of its provisions increases the federal special pay differential for



The OIG uses search warrants as an investigative tool to obtain critical information.

federal law enforcement officers employed in specified metropolitan statistical areas.

In addition, H.R. 4763 would also require a study by the Office of Personnel Management regarding the need for, and potential benefits of, the establishment of a separate pay, evaluation, and promotion system for federal law enforcement officers. The bill authorizes Office of Personnel Management to implement a demonstration project for such a system.

Generally, federal laws dealing with compensation do not apply to the Postal Service. However, under 39 U.S.C. § 1003(b), compensation for OIG employees must be comparable to that of other offices of inspector general. Therefore, the OIG has historically followed federal law enforcement pay statutes. Should this legislation become law, OIG management will assess whether the compensation it pays its law enforcement personnel is comparable with what is provided for in this legislation and take appropriate action.





## INSPECTION SERVICE

Postal Inspectors investigate a number of labor management areas, including workplace safety, workers' compensation, postal robberies, and drugs in the workplace.

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. Postal Inspectors investigate the possession, personal use, and sale of narcotics by Postal Service employees or others while on postal property. Postal Inspectors also partner with Postal Service management and employee groups in early interventions and other efforts to prevent violence in the workplace. During this period, there were 179 arrests and 117 convictions for assaults and threats, and 43 arrests and 43 convictions related to robberies. In addition, 22 individuals were arrested and 15 convicted for the sale of drugs on postal property.

The Inspection Service investigates fraudulent claims and receipt of workers' compensation benefits by individual employees. Prosecution of workers' compensation fraud serves as a deterrent and prevents future benefit payments from being made to violators. During this period, 26 individuals were arrested and 15 were convicted for workers' compensation fraud. Examples of workers' compensation fraud cases worked by the Inspection Service are highlighted below:

- ◆ In the Northern District of Ohio, a letter carrier was sentenced following a guilty plea of making false statements to obtain federal employees' workers' compensation benefits and mail fraud. The carrier was sentenced to 3 years probation, 150 hours of community service, and ordered to pay over \$39,000 in restitution to the Postal Service. In addition, the carrier agreed to return over \$14,000 in wage loss benefits received up to the time the plea agreement was signed. The former

employee suffered a back injury in 1983 for which total disability was claimed. A joint investigation with the Inspection Service and the Department of Labor, Office of Inspector General revealed the claimant had been employed in Germany as early as 1993. A subsequent investigation disclosed the former employee operated a second-hand store in 2001. A future cost savings of over \$250,000 was attained for the Postal Service.

- ◆ A former Florida clerk was sentenced to 27 months imprisonment and 3 years supervised probation for mail fraud. The former employee claimed total disability due to carpal tunnel syndrome. The symptoms consisted of pain in both wrists, which prevented writing in a normal manner. The investigation disclosed the claimant ran a travel business and arranged tours throughout the world. A review of business records revealed \$100,000 in the business account. In addition, the former employee failed to report income from a travel business to the Department of Labor and the Postal Service as required. As a result of the investigation, the court ordered restitution of \$321,000 and a future cost savings of over \$330,000 were attained for the Postal Service.
- ◆ A former New Jersey clerk was sentenced to 3 months probation and ordered to pay \$25,000 in restitution for making false statements to obtain federal employees' compensation benefits. The employee claimed total disability as the result of a 1985 work-related anxiety disorder. The investigation disclosed that although claiming to be unable to work, the former employee operated a kennel and falsified statements to the Department of Labor about job and income. As a result, the Postal Service received a future costs savings of over \$654,300.



**Surveillance is just one of the many investigative tools used by Postal Inspectors.**

# Oversight of the Inspection Service and Other Significant Activities



## **OFFICE OF INSPECTOR GENERAL**

Oversight Reviews  
Other Significant Activities  
Legislative, Regulatory & Policy Reviews

## **INSPECTION SERVICE**

## DID YOU KNOW?

### Are OIG employees Postal Service employees?

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



**OIG criminal investigators undergo rigorous annual physical examinations to ensure they possess the physical abilities necessary to effectively perform their duties.**

*This section highlights audits, reviews, and investigations performed by the OIG in conducting its oversight of the Inspection Service. This section also highlights reviews and investigations performed by the OIG and summarizes Inspection Service activities in other significant areas. Report numbers are shown in parentheses after the narrative, as appropriate. In order to differentiate the work reported by the OIG and Inspection Service, the page containing the activities reported by the Inspection Service has been color-screened. The OIG legislative, regulatory, and policy reviews are included at the end of this section.*

## OFFICE OF INSPECTOR GENERAL

### OVERSIGHT REVIEWS

One of the primary reasons the OIG was established within the Postal Service was to provide oversight of all Inspection Service activities. The Inspector General Act, as amended, provides for the OIG to conduct, supervise, coordinate, and provide policy direction for the programs and operations of the Postal Service, including the Inspection Service. In addition, the 1996 amendment to the Inspector General Act provided specific “oversight responsibility for all activities of the Inspection Service, including any internal investigations performed by the Inspection Service.” This additional authority means that any and all activities of the Inspection Service are subject to the OIG’s scrutiny and review.

The OIG provides independent and objective information and analyzes to the Governors, Congress, and postal management regarding Inspection Service operations. 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 addition, the OIG keeps the Governors, Congress, and postal stakeholders fully informed of Postal Service law enforcement efforts to detect and prevent fraud, waste, abuse, and mismanage-

ment by reporting the activities of the OIG and the Inspection Service in these areas.

During the last 6 months, the OIG completed oversight reviews, as well as numerous monitoring activities, which are highlighted below:

### HEALTH EXAMINATION PROGRAM MAY NOT ENSURE APPROPRIATE PHYSICAL ABILITIES

The OIG initiated an audit of the Postal Inspection Service’s health examination program based in part on several complaints alleging Inspection Service management used the program to inappropriately remove a targeted group of postal inspectors. The audit revealed Inspection Service management did not use the program inappropriately to remove a targeted group of postal inspectors from service. Although the allegations were not substantiated, the audit disclosed management did not ensure postal inspectors possessed the physical abilities necessary to effectively perform their duties. Specifically, Inspection Service management did not finalize physical requirements or medical standards governing periodic health examinations; ensure postal inspectors completed health examinations as required; use a rating system which clearly defined conditions that would result in postal inspectors not meeting the physical requirements of their positions; and did not appropriately update, maintain and store employees’ medical files.

Inspection Service management agreed to ensure health examinations are taken as required, medical standards for postal inspector positions are finalized, and inspectors’ medical files are appropriately retained and stored. Although Inspection Service management disagreed with OIG recommendations to develop physical position requirements and a revised health examination rating system, they initiated actions that should correct the deficiencies identified. (OIG OV-AR-02-003)

### MAIL SECURITY COULD BE STRENGTHENED DURING DECONTAMINATION AND IRRADIATION EFFORTS

An OIG review found Inspection Service management responded reasonably in ensuring

mail security during anthrax decontamination and irradiation efforts. The review found Inspection Service management appropriately focused their efforts on the safety of Postal Service employees and the public. However, postal management could not ensure all mail located at decontaminated facilities or processed at irradiation facilities was secure. Specifically, postal inspectors who initially maintained a presence inside 2 contractor irradiation facilities after anthrax was detected stopped maintaining their presence in December 2001. Later, rifling of the mail was detected by Postal Inspectors at a capital metro processing and distribution plant. Furthermore, the OIG found postal management did not ensure contract employees decontaminating Postal Service facilities and irradiating the mail obtained security clearances as required.

The OIG also found Postal Service’s facility manager’s checklist, included in the Postal Service’s interim guidelines addressing their response to the anthrax threat, did not require the Inspection Service be notified when a biohazard threat is detected. Postal management agreed to develop, and update as appropriate, contingency plans addressing physical security of the mail in response to biohazard threats; include a requirement for background security checks in future contracts addressing biohazard threats; and update the Postal Service’s anthrax guidelines to require the Inspection Service be notified immediately when a biohazard threat is detected. (OIG OV-MA-02-001)

## 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 complaints regarding the Inspection Service. 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 and reduce the public’s confidence in the Postal Service. Over the past 6 months, the OIG closed several inquiries related to the Inspection Service. The inquiries resulted from complaints made by Postal Service and Inspection Service

employees, and the general public concerning a variety of issues, including adequacy and selection of investigations.

## INSPECTION SERVICE INTERNAL INVESTIGATIONS

The OIG conducts investigations of alleged misconduct by senior Inspection Service personnel, and monitors the conduct of internal investigations of other Inspection Service employees. These investigations are conducted when allegations of employee misconduct affect the performance of duties or when managers have information of employee misconduct.

The OIG receives information regarding Inspection Service internal investigations, including conclusions reached and recommended actions. Inspection Service internal investigations for this period included allegations of sexual misconduct, physical assault, and obstructing an internal investigation. The charts to the right summarize the internal investigations conducted by the Inspection Service, the types of allegations reviewed, and the types of actions taken during this reporting period.

## OTHER SIGNIFICANT ACTIVITIES

The OIG is responsible for reviewing allegations involving senior-level Postal Service 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. During this reporting period, the OIG completed 13 investigative efforts and reviews of other significant issues related to Postal Service operations, some of which are highlighted below:

## BACKGROUND INVESTIGATIONS OF THREE CANDIDATES FOR CHIEF POSTAL INSPECTOR COMPLETED EXPEDITIOUSLY

At the request of the Postmaster General, OIG investigators conducted background investigations of three candidates for the Chief Postal Inspector position. Although these types of investigations often take Office of Personal Management investigators several months to perform, OIG agents expedited the investigations and accomplished them in a matter of days.

### INTERNAL INVESTIGATIONS CONDUCTED

	NUMBER OF INVESTIGATIONS
Active Investigations at Beginning of Period	59
Investigations Opened	32
Investigations Closed	36
Active Investigations at End of Period	55

### SUMMARY OF CLOSED INTERNAL INVESTIGATION ALLEGATIONS

TYPES OF ALLEGATIONS	NUMBER OF CASES CLOSED
<b>Code of Conduct (violations involving evidence, funds, firearms)</b>	
Inspectors	0
Postal Police	1
Support Personnel	0
<b>Code of Conduct (violations involving integrity, property, conduct, behavior)</b>	
Inspectors	12
Postal Police	15
Support Personnel	2
<b>Other</b>	<b>6</b>

### ACTIONS TAKEN ON CLOSED INTERNAL INVESTIGATIONS

DISCIPLINARY ACTIONS	FREQUENCY
<b>Non-bargaining – adverse</b>	
Removal/Resignation	1
Suspensions >14 days	0
<b>Non-bargaining – non-adverse</b>	
Letter of Warning	5
in lieu of time-off suspensions	0
Official Counseling	4
<b>Bargaining (per collective bargaining agreements) – adverse</b>	
Removal/Resignation	3
Suspensions >14 days	0
<b>Bargaining (per collective bargaining agreements) – non-adverse</b>	
Letter of Warning	5
Letter of Warning in lieu of time-off suspensions	0
Official Counseling	1

## POSTAL SERVICE PROGRAM MANAGER DEVELOPED IMPROPER CONSULTANT RELATIONSHIP WITH CONTRACTOR

An OIG investigation of a Postal Service executive revealed the executive, who was a program manager, developed a consultant relationship with a former Postal Service contractor who had been awarded a \$1.4 million procurement contract. The investigation also revealed the executive was participating in a discussion with the same contractor concerning future full-time employment in violation of the Postal Service Code of Ethical Conduct. The executive elected to retire in lieu of confronting possible disciplinary action.

## LEGISLATIVE, REGULATORY & POLICY REVIEWS

During this reporting period, the OIG identified legislation, regulations, and policies affecting Postal Service law enforcement. Legislative, regulatory and policy reviewed during this period are highlighted below:

### PROPOSED LEGISLATION

H.R. 5005 —  
Homeland Security Act of 2002

Similar: S. 2794 —  
Homeland Security Act of 2002

These similar, though not identical, bills would establish a Department of Homeland Security, as an executive department of the United States, headed by a Secretary of Homeland Security, appointed by the President, by and with the advice and consent of the Senate, to deal with the threat of terrorist attacks in the United States. The legislation gives primary responsibility for investigating and prosecuting acts of terrorism in federal, state, and local law enforcement agencies with proper jurisdiction except as specifically provided by law with respect to entities transferred to Department of Homeland Security under this Act.

Unlike the Senate bill, the House bill provides for a limitation on liability for providers of biohazard detection equipment to all customers. An OIG review of contracts for anthrax detection and decontamination found the Postal Service deviated from standard indemnification provisions that would have otherwise shielded it from financial risk in the event of contamination. The risk management provisions of the House bill would address this problem.



OIG special agents conduct interviews of potential suspects during investigations.



## INSPECTION SERVICE

The Inspection Service conducts investigations and reviews of significant issues related to: physical security; narcotics offenses and trafficking; child exploitation; prohibited mailings; postal burglaries; mail fraud including fraud against consumers, fraud against businesses, and fraud against government; and money laundering.

The Inspection Service considers investigations of biohazardous material sent through the U.S. mail among its highest priorities. The Inspection Service also devotes significant resources to prevent crimes by conducting employee and customer awareness training programs and implementing security measures.

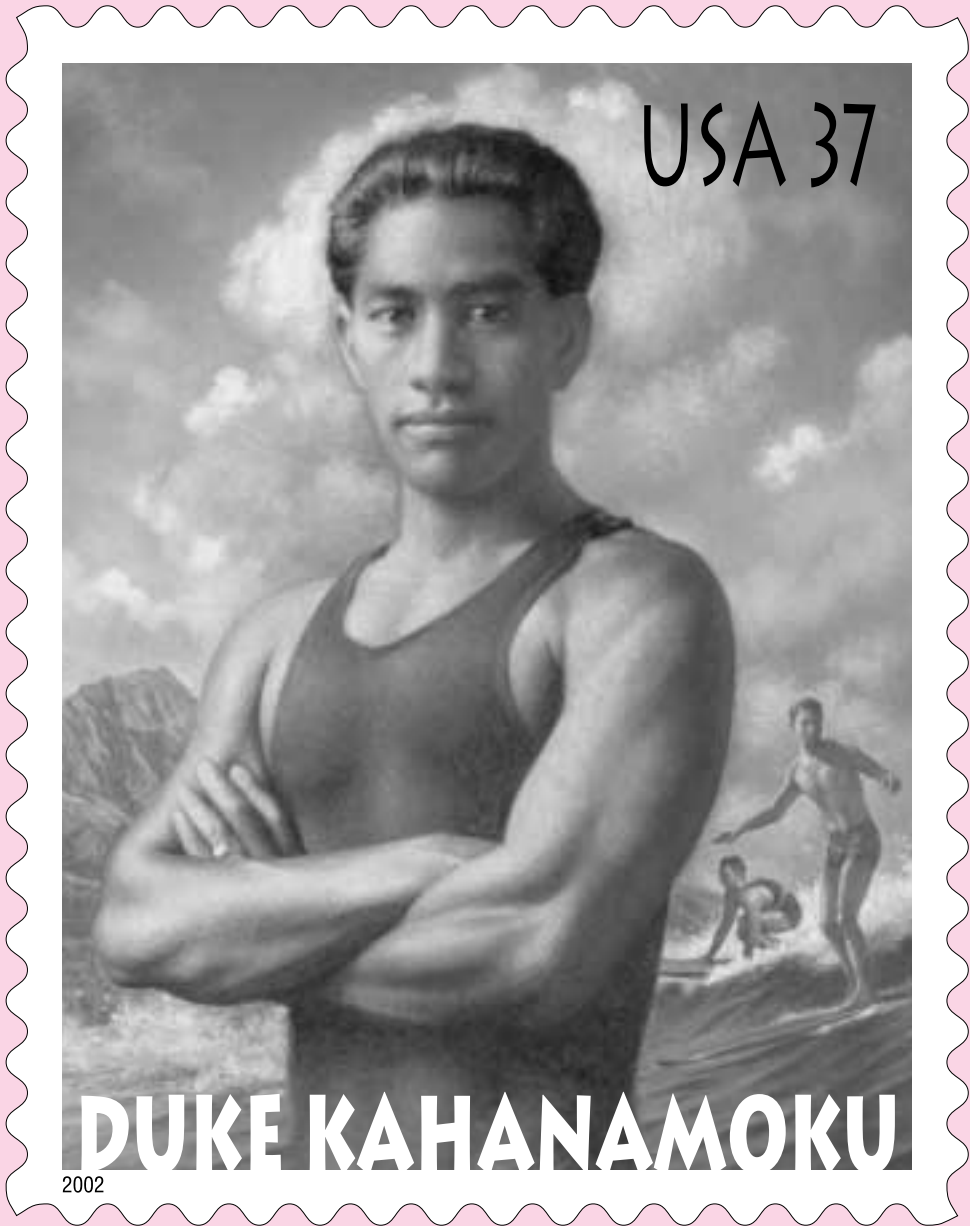
The following chart provides the activity during the reporting period.

TYPE OF INVESTIGATION	ARRESTS	CONVICTIONS*
<b>Mailing of Controlled Substances</b> Includes narcotics, steroids, drug-related proceeds, and drug paraphernalia	770	580
<b>Bombs, Threats, Hoaxes, and Explosive Devices</b>	47	20
<b>Child Exploitation, Mailing of Obscene Matter, and Sexually Oriented Advisement</b>	139	122
<b>Prohibited Mailings</b> Includes hazardous material, firearms, and weapons, intoxicants, explosives other than bombs, extortion, and false documents	79	63
<b>Postal Burglaries</b>	64	73
<b>Mail Fraud</b> Includes fraud against consumers, businesses, and government	935	738
<b>Miscellaneous External Crimes</b> Includes counterfeit and contraband postage, money order offenses, vandalism, and arson	173	195
<b>Miscellaneous Employee Crimes</b> Includes theft of postal property and sabotage of equipment	34	30

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



Postal Inspectors often join forces with FBI agents to investigate bombs placed in mailboxes.



# Customer Service



## **OFFICE OF INSPECTOR GENERAL**

External Communications  
Specialized Services

## **INSPECTION SERVICE**





**In two written statements to Congress this reporting period, the OIG highlighted opportunities to improve the Postal Service's workers' compensation program, and noted the Postal Service's need to improve its financial reporting systems.**

*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 Inspection Service, pages concerning the Inspection Service have been color-screened.*

## OFFICE OF INSPECTOR GENERAL

### EXTERNAL COMMUNICATIONS

The OIG is responsible for keeping members of Congress and the Governors fully and currently informed. The OIG keeps Congress informed by issuing Semiannual Reports to Congress, testifying at oversight and other hearings, and briefing members and their staff on issues related to the Postal Service. The OIG also regularly provides synopses of its audit and management advisory reports to Congressional committees and subcommittees with oversight interest in the Postal Service. Additionally, the OIG keeps the Governors informed through regular briefings at monthly Board meetings, activity reports from the Inspector General, and responses to requests for information.

### CONGRESSIONAL TESTIMONY

Each year, the OIG has testified before Congress on matters affecting the Postal Service. The OIG provided written statements to Congress on May 9 and September 27, 2002. These statements can be found in their entirety on the OIG's website at <http://www.uspsoig.gov>. In these statements, the OIG highlighted opportunities to improve the Postal Service's workers' compensation program, and recognized the need to improve its financial reporting systems. The testimony also highlighted the benefits of OIG work.

The first testimony, presented before the House Committee on Government Reform's Subcommittee on Government Efficiency, Financial Management and Intergovernmental

Relations, discussed the subject of "Oversight of the Management of the Office of Workers' Compensation Program: Are the Complaints Justified?" Because the Postal Service accounts for approximately one-third of the total federal workers' compensation cost, controlling these costs is a high priority. The OIG identified ways the Postal Service could better administer its workers' compensation program to ensure its viability, including better program administration, controlling costs, combating fraud, and ensuring the health and safety of employees. The testimony also addressed ways in which the OIG is partnering with the Department of Labor to review options to address crucial issues facing the workers' compensation program.

The second hearing was presented before the Senate Committee on Governmental Affairs, Subcommittee on International Security, Proliferation and Federal Services, which had received the Annual Report of the Postmaster General to the Senate. The OIG submitted written testimony for the record, which discussed the benefits of the OIG's work, including the identification of \$2 billion in potential monetary benefits for the Postal Service.

The OIG stated the Postal Service must be accountable to the public, and needs a clearly defined, long-term strategy to achieve an appropriate balance between public service and commercial enterprise that transcends short-term changes in senior management. The OIG credited the Postal Service for recognizing the need to improve its financial reporting systems; however, the testimony pointed out the Postal Service needs to effectively protect revenues, manage costs, and increase productivity in order to improve its financial condition. Further, the Postal Service must provide users of its financial reports with the necessary information to make informed decisions. Finally, the Postal Service needs to change certain procurement policies and procedures while continuing to be accountable for its primary objective of delivering the mail.

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

The OIG provides accurate and timely responses to requests from Congress and the

Postal Service Governors. The OIG responds to many of these requests by conducting audits or investigations. However, the OIG does not generally perform audits or investigations when an inquiry involves a non-systemic issue that may be resolved through Postal Service's administrative processes, such as the equal employment opportunity complaint process, contractual grievance-arbitration procedures, or the Merit System Protection Board. Instead, the OIG incorporates individual concerns into a database to identify systemic issues for review. When systemic issues have been identified, the OIG may conduct independent audits or investigations of Postal Service programs and operations to help ensure their economy, efficiency, and integrity.

During this 6-month reporting period, the OIG completed 57 Congressional and Governors' inquiries. Appendix G of this report lists the OIG responses to these inquiries by subject area. Some examples of OIG work in response to Congressional and Governors' requests are highlighted below:

- ◆ An OIG review substantiated allegations the Postal Service was not achieving anticipated returns on investments in automated mail processing. Specifically, a complainant alleged management reprocessed mail already processed for delivery by bulk mail customers, thereby not taking full advantage of the work sharing discount.

Work sharing discounts occur when mailers presort the mail for the Postal Service and receive a discount for their services. The OIG found Postal Service facility managers reprocessed the mail stating merging it with other mail was easier for delivery. This resulted in decreased cost savings the Postal Service would have realized by not reprocessing already presorted mail. The OIG notified Postal Service management of the findings and plans to conduct a systemic review to determine if savings realized justified work sharing discounts.

- ◆ A review was conducted in response to a congressional inquiry regarding a postal police officer's allegation of being moved to another facility as part of a reprisal for

raising law enforcement retirement and periodic physical examination issues. The OIG review revealed allegations were unsubstantiated and the individual was moved for obstructing operational changes implemented by Inspection Service management. Since notification of a move to another facility, the individual is currently on sick leave. The OIG plans to conduct a review of the issues affecting postal police officers, including their exclusion from the Inspection Service's health examination program.

- ◆ At the request of the Board of Governors, the OIG conducted a survey into whether Postal Service payments to the Smithsonian for the National Postal Museum were in accordance with the agreement. The OIG noted the Postal Service did not follow the established formula for calculating the museum annual operating budget and as a result during a 4-year period over funded the museum budget by as much as \$1.7 million. Instead of submitting the annual budget through the coordinating committee, which has not met in over 2 years, a Postal Service budget officer determined the Postal Service contribution to the National Postal Museum's budget.
- ◆ An OIG review of allegations of false termination and a hostile work environment at a California facility determined a hostile work environment might have existed; however, at the time of our review the allegation appeared to have been resolved. An arbitrator ruled the Postal Service had just cause to terminate the complainant for falsifying payroll records. Regarding the hostile work environment, the OIG found an action plan was implemented based on a climate assessment conducted in previous years and ongoing focus groups are still active.

In addition to the above requests, the OIG implemented a process to rapidly respond to requests made by the Governors and senior postal management. This is driven by the need to quickly communicate information to assist with decision-making or to clarify issues, policies, and procedures. During this reporting



## OIG HOTLINE

- ◆ Toll-Free, 1-888-USPS-OIG (1-888-877-7644)
- ◆ TTY (Hearing Impaired) 1-866-OIG-TEXT (1-866-644-8398)
- ◆ To write to the United States Postal Service, OIG: ATTN: Hotline 1735 North Lynn Street Arlington, VA 22209-2020
- ◆ To e-mail the OIG: hotline@uspsoig.gov
- ◆ To fax information toll-free: 1-866-756-6741

period, the OIG provided information on the following matters:

- ◆ OIG work conducted to assist with the Transformation Plan commitments;
- ◆ Differences between offices of inspector generals and internal audit organizations;
- ◆ Communicating and resolving audit issues with Postal Service management;
- ◆ Factors that contribute to increased workers' compensation costs; and
- ◆ Goals of the Postal Service's Breakthrough Productivity Initiative Awards Program.

## OIG HOTLINE PROVIDES A VITAL AND CONFIDENTIAL COMMUNICATIONS LINK

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

### 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; and danger to public health and safety. Complaints and allegations received by the Hotline are analyzed to identify systemic issues affecting the Postal Service, and referred for appropriate action. The OIG also considers Hotline contacts when planning audits and projects.

During this reporting period the Hotline received over 12,800 contacts on issues related to deficient postal operations, personnel matters, waste, fraud, abuse, mismanagement, and other concerns. In addition:

- ◆ Twenty-three percent were addressed by the Inspection Service and involved criminal issues such as mail theft, assaults and threats, and workers' compensation fraud;
- ◆ Eleven percent were addressed by the Postal Service's Office of Consumer Advocate involving complaints related to customer service issues, particularly mail delivery;

- ◆ Fifty-three percent were related to miscellaneous requests for information such as ZIP Codes, postage meters, and other Postal Service-related matters;
- ◆ Twelve percent were related to operational and human resource issues that were referred to Postal Service management; and
- ◆ One percent was assigned to OIG staff for further review for fraud, waste, abuse, and mismanagement.

Some examples of OIG Hotline work are highlighted below:

- ◆ Designed, developed, and implemented a new "user friendly" voice mail menu for its customers, enhancing the customer's ability to receive prompt assistance;
- ◆ Developed a method for conducting data and trend analysis, providing auditors and investigators with information to support their audits, reviews and investigations;
- ◆ Made a Hotline promotional video in support of the OIG's outreach and educational efforts;
- ◆ Established a Hotline Information Request mailbox giving OIG employees the opportunity to request and receive information electronically on any complaint received by the Hotline since inception; and
- ◆ Installed a telephone service to be used by the hearing impaired to open up an avenue of communication to those individuals with hearing impairments.

### Hotline Achieves Major Milestone

As one of the most recent offices to join the inspector general community, the OIG received its first Hotline contact in August 1997. Within the first few months of operation, the OIG had already received over 12,000 contacts, averaging over 1,690 contacts per month from employees, customers and members of the general public reporting fraud, waste, abuse and mismanagement. On September 10, 2002, a little more than five years after its first contact, the Hotline reached a major milestone, receiving its 100,000th contact. This is an exciting accomplishment for an organization that has only been in existence a little more than five years.



The OIG Hotline posters are prominently displayed in postal facilities nationwide.

The OIG Hotline is staffed from 7 a.m. to 7 p.m., Eastern Standard Time, Monday through Friday (except federal holidays). Calls can be made 24 hours a day, 7 days a week. Threats 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. OIG Hotline contact information is provided in the margin on page 64.

### PROPOSED LEGISLATION, REGULATIONS, AND POLICY

As required by the Inspector General Act, the OIG monitors existing and proposed legislation and regulations to advise Congress and the Governors of the impact of such legislation and regulations on Postal Service programs and operations. During the 6-month reporting period, the OIG evaluated 15 legislative proposals and 43 regulatory initiatives. Highlights of the legislative and regulatory proposals are included at the end of the appropriate section that describes the OIG and Inspection Service reviews performed in the last 6 months.

### FREEDOM OF INFORMATION ACT REQUESTS

The OIG is committed to making all final audit and management advisory reports available to the public, unless the law prohibits disclosure. The OIG website, <http://www.uspsoig.gov>, contains all releasable final audit and management reports. A list of all reports, including those that are not releasable, is also included on the web page.

Before posting a report on the web page, the OIG reviews each report in accordance with the Freedom of Information Act, the Privacy Act, and the Postal Reorganization Act. The OIG may coordinate its review with Postal Service management and attorneys. In deciding what information to release, the OIG balances the public right to access federal agency records with individual privacy rights, as well as, the Postal Service's need to safeguard certain protected information, such as those affecting business needs and employee privacy. As a result, OIG reports may be withheld in whole or in part to protect privacy as well as proprietary or confidential information. The OIG responds to

many written requests for reports and other information under the Freedom of Information Act. As of July 15, 2002, the OIG transitioned into the role of deciding and responding to all OIG related Freedom of Information Act appeals to more efficiently safeguard individual privacy and sensitive OIG information while ensuring maximum access. Specifically, Freedom of Information Act appeals are handled in OIG legal services and the authority is outlined under Title 39 United States Code of Federal Regulations §230.5(e).

Prior to July 15, 2002, the OIG handled initial Freedom of Information Act requests for OIG information, but the Postal Service Law Department received and decided OIG appeals. The Postal Service Law Department worked closely with the OIG to ensure the smooth transition of this important function. In this reporting period, the OIG processed 63 Freedom of Information Act requests, which were handled as indicated in the tables in the margin to the right.

### INSPECTOR GENERAL SUBPOENAS

Pursuant to the Inspector General Act, the Inspector General is authorized to issue subpoenas for audits and investigations for which the OIG has investigative jurisdiction. This includes authority to issue subpoenas in support of selected investigations of the Inspection Service. An Inspector General subpoena is a valuable audit and investigative tool. It enables the OIG to secure documentary information and evidence that, unlike grand jury subpoenas, can be readily used in civil and administrative proceedings, as well as criminal cases.

Inspector General subpoenas are not self-enforcing. If a subpoena is not complied with, OIG legal staff, OIG investigators, and Postal Inspectors first attempt to negotiate with the subpoena recipient to obtain the requested documents. If this is not successful, the OIG seeks enforcement in United States district court. The courts generally enforce the subpoena so long as the inquiry is within the authority of the agency, the information sought is reasonably relevant to the agency's inquiry, and the demand is not unduly burdensome.

Since its inception, the OIG has been successful in enforcing every subpoena that has

#### FREEDOM OF INFORMATION ACT REQUESTS

For the period April 1, 2002, through September 30, 2002

OIG Activity	Number of Requests
Carryover from prior period	5
Received during the period	63
<b>Total on hand during the period</b>	<b>68</b>
Processed during the period	
Released	29
Withheld	6
Referred to Postal Service or other agency	15
Otherwise closed*	13
<b>Total processed during the period</b>	<b>63</b>
Balance at end of the period (Pending)	5

\*Otherwise closed includes no responsive documents, improper requests, requests withdrawn, etc.

#### FREEDOM OF INFORMATION ACT APPEALS

For the period April 1, 2002, through September 30, 2002

OIG Activity	Number of Appeals
Total appealed	6
Total upheld	5
Appeals pending	1

## SUBPOENAS ISSUED

For the period April 1, 2002, through September 30, 2002

Types of Subpoenas	Number Issued
OIG Related to Investigation	60
Right to Financial Privacy Act	7
Inspection Service Related to Investigations	113
Right to Financial Privacy Act	15
<b>Total</b>	<b>195</b>



The OIG polygraph program is an effective investigative tool that assists in proving guilt or innocence.

been challenged in court because the subpoena review process is thorough in terms of scope of review, level of supervisory review, and signature authority. All subpoenas are processed at OIG headquarters and undergo thorough, progressive investigative and legal reviews. The subpoena process requires OIG investigators and Postal Inspectors to submit a justification with their subpoena request. After supervisory review, the OIG legal staff evaluates each subpoena to ensure the subpoena can withstand a legal challenge. The Inspector General, the Deputy Inspector General, the Assistant Inspector General for Investigations, and the Deputy Assistant Inspector General for Investigations are the only individuals authorized to sign Inspector General subpoenas.

## SPECIALIZED SERVICES

### COMPUTER FORENSICS

The OIG Computer Forensics Team is staffed with specialists trained and certified in the seizure of computers and the recovery of electronic evidence. The team's 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 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.

The OIG Computer Forensics Team also conducts forensic examinations of computer media seized during OIG investigations. The team also deploys during OIG search warrants to seize or image computer media for later examination, and during the reporting period the team imaged over 90 hard disk drives in support of 10 OIG investigations.

### OIG COMPUTER FORENSICS TEAM WORKS WITH CYBER INTERAGENCY WORKING GROUP

The Computer Forensics Team represented

the Postal Service's information infrastructure concerns by working on the Cyber Interagency Working Group, chartered by the President's Critical Infrastructure Protection Board. As a result of the OIG's representation on this working group, the White House designated a new Postal/Shipping sector within the nation's critical infrastructure in the President's new National Strategy to Secure Cyberspace. The OIG computer intrusion team was designated as the representative for the Executive Council on Integrity and Efficiency to the newly designated Interagency Cyber Team, which will be the vehicle for initially communicating future national cyber emergencies. The OIG's contributions to the Cyber Interagency Working Group has become the blueprint for development of a long-term Cyber Information Assurance Implementation Plan, which will be a principal function of the new Department of Homeland Security.

### 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. Two examples of the effective use of polygraph examinations follow:

- ◆ An employee in the Treasury Inspector General for Tax Administration alleged a co-worker made unwanted sexual advances, which culminated in the co-worker kissing the individual. The OIG was requested to conduct a voluntary polygraph examination of the complainant. Subsequent to the polygraph examination, it was determined the individual demonstrated deception while responding to the test questions. During an interview, the individual admitted initiating the kiss with the co-worker and the previous statements to investigators were erroneous. The investigation was dropped and charges regarding false statements were referred to the local Assistant United States Attorney.
- ◆ The OIG administered a polygraph examination to an individual who allegedly witnessed a "slip and fall" tort

claim at a post office in the Midwest Area. The alleged claimant sought civil legal representation and \$100,000 from the Postal Service to cover the injury. The examination indicated deception. An interview of the witness subsequent to the examination revealed the injury actually occurred at the victim's residence and the victim and witness fabricated the story in an effort to defraud the government. The victim agreed to take the witness on a shopping spree and pay several thousand dollars as compensation for lying to investigators. Following the examination, the local Assistant United States Attorney pursued false statement charges against both the victim and the witness and the \$100,000 civil tort claim was dropped.

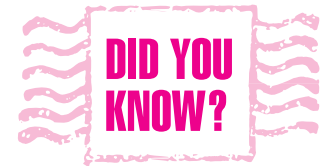
## COMPUTER-ASSISTED ASSESSMENT TECHNIQUES

The OIG Computer-Assisted Assessment Techniques Team uses automated methods and tools to extract and analyze electronic data located in over 900 postal systems in support of OIG audit and investigative efforts. The team achieved success by developing programming techniques to independently access the large database systems in both San Mateo and Minneapolis, as well as numerous remote Oracle database systems throughout the postal network. This team supported several significant OIG efforts during this reporting period, including:

- ◆ Identified and extracted data during the review of the Voyager Fleet card system to identify areas where the Postal Service could save money when purchasing gasoline for delivery vehicles. See write-up on page 21.
- ◆ In accordance with the computer-matching program agreement, conducted an analysis of the Postal Service payroll system, with the Department of Labor's Automated Compensation Payment System and National Case Management Systems. The OIG provided postal management with additional information regarding potential overpayments on a series of 12 CDs. The Postal Service can use this information to follow-up and identify additional overpayments.

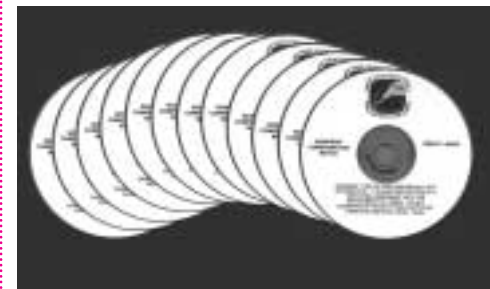
See write-up on page 49.

- ◆ In concert with an audit team, an in-depth analysis of the Postal Service Accounts Payable and Reporting System was conducted to determine if the Postal Service owed money to a utility company for electric services billed. See write-up on page 27.
- ◆ Identified and extracted data from the Postal Service Payroll System to determine whether the Postal Service was effectively managing the Associate Supervisor Program in the Great Lakes Area. See write-up on page 50.
- ◆ Worked with an audit team to analyze the Postal Service Transportation Information Management Evaluation System to evaluate the effectiveness of scheduled highway contract routes, and to identify opportunities for cost savings. See write-up on page 20.



### What is bypass mail?

Bypass mail refers to air shipments primarily of commodities, such as food, to remote areas of Alaska where air is the only means available for deliveries. The mail bypasses post offices and goes directly to eligible air carriers on a rotating basis. The Postal Service then reimburses air carriers for delivery of the mail to consumers.



The OIG analyzed the Postal Service payroll system and provided detailed information to the Postal Service on 12 CDs.

## 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. 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.

In an effort to maintain the integrity of the mail and ensure the confidence and trust that government agencies, businesses, and customers place in the Postal Service, the Inspection Service conducts mail fraud investigations that focus on a variety of complex schemes. To promote consumer protection, the Inspection Service utilizes specialized investigative tools and techniques such as criminal forensic laboratories, technical surveillance and communications, polygraph examiners, and digital evidence recovery units to solve crimes committed against the public.



**Inspection Service crime laboratories analyze evidence, which assist with solving crimes.**

# Goals and Strategies

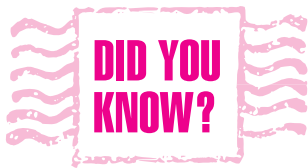


**DID YOU  
KNOW?**

**Is employee diversity important to OIG?**

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





The OIG is committed to excellence through a vision of “A constellation of Talented People Making a Difference Through Teamwork, Leadership, Communication, Creativity, and Conceptualization (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 Inspection Service, the page concerning the Inspection Service has been color-screened.*

## OFFICE OF INSPECTOR GENERAL

### STRATEGIC GOALS

In March 2001, the OIG published a revised Five Year Strategic Plan for FYs 2001-2005. Each aspect of this plan is in accordance with President Bush’s management agenda and the principles of the Government Performance and Results Act. The OIG’s strategic plan is outcome-oriented and focuses on the fundamental mission to increase the efficiency and effectiveness of Postal Service programs and

operations, while eliminating and preventing fraud, waste, abuse, and mismanagement. This plan was designed to address the Postal Service’s strategic direction and objectives outlined in the Postal Service’s Strategic Plan for FYs 2001-2005, which reflected a growing uncertainty about the future implications of emerging technologies, changing customer requirements, and competitors’ actions on mail volume and postal revenues. The OIG is currently working on updating its strategic plan that will be released in FY 2003.

The OIG’s strategic planning process has four distinct steps. First, the OIG determines the major management issues facing the Postal Service. Second, the OIG assesses Postal Service operations and activities, broadly defines realistic goals, sets priorities in line with the Postal Service business vision, and develops effective strategies and action plans that align the OIG’s activities to best help the Postal Service improve its effectiveness and efficiency. Third, the OIG measures progress in meeting those goals. And fourth, the OIG updates and revises goals, strategies, and performance measures to continually align its efforts with the changing business needs of the Postal Service.

## Office of Inspector General FY2002 Goals and Strategies

### GOALS

The OIG will be the independent voice that provides its stakeholders with timely, accurate, and relevant information that contributes to the success of the Postal Service.

### STRATEGIES

Annually identify major management issues and independently develop work priorities that assist the Postal Service in addressing major management challenges.

Independently provide the right information to the right people at the right time.

### GOALS

The OIG is an independent entity that maximizes resources, leverages cutting-edge technology, and provides a healthy organizational culture and environment.

### STRATEGIES

Maintain a TLC3 values-based organization that attracts, develops, and retains a talented and diverse workforce.

Independently manage and optimize OIG resources, including leveraging cutting-edge technology.

The OIG's strategic plan identified two overarching goals. Under each goal, OIG identified two strategies designed to achieve each goal.

## PERFORMANCE MEASURES AND RESULTS

As a part of the planning process, it is necessary to establish performance measures to determine how well the OIG is achieving its goals. These measures provide a baseline and give the OIG the ability to monitor and track trends over time. It is imperative to ascertain a benchmark of current performance, resources used, products produced, and results achieved to identify appropriate performance measures that lead to the OIG's achievement of its strategic goals. To that end, the OIG continually reviews stakeholder input, data from tracking systems, and cumulative management experience to ensure the OIG's stated objectives are on target. As the OIG obtains new information, it continually evaluates and updates OIG goals, strategies, and performance measures.

Each of the performance measures identified for FY 2002 are not intended to measure the work of the OIG in its totality. Rather, they are a means of focusing on select areas so efforts can be concentrated and substantive improvement made. The strategies contained in the OIG's strategic plan provide guidance and an overarching structure, while allowing for flexibility in achieving the goals. OIG managers use this plan to identify and communicate general work product milestones and to monitor efforts toward strengthening the OIG's capability to fulfill its mission.

The OIG continuously monitors its performance and seeks ways to improve. By maintaining objective data on key performance areas, the OIG is able to periodically measure and assess its progress in achieving goals. Annually, the OIG establishes performance measures to emphasize program objectives, promote teamwork, and encourage innovation throughout the OIG. These measures are linked to a team award that is structured to reward commitment to the strategic priorities of the OIG and to reinforce the importance of providing high-quality and value-added services that contribute to the success of the Postal Service.

The FY 2002 performance results were validated by an independent federal agency, which found the OIG accomplished over 84 percent of its performance measures. Based upon information gained from FY 2002, the OIG updated its performance measures for FY 2003 and increased its challenges.

## OIG PLANNING PROCESS

To ensure long-term success, it is necessary for the Postal Service and the OIG to plan reviews, audits, and investigations appropriately. As part of its planning process, the OIG asks key stakeholders, including Congress, the Governors, Postal Service managers, the Postal Rate Commission, employee unions, management associations, and major mailers to identify risk areas and emerging challenges that would benefit from the OIG's review. Suggestions received are considered during the annual OIG planning process, and become part of the universe of projects for consideration. This creates a unique opportunity for the OIG to provide independent analyses and information to assist Postal Service management officials in fulfilling their responsibilities.

Projects from the universe are selected on the basis of risk and OIG resources available for the year. The OIG selects the highest priority projects for inclusion in the annual performance plan and the annual audit workload plan. 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

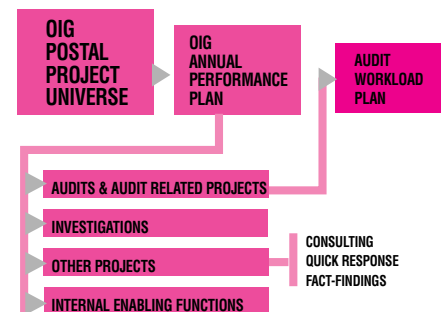
This audit workload plan is presented to the Postal Service Governors each year. The plan is adjusted throughout the year as the OIG's work reveals new issues or the Postal Service encounters new challenges. The OIG workload planning process is depicted in the chart in the right margin.

## OIG AUDIT WORKLOAD PLAN

In a previous section of this Semiannual Report, the ten major management issues facing the Postal Service were discussed. In preparing its audit workload plan, the OIG consolidated the major management issues facing the Postal Service into four major areas along with the



### Planning System Interrelationship





**During the planning process the OIG creates a unique opportunity to obtain input from all OIG resources.**

oversight of the Inspection Service. The OIG will continue to focus its audit attention on these major areas to help address critical issues facing the Postal Service:

- ◆ improving safety and security of the mail for employees and customers;
- ◆ reducing workers' compensation costs;
- ◆ improving financial performance and accountability;
- ◆ enhancing productivity through technology and improving the quality of electronic information; and
- ◆ overseeing the Inspection Service.

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

### **Improving Safety and Security of the Mail for Employees and Customers**

The anthrax contamination of the mail last year has threatened customer confidence in the Postal Service's ability to continue to provide safe and secure mail services. A decline in customer confidence may cause customers to seek services other than traditional mail, which will reduce volume and revenue. The Postal Service must restore and maintain customer confidence in its ability to keep secure and safely deliver the nation's mail. The OIG will focus on the following:

- ◆ Biohazard detection and filtration
  - ◆ Anthrax irradiation
- ◆ Collection boxes
- ◆ Mail processes
  - ◆ Air mail
  - ◆ International mail
- ◆ Crime prevention
  - ◆ Security Cameras

### **Reducing Workers' Compensation Costs**

Workers' compensation costs have increased 35 percent in the last three years. As the largest participant in the Federal Workers' Compensation Program, the Postal Service accounted for \$760 million of the total \$2.2 billion in federal workers' compensation outlays for claims for 2002. Controlling workers' compensation costs is a priority issue for the Postal Service critical to improving its financial condi-

tion. The OIG will focus on the following:

- ◆ Costs
  - ◆ Injury compensation costs
  - ◆ Medical costs
  - ◆ Return to work
- ◆ Outplacement efforts
- ◆ Programs
  - ◆ Administration
  - ◆ Rehabilitation program
  - ◆ Pre-injury safety programs

### **Improving Financial Performance and Accountability**

Increasing productivity while controlling costs is crucial for the Postal Service to reduce anticipated losses. The cost of maintaining and servicing a growing universal delivery network has escalated while mail volumes have decreased. The Postal Service needs strong controls and aggressive efforts to ensure that contracts and programs are managed effectively. Recent financial trends are encouraging; however, the Postal Service needs to sustain the progress made and continue to improve financial performance and accountability. The OIG will focus on the following:

- ◆ Financial system integrity
- ◆ Financial statements
  - ◆ Field installations
  - ◆ Cost and revenue analysis
  - ◆ 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
  - ◆ Identification of potential corruption with the Postal Service's contracting and procurement process

- ◆ Facilities and real estate
  - ◆ Justification, approval, and budgeting
  - ◆ Construction management
- ◆ Logistics
  - ◆ Transportation systems and operations
  - ◆ Material management

### Enhancing Productivity Through Technology and Improving The Quality of Electronic Information

Enhancing productivity through the use of technology is key to the Postal Service's ability to improve its service, productivity, and profitability. While it depends on technology to handle more than 660 million pieces of mail every day, the Postal Service also depends on high quality information in order to improve and sustain service performance. In addition, changes in technology make timely and accurate data critical for effective decision-making. OIG efforts will focus on the following:

- ◆ Information systems
  - ◆ Information infrastructure and architecture
  - ◆ System performance and integrity
  - ◆ Systems development and implementation
  - ◆ Disaster recovery and business continuity plans
- ◆ Computer security
  - ◆ Access
  - ◆ Data protection
  - ◆ Data integrity
- ◆ Accepting and Processing
  - ◆ Mail tracking (scanning)
  - ◆ Breakthrough productivity initiatives
  - ◆ Network integration and alignment
- ◆ Transportation/Delivery
  - ◆ City carrier productivity
  - ◆ Vehicle maintenance facilities

### Overseeing the Inspection Service

Legislation requires the OIG to conduct oversight reviews of the Inspection Service in addition to OIG's audit and investigative responsibilities over postal operations. OIG efforts in this area will focus on the following:

- ◆ Public trust
  - ◆ Function and role
  - ◆ Operational effectiveness
  - ◆ Management controls
  - ◆ Internal affairs



**The OIG's mission statement, goals, and strategies set forth in the Five-Year Strategic Plan are the foundation for measuring, reporting, and improving the OIG's performance over the next five years.**

## INSPECTION SERVICE

The Inspection Service must supplement its reactive capability with proactive strategies to deter and prevent criminal activity. To accomplish this, the Inspection Service has developed five long-term strategic goals and related objectives. The new strategic plan begins with three critical imperatives: safety, security, and integrity.

### Inspection Service FY2002 Goals and Objectives

	GOALS	OBJECTIVES
Safety	Ensure a Safe and Secure Drug-Free Work Environment	<ul style="list-style-type: none"> <li>• Reduce and deter employee on employee assaults and credible threats</li> <li>• Deter robberies of postal employees and facilities</li> <li>• Reduce and deter illegal drugs in the postal environment</li> </ul>
	Reduce Theft of the Mail	<ul style="list-style-type: none"> <li>• Reduce and deter attacks on postal vehicles, apartment panels, collection boxes, NDCBU's and CBU's in Arizona and California</li> <li>• Identify and resolve domestic and international in-transit mail theft</li> <li>• Reduce and deter mail theft related identity theft and identity takeover crimes</li> </ul>
Security	Reduce and Deter Criminal Attacks of Postal Products, Services, and Assets	<ul style="list-style-type: none"> <li>• Reduce and deter embezzlements</li> <li>• Reduce and deter criminal misuse of the Postal Service's workers' compensation program and reduce long-term compensation costs</li> <li>• Reduce and deter postage fraud schemes</li> <li>• Assure sanctity and security of U.S. Mail</li> </ul>
	Reduce the Use of the Mail to Defraud Consumers, Businesses, and Government Agencies	<ul style="list-style-type: none"> <li>• Reduce and deter multi-state domestic and international fraudulent telemarketing operations and direct mail operations</li> <li>• Reduce and deter deceptive mailing operations</li> </ul>
Integrity	Reduce and Prevent the Use of the Postal System for Prohibited, Illegal, and Dangerous Mailings	<ul style="list-style-type: none"> <li>• Reduce and deter the use of the nation's mail system by organized groups to transport illegal narcotics</li> <li>• Reduce and deter the use of U.S. Postal Money Orders to launder money by disrupting money laundering operations</li> <li>• Reduce and deter the use of the U.S. mails for the procurement or delivery of materials that promote the sexual exploitation of children</li> </ul>

# Organizational Dynamics



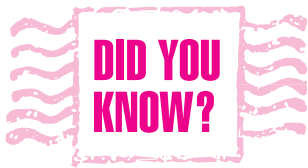
## DID YOU KNOW?

### **How do the OIG and Postal Service resolve report disagreements?**

The OIG and the Postal Service have developed a Report Response and Resolution process to resolve differences of opinion on audit findings and recommendations.

Disagreements are elevated through successively higher levels of management in an attempt to reach resolution.

If agreements is not reached, the Inspector General may elect to submit the disagreement to the Governors for final resolution.



## Did You Know?

The Citizen's Stamp Advisory Committee, established in 1957, is tasked with evaluating the merits of all postage stamp proposals. Each year, Americans submit proposals to the Postal Service on literally thousands of different topics. The Committee considers every stamp suggestion, regardless of who makes it or how it is presented. Committee members are appointed by the Postmaster General and are comprised of 15 members whose backgrounds reflect a wide range of educational, artistic, historical, and professional expertise.



The OIG's values make up the core of its culture and define how it performs its work.

*This section describes the OIG and the Inspection Service organizational vision, 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 the Inspection Service, the page containing the work reported by the Inspection Service has 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 the nine presidentially appointed Postal Service Governors. From 1988 until the establishment of the OIG in 1996, 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 sworn in as the first independent Inspector General of the Postal Service. In carrying out its responsibilities under the Inspector General Act, the OIG:

- ◆ Provides Congress, the Governors, and Postal Service management with timely, objective, and complete information on and analysis of Postal Service operations.
- ◆ Conducts audits and investigations of all Postal Service operations and activities, including ratemaking, contract administration, labor management, accepting and processing, transportation, delivery, financial management, developmental, information systems, computer intrusion, electronic commerce, and marketing.
- ◆ Maintains oversight of Inspection Service operations and performs independent reviews of complaints against its employees.
- ◆ Adds value to Postal Service operations, contributes to a more efficient, economical and effective organization, and helps the Postal Service maintain its integrity through independent investigations, audits, and reviews.

- ◆ Reviews computer security and conducts computer intrusion activities to identify vulnerabilities in postal systems.
- ◆ 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 and recommends improvements for contract and program administration, employee integrity, and program efficiency.
- ◆ Facilitates audit resolution, which provides a mechanism for resolving findings and recommendations when the OIG and Postal Service management disagree.

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

### 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 Postal Service challenges and identify opportunities for improvement by emphasizing five fundamental values:

- ◆ **Teamwork**—Diverse talents and levels working cooperatively and collaboratively toward producing timely, relevant, and quality work products and services that add value to the Postal Service and the OIG.
- ◆ **Leadership**—Encouraging each employee to be the best they can be regardless of position or grade, understanding that all levels of employees are expected to play a role in developing and directing every effort performed.
- ◆ **Creativity**—Cultivating fresh perspectives in the development of new processes and techniques that will improve Postal Service and OIG operations.
- ◆ **Communication**—Ensuring cross-level and cross-functional sharing of all infor-

mation as well as facilitating honesty, openness, respect, and consideration of the contributions and opinions of others.

- ◆ **Conceptualization**—Keeping one’s “eye on the ball” and recognizing interrelationships to accomplish desired results.

## OIG CULTURE AND EMPLOYEES

### Enhancing the Work Environment

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 and reflects 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, Certified Information Systems Security Professionals, Certified Government Audit Professionals, Certified Government Financial Managers, 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 employees work in teams of auditors, evaluators, criminal investigators, lawyers, technicians, and administrative personnel. These employees have diverse backgrounds and experiences from federal and state government agencies, private industry, non-profit organizations, and the Postal Service.

The OIG continues to carry out an aggressive hiring initiative to staff the organization with highly skilled employees. As of September

30, 2002, the OIG had 712 employees, of whom 51 percent were women and 49 percent minorities. The senior management staff is composed of approximately 38 percent women and 23 percent minorities. Based on the September 2000 U.S. Office of Personnel Management Federal Civilian Workforce estimates, the OIG workforce has exceeded the representation in the federal civilian workforce of Asians, Blacks, Hispanics, and women. The federal civilian workforce is comprised of the executive branch and non-Postal Service employees. Because Bureau of Labor Statistics census data is now over 10 years old, and new census civilian labor force data will not be released until 2003, the OIG is using the more up-to-date Federal Civilian Workforce data as a comparison.

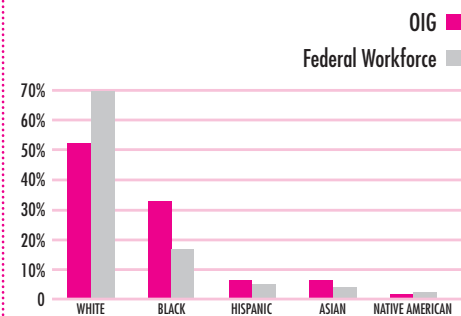
The OIG also continued to take proactive actions to ensure a productive, inclusive, and quality work culture and environment for employees. Employees are the OIG’s most valuable resource. Therefore, it is essential that the OIG maintain the best workplace for employees to do their best work. The OIG established an organizational performance measure for FY 2002 designed to engage all employees in sharing responsibility for enhancing their work environment and work relationships. This measure required all employees to complete at least 20 credits of activities intended to enhance their skills in areas such as effective communication, resolving differences, teamwork, and managing stress. Ninety-seven percent of all OIG employees achieved, and most exceeded, this goal.

The OIG also launched a sexual harassment prevention online training program for all employees to ensure a harassment-free workplace environment. The training included the OIG’s Sexual Harassment Prevention Policy, information on what constitutes sexual harassment, and responsibilities and strategies for addressing and preventing it. As of September 30, 2002, over 92 percent of all employees had completed the training.

## ADHERING TO THE HIGHEST PROFESSIONAL STANDARDS

The OIG reports to Congress and the nine presidentially appointed Governors. The Inspector General is under the “general supervision” of these Governors and is not supervised

Comparison of OIG Diversity Statistics to Federal Civilian Workforce



**OIG exceeds minority representation in nearly every category.**





by the Postmaster General. This independence from postal management is crucial to the OIG's credibility and allows the OIG to objectively conduct audits and investigations of program operations and to report its findings to the Governors, Postmaster General, and Congress. To help respond to the challenges the Postal Service faces, the OIG annually identifies major management issues and independently develops work priorities that assist the Postal Service in addressing these issues.

OIG work is performed in accordance with a variety of professional standards, such as:

- ◆ The General Accounting Office's Government Auditing Standards; and
- ◆ The President's Council on Integrity and Efficiency's Quality Standards for Inspections and Quality Standards for Investigations.

Each audit is subject to supervisory review at each stage of the audit process and must meet established standards for due professional care, quality, and independence. Each report is subject to review by the OIG's statisticians, attorneys, editors, and other experts, and is independently referenced by individuals not associated with the project. Draft reports are submitted to Postal Service management, who has the opportunity to provide written comments in response to the report's findings and recommendations. These comments are evaluated and incorporated in the final report.

In addition, the OIG ensures the highest ethical standards by performing full security background investigations of its employees. Nearly all OIG employees are required to provide annual financial disclosure statements for review to determine potential conflicts of interest. All employees are required to complete ethics training each year and meet the OIG's established standards for continuing professional education.

Further, the OIG ensures its own compliance with professional, legal, and ethical standards through established processes. Every three years, the OIG is selected for a peer review of its audit processes by another Inspector General organization. The OIG also has an effective quality assurance function that evaluates internal processes, programs, and work performed.

Complaints against senior OIG management officials are handled pursuant to Executive Order and are investigated by the Integrity Committee of the President's Council on Integrity and Efficiency, headed by a high-ranking official of the Federal Bureau of Investigation.

## PUBLIC RELATIONS AND OUTREACH

This past year, the OIG made a concerted effort to reach out and educate diverse audiences, large and small, not only about the results of the OIG's work, but also about the role, function, and value of an inspector general's office. Outreach performance is one of the OIG's annual performance measures, and the results are tracked. This past year, the OIG outreach performance exceeded last year's result by 224 percent.

The OIG placed particular emphasis on presenting speeches to outside audiences and arranged speaking opportunities for senior staff. In this last reporting period, the Inspector General delivered major speeches to 2,500 postmasters attending the National Association of Postmasters of the United States annual 2002 convention; 560 members of Women In Federal Law Enforcement; 160 members of the Institute of Internal Auditors; and 500 members of MAILCOM. The Deputy Inspector General addressed 2,000 rural letter carriers attending the National Rural Letter Carriers Association annual 2002 convention. Members of the OIG's Leadership Team addressed over 2,500 attendees of Postal Service state and area management association conventions, and OIG special agents gave 270 fraud awareness and 27 computer intrusion briefings to postal audiences.

In addition, the OIG increased its news releases by over 400 percent, using targeted media mailing lists and Internet postings. This resulted in getting messages regarding OIG work to the media, employee unions, other "watchdog" groups, and the American public. The public can access audit reports, press releases, and other OIG information on its website at <http://www.uspsoig.gov>. Groups desiring an OIG speaker are invited to contact the OIG's Public Relations Director at (703) 248-2100.



**As part of its public relations and outreach efforts, the OIG staffed an informational booth at the Women in Federal Law Enforcement conference.**

## NOTABLE OIG ACHIEVEMENTS

### OIG EMPLOYEE REQUESTED BY CONSUL GENERAL FOR JERICHO DETAIL

In May 2002, OIG evaluator Dave Zielinski was requested by the Consul General and Chief of Mission in Jerusalem, Department of State, to assist with an international peacekeeping effort in the Middle East. The Department of State selected Mr. Zielinski based on his success as a Department of Justice employee working with Palestinian authorities. Mr. Zielinski was asked to serve in Jericho, Israel, on an international team of monitors overseeing the confinement of Palestinian prisoners involved in the Church of Nativity standoff. He worked closely with American, British, and Israeli officials to ensure the prisoners were held in accordance with international agreements. As the only U.S. government employee on the monitoring team, Mr. Zielinski has given the Postal Service international recognition. The OIG is proud to have such a distinguished, internationally recognized individual as one of its own.

### OIG PEER REVIEW EXEMPLARY

In February 2002, the National Railroad Passenger Corporation (AMTRAK) Office of Inspector General conducted a peer review of the OIG's audit program. Government Auditing Standards require that each audit organization conducting audits in accordance with these standards have an external quality control review at least once every 3 years. The peer review team concluded the OIG's internal quality control system was exemplary. This is a tremendous accomplishment, particularly in light of recent high-profile events related to the work quality of the auditing profession and the fact that this was the OIG's first peer review.

The peer review assures the OIG has an effective audit program. The objective of the review is to determine whether an internal quality control system is in place and operating effectively to provide reasonable assurance that established policies, procedures, and applicable auditing standards are being followed. The results are presented in an external report and, when applicable, a letter of comments containing recommendations for improvements to the quality control system.

## TRANSFORMATION PLAN STEERING COMMITTEE

In order to address its short and long-term challenges, the Postal Service published a Transformation Plan in April 2002. The OIG established a Transformation Plan Steering Committee to coordinate and oversee OIG efforts related to postal transformation. OIG Steering Committee members represent each of the OIG's major teams in order to ensure adequate coverage of issues in the plan.

In August 2002, the committee issued two internal reports that provided information and analyses for OIG managers to consider when planning their work. The first report compared Transformation Plan areas to completed and ongoing OIG work. By conducting this comparison, the OIG was able to identify areas that did not have audit coverage and use this data in developing its FY 2003 Audit Workload Plan. The second report presented the results of the OIG's review of the Transformation Plan as it relates to the Postal Service's voice of the business, voice of the customer, and voice of the employee. This report highlighted areas where the OIG could consider placing greater audit coverage. The reports will be updated periodically.

The Steering Committee coordinated several OIG projects related to transformation in order to maximize efficiency and avoid overlap of efforts. These projects included reviews of the Transformation Plan, the Postal Service's compliance with Government Performance and Results, and ratemaking. In addition, the Steering Committee plans to periodically issue capping reports on OIG reviews that correspond to transformation issues. The Steering Committee will continue to play an active part in planning, oversight, and coordination as transformation unfolds.

## OIG EXPERTISE SOUGHT IN INTERNATIONAL ANTI-CORRUPTION EFFORTS

The U.S. Department of Treasury's Office of Technical Assistance asked the OIG to share its expertise in fighting fraud, waste, and abuse to help with anti-corruption programs for developing countries. The OIG will be providing its expertise in the areas of auditing and anti-corruption in order to help countries such as



**OIG Evaluator Dave Zielinski assisted the Department of State in an international peacekeeping effort in the Middle East.**

Armenia, South Africa, and others create anti-corruption policies, develop enabling legislation, implement regulations, and train anti-corruption personnel.

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### **OIG IMPLEMENTS ENTERPRISE-WIDE RESOURCE PLANNING SYSTEM**

The OIG effectively implemented an enterprise-wide resource planning system that provides state-of-the-art technical capabilities to conduct business processes and support employees. Specifically, the OIG enhanced its strategic planning capabilities, program management, and employee productivity. The system also supports the OIG's core values of teamwork, leadership, creativity, communication, and conceptualization by providing real-time communication and data access to its management committee, leadership team, and employees. In addition to implementing the system on time and within budget, the OIG realized over \$900,000 in savings by documenting business processes, developing training materials, and using in-house resources to provide the training.



**OIG teams received Awards of Excellence from the President's Council on Integrity and Efficiency and Executive Council on Integrity and Efficiency.**

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### **OIG HOSTS ANNUAL FEDERAL AUDIT EXECUTIVE COUNCIL CONFERENCE**

In May, the OIG hosted the annual Federal Audit Executive Council Conference in Norfolk, Virginia. The theme was "The Future of Auditing." The conference provided attendees with thought-provoking insight into the direction of the audit profession and how audit executives can meet future challenges. Inspector Generals and other audit executives from federal agencies attended. The OIG's Assistant Inspector General of Financial Management, is Chairman of the council. The council consists of Assistant Inspector Generals for Auditing or individuals in similar positions from federal agencies, and discusses and coordinates matters affecting audit policy and operations of common interest in the federal audit community.

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### **OIG DEVELOPS CRIMINAL INVESTIGATIVE SOFTWARE APPLICATION**

The OIG Information Technology and Investigative Teams worked together to design,

develop, and implement an internal software application for criminal investigators to plan, execute, document, track, and report investigative casework. This innovative software application gives the OIG real-time access to sensitive investigative data, the ability to share information with other federal law enforcement entities, and the tools necessary to account for resources used in investigative processes, all within an encrypted, secure operational environment.

The development and implementation of this software application demonstrates the OIG's core values and significantly increases productivity. The system also enhances the OIG's position as a leader in the federal law enforcement community, as witnessed by the interest and enthusiasm it has generated within the community. The OIG has provided demonstrations of the software to 11 agencies, and more are scheduled to receive demonstrations.

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### **OIG IMPLEMENTS PROTECTIVE REVIEW PROGRAM**

The OIG is implementing a Protective Review Program. These reviews are designed to provide critical coverage of the almost 38,000 facilities of the Postal Service. This program will provide valuable and timely feedback about office and program management to local and headquarters-level management and identify systemic issues for quick resolution.

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### **OIG DIRECTOR SELECTED FOR GENERAL ACCOUNTING OFFICE EXECUTIVE DEVELOPMENT PROGRAM**

The OIG's former director of Oversight was one of 10 individuals selected to participate in the General Accounting Office's Executive Candidate Assessment and Development Program. This individual was the only candidate selected from outside the General Accounting Office. The program, which began in 1981, identifies individuals who have the potential to undertake executive-level responsibility and provides them with training to enhance their leadership skills. The OIG is extremely proud that one of its former leaders was selected for this program.

## OIG RECEIVES AWARDS OF EXCELLENCE

The OIG received 11 Awards of Excellence from the President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency for FY 2002. The OIG was recognized for excellence in the areas of audits, investigations, administrative support, and assistance after the September 11, 2001, attacks. The OIG won awards for:

- ◆ innovation and dedication during a national biohazard attack by assisting the Postal Service in responding to anthrax contamination by evaluating the steps taken and providing concurrent suggestions to improve their ongoing process of action;
- ◆ successful prosecution of four postal contractors and a postal employee for conspiring to defraud the Postal Service by making and receiving payments in return for awarding contracts valued at nearly \$16 million;
- ◆ using state-of-the-art technology to transform its Hotline into a paperless environment;
- ◆ designing and applying critical safeguards that ensure the security of network applications, and implementing an enterprise-wide resource planning system to support all OIG employees; and
- ◆ achievement in a multi-agency investigation that identified improper and fraudulent testing practices for underground storage tanks in Postal Service facilities, military bases, and a National Aeronautics and Space Administration facility.

This year a special category was included to recognize the unprecedented efforts of the inspector general community in responding to the September 11, 2001, terrorist attacks on the United States and efforts to protect the people of the United States. The OIG was recognized for contributing to this effort.

## OIG EMPLOYEES ASSIST IN THE FIGHT AGAINST TERRORISM

Eight OIG employees were called back to active military duty after the attacks. The OIG is proud of these employees' dedicated service

and commitment to their country, and looks forward to their safe return.

## OIG SPECIAL AGENTS CONDUCT NATIONWIDE OUTREACH EFFORTS

This reporting period, OIG special agents continued their outreach and education efforts nationwide. Special agents worked to develop new cases by providing information to various Postal Service and law enforcement entities on the mission and structure of the OIG, the current designation of functions between the OIG and the Inspection Service, and the ways in which OIG investigative and audit teams work together. The OIG also conducted numerous fraud awareness briefings to postal employees nationwide and continued to make its presence known in the health care fraud arena. Special agents attended a Health Care Task Force meeting at the U.S. Attorney's Office in Atlanta, Georgia, and attended the Health Care Fraud Working Group meeting at the U.S. Attorney's Office, Western District of Tennessee. Representatives attended these meetings from various federal, state, and local law enforcement and health care agencies.

## CHALLENGES FACING THE OIG

As the OIG moves forward in its efforts to help the United States Postal Service enhance its position as the world's leading postal service, it must address the following challenges, some of which have an impact on OIG internal operations, and others on OIG oversight of the Postal Service. These include:

- ◆ **Balancing the OIG's Responsibility to Report Information with the Postal Service's Concern About Withholding Proprietary Data.** The OIG carefully weighs the public's right of access to information under the Freedom of Information Act against the Postal Service's commercial and security needs when considering whether to release audit reports and other information. To accurately assess the sensitivity of information, the OIG works closely with postal management and its law department. The challenge of balancing the OIG's responsibility to keep the public informed against the Postal Service's interest in non-disclosure becomes particularly critical as the Postal



OIG teams received Awards of Excellence from the President's Council on Integrity and Efficiency and Executive Council on Integrity and Efficiency.

Service enters into new business ventures that might involve commercially sensitive information and prepares to respond to the increased threat of terrorism.

◆ **Educating Stakeholders About the OIG's Role.** A continuous challenge for the OIG is to inform stakeholders about the OIG's mission, responsibilities, and audit and investigative efforts. The OIG has proactively reached out to stakeholders regarding how it prevents and detects fraud, waste, abuse, and mismanagement and otherwise adds value to the Postal Service. The OIG will continue its outreach efforts until all stakeholders become familiar with the OIG's roles and responsibilities. As part of those efforts, the OIG is conducting outreach by delivering presentations at postal management association and postal union state and national conventions.

◆ **Managing OIG Resources to Accommodate Changing Postal Service Priorities.** The current environment of the Postal Service challenges the OIG to manage its resources to accommodate and rapidly respond to changing priorities. In addition, the urgency of the anthrax threat, escalating workers' compensation costs, labor management issues, and other challenges facing the Postal Service require the OIG to use innovative methods to assist in addressing these challenges in a timely manner. These methods include using the latest technology, reallocating staff and financial resources, and maintaining a workforce with diverse talents, backgrounds, and experiences.

◆ **Overseeing Postal Inspection Service Activities.** One of the primary reasons an independent OIG was established within the Postal Service was to provide oversight of Inspection Service activities. The OIG's statutory mandate for providing oversight is comprehensive, and requires that it oversee all Inspection Service activities, including the conduct of internal investigations.

Despite this clear mandate, the OIG continues to face challenges in exercising its oversight responsibility. Among the most pressing challenges the OIG has faced in fulfilling this responsibility has been the

Inspection Service questioning the OIG's oversight authority and not providing unrestricted access to Inspection Service personnel and information. The OIG continues to work with Inspection Service and senior postal management to resolve these challenges, and looks forward to establishing an environment of cooperation with the new Chief Postal Inspector.

◆ **Protecting OIG Organizational Independence and Authority.** The Inspector General Act clearly establishes the OIG's independence from postal management and its unrestricted right of access to personnel and records. However, postal management has at times had difficulty understanding this independence and authority. Postal management has sometimes attempted to direct the efforts of the OIG and control OIG access to individuals and records. The OIG will continue its outreach and education efforts to assist management in understanding its independence and authority.

◆ **Recruiting and Retaining Talented Staff.** The OIG is committed to attracting and retaining the best and brightest staff, and continues to promote a diverse workforce. After the attacks of September 11, 2001, other agencies, such as the Transportation Security Administration, have recruited many OIG employees because of their experience and expertise. The OIG is challenged to continue to attract and retain talented staff at a time when these agencies and others are offering thousands of job opportunities to people with the same qualifications the OIG is seeking.

To respond to the loss of experienced staff, the OIG has continued to carry out an aggressive hiring initiative to maintain staffing levels needed to provide quality audit and investigative services to stakeholders. This has required innovative approaches to recruitment and workforce management. Some of the initiatives undertaken by the OIG include specialized training and development, access to the latest investigative and audit management technology, as well as greater deployment of staff to field locations.



Inspector General Karla Corcoran was interviewed for a MAIL magazine cover story.

Part of the OIG's recruiting and retention efforts include maintaining a healthy organizational culture and environment through methods such as employee advisory councils, workplace enhancement training, teambuilding, and career change opportunities.

◆ **Providing User-Friendly Results to Stakeholders.** Keeping stakeholders fully and currently informed is the foundation of providing value-added audit and investigative services. One of the biggest challenges the OIG faces is providing timely, understandable, and useful information to its stakeholders. To meet this challenge, the OIG will continue to explore and utilize new avenues of communicating user-friendly information. One such avenue is technology. The OIG's innovative use of video reports provides a visual illustration of audit results that transcends the limitations of text reports. In addition, the OIG website provides comprehensive information about the OIG's mission, culture, and work. The OIG also created an informational CD for stakeholders and prospective employees.

◆ **Preparing for a New Inspector General.** The Postal Service is the only federal agency where the Inspector General serves a statutory term. In January 1997, the Inspector General was appointed by the Postal Service Governors to a 7-year term that expires in just over 1 year. The Governors will need to identify a successor, and the OIG will need to prepare for a change in leadership to ensure a seamless transition.

In addition, because the Inspector General's position is for a 7-year term, some highly qualified candidates, particularly senior executives from other agencies, may be deterred from seeking the position if they are not eligible to retire at the end of the term. This may also increase the possibility of postal management being appointed to the position, which could have an adverse impact on the actual or perceived independence of the OIG. Because the Inspector General is not appointed by the President and confirmed by the Senate, congressional

oversight of the hiring of the next Inspector General may be limited.

The OIG will embark on a communication program designed to prepare its employees for the organization's first change in leadership using a wide variety of communications tools, including all-hands meetings, video teleconferencing, and the employee newsletter.



## INSPECTION SERVICE

The Inspection Service, the traditional law enforcement arm of the Postal Service, is a highly specialized, professional organization that performs investigative and security functions essential to a stable and sound postal system. Through its security and enforcement functions, the Inspection Service provides assurance to businesses for the safe exchange of funds and securities through the U.S. mail; to postal customers of the “sanctity of the seal” in transmitting correspondence and messages; and to postal employees of a safe work environment.

Postal Inspectors are federal law enforcement officers who carry firearms, make arrests, execute federal search warrants, and serve subpoenas. Postal Inspectors work closely with U.S. Attorneys, other law enforcement agencies, and local prosecutors to investigate postal cases and prepare them for court. There are approximately 1,900 Postal Inspectors stationed throughout the United States who enforce over 200 federal laws covering investigations of crimes that adversely affect or fraudulently use the U.S. mail and postal system.

To assist in carrying out its responsibilities, the Inspection Service maintains a security force staffed by over 1,400 uniformed Postal Police Officers, who are assigned to critical postal facilities throughout the country. The officers provide perimeter security, escort high-value mail shipments, and perform other essential protective functions.

The Inspection Service operates five forensic crime laboratories, strategically located in cities across the country. The laboratories are staffed with forensic scientists and technical specialists who assist Postal Inspectors in analyzing evidentiary material needed for identifying and tracking criminal suspects and in providing expert testimony for cases brought to trial.

The Inspection Service’s 800 professional and technical employees also include program analysts, financial analysts, information technology experts, and others who play a vital role in supporting the criminal investigation and security functions of the Inspection Service. They perform a wide variety of tasks, including developing, maintaining and continually

upgrading management systems; developing, procuring and deploying electronic security and surveillance equipment; publishing policy handbooks and consumer awareness guides and brochures; supplying photography and video services; and facilitating direct communications with Congress and the public.

The Internal Affairs Division operates with a staff of 11 Postal Inspectors, an Inspector in Charge, 4 support employees and 36 Postal Police Officers, and has a two-fold mission. First, it ensures integrity and excellence within the Inspection Service by conducting independent internal investigations of its employees. Second, it protects the safety of postal employees and customers by providing security and preventive services at national Headquarters.

The Office of Counsel provides legal advice and services in support of Postal Inspection Service investigations, programs, and goals, processes requests for access to Inspection Service records and provides legal training to Inspection Service personnel. The Counsel’s office comprises 20 Inspector-Attorneys, supported by an administrative staff including paralegals, information disclosure specialists, a labor relations analyst, a program specialist, and an administrative support specialist.

The Inspection Service’s national information technology infrastructure supports over 4,300 users at more than 220 sites nationwide. Inspection Service offices are linked nationally via a dedicated frame-relay network, with online connections to the Postal Service, the National Crime Information Center, the National Law Enforcement Telecommunications System, and the Internet.

The Inspection Service extends full cooperation to all federal, state, and local investigative and prosecutorial authorities in law enforcement matters to ensure greater protection to the public. Working with other agencies, Postal Inspectors regularly participate in joint task force cases aimed at curtailing widespread criminal acts of an organized nature.

More information on the Inspection Service can be found at <http://www.usps.com/postalinspectors>.



Inspection Service seal and badges

# Organizational Structure



## DID YOU KNOW?

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

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



# Office of Inspector General Organizational Structure



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

## OFFICE OF INSPECTOR GENERAL

The OIG 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. It is a matrix organization with a non-hierarchical structure organized into five core business functions.

The OIG works in teams to maximize the abilities of its employees and uses cutting-edge technology and the most advanced management principles available to add value to postal programs and operations. Teams that focus on improving Postal Service business processes and overall organizational achievement demonstrate the OIG's values of teamwork, leadership, communication, creativity, and conceptualization. The following section describes the OIG organizational structure as of September 30, 2002.

### DEPUTY INSPECTOR GENERAL

**Thomas Coogan**

#### CONGRESSIONAL & FOIA TEAM

*Director, Carrie Fox* - serves as liaison and responds to requests from Congress and the Board of Governors; coordinates congressional testimony and presentations; and responds to all Freedom of Information Act requests.

#### PUBLIC RELATIONS TEAM

*Director, Laura Whitaker* - plans and directs public relations activities; serves as liaison and responds to requests from media; plans and directs all OIG outreach activities; and keeps OIG staff informed of news articles of interest.

#### QUALITY ASSURANCE & INTERNAL AFFAIRS TEAM

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

#### STRATEGIC PLANNING

*Director, Linda Libician (Acting)* - incorporates current and future Postal Service changes into OIG operations, prepares and updates the OIG strategic plan, develops and monitors the OIG annual performance measures, and completes strategic studies as needed.

#### EXECUTIVE REPRESENTATIVE FOR FIELD LIAISON

*Colleen McAntee* - provides senior-level communication links between the OIG Headquarters and its 15 field offices, and all Postal Service field operations.

- ◆ **East Offices:** Washington, New York, Atlanta, Pittsburgh, Boston, Raleigh, and Tampa
- ◆ **West Offices:** Chicago, Los Angeles, Dallas, Minneapolis, St. Louis, Denver, Portland, and San Francisco

*Audit Directors, Darrell Benjamin (West) and Debbie Pettitt (East)* - plan and coordinate staffing for audits and reviews as initiated by Headquarters and responsible for overall audit field staff development.

*Investigative Directors, William Hencken (Central) and Carl Puricelli (West) and Rosa Howard (East)* - plan and direct investigations in coordination with Headquarters staff and are responsible for overall investigative field staff development.

#### GENERAL COUNSEL & ASSISTANT INSPECTOR GENERAL FOR OVERSIGHT AND LEGAL SERVICES

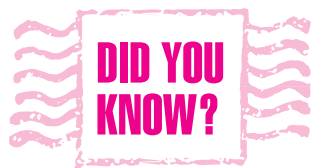
**Kirt West**

#### DEPUTY ASSISTANT INSPECTOR GENERAL FOR OVERSIGHT AND LEGAL SERVICES

**Gladis Griffith**



The OIG has 15 field offices nationwide. Pictured here are employees at the Minneapolis Field Office.



### Did You Know?

The Postal Service did not require city dwellers to have mailboxes at their homes until 1916. Before that, carriers would deliver the mail to the door, ring the bell twice (the postman always rings twice) to signal the mail was there, or knock. To save wear and tear on their knuckles, carriers also used wooden doorknockers to announce their presence.

### LEGAL SERVICES TEAM

*Director, Andrea Bernardo (Acting)* - provides legal advice to the Inspector General and OIG staff in all areas of criminal, civil, and administrative law; processes subpoenas; manages ethics program; and reviews existing and proposed legislation, regulations, and policies affecting the economy and efficiency of the Postal Service.

### OVERSIGHT TEAM

*Director, Howard Cox (Acting)* - provides oversight of Inspection Service functions and operations through inspections, reviews, monitoring, and coordination, including assessing criminal investigative programs and operations.

### ASSISTANT INSPECTOR GENERAL FOR AUDIT

#### Robert Emmons, Acting

### AUDIT OPERATIONS AND FOLLOW-UP/QUICK RESPONSE TEAM

*Director, Kim Stroud* - provides support, services, and coordination of audit activities; facilitates the development of audit reporting policy and procedures; develops and oversees implementation of the audit workload plan; manages the closure of significant audit recommendations and the audit resolution process; and analyzes statistical audit data to accomplish the OIG's audit mission. In addition, assists Postal Service management by identifying best practices for improving Postal Service operations and advises on critical, time sensitive issues.

### ASSISTANT INSPECTOR GENERAL FOR FINANCIAL MANAGEMENT

#### John Seeba

### FINANCIAL TEAMS

*Director, Financial Statements, John Cihota (Acting) and Director, Financial Field, Sheila Bruck* - plan and direct work in support of the independent public accounting firm's annual financial audit opinion and conduct other financial-related audits to identify areas for improvement.

### CONTRACTING & FACILITIES TEAM

*Director, Lorie Siewert* - plans and directs

audits and reviews of purchasing and contracting activities, as well as all aspects of postal facility repair, renovation, and new construction.

### ASSISTANT INSPECTOR GENERAL FOR CORE OPERATIONS

#### Wayne Goleski

### ACCEPTING & PROCESSING TEAM

*Director, Larry Chisley* - plans and directs audits and reviews focusing on the economy, efficiency, and effectiveness of mail acceptance, collection, and processing operations, as well as logistics activities supporting these operations.

### TRANSPORTATION & DELIVERY TEAM

*Director, Joe Oliva* - plans and directs audits and reviews focusing on delivery, and domestic and international transportation operations, specifically addressing economy, efficiency, and effectiveness of Postal Service fleet operations and contracts for air, highway, and rail services.

### LABOR MANAGEMENT TEAM

*Director, Chris Nicoloff* - plans and directs audits and reviews focusing on labor relations and labor management issues within the Postal Service to assist in maintaining a healthy and safe organizational climate for employees and improving operational economy, efficiency, and effectiveness.

### HEALTH CARE TEAM

*Director, Erica Blackman (Acting)* - plans and directs audits and reviews focusing on health care issues within the Postal Service to assist in improving operational economy, efficiency, and effectiveness.

### ASSISTANT INSPECTOR GENERAL FOR eBUSINESS

#### Ronald Merryman, Acting

### DEVELOPMENTAL TEAM

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

### eCOMMERCE & MARKETING TEAM

*Director, Robert Batta* - plans and directs audits and reviews of electronic commerce,

marketing programs, stamp services, retail operations, international business, and support operations.

### **INFORMATION SYSTEMS TEAM**

*Director, Frances Cain (Acting)* - plans and directs audits and reviews of major Postal Service information systems to determine whether general and application controls are properly established and systems are designed to be secure and provide accurate data to management.

### **INSPECTION SERVICE TEAM**

*Director, Michael Thompson (Acting)* - plans and directs audits and reviews of Inspection Service functions and operations.

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### **ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS**

**Sam Maxey**

### **INVESTIGATIVE OPERATIONS TEAM**

*Director, Russ Barbee* - provides support and coordination to field and headquarters investigative programs, facilitates the development of investigative policy and procedures, compiles and analyzes statistical investigative data and results to accomplish the OIG's investigative mission.

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### **DEPUTY ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS**

**Daniel O'Rourke**

### **FINANCIAL CRIMES TEAM**

*Director, Anthony Cannarella* - identifies and coordinates investigations related to the expenditure of Postal Service funds, supports investigations of purchasing activities and operations, as well as all aspects of postal facility repair, renovation, and new construction. This team also identifies and coordinates investigations of bribery, kickbacks, conflict of interest, fraudulent tort claims, impact card fraud, indemnity claims fraud, and cases involving expenditures and contract fraud dealing with product substitution.

### **HEALTH CARE FRAUD TEAM**

*Director, Mimi Band* - identifies and coordinates investigations of wrongdoing by medical providers under contract with the Postal

Service and medical providers that have falsely billed the Postal Service for work-related injury claims.

### **COMPUTER INTRUSION AND FORENSIC & TECHNICAL SERVICES TEAM**

*Director, Ovie Carroll (Acting)* - detects and investigates computer hacking and other high-technology crimes involving Postal Service computers and telecommunications systems, and provides technical support in such areas as surveillance, evidence recovery, and computer forensics.

### **HOTLINE AND SECURITY TEAM**

*Director, John DeMaggio* - operates the OIG Hotline, providing a vital link for reporting fraud, waste, abuse, and mismanagement; and provides physical and personnel security services within the OIG.

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

**Ron Stith**

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### **DEPUTY ASSISTANT INSPECTOR GENERAL FOR RESOURCES**

**Mary Demory**

### **HUMAN RESOURCES TEAM**

*Director, Marta Erceg (Acting)* - provides full-service human resource support to the OIG in the areas of employee relations, pay and benefits, recruitment, retirement, awards, performance management, counseling, and training.

### **ADMINISTRATIVE SERVICES TEAM**

*Director, Stew Dorris* - provides facility, procurement, financial, budget, and other internal services necessary to accomplish the OIG's mission.

### **WORKPLACE ENHANCEMENT TEAM**

*Director, Sharon Solomon* - provides work life, organizational climate, diversity, Equal Employment Opportunity, and other workplace-related services.

### **INTERNAL QUALITY TEAM**

*Director, Bob Pemberton* - develops programs and activities that promote the vision



The OIG Legal Services team provides legal advise to OIG staff, processes subpoenas, manages the ethics program, and reviews existing and proposed legislations, regulations, and policies affecting the Postal Service.



The Human Resources Team provides full-service human resources support to the OIG.

and core values of the OIG—teamwork, leadership, communication, creativity, and conceptualization.

### DEPUTY ASSISTANT INSPECTOR GENERAL FOR TECHNOLOGY

**Donna Edsall**

### INFORMATION TECHNOLOGY TEAM

*Director, David Sidransky* - provides computer operations, telecommunications, agency-wide information systems, computer security, and technical support.

### EXPERTS AND COMPUTER-ASSISTED ASSESSMENT TECHNIQUES TEAM

This self-directed team provides support to OIG in the areas of statistical sampling; quantitative and statistical methods; computer-assisted assessment techniques for data retrieval and analysis; economic forecasting; cost/benefit analysis; estimation of monetary benefits; architecture; engineering; and activity-based costing.

### COMMUNICATIONS & POLICY TEAM

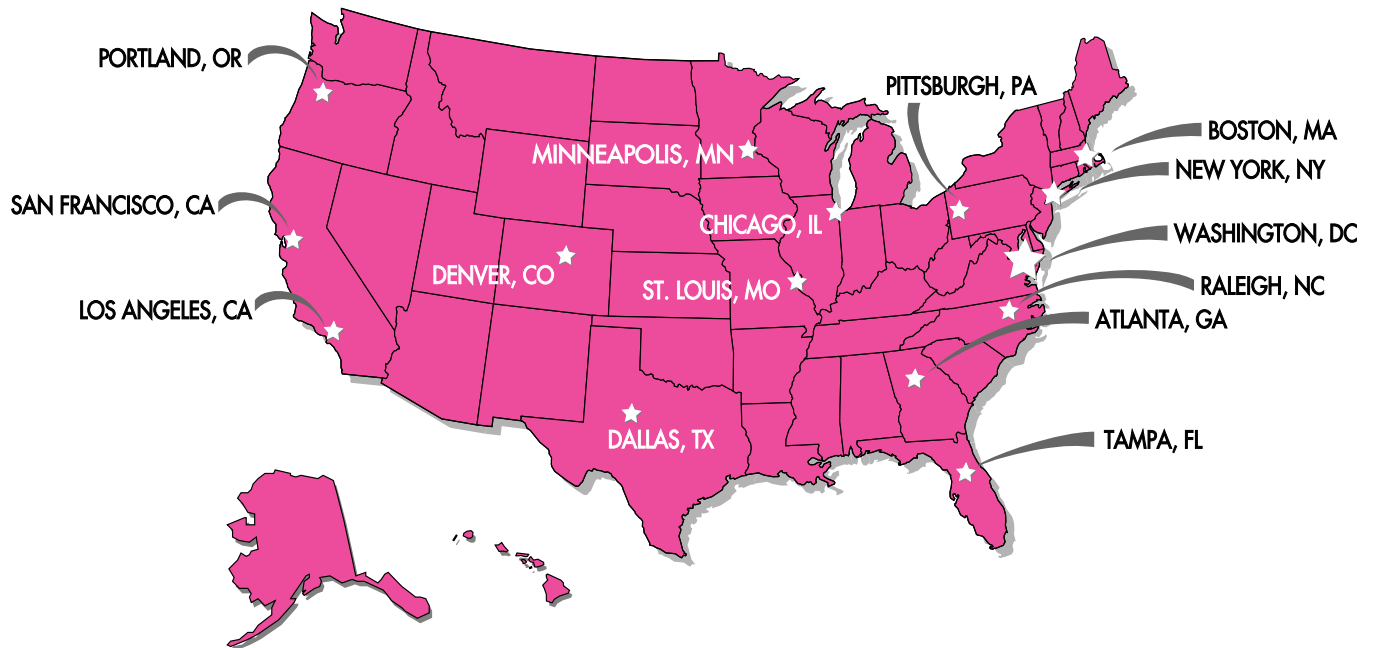
*Director, Jim Nugent* - provides writing, editorial, video, and graphic services; coordinates and publishes OIG reports as well as other documents for Congress, the Governors, and Postal Service management; and manages development of internal policies and procedures.

### OIG FIELD LOCATIONS

The OIG Headquarters is located in Washington, DC. In addition, the OIG has 15 field offices located in San Francisco and Los Angeles, California; Denver, Colorado; Tampa, Florida; Atlanta, Georgia; Chicago, Illinois; Boston, Massachusetts; Minneapolis, Minnesota; St. Louis, Missouri; New York, New York; Portland, Oregon; Pittsburgh, Pennsylvania; Raleigh, North Carolina; Dallas, Texas; and Washington, DC. OIG locations are depicted in the chart below.



## OIG Locations Nationwide



# INSPECTION SERVICE

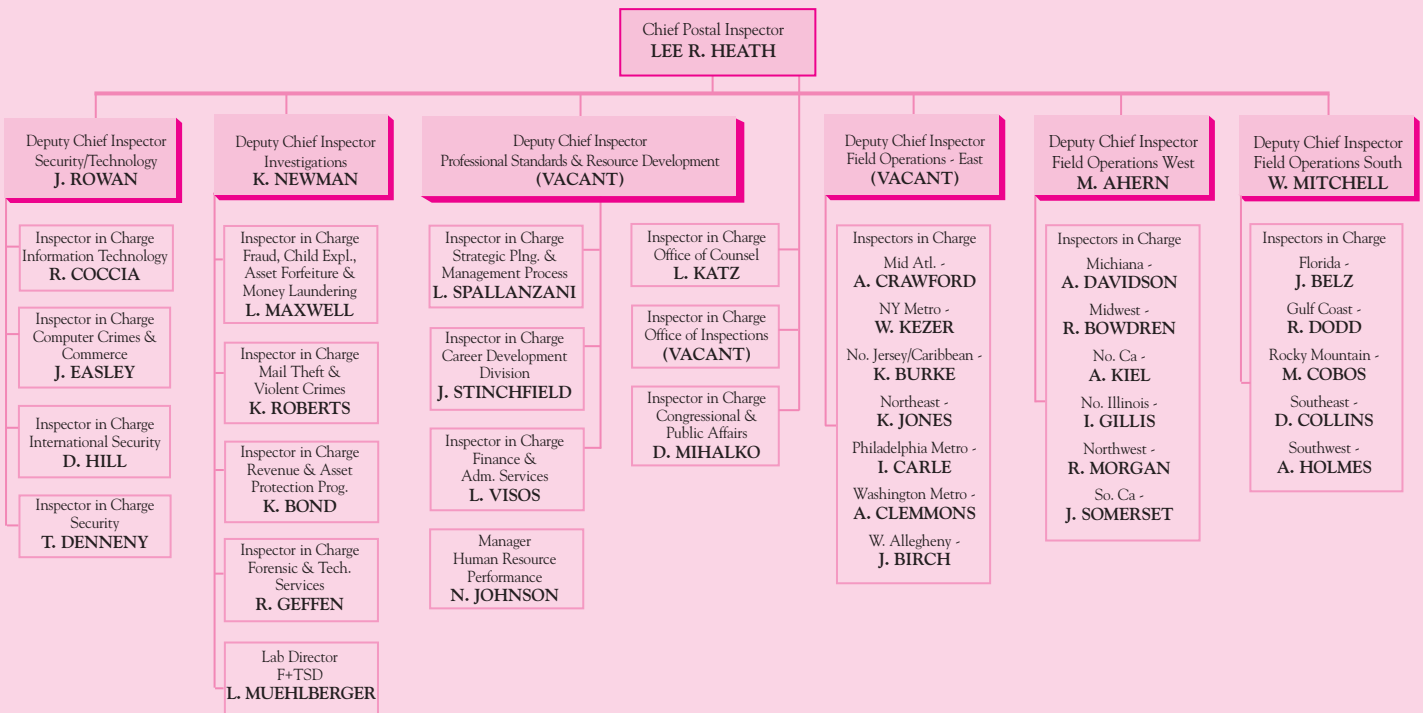
The national headquarters offices of the Inspection Service are organized into functional groups that report to Deputy Chief Inspectors for Investigations, Security & Technology, and Professional Standards & Resource Development. The Inspection Service has 18 field divisions, which report directly to three Deputy Chief Inspectors for field operations. Five Inspection Service Operations Support Groups support field offices. The Inspection Service's Executive Committee,

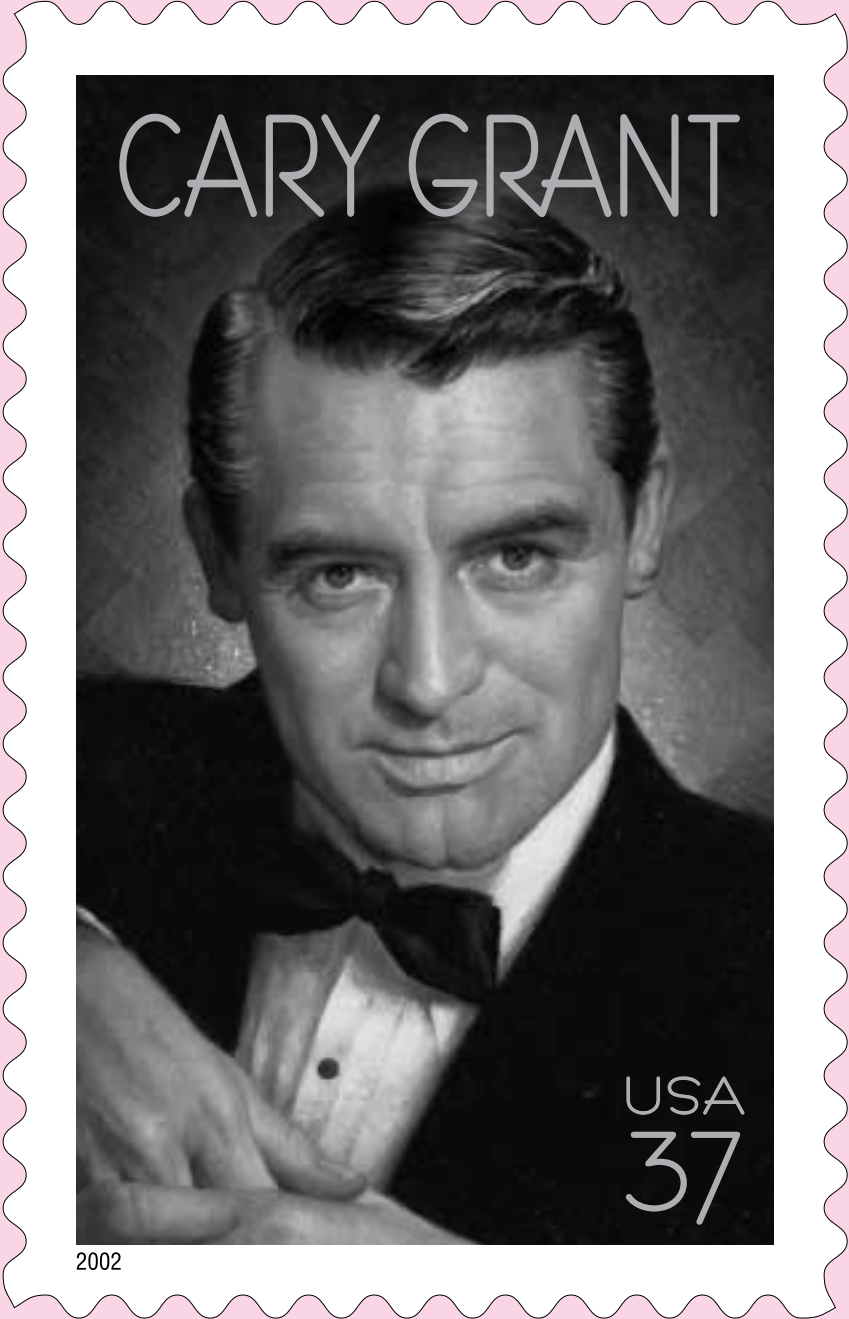
which consists of the six Deputy Chief Inspectors and the three Inspectors in Charge who report directly to the Chief Postal Inspector, establishes the direction of the organization. The National Leadership Team consists of the Deputy Chief Inspectors and all Inspectors in Charge.



**Chief Postal Inspector  
Lee R. Heath**

## Inspection Service Organizational Structure





# Appendices

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## DID YOU KNOW?

### Did You Know?

The Postal Service's technology infrastructure is one of five largest in the world with a network of more than 540,000 devices, 1,800 employees, and operating at a cost of nearly \$878 million annually.



## APPENDIX A

# Reports Issued to Postal Management

For the period April 1, 2002, through September 30, 2002

## 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) or management advisory reports (MA) in accordance with the identified needs of the project.

### Inspection Service

The Inspection Service provided Postal-wide attention in selected areas until September 30, 2000, when all audit functions were transitioned to the OIG.

## SUMMARY

The following is a summary by principal area of reports issued to Postal Service management by the OIG. The following pages list the reports.

### 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.

**Unrecoverable Costs** - A cost that perhaps should not have been incurred and is not recoverable.

**Potential Additional Revenue** - Amounts from revenue generating functions such as retail sales, rent, leases, or fees that were underpaid or not realized.

Principal Area	Number of Reports Issued	Questioned Costs	Unsupported Costs <sup>1</sup>	Recommend Funds Put to Better Use	Unrecoverable Costs
Performance	10	\$0	\$0	\$21,459,787	\$0
Financial Management	255	\$159,752,997	\$117,650,903	\$3,244,892	\$8,301,831
Technology	24	\$2,970,477	\$0	\$0	\$0
Labor Management	5	\$0	\$0	\$835,000	\$0
Oversight	2	\$0	\$0	\$0	\$0
Other Significant Reviews	2	\$0	\$0	\$0	\$0
<b>GRAND TOTAL</b>	<b>298</b>	<b>\$162,723,474</b>	<b>\$117,650,903</b>	<b>\$25,539,679</b>	<b>\$8,301,831</b>

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

<sup>2</sup> Represents unrecoverable costs.

# REPORT LISTING

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

## PERFORMANCE

Report Number	Subject Title/ Project Type	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Other <sup>2</sup>	Issue Date
<b>ACCEPTING AND PROCESSING</b>						
AC-MA-02-001	Certified Mail Processing Operations at the Sacramento Processing and Distribution Center	\$0	\$0	\$0	\$0	8/30/02
AC-MA-02-002	Review of Nonprofit Standard Mail	\$0	\$0	\$0	\$0	8/14/02
<b>QUICK RESPONSE</b>						
CQ-AR-02-001	Work Performed by Business Mail Entry Employees in the Colorado Wyoming Performance Cluster	\$0	\$0	\$1,079,832	\$0	9/26/02
<b>MARKETING</b>						
EM-AR-02-011	National Postal Forum	\$0	\$0	\$0	\$0	4/24/02
<b>TRANSPORTATION AND DELIVERY</b>						
TD-AR-02-003	Highway Network Scheduling - Pacific Area	\$0	\$0	\$4,500,417	\$0	9/24/02
TD-AR-02-004	Voyager Card Control Weaknesses - Chicago	\$0	\$0	\$0	\$0	9/26/02
TD-AR-02-005	Delivery Vehicle Gasoline	\$0	\$0	\$15,879,538	\$0	9/30/02
TD-MA-02-003	New York Metro Area Trailer Acquisition Requirements	\$0	\$0	\$0	\$0	7/10/02
TD-MA-02-004	Mishandled Mail at New York LaGuardia Airport	\$0	\$0	\$0	\$0	7/25/02
TD-MA-02-005	Delayed Letter Carrier Operations in the Capital Metro Area	\$0	\$0	\$0	\$0	8/29/02
<b>PERFORMANCE TOTALS</b>		<b>\$0</b>	<b>\$0</b>	<b>\$21,459,787</b>	<b>\$0</b>	

## FINANCIAL MANAGEMENT

<b>FINANCIAL OPINION</b>						
FT-MA-02-004	Terminated Station Contract	\$58,248	\$58,248	\$0	\$0	8/2/02
<b>FISCAL YEAR 2001 FINANCIAL INSTALLATION AUDITS</b>						
FF-AR-02-208	Stamp Distribution Offices	\$0	\$0	\$0	\$0	4/26/02
FF-AR-02-214	Boulder Business Mail Entry Unit	\$0	\$0	\$0	\$0	5/10/02
FF-AR-02-309	District Accounting Offices	\$0	\$0	\$0	\$0	7/11/02
FF-AR-02-324	Post Offices, Branches, and Stations	\$0	\$0	\$0	\$0	7/26/02
FF-AR-02-326	Business Mail Entry Units	\$0	\$0	\$0	\$0	7/26/02
<b>FISCAL YEAR 2002 FINANCIAL INSTALLATION AUDITS</b>						
FF-AR-02-212	Denver Business Mail Entry Unit	\$0	\$0	\$0	\$0	4/15/02
FF-AR-02-211	Peoria Business Mail Entry Unit	\$0	\$0	\$0	\$0	4/17/02
FF-AR-02-213	Milwaukee Business Mail Entry Unit	\$0	\$0	\$0	\$0	4/17/02
FF-AR-02-209	Churchs Ferry Post Office	\$0	\$0	\$0	\$0	4/23/02
FF-AR-02-210	Brocket Post Office	\$0	\$0	\$0	\$0	4/23/02
FF-AR-02-215	McLean Business Mail Entry Unit	\$0	\$0	\$0	\$0	5/2/02
FF-AR-02-218	Marion Business Mail Entry Unit	\$0	\$0	\$0	\$0	5/2/02
FF-AR-02-216	Rye Main Post Office	\$0	\$0	\$0	\$0	5/3/02
FF-AR-02-217	Hilltop Post Office	\$0	\$0	\$0	\$0	5/21/02
FF-AR-02-219	Cupertino Business Mail Entry Unit	\$0	\$0	\$0	\$0	5/21/02
FF-AR-02-226	Carol Stream Business Mail Entry Unit	\$0	\$0	\$0	\$0	5/24/02
FF-AR-02-227	South Temple Contract Postal Unit	\$0	\$0	\$0	\$0	5/31/02
FF-AR-02-233	Santa Ana Business Mail Entry Unit	\$0	\$0	\$0	\$0	6/3/02

<b>Report Number</b>	<b>Subject Title/ Project Type</b>	<b>Questioned Costs</b>	<b>Un-supported Costs</b>	<b>Recommend Funds Put to Better Use</b>	<b>Other</b>	<b>Issue Date</b>
FF-AR-02-236	Tacoma Business Mail Entry Unit	\$0	\$0	\$0	\$0	6/3/02
FF-AR-02-240	Bensenville Business Mail Entry Unit	\$0	\$0	\$0	\$0	6/3/02
FF-AR-02-229	Belvedere Tiburon Post Office	\$0	\$0	\$0	\$0	6/13/02
FF-AR-02-223	Wausau Business Mail Entry Unit	\$0	\$0	\$0	\$0	6/19/02
FF-AR-02-230	Hollywood Station	\$0	\$0	\$0	\$0	6/19/02
FF-AR-02-247	Darlington Post Office	\$0	\$0	\$0	\$0	6/19/02
FF-AR-02-250	Cathedral City Post Office	\$0	\$0	\$0	\$0	6/19/02
FF-AR-02-239	Frankfort Business Mail Entry Unit	\$0	\$0	\$0	\$0	6/20/02
FF-AR-02-235	Fort Scott Business Mail Entry Unit	\$0	\$0	\$0	\$0	6/21/02
FF-AR-02-237	Canon City Post Office	\$0	\$0	\$0	\$0	6/21/02
FF-AR-02-238	Garden Grove Business Mail Entry Unit	\$0	\$0	\$0	\$0	6/21/02
FF-AR-02-241	Gaithersburg Post Office	\$0	\$0	\$0	\$0	6/21/02
FF-AR-02-263	Tampa Business Mail Entry Unit	\$0	\$0	\$0	\$0	6/21/02
FF-AR-02-264	Omaha Business Mail Entry Unit	\$0	\$0	\$0	\$0	6/21/02
FF-AR-02-266	Farmingdale Business Mail Entry Unit	\$0	\$0	\$0	\$0	6/21/02
FF-AR-02-268	Somerville Business Mail Entry Unit	\$0	\$0	\$0	\$0	6/21/02
FF-AR-02-269	Augusta Business Mail Entry Unit	\$0	\$0	\$0	\$0	6/21/02
FF-AR-02-242	Pacific Palisades Postal Store	\$0	\$0	\$0	\$0	6/24/02
FF-AR-02-248	Donovan Post Office	\$0	\$0	\$0	\$0	6/24/02
FF-AR-02-251	Watson Community Station	\$0	\$0	\$0	\$0	6/24/02
FF-AR-02-252	Tarzana Business Mail Entry Unit	\$0	\$0	\$0	\$0	6/24/02
FF-AR-02-255	Huntington Business Mail Entry Unit	\$0	\$0	\$0	\$0	6/24/02
FF-AR-02-257	Edgerton Business Mail Entry Unit	\$0	\$0	\$0	\$0	6/24/02
FF-AR-02-234	Aubrey Post Office	\$0	\$0	\$0	\$0	7/1/02
FF-AR-02-246	Syracuse Business Mail Entry Unit	\$0	\$0	\$0	\$0	7/1/02
FF-AR-02-249	Gateway Contract Postal Unit	\$0	\$0	\$0	\$0	7/1/02
FF-AR-02-253	Everett Main Office	\$0	\$0	\$0	\$0	7/1/02
FF-AR-02-254	Greenfield Business Mail Entry Unit	\$0	\$0	\$0	\$0	7/1/02
FF-AR-02-256	Maitland Post Office	\$0	\$0	\$0	\$0	7/1/02
FF-AR-02-258	Wood Dale Post Office	\$0	\$0	\$0	\$0	7/1/02
FF-AR-02-259	Hazel Dell Contract Postal Unit	\$0	\$0	\$0	\$0	7/1/02
FF-AR-02-260	Niland Post Office	\$0	\$0	\$0	\$0	7/1/02
FF-AR-02-262	Holiday Station	\$0	\$0	\$0	\$0	7/2/02
FF-AR-02-271	Minneapolis Business Mail Entry Unit	\$0	\$0	\$0	\$0	7/3/02
FF-AR-02-278	Olive Branch Business Mail Entry Unit	\$0	\$0	\$0	\$0	7/3/02
FF-AR-02-270	North Houston Business Mail Entry Unit	\$0	\$0	\$0	\$0	7/5/02
FF-AR-02-291	Santa Ana Window Section	\$0	\$0	\$0	\$0	7/5/02
FF-AR-02-261	Mason City Post Office	\$0	\$0	\$0	\$0	7/8/02
FF-AR-02-265	Thief River Falls Business Mail Entry Unit	\$0	\$0	\$0	\$0	7/9/02
FF-AR-02-272	Marysville Post Office	\$0	\$0	\$0	\$0	7/9/02
FF-AR-02-294	Sunny Isles Station	\$0	\$0	\$0	\$0	7/12/02
FF-AR-02-285	Republican City Post Office	\$0	\$0	\$0	\$0	7/16/02
FF-AR-02-289	Babcock Post Office	\$0	\$0	\$0	\$0	7/16/02
FF-AR-02-290	Tempe Self-Service Postal Center	\$0	\$0	\$0	\$0	7/16/02
FF-AR-02-301	Countryside Contract Postal Unit	\$0	\$0	\$0	\$0	7/16/02
FF-AR-02-304	Hattiesburg Business Mail Entry Unit	\$0	\$0	\$0	\$0	7/16/02
FF-AR-02-311	James C. Brown Window Section	\$0	\$0	\$0	\$0	7/16/02

Report Number	Subject Title/ Project Type	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Other	Issue Date
FF-AR-02-288	Jetson Main Office	\$0	\$0	\$0	\$0	7/17/02
FF-AR-02-296	Birmingham Stamp District Office and Alabama District Accounting Office	\$0	\$0	\$0	\$0	7/17/02
FF-AR-02-297	St. Bernard Post Office	\$0	\$0	\$0	\$0	7/17/02
FF-AR-02-303	Ashtabula Business Mail Entry Unit	\$0	\$0	\$0	\$0	7/17/02
FF-AR-02-308	Sprague Post Office	\$0	\$0	\$0	\$0	7/18/02
FF-AR-02-244	Wolsey Post Office	\$0	\$0	\$0	\$0	7/23/02
FF-AR-02-273	Cedar Creek Post Office	\$0	\$0	\$0	\$0	7/23/02
FF-AR-02-275	Freeman Spur Post Office	\$0	\$0	\$0	\$0	7/24/02
FF-AR-02-245	Kendall Park Business Mail Entry Unit	\$0	\$0	\$0	\$0	7/24/02
FF-AR-02-286	Adrian Post Office	\$0	\$0	\$0	\$0	7/24/02
FF-AR-02-328	Smithtown Business Mail Entry Unit	\$0	\$0	\$0	\$0	7/26/02
FF-AR-02-307	Deland Business Mail Entry Unit	\$0	\$0	\$0	\$0	7/30/02
FF-AR-02-318	Port Orford Post Office	\$0	\$0	\$0	\$0	7/31/02
FF-AR-02-320	Newark Stamp District Office and Northern New Jersey District Accounting Office	\$0	\$0	\$0	\$0	7/31/02
FF-AR-02-325	Osborn Self-Service Postal Center	\$0	\$0	\$0	\$0	8/6/02
FF-AR-02-332	Mahwah Business Mail Entry Unit	\$0	\$0	\$0	\$0	8/6/02
FF-AR-02-331	Valley Forge Business Mail Entry Unit	\$0	\$0	\$0	\$0	8/8/02
FF-AR-02-306	Port Bolivar Post Office	\$0	\$0	\$0	\$0	8/9/02
FF-AR-02-315	Enosburg Falls Post Office	\$0	\$0	\$0	\$0	8/9/02
FF-AR-02-316	Maysville Post Office	\$0	\$0	\$0	\$0	8/9/02
FF-AR-02-317	Scotchtown Station	\$0	\$0	\$0	\$0	8/9/02
FF-AR-02-335	St. Patrick Post Office	\$0	\$0	\$0	\$0	8/9/02
FF-AR-02-336	Goodrich Post Office	\$0	\$0	\$0	\$0	8/13/02
FF-AR-02-276	Bel Air Contract Postal Unit	\$0	\$0	\$0	\$0	8/13/02
FF-AR-02-277	Kim Post Office	\$0	\$0	\$0	\$0	8/13/02
FF-AR-02-295	East Los Angeles Station	\$0	\$0	\$0	\$0	8/13/02
FF-AR-02-299	Carmichael Business Mail Entry Unit	\$0	\$0	\$0	\$0	8/13/02
FF-AR-02-300	Horton Plaza Postal Store	\$0	\$0	\$0	\$0	8/13/02
FF-AR-02-321	Santa Margarita Post Office	\$0	\$0	\$0	\$0	8/13/02
FF-AR-02-322	Yuba City Business Mail Entry Unit	\$0	\$0	\$0	\$0	8/13/02
FF-AR-02-357	Bakersfield Self-Service Postal Center	\$0	\$0	\$0	\$0	8/15/02
FF-AR-02-319	Graniteville Post Office	\$0	\$0	\$0	\$0	8/20/02
FF-AR-02-327	Baton Rouge Downtown Post Office	\$0	\$0	\$0	\$0	8/20/02
FF-AR-02-339	Inlet Main Office	\$0	\$0	\$0	\$0	8/20/02
FF-AR-02-341	Lake Post Office	\$0	\$0	\$0	\$0	8/22/02
FF-AR-02-302	Windsor Business Mail Entry Unit	\$0	\$0	\$0	\$0	8/26/02
FF-AR-02-329	Paramus Main Post Office	\$0	\$0	\$0	\$0	8/26/02
FF-AR-02-346	Margaret L. Sellers Business Mail Entry Unit	\$0	\$0	\$0	\$0	8/26/02
FF-AR-02-305	Lebanon Business Mail Entry Unit	\$0	\$0	\$0	\$0	8/27/02
FF-AR-02-340	Coffeyville Business Mail Entry Unit	\$0	\$0	\$0	\$0	8/28/02
FF-AR-02-342	Framingham Business Mail Entry Unit	\$0	\$0	\$0	\$0	8/29/02
FF-AR-02-354	Maple Grove Business Mail Entry Unit	\$0	\$0	\$0	\$0	8/29/02
FF-AR-02-343	Crawfordsville Business Mail Entry Unit	\$0	\$0	\$0	\$0	8/30/02
FF-AR-02-350	St. Leo Post Office	\$0	\$0	\$0	\$0	8/30/02
FF-AR-02-349	Chandler Business Mail Entry Unit	\$0	\$0	\$0	\$0	9/4/02

<b>Report Number</b>	<b>Subject Title/ Project Type</b>	<b>Questioned Costs</b>	<b>Un-supported Costs</b>	<b>Recommend Funds Put to Better Use</b>	<b>Other</b>	<b>Issue Date</b>
FF-AR-02-358	Marble Falls Post Office	\$0	\$0	\$0	\$0	9/4/02
FF-AR-02-359	Old National Station	\$0	\$0	\$0	\$0	9/4/02
FF-AR-02-360	West Chester Business Mail Entry Unit	\$0	\$0	\$0	\$0	9/4/02
FF-AR-02-344	Newtown Business Mail Entry Unit	\$0	\$0	\$0	\$0	9/5/02
FF-AR-02-347	Notre Dame Business Mail Entry Unit	\$0	\$0	\$0	\$0	9/5/02
FF-AR-02-348	Montrose Business Mail Entry Unit	\$0	\$0	\$0	\$0	9/5/02
FF-AR-02-365	Houston Business Mail Entry Unit	\$0	\$0	\$0	\$0	9/5/02
FF-AR-02-338	Knightstown Business Mail Entry Unit	\$0	\$0	\$0	\$0	9/6/02
FF-AR-02-345	Camden New Jersey Business Mail Entry Unit	\$0	\$0	\$0	\$0	9/6/02
FF-AR-02-287	Hyannis Port Post Office	\$0	\$0	\$0	\$0	9/12/02
FF-AR-02-356	Joshua Self-Service Postal Center	\$0	\$0	\$0	\$0	9/12/02
FF-AR-02-363	Manitowoc Business Mail Entry Unit	\$0	\$0	\$0	\$0	9/12/02
FF-AR-02-372	New Brunswick Business Mail Entry Unit	\$0	\$0	\$0	\$0	9/12/02
FF-AR-02-361	Jonestown Contract Postal Unit	\$0	\$0	\$0	\$0	9/13/02
FF-AR-02-377	Manassas Business Mail Entry Unit	\$0	\$0	\$0	\$0	9/13/02
FF-AR-02-362	East Shore Drugs Contract Postal Unit	\$0	\$0	\$0	\$0	9/17/02
FF-AR-02-380	Columbus Business Mail Entry Unit	\$0	\$0	\$0	\$0	9/17/02
FF-AR-02-381	Hartford Business Mail Entry Unit	\$0	\$0	\$0	\$0	9/17/02
FF-AR-02-383	Wheeling Business Mail Entry Unit	\$0	\$0	\$0	\$0	9/17/02
FF-AR-02-371	Indianapolis Self-Service Postal Center #4	\$0	\$0	\$0	\$0	9/18/02
FF-AR-02-392	Las Vegas Business Mail Entry Unit	\$0	\$0	\$0	\$0	9/18/02
FF-AR-02-314	Bigfork Self-Service Postal Center	\$0	\$0	\$0	\$0	9/19/02
FF-AR-02-352	Plano Business Mail Entry Unit	\$0	\$0	\$0	\$0	9/19/02
FF-AR-02-379	Lincoln Business Mail Entry Unit	\$0	\$0	\$0	\$0	9/19/02
FF-AR-02-391	Lancaster Business Mail Entry Unit	\$0	\$0	\$0	\$0	9/19/02
FF-AR-02-395	Waite Park Business Mail Entry Unit	\$0	\$0	\$0	\$0	9/19/02
FF-AR-02-407	Saratoga Business Mail Entry Unit	\$0	\$0	\$0	\$0	9/19/02
FF-AR-02-337	Volcano Post Office	\$0	\$0	\$0	\$0	9/20/02
FF-AR-02-351	Ontario Business Mail Entry Unit	\$0	\$0	\$0	\$0	9/20/02
FF-AR-02-373	Red Springs Post Office	\$0	\$0	\$0	\$0	9/20/02
FF-AR-02-402	Reedley Main Post Office	\$0	\$0	\$0	\$0	9/20/02
FF-AR-02-415	Franklin Park Business Mail Entry Unit	\$0	\$0	\$0	\$0	9/23/02
FF-AR-02-374	Portland Stamp Distribution and District Accounting Office	\$0	\$0	\$0	\$0	9/24/02
FF-AR-02-375	Visalia Business Mail Entry Unit	\$0	\$0	\$0	\$0	9/24/02
FF-AR-02-378	Durham Business Mail Entry Unit	\$0	\$0	\$0	\$0	9/24/02
FF-AR-02-384	Horace Harding Station	\$0	\$0	\$0	\$0	9/24/02
FF-AR-02-385	Talbott Main Office	\$0	\$0	\$0	\$0	9/24/02
FF-AR-02-386	Akron Stamp Distribution Office and District Accounting Office	\$0	\$0	\$0	\$0	9/24/02
FF-AR-02-393	Lenoir City Post Office	\$0	\$0	\$0	\$0	9/24/02
FF-AR-02-396	Central Station	\$0	\$0	\$0	\$0	9/24/02
FF-AR-02-398	Wilcox Station	\$0	\$0	\$0	\$0	9/24/02
FF-AR-02-401	Carlinsville Business Mail Entry Unit	\$0	\$0	\$0	\$0	9/24/02
FF-AR-02-422	Rocklin Post Office	\$0	\$0	\$0	\$0	9/24/02
FF-AR-02-423	Akron Main Office	\$0	\$0	\$0	\$0	9/24/02

Report Number	Subject Title/ Project Type	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Other	Issue Date
FF-AR-02-389	Fort Payne Post Office	\$0	\$0	\$0	\$0	9/25/02
FF-AR-02-403	Rensselaer Polytechnic Institute Contract Postal Unit	\$0	\$0	\$0	\$0	9/25/02
FF-AR-02-404	Group 1 Self-Service Postal Center	\$0	\$0	\$0	\$0	9/25/02
FF-AR-02-405	Shade Gap Post Office	\$0	\$0	\$0	\$0	9/25/02
FF-AR-02-406	Godley Post Office	\$0	\$0	\$0	\$0	9/25/02
FF-AR-02-413	Miles City Business Mail Entry Unit	\$0	\$0	\$0	\$0	9/25/02
FF-AR-02-414	Peachtree City Branch	\$0	\$0	\$0	\$0	9/25/02
FF-AR-02-408	Jamestown Post Office	\$0	\$0	\$0	\$0	9/26/02
FF-AR-02-418	Painesville Self-Service Postal Center	\$0	\$0	\$0	\$0	9/26/02
FF-AR-02-425	Hershey Business Mail Entry Unit	\$0	\$0	\$0	\$0	9/26/02
FF-AR-02-419	Watertown Furniture Barn Contract Postal Unit	\$0	\$0	\$0	\$0	9/27/02
FF-AR-02-416	Maryville Main Office	\$0	\$0	\$0	\$0	9/27/02
FF-AR-02-231	Lake Dallas Self-Service Postal Center	\$0	\$0	\$0	\$0	9/30/02
FF-AR-02-293	Wilton Post Office	\$0	\$0	\$0	\$0	9/30/02
FF-AR-02-313	Helena Self-Service Postal Center	\$0	\$0	\$0	\$0	9/30/02
FF-AR-02-370	Eustis Post Office	\$0	\$0	\$0	\$0	9/30/02
FF-AR-02-376	Camden South Carolina Business Mail Entry Unit	\$0	\$0	\$0	\$0	9/30/02
FF-AR-02-382	Sioux Falls Stamp Distribution Office and Dakotas District Accounting Office	\$0	\$0	\$0	\$0	9/30/02
FF-AR-02-387	Columbia Stamp Distribution Office and Greater South Carolina District Accounting Office	\$0	\$0	\$0	\$0	9/30/02
FF-AR-02-390	Jacksonville Main Post Office	\$0	\$0	\$0	\$0	9/30/02
FF-AR-02-394	Virginia Post Office	\$0	\$0	\$0	\$0	9/30/02
FF-AR-02-397	Easton Post Office	\$0	\$0	\$0	\$0	9/30/02
FF-AR-02-399	Lakeview Post Office	\$0	\$0	\$0	\$0	9/30/02
FF-AR-02-410	Grand Rapids Business Mail Entry Unit	\$0	\$0	\$0	\$0	9/30/02
FF-AR-02-411	Caledonia Post Office	\$0	\$0	\$0	\$0	9/30/02
FF-AR-02-412	Pulaski Business Mail Entry Unit	\$0	\$0	\$0	\$0	9/30/02
FF-AR-02-417	Troy Business Mail Entry Unit	\$0	\$0	\$0	\$0	9/30/02
FF-AR-02-420	Lancaster Avenue Station	\$0	\$0	\$0	\$0	9/30/02
FF-AR-02-421	Lutz Business Mail Entry Unit	\$0	\$0	\$0	\$0	9/30/02
FF-AR-02-424	Coudersport Business Mail Entry Unit	\$0	\$0	\$0	\$0	9/30/02
FF-AR-02-426	West Sacramento Stamp Distribution Office and Sacramento District Accounting Office	\$0	\$0	\$0	\$0	9/30/02
FF-AR-02-427	Boyd's Pharmacy Station 4 Contract Postal Unit	\$0	\$0	\$0	\$0	9/30/02
FF-AR-02-428	Fig Garden Contract Postal Unit	\$0	\$0	\$0	\$0	9/30/02
FF-AR-02-429	Silver Dollar City Contract Postal Unit	\$0	\$0	\$0	\$0	9/30/02
FF-AR-02-430	Pease Contract Postal Unit	\$0	\$0	\$0	\$0	9/30/02
FF-AR-02-431	Union Post Office	\$0	\$0	\$0	\$0	9/30/02
FF-AR-02-432	St. Paul Self-Service Postal Center	\$0	\$0	\$0	\$0	9/30/02
FF-AR-02-434	Albuquerque Stamp Distribution and Albuquerque District Accounting Office	\$0	\$0	\$0	\$0	9/30/02

**FINANCIAL-RELATED**

FF-AR-02-220	Audit of Statistical Tests for Fiscal Year 2002 Cost and Revenue Analysis - South Florida District	\$0	\$0	\$0	\$0	5/9/02
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<b>Report Number</b>	<b>Subject Title/ Project Type</b>	<b>Questioned Costs</b>	<b>Un-supported Costs</b>	<b>Recommend Funds Put to Better Use</b>	<b>Other</b>	<b>Issue Date</b>
FF-AR-02-224	Audit of Statistical Tests for Fiscal Year 2002 Cost and Revenue Analysis - Southeast New England District	\$0	\$0	\$0	\$0	5/21/02
FF-AR-02-221	Audit of Statistical Tests for Fiscal Year 2002 Cost and Revenue Analysis - Mid-Carolinas District	\$0	\$0	\$0	\$0	5/24/02
FF-AR-02-222	Audit of Statistical Tests for Fiscal Year 2002 Cost and Revenue Analysis - Greater Michigan District	\$0	\$0	\$0	\$0	5/24/02
FF-AR-02-225	Audit of Statistical Tests for the Fiscal Year 2002 Cost and Revenue Analysis - Central Plains District	\$0	\$0	\$0	\$0	5/24/02
FF-AR-02-228	Audit of Statistical Tests for Fiscal Year 2002 Cost and Revenue Analysis - Kentuckiana District	\$0	\$0	\$0	\$0	5/30/02
FF-AR-02-232	Audit of Statistical Tests for Fiscal Year 2002 Cost and Revenue Analysis - Oklahoma District	\$0	\$0	\$0	\$0	6/3/02
FF-AR-02-243	Audit of Statistical Tests for Fiscal Year 2002 Cost and Revenue Analysis - San Jose District	\$0	\$0	\$0	\$0	6/14/02
FF-AR-02-267	Audit of Statistical Tests for Fiscal Year 2002 Cost and Revenue Analysis - Los Angeles District	\$0	\$0	\$0	\$0	6/21/02
FF-AR-02-274	Audit of Statistical Tests for Fiscal Year 2002 Cost and Revenue Analysis - Springfield District	\$0	\$0	\$0	\$0	7/3/02
FF-AR-02-279	Audit of Statistical Tests for Fiscal Year 2002 Cost and Revenue Analysis - Rio Grande District	\$0	\$0	\$0	\$0	7/5/02
FF-AR-02-280	Audit of Statistical Tests for Fiscal Year 2002 Cost and Revenue Analysis - Chicago District	\$0	\$0	\$0	\$0	7/5/02
FF-AR-02-281	Audit of Statistical Tests for Fiscal Year 2002 Cost and Revenue Analysis - Suncoast District	\$0	\$0	\$0	\$0	7/5/02
FF-AR-02-282	Audit of Statistical Tests for Fiscal Year 2002 Cost and Revenue Analysis - Mid-America District	\$0	\$0	\$0	\$0	7/5/02
FF-AR-02-283	Audit of Statistical Tests for Fiscal Year 2002 Cost and Revenue Analysis - Harrisburg District	\$0	\$0	\$0	\$0	7/5/02
FF-AR-02-284	Audit of Statistical Tests for Fiscal Year 2002 Cost and Revenue Analysis - Northern Illinois District	\$0	\$0	\$0	\$0	7/5/02
FF-AR-02-292	Audit of Statistical Tests for Fiscal Year 2002 Cost and Revenue Analysis - Long Beach District	\$0	\$0	\$0	\$0	7/5/02
FF-AR-02-298	Audit of Statistical Tests for Fiscal Year 2002 Cost and Revenue Analysis - Akron District	\$0	\$0	\$0	\$0	7/10/02
FF-AR-02-310	Audit of Statistical Tests for Fiscal Year 2002 Cost and Revenue Analysis - Salt Lake City District	\$0	\$0	\$0	\$0	7/16/02
FF-AR-02-312	Audit of Statistical Tests for Fiscal Year 2002 Cost and Revenue Analysis - Albuquerque District	\$0	\$0	\$0	\$0	7/17/02

Report Number	Subject Title/ Project Type	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Other	Issue Date
FF-AR-02-323	Audit of Statistical Tests for Fiscal Year 2002 Cost and Revenue Analysis - Oakland District	\$0	\$0	\$0	\$0	7/25/02
FF-AR-02-330	Audit of Statistical Tests for Fiscal Year 2002 Cost and Revenue Analysis - Tennessee District	\$0	\$0	\$0	\$0	7/30/02
FF-AR-02-334	Audit of Statistical Tests for Fiscal Year 2002 Cost and Revenue Analysis - Maine District	\$0	\$0	\$0	\$0	7/31/02
FF-AR-02-353	Audit of Statistical Tests for Fiscal Year 2002 Cost and Revenue Analysis - Alaska District	\$0	\$0	\$0	\$0	8/8/02
FF-AR-02-355	Audit of Statistical Tests for Fiscal Year 2002 Cost and Revenue Analysis - Cleveland District	\$0	\$0	\$0	\$0	8/8/02
FF-AR-02-364	Audit of Statistical Tests for Fiscal Year 2002 Cost and Revenue Analysis - Capital District	\$0	\$0	\$0	\$0	9/4/02
FF-AR-02-366	Audit of Statistical Tests for Fiscal Year 2002 Cost and Revenue Analysis - Central Florida District	\$0	\$0	\$0	\$0	9/12/02
FF-AR-02-367	Audit of Statistical Tests for Fiscal Year 2002 Cost and Revenue Analysis - Northland District	\$0	\$0	\$0	\$0	9/12/02
FF-AR-02-368	Audit of Statistical Tests for Fiscal Year 2002 Cost and Revenue Analysis - Western New York District	\$0	\$0	\$0	\$0	9/12/02
FF-AR-02-369	Audit of Statistical Tests for Fiscal Year 2002 Cost and Revenue Analysis - Las Vegas District	\$0	\$0	\$0	\$0	9/12/02
FF-AR-02-435	Periodicals Publication Reviews at Business Mail Entry Units	\$0	\$0	\$0	\$0	9/26/02
FT-AR-02-012	Relocation Compilation Report	\$0	\$0	\$0	\$0	5/31/02
FT-AR-02-013	Segregation of Duties Over Contract Lease Payment Schedules	\$0	\$0	\$0	\$0	9/12/02
FT-AR-02-014	System Security Issues at Two Airmail Centers	\$0	\$0	\$0	\$0	9/24/02
FT-AR-02-015	Payments to a Utility Company	\$0	\$0	\$2,567,497	\$0	9/26/02
FT-AR-02-016	Advanced Annual Leave	\$0	\$0	\$0	\$0	9/26/02
FT-AR-02-017	Effectiveness of the Postal Service's Asset Locator Program	\$0	\$0	\$677,395	\$0	9/27/02
<b>CONTRACTING AND FACILITIES</b>						
CA-AR-02-003	Costs Associated with Two Decontamination Sites	\$0	\$0	\$0	\$645,257	9/23/02
CA-AR-02-004	Undefinitized Contract Actions	\$0	\$0	\$0	\$0	9/30/02
CA-AR-02-005	Use of Noncompetitive Contracting Process for Tabbing Systems Purchases	\$0	\$0	\$0	\$7,350,464	9/30/02
CA-AR-02-006	Costs of Capital Construction Projects at a Training Center	\$0	\$0	\$0	\$306,110	9/30/02
CA-CAR-02-036	Evaluation of Accounting System	\$0	\$0	\$0	\$0	4/18/02
CA-CAR-02-037	Evaluation of Final Vouchers	\$0	\$0	\$0	\$0	4/26/02
CA-CAR-02-038	Evaluation of Proposal	\$0	\$0	\$0	\$0	5/9/02
CA-CAR-02-039	Evaluation of Proposal	\$0	\$0	\$0	\$0	5/9/02
CA-CAR-02-040	Accounting System Survey	\$0	\$0	\$0	\$0	5/9/02
CA-CAR-02-041	Evaluation of Incurred Costs	\$96,324	\$20,202	\$0	\$0	5/9/02
CA-CAR-02-042	Evaluation of Proposal	\$1,689,663	\$0	\$0	\$0	5/9/02



Report Number	Subject Title/ Project Type	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Other	Issue Date
CA-CAR-02-043	Evaluation of Termination for Convenience Proposal	\$38,406,029	\$0	\$0	\$0	5/20/02
CA-CAR-02-044	Evaluation of Termination for Convenience Proposal	\$0	\$0	\$0	\$0	6/28/02
CA-CAR-02-045	Evaluation of Equitable Adjustment Claim	\$1,053,263	\$134,340	\$0	\$0	6/28/02
CA-CAR-02-046	Evaluation of Proposal	\$0	\$0	\$0	\$0	7/3/02
CA-CAR-02-047	Evaluation of Incurred Costs	\$0	\$0	\$0	\$0	7/10/02
CA-CAR-02-048	Evaluation of Information Technology System Controls	\$0	\$0	\$0	\$0	7/10/02
CA-CAR-02-049	Evaluation of Equitable Adjustment Claim	\$0	\$0	\$0	\$0	7/24/02
CA-CAR-02-050	Evaluation of Proposal	\$117,828,789	\$117,250,842	\$0	\$0	9/6/02
CA-CAR-02-051	Evaluation of Equitable Price Adjustment Claims	\$620,681	\$187,271	\$0	\$0	9/13/02
CA-CAR-02-052	Evaluation of Accounting System Controls	\$0	\$0	\$0	\$0	9/13/02
CA-CAR-02-053	Evaluation of Billing System	\$0	\$0	\$0	\$0	9/13/02
CA-CAR-02-054	Evaluation of Proposal	\$0	\$0	\$0	\$0	9/13/02
CA-CAR-02-055	Evaluation of Research and Development Allocation Rate	\$0	\$0	\$0	\$0	9/18/02
CA-VR-02-001	Noncompetitive Purchases of Tabbing Systems Video Report	\$0	\$0	\$0	\$0	9/30/02
<b>FINANCIAL MANAGEMENT TOTALS</b>		<b>\$159,752,997</b>		<b>\$3,244,892</b>		
			<b>\$117,650,903</b>		<b>\$8,301,831</b>	

## TECHNOLOGY

### INFORMATION SYSTEMS

IS-AR-02-007	Network General Controls	\$0	\$0	\$0	\$0	4/3/02
IS-AR-02-008	Server Security Testing	\$0	\$0	\$0	\$0	5/1/02
IS-AR-02-009	Server Security Testing	\$0	\$0	\$0	\$0	7/29/02
IS-AR-02-010	Server Security Testing	\$0	\$0	\$0	\$0	8/27/02
IS-AR-02-011	Security Testing of Switches	\$0	\$0	\$0	\$0	8/27/02
IS-AR-02-012	Server Security Testing	\$0	\$0	\$0	\$0	9/3/02
IS-AR-02-014	Database Controls	\$0	\$0	\$0	\$0	9/4/02
IS-AR-02-013	Server Security Testing	\$0	\$0	\$0	\$0	9/5/02
IS-AR-02-015	Fiscal Year 2002 Information System Controls	\$0	\$0	\$0	\$0	9/27/02
IS-AR-02-016	General and Electronic Controls	\$0	\$0	\$0	\$0	9/30/02
IS-AR-02-017	General Controls	\$0	\$0	\$0	\$0	9/30/02

### DEVELOPMENTAL

DA-AR-02-005	Surface Air Management System	\$0	\$0	\$0	\$0	4/19/02
DA-AR-02-006	Postal Automated Redirection System, Phase 1	\$0	\$0	\$0	\$0	5/9/02
DA-AR-02-007	Confirm	\$0	\$0	\$0	\$0	9/10/02
DA-AR-02-008	Postal Service Efforts to Implement Prevention and Detection Technology	\$0	\$0	\$0	\$0	9/4/02
DA-AR-02-009	Human Transporter	\$0	\$0	\$0	\$0	9/12/02
DA-AR-02-010	Automated Seamless Dispatch Program	\$2,970,477	\$0	\$0	\$0	9/18/02
DA-MA-02-001	Biohazard Detection System	\$0	\$0	\$0	\$0	9/24/02
DA-MA-02-002	Biohazard Filtration System	\$0	\$0	\$0	\$0	9/24/02

Report Number	Subject Title/ Project Type	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Other	Issue Date
<b>ELECTRONIC COMMERCE</b>						
EM-AR-02-010	Mail Recovery Center Auctions	\$0	\$0	\$0	\$0	4/8/02
EM-AR-02-012	Review of eBusiness Agreements	\$0	\$0	\$0	\$0	7/9/02
EM-MA-02-002	Retail Data Mart System Surveys	\$0	\$0	\$0	\$0	9/3/02
EM-AR-02-013	Integrated Data System Update	\$0	\$0	\$0	\$0	9/27/02
EM-AR-02-014	Team Enterprise Initiative	\$0	\$0	\$0	\$0	9/30/02
<b>TECHNOLOGY TOTALS</b>		<b>\$ 2,970,477</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	

## LABOR MANAGEMENT

Report Number	Subject Title/ Project Type	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Other	Issue Date
<b>HUMAN RESOURCE PROCESSES</b>						
LH-AR-02-003	Southwest Area's Efforts in Obtaining Appropriate Chargeback Credits for Identified Wage Compensation Overpayments and Refundable Disbursements	\$0	\$0	\$835,000	\$0	5/8/02
AC-AR-02-005	Reasonableness and Distribution of Pay for Performance Program Incentive Awards	\$0	\$0	\$0	\$0	8/14/02
AC-AR-02-006	Performance Measures Used in the Pay for Performance Program	\$0	\$0	\$0	\$0	8/14/02
LH-AR-02-004	Postal Service's Corporate Succession Planning Process	\$0	\$0	\$0	\$0	9/3/02
LH-AR-02-005	Associate Supervisor Program in the Great Lakes Area	\$0	\$0	\$0	\$0	9/30/02
<b>LABOR MANAGEMENT TOTALS</b>		<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 835,000</b>	<b>\$ 0</b>	

## OVERSIGHT

OV-AR-02-003(R)	Postal Inspection Service Health Examination Program	\$0	\$0	\$0	\$0	7/30/02
OV-MA-02-001	Postal Service Security of the Mail During Anthrax Decontamination and Irradiation Efforts	\$0	\$0	\$0	\$0	8/13/02

## OTHER SIGNIFICANT REVIEWS

IG-TR-02-001	Subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations Testimony	\$0	\$0	\$0	\$0	5/9/02
IG-TR-02-002	Subcommittee on International Security, Proliferation and Federal Services Testimony	\$0	\$0	\$0	\$0	9/27/02
<b>OIG TOTALS</b>		<b>\$162,723,474</b>	<b>\$117,650,903</b>	<b>\$25,539,679</b>	<b>\$8,301,831</b>	

**APPENDIX B**

# Findings of Questioned Costs

For the period April 1, 2002, through September 30, 2002

**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	29	\$105,269,833	\$8,434,315
Reports requiring management decision that were issued during the reporting period	8	\$162,723,474	\$117,650,903
<b>TOTALS</b>	<b>37</b>	<b>\$267,993,307</b>	<b>\$126,085,218</b>
Reports for which a management decision was made during the reporting period (i+ii)	7	\$48,375,313	\$6,203,560
(i) Dollar Value of disallowed cost		\$29,686,117	\$1,238,231
(ii) Dollar value of cost not disallowed		\$18,689,196	\$4,965,329
Reports for which no management decision was made by the end of the reporting period. Negotiations are ongoing.	30	\$219,617,994	\$119,881,658
Reports for which no management decision was made within six months of issuance (See Note 1 for a list of individual reports)	7	\$32,866,643	\$304,407
Reports for which no management decision was made within one year of issuance (See Note 2 for a list of individual reports)	15	\$24,027,877	\$1,926,348

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

Report Date	Report/Case Number	Project Type	Total Questioned Costs	Unsupported Costs Included in Questioned Costs
10/12/01	CA-CAR-02-004	Contract Audit	\$17,359,760	
10/3/01	CA-CAR-02-006	Contract Audit	405,052	
10/10/01	CA-CAR-02-005	Contract Audit	11,314,673	
12/26/01	CA-CAR-02-031	Contract Audit	305,480	\$304,407
2/28/22	CA-CAR-02-026	Contract Audit	491,590	
3/3/02	CA-CAR-02-027	Contract Audit	2,217,874	
3/4/02	CA-CAR-02-032	Contract Audit	772,214	
<b>OIG TOTAL</b>			<b>\$32,866,643</b>	<b>\$304,407</b>

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

Report Date	Report/ Case Number	Project Type	Total Questioned Costs	Unsupported Costs Included In Questioned Costs
2/29/00	TR-AR-00-005	Southwest Area Expenditures for Extra Highway Trips Using Leased Equipment	\$848,000	\$0
5/17/00	CA-AR-00-001	United States Postal Service Warranty Repair of Tractors	977,598	0
8/25/00	CA-CAR-00-047	Contract Audit	917,345	0
2/27/01	CA-AR-01-001	Contracting Practices for the Procurement of Mail Transport Equipment Services	12,500,000	0
4/19/01	CA-CAR-01-038	Contract Audit	17,554	17,554
6/7/01	CA-CAR-01-046	Contract Audit	2,505	0
7/17/01	CA-AR-01-003	Price Adjustment	5,891	0
7/18/01	CA-CAR-01-057	Contract Audit	136,651	0
7/19/01	CA-CAR-01-059	Contract Audit	198,450	198,450
7/27/01	CA-CAR-01-060	Contract Audit	46,931	0
9/14/01	CA-CAR-01-066	Contract Audit	1,131	0
9/14/01	CA-CAR-01-068	Contract Audit	222,509	34,467
<b>OIG TOTALS</b>			<b>\$15,874,565</b>	<b>\$250,471</b>

Report Date	Report/ 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
4/3/00	184-1126310-AC(1)	Contract Audit	514,696	0
8/30/00	184-1210121-AC(1)	Contract Audit	574,869	0
<b>INSPECTION SERVICE TOTALS</b>			<b>\$8,153,312</b>	<b>\$1,675,877</b>
<b>TOTAL</b>			<b>\$ 24,027,877</b>	<b>\$1,926,348</b>

**APPENDIX C**

# Recommendations That Funds Be Put to Better Use

For the period April 1, 2002, through September 30, 2002

**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	8	\$130,891,029
Reports requiring management decision that were issued during the reporting period	6	\$25,539,679
<b>TOTALS</b>	<b>14</b>	<b>\$156,430,708</b>
Reports for which a management decision was made during the report period*	11	\$28,309,708
(i) Value of recommendations agreed to by management		\$10,211,539
(ii) Value of recommendations that were not agreed to by management		\$18,098,169
Reports for which no management decision was made by the end of the reporting period	3	\$128,121,000
Reports for which no management decision was made within six months of issuance (See Note 1 for a list of individual reports)	1	\$82,349,739
Reports for which no management decision was made within one year of issuance (See Note 2 for a list of individual reports)	2	\$44,375,430

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

Report Date	Report/Case Number	Project Type	Recommend Funds Put to Better Use
3/29/02	TD-AR-02-002	Trailer Lease Justification	\$82,349,739
<b>TOTAL</b>			<b>\$82,349,739</b>

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

Report Date	Report/Case Number	Project Type	Recommend Funds Put to Better Use
9/29/00	MK-AR-00-001	Review of Stamp Fulfillment Services Performance	\$ 28,457,395
7/27/01	TR-AR-01-004	Bulk Fuel Purchase Plan	15,918,035
<b>TOTAL</b>			<b>\$44,375,430</b>

\*The reported amounts include \$1,947,229 in “value of recommendations agreed to by management” and \$169,324 in “value of recommendations not agreed to by management” that were based on allocation percentages. Since documentation for four audits were not available, the Office of Inspector General and the Postal Service agreed to allocate results based on historical experience from October 1, 1998 to March 30, 2002.

## APPENDIX D

# Reports with Significant Recommendations Pending Corrective Actions

For the period April 1, 2002, through September 30, 2002

This appendix lists reports containing significant recommendations pending final action by management. On October 1, 2000, the OIG assumed complete responsibility for tracking corrective actions for all significant recommendations. As a result, the OIG performed an extensive analysis to identify reports with significant recommendations requiring confirmation that appropriate corrective actions have been taken. This appendix identifies those reports. The OIG is working with Postal Service management to validate whether appropriate corrective actions have been taken, and if so, remove them from this appendix.

## OFFICE OF INSPECTOR GENERAL

Report Number	Report Title	Number of Recommendations	Issue Date
LM-MA-99-002	Effectiveness of USPS Grievance Arbitration Procedures	2	3/26/99
LR-MA-99-001	Grievance Arbitration Management Information	2	3/26/99
OV-MA-99-001	Review of USPS Personnel Security Program - Process for Updating Sensitive Clearances	1	3/31/99
DA-AR-99-002	Point of Service ONE	1	9/20/99
TR-AR-99-003	Emergency and Extra Trip Expenditures on Highway Routes	6	9/29/99
CA-AR-99-002	Removal of Underground Storage Tanks	1	9/30/99
CA-AR-99-003	Responsibilities of Contracting Officers' Representatives	2	9/30/99
RP-MA-00-001	Indefinite Quantity Contracts	1	11/8/99
FR-MA-00-001	Budget Cost Containment Measures	1	12/22/99
TR-AR-00-005	Southwest Area Expenditures for Extra Highway Trips Using Leased Equipment	3	2/29/00
DS-AR-00-001	External First-Class Mail Measurement System	1	3/27/00
TR-AR-00-006	Commercial Air Carrier Performance: Payment for Ground Handling Services	2	3/27/00
CA-MA-00-001	Contract Audit Practices	6	3/31/00
DA-AR-00-002	Tray Management System	5	3/31/00
TR-AR-00-008	Extra Trip Expenditures at the Dallas Bulk Mail Center	1	6/30/00
TR-AR-00-009	Extra Trips Expenditures within the Mid-Atlantic Area	2	7/27/00
AC-AR-00-004	Use of Robotic Tray Handling System	2	9/29/00
DA-AR-00-006	Point of Service ONE Phase II	2	9/29/00
MK-AR-00-001	Review of Stamp Fulfillment Services Performance Measures	1	9/29/00
OV-AR-00-005	Review of the United States Postal Inspection Service Budget Process	2	9/29/00
TR-AR-00-011	Dedicated Christmas Air Network - Phase 1	3	9/29/00
MK-AR-00-002(R)	Management Controls over the Sales Force Augmentation Program - Revised	3	10/31/00
TR-AR-01-001	Adequacy of Mail Transport Equipment Service Center Network Internal Controls	4	10/31/00
DA-AR-01-004	Postal One! Business Customer Support Systems Phase One	5	4/9/01
IS-AR-01-001	Network Security	5	4/18/01
CA-AR-01-002	Responsibilities of Contracting Officers' Representatives	9	4/30/01
OV-AR-01-002	Inspection Service Support to Postal Service Threat Assessment Teams	2	4/30/01
LC-AR-01-007	Alleged Nepotism in the Arkansas District	4	6/4/01
LB-AR-01-019	Management Practices in the Alaska District	2	6/7/01
TR-LA-01-001	Review of a Transportation Agreement	2	6/26/01



Report Number	Report Title	Number of Recommendations	Issue Date
TR-AR-01-004	Bulk Fuel Purchase Plan	5	7/27/01
TR-MA-01-002	Excise Taxes and Third Party Ground Handling Costs under a Transportation Agreement	1	8/8/01
IS-AR-01-003	Review of Security Access Controls	7	8/29/01
CA-AR-01-005	Supplier Diversity Program for Supplies, Services, and Equipment Purchases	8	9/6/01
DA-AR-01-005	Decision Analysis Report Process	1	9/27/01
DA-AR-01-006	Singulate, Scan, Induction Unit	5	9/27/01
TR-MA-01-003	Security Risks Associated with a Transportation Agreement	1	9/27/01
OV-AR-01-004	Postal Inspection Service Fraud Against Government Program	1	9/28/01
TR-AR-01-006	Manual Payments on Rail Transportation Contracts	1	9/28/01
FT-AR-02-001	Shared Real Estate Appreciation Loan Program	5	10/17/01
EM-AR-02-001	Protection of Internet Users' Information - PostmarkAmerica.com Technical Issues	3	10/18/01
IS-AR-02-001	Fiscal Year 2001 Information System Controls	3	11/8/01
IS-AR-02-002	Network Security Vulnerabilities	3	12/19/01
CQ-MA-02-001	Review of Letter Contract	1	12/28/01
IS-CS-02-002	Security Testing of Switches	2	1/11/02
IS-AR-02-003	Review of the Facilities Management System for Windows	4	2/22/02
EM-AR-02-002	Postal Retail Store Operations	2	2/28/02
LH-MA-02-003	Review of Decontamination Activities at the Pentagon Station	2	3/12/02
AC-AR-02-002	Certified Mail Processing Operations	3	3/21/02
IS-AR-02-005	Security Testing of Routers and Switches	1	3/22/02
DA-AR-02-004	Postal Service Test, Evaluation, and Quality	3	3/27/02
TD-AR-02-002	Trailer Lease Justification	2	3/29/02
EM-AR-02-007	The Role of Marketing in the Postal Service	3	3/29/02
EM-AR-02-008	PostmarkAmerica.com Financial and Management Issues	4	3/29/02
EM-AR-02-009	Public-Key Infrastructure Initiatives by the Postal Service	2	3/29/02
CQ-MA-02-002	Review of Contracts Associated with Biohazard Threat	1	3/29/02
IS-AR-02-007	Network General Controls	2	4/3/02
EM-AR-02-010	Mail Recovery Center Auction through an Online Auction Company	3	4/8/02
DA-AR-02-005	Surface-Air Management System	1	4/19/02
LH-AR-02-003	Southwest Area's Efforts in Obtaining Appropriate Chargeback Credits for Identified Wage Compensation Overpayment and Refundable Disbursements	5	5/8/02
FT-AR-02-012	Relocation Compilation Report	3	5/31/02
OV-AR-02-003(R)	Postal Inspection Service Health Examination Program	3	7/30/02
EM-AR-02-012	Review of eBusiness Agreements	7	7/9/02
TD-MA-02-003	New York Metro Area Trailer Acquisition Requirements	2	7/10/02
TD-MA-02-005	Delayed Letter Carrier Operations in the Capital Metro Area	2	8/29/02
LH-AR-02-004	Postal Service's Corporate Succession Planning Process	7	9/3/02
DA-AR-02-008	Postal Service's Efforts to Implement Prevention and Detection Technology	1	9/4/02
DA-AR-02-007	Confirm	2	9/10/02
DA-AR-02-010	Automated Seamless Dispatch Program	5	9/18/02
DA-MA-02-001	Biohazard Detection System	6	9/24/02
DA-MA-02-002	Biohazard Filtration System	3	9/24/02
TD-AR-02-003	Highway Network Scheduling - Pacific Area	3	9/24/02
CQ-AR-02-001	Work Performed by Business Mail Entry Employees in the Colorado Wyoming Performance Cluster	2	9/26/02
FT-AR-02-015	Payments to a Utility Company	1	9/26/02
FT-AR-02-016	Advanced Annual Leave	1	9/26/02
TD-AR-02-004	Voyager Card Control Weaknesses - Chicago	2	9/26/02
CA-AR-02-004	Undefined Contract Actions	2	9/30/02
FT-AR-02-017	Effectiveness of the Postal Service's Asset Locator Program	3	9/27/02

Report Number	Report Title	Number of Recommendations	Issue Date
IS-AR-02-015	Fiscal Year 2002 Information System Controls	2	9/27/02
AC-MA-02-002	Review of Nonprofit Standard Mail	2	9/30/02
CA-AR-02-005	Use of Noncompetitive Contracting Process for Tabbing Systems Purchases	5	9/30/02
CA-AR-02-006	Costs of Capital Construction Projects at a Training Center	1	9/30/02
LH-AR-02-005	Associate Supervisor Program in the Great Lakes Area	6	9/30/02
TD-AR-02-005	Delivery Vehicle Gasoline	4	9/30/02

## INSPECTION SERVICE

Report Number	Report Title	Number of Recommendations	Issue Date
0061-1263973-RI(1)	Meter Security Review, Pitney Bowes, Inc., Lanham, Maryland	1	5/21/99
0188-1300042-AF(2)	Financial Audit, Stamp Distribution Office, Seattle District, Seattle, Washington	1	8/24/00
0061-1305144-RI(1)	Meter Security Review, Ascom Hasler Mailing Systems, Inc., Houston, Texas	2	3/16/00
0038-1292495-PA(2)	Delivery Automation	1	2/8/00
0044-1248530-PA(2)	Small Post Office Cost Study	2	8/1/00
0022-1244541-PA(1)	Priority Mail	1	3/17/99
0052-1290664-PA(3)	City Carrier and Flat Sorting Machine (FSM) Operations Cost Savings, San Antonio, Texas	2	10/5/99
0061-1296645-RI(1)	Meter Security Review, Postage Technology Management, Lisle, Illinois	6	7/5/00
0016-1298651-AF(2)	Financial Audit, Westchester District Accounting Unit, White Plains, New York	1	11/23/99
0016-1298678-AF(2)	Financial Audit, San Francisco District Accounting Office, San Francisco, California	2	8/29/00

## CONTRACT AUDITS

Report Number	Contractor	Report Date
0184-1126310-AC(1)	Contract Audit	4/3/00
0184-1210121-AC(1)	Contract Audit	8/30/00



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**APPENDIX E**

# Investigative Statistics<sup>1</sup>

For the period April 1, 2002, through September 30, 2002

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**OFFICE OF INSPECTOR GENERAL****Statistics**

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Arrests	14
Information <sup>2</sup> /Indictments	27
Convictions <sup>3</sup> /Pretrial Diversions	12
Suspension/Debarments	
Individuals	10
Firms	10
Administrative Actions	
Postal Service Employee	6
Contractor	0
Fines, Restitution, and Recoveries	\$18,939,158 <sup>4</sup>
Cost Avoidance, Savings and Funds Put To Better Use	\$21,175,813

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**INSPECTION SERVICE<sup>5</sup>****Statistics**

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Arrests	200
Convictions <sup>3</sup>	161
Administrative Actions	
Postal Service Employee	345
Contractor	33
Fines, Restitution, and Recoveries	\$108,188,973
Collections	\$47,100
Civil Actions	7

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<sup>1</sup> Statistics include joint investigations with other federal law enforcement agencies.

<sup>2</sup> Some of these occurred in the prior semiannual reporting period, however, they were not reported until the current reporting period.

<sup>3</sup> Convictions reported in this time frame may be related to arrests made in prior reporting periods.

<sup>4</sup> The total amount includes \$17,826,541 in restitution from a joint OIG and Inspection Service investigation

<sup>5</sup> Statistics for investigations related to fraud, waste, abuse, and mismanagement of Postal Service operations.

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**APPENDIX F**

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

For the period April 1, 2002, through September 30, 2002

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.

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**ABUSE OF MAILS**

The Postal Service reports to the Office of Inspector General 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.

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**INSPECTION SERVICE**

Type of Scheme	Complaints Filed	Consent Agreements	False Representation Orders	Cease & Desist Orders
Advance fee	1	1	1	1
Boiler rooms/Telemarketing	2	5		5
Contest/Sweepstakes	2	1		1
Employment	1	1		1
False billings	6	4	1	5
Fraud - Internet Schemes	3	3		3
Lotteries (foreign and domestic)	39		39	
Merchandise:				
Failure to pay	2	2		2
Misrepresentation		1		1
Miscellaneous	2	2	1	2
Work at home	3	4		4
<b>TOTAL</b>	<b>61</b>	<b>24</b>	<b>42</b>	<b>25</b>

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## ADMINISTRATIVE ACTIONS

Administrative Action requests	62
Temporary Restraining Order requests	1
Temporary Restraining Orders issued	1
Civil Injunction (1345) requests	1
Civil Injunctions (1345) issued	1
Cases using Direct Purchase Authority	0
Refusals of Direct Purchase Authority	0
Civil penalties (Section 3012) imposed	1
Expenditures incurred for:	
Test Purchases	0
Expert Testimony	0
Witness Travel	0
Withholding Mail Orders issued	109
Voluntary Discontinuances	82

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## POSTAL SERVICE ADMINISTRATIVE SUBPOENA AUTHORITY

The Postal Service reports to the Office of Inspector General information on the number of cases in which the Postal Service issued administrative subpoenas in connection with deceptive mailing. 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-02-006	05/01/02	Misrepresentation
USPS-02-008	05/01/02	Misrepresentation
USPS-02-009	05/03/02	Charity
USPS-02-010	05/03/02	Charity
USPS-02-011	07/02/02	Work at Home
USPS-02-012	08/18/02	Identity Takeover
USPS-02-013	08/19/02	Identity Takeover

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## FINANCIAL REPORTING ON INVESTIGATIVE ACTIVITIES

The Postal Service reports to the Office of Inspector General 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	Semi Annual Report
Personnel	\$141,163,133
Nonpersonnel	\$36,508,180
Total Expenditures	\$177,671,313
Capital Obligations	\$6,234,883

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## **OTHER INVESTIGATIVE ACTIVITIES**

The Postal Service also reports to the Office of Inspector General 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 Deceptive Mail Enforcement Team. Inspection Service and Office of Inspector General criminal statistical information is summarized in Appendix E

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## **MAIL SECURITY TASK FORCE**

The Postmaster General established the Mail Security Task Force in October 2001, and appointed the Chief Postal Inspector to lead the team. The task force is committed to reducing the risks to the safety and security of postal employees and customers. The Steering Committee, comprising Postal Inspectors, senior level postal executives, and presidents of the labor unions and management associations, meets on a regular basis. Seven working groups are contained within the task force including Mail Center Security, Contingency Planning System-Wide, Mail Preparation, Mail Screening, Communicating/Messaging, Safety and Security in the Workplace Environment, and Mail Transportation Security. All of the working groups have presented findings to the Steering Committee, which is in the process of issuing an interim status report.

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## **INTERNATIONAL SECURITY GROUPS**

The Inspection Service is an active participant in two international groups focused on security. The International Security Group targets initiatives to improve the safety, security, and reliability of international mail products for the U.S. Postal Service. The group also develops strategies and initiatives to improve quality of service and security of mail for the 189 member countries of the Universal Postal Union. The Postal Security Action Group of the Universal Postal Union focuses on problems and issues affecting the safety, security, and integrity on international communications products. This group is chaired by the Chief Postal Inspector.

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## **DECEPTIVE MAIL PREVENTION**

The Deceptive Mail Prevention and Enforcement Act, which became effective April 12, 2000, subjects violators to civil penalties in addition to Cease and Desist Orders and False Representation Orders. To support this new law, the Postal Inspection Service created the Deceptive Mail Enforcement Team to identify violators and ensure swift, appropriate, investigative attention. Questionable promotions identified by team, as well as those received as consumer complaints, are examined for compliance. During the reporting period 371 promotions were reviewed for possible violations, and 69 have been referred for preliminary investigative attention.

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## **INTERNET FRAUD PREVENTION**

The Internet is teeming with schemes, and swindlers have learned how easy it is to exploit innocent victims. Fraud on the Internet often results in mail fraud, as cyber scammers use the mail to receive payments or ship items. As a result of the growing trend among fraudsters to use the Internet, the Postal Inspection Service participates in a multi-federal project known as the Internet Fraud Complaint Center, which was established by the Federal Bureau of Investigation and National White Collar Crime Center. The project is aimed at stemming Internet fraud by gathering, analyzing, and referring Internet complaints. The Internet Fraud Complaint Center offers a central repository for complaints related to Internet fraud.

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## DEFINITIONS OF SCHEME

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

**Boiler room/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.

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

**False billings.** Mailing solicitations in the guise of billings.

**Fraud - Internet Schemes.** Fraudulent schemes using the Internet with a nexus to the mail.

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

**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.

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

## APPENDIX G

# Closed Congressional and Board of Governors Inquiries

For the period April 1, 2002, through September 30, 2002

This appendix lists the 57 Congressional and Governors 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.

## CONGRESSIONAL

### PERFORMANCE

Requestor	Allegations/Concern	Response Date
Representative, Maryland	Allegation of mail tampering	15-Apr-02
Representatives, Texas	Allegation of mismanagement and waste	29-Apr-02
Representative, Indiana	Allegation of waste and facility mismanagement	24-May-02
Representative, Alabama	Allegation of delayed delivery	17-Jun-02
Representative, New York	Allegation of mail delivery problems	16-Jul-02
Senator, California	Allegation of mail tampering by landlord	19-Jul-02
Representative, New York	Allegation of improper revenue deficiency assessment	13-May-02
Senator, New York	Allegation of mail delivery problems	26-July-02
Senator, Texas	Allegation that pre-sorted discount bulk mail is being improperly reprocessed	26-Jul-02
Representative, New Jersey	Allegation of difficulties with mail delivery	01-Aug-02
Senator, Connecticut	Allegation of mismanagement which has resulted in mail delays	03-Sep-02
Senator, Florida	Allegation of mail tampering	08-Aug-02

### FINANCIAL MANAGEMENT

Requestor	Allegations/Concern	Response Date
Representatives, Oregon, Ohio, Michigan, Kansas, and New Jersey	Concerns regarding overnight and priority mail agreement	04-Apr-02
Senator, California	Improper claim processing and investigation	15-Apr-02
Representative, New Jersey	Request for review of proposed rate increase	05-Jun-02
Representative, New York	Allegation of mismanagement and contracting improprieties	27-Jun-02
Representative, Indiana	Request for review of procurement	19-Jul-02

### LABOR MANAGEMENT

Requestor	Allegations/Concern	Response Date
Representative, Massachusetts	Allegation of supervisory assault	15-Apr-02
Senator, Maine	Allegation of harassment	19-Apr-02
Representative, Pennsylvania	Allegation that supervisor manufactured documents to support dismal	19-Apr-02
Senator, California	Allegation of unsafe working conditions	01-May-02
Representative, New York	Allegation of retaliation	02-May-02
Representative, California	Request for information	09-May-02
Senator, California	Request for information regarding an arbitration	24-May-02
Senator, Maine	Allegation of breach of contract and related abuse and retaliation	24-May-02
Representative and Senators, Maryland	Allegation of harassment, hostile work environment and mismanagement	05-Jun-02

<b>Requestor</b>	<b>Allegations/Concern</b>	<b>Response Date</b>
Senator, Montana	Allegation of sexual harassment	12-Jun-02
Representative, Louisiana	Allegation of hostile work environment	17-Jun-02
Representative, Louisiana	Allegation of hostile work environment and poor customer service	17-Jun-02
Senator, Tennessee	Allegation of hostile work environment	17-Jun-02
Senator, Maine	Allegation of hostile work environment and sex discrimination	12-Jul-02
Representative, Indiana	Allegation of health and safety issues	21-Jul-02
Representative, Texas	Allegation of disregard for medical restriction	26-Jul-02
Representative, New York	Allegation of hostile work environment	26-Jul-02
Senator, Tennessee	Allegation of discrimination and harassment	26-Jul-02
Representative, Florida	Allegation of retaliation and other employment concerns	29-Jul-02
Representative, California	Allegation of improper conduct by an employee	16-Aug-02
Representative, Pennsylvania	Allegation of discrimination	19-Aug-02
Senator, Colorado	Allegation of improper personnel practices	03-Sep-02
Senator, North Carolina	Allegation of improper computation of retirement benefits	10-Sep-02

## **OVERSIGHT OF INSPECTION SERVICE**

<b>Requestor</b>	<b>Allegations/Concern</b>	<b>Response Date</b>
Senator, Alabama	Allegation of improper investigation	29-Apr-02
Senator, Minnesota	Allegation of misconduct by Postal Inspectors	17-Jun-02
Representative, Indiana	Allegation of improper removal	02-Aug-02
Senator, Tennessee	Allegation of hostile work environment within an Inspection Service group	16-Aug-02

## **OTHER SIGNIFICANT ISSUES**

<b>Requestor</b>	<b>Allegations/Concern</b>	<b>Response Date</b>
Representative, Louisiana	Allegation of unfair treatment in the Department of Labor claims process	15-Apr-02
Representative, Georgia	Request for information concerning OIG employment	24-Apr-02
Representative, New York	Request for status of complaint	26-Apr-02
Representative, Indiana	Suggestions for review of program improvement	05-Jun-02
Senator, Tennessee	Request for information	19-Jul-02
Representative, Texas	Request for information	02-Aug-02

## **GOVERNORS**

### **PERFORMANCE**

<b>Requestor</b>	<b>Allegations/Concern</b>	<b>Response Date</b>
Governor	Request for review of mail recovery center sales of damaged or lost items	23-Apr-02

### **FINANCIAL MANAGEMENT**

<b>Requestor</b>	<b>Allegations/Concern</b>	<b>Response Date</b>
Governor	Request for review of an operating agreement	04-Jun-02
Governor	Request for review of excess property disposal	29-Jul-02



# REPORT FRAUD, WASTE, ABUSE, & MISMANAGEMENT

HOTLINE  
**1-888-USPS-OIG**

(1-888-877-7644)

ALL CALLS ARE CONFIDENTIAL





# Notes

# Notes

# Notes