



September 21, 2007

H. GLEN WALKER
CHIEF FINANCIAL OFFICER, EXECUTIVE VICE PRESIDENT

SUBJECT: Management Advisory – Review of Postal Inspection Service
Transition and Resources (Report Number SA-MA-07-002)

This report presents the results of our review of Postal Inspection Service transition and resources (Project Number 07YG049SA000). In this audit, we assessed three Postal Inspection Service initiatives to determine whether appropriate savings were captured and returned to the Postal Service to reduce costs.¹ Specifically, we reviewed the Postal Inspection Service's complement and staffing levels to determine if appropriate changes have occurred based on Postal Service budget cuts and the transition of the internal crimes and mail theft programs to the Office of Inspector General (OIG). We also assessed changes related to the Postal Inspection Service's reorganization to eliminate redundant functions and to achieve general reduction goals for the Postal Service's strategic transformation efforts.

We determined the Postal Inspection Service did not realize all budget or staffing level reductions that should have resulted from Postal Service budget cuts, the transition of work to the OIG, and the reorganization to eliminate redundant functions. This occurred because Postal Service management did not ensure that expected outcomes or intended cost savings were established at the beginning of these initiatives. Further, management did not maintain sufficient documentation or capture relevant information to track the various initiatives and ensure the Postal Service realized appropriate budget or staffing level reductions and associated cost benefits. Consequently, although the Postal Service achieved some cost savings from these initiatives, it did not achieve the efficiencies or benefits that should have resulted in significant cost savings for the organization.

We recommended the Chief Financial Officer, Executive Vice President, work with other senior-level executives to identify a senior executive to be responsible for ensuring that cost estimates associated with organizational change initiatives are developed at the

¹ On May 31, 2005, we received an inquiry from Senator Charles E. Grassley regarding efficiency and cost savings initiatives within the Postal Service. We previously issued *Management Advisory – Cost Reduction Programs* (MS-MA-06-001, dated March 20, 2006), and a letter to Senator Charles E. Grassley, Chairman, United States Senate Committee on Finance dated December 15, 2006, in response to this request.

beginning of the efforts and results of the initiatives are tracked against estimates as implementation occurs to ensure cost savings are realized.

Background

As a law enforcement arm of the Postal Service, the Postal Inspection Service is a specialized organization that performs investigative and security functions. Postal Inspectors throughout the United States secure the nation's mail system and enforce federal laws. These laws require investigations of crimes that adversely affect or fraudulently use the U.S. mail and the postal system. As of May 2007, the Postal Inspection Service's total budget was \$458 million, including \$360 million in salary and benefits. Its total authorized complement was 3,193 positions, including 1,756 Postal Inspectors; 608 professional, technical, and administrative (PTA) personnel; and 829 Postal Police Officers (PPOs).²

Over the past 2 years, the Postal Service has instituted several initiatives that affect the Postal Inspection Service's staffing and budget resources. During fiscal years (FY) 2006 and 2007, the Postal Service:

- Implemented organization-wide salary and benefits budget reductions of 12 percent and 10 percent, respectively;
- Transferred investigative jurisdiction for Postal Service employees from the Postal Inspection Service to the OIG; and
- Approved the Postal Inspection Service's reorganization plan to eliminate redundant functions and achieve a general reduction goal.

In a continuing effort to eliminate redundancies and reduce costs, effective March 31, 2007, the Postal Service consolidated its homeland security functions — including emergency preparedness and aviation mail security — under the Postal Inspection Service.

Headquarters Budget Reductions

The Board of Governors approved headquarters salary and benefits budget reductions of 12 percent in FY 2006 and 10 percent in FY 2007 to reduce costs and improve efficiency. These reductions were included in the Integrated Financial Plans that challenged management to contribute to the Postal Service's ability to reduce cost by reducing both the headquarters budget and workhours in the field.

² May 2007 budget and complement numbers contain the homeland security responsibilities, including emergency preparedness and aviation mail security functions that were transferred to the Postal Inspection Service in March 2007.

Transition of Internal Crimes and Mail Theft

On March 10, 2006, the Chairman of the Board of Governors and the Postmaster General signed a memorandum announcing the transfer of investigative jurisdiction for Postal Service employees from the Postal Inspection Service to the OIG. On January 1, 2007, the OIG assumed full responsibility for investigating internal crimes, including employee misconduct and internal mail theft investigations, as intended by the Inspector General Act of 1978, as amended (the IG Act).

Transformation Initiative

In June 2005, at the request of the Postmaster General, the former Chief Inspector began reviewing all Postal Inspection Service programs and functions to identify and eliminate inefficiencies. As a result, in March 2006, the Executive Vice President and Chief Human Resources Officer approved a reorganization of the Postal Inspection Service to eliminate redundant non-law enforcement activities and to achieve general reduction goals related to the Postal Service's strategic transformation efforts.

As a result of these organizational initiatives, the Postal Service should have increased organizational efficiency, improved service to stakeholders, and achieved compliance with the IG Act. Additionally, the transition of internal crimes and mail theft to the OIG was intended to transfer positions and investigative jurisdiction that should have resulted in cost savings.

Objective, Scope, and Methodology

We assessed three initiatives that occurred in the Postal Inspection Service to determine whether appropriate savings were captured and returned to the Postal Service's bottom line. Specifically, we reviewed the Postal Inspection Service's complement and staffing levels to determine if appropriate changes have occurred based on Postal Service budget cuts and the transition of the Internal Crimes and Mail Theft programs to the OIG. We also assessed changes related to the Postal Inspection Service's reorganization to eliminate redundant functions and to achieve general reduction goals pertaining to the Postal Service's strategic transformation efforts.

To accomplish our objective, we interviewed key Postal Inspection Service and Postal Service officials to learn about staffing and budget procedures and approval processes. To identify any changes, we reviewed statistics on the Postal Inspection Service's authorized and on-board complement. We also reviewed planned and actual budget data on a timeline from FY 2006 through May 2007. (See Appendix A.) We evaluated Postal Inspection Service budget data and staffing levels based on:

- Headquarters budget reductions;
- Reductions expected from the transition; and
- The reorganization to eliminate redundant functions.

We conducted this review from March through September 2007 in accordance with the President's Council on Integrity and Efficiency, *Quality Standards for Inspections*. We discussed our observations and conclusions with management officials on July 23, 2007 and included their comments where appropriate. We assessed the reliability of computer-generated data and concluded that the data were sufficiently reliable to support the audit objective.

Prior Audit Coverage

See Appendix B for prior audit coverage.

Results

We determined the Postal Inspection Service did not realize all budget or staffing level reductions that should have resulted from the Postal Service budget cuts, transition of work to the OIG, and the reorganization to eliminate redundant functions. This occurred because Postal Service management did not ensure expected outcomes or intended cost savings associated with these initiatives were established upfront. Further, management did not maintain sufficient documentation or capture relevant information to track the various initiatives and ensure the Postal Service realized appropriate budget or staffing level reductions and associated cost benefits. Consequently, although the Postal Service did achieve some cost savings from these initiatives, it did not achieve the efficiencies or benefits that should have resulted in significant cost savings for the organization.³

We believe it is a prudent business practice and necessary management control to monitor and track organizational initiatives to ensure they achieve their intended goals. Additionally, according to the Government Accountability Office,⁴ management should track major agency achievements and compare actual performance to planned or expected results throughout the organization and analyze significant differences. This would support the Postal Service's commitment, as stated in its *Transformation Plan 2006 – 2010*, to cutting \$1 billion from its cost base each year through 2010.

Postal Service Budget Reductions

The Board of Governors approved headquarters salary and benefits budget reductions of 12 percent for FY 2006 and 10 percent for FY 2007. To execute this initiative, Postal Service headquarters reduced the Postal Inspection Service's historic authorized complement rather than its budget. However, the Postal Inspection Service has not achieved its authorized complement for the past 4 years. We question the methodology used to implement these budget reductions because of the consistent surplus of authorized positions the Postal Inspection Service has maintained. Postal Service management should ensure the authorized staffing complement is valid and

³ See Appendix C for a summary of cost-cutting initiatives.

⁴ Standards for Internal Control in the Federal Government (GAO/AIMD-00-21.3.1 dated November 1999).

commensurate with the workload of the Postal Inspection Service. Because the authorized complement has been consistently overstated, cost savings from the prior year's budget were not actually realized from these reductions.

Transition of Internal Crimes and Mail Theft

The Board of Governors and Postmaster General approved the transition of internal crimes and mail theft from the Postal Inspection Service to the OIG to comply with the IG Act. The OIG agreed to perform these functions with fewer people and at lower costs. As a result of this transition, the Postal Inspection Service's staffing complement and budget levels should have been reduced commensurately, thereby increasing efficiency and saving costs.

Based on our analysis, the Postal Inspection Service should have reduced its on-board complement of Postal Inspectors and PTA staff by 732 positions and its total budget by approximately \$110 million as a result of the transition. (See Appendix D.) However, based on the information we received from management, we could not determine the total reduction in complement that resulted from the transition. We were informed that 257⁵ Postal Inspector positions were transferred to the OIG; however, because the transformation plan initiatives occurred during the same timeframe, we could not determine reductions to the PTA complement or the associated budget reductions resulting from the transition.⁶ Also, our review of budget data from December 2005 through May 2007 showed the Postal Inspection Service's budget was reduced by \$50.1 million (approximately 10.4 percent).⁷ The OIG received an additional \$60.6 million in FY 2007 to fund the additional workload associated with the transition.

Transformation Initiative

In March 2006, Postal Service headquarters approved a reorganization of the Postal Inspection Service to eliminate functions already performed by other headquarters departments and to achieve general reduction goals related to the Postal Service's strategic transformation efforts. All affected positions were to be eliminated by September 2006. As with the transition and the budget reduction initiatives, there appeared to be reductions to the authorized complement of the Postal Inspection Service associated with the reorganization. However, because all of these initiatives occurred during the same time period and management did not maintain documentation pertaining to each initiative, we could not determine actual budget reductions resulting from the reorganization.

⁵ Postal Service management stated that all of these transferred positions were vacant. As a result, the on-board complement of Postal Inspectors was not reduced.

⁶ Memoranda from the Postal Service to the OIG indicated an agreement to transfer 304 positions to the OIG. According to OIG Human Resources, 298 on-board positions (both Postal Inspectors and PTAs) were transferred. Forty-one of these positions were transferred in FY 2005. The Postal Service stated that 257 Postal Inspector positions were eliminated in FY 2006 and 2007, as a result of the transition.

⁷ See Appendix E for the Postal Inspection Service budget trend and management's calculation of savings realized.

Management's Calculation of Savings Realized

In discussions at the end of our audit, Postal Service management raised concerns about our use of a December 2005 budget as a baseline to determine budget reductions and stated that using the Postal Inspection Service end-of-FY 2005 budget as a baseline would be more accurate. They reasoned that FY 2005 reflected the last year the Postal Inspection Service had full responsibility for the internal crimes and mail theft programs before the transition. Management also stated that each budget contains numerous variables that should be considered when comparing budgets from year to year and provided us with information on variables affecting the Postal Inspection Service's FY 2007 budget.⁸ Using the Postal Inspection Service's end-of-FY 2005 budget and considering the FY 2007 budget variables would show a total savings of \$109.1 million from the end-of-FY 2005 through May 2007, rather than the \$50.1 million in savings that we calculated by comparing budget data from December 2005 to May 2007. Although this method identified additional cost savings that neared expectations for the transition initiative, all three initiatives should have resulted in significant cost savings beyond the \$109.1 million.

Conclusion

As part of the Postal Service's continuing efforts to reduce costs, the Postmaster General and Board of Governors have approved several cost-saving initiatives over the past 2 years. Each of the aforementioned initiatives should have resulted in a direct impact to the Postal Inspection Service's budget and staffing complement.

Although the Postal Service did achieve some cost savings from these initiatives, we believe it did not fully realize cost savings commensurate with the budget reductions and organizational changes approved for the Postal Inspection Service. For example, from December 2005 through May 2007, Postal Service management reduced the Postal Inspection Service's budget (including operating expenses) by a total of \$50.1 million (or \$109.1 million, based on management's calculations). However, based on our analysis of the transition initiative alone, the Postal Inspection Service's budget should have been reduced by a total of \$110 million.

Also, from October 2005 through March 2007, the Postal Inspection Service reduced its on-board complement by 740 positions. (See Appendix F.) As with the budget, based on our analysis, the transition should have reduced the Postal Inspection Service's complement by 732 positions, with additional reductions of several hundred on-board positions as a result of the transformation.

In March 2007, the Postal Service's homeland security responsibilities, including emergency preparedness and aviation mail security, were consolidated under the

⁸ Postal Service management explained that certain variables should not be counted against the FY 2007 budget; however, they did not provide sufficient documentation to support all of the variables, such as restructured complement cost, emergency preparedness, salary inflation, depreciation, and Hurricane Katrina costs.

Postal Inspection Service. As a result of this consolidation, the Postal Inspection Service's authorized PTA complement increased as these positions were transferred from affected Postal Service functional areas. Since March 2007, the Postal Inspection Service's on-board complements of Postal Inspectors and PTAs have increased. However, we could not determine the extent to which these increases were attributable to the consolidation of Postal Service security functions.

To remain a viable organization and achieve Transformation Plan goals, the Postal Service must continue to leverage its resources and maximize efficiencies, which includes the implementation of cost-cutting initiatives. However, without appropriate oversight, the Postal Service has no assurance that these initiatives will achieve their intended goals. The OIG may conduct a follow-up review to determine how budget reductions have been taken throughout the Postal Service and whether the agency has realized appropriate cost savings.

Recommendation

We recommend the Chief Financial Officer, Executive Vice President, work with other senior-level executives to:

1. Identify a senior executive who will ensure that cost estimates associated with organizational change initiatives are developed at their beginning and the results of the initiatives are tracked against estimates as implementation occurs to ensure cost savings are captured.

Management's Comments



Management agreed with the recommendation and has designated the Vice President, Controller, as the senior official responsible for developing and tracking expected savings from cost-reduction initiatives, effective immediately. Management also agreed that cost estimates associated with organizational change initiatives should be developed prior to implementing these efforts and that cost savings should be tracked against targeted estimates. We have included management's comments, in their entirety, in Appendix G of this report.

Evaluation of Management's Comments

Management's comments are responsive to our recommendation and actions taken should correct the issues identified in the finding.

The OIG considers recommendation 1 significant and considers the response provided by management detailing corrective action taken to be sufficient to close this recommendation with the issuance of this report.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Andrea Deadwyler, Director, Inspection Service and Facilities, or me at (703) 248-2100.

E-Signed by Tammy Whitcomb 
VERIFY authenticity with Approve!


Tammy L. Whitcomb
Deputy Assistant Inspector General
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Attachments

cc: Alexander E. Lazaroff
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APPENDIX A. POSTAL INSPECTION SERVICE TIMELINE OF EVENTS

Date	Event
September 13, 2005	Twelve percent reduction to the FY 2006 salary and benefits budget announced to Postal Service Headquarters Vice Presidents. Chief Financial Officer issues FY 2006 corporate budget.
October 1, 2005	A twelve percent salary and benefits budget reduction for FY 2006 is effective. U.S. Postal Inspection Service (USPIS) began FY 2006 with a salary and benefits budget of \$411.8 million and a total authorized complement of 4,232 employees, including: 1,990 Postal Inspectors; 939 PTA staff; and 1,303 PPOs.
March 6, 2006	Executive Vice President and Chief Human Resources Officer approved USPIS reorganization to eliminate non-law enforcement functions performed by other Postal Service departments, effective May 2006.
March 10, 2006	Memorandum from John E. Potter, Postmaster General, and James C. Miller III, Chairman of the Board of Governors, to David C. Williams, Inspector General, and Lee R. Heath, Chief Postal Inspector, announcing the timeline for the transition of employee misconduct investigations from USPIS to OIG.
May 1, 2006	Responsibility for new employee misconduct investigations other than mail theft migrated from USPIS to OIG.
June 2006	Information technology migrated from USPIS to Postal Service Headquarters as part of the reorganization to eliminate redundant functions. Corporate Budget created new staffing model and reduced USPIS total budget by \$15.1 million, effective July 2006.
September 1, 2006	All remaining employee misconduct cases, other than mail theft, forwarded to the OIG. Responsibility for all new allegations of employee mail theft forwarded to the OIG.
September 28, 2006	Ten percent reduction in the FY 2007 salaries and benefits budget announced to Postal Service Headquarters Vice Presidents. Chief Financial Officer published FY 2007 corporate budget.
September 30, 2006	Effective date for completion of USPIS reorganization to eliminate redundant functions. All affected positions eliminated.

Date	Event
October 1, 2006	A ten percent salary and benefits budget reduction for FY 2007 is effective. USPIIS began FY 2007 with a salary and benefits budget of \$367.7 million and a total authorized complement of 3,089 employees, including 1,758 Postal Inspectors, 503 PTAs, and 828 PPOs.
November 2006	Reduction-in-force process resulting from the reorganization is complete.
January 1, 2007	Remaining employee mail theft cases transitioned to the OIG. Transition of internal crimes and mail theft from the USPIIS to the OIG is complete.
March 31, 2007	USPIIS assumed responsibility for homeland security functions, including emergency preparedness and aviation mail security. Salary and benefits budget of \$370 million; authorized complement of 3,190 employees, including 1,756 Postal Inspectors, 605 PTAs, and 829 PPOs, as of April 2007.
May 2007	Corporate Budget implemented a \$10 million salaries and benefits budget reduction to the USPIIS to address the reduction-in-force. Total USPIIS salaries and benefits budget is \$360 million.

Sources: Corporate Budget Office
Organizational Design and Management

APPENDIX B. PRIOR AUDIT COVERAGE

The OIG management advisory titled *Cost Reduction Programs* (Report Number MS-MA-06-001, dated March 20, 2006) determined Postal Service cost reduction programs were appropriately factored into rate case R2005-1 and were comparable to cost reduction programs in Postal Service budgets and prior rate cases. The report contained no recommendations.

The OIG report titled *Postal Inspection Service Resource Allocations for Fiscal Year 2003* (Report Number SA-AR-03-005, dated August 20, 2003) concluded the Postal Inspection Service was not required to use a zero-based budget process required by other Postal Service Headquarters units, and did not provide adequate justifications for budget submissions. The report also stated that justifications for eight Postal Inspection Service programs were adequate, and the Postal Inspection Service tracked and monitored variances between actual and planned expenditures. Management did not agree or disagree with the OIG recommendations, but stated they applied a historically based budget methodology to funding allocations and requests with the full support and concurrence of Postal Service management. They stated that this approach ensured operational requirements were met.

The OIG report titled *Postal Service Law Enforcement Staffing Requirements* (Report Number SA-AR-03-004, dated August 4, 2003) concluded the Postal Inspection Service did not have a formal internal process for determining its overall staffing complement. Additionally, Postal Service Human Resources did not assess the overall complement and mix of positions in the Postal Inspection Service to ensure that staffing was according to Postal Service policy. We made two recommendations to address our findings.

Postal Inspection Service management disagreed with our recommendation to develop a formal, documented internal process for an annual staffing review to determine the Postal Inspection Service's staffing complement. They stated that a formal internal process existed and was incorporated in the Postal Service's annual budget call. The OIG considered management's comments not responsive because they did not demonstrate that a formal process existed.

Postal Service management disagreed with our recommendation to periodically assess the overall staffing complement and mix of positions for the Postal Inspection Service to evaluate the effectiveness of staffing. They stated the Postal Service periodically evaluated staffing for all units, including the Postal Inspection Service. The OIG disagreed that the Postal Service conducted periodic assessments of the Postal Inspection Service complement and mix of positions. Although the Postal Service conducted reviews of restructuring, consolidations, closures, and position changes, the reviews did not include audits and assessments of the Postal Inspection Service's overall staffing complement and mix of positions.

The OIG report titled *Postal Service's Fiscal Year 2000 Budget Formulation Process* (Report Number FT-AR-01-006, dated February 22, 2001) determined program budget officials did not ensure budget estimates for the number of personnel authorized and on-board were based on current requirements. The report also noted Postal Service officials had not performed a comprehensive staffing study since 1992. Management agreed with our recommendation to reinforce the requirement for program budget officials to update and fully document studies and analyses to ensure that budget cost estimates for programs, related benefits, and staffing are based on current goals and strategies.

The OIG report titled *Review of the United States Postal Inspection Service Budget Process* (Report Number OV-AR-00-005, dated September 29, 2000) stated that Postal Inspection Service management had a process for planning and formulating its annual budget; however, the budget process could be improved. Specifically, Postal Inspection Service management did not link budget resources to performance-related goals and functions. We recommended, and Postal Inspection Service management agreed, that the Chief Postal Inspector establish a process for annually assessing personnel requirements and allocating resources, prepare strategic plans and annual performance plans in accordance with Government Performance and Results Act of 1993; and issue written requests for estimated operating expenses with instructions to field management when planning and formulating the annual budget.

APPENDIX C. INSPECTION SERVICE COST-CUTTING INITIATIVES

	Headquarters Budget Reductions (12% and 10%)	Transition*	Transformation
Potential Savings	Documentation of projected savings was unavailable.	\$110.2 million	Documentation of projected savings was unavailable.
Actual Reduction	Reductions were taken against authorized complement levels rather than on-board levels; no actual savings were achieved from prior year's budget figures.	\$50.1 million**	Some of the \$50.1 million** in the Transition column is likely attributable to the Transformation. Reductions were also taken to the authorized complement as a result of this initiative.
Unrealized Savings	Unable to determine.	\$60.1 million**	Unable to determine.

* The OIG budget increase due to the transition of workload was \$60.6 million.

**At the end of our audit, the Postal Service provided a methodology that calculated an actual cost savings of approximately \$109.1 million, which would reduce the unrealized savings to about \$1.1 million. We were not able to validate all aspects of this methodology—see audit report section titled Management's Calculation of Savings Realized.

Source: Analysis of Corporate Budget Office and OIG transition information.

APPENDIX D. POTENTIAL TRANSITION COST SAVINGS

	\$486,050,065	USPIS FY 2006 total budget ⁹
Less:	<u>92,349,512</u>	PPO cost ¹⁰
	\$393,700,553	Total budget, excluding PPOs
X	<u>28%</u>	Percentage of USPIS workload attributed to internal crimes and mail theft ¹¹
	<u>\$110,236,155</u>	USPIS cost of conducting internal crimes and mail theft investigations

POTENTIAL COMPLEMENT REDUCTION BASED ON THE TRANSITION

	1,819	FY 2006 on-board FTE complement for Postal Inspectors
+	<u>797</u>	FY 2006 on-board FTE complement for support staff
	2,616	Total complement, excluding PPOs
X	<u>28%</u>	Percentage of USPIS workload attributed to internal crimes and mail theft
	732	USPIS cost of conducting internal crimes and mail theft investigations

⁹ Total USPIS budget as of December 2005. Source: Enterprise Data Warehouse.

¹⁰ PPO cost represents 19 percent of total budget (\$486,050,065 X 19%).

¹¹ Percentage of total work hours spent on internal crimes and mail theft (842,140 hours for internal crimes and mail theft / 2,990,166 total direct workhours = 28%). Workhour data from Inspection Service Database Information System (ISDBIS), FY 2004.

**APPENDIX E. POSTAL INSPECTION SERVICE'S TOTAL ALL
EXPENSE (TAE) BUDGET TREND**

Period	TAE Budget¹²	Percentage Change
FY 2005 End of Year	\$518,588,718	
December 2005	\$480,283,065	(7.39%)
FY 2006 End of Year	\$482,940,384	0.55%
May 2007	\$430,142,982	(10.93%)
Total budget reduction from December 2005 to May 2007:		(\$50,140,083)
Total percentage reduction from December 2005 to May 2007:		(10.44%)

Source: Corporate Budget Office

¹²TAE budget includes operating expenses.

APPENDIX F. POSTAL INSPECTION SERVICE COMPLEMENT TREND

Period	Postal Inspectors		PTAs		PPOs		Total	
	Authorized	On-board	Authorized	On-board	Authorized	On-board	Authorized	On-board
FY 2006 ¹³	1,990	1,856	939	812	1,303	933	4,232	3,601
March 2007 ¹⁴	1,758	1,668	503	460	828	733	3,089	2,861
Difference	-232	-188	-436	-352	-475	-200	-1,143	-740
% Difference	-11.7%	-10.1%	-46.4%	-43.4%	-36.5%	-21.4%	-27.0%	-20.6%

¹³ Complement at the beginning of FY 2006.

¹⁴ Complement on March 30, 2007, prior to assuming emergency preparedness and aviation mail security functions.

APPENDIX G. MANAGEMENT'S COMMENTS

H. GLEN WALKER
CHIEF FINANCIAL OFFICER
EXECUTIVE VICE PRESIDENT



September 10, 2007

KIM H. STROUD
DIRECTOR, AUDIT REPORTING
OFFICE OF INSPECTOR GENERAL

SUBJECT: Management Response to Management Advisory—Review of Postal Inspection Service Transition and Resources (Report Number SA-MA-07-Draft)

This letter is in response to the recent review of the Postal Inspection Service workload and resource transition (Project Number 07YG049SA000). We concur with the report's recommendation and have designated the Vice President, Controller, as the senior official responsible for developing and tracking expected savings from cost reduction initiatives, effective immediately.

We agree that cost estimates associated with organizational change initiatives should be developed prior to implementing these efforts and that cost savings are tracked against targeted estimates. In this case, we identified \$108 million of costs which were taken out of the Postal Inspection Service cost base as a result of the transition, and we believe this was the appropriate amount based on our detailed review of positions and costs.

We recognize the sensitive nature of this organizational change and appreciate the efforts of both the Office of Inspector General and the Postal Inspection Service to successfully accomplish this workload transfer, as well as the efforts expended by the Office of Inspector General to conduct this review.

We do not believe that this report contains any propriety or business information and may be disclosed pursuant to the Freedom of Information Act.

A handwritten signature in cursive script that reads "H. Glen Walker".

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