



December 19, 2007

ALEXANDER E. LAZAROFF
CHIEF POSTAL INSPECTOR

DEBORAH M. GIANNONI-JACKSON
VICE PRESIDENT, EMPLOYEE RESOURCE MANAGEMENT

SUBJECT: Audit Report – Postal Inspection Service Security Controls and Processes
(Report Number SA-AR-08-003)

This report presents the results of our self-initiated audit of the U.S. Postal Inspection Service's security controls and processes (Project Number 06YG034SA004). This is our fifth report in a series to determine whether the Postal Inspection Service had sufficient controls and processes in place to protect employees, customers, the mail, and critical assets of the Postal Service. This review focused on the use of postal inspectors to conduct physical security surveys and physical security-related training.

Postal Inspection Service management has opportunities to improve security controls and processes to protect employees, customers, the mail, and critical assets. Specifically, the Postal Service could realize a cost savings of at least \$6.4 million over the next 10 years by using physical security specialists, rather than postal inspectors, to conduct these surveys. See Appendix A for our cost savings analysis. The \$6.4 million represents funds put to better use and we will report them as such in our *Semiannual Report to Congress*.

In addition, 39 percent (██████████) ██████████ with responsibility for overseeing security operations did not complete suggested security training courses. These inspectors should be required to take training that will help them identify and mitigate risks and provide more effective oversight of the security program.

We recommend the Chief Postal Inspector and the Vice President, Employee Resource Management, assess Postal Inspection Service staffing to ensure the allocation of approved positions and the assignment of personnel is the most effective and efficient to perform security surveys and reviews. We are not making any recommendations regarding training in this report. Management's planned actions to establish mandatory training for postal inspectors will address the training issues identified.

Management partially agreed with the recommendation and cost savings identified in this report. Specifically, management agreed that an assessment of allocation of resources is always prudent to an organization, but disagreed that the Postal Inspection Service had not performed this vital evaluation. Management also agreed that cost savings would be realized from using non-law enforcement personnel to conduct security reviews, but they disagreed with the cost savings amount. We do not plan to pursue the recommendation through the formal audit resolution process because of recent organizational changes in the Postal Inspection Service, including changes to the Homeland Security Coordinator (HSC) position, and management's assertion that they continuously evaluate security and personnel requirements. In addition, we plan to conduct a follow-up review after changes to the security program are completed.

The U.S. Postal Service Office of Inspector General (OIG) considers the recommendation significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests documentation of future reviews assessing the allocation of resources to conduct security reviews. This documentation will serve as written confirmation that corrective actions have been completed. This recommendation should not be closed in the follow-up tracking system until the OIG provides written confirmation the recommendation can be closed.

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

E-Signed by Darrell E. Benjamin, 
VERIFY authenticity with ApproveIt

Darrell E. Benjamin, Jr.
Deputy Assistant Inspector General
for Support Operations

Attachments

cc: Zane M. Hill
Vicki T. Edwards
Juliana Nedd
Michele L. Culp
Katherine S. Banks

INTRODUCTION

Background

The Chief Postal Inspector is the chief security officer for the Postal Service. The Postal Inspection Service is the security arm of the Postal Service and is responsible for protecting approximately 700,000 postal employees and 38,000 facilities nationwide. It also protects the mail, postal assets, and millions of postal customers. In addition, the Postal Inspection Service provides security training and guidance to Postal Service security personnel.

In March 2007, the Chief Postal Inspector announced all security matters¹ would be consolidated under the Postal Inspection Service.² The details of the plan were not available prior to completion of this report and the findings contained in this report reflect the conditions identified during our review.

The Postal Inspection Service uses various tools and processes to assess and ensure the physical security of Postal Service employees and assets. The tools and processes include Facility Security Surveys (FSS), the Facility Risk Rating Model (FRRM), and Observations of Mail Conditions (OMC).

The FSS is used to determine, through on-site inspection and evaluation, current facility status and to recommend actions to improve security. The comprehensive FSS is a checklist of 273 yes-or-no questions covering physical security areas such as [REDACTED]

[REDACTED]. The Postal Service's *Administrative Support Manual*³ requires completion of these surveys annually. Responsible security officials in the Postal Inspection Service and the Postal Service, including postal inspectors and security control officers (SCO), complete the comprehensive FSSs. [REDACTED]

¹ Other security matters include homeland security responsibilities, aviation mail security, and emergency preparedness.

² CPI Memorandum, "Consolidation of U.S. Postal Service Homeland Security Responsibilities," March 16, 2007.

³ The Postal Service's *Administrative Support Manual* 13 (dated July 1999 and updated with *Postal Bulletin* revisions through December 22, 2005) requires SCOs or designees to conduct annual FSSs.

[REDACTED]. The rating helps management plan and fund projects and manage risk levels to comply with Handbook RE-5.⁴ The FRRM covers the risks and vulnerabilities of each postal facility, such as [REDACTED]. Facilities can reduce the risk rating score in the short term by implementing and enforcing security policies and procedures. According to the *Inspection Service Manual*, the FRRM should be completed every 3 years on major facilities in conjunction with the FSS.

Postal inspectors use OMCs to evaluate security and identify any area of concern for corrective actions. During these observations, postal inspectors review mail conditions for specific indicators identified by senior postal management at mail processing facilities and delivery units. Further, postal inspectors analyze the Customer Service Daily Reporting System Report, which identifies management's mail condition reporting integrity in customer service operations. Inspectors conduct periodic⁵ OMC reviews at selected postal facilities based on their knowledge of known or suspected security issues, current mail conditions, and the resources available. Management may also request OMC reviews at specific facilities. At the conclusion of an OMC, the inspector meets with the facility manager or designee to discuss the security and operational issues identified, the reasons for the issues, and management's plan for corrective action.

In 2004, the Postal Inspection Service created approximately 38 physical security specialist (PSS) positions to help manage physical security concerns. Their responsibilities included serving as subject matter experts for security matters, conducting security surveys and reviews, making recommendations to management, and administering special security contracts. In September 2006, Postal Inspection Service management eliminated all PSS positions.

⁴ Postal Service physical security standards are found in Postal Service Handbook RE-5, *Building and Site Security Requirements*.

⁵ In the past, OMC reviews were generally conducted from September 23 through December 22. However, beginning in fiscal year 2006, inspectors also conducted OMCs in May.

At the time of our review, each area had an area security coordinator (ASC), each district had a district security control officer⁶ (DSCO), and each Postal Service facility had a SCO. ASCs, DSCOs, and SCOs also had security responsibilities, including conducting security surveys and reviews. However, personnel assigned to these positions reported to Postal Service officials, not the Postal Inspection Service.

**Objective, Scope,
and Methodology**

Our overall objective was to determine whether the Postal Inspection Service had sufficient controls and processes to efficiently and effectively protect employees, customers, the mail, and critical Postal Service assets. This is the fourth in a series of audits examining the Postal Service and Postal Inspection Service's physical security controls and processes. This report focuses on the use of inspectors to conduct security assessment reviews, and physical security-related training.

To accomplish our objective, we interviewed Postal Inspection Service and Postal Service officials, including inspectors-in-charge, program managers, team leaders, and inspectors. We reviewed applicable policies and procedures related to physical security of the Postal Service and Postal Inspection Service. Additionally, we reviewed position descriptions for physical security specialists to determine their roles and responsibilities. We also procured the services of Bullock and Associates, Inc. (BAInc), a Washington, D.C.-based investigation and protection consulting firm, to review the Postal Inspection Service's controls, processes, and programs for physical security.⁷

We analyzed inspectors' workhour data from the Inspection Service Integrated Information System (ISIIS) for fiscal years (FY) 2004 through 2006 to determine the average and the percentage of time postal inspectors spent conducting physical security surveys and reviews. Additionally, we analyzed the cost benefits of using permanent and contract physical security specialists to conduct security surveys and reviews, rather than postal inspectors, who receive premium pay. See Appendix A for our cost savings analysis.

⁶ Some districts did not have permanent DSCO positions. In those districts, the district emergency preparedness manager generally assumes the collateral role and responsibility of the DSCO.

⁷ We will provide BAInc's report titled, *Assessing Management Controls, Processes, and Programs Regarding U.S. Postal Service Security*, under a separate transmittal letter to the Chief Postal Inspector.

We also reviewed training records from ISIS to determine whether postal inspectors assigned to security teams as of February 16, 2007, received physical security training. We tested and validated the computer-generated data from ISIS by comparing the data with other source documents and discussing it with Postal Inspection Service officials. We consider the data sufficiently reliable to support the opinions and conclusions in this report.

We conducted this audit from November 2006 through December 2007 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management officials on July 12, 2007, and included their comments where appropriate.

Prior Audit Coverage

We identified five U.S. Postal Service Office of Inspector General (OIG) reports and one Government Accountability Office (GAO) report related to our audit objectives. (See Appendix B.)

AUDIT RESULTS

Opportunities Exist to Improve Security Controls and Processes

Postal Inspection Service management has opportunities to improve security controls and processes to protect employees, customers, the mail, and critical assets. Specifically, management could realize a cost savings of at least \$6.4 million over the next 10 years by using PSSs, rather than postal inspectors, to conduct security surveys and reviews. In addition, postal inspectors should be required to take training that will help them identify and mitigate risks, and provide more effective oversight of the security program.

Security Surveys and Reviews

Postal inspectors conducted security surveys and reviews that non-law enforcement personnel could more efficiently and effectively conduct. This occurred because management had not assessed Postal Inspection Service staffing to ensure the allocation of approved positions and the assignment of personnel was the most effective and efficient to perform security surveys and reviews. As a result, the Postal Inspection Service may be missing opportunities to increase program efficiencies and achieve cost savings between \$6.4 and \$9.4 million over the next 10 years.

According to Postal Service policy,⁸ Employee Resource Management (ERM) has overall responsibility for the control of organizational structure and staffing for the Postal Service. This includes designing programs and procedures for auditing and assessing existing structures and staffing. ERM periodically assesses established structures and staffing to ensure the allocation of approved positions and the assignment of personnel reflect the most effective use of human resources.

In addition, managers throughout the Postal Service are responsible for (1) planning and implementing administrative and operating methods which comply with organizational structures and staffing and (2) reviewing their organizations and recommending changes.

⁸ *Employee and Labor Relations Manual 18*, dated June 2007, Sections 112.1(b), 112.3 (a) and (b), and 162.1-2.

Physical Security
Specialists

In March 2004, the Postal Inspection Service established approximately 38 PSS positions. Their responsibilities included:

- Conducting physical security surveys and reviews;
- Serving as technical advisors and subject matter experts on security matters;
- Consulting with and making recommendations to Postal Service management on security deficiencies; and
- Assisting with awarding and administrating security-related contracts.

According to their job description, PSSs were also expected to understand and interpret building design to determine consistency with security requirements; [REDACTED]

[REDACTED]. PSSs could also maintain Postal Service equipment inventory and perform research on new security-related technology.

In September 2006, Postal Inspection Service management eliminated all PSS positions and transferred their work to postal inspectors. Management stated they did not conduct any reviews, studies, or workforce analyses, nor did they evaluate other alternatives to determine whether it was more effective and efficient for postal inspectors to perform security surveys.

Inspector Workhours

In FYs 2004 through 2006, postal inspectors spent 123,867 workhours conducting security surveys and reviews. Table 1 details the workhours expended.

Table 1. Postal Inspector Workhours for Security Surveys and Reviews, FYs 2004-2006				
Fiscal Year	OMC	Limited FSS	Comprehensive FSS	Total for FY
2004	21,296	2,090	9,396	32,782
2005	26,625	5,621	6,356	38,602
2006	27,032	8,955	16,496	52,483
Total	74,953	16,666	32,248	123,867

Security surveys and reviews are not criminal in nature, and it is not essential that law enforcement personnel conduct them. PSSs, which are non-law enforcement positions, were performing these reviews before the positions were eliminated. We could not determine the total hours PSSs spent conducting security surveys and reviews because management did not track this information. As a result, we could not use this data in our calculation of cost savings explained below.

Cost Savings

The 123,867 total workhours that inspectors spent conducting security surveys and reviews would be sufficient to convert 18⁹ vacant, authorized postal inspector positions¹⁰ to PSS positions. The 18 PSS positions can be filled by either permanent or contract employees. Postal Service and Postal Inspection Service management should determine the optimal combination of permanent and contract PSS employees to use. Converting these positions to permanent PSS positions could result in a cost savings of at least \$6.4 million over the next 10 years for the Postal Inspection Service. Additionally, converting the 18 positions to contract PSS positions¹¹ could result in a cost savings of \$9.4 million over the next 10 years for the Postal Inspection Service. Overall, converting the 18 positions to a combination of permanent and contract employees would result in cost savings between \$6.4 and \$9.4 million. See Appendix A for our cost savings analysis. Also, these

⁹ Our calculation does not include workhours PSSs spent conducting security surveys and reviews; nor does it include all work previously performed by PSSs. However, considering inspectors completely absorbed the work of approximately 38 non-law enforcement personnel, additional positions could be converted, potentially resulting in higher cost savings.

¹⁰ One authorized inspector position for each of the 18 Postal Inspection Service divisions.

¹¹ The number of contract PSS positions could be more than 18 because contractors can be hired on a part-time, as-needed basis, to increase flexibility.

savings would support the Postal Service's commitment, as stated in its *Transformation Plan 2006 – 2010*, to reduce \$1 billion from its cost base each year through 2010.

Best Practices

The OIG procured the services of BAInc to review the Postal Inspection Service's controls, processes, and programs for physical security. BAInc concluded non-law enforcement personnel could conduct security surveys and reviews that postal inspectors conducted. BAInc benchmarked with federal agencies and private organizations¹² to identify best practices and found that federal agencies have a long history of using PSSs in their security operations. Additionally, all of the agencies and organizations benchmarked primarily used law enforcement personnel to oversee their security programs, but used non-law enforcement personnel to conduct security surveys and reviews.

Officials at these agencies and organizations stated using PSSs allowed them to:

- Devote law enforcement resources to criminal investigations;
- Eliminate the constant rotation of law enforcement personnel in the security program; and
- Foster greater continuity in the security program.

In addition, BAInc noted that PSSs provided a dedicated, continuous security presence that supplied consistency and improved security for facilities. Over time, the PSSs became the subject matter experts for security.

Postal inspectors should continue to oversee the security program to identify and mitigate security risks. However, using non-law enforcement personnel to conduct security surveys and reviews would allow postal inspectors to focus more on criminal investigations and would result in cost savings of at least \$6.4 million over the next 10 years.

¹² BAInc benchmarked with eight federal government agencies and five private organizations that had physical security requirements comparable to the Postal Service.

Recommendation

We recommend the Chief Postal Inspector and the Vice President, Employee Resource Management:

1. Assess the Postal Inspection Service's allocation of resources to ensure the appropriate assignment of personnel to effectively and efficiently perform security surveys and reviews. Using non-law enforcement personnel, such as permanent or contract physical security specialists, rather than postal inspectors, for conducting security surveys would result in cost savings of at least \$6.4 million over the next 10 years.

**Management's
Comments**

Postal Inspection Service's Comments: Management agreed that an assessment of allocation of resources is always prudent to an organization, but disagreed that the Postal Inspection Service had not performed this vital evaluation. Management stated that the Postal Service and Postal Inspection Service have consistently evaluated resource needs. Homeland Security Coordinators (HSC) and postal inspectors will handle a portion of the duties previously performed by postal inspectors and PSSs in the new structure. They asserted that HSCs are not law-enforcement personnel and as such, the current savings estimate of \$6.4 million in using non-law enforcement personnel requires revision.

Management stated they assessed personnel in 2004 through the *Inspection Service Transformation Plan*, which included the creation of the PSS positions. Additionally, in 2006, the Postal Inspection Service performed another assessment of personnel through the Staffing and Structure Realignment. The 2006 assessment evaluated all positions and established a more effective structure that was intended to dramatically reduce complement and cost and included the elimination of the PSS positions. Because of the limited position duties and responsibilities and the redundant function of the PSS position, it was determined to be a logical elimination.

The Postal Inspection Service further stated that the continuous assessment of the security and personnel requirements led to the transfer of the duties and responsibilities of the ASCs, Aviation Security Coordinators,

and Emergency Preparedness Managers to the Postal Inspection Service. The duties of the three positions were merged into the position of the HSC. Management's comments, in their entirety, are included in Appendix C of this report.

Employee Resource Management's Comments:

Management stated they support the position taken by the Postal Inspection Service regarding the allocation of employee resources. In 2006, the Postal Inspection Service underwent realignment for cost reduction and chose to eliminate their PSSs, and transferred to postal inspectors an integral duty and responsibility of the PSS position. No additional staff was needed and there were no extra costs and expenses. Had there not been an established, knowledgeable staff available to assume the PSS duties, consideration could have been given to the hiring of contractors.

Management also stated that contractors could be hired for less than salaried postal inspectors, and the OIG report fails to recognize that no hiring from the outside and no additional career hiring was needed. Had the PSS positions remained, there would have been a need for more PSS positions to cover all geographical areas. Instead, by using postal inspectors already in their domiciles, the territory could and would be covered. Had the Postal Inspection Service implemented the recommendation, it would have initiated an additional cost of \$6.4 million over the next 10 years. Management's comments, in their entirety, are included in Appendix C of this report.

**Evaluation of
Management's
Comments**

Management's comments and corrective actions, taken or planned, are partially responsive to the recommendation. Although Postal Inspection Service management stated they conducted reviews to determine their resources for the security program, they did not provide documentation of those reviews to the audit team for analysis. In a follow-up meeting, management stated that when they conducted their reviews, they did not:

- Conduct a workload analysis to determine the best personnel to conduct security reviews after the elimination of the PSSs.

- Consider using contractors in their security program.
- Establish cost savings projections.
- Determine the percentage of work that will be conducted by HSCs and postal inspectors.
- Conduct benchmarking with other agencies.

During our audit, management stated postal inspectors would assume the duties of the eliminated PSS positions (non-law enforcement personnel). Subsequently, Postal Inspection Service implemented changes whereby HSCs (non-law enforcement personnel) are now partially responsible for ensuring security reviews are performed at postal facilities.

We believe these changes were implemented as a result of our audit. Further, if they were to fully implement our recommendation to perform a more detailed review of resource allocations management could identify alternatives allowing the Postal Service to realize, at a minimum, the \$6.4 million cost savings we estimated.

As stated in management's comments, using HSCs to conduct security reviews should allow postal inspectors to focus more on criminal investigations and should result in cost savings. However, management did not determine the percentage of security work they anticipate having HSCs perform, nor did they establish the projected cost savings associated with this approach.

To maximize cost savings, the Postal Inspection Service and Employee Resource Management should continue to review this process to determine the most efficient mix of non-law enforcement positions and postal inspectors needed to conduct security reviews, and provide results of future reviews to the OIG.

We do not plan to pursue the recommendation through the formal audit resolution process because of recent organizational changes in the Postal Inspection Service, including changes to the HSC position, and management's assertion that they continuously evaluate and assess

APPENDIX A. COST SAVINGS ANALYSIS

Objective of Methodology

Estimate the monetary impact associated with the audit recommendation, which is to replace 18 authorized postal inspector positions (one postal inspector in each division) with either Physical Security Specialist positions or contractors in order to perform Postal Service security reviews.

Overview of Methodology

The methodology consisted of three parts:

- Justifying the premise of substituting a PSS or a contractor for one postal inspector in each division, on average.
- Determining the annualized cost savings, in FY 2007 dollars, of both alternatives.
- Calculating the present value of the estimated labor cost savings of both alternatives for a 10-year future period, using standard discounted cash flow methods.

Justification

The method was to compare the percentage of total case workhours attributed to security review work (the workload fraction) with the percentage of average postal inspectors in each division represented by one postal inspector (the workforce fraction). If the workload fraction is greater than the workforce fraction, the conclusion is that one postal inspector position in each division, on average, can be converted.

We computed the workload fraction using data for FYs 2004-2006. We based the workforce fraction on current (FY 2007) data. This mismatch results in a conservative approach. Because the Postal Inspection Service workforce has been reduced over the past 3 years, we would expect a workload fraction based on FY 2007 data to be higher than we computed using FYs 2004-2006 data.

Because of data limitations, we limited our conclusion to averages. We believe there is reasonable justification to conclude that an average of one postal inspector position in each division — or 18 positions — can be converted. In a few smaller divisions, it may not be possible to convert one postal inspector position, but in the larger divisions, such as New York, Los Angeles, and Pittsburgh, it may be possible to convert two. This is an assumption of the monetary impact model. Ignoring the divisional organization boundaries, enough security workload exists, theoretically, to convert 20 postal inspector positions.

Determining the Annualized Cost Savings of Both Alternatives

In the PSS scenario, we compared the estimated fully loaded salary of a postal inspector, in FY 2007 dollars, with the estimated fully loaded salary of a PSS, in FY 2007 dollars, to determine the difference. We calculated the average salary for postal inspectors using FY 2007 salary data. The estimated average salary for a PSS was calculated using FY 2006 salary data and converted to FY 2007 levels by multiplying by an escalation factor derived from the Postal Service's published labor rate tables. We estimated the fully loaded costs for these positions from the average computed salary by multiplying a benefits multiplier derived from a labor table the Postal Inspection Service provided.

In the case of the contractor scenario, we estimated the cost of a postal inspector position as above. We estimated the cost of a replacement contractor by multiplying a calculated average annual case workload contribution for each postal inspector position by an estimated contractor hourly cost of \$50. We derived the average annual case workload contribution for each postal inspector position (1,758) from workhour and complement data from FYs 2004-2006. For the average PSS annual workload, we used 1,731 hours (which is for EAS 23 and EAS 24 employees) taken from the *Postal Service National Average Labor Rates* for FY 2006.

Calculation of Monetary Impact (Discounted Cash Flow)

We calculated the monetary impact of both alternatives using a discounted cash flow for a 10-year period.

In the PSS scenario, we escalated the annualized cost savings, in FY 2007 dollars, described in the previous section, at a rate of 2.3 percent¹⁴ per year. Each yearly savings amount was then discounted at an annual rate of 5.00 percent.¹⁵ The sum of the discounted yearly savings is the net present value (NPV) and the monetary impact.

For the contractor scenario, we escalated the FY 2007 annualized fully loaded cost of 18 postal inspectors at an annual rate of 2.3 percent. We escalated the FY 2007 annualized cost of replacement contractors at an annual rate of 3.3 percent.¹⁶ The difference in costs for each of the 10 years was discounted at an annual rate of 5.00 percent. The sum of the discounted differences is the NPV and the monetary impact.

¹⁴ 2.3 percent is the current Postal Service published annual escalation rate for labor, effective April 25, 2007.

¹⁵ 5.0 percent is the current Postal Service published annual cost of borrowing, effective April 25, 2007.

¹⁶ 3.3 percent is the current Postal Service published annual escalation rate for non-Postal Service labor, effective April 25, 2007.

APPENDIX B. PRIOR REPORTS

- *OIG audit report, Audit of Postal Inspection Service Security Controls and Processes – Area Security Assessment Program (ASAP)* (Report Number SA-AR-07-004, dated July 10, 2007), concluded that Postal Service management did not effectively and efficiently use the ASAP to assess Postal Service security. In addition, the Postal Service did not obtain guidance and approval from the Postal Inspection Service, which has primary responsibility for security in the Postal Service.

The Postal Service conducted over 12,000 ASAP reviews that the Postal Inspection Service did not use to assess security operations. Postal Service management also spent approximately \$144,000 on the ASAP database; however, the information in the database was not reliable. We recommended and management agreed to discontinue the use of the ASAP given that the Postal Inspection Service does not use the results to assess security operations in the Postal Service. In addition, it is similar to security reviews the Postal Inspection Service currently performs.

- In two *OIG reports*, we concluded the Postal Service and the Postal Inspection Service have opportunities to improve security controls and processes to effectively and efficiently protect postal employees, customers, the mail, and critical assets.
 - *Audit of Postal Service Security Controls and Processes for the Pacific Area* (Report Number SA-AR-07-003, dated May 9, 2007). Management agreed with our recommendations to establish and implement internal controls to ensure accurate and timely completion of facility security surveys, and to develop performance measures for physical security. Regarding the first recommendation, we agreed that management's plans to establish training requirements should help ensure that FSSs are completed accurately; however, management should implement additional internal controls, such as an internal review and approval process, to ensure that FSSs are completed in a timely manner.

Audit of Postal Service Security Controls and Processes for the Capital Metro Area (Report Number SA-AR-07-002, dated March 30, 2007). We made five recommendations to improve security controls and processes. Management agreed with recommendations regarding standard operating procedures for security personnel; a formal process for conducting FSSs; mandatory training; and an internal review and approval process for FSSs. Management partially agreed with the recommendation to establish performance measures for physical security and incorporate them into performance plans. Management stated they recognized the need for program evaluation and have established program standards to address

performance. However, the Postal Service's Pay-for-Performance Program permits security performance measures only for the area security coordinator and not for ad hoc security positions at the district and field levels.

- GAO report, *U.S. Postal Service: Physical Security Measures Have Increased at Some Core Facilities, But Security Problems Continue* (Report Number GAO-05-48, dated November 2004), found the Postal Service had established physical security requirements — such as access control and exterior lighting — necessary for core facilities to address the threats of robberies, burglaries, theft, and vandalism. Additionally, although implementation of security measures had increased at some core facilities, security problems still existed at other facilities. However, incomplete and inaccurate data in the Postal Service's Facility Security Database (FSD) prevented the GAO from assessing changes in security measures at core facilities. Further, GAO's visits to 13 core facilities disclosed a number of security problems, including unaccounted-for facility keys, unlocked doors, deactivated alarms, and employees not wearing identification badges.

GAO recommended, and management agreed, to develop a plan, with objectives, time frames, and resources needed to correct and update the Postal Service's FSD so managers can accurately assess the status of physical security at core facilities, identify needed improvements, and assess the progress made at these facilities.

- OIG report, *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 in accordance with 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.

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. However, although the Postal Service conducted reviews of restructuring, consolidations, closures, and position changes, the reviews did not

include assessments of the Postal Inspection Service's overall staffing complement and mix of positions.

- OIG report, *Service Investigations Conducted by the Inspection Service* (Report Number OV-AR-01-003, dated August 22, 2001), concluded that although postal inspectors were authorized to conduct service investigations, these investigations were not always of a criminal investigative nature and would be more appropriately conducted by employees who were not criminal investigators and did not receive premium pay and benefits. The OIG recommended management use non-criminal investigative employees to conduct service investigations that were not criminal in nature and ensure that postal inspectors conduct only service investigations that involve potential criminal violations and directly affect the security of the mails. Management disagreed with the recommendation, stating Postal Service customers wanted inspectors involved with monitoring mail conditions, and that inspectors provided independence and credibility that revenue assurance analysts did not provide. However, revenue assurance analysts had the expertise to observe mail conditions, and using them to conduct these reviews could have resulted in approximately \$2 million in funds put to better use.

APPENDIX C. MANGEMENT'S COMMENTS



UNITED STATES POSTAL INSPECTION SERVICE

DEPUTY CHIEF INSPECTOR

October 15, 2007

Ms. Kim H. Stroud
Director, Audit Reporting
USPS Office of Inspector General
1735 North Lynn Street
Arlington, VA 22209-2020

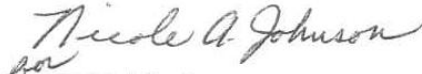
Dear Ms. Stroud:

SUBJECT: Inspection Service response to the audit report of Postal Inspection Service Security Controls and Processes (Report Number SA-AR-07-DRAFT)

We appreciate the opportunity to provide comment to the audit report of the Postal Inspection Service Security Controls and Processes. The attached represents the Postal Inspection Service response to the USPS Office of Inspector General recommendation.

We consider audits related to Security Controls and Processes as sensitive, disclosure of which may compromise Postal Service security. As such, we believe this draft report may be exempt from disclosure under the Freedom of Information Act.

If you have any questions, please contact Juliana Nedd, Inspector in Charge, Security, at 202-268-4547.


for
Zane M. Hill, Jr.

Attachment

cc: Alexandra E. Lazaroff, Chief Postal Inspector
Juliana Nedd, Inspector in Charge, Security
Deborah M. Giannoni-Jackson, Employee Resource Management
Delores M. Gentry, Corporate Audit & Response Management
Michele Culp, Special Investigations Division

475 L'ENFANT PLAZA SW ROOM 3117
WASHINGTON DC 20260-2160
TELEPHONE: 202-268-4432

- 2 -

Response to USPS-OIG Audit of Postal Service Security Controls and
Processes

Summary of Management Response

We have reviewed the draft audit report of Postal Inspection Service Security Controls and Processes. This memorandum represents our formal response to the recommendation addressed to the Chief Postal Inspector. In summary, we agree that an assessment of allocation of resources is always prudent to an organization but we do not agree that the Postal Inspection Service has not performed this vital evaluation.

The Postal Service and Postal Inspection Service have consistently evaluated resource needs. A portion of the duties previously performed by Postal Inspectors and Physical Security Specialists (PSS) will be handled by Homeland Security Coordinators and Postal Inspectors in the new structure. The Homeland Security Coordinators are not law-enforcement personnel and as such the current proposed savings of \$6.4 million in using non law-enforcement personnel stipulated by the Office of Inspector General requires revision. In addition, the Postal Inspection Service has prepared the following response to demonstrate that the new structure more effectively and efficiently addresses the security needs of the Postal Service.

OIG Recommendation

We recommend the Chief Postal Inspector and the Vice President, Employee Resource Management:

Assess the Postal Inspection Service's allocation of resources to ensure the appropriate assignment of personnel to effectively and efficiently perform security surveys and reviews. Using non-law enforcement personnel, such as permanent or contract physical security specialists, rather than postal inspectors, for conducting security surveys would result in cost savings of at least \$6.4 million over the next 10 years.

Management Response

The Postal Inspection Service completed an assessment of personnel in 2004, through the *Inspection Service Transformation Plan*, and reported to the Postal Service a plan that included creation of the Physical Security Specialist (PSS) position. The assessment tasked the PSS position with supporting the facility and personnel security programs by serving as technical advisors and subject matter experts in security matters.

- 3 -

There were two PSS positions allotted to each Postal Inspection Service Division. A primary responsibility of the position included conducting facility security reviews. However due to the vast territory PSS' were required to cover, this business model was not as efficient or effective as utilizing Postal Inspectors. Postal Inspectors can not only perform security reviews but can perform other functions when visiting a postal facility, and are not held to work hour requirements.

In 2006, the Postal Service requested the Postal Inspection Service perform another assessment of personnel through the *Staffing and Structure Realignment*. The Postal Inspection Service designed a new organization structure intended to dramatically reduce complement and cost, and included the elimination of redundant functions including the PSS position. The 2006 assessment evaluated all positions and established a more effective structure. Due to the limited position duties and responsibilities and the redundant function of the PSS position, it was determined to be a logical elimination.

In addition to the limitations of the PSS position, there were business decisions for the elimination of the position as well. Postal Inspectors protect the U.S. Postal Service, its employees and its customers from criminal attack, and protect the nation's mail system from criminal misuse. The security responsibility falls within the purview of the law enforcement function based on the integration of security, crime prevention and investigation. Securing the Postal Service infrastructure reduces and prevents criminal activity and consequently reduces investigative workload. The placement of facility security reviews under the comprehensive responsibility of the Postal Inspection Service was deemed appropriate and economically prudent.

The continuous assessment of the security and personnel requirements lead to another major structure change - the transfer of the duties and responsibilities of the Area Security Coordinators (ASC), Aviation Security (AvSec) Coordinators and Emergency Preparedness (EP) Managers to the Postal Inspection Service. The duties of the three positions were merged into the position of Homeland Security Coordinator (HSC). The primary function of the PSS was to ensure annual security reviews were performed by the Security Control Officers (SCO) at respective postal facilities - a duty now performed in part by the new Homeland Security Coordinators. The Homeland Security Coordinators will allow the Postal Inspection Service the flexibility needed to coordinate security reviews and perform security related duties, augmenting the work of postal inspectors.

The Postal Inspection Service is very cognizant of its responsibilities to the Postal Service and consistently strives to evaluate and assess the security needs of the Postal Service.

DEBORAH GIANNONI-JACKSON
VICE PRESIDENT
EMPLOYEE RESOURCE MANAGEMENT



November 14, 2007

Kim H. Stroud
Director, Audit Reporting
USPS Office of Inspector General
1735 North Lynn Street
Arlington, VA 22209-2020

SUBJECT: Audit Report of Postal Inspection Service Security Controls and Processes
(Report Number SA-AR-07-DRAFT)

This is in response to the Office of Inspector General (OIG) audit report of the United States Postal Inspection Service Security Controls and Processes. We have read both the OIG audit and the comments from the Postal Inspection Service and support the position taken by its Deputy Chief Inspector regarding the allocation of employee resources.

In 2006, the Postal Inspection Service underwent realignment for cost reduction, chose to eliminate their Physical Security Specialists (PSS), and transferred to Postal Inspectors an integral duty and responsibility of the PSS position, to conduct annual security reviews. These law enforcement Postal Inspectors did have that responsibility in the past and could reincorporate the task into their current work. No additional staff was needed and therefore there were no extra costs and expenses. Had there not been an established, knowledgeable staff available to assume the Physical Security Specialist's duties, consideration could have been given to the hiring of contractors.

Contractors could be hired for less than salaried Postal Inspectors. However, the OIG report fails to recognize that no hiring from the outside was needed and that no additional career hiring was needed. Also, as an aside, had the PSS positions remained, there would have been a need for more PSS positions to cover all geographical areas. Instead, by using Postal Inspectors already in their domiciles, the territory could and would be covered.

In short, there was no added cost to the 2006 realignment of the Postal Inspection Service to conduct annual security reviews. Had the Postal Inspection Service implemented the recommendation of the OIG audit, it would have initiated additional cost of 6.4 million over the next 10 years.

If you have any questions or there is a need for further discussion, please call me at (202) 268-3783.

A handwritten signature in black ink, appearing to read "Deborah Giannoni-Jackson".

Deborah Giannoni-Jackson

475 L'ENFANT PLAZA SW, ROOM 9840
WASHINGTON, DC 20260-4200
Fax: 202-268-3903
WWW.USPS.COM

-2-

cc: A.E. Lazaroff
J. Nedd
D. Gentry
M. Culp
V. Edwards