



# OFFICE OF INSPECTOR GENERAL SEMIANNUAL REPORT TO CONGRESS

October 1, 2007 — March 31, 2008



Promoting Integrity and Accountability  
in America's Postal System

## **MISSION**

*Office of Inspector General Semiannual Report to Congress  
October 1, 2007 — March 31, 2008*

## **MISSION**

The mission of the U.S. Postal Service Office of Inspector General (OIG) is to conduct and supervise objective and independent audits, reviews, and investigations relating to Postal Service programs and operations to:

- Prevent and detect fraud, theft, and misconduct.
- Promote economy, efficiency, and effectiveness.
- Promote program integrity.
- Keep the Governors, Congress, and Postal Service management informed of problems, deficiencies, and corresponding corrective actions.

## **A MESSAGE FROM THE INSPECTOR GENERAL**

This report, submitted pursuant to the Inspector General Act, outlines our work and activities for the 6-month period ending March 31, 2008. It focuses on the Postal Service's updated strategic goals that respond to changes in the oversight and management of postal business expressed in the Postal Accountability and Enhancement Act of 2006 (Postal Act of 2006). The six goals are to generate revenue; increase efficiency; improve service; have a customer-focused culture; enhance sustainability; and address regulatory studies and reporting obligations. We discuss the Postal Service's progress towards these goals and explain how our work adds value. We conclude with a separate chapter that discusses our work to preserve integrity and feature reports on the Voyager and SmartPay® Purchase Card programs.

In this period, we issued 233 audit reports and management advisories. These efforts resulted in a total monetary impact of nearly \$831 million. We had 158 significant audit recommendations, of which 155 were accepted by the Postal Service.

In addition, we closed 3,754 investigations and management took administrative action on 1,398 cases. Our investigations led to 778 arrests and indictments, \$95 million in long-term cost avoidances in the Office of Workers' Compensation Program, \$13 million in fines, restitutions, and recoveries, of which more than \$9 million went to the Postal Service. I would also like to bring to your attention that this will be the last semiannual report that details OIG work solely. The Chief Postal Inspector, of the U.S. Postal Inspection Service, and myself have agreed that combining related programs within a single cover will provide a comprehensive treatment of law enforcement and audit activities.

I appreciate the continuing support of the Governors, Congress, and Postal Service management as we continue to assess the strategic transformation progress.

*David Williams*

## SUMMARY OF PERFORMANCE

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# SUMMARY OF PERFORMANCE

For the period October 1, 2007 — March 31, 2008

### AUDIT

Reports issued	233
Significant recommendations issued	158
Total reports with financial impact	95
Funds put to better use	\$547,637,127
Questioned costs <sup>1</sup>	\$190,209,049
Revenue Impact	\$92,823,873
<b>TOTAL<sup>2</sup></b>	<b>\$830,670,049</b>

### INVESTIGATIONS<sup>3</sup>

Investigations completed	3,754
Arrests	418
Indictments/informations	360
Convictions/pretrial diversions <sup>4</sup>	302
Administrative actions taken	1,398
Cost avoidance	\$97,596,288
Fines, restitutions and recoveries	\$13,605,987
Amount to Postal Service <sup>5</sup>	\$9,244,750

### HOTLINE CONTACTS

Telephone calls	51,681
e-Mail	14,028
Virtual Front Office calls	5,198
Mail	1,068
Voice mail messages	1,043
Facsimile — FAX	324
<b>TOTAL CONTACTS</b>	<b>73,342</b>

<sup>1</sup> Includes unsupported costs of \$59,945,723.

<sup>2</sup> The Postal Service agreed to recommendations or proposed alternative corrective actions that, if implemented, could result in nearly \$831 million in savings.

<sup>3</sup> Statistics include joint investigations with other law enforcement agencies.

<sup>4</sup> Convictions reported in period may be related to arrests made in prior reporting periods.

<sup>5</sup> Amount included in fines, restitution, and recoveries.

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**ASSESSING STRATEGIC TRANSFORMATION PROGRESS**

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## ASSESSING STRATEGIC TRANSFORMATION PROGRESS

In this report, we assess the status of the Postal Service's progress toward the strategic goals articulated in its *Strategic Transformation Plan: 2006-2010, 2007 Update*, published in December 2007. The Postal Service issued this update to respond to changes in the oversight and management of postal business expressed in the Postal Accountability and Enhancement Act of 2006 (Postal Act of 2006). The Postal Service's revised plan describes how it intends to improve the value of mail services and sustain a financially stable enterprise that best serves the nation's mailing needs while providing affordable and reliable service.

The Postal Service's strategic goals are to generate revenue, increase efficiency, improve service, have a customer-focused culture, enhance sustainability, and address regulatory studies and reporting obligations. Each of these strategic goals presents significant challenges to the Postal Service. This section discusses audits and reviews we completed during the reporting period in each of these areas.

### GENERATE REVENUE

The Postal Service recognizes that the market for mailing and shipping volume and revenue is shaped by competition, new technologies, and rising customer expectations. The Postal Service has a strategic goal to generate revenue. To accomplish this goal, it plans to create more value in core products and services, thereby increasing mail volume and revenue to continue financing universal service and the growing delivery network. Customer value is defined as increased product utility, improved ease of use and access, and more reliable, predictable performance at affordable prices.

Our audit work during the last 6 months showed opportunities to protect and increase revenue by strengthening application controls in the Electronic Verification System (eVS), increasing the accuracy of international mail volume data, and appropriately collecting revenue on stamps and Click-n-Ship transactions. We further believe the Postal Service could increase emphasis on accurately collecting, recording, and reporting all revenue, and strengthening internal controls to minimize risks relating to financial transactions.

#### Electronic Verification System

The eVS allows high-volume package mailers to document and pay postage using electronic files rather than paper forms. The Postal Service has strengthened application controls in eVS; however, edits could be strengthened for some transactions to avoid erroneous postage calculations and lost revenue. We made seven recommendations to strengthen controls over input data validation, sampling, and reconciliation and data storage procedures.

Additionally, we reported that weaknesses in the primary file transfer method place the confidentiality, integrity, and

availability of about 66.7 million data records at risk in eVS. Strengthening controls over business-sensitive financial information would assist in preserving customer goodwill and the Postal Service brand. Management agreed to strengthen file transport security; however, they did not agree with two of our recommendations to strengthen user authentication and stated they would accept the risk associated with the existing user access controls.

#### International Mail Volume Data

Volume data used to bill foreign postal administrations for inbound air Parcel Post mail at the New York International Service Center (ISC) was accurate. However, this type of data for inbound Express Mail and letter class service was not always accurate. As a result, we calculated that the Postal Service underbilled foreign countries almost \$3.5 million. If this issue had gone undetected, we project that underbillings would have been more than \$10 million over a 2-year period.

#### Stamp Revenue

The local Stamps on Consignment (SoC) program allowed local businesses to sell stamps, which the Postal Service had consigned to them. In December 2004, management rescinded the delegation of authority previously granted to area and district officials to administer these programs, directing local officials to incorporate their SoC programs into the national

#### Management Response to OIG Work

*We adhere to professional audit standards and present our audit work to management for comments prior to issuing a final report. Unless otherwise noted in the selected audit work discussed in this report, management has agreed or partially agreed with our recommendations and is taking or has already taken corrective action to address the issues we raised.*



*The local Stamps on Consignment (SoC) program allowed local businesses to sell stamps, which the Postal Service had consigned to them; however, in December 2004 local SoC programs were incorporated into a national SoC program.*

## GENERATE REVENUE

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SoC program, and soon thereafter asking them to close all existing local SoC agreements. Despite instructions from senior management, some Retail Access Channels officials did not terminate all local SoC agreements nor properly account for stamp shipments to consignees. These officials stated that area and district management did not always provide the documentation needed to take these actions. Our audit identified more than \$800,000 in recoverable and \$50,000 in unrecoverable revenue.

We recommended that retail and marketing managers for each Postal Service cluster provide information about their local SoC programs, including existing agreements and amounts that consignees owed, to the Manager,

Retail Access Channels. We also recommended that the Postal Service terminate existing local SoC agreements, incorporate them into the national program, and collect the past due amounts.

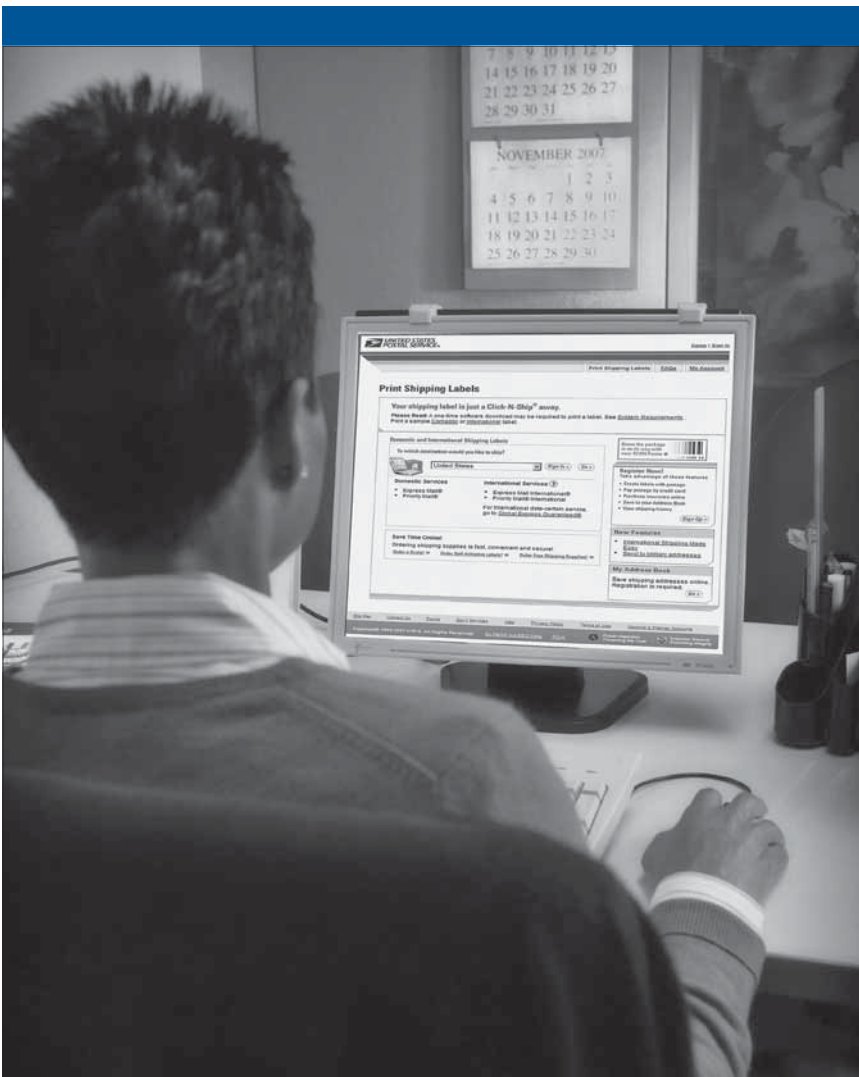
### Click-N-Ship Transactions

We assessed whether Postal Service officials implemented controls to protect revenue generated from the Click-N-Ship program and whether it was functioning in accordance with policies and procedures. We found that revenue was not sufficiently protected. (Click-N-Ship enables customers to print either postage or shipping labels with postage from their computer with the Postal Service or one of its approved vendors.)

We recommended that management strengthen controls over the Click-N-Ship program to better protect revenue. In addition, delivery and retail employees can improve processing when customers present Shipment Acceptance Notification forms at the retail window or at carrier pick-up. Further, management needs to closely monitor VISA Merchant chargeback fees and improve Click-N-Ship program management by developing written policies and procedures for the Click-N-Ship Program Office. Our audit identified \$37 million in unrecoverable and \$37 million in recoverable revenue relating to Click-N-Ship packages.

**Negotiated Service Agreement.** We responded to a request from the Board of Governors Chairman to review a Negotiated Service Agreement (NSA) following an Opinion and Recommended Decision by the PRC. As background, an NSA is a written contract between the Postal Service and a mailer that provides for customer-specific rates, fees, or terms of service. This “pay-for-performance” NSA was designed to pay incentives primarily for improvements to the quality of the company’s mail. An additional key aspect of this NSA involved the company implementing the Intelligent Mail Barcode.

In summary, our internal review found that additional information was needed to determine whether the Postal Service should implement the agreement, and NSA processes needed to be strengthened to ensure sufficient, accurate information is provided for future NSA decisions. More specifically, key portions of the required NSA process were not followed in the preparation and negotiation of this NSA, especially the requirement for cross-functional involvement of key Postal Service managers. In addition, the Postal Service had relied upon information that included data that were 8 years old and had pursued capital investments in the interim that were intended to improve mail processing. Further, the NSA data presented to the Board (1) was significantly different than that in the PRC filing, (2) was not appropriately characterized as preliminary, and (3) did not effectively describe the



Click-N-Ship enables customers to print either postage or shipping labels with postage from their computer with the Postal Service or one of its approved vendors.



risks associated with the NSA. Finally, because the Postal Service did not obtain data specific to the company, it was difficult to analyze the potential benefits of the NSA as a “pay-for-performance” agreement or to determine whether incentives were appropriate.

Subsequently, we evaluated a revised Postal Service presentation to the Governors. We found that the newer proposal relied upon more recent data, and we confirmed the involvement of other key Postal Service functions in the review and validation of the data presented.

## INCREASE EFFICIENCY

A perennial challenge facing the Postal Service is to increase operational efficiency. The Postal Service’s strategy in this area is to:

- Expand standardization and process control.
- Reduce the cost of meeting universal service obligations by focusing on major cost drivers, especially delivery operations and supply chain management.
- Capture improvements from existing equipment and technology.
- Target new investments to improve productivity.

The strategy emphasizes continued partnerships with customers by developing low-cost forms of customer access via technology and product simplification. Additionally, the Postal Service plans to examine facility capacities to transition from overlapping single-product networks to an integrated multi-product network.

The Postal Service focused on reducing its costs and reports that it has achieved some success. Our work in this area assisted the Postal Service in identifying significant opportunities to reduce costs. These opportunities include maximizing the cost-effectiveness of contracts, improving transportation efficiency, optimizing the mail processing network, and controlling facility and operational costs.

### **Maximizing the Cost-Effectiveness of Contracts**

We issued 20 contract-related audit reports during the reporting period, evaluating 13 accounting systems, three proposals, one invoice, one incurred cost submission, one termination, and one forward pricing rate submission. These audits identified unsupported and questioned costs of more than \$96 million. This information was provided to contracting officers for their consideration in negotiating the best terms for the Postal Service. Here is one example of significant work in this area:



*The Postal Service operates one of the largest and most complex transportation and logistical support networks in the world, reaching every community in the United States.*

A supplemental audit of a \$518 million firm-fixed-price proposal for the Biohazard Detection System Operations and Maintenance/Consumables disclosed more than \$14 million in questioned costs. Subcontractors did not provide cost or pricing data to support their proposed costs. In addition, subcontractor proposals contained numerous related party transaction concerns, and unallowable costs that resulted from a pyramiding of profits. We considered the non-compliances and inadequacies to be significant, and therefore did not believe the contractor’s overall proposal was an acceptable basis for negotiation of a fair and reasonable contract price. In response, the contracting officer with assistance from the Law Department, reduced the contract price by the full \$14 million in questioned costs plus an additional \$39 million, resulting in a contract price of \$467 million.

### **Optimizing the Transportation Network**

The Postal Service operates one of the largest and most complex transportation and logistical support networks in the world, reaching every community in the United States. The network is dynamic with changing requirements, so the challenge for the Postal Service is to optimize it while maintaining service. Since transportation is the second

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*We found that during FYs 2005 and 2006, the Pacific Area incurred about \$17.8 million in unnecessary costs because they used FedEx to move mail that could have been moved on less costly surface transportation or passenger airlines.*

largest cost segment in the Postal Service budget — only employee compensation and benefits are greater — it is critical that the Postal Service seize opportunities to reduce costs in this area, particularly as mail volume and revenue projections decline in fiscal year (FY) 2008.

During this reporting period, we issued three audits covering air network and surface network transportation and identified monetary impacts exceeding \$153 million.

### Air Network Transportation

Management implemented its nationwide Integrated Air Strategy in 2006, intending to reduce reliance on passenger airlines, expand transportation by dedicated cargo carriers, and shift mail to less costly ground transportation. We conducted two audits of the Postal Service's air network transportation in the context of its overall strategy.

**Air Networks — Issues in the Pacific Area.** We assessed the implementation of the Postal Service's Integrated Air Strategy and its impact on the FedEx transportation operations under a Postal Service contract. Implementing comprehensive strategies in a complex environment frequently presents unanticipated challenges. This was the case in the Pacific Area involving a very large mailer. The Postal Service's reduced reliance on commercial airlines, the transition from commercial airlines to FedEx, and certain unique circumstances in the

Pacific Area resulted in unanticipated expenditures. While management reacted rapidly and appropriately to mitigate and correct these conditions, the Postal Service incurred about \$18.3 million in unnecessary costs. The Postal Service has an opportunity to save about \$62.1 million, if transportation managers optimize use of FedEx to fly this mailer's First-Class Mail, and if they properly prepare the mail for shipment. However, management did not fully agree with our monetary impact estimates due to analytical differences relating to the calculation of FedEx container density. Management agreed to work with us to resolve these analytical differences.

### FedEx Transportation Agreement — Pacific Area.

We assessed whether the Postal Service's use of FedEx transportation was effective and whether there were opportunities for savings. We found that during FYs 2005 and 2006, the Pacific Area incurred about \$17.8 million in unnecessary costs because they used FedEx to move mail that could have been moved on less costly surface transportation or passenger airlines. The Postal Service also paid FedEx to sort mail when they could have avoided those costs by sorting the mail or properly preparing it for transport. Additionally, the Pacific Area has an opportunity to save about \$45 million over the next 10 years by not using FedEx to transport mail that could be transported on surface networks, by transporting First-Class Mail on passenger airlines when capacity is available, and by sorting the mail before giving it to FedEx to avoid their sorting charges.

### Surface Network Transportation

The Postal Service's surface network transportation includes ground transportation using Postal Service vehicles, employees, and contracted transportation. During this period, we audited the effectiveness of Postal Vehicle Service (PVS) operations at the San Francisco Processing and Distribution Center (P&DC) and found that management could improve PVS processes, allowing them to remove 26,698 excess hours from existing PVS schedules and save more than \$10.1 million over 10 years. Officials could eliminate the hours without negatively affecting service because schedules contain unassigned times when drivers are not needed for a specific trip or related activity, duplicate trips, and trips that were not as full as possible. Management agreed to conduct a review of all PVS schedules at the San Francisco P&DC and eliminate the excess hours from driver schedules.

### Network Optimization

In response to a management request, we initiated a series of Airport Mail Center (AMC) outsourcing reviews. In our review of the St. Louis AMC outsourcing initiative, we determined the decision to outsource some operations was supported and should reduce costs with minimal impact

on service performance; however, management could have improved planning for this initiative. We also found the former AMC building remained on the Postal Service's records after ownership had been transferred to the city of St. Louis. While management generally complied with policies and procedures, opportunities exist to formalize lessons learned and best practices from AMC closures, and to strengthen guidance for measuring results. In addition, we recommended management develop guidance for planning and implementing outsourcing of AMC operations.

**Facilities Single Source Provider.** We completed an audit assessing the effectiveness of the Facilities Single Source Provider system (FSSP) as a means to repair and maintain Postal Service facilities. We found the majority of users are satisfied with the FSSP as an effective means to repair and maintain Postal Service facilities. However, Facilities Service Offices (FSO) did not consistently manage repair calls through the FSSP, FSOs did not adequately track more than \$18 million in expenditures charged to the repairs and alterations budget line, FSOs did not adequately control more than \$9 million in Facilities Knowledge Center (FKC) invoicing and payments, and data in the FSSP system was not reliable. We recommended that management ensure consistent processing and monitoring of FSSP calls; keep accurate information in the FSSP database; establish controls over FKC invoicing and reimbursement and expenditure of funds; and establish guidelines for acceptance of maintenance and repair work. We reported more than \$27 million in non-monetary assets at risk, and recommended the Postal Service collect more than \$9,000 of recoverable questioned costs.

Management agreed with all of our recommendations except a portion of one regarding controls over certifying FKC repairs. They believed that adequate procedures were already in place to certify that FKC repairs were completed satisfactorily prior to payment. Work by district maintenance charged to credit cards is certified by Postal Service personnel separate from the credit cardholder, which is the same procedure followed for all credit card charges. In addition, management did not agree with the assets at risk, stating that the FSOs are responsible for monitoring spending and that transactions are subject to audit by the FSO. However, management did not provide documentation to demonstrate that FSOs were monitoring spending or conducting reviews of transactions.

### **Processing & Distribution Center Consolidations**

At management's request, we audited the Kansas City, Kansas, Area Mail Processing (AMP) consolidation proposal. We concluded it was generally accurate and supported, and showed evidence of management review. Our analyses



*Streamlining the network presents the Postal Service with many challenges.*

provided confirming evidence for the consolidation. However, we identified discrepancies in workhour and personnel savings, as well as transportation and annual associated costs, resulting in a savings overstatement of \$2.4 million. Further, we identified mail volume transferred from the Kansas City, Kansas, P&DC to the Kansas City, Kansas, Bulk Mail Center for processing that was not documented in the AMP proposal, and noted a slight downgrade in First-Class Mail, Priority Mail, and Periodicals service and some risk factors. We recommended management revise the AMP proposal to accurately document savings and potential service impacts and resubmit it to headquarters for review.

Additionally, management requested we review selected aspects of the consolidation of outgoing mail at the Marysville Processing and Distribution Facility (P&DF), in California, into the Sacramento P&DC. We concluded that district management did not route mail volumes in accordance with the approved AMP proposal, and that the rerouted mail was not reported in the post-implementation review (PIR) because of management oversight, which was the same reason that service impacts associated with the consolidation were not accurately reported in the AMP or PIRs. Management subsequently decided to reverse the AMP consolidation because overnight service between Chico, California, and San Francisco, Oakland, and Stockton, California, was downgraded. The AMP reversal reverted the ZIP Codes to their original service standard. We recommended that management document costs and

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*Incorrect and unreliable Automated Vehicle Mileage Utilization System (AVUS) information jeopardizes supervisors' ability to make decisions and impacts the safety and reliability of vehicles.*



*First-Class Permit Reply Mail (PRM) mailpieces and two-way DVD mailpieces are processed manually at the Portland, Oregon, Processing and Distribution Center.*

service implications from reversing the consolidation of the Marysville P&DF outgoing mail into the Sacramento P&DC.

Streamlining the network presents the Postal Service with many challenges. These challenges include developing a flexible network that can adjust to changing market conditions and mail volumes; measuring the results of network streamlining initiatives; balancing service with cost; keeping stakeholders informed to prevent surprises; and maintaining resilience in the event of major disruptions, natural disasters, or acts of terrorism. We will continue to review initiatives to streamline the network to ensure they are adequately planned, supported, and achieve desired results without sacrificing service.

### ***Project Management Challenges in the Engineering Program***

During our reviews of various engineering programs, we identified several project management challenges that increase the risk to performance, schedule, or cost of engineering programs. We believe consistent application of life cycle project management guidelines, such as those contained in the draft *Technology Acquisition Manual Process Guide*, may help alleviate some of these challenges. Specifically, the draft guide addresses the production and deployment phase to include first article test, acceptance, deployment, and financial management.

### ***Equipment Maintenance Opportunities***

Preventive maintenance is the scheduled, systematic servicing of equipment necessary to maintain optimal operating conditions. To complete maintenance routines, management traditionally used machine run time to determine the extent of preventive maintenance needs. Production or condition-based maintenance (PBM) was introduced to align the timing and extent of preventive maintenance to wear and tear on machines caused by actual usage — as it more accurately reflects when preventive maintenance is needed. As such, PBM achieves more efficient use of maintenance hours by making more hours available for proactive maintenance and supplementing the hours needed for other equipment.

In December 2006, the Maintenance Technical Service Center issued PBM guidelines for the Automated Facer Cancellor System (AFCS). We assessed whether opportunities existed to reduce AFCS preventive maintenance workhours through the PBM program. We found that facilities equipped with AFCS have not implemented PBM guidelines because the Electronic Maintenance Activity Reporting & Scheduling system is incapable of automatically generating production-based checklists that facilitate daily maintenance routines. Additionally, staff was reluctant to deviate from former maintenance procedures. As a result, the Postal Service incurred excessive maintenance costs of \$11.6 million for the year ending December 21, 2007. Successful implementation of the tested PBM guidelines would also avoid costs of \$130.1 million over the next 10 years through attrition and reduced overtime.

### ***City Delivery Vehicle Mileage***

Incorrect and unreliable Automated Vehicle Mileage Utilization System (AVUS) information jeopardizes supervisors' ability to make decisions. This is especially important since the Postal Service plans to extend the useful life of their primary delivery vehicles an additional 10 years beyond their normal 24-year useful life.

Overall, our four area reports concluded that vehicle mileage information in AVUS was not consistently accurate and reliable. We identified that more than 682,000 miles recorded as driven by carriers were unsupported. This adversely impacted supervisors' effectiveness in making daily delivery decisions. We questioned more than \$5.8 million in costs, and recommended that the Postal Service improve the accuracy and reliability of vehicle mileage information in AVUS by establishing a central reference policy with clear guidance on recording and maintaining mileage information, and standards for carrier mileage deviation. Additionally, AVUS input control modifications could reduce input errors and the associated variances between authorized miles and recorded miles.

**Permit Reply Mail Review.** We assessed whether First-Class Permit Reply Mail (PRM) mailpieces were processed according to their approved classification and pricing. We found that most PRM mailpieces are processed according to the Domestic Mail Manual (DMM). However, approved First-Class two-way digital versatile disk (DVD) return mailpieces from one DVD rental company sustained damage, jammed equipment, and caused missorts during automated processing. About 70 percent of these mailpieces are not machinable due to the envelope design, so employees must process them manually. We estimated the Postal Service paid \$41.9 million in additional labor costs over the past 2 years and will pay about \$61.5 million over the next 2 years.

We also found that, although nonmachinable mailpieces are subject to a surcharge, the DMM does not address the characteristics of the mailer's two-way DVD return mailpiece that make it nonmachinable. Although the DVD rental company's two-way DVD return mailpiece adheres to the DMM machinability criteria, Engineering's testing of this and similar mailpieces has consistently shown that this type of mailpiece is not machinable.

We made recommendations for management to revise the DMM's Nonmachinable Criteria for First-Class letter-size mail, to notify mailers that the Postal Service must test their two-way DVD return mailpieces against the revised criteria, and to collect the 17 cents per piece surcharge for nonmachinable mailpieces. Management agreed with the recommendations; however, they did not identify actions to address them.

## IMPROVE SERVICE

The Postal Service recognizes that improving service is the key to increasing competitiveness and profitability. Further, evolving customer needs, shaped by the Internet and a new generation of customers, are redefining expectations for service and convenience. Continuous service improvement,



*Key components of network streamlining include mail processing plant consolidations, plant closings, and outsourcing some mail processing operations to eliminate excess capacity, increase efficiency, and better use resources.*

aligned to customer needs, is essential for all products, services, and channels.

The Postal Service's strategy to improve service is to provide timely, reliable delivery and improved customer service across all access points. Specifically, it is focusing on the quality and consistency of service provided at all customer contact points as well as the speed and reliability of end-to-end mail delivery across all product lines. However, improving service is challenging to do while simultaneously working to cut costs, and service issues can quickly come under scrutiny from external stakeholders. Our work in this area is aimed at helping the Postal Service improve operational efficiencies related to customer service.

### **Reducing Excess Capacity**

The Postal Service's business environment is challenging due to an uncertain economy, lower than expected mail volumes, the implementation of new automation and technology to enhance mail sorting and tracking, and an expanding delivery network. In addressing these challenges, the Postal Service is reducing excess capacity in the plant network and the redundancy inherent in maintaining separate transportation networks for different mail classes. With less mail coming in, the mail processing infrastructure must be flexible and resources must be adjusted to match volume. Key components of network streamlining include mail processing plant consolidations, plant closings, and outsourcing some mail processing operations to eliminate excess capacity, increase efficiency, and better use resources.

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*The Postal Service could divert some non-revenue generating transactions from the retail counter to other means by promoting the use of their website and contact center, expanding automated services available in the retail lobby, and exploring new channels that its domestic competitors and foreign postal entities use.*

Management is making progress to streamline the network, but efforts to date have achieved limited results and future improvements may be harder to realize. Our recent reviews focused on the process for consolidating plants, whether consolidation and outsourcing proposals were supported, and whether consolidations and outsourcing realized projected cost savings. In general, we found the consolidations and outsourcing initiatives were supported and realized cost savings, but we identified a few concerns.

In response to a Postal Service management request, we assessed proposed changes to Handbook PO-408, *AMP Guidelines*, which provides the framework for consolidating mail processing operations and performing PIRs. The Postal Service's revisions to AMP guidance provide significant improvements. Management incorporated 32 of our prior recommendations on AMP policy into the revisions. Our review identified ten additional recommendations to improve AMP guidance with regard to workhours, transportation, communications, service, performance indicators, and supervisory ratios. Management agreed with nine of our recommendations and on the remaining one, management provided an alternate process that met the intent of the recommendation.

**Web Mail Condition Reporting System.** The Postal Service processes more than 212 billion mail pieces a year and has a number of systems supporting its operations. Critical among these is the Web Mail Condition Reporting

System, which is vital to managing the day-to-day domestic and international operational mail activities. In cooperation with the Postal Service, we reviewed data integrity and found the mail condition reports for the Chicago J.T. Weeker ISC were submitted on a timely basis, but data was incomplete and inaccurate. Management could not always rely on the data to make distribution decisions, identify problems in achieving operational targets, or analyze operational trends. We recommended improving controls over reporting and training employees.

**Delayed Mail — Waco.** In response to an inquiry, we reviewed allegations of delayed mail at the Waco, Texas, P&DF. The audit found that since FY 2005, the Waco P&DF had difficulties with the timely processing of Standard Mail, resulting in mail delays. While the Waco P&DF significantly reduced the amount of delayed mail since March 2007, it continues to experience periods with relatively high volumes of delayed Standard Mail. We recommended improving controls over the timely processing of mail.

**Chicago Mail Processing, Transportation, and Delivery Operations.** We followed up on our previous reviews of the timeliness of mail processing, transportation, and delivery operations in the Chicago District based on requests from the Postmaster General, Chief Executive Officer, and Congress. We concluded the Chicago District made noticeable improvements at the end of FY 2007, but continue to have difficulty with the timely and efficient processing and delivery of mail, resulting in mail delays, service degradation, and customer complaints. The Postal Service acknowledged these conditions and took a number of actions to remedy the situation. As a result, service scores improved as of Quarter 4 FY 2007, compared to the prior three quarters. We recommended process efficiency improvements for the Cardiss Collins P&DC to reduce workhours by 697,245 for a savings of more than \$231 million by FY 2017.

### ***Business Over the Counter***

Each day, millions of customers visit post offices to purchase postal products and services, send mail, pick up items that could not be delivered to their homes, place temporary holds on their mail, and more. From FY 2005 through Quarter 2 FY 2007, retail associates completed about 5.35 billion transactions at the retail counter. Almost 6 percent of these transactions were non-revenue generating, accounting for almost 7 percent of retail associates' total transaction time. Over half of non-revenue transactions were to pick up or hold mail.

The Postal Service could divert some non-revenue generating transactions from the retail counter to other means by promoting the use of its website and contact center, expanding automated services available

in the retail lobby, and exploring new channels that its domestic competitors and foreign postal entities use. We recommended that management make customers aware — by advertising and revising certain forms — that they can place mail on hold or request redelivery through its website and contact center. Further, we suggested management explore ways to expand automated services in the retail lobby. We also suggested that management explore installing parcel kiosks, adding fee-based premium delivery options to available services, and giving customers the option to have their packages intercepted and redelivered for a fee.

### **Automated Workforce Projection System and Business Plans**

Following our FY 2006 review of the implementation of the Delivery and Retail Standard Operating Procedures, we assessed whether management completed all scheduled on-site reviews, implemented the review recommendations at units where the reviews were completed, and updated the Automated Workforce Projection System (AWPS) with workload information from the on-site and administrative reviews. We found that management did not complete all the scheduled on-site reviews, did not always implement the review recommendations at units where the reviews were completed, and did not always update AWPS with workload information. We estimate the annual value of recommended budget reductions in units that did not implement the on-site review recommendations at about \$2.7 million. In addition, the information in AWPS, which management uses for operational planning, may not be accurate because officials did not always update the system with workload information.

We recommended that management adhere to the on-site review schedule and ensure that qualified teams are available to conduct the targeted reviews, as scheduled. In addition, we recommended that management monitor performance and track adherence to the approved business plans. We also recommended that management provide AWPS training to field officials so that they are aware of the requirement to update the system, and ensure the field offices update the AWPS workload annually.

## **CUSTOMER-FOCUSED CULTURE**

The Postal Service manages a large and dynamic workforce. A challenge is optimizing its workforce planning by placing the right mix of employees, in the right location, at the right time. Optimizing the workforce also means aligning it with changing customer needs, new technologies, and emerging markets. Further, controlling costs associated with workplace programs is also important to the Postal Service's success.

The Postal Service's strategy is to achieve results with a customer-focused culture by engaging and motivating the workforce. The Postal Service is focusing on four critical human resource strategies: engaging employees, developing and managing talent, establishing and maintaining market-based compensation, and managing the workforce to assure flexibility.

The need to create a flexible workforce is part of the Postal Service's network optimization initiative. To that end, the Postal Service successfully negotiated changes in most of the new labor contracts to more effectively use part-time and temporary employees as changes in mail volume dictate adjustments to operations. It also implemented the National Reassessment Process, which finds appropriate and productive assignments for employees covered under the Department of Labor's Office of Workers' Compensation Programs.

Further, the Postal Service is committed to providing a safe workplace for its employees, and describes a number of initiatives in its *2007 Annual Report*. For example, the Voluntary Protection Program brings management, employees, and union representatives together to work to reduce injuries and illnesses.

During this reporting period, we assessed the Postal Service's ability to resolve workforce and workplace issues, particularly those related to violence prevention and response programs. We also responded to a complaint regarding the Equal Employment Opportunity (EEO) contracting function in Tampa, Florida. Additionally, to help ensure employee safety we conducted work on the ventilation filtration system — another important human capital area.

### **Violence Prevention and Response Programs**

We conducted five audits during this reporting period on the violence prevention and response programs in 15 performance clusters located in five areas of operation. Our reviews concluded that all of the performance clusters established threat assessment teams and took some positive steps to reduce the potential for violence such as conducting climate assessments and Voice of the Employee focus groups. However, the performance clusters' violence prevention and response programs may not be fully effective in reducing the potential for violence because the performance cluster managers and the threat assessment teams did not implement many of the required policies and procedures. In addition, the areas and performance clusters did not provide adequate oversight of the violence prevention and response programs to ensure compliance with policies and procedures.

## CUSTOMER-FOCUSED CULTURE

Office of Inspector General Semiannual Report to Congress  
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### **Equal Employment Opportunity Contracting Function**

In response to a complaint that questioned the need to establish the National Equal Employment Opportunity Investigative Services Office (NEEOISO), we reviewed the Postal Service's EEO contracting function. The complaint also alleged that the contracting process for obtaining EEO investigators was not consistent with Postal Service contracting policies, and that management engaged in discriminatory practices when compensating the contract investigators, resulting in excessive annual amounts paid to some of them.

Our review concluded that the business purpose for contracting for EEO investigations and final agency decision (FAD) letter writing services was to improve the EEO process, which is consistent with federal regulations. We also concluded that the delegation of contracting authority to the NEEOISO complies with Postal Service *Supplying Principles and Practices*. However, we could not determine whether the selection process for EEO contract investigators and FAD letter writers complied with the delegation of authority requirements because the business

justification for how the process followed required business principles was not documented. NEEOISO Management agreed to document how the processes and procedures ensure compliance with the principles set forth in the delegation of authority.

### **Ventilation Filtration System Utilization**

As a result of the anthrax attack in 2001, the Postal Service developed an Emergency Preparedness Plan (EPP) that outlines programs and activities to mitigate and deter future biological attacks that use the mail system. The Ventilation Filtration System (VFS) is one of the major programs identified in the EPP. The VFS is attached to the AFCS to limit the dispersion of particulate matter ejected from in-process mail, thereby reducing the risk that biological or chemical agents could contaminate employees.

We assessed utilization of the VFS and whether its operation occurred in tandem with AFCS at certain locations. We determined VFS machines were operated for shorter run times than the AFCS machines and, therefore, did not fully support program runtime requirements that they operate 45 minutes after AFCS machines were



*The Postal Service manages a large and dynamic workforce. A challenge is optimizing its workforce planning by placing the right mix of employees, in the right location, at the right time.*



turned off. We also noted some sites did not change filters according to program requirements, which potentially reduces the effectiveness of the VFS machines. We recommended the Postal Service develop and implement a mechanical lockout device for the VFS control panel and distribute standard operating policy and procedures concerning the operation of VFS machines. We also recommended that maintenance managers monitor and change VFS filters according to program requirements.

## ENHANCE SUSTAINABILITY

The Postal Service added enhancing sustainability as a strategic goal in its updated plan. It defines sustainability as meeting the needs of the present without compromising the future. To achieve this strategic goal, the Postal Service plans to focus on expanding environmentally-friendly business practices and increasing energy conservation.

Enhancing sustainability is an important challenge facing the Postal Service and by seriously addressing this issue, it demonstrates its environmental leadership. Further, the Postal Service's approach is built on the principle of integrating environmental activities within day-to-day operations and engaging employees to take responsibility for minimizing their environmental impact. The Postal Service believes that these efforts enhance the value of mail and reduce waste and energy consumption. Our work in this area assessed the Postal Service's facility energy management strategies and savings opportunities.

### **Energy Management Savings Opportunities**

The current Postal Service energy management program focuses on facilities of more than 100,000 square feet. In the Northern Virginia District, there are 127 facilities with less than 100,000 square feet. In FY 2007, payments to electricity providers for these facilities totaled about \$2 million, or 73 percent of the Northern Virginia District's total electricity costs.

We evaluated the Northern Virginia District's program to reduce electricity consumption and costs at facilities between 10,000 and 100,000 square feet and determined that efforts had not been directed toward these facilities primarily because the Northern Virginia District, following national strategic direction, focused on the larger facilities. As a result, the Northern Virginia District has not completely seized opportunities to reduce energy consumption and lower energy costs. For example, our audit revealed several low- or no-cost opportunities to improve energy efficiency at these smaller sites. Further, insufficient internal controls over the payment of the Northern Virginia District's electricity bills put about \$2 million of assets at risk in calendar year 2007.

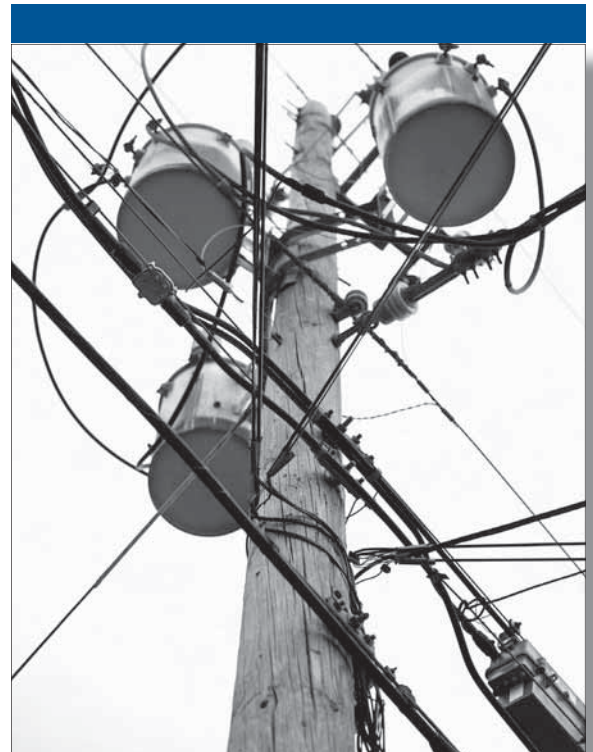
## REGULATORY STUDIES AND REPORTING OBLIGATIONS

The Postal Act of 2006 is the first major legislative change to the Postal Service since 1970. Among other things, it requires the Postal Service to conduct certain regulatory studies and mandates a number of reporting obligations. In its plan published in December 2007, the Postal Service outlines its Sarbanes-Oxley Act of 2002 implementation timeline, annual report plan, and plan for additional reports and studies.

A number of important requirements of the Postal Act of 2006 affect the OIG. Below, we report on the status of our work related to the Sarbanes-Oxley Act. Further, our work in this area assessed the adequacy and fairness of the revenue deficiency assessment and appeals process, the In-Office Cost System, and the internal controls over the Revenue, Pieces, and Weight Adjustment System.

### **Sarbanes-Oxley Act**

We coordinated with the Postal Service and Ernst & Young (E&Y), its independent public accounting firm, to monitor its efforts to become Sarbanes-Oxley Act compliant by FY 2010. We also started realigning our financial reporting structure and processes to better assist in supporting the overall opinion on internal controls over financial reporting issued by E&Y. Also, for the first quarter in FY 2008, we assisted E&Y in reviewing the quarterly financial information to be in full compliance with Securities and Exchange Commission requirements. We will continue to coordinate with the Postal Service as they identify key controls over financial reporting and move towards compliance; and will further refine and coordinate our work and incorporate process efficiencies in the overall opinion process.



*The current Postal Service energy management program focuses on facilities of more than 100,000 square feet.*

### **Assessment of Rate Deficiencies**

In response to our January 2000 audit, mailer complaints, and congressional inquiries, the Postal Service made several organizational changes. It also updated its management instruction, *Assessing and Collecting Deficiencies in Postage or Fees*, that documents the revenue deficiency reporting, recording, notification, and appeal and collection process. However, members of Congress continued to express concerns. As a result, the Postal Act of 2006 included a requirement that we study and report on the adequacy and fairness of the process by which nonprofit rate deficiency assessments are determined and appealable.



*The Postal Act of 2006 is the first major legislative change to the Postal Service since 1970.*

Our audit found the assessment and appeals process to be adequate and fair, and we did not find a compelling reason for Congress to assign an outside body a role in this process. Further, we determined there was no need to establish a statute of limitations because management issued, and generally adhered to, guidance establishing a 12-month time limit for revenue deficiency assessments. However, we did identify issues with the Postal Service's monitoring of revenue deficiencies and updating of procedures. As a result, the Postal Service is taking a number of actions, such as updating its guidance for reporting revenue deficiencies, providing concise instructions for those with roles in the process, and clarifying the 12-month time limit.

### **In-Office Cost System**

The Postal Act of 2006 requires us to regularly audit the data collection systems and procedures the Postal Service uses to prepare its reports analyzing costs, revenues, rates, and quality of service for the Postal Regulatory Commission. As part of this effort, we reviewed the In-Office Cost System (IOCS), which is used in the ratemaking process to distribute more than \$32 billion in labor costs of clerks, mail handlers, city delivery carriers, and supervisors to the activities carried out by those employees, and to classes and subclasses of mail and special services. We determined that management actions improved the quality of data obtained via telephone on employee work activities. However, at the three districts we visited, data collection policies and procedures were not always followed, and 43 percent of the telephone responses we examined contained inaccurate information. In addition, a nationwide analysis of IOCS telephone responses indicated some bias when telephone responses were completed. We provided five recommendations to strengthen controls over the integrity of IOCS data collection and to improve the accuracy and integrity of management data used in the ratemaking process.

### **Internal Controls over the Revenue, Pieces, and Weight Adjustment System**

Overall, the Revenue, Pieces, and Weight Adjustment (ARPW) system's internal controls were effective and included an established control environment, identification of risks, functioning control activities, effective communication, and adequate system monitoring. We made two recommendations to provide for succession planning and improve written procedures detailing key internal control activities, which will assist in the preparation of timely, accurate reports used in the ratemaking process, helping preserve customer goodwill and the Postal Service brand.

## PRESERVING INTEGRITY

The OIG works to preserve the integrity of Postal Service processes and personnel, which are essential elements for safeguarding Postal Service products, customers, services, and assets. To deal with potential natural or man-made disasters, the Postal Service renewed its emphasis on developing initiatives to more effectively secure the nation's mail system. This is a significant challenge due to the sheer size and geographic dispersion of the Postal Service.

The OIG helps assure integrity by conducting financial audits of Postal Service installations and information systems audits, and by providing oversight of the U.S. Postal Inspection Service.

OIG investigative efforts assist the Postal Service in protecting the mail, safeguarding the Postal Service's revenue and assets, and helping maintain the integrity of postal personnel.

This section discusses audit and investigative activities during this period to preserve integrity in the Postal Service.

### AUDIT ACTIVITIES

By focusing on key vulnerabilities of Postal Service installations, our audits have shown how the Postal Service can further protect the integrity of the mailstream. Ultimately, assessing the integrity and accuracy of management data helps to maintain a stable and sound Postal Service.

#### *Financial Statements Account for Postal Service Costs and Revenues*

Following is an outline of the Postal Service's financial position and a summary of the financial audits performed in support of the independent accountant's opinion on the financial statements.

#### *Postal Service's Financial Position*

The Postal Act of 2006 made significant reforms in the governance of the Postal Service and significantly altered some of the Postal Service's financial responsibilities, with some major provisions directly affecting the financial statements.

The Postal Act of 2006 returned the obligation to fund the portion of the Civil Service Retirement System (CSRS) retirement benefit earned while serving in the military by participants who retire as Postal Service employees back to the United States Treasury. Accordingly, the Office of Personnel Management (OPM) estimated the Postal Service has fully funded its CSRS pension obligation as of September 30, 2006. As such, the Postal Act of 2006 suspended the employer contribution to CSRS until FY 2017, when OPM will determine whether additional funding is required. It also required OPM to determine the CSRS surplus attributable to Postal Service employees as of September 30, 2006. This surplus amount, determined by OPM to be \$17.1 billion, was transferred to the newly



*By focusing on key vulnerabilities of Postal Service installations, our audits have shown how the Postal Service can further protect the integrity of the mailstream.*

created Postal Service Retiree Health Benefit Fund (PSRHBF) on June 29, 2007.

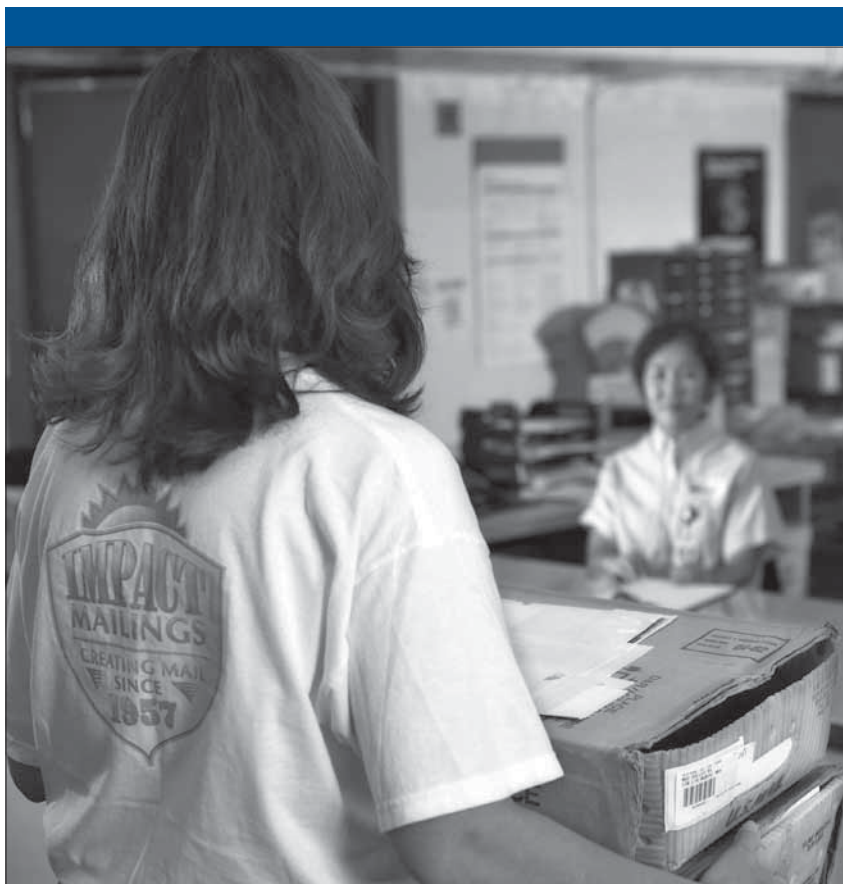
Further, beginning in FY 2007, the Postal Act of 2006 requires the Postal Service to make annual payments into the PSRHBF, averaging \$5.6 billion for 10 years. After that time, OPM will determine whether any further payments are required. In FY 2007, the Postal Service paid into the PSRHBF and expensed \$5.4 billion. The Postal Act of 2006 also required the Postal Service to transfer previously escrowed funds, calculated by OPM as \$2.958 billion, to the PSRHBF and to expense the entire amount. Since the Postal Service no longer holds funds in escrow, interest

## AUDIT ACTIVITIES

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*The Postal Act of 2006 also established the former Postal Rate Commission as a regulatory body and renamed it the Postal Regulatory Commission.*



*During FY 2007, we issued two reports summarizing 210 post office and Business Mail Entry Unit audits. We concluded that financial transactions were reasonably and fairly presented in the accounting records, and that generally, internal controls were in place and effective.*

income substantially decreased for the second half of FY 2007 and that will continue into the future.

The Postal Act of 2006 also establishes the former Postal Rate Commission as a regulatory body, renamed the Postal Regulatory Commission (PRC); mandates fully SEC-compliant financial reporting beginning in FY 2008; requires compliance with the Sarbanes-Oxley Act in 2010; and divides mail services into two broad categories: market-dominant (mailing services) and competitive (shipping services) with separate rate-setting process rules and reporting requirements for each category. Its provisions set the Postal Service on a new path to profitability and performance, with new opportunities for growth that will define the Postal Service of the future.

Without the payments required by the Postal Act of 2006, the Postal Service would have marked its fifth consecutive year of positive net income and fourth straight year of positive retained earnings, with net income of more than \$1.6 billion. However, with the required funding of health benefits for FY 2007 and related financial adjustments, the Postal Service reported a \$5.1 billion loss. Still, the Postal Service increased productivity for the eighth consecutive year and delivered 96 percent of local First-Class Mail overnight.

Revenues increased to \$75 billion (more than \$2.2 billion over FY 2006) primarily due to a rate increase across all rate classifications, implemented in May 2007. However, operating expenses increased from \$71.7 billion in FY 2006 to \$80.1 billion in FY 2007, primarily due to a 516 percent increase in retiree health benefits resulting from the Postal Act of 2006 requirements. The Postal Service expects continued sluggish economic growth to affect the business outlook of the Postal Service for FY 2008, but it expects revenues to increase by \$3.2 billion, or 4.3 percent, primarily due to the May 2007 price increase. Conversely, it expects expenses to decrease 1.6 percent from FY 2007 primarily due to the one-time \$2.958 billion payment from escrow that was expensed in FY 2007. Excluding that payment, personnel costs (including retiree health benefits) are expected to increase about \$700 million or 1.2 percent primarily due to cost of living pay adjustments, and increases in contractual pay and health benefits costs. The Postal Service plans to offset this increase by reducing 28 million workhours, equal to 14,000 full-time equivalent positions. These costs are expected to account for 79 percent of total expenses. The Postal Service has not yet determined additional costs associated with the new financial reporting requirements, PRC regulations, or Section 404 of the Sarbanes-Oxley Act.

Throughout most of FY 2006 and FY 2007, the Postal Service was debt-free and borrowed only to meet year-end cash disbursement requirements. At the end of FY 2007,

the Postal Service had \$4.2 billion in debt outstanding, a \$2.1 billion increase from FY 2006. As was the case for FY 2007, the Postal Service does not expect cash flow from operations to be sufficient to fund capital investments and legislative payment requirements. Consequently, it anticipates increasing debt in FY 2008 by about \$1 billion. Since the Postal Service's debt since FY 2004 has consisted of short-term obligations that allow payment on a daily basis, interest expense on borrowings has been at the lowest levels since the early 1970's.

**Financial Audits.** During FY 2007, we issued two reports summarizing 210 post office and Business Mail Entry Unit (BMEU) audits. We concluded that financial transactions were reasonably and fairly presented in the accounting records, and that generally, internal controls were in place and effective. However, we identified five post offices where internal controls were not effective and nine post offices and BMEUs where major segments of the internal controls were not effective. To address a significant deficiency regarding mail acceptance at BMEUs, the Postal Service created a cross-functional team that included the Sarbanes-Oxley compliance group, Marketing management, and the Financial Control and Support group. We also recommended that the Postal Service develop and implement a nationwide corrective action plan to measurably reduce or eliminate these reported, recurring deficiencies.

We also issued one report summarizing our work conducted at 11 stamp distribution offices (SDO) and one stamp services center (SSC). In general, the internal controls at the 12 offices were in place and effective, except for one office in which controls over stamp stock destruction were not effective. In addition, there were internal control and compliance issues related to stamp destruction and security at 11 of the 12 offices. For example, supervisors or employees did not always follow prescribed policies and procedures related to stamp transfers, notifications of and accounting for discrepancies, and access to and storage of stock and merchandise. In addition, management did not always notify investigative authorities about, or properly account for, discrepancies. We identified \$155 million in non-monetary impact for accountable items at risk.

Our audits of Postal Service headquarters and the Information Technology and Accounting Service Centers (IT/ASC) concluded that management's financial accounting policies and procedures provided for an adequate internal control structure and conformed to accounting principles generally accepted in the United States; transactions affecting general ledger account balances were stated in accordance with those same accounting principles; and general ledger account balances conformed to the general classification of accounts on a basis consistent with the previous year.

We did not identify any instances of noncompliance with laws and regulations that have a direct and material effect on the financial statements; however, we identified a significant deficiency regarding international mail accruals and rates. To address this, the Postal Service implemented a quarterly review process and started a business process improvement plan to develop a stronger system.

We also conducted 15 audits addressing cost and revenue analyses. We concluded that the Postal Service generally conducted these statistical tests in accordance with established policies and procedures. However, we noted some areas where the Postal Service could make improvements to maintain the integrity of the statistical data.

### **Security and Controls in Technology Investments**

We perform information systems general controls reviews to support the annual financial statement audit and to assess the adequacy of controls over information systems security and software.

**FY 2007 Information Systems Access Controls.** Access controls limit or detect access to computer data, programs, equipment, and facilities. They also protect these resources against unauthorized modification, loss, and disclosure. Access controls can use computer hardware and software to prevent or detect unauthorized access (logical), or restrict physical access to computer resources and protect these resources from intentional or unintentional loss or impairment (physical). Inadequate access controls diminish the reliability of computerized data and increase the risk of destruction or inappropriate disclosure of data.

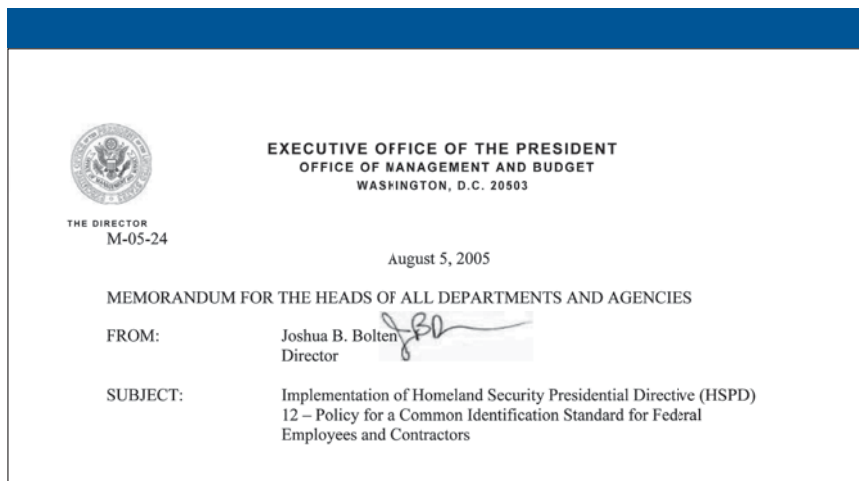
During the reporting period, we determined that access controls were in place and functioning adequately. However, testing identified opportunities to improve compliance with these controls. Specifically, management could improve access controls for the Injury Compensation Performance Analysis System (ICPAS) by strengthening database security settings, reconciling user lists,



*During the reporting period, we determined that access controls were in place and functioning adequately. However, testing identified opportunities to improve compliance with these controls.*

## AUDIT ACTIVITIES

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*Homeland Security Presidential Directive 12 established a federal policy to create and use a government-wide secure and reliable form of identification for federal employees and contractors.*

and providing application documentation. In addition, management should modify the Windows default domain password settings to comply with policy, and complete ongoing inventories of all door keys at the Information Security Centers. Addressing these issues would enhance the security of access to more than 680 million records that include sensitive data in the ICPAS database and protect the Postal Service brand by reducing the potential for improper disclosure of sensitive information.

**External Public Key Infrastructure Services.** Homeland Security Presidential Directive 12 (HSPD-12 — Policy for a Common Identification Standard for Federal Employees and Contractors, dated August 27, 2004) established a federal policy to create and use a government-wide secure and reliable form of identification for federal employees and contractors. Currently, the Postal Service operates an internal certificate authority-public key infrastructure (CA-PKI) to generate internal digital certificates for machines, software, and employees. However, a requirement of Federal Information Processing Standard 201 is that every HSPD-12 credential the government issues must contain an external digital certificate, too.

We reviewed whether the Postal Service's external PKI environment complies with Postal Service certificate policy, certificate practice statements, and any applicable agreements. We found the environment generally complies, but the Postal Service could improve it by addressing 14 items not in compliance at the time of the review. These items included 11 minor issues in the areas of physical security controls, documentation, and operational procedures; and three issues that involved audit log backups, active directory settings, and role separation.

**eAccess System.** The eAccess access control system has become an integral part of the day-to-day operations of the Postal Service. The system grants access and monitors who obtains access to various Postal Service resources, automates the creation and maintenance of user accounts, and provides efficiencies that allow for the elimination of certain paper forms and the associated manual effort necessary to approve and create user accounts. Employees and contractors use the eAccess system to obtain automated access to registered Advanced Computer Environment (ACE) and some mainframe systems. If employment status data does not flow accurately from feeder systems into Active Directory and the mainframe security system (CA-ACF2 — Computer Associates Access Control Facility 2), or if internal controls in these systems are not in place or working properly, it could result in improper or unauthorized user access to information systems.

We reported that the automated and manual processes accurately extracted employment status changes that were transmitted to Active Directory and CA-ACF2; however, Human Resources management needed to improve controls definition to better separate duties for users who can update the Human Capital Enterprise System (HCES) and the Payroll systems. Additionally, management needed to evaluate the business processes that change employee status between HCES and eAccess to adequately separate duties between managers and users in eAccess, and to better manage employee status changes — particularly detail assignments that affect user access to critical or sensitive systems. Finally, management needed to improve eAccess system documentation.

Management identified as many as 20 security enhancements to eAccess, planned for mid-2008, but some of these system improvements depend on corresponding changes to HCES. We made four recommendations to address these issues, and while management did not agree with some facts in two of the recommendations, they recognized that the conditions were valid and agreed to correct them.

**Oracle® Financial Processing.** Oracle® Accounts Payable (AP) processes all non-payroll related payments totaling approximately \$14 billion annually. Business processes include supplier maintenance, purchase orders, and invoice management. Oracle AP receives and processes invoices, receipts, and purchase orders from 30 electronic subsystems. Each subsystem represents an individual application with its own inherent risks and unique controls.

We assessed whether Oracle® AP processing controls are sufficient and operating as intended to ensure that transactions are valid, authorized, and completely and

accurately processed. We found that controls over electronically processed invoices are adequate to ensure available discounts are taken prior to payment. However, the Postal Service has an opportunity to further improve its capability to take advantage of discounts on manually processed invoices through timely certification of invoices and timely delivery of certified invoices for payment, reduced errors, and a re-worked discount calculation and certification process. Our audit determined that the Postal Service missed taking more than \$450,000 in discounts from August 12, 2005, through July 11, 2007. We recommended strengthening controls to more timely process payments, reduce overall outlays, and increase discounts earned.

Additionally, we found that Postal Service managers did not detect duplicate and inactive suppliers because they did not perform or delegate reviews of supplier master data that would identify these conditions. We recommended the Postal Service establish comprehensive standard operating procedures, and establish and document quality control reviews, to address these issues.

**National Accounting Oracle Financials Application Database.** The National Accounting Oracle Financials Application (NAOFA) is the hub for all financial reporting for the Postal Service. The NAOFA consists of three commercial off-the-shelf Oracle modules focused on the general ledger, property and equipment, and accounts payable.

At management's request, we assessed the strength of encryption used to store or transmit sensitive NAOFA data as a follow-up review to the security vulnerability assessment we conducted on servers and databases supporting the NAOFA. The scope of our review was limited to analysis of data transmitted to and from the NAOFA database as well as sensitive credit card and personally identifiable information stored within the database.

We believe the Postal Service has adequately secured sensitive information transmitted to and from the NAOFA Oracle database by way of Assured File Transfer. However, we identified areas where management could strengthen their implementation of encryption used to secure sensitive data for storage and transmission. During the review, we also identified concerns related to the key management process and identification of credit cardholder data in the application Business Impact Assessment. Based on current industry data reports, the Postal Service could incur costs of \$83 per record in the event sensitive credit card or personally identifiable information is compromised — a potential non-monetary impact of \$62,997 relating to the safeguarding of information technology assets and preserving the integrity of the Postal Service brand.

**Enterprise Payment Switch Solution Phase 3: Security Testing.** In FY 2007, the Postal Service processed more than 293 million debit and credit card transactions involving more than \$9.6 billion. To meet updated performance, reliability, flexibility, and cost objectives associated with debit and credit card transaction processing, the Postal Service has developed the Enterprise Payment Switch solution. The Payment Switch is an off-the-shelf hardware/software solution that resides between the retail environment and vendors that process the transactions for payment. Placed into limited production in 2007, the Payment Switch supports a broad range of electronic payment types, including credit card, debit card, checks, and Internet payments. As a merchant accepting debit and credit card payments, the Postal Service is required to comply with the terms of the Payment Card Industry (PCI) Data Security Standard.

We partnered with the Postal Service to evaluate the security of the proposed credit and debit processing solution to verify that the routing and storage of customer information is secure within the Postal Service systems and the Payment Switch environment. This project was divided into multiple phases to facilitate timely reporting in step with the Postal Service development and implementation of the Payment Switch solution. We reviewed the security testing documentation and methodology during Phase 3.

The Postal Service elected to incorporate the tests associated with PCI security requirements into their internal security testing for the Payment Switch solution to address all security requirements in a combined effort. During the audit, we identified concerns related to disaster recovery capabilities for the Payment Switch solution while security representative verifications also disclosed security concerns not previously recognized by management. We presented our concerns to senior Postal Service managers prior to the implementation date. Management agreed with the findings presented in the Phase 3 OIG report and stated that most of the issues identified involve the many pre-existing systems and processes that were not changed by the Payment Switch solution.

### ***Inspection Service Security Controls, Processes, and Programs***

We issued a report assessing Inspection Service security controls and processes. We concluded that 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 security surveys and reviews. In addition, postal inspectors should be required to take

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*A mail transport equipment trailer and other trailers were stored at an unsecured lot near the San Francisco Processing and Distribution Center on January 9, 2008.*



*Depicted is a Postal Service-owned trailer covered with graffiti sitting on the San Francisco P&DC's unsecured storage lot on August 7, 2007.*



*A family set up camp on the Postal Service leased lot, potentially to take advantage of adjacent parklands along San Francisco Bay. This photo was taken on August 7, 2007.*

training that will help them identify and mitigate risks, and provide more effective oversight of the security program. Management's planned actions to establish mandatory training for postal inspectors will address the training issues identified.

### **Identity Theft**

Identity theft — the unauthorized use of another individual's personal information to commit fraud — is America's fastest growing crime. Commission of this crime depends on access to personal data, and recent studies indicate annual losses in the billions of dollars. The Postal Service is combating identity theft by strengthening the protection of its customers' and employees' sensitive and personally identifiable information. Initiatives include security clearances for appropriate individuals; protection of social security numbers and other sensitive data processed in information systems; access management; and identity theft communication and awareness activities.

Our audit showed the Postal Service should enhance controls surrounding the protection of sensitive and personally identifiable information in the seven systems reviewed. Specifically, management needs to make improvements in the areas of user access, data protection, and the collection and use of personally identifiable data on Postal Service forms. Additionally, the Postal Service should discontinue one of its employment verification systems. We made seven recommendations to address these issues, safeguard assets, and protect the Postal Service brand, and identified funds put to better use and questioned costs totaling almost \$140,000.

### **Unsecured Trailers**

During unrelated audit work at the San Francisco P&DC, we observed Postal Service-owned and leased trailers and mail transport equipment (MTE) stored at an unsecured lot near the P&DC. This lot had no fences, cameras, guards or other security measures, so we immediately notified senior Postal Service officials and the Inspection Service. During our observations at the unsecured lot, we found some trailers defaced with graffiti, some with other damage, and most unlocked. In many cases, the unlocked trailers were loaded with mailbags, hampers, pallets, and other MTE. Our discussions with employees indicated transient or homeless people were using the lot, sleeping in Postal Service trailers, and using Postal Service equipment. The unsecured conditions presented a danger to public safety and security; subjected Postal Service vehicles and equipment, worth approximately \$1.6 million, to theft or misuse; diminished the Postal Service's image, reputation, and brand; and exposed the Postal Service to unrecoverable financial loss.



## INVESTIGATIVE ACTIVITIES

The investigative efforts of OIG special agents assist the Postal Service in protecting the mail, safeguarding the Postal Service’s revenue and assets, and helping maintain the integrity of postal personnel. These special agents — federal law enforcement officers — play a key role in maintaining America’s trust in the postal system.

The vast majority of postal personnel are dedicated, hard-working public servants whose daily efforts instill trust in America’s postal system. However, it takes only one incident of theft, fraud, or misconduct to potentially diminish that trust. The charge of our special agents is to investigate these internal crimes and frauds against the Postal Service and help deter postal crimes. With more than 600 special agents stationed in more than 100 offices nationwide, the OIG carries out that mission by investigating internal postal crimes involving:

- Theft, delay, or destruction of mail by employees and contractors.
- Injury compensation fraud.
- Embezzlements and financial crimes.
- Contract fraud.
- Computer crimes.
- Internal affairs and executive investigations.
- Whistleblower reprisals.
- Employee misconduct and general crimes.
- Narcotics.

Special agents also investigate bribery, kickbacks, extortion, conflicts of interest, and allegations against postal executives. Investigative analysts examine data and analyze trends to augment investigators’ work in the field. Analysts and special agents partner to find solutions to help detect and prevent fraud. They operate as a headquarters intelligence unit, providing investigative analysis and research, reviewing investigative trends, and facilitating strategic initiatives.

### Countermeasures

This program involves a continuous examination of investigative results to identify trends and to develop effective countermeasures to prevent or minimize future violations. The Countermeasures group uses trend surveys to capture information on investigations and develop business cases for proposed countermeasures. It works with other OIG components to ensure proper implementation and monitoring of approved countermeasures.

An example of a countermeasure is the enforcement of policy prohibiting employees from carrying personal items like a backpack or gym bag on the workroom floor to help prevent or minimize employee mail theft at a plant. An alternative would allow employees on the workroom floor to carry personal items in clear plastic bags.

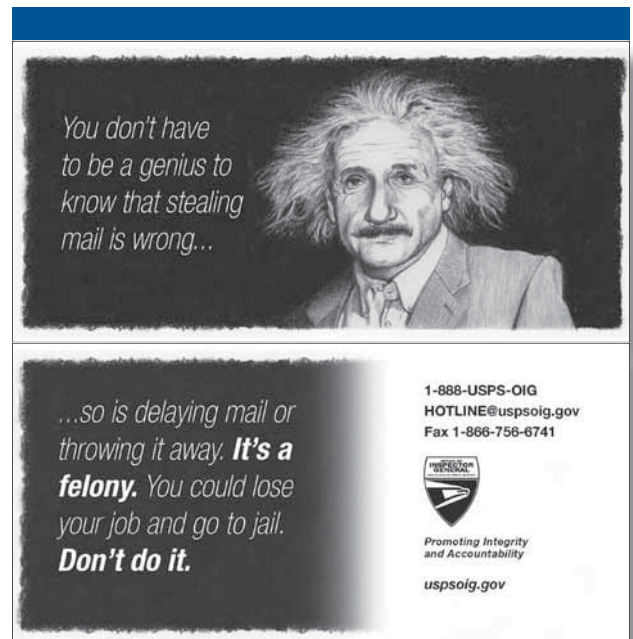
In addition, the Countermeasures group works closely with key mailers (such as Netflix, Blockbuster, QVC, HSN, GameFly, and the U.S. Department of Veterans Affairs) and major financial industry associations (such as the Financial Industry Mail Security Initiative [FIMSI]) on proactive initiatives to more quickly identify non-receipt of mailed items and possible points of loss within the postal network.

### Theft, Delay, or Destruction of Mail by Employees and Contractors

The American public expects to receive letters and parcels on time and intact. Citizens have an expectation that their mail will not be stolen, rifled, read, or obstructed while in the possession of Postal Service employees. That expectation and trust extends to every one of the 700 million mailpieces that travel across the country daily. Whether it is a First-Class letter or a Priority Mail piece; Express Mail overnight service; a magazine; or a family heirloom in Registered Mail, all are handled by the women and men of the Postal Service.

Following are examples of mail theft investigations.

**“Operation First-Class Mail” Nabs Los Angeles Postal Manager.** We launched “Operation First-Class Mail” in Los Angeles to determine the cause of high-mail loss. A video game company told us the losses began after it had mailed 9,170 pieces in August 2007, and approximately 4,500 customers did not receive their mailed product.



As part of our crime prevention and awareness outreach, a Mail Theft/Delay of Mail insert was distributed to more than 600,000 Postal Service employees with a March pay statement.



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Our investigation determined a Los Angeles P&DC Manager was stealing the DVDs. Our agents observed the Manager, who was also assisting in their investigation, hide the company's mailers in a hamper of waste mail. She later retrieved the mailings and took them to her apartment.

Additionally, the video company security team provided loss reports indicating an abnormally high amount of loss from customers in ZIP Code prefixes 900 to 904.

Our investigation determined 1,050 opened mailers from the video company appeared outside the normal mail stream and in the possession of the Manager.

In January, a federal grand jury indicted the Manager and charged her with one count of Delay of Mail by a Postal Service Employee and three counts of Embezzlement of Mail Matter by a Postal Service Employee. Special agents arrested the Manager in January. The Manager had been placed on off-duty status in November.

**Florida Postal Union President Pled Guilty to Mail Theft.** We investigated a former American Postal Workers Union local President and Sales and Service Associate (SSA) for rifling mail and removing articles from the mail stream for his personal use. During surveillance, our special agents observed the SSA rifling mail and stealing the contents. Later, during an interview with agents, the SSA acknowledged the thefts. The Postal Service removed the SSA in June 2007.

The former postal employee was sentenced in federal court to 7 months in prison, followed by 2 years of supervised release for two counts of mail theft.

**Colorado Mail Processing Clerk Indicted for Rifling Mail.** During our investigation, agents observed a Denver Mail Processing Clerk rifling mail and removing the contents from several First-Class letters. Agents also observed the Clerk taking \$30 in currency from the rifled letters. A consent search of the Clerk's residence revealed he had stolen 87 DVDs from the Denver P&DC.

The investigation further revealed the Clerk stole more than 600 mailpieces since the summer of 2006 and \$1,200 in cash. He resigned from the Postal Service in January. In March, he was sentenced in federal court to 3 years probation.

**Special Agents Foil New Jersey Clerk's Resale Business.** We received information from two video rental services regarding significant DVD losses mailed to and from the north-central New Jersey area. In December, we observed a Casual Clerk making several trips to his personal vehicle and then driving it off the postal parking lot. Special agents pulled the Casual Clerk over

to determine whether he had removed mail from the post office. Within plain view in the Casual Clerk's vehicle, agents saw a hand-made sign advertising jewelry for sale and invoices from a major shopping network service addressed to New Jersey residents. After receiving a verbal consent to search the Casual Clerk's vehicle, agents found jewelry, a cell phone charger, and magazines. Agents next searched the Casual Clerk's residence and recovered 70 DVDs.

The OIG investigation revealed the Casual Clerk had stolen DVDs from the post office for at least 2 months. It was also determined the Casual Clerk stole parcels from two shopping network services and sold them from his car at a nearby shopping center using the cardboard sign to advertise merchandise for sale.

Management removed the Casual Clerk in January. In February, the Casual Clerk was arrested and he was charged with one count of Obstruction of Mail Generally.

**Postal Service Terminates Louisiana Highway Contract Route Driver For Stealing Checks.** In September, the Baton Rouge Police Department told us an arrestee allegedly received stolen checks from a Highway Contract Route (HCR) Driver working in Louisiana.

We interviewed the HCR Driver who admitted stealing 13 checks, including Social Security and state-issued child support enforcement checks, from postal customers on his route. The HCR Driver supplied the checks to two co-conspirators in exchange for cash. The co-conspirators used the HCR Driver's vehicle to drive to a bank, where they set up an account to deposit and cash the checks. The total amount deposited from the stolen checks was \$15,608.

In October, management terminated the HCR contract. A Louisiana federal grand jury charged the former HCR Driver with three counts of theft of mail and one count of bank fraud.

### **Targets for Mail Theft**

Items that are attractive to mail thieves have evolved over the years. Here is a list of traditional targets and today's list of new desirables.

**Traditional:** Checks, credit cards, greeting cards with cash, jewelry, and video tapes.

**New:** DVDs, CDs, Home Shopping Network/QVC branded parcels, gift cards, mail-order prescriptions, and eBay branded parcels.

**Injury Compensation Fraud**

The Postal Service funds workers' compensation benefits for employees who sustain job-related injuries. The monetary and medical benefits paid by the Postal Service to workers' compensation claimants totaled \$880 million in 2007. At the end of 2007, the Postal Service's estimated total liability for future workers' compensation costs was more than \$7.77 billion. Administered by the U.S. Department of Labor (DOL), the Office of Workers' Compensation Programs (OWCP) provides direct compensation to providers, claimants, and beneficiaries. The Postal Service later reimburses OWCP in a process known as "charge-back billing."

Most employees receive workers' compensation benefits because of legitimate job-related injuries. However, a small percentage of postal employees and healthcare providers abuse the system. These schemes cost the Postal Service millions of dollars each year in compensation payments, medical costs, administrative expenses, and enforcement costs.

We initiate criminal investigations when we suspect individuals or healthcare providers of defrauding the DOL's Federal Employees' Compensation Act benefits fund. Criminal prosecutions are an effective deterrent to fraud and may permanently prevent the payment of any additional compensation. Any cases that may require administrative action are referred to the Postal Service and the DOL. Special agents work closely with injury compensation specialists from the Postal Service on all phases of these investigations.

During this reporting period, injury compensation fraud investigations resulted in more than \$95.4 million in cost savings/avoidances. Our investigations resulted in the arrests of 23 suspects and in 134 administrative personnel actions, including removals, suspensions, and letters of warning. Following are examples of injury compensation fraud cases investigated during this reporting period.

**Michigan Tattoo Artist Draws Conviction in Compensation Scam.**

In August 2006, we received a tip that a Letter Carrier was working in a tattoo booth at a Michigan county fair. At the time, the Letter Carrier was receiving \$2,087 in workers' compensation payments every 28 days because of an on-the-job injury. The Letter Carrier had submitted documents to the OWCP claiming he had not been employed or involved in any business enterprise during the previous 15 months.

We conducted surveillance of the Letter Carrier while he worked at numerous fairs and carnivals. We videotaped him carrying equipment, lifting heavy objects, jogging, bending, twisting, sitting, and standing for extended periods.

In October 2007, a Michigan federal grand jury charged the Letter Carrier with two counts of fraud to obtain employees' compensation, eight counts of mail fraud, and four counts of false statements. The Letter Carrier was convicted on all counts in December. This conviction will save the Postal Service \$1,012,663 in future compensation costs.

**Western Area Clerk Guilty of Workers' Compensation Fraud.**

In July 2006, management reported that a Western Area Processing and Distribution Clerk was allegedly exceeding her physical restriction while receiving workers' compensation payment on the daily roll.



*A federal grand jury in Baton Rouge, Louisiana, charged eight people for postal-related crimes. "Those who violate laws regulating the postal system must be punished," U.S. Attorney David Dugas said at a press conference. "The mail must be sacrosanct. It's been that way since this nation started, and we intend to keep it that way."*

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### Injury Compensation Fraud Investigative Results

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- 734 fraud investigations resolved
- \$95 million in compensation payments avoided
- 23 arrests
- 21 indictments
- 13 convictions
- 134 personnel actions taken by postal management



*During surveillance of a Clerk receiving workers' compensation, she was observed helping to construct a parade float, on which she rode for 2 ½ hours. During that time, the Clerk displayed no obvious pain behaviors, although she had told her doctor she could not sit for more than 10 minutes.*



*A letter carrier on workers' compensation, who claimed he could no longer play golf, was observed by special agents playing 36 holes of golf in 1 day and showing no signs of physical distress.*

Agents subsequently observed the Clerk helping to construct a parade float, on which she rode for 2 ½ hours. During that time, the Clerk displayed no obvious pain behaviors, although she had told her doctor she could not sit for more than 10 minutes. During additional surveillances (including a surveillance of the Clerk dancing at a Halloween party), we observed the Clerk continuing to exceed her physical restrictions, and at no time did she appear to be in pain. In an undercover interview at the Injury Compensation and Control Office, the Clerk reported being unable to work a limited duty job answering a telephone for 2 hours per day.

In February 2007, management removed the Clerk from duty. In September, OWCP terminated the Clerk from the daily roll, saving the Postal Service more than \$1.1 million in future compensation benefits. In November, the Clerk was found guilty in federal court of one count of Wire Fraud and five counts of making false statements or fraud to obtain federal employee's compensation. She is scheduled to be sentenced in May.

**OWCP Claimant Plays Golf Instead of Working; Gets Jail Time.** In September 2006, an anonymous person reported seeing a Letter Carrier golfing regularly at a Southeast Area golf course. This activity exceeded the physical limitations under which the Letter Carrier received workers' compensation payments on the periodic roll. Between September 2006 and May 2007, special agents and Workers' Compensation analysts conducted surveillances of the Letter Carrier. On 11 separate occasions, they videotaped him playing golf at a local golf club. One day, the Letter Carrier was observed playing 36 holes of golf. At no time during any of these surveillances did the Letter Carrier show signs of discomfort.

During an interview with DOL personnel, the Letter Carrier said that he could no longer play golf because of his back injury. He was limited to merely walking on the golf course for exercise.

In September 2007, the Letter Carrier was indicted by a federal grand jury on 30 counts of Mail Fraud and one count of false statements or fraud to obtain federal employee's compensation. He pled guilty in federal district court to one count of False Statements or Fraud to Obtain Federal Employee's Compensation. The Letter Carrier was sentenced to 30 months incarceration, 3 years supervised release, and was ordered to pay \$71,514 in restitution. The OWCP also terminated him from the periodic roll, saving the Postal Service \$1,054,258 in future compensation benefits.

**OWCP Medical Provider Fraud**

We also investigate allegations of fraud against medical providers who treat multiple Postal Service OWCP claimants. The following is an example of our medical provider fraud investigations during the reporting period.

**Doctor Pled Guilty to Overcharging the Office of Workers’ Compensation.** In February 2004, we launched an investigation in response to a qui tam involving a Missouri plastic surgeon. A qui tam is a private action under the False Claims Act, 31 U.S.C. It allows a private person, “known as the “relator,” who has knowledge of fraud committed against the federal government, to bring suit on the United States’ behalf when the private person has information that the named defendant has knowingly submitted or caused the submission of false or fraudulent claims.

We discovered after querying a postal database that the OWCP had paid \$92,489 to the surgeon. We consulted a government medical expert, who reviewed the medical records of the postal worker who the surgeon operated on in April 2002. The medical expert determined the surgeon falsely and fraudulently stated the employee sustained a “large avulsion injury,” an injury in which a body part has been severed from the body. The postal employee had actually injured himself when a mail tray fell on his right index finger. The surgeon falsely reported he performed extensive medical and surgical procedures for the postal worker. Additionally, the medical expert discovered other files in which the surgeon charged for medically unnecessary procedures or for services not performed.

In October 2007, the surgeon pled guilty to fraudulently billing the OWCP by “up-coding” and billing the OWCP \$128,855 for services he never rendered to postal employees. “Up-coding” is the act of billing for a higher level of service than actually provided to receive higher payment. During plea negotiations, the surgeon agreed to surrender his medical license, and he and his company agreed to pay \$1 million in criminal fines, \$400,000 in restitution, and \$100,000 in investigative costs.

**Embezzlements and Financial Crimes**

Employee embezzlements may involve postal employees stealing money from cash drawers, using sophisticated schemes to manipulate postal money orders or money order funds, or falsifying financial retail records. When post offices experience unusual or significant shortages, our investigators employ various investigative techniques to uncover embezzlements. Improper or lax procedures are reported to management for corrective action. When employees are found to be responsible for missing postal funds, they are reported to management for appropriate administrative action. In cases that warrant criminal

prosecution, offenders not only face the loss of their jobs, but also may face jail time and court-ordered restitution.

Following are examples of financial fraud cases we investigated.

**Texas SSA Sentenced to Home Confinement for Stealing Postal Funds.** In April 2007, we began investigating a report of suspicious refunds recorded by an SSA working in a Texas post office. Management reviewed the SSA’s transaction reports for the past month and identified more than \$9,000 in suspicious refunds. During our investigation, we determined the SSA defrauded the Postal Service of \$60,544 by reducing the amount of cash she submitted in daily deposits by falsely claiming refunds. The SSA embezzled postal funds over a 5-month period from November 2006 to April 2007.

During our interview, the SSA said the money was used to pay medical bills and her house note. She said it also helped four people purchase plane tickets and repair a home in New Orleans. The SSA provided a written statement detailing her embezzlement of postal funds. She resigned from the Postal Service in May 2007.

In October, a federal district court sentenced the SSA to 6 months of home confinement and 5 years of probation. The court also ordered the SSA to pay restitution of \$60,544 to the Postal Service.

**Alaska Postmaster Convicted of Embezzling \$130,000.** We began investigating an Alaska Postmaster after discovering numerous deposits were missing between November and December 2005. We learned the Postmaster later submitted some deposits, but an audit of the post office disclosed a shortage of \$129,692. Our investigation revealed the Postmaster stole cash from postal funds over an 8- to 10-month period because of her gambling addiction. She resigned from the Postal Service in December 2005.

In October 2007, the Postmaster was sentenced to 12 months at a halfway house and 5 years of probation. The federal district court also ordered the former Postmaster to pay restitution of \$129,692 to the Postal Service.



*Employee embezzlements may involve postal employees stealing money from cash drawers, using sophisticated schemes to manipulate postal money orders or money order funds, or falsifying financial retail records.*



**Schemes  
& Indicators**

**What To Look For  
And  
What To Do**



*Promoting Integrity and Accountability*

*OIG contract fraud brochure to help Postal Service contracting officers and procurement specialists identify contract fraud.*

**Former Texas SSA Convicted for Embezzling \$108,000.**

We reviewed postal accounting records at a Texas post office and discovered irregularities in the handling of refunds and bank deposit remittance procedures. We investigated a former SSA responsible for the funds (selling stamps and money orders, issuing refunds, assisting major mailers, and performing audits). Our investigation revealed the SSA took postal funds to pay gambling debts and reused postal forms from legitimate refunds to obtain cash. He said he was “floating” the money, and, on some occasions, he would replace money he took from the Postal Service.

In December, a federal district court sentenced the SSA to 15 months in prison followed by 3 years of supervised release for misappropriating postal funds. The court also ordered the SSA to pay restitution of \$108,262.

**Texas SSA Convicted of Misappropriating \$129,000 in Postal Funds.**

A 2004 proactive review of postal units and their postage validation imprinter (PVI) usage found a post office in Texas routinely reporting PVI usage inconsistent with the actual meter usage. We launched a joint investigation with the Inspection Service into the shortages and covertly observed an SSA improperly processing transactions into the Point of Sale terminal. Several times, he removed cash from his cash drawer and co-mingled that cash with his own funds by placing the postal funds in his pants pocket.

Our review of records disclosed PVI losses of \$128,691 from June 1999 through June 2004.

The SSA, who pled guilty in June 2007, was sentenced to 14 months in prison in November. Additionally, the federal district court ordered the SSA to pay restitution of \$128,691 to the Postal Service.

**Contract Fraud**

The Postal Service is presently managing more than \$40.4 billion in contracts, ranging from multi-million dollar national contracts for services such as transportation networks and IT infrastructures, to local contracts for supplies and services at individual postal facilities. The sheer volume of contracts and the huge dollar value provide opportunities for contractors and employees to defraud the Postal Service. The Office of Investigations aids the Postal Service by aggressively investigating allegations of fraud, waste, and misconduct. When contract improprieties are documented, we present the evidence for criminal/civil prosecution or administrative remedies.

Contract fraud is defined as any intentional, unlawful deception designed to deprive the U.S. Government, unlawfully, of something of value or to secure from the United States for an individual a benefit, privilege, allowance, or consideration to which he/she is not entitled. Following are examples of contract fraud that we look to uncover:

- Billing for services not rendered and/or fraudulently charging for “extra costs.”
- Making false statements and/or false claims.
- Misrepresenting material facts.
- Offering bribes/gratuities.
- Falsifying records.
- Arranging for secret profits, kickbacks, or commissions.
- Engaging conflict of interest.

The National Procurement Fraud Task Force, (NPFTF) formed by the Criminal Division of the U.S. Department of Justice, promotes the “early detection, prevention, and prosecution of procurement fraud associated with increased contracting activity for national security and other government programs.”

In conjunction with the national task force initiative, various OIG field offices joined regional working groups formed by U.S. Attorney’s Offices to coordinate and organize procurement fraud investigations and implement the strategies and mission of the national task force. These regional working groups will also facilitate the exchange of information among agencies at the regional level. In January, we attended the Forensic Auditing

Forum sponsored by the NPFTF. The forum examined how to integrate audit, investigative, and legal skills to identify procurement fraud in forms. The forum promoted the application of forensic auditing as a tool to fight procurement fraud.

During the reporting period, we conducted 69 contract fraud investigations, resulting in five arrests and more than \$2.9 million in funds returned to the Postal Service. Following are examples of contract fraud investigations we conducted during this reporting period follow.

### Contract Fraud Phases

Contract fraud can occur at various stages during the life of the contract:

- **Pre-Solicitation Phase** (attempted/actual bribes and kickbacks).
- **Solicitation Phase** (falsification of certifications such as Woman/Minority-Owned Business, bid submissions by non-existing companies, kickbacks, bribery, conflicts of interest, and/or bid rigging).
- **Proposal Phase** (bid-rigging among contractors, including bid rotation, sporadic bidding, token bids, market allocation, and/or change-order schemes).
- **Negotiation and Award Phase** (bid-rigging among contractors, including bid rotation, sporadic bidding, token bids, market allocation, and/or change-order schemes).
- **Contract Performance Phase** (cost mischarging including material and labor mischarging, defective pricing false invoices, over billing, duplicate billing, fraudulently charging “extra costs” for work not performed, and/or product/service substitution).

**\$1.2 Million Settlement Agreement Reached with Vehicle Leasing Vendor.** Beginning September 2003, based on an anonymous lead, we investigated allegations that Mike Albert Leasing (MAL) was submitting false repair estimates for end-of-lease damage claims on Postal Service vehicles. The investigation subsequently determined that from January 1996 to November 2004, MAL was paid in excess of \$3.1 million on approximately 3,200 vehicle damage claims. Many claims were supported by repair estimates inflated by approximately 25 percent over the actual repair expense. Our investigation further found MAL repaired a significant percentage of vehicles before the damage claims were actually submitted to the Postal Service for payment and knew the actual cost of the repairs before the submission of the claims.

In November, MAL signed a \$1.2 million settlement agreement with the Department of Justice to resolve a contract appeal claim. The Postal Service received \$825,000 in value from the settlement.

**\$1.5 M Settlement Agreement, in Lieu of Debarment, with Bell & Howell.** The Postal Service contracted with Bell & Howell (B&H) to supply 200 Mailing Evaluation Readability Lookup Instrument (MERLIN) machines, which verify address hygiene, barcode readability, and the mail presort sequences of bulk mailings claiming discount postage rates.

In March 2002, we initiated the investigation after receiving a referral from a Postal Service contractor who oversaw e-mails containing previously undisclosed cost or pricing data.

Our investigation disclosed that during the contract negotiations in September 2000, B&H withheld cost or pricing data that was lower than the proposed costs of \$41,000 per supplier machine. In the weeks preceding the negotiations, there was an internal supplier communication that its cost per unit was declining and was more than \$5,000 lower than the submitted bid. In November 2005, a \$3.3 million demand letter was issued to B&H by the Department of Justice, based on a Defense Contract Audit Agency defective pricing damage report.

In January 2007, B&H agreed to settle the claim for \$1.5 million. In February 2008, the Postal Service and B&H entered into an agreement in which the Postal Service agreed not to debar the contractor. B&H paid the settlement amount in full.

### Pennsylvania Lead Automotive Technician Indicted.

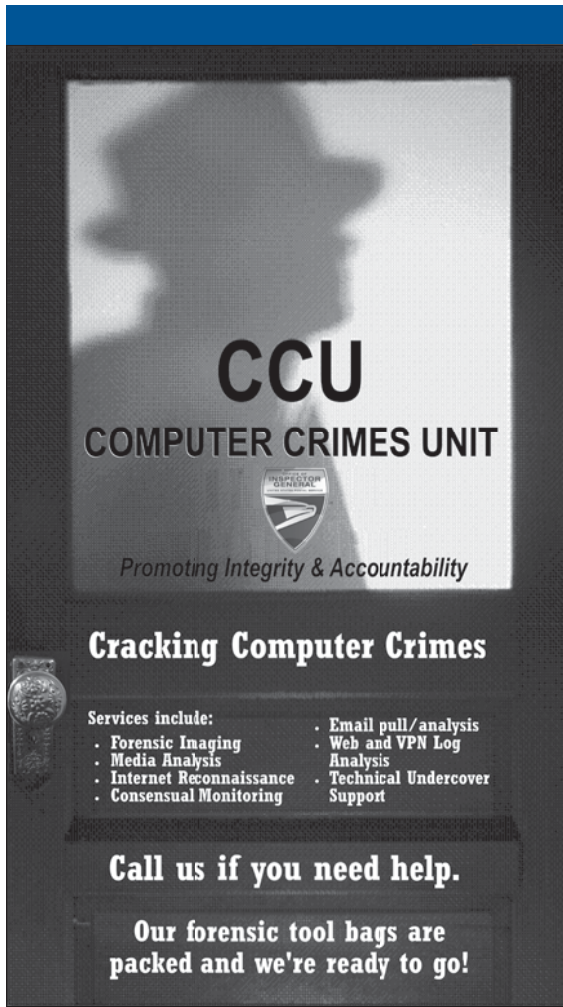
We investigated a Postal Service Lead Automotive Technician after receiving information that he accepted an all-expense paid trip to Las Vegas, Nevada, for himself, his wife, and two friends. He also received other illegal gratuities from the owner of a Pennsylvania automobile service center. Postal Service repair orders provided 80 to 90 percent of the owner’s revenues (\$1.5 million).

When interviewed, the Technician said he knew accepting the trip was wrong, based on his relationship with the shop owner. The Technician also said he accepted four tires for a personal vehicle and another trip from the vendor to a local area casino before the Vegas trip. He also attended a Christmas party hosted by the shop owner. The investigation disclosed the Technician had attended “ethics” training.

The Technician was indicted in federal court for accepting illegal gratuities from a shop owner in November. In January, the employee was placed on Indefinite

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*Our Computer Crimes Unit initiates investigations and provides digital forensics support to our investigations.*

Suspension as a result of our investigation. The shop owner was also indicted.

**Computer Crimes**

As the Postal Service information infrastructure expands and the number of products and services available over the Internet increases, the agency faces increased exposure to online risks. Unauthorized access into Postal Service networks and improper usage of computers by employees are just two types of computer crimes to which the Postal Service may fall victim. Training for and investigating these computer crimes is a top priority to ensure the Postal Service's networks and databases remain secure.

Our Computer Crimes Unit (CCU) initiates investigations and provides digital forensics support to our investigations. During the reporting period, the unit proactively generated 23 investigations, 10 of which pertained to felony allegations. The Unit has responded to more than 563 requests for investigative support to our investigations. Following are examples of computer crimes investigations.

**CCU's Web Intervention Nabs Postmaster Viewing Child Porn on Postal Service Computer.** A former West Virginia Postmaster was sentenced to 70 months in federal prison followed by 10 years of supervised release for possessing child pornography. He was ordered to pay more than \$13,500 in restitution to the Postal Service for money orders he converted to his own use.

In October 2005, the Postmaster contacted Postal Service Information Technology Technicians after his postal computer 'crashed'. While servicing the computer, the technicians discovered unauthorized software.

We conducted forensic analyses (web log analysis) on the Postmaster's computer and discovered pornographic

images, including numerous images that appeared to be child pornography. Our special agents and the FBI executed a search warrant at the Postmaster's residence. During the search, investigators obtained evidence that the Postmaster misappropriated more than \$7,700 of postal money order funds. Further investigation disclosed additional \$5,800 embezzlement.

**Executive Investigations and Internal Affairs**

We maintain both Special Inquiries (SI) and Internal Affairs (IA) units as part of the Office of Investigations. SI/IA conducts criminal and administrative investigations of Postal Service executives, Inspection Service and OIG personnel, and whistleblower reprisal investigations. Among the investigative activity for the reporting period was the following case.

**Postal Executive Investigated for Submitting False Mail Condition Reports.** We received an anonymous allegation that inaccurate Daily Mail Condition Report (DMCR) data was being submitted by an Executive at a Texas P&DC. We discovered the Executive routinely reviewed DMCR data before it was reported and reduced the volume count numbers significantly. Witnesses stated the Executive directed them to change the mail volume count by up to one-half on certain occasions. The findings were presented to area-level management. Management demoted the executive in grade, salary, and position, to a non-executive position.

**Whistleblower Activity**

In the Postal Service, a whistleblower is an employee, or an applicant for employment, who reports misconduct to individuals or entities that have power to take corrective action. Generally, the misconduct is a violation of law, rule, or regulation, and/or a direct threat to public interest — fraud, health, safety violations, and corruption are just a few examples. To be eligible for whistleblower protection, the employee must reasonably believe his or her employer has committed a violation of some law, rule, or regulation.

**OIG whistleblower activity during this period:**

Allegations received:	51
OIG investigations initiated:	30
Investigations closed with no finding of retaliation or deferred to other adjudicative body:	16
Open investigations:	11
OIG found reprisal:	0



**Employee Misconduct and General Crimes**

Misconduct on the part of Postal Service employees includes the following offenses committed in the course of their official duties: misuse of Postal Service computers, destruction, or theft of Postal Service property, falsification of official documents/forgery, theft of funds, abuse of authority, sabotage of operations, narcotics usage, or sale of drugs while on duty, and alcohol abuse. Following are a few examples of work performed under this program area.

**Virginia Supervisor Pled Guilty to Falsifying Postal Records.** We investigated a Supervisor, working at a Virginia post office, who fraudulently logged hours in the postal time and attendance system to inflate his pay. Our investigation revealed that from May 2007 to July 2007, the Supervisor arrived to work late and left work early almost every day. During that period, the Postal Service paid the Supervisor approximately \$5,945 for hours fraudulently entered into the postal time and attendance system. Our investigation also revealed another employee fraudulently entered the Supervisor’s extra time and work hours on Mondays, which was one of the Supervisor’s scheduled days off. Additionally, we determined the Supervisor conducted personal real estate business during his work hours at the post office.

The Supervisor resigned from the Postal Service in August 2007. He pled guilty in federal district court in December. In March, he was sentenced to 5 months in prison followed by 1 year of supervised release. He was also ordered to pay more than \$20,300 in restitution to the Postal Service.

**Pennsylvania Postal Tractor Trailer Operator Convicted of Selling Bulk Mail Containers.** The Inspection Service told us about a Postal Tractor Trailer Operator (TTO) who was possibly selling aluminum Bulk Mail Containers-Over the Road (BMC-OTRs) as scrap metal. We conducted surveillance from July through October 2007, and on several occasions observed the TTO loading containers into a rental truck. He and two non-postal accomplices drove the containers to area scrap yards where they unloaded them.

In October, we arrested the TTO and his two non-postal accomplices. The TTO admitted one of the accomplices paid him cash (\$50 to \$300 per truckload) for the containers, which he had been stealing since December 2006. We recovered 64 containers. The replacement cost of one container is \$2,600.

The TTO pled guilty in federal district court in February to charges of theft/embezzlement of public property and conspiracy to defraud the United States. As part of his plea agreement, he resigned from the Postal Service. His accomplices pled guilty to similar charges. Each pled

guilty to stealing 104 bulk containers, valued between \$120,000 and \$200,000. Sentencing for the trio is scheduled for May.

**District of Columbia Employee Guilty to Fraudulently Claiming Jury Service.** A former Mail Processing Clerk, who fraudulently claimed he served jury duty beyond his actual service, may serve up to 20 months in prison for defrauding the Postal Service of approximately \$34,000. Our investigation determined the former Mail Processing Clerk falsified court documents by adding months and days to his jury duty status so he could be paid for jury service he had not performed. The Mail Processing Clerk had worked for the Postal Service for 34 years and served jury duty in 2003, 2004, and 2006.

In February, in the same courtroom where the Mail Processing Clerk fraudulently claimed to have performed jury service beyond his actual service, the former Clerk pled guilty to Mail Fraud. As a part of his guilty plea, he agreed to pay restitution of \$38,923 to the Postal Service.

**Narcotics**

Illegal drugs in the workplace can negatively impact employee productivity and safety. They also affect employee judgment and can increase stress levels, leading to acts of violence or hostility. Use and sale of narcotics on duty by employees can contribute to other crimes such as theft, embezzlements, and fraudulent workers’ compensation claims.

Our mission in dealing with illegal drugs in the workplace focuses on detection, investigation, and prevention. Detection of illegal drug sales, distribution, and usage in the workplace is the first step in this overall approach. Employees selling or distributing illegal drugs are vigorously investigated and prosecution is pursued. Postal employees who are using drugs are normally referred to the Postal Service Employee Assistance Program for treatment.

Prevention remains a key long-term strategy for providing a safe and drug-free work environment for postal employees. Deterring employee drug use is the desired outcome for the prevention effort. Following are typical narcotics investigation involving a postal employee.

**Letter Carriers Lose Job for Smoking Marijuana While On Duty in Uniform.** In January, the New Jersey Police Department notified us about a Letter Carrier who was selling narcotics from his residence. Our investigation determined the Letter Carrier distributed narcotics from his residence while on duty and wearing his postal uniform. We conducted a search with the New Jersey Police Department at the residence of the Letter Carrier and discovered approximately 42 “baggies” of marijuana packaged for

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distribution, estimated street value of \$20 per bag. Our search also revealed another Letter Carrier smoking marijuana while on duty and wearing his postal uniform. Management immediately placed both Letter Carriers in off-duty status without pay. These cases have been accepted for criminal prosecution.

**Arkansas Rural Letter Carrier Guilty of Distributing Drugs on Route.** An Arkansas Sheriff's Department told us a Rural Letter Carrier was expected to deliver illegal drugs to a postal customer. On the targeted day, we interviewed a postal customer who confirmed the Rural Letter Carrier had previously supplied Valium pills and solicited selling additional Valium pills. We stopped the Rural Letter Carrier and performed a consent search of her vehicle and seized an unlabeled bottle containing Valium pills. The Rural Letter Carrier admitted she had previously provided Xanax pills to the customer and had solicited the sale of Valium pills to the customer.

Management removed the Rural Letter Carrier from duty in November. Later that month, she pled guilty to Possession of an Instrument of a Crime in state court. The court sentenced her to a 12-month suspended jail term.

### Carrier Observation Program

Improper conduct by postal employees who are on duty and in uniform casts the Postal Service in a negative light. This improper conduct includes, but is not limited to, Letter Carriers purchasing or consuming alcohol in public places, selling illegal narcotics from their postal vehicle, driving with suspended state driver's licenses, and deviating from their routes and conducting non-postal business, all while on duty and in uniform. Letter Carriers who drive postal trucks while intoxicated or under the influence of a narcotic also present a threat to others, themselves, and Postal Service property while placing the security of the mail at risk.

Investigations we completed during this reporting period resulted in 108 administrative personnel actions including removals, suspensions, and letters of warning.



Stakeholder outreach includes exhibiting at shows such as the Mailer's Education Day trade show in Williamsburg, Virginia, sponsored by the Hampton Roads and Central Virginia Postal Customer Councils.

## FEATURE STORIES

Following are two feature stories on our audit and investigative work covering the Postal Fleet Card Program and the SmartPay® Purchase Card Program.

### VOYAGER CARD PROGRAM

The Postal Service teams up with U.S. Bank and Voyager Fleet Management to provide a single credit card, known as Postal Fleet Card, to purchase fuel and routine maintenance for all Postal Service-owned vehicles

During FY 2007, there were about 9.3 million eFleet transactions totaling approximately \$389.3 million. We performed detailed audits at 10 judgmentally selected Postal sites and determined that officials at nine of the sites did not implement effective controls over the security and use of the Postal Fleet cards. Control weaknesses existed in the following areas at the nine sites:

- Training.
- Reconciliations.
- Voyager card security.
- Personal identification number security.
- Missing receipts.
- Segregation of duties.
- Vehicle numbers.
- File administration and record retention.

Nationally, for FY 2007, the Web Enterprise Information System identified 220,344 transactions totaling \$13.7 million as non-reconciled transactions. If transactions have not been properly reconciled, there is greater potential for fraud, waste, and misconduct. Therefore, we identified the \$13.7 million in non-reconciled transactions as disbursements at risk. We are concerned, however, that this amount is understated, as our audit noted that some post offices were marking transactions as reconciled when they were not. We made local recommendations to address the specific issues found, and national recommendations to make sure district personnel ensure compliance with eFleet policies and procedures.

**Alabama Postal Contractor and Boyfriend Indicted for Voyager Card Misuse.** In November, a former Alabama postal contractor and her boyfriend were indicted in federal district court for theft of more than \$90,000 in government monies. Our investigation into excessive fuel purchases made between April 2005 and April 2007 revealed the highway contractor/driver used a postal-issued Voyager card to purchase beer and cigarettes, which were subsequently traded for illegal drugs. The merchant in

the store where the purchases were made fraudulently submitted beer and cigarette purchases as fuel purchases. In addition, the driver provided her personal identification number to her boyfriend, who also made unauthorized purchases using the Voyager card. In March, the former contractor/driver was sentenced to 3 years of probation, and her boyfriend was sentenced to 4 years of probation. They were also ordered to pay restitution of more than \$83,600. Management cancelled the contract during the course of the investigation.

**HCR Driver Convicted of Voyager Card Fraud; Ordered to Pay \$13,000 in Restitution.** Postal management advised us that groceries were charged to a Voyager fuel card assigned to an Oklahoma Highway Contract Route (HCR). Our investigation disclosed the HCR contractor/driver had three routes. For two of the routes, the contractor/driver was authorized to purchase fuel on the postal-issued Voyager cards. One route required the contractor/driver to submit out-of-pocket fuel purchases for reimbursement. The contractor/driver used the Voyager card from March 2006 through December 2006 to purchase approximately 8,000 gallons of fuel to operate the route that was not issued a Voyager card.

In addition, we learned she transferred two routes to her former husband as part of a divorce settlement, in violation of the terms of her contract. Further, she had been operating the remaining route for more than a year without active insurance coverage. The contractor/driver had altered original insurance documents, prior to faxing them to the area transportation office, to indicate that her policy was still in effect.

In December, the former highway contractor/driver was sentenced to 5 years of federal probation and was ordered to pay more than \$13,000 in restitution to the Postal Service for the unauthorized Voyager card purchases. The three contracts were cancelled during the course of the investigation.

### SMARTPAY® PURCHASE CARD PROGRAM

In November 1991, the Postal Service joined the government-wide Commercial Credit Card Program under the General Services Administration. The contractor for this program is the U.S. Bank and the card company is VISA®. The program within the Postal Service is called the SmartPay® Purchase Card Program, and the purchase

## FEATURED STORIES

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card was formerly known as the International Merchant Purchase Authorization Card (IMPAC). The Postal Service pays no administrative fees for the services U.S. Bank provides and earns refunds based on the aggregate volume of Postal Service transactions. When operational needs cannot be satisfied through other priority sources, the purchase card is the primary means to delegate local buying authority (the authority to buy and pay for day-to-day operational needs). A single purchase card transaction may not be greater than \$10,000. Five types of purchase cards are currently issued to Postal Service personnel:

- Cards to purchase expense items.
- Cards to purchase capital property.
- Cards issued only to vehicle maintenance facilities for the purchase of vehicle parts.
- Cards issued only to select employees for the purchase of inventory parts.
- Cards issued only to select Engineering employees for the purchase of research and development equipment and supplies.

As purchase card programs are highly vulnerable to fraud and misuse, we have numerous coordinated activities underway, such as data mining and continuous auditing, to monitor Postal Service purchase card usage and to assess internal controls. During the reporting period, we used data from various information systems to judgmentally, and statistically, select transactions for testing. We initially reviewed 355 purchase card transactions made from December 2006 through February 2007, involving 138 cardholders and totaling more than \$750,000.

We summarized the results of this initial effort in a report that disclosed weaknesses in internal controls such as purchase card transactions for meals and refreshments that did not comply with Postal Service policy. In addition, we identified systemic issues related to approvals, inadequate justification of purchases, supporting documentation and certification of credit card statements. Overall, we identified \$244,626 in monetary impact and more than \$177,000 in non-monetary disbursement at risk in this initial effort. Postal management did not agree with our impact projections, but concurred with \$46,917 in monetary and \$115,885 in non-monetary impacts.

As part of our work in support of the audit of the Postal Service's financial statements, we audited 17 judgmentally selected district SmartPay Purchase Card programs in FY 2007. We identified various internal control and compliance issues in all 17 sites. For example, cardholders and/or approving officials did not always follow procedures for

documenting purchases; review and reconcile, or review and reconcile timely, purchase card statements; or follow purchase approval procedures.

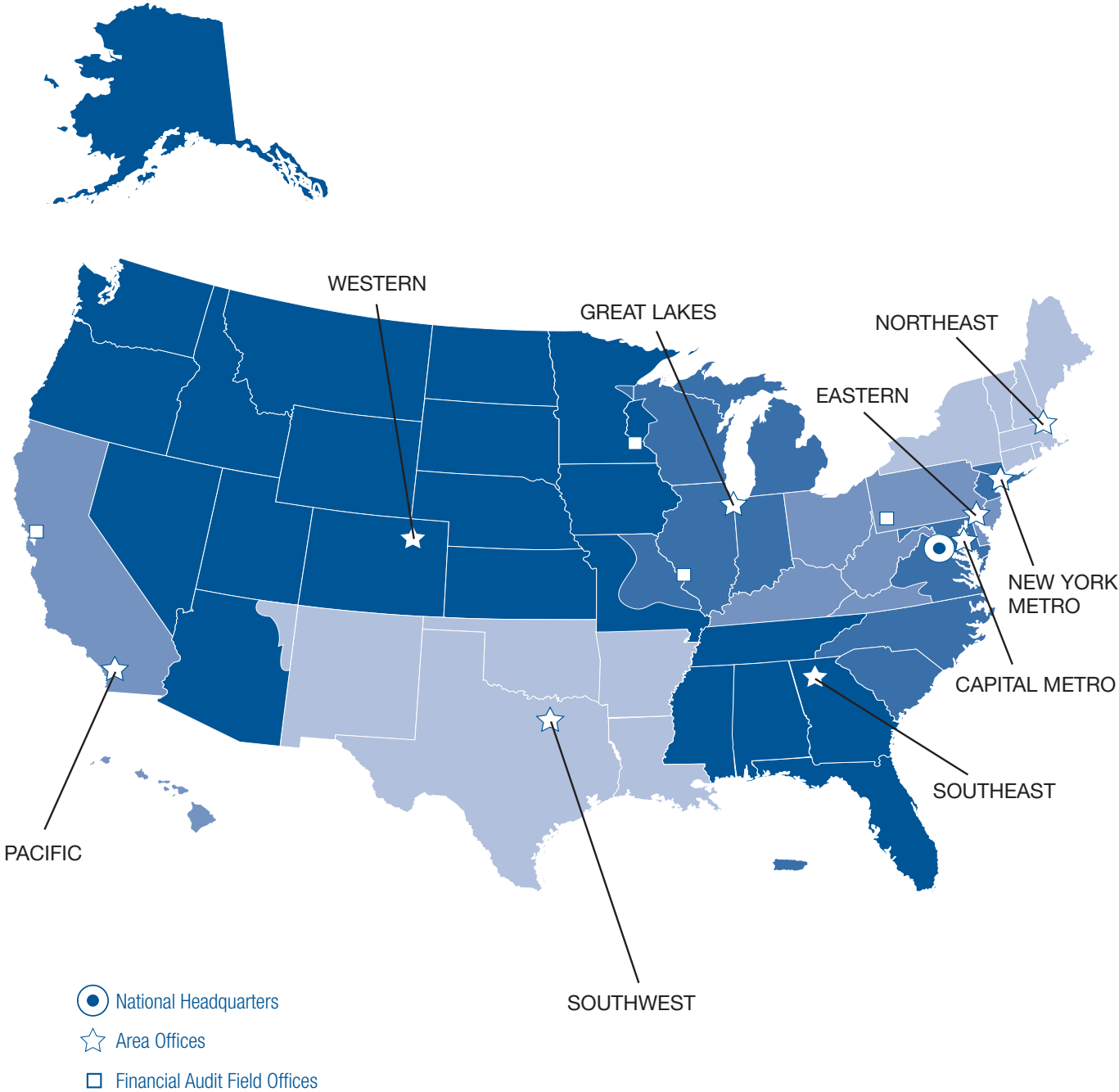
We made recommendations to address the issues; identified \$1.2 million in monetary and \$2.6 million in non-monetary impact; and made five referrals to our Office of Investigations for situations that warranted further examination.

**North Carolina Postal Managers Convicted of Purchase Card Fraud.** In 2006, we investigated a North Carolina Manager after receiving a referral regarding irregularities on his travel voucher. The Manager had made unauthorized charges for hotels and other unusual purchases using an International Merchant Purchase Authorization Card (IMPAC). During an interview, the Manager told us that he also used postal funds to replace a roof and purchase a lawn irrigation system for his home. He perpetuated this scheme with the help of another postal Manager, who authorized the eBay request. Our investigation into the co-conspirator's IMPAC purchases turned up similar irregularities, including purchases for fishing reels, flat screen televisions, sound systems, luggage, tools, and a tool chest. Investigation determined the second Manager fraudulently purchased 20 computers, which he sold for personal gain.

In January, a North Carolina federal district court sentenced the first Manager to 6 months of home detention, 3 years of supervised release upon completion of his term, and 300 hours of community service for making fraudulent credit card purchases. He paid \$26,778 in restitution to the Postal Service. In December 2007, the second Manager pled guilty to misappropriating postal funds and agreed to repay more than \$135,000 to the Postal Service. Both Managers resigned from the Postal Service in November 2006.

# OFFICE OF INSPECTOR GENERAL AREA FIELD OFFICE LOCATIONS

The OIG currently has more than 1,100 employees located in more than 100 offices nationwide in each of the Postal Service's nine areas.



## APPENDIX A

Office of Inspector General Semiannual Report to Congress  
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# APPENDICES

The Inspector General Act of 1978 requires semiannual reports on the immediately preceding 6-month periods ending March 31 and September 30. These reports are sent to Congress and made available to the public.

This report summarizes OIG activities and illustrates significant problems, abuses, and deficiencies, along with recommendations and corrective actions related to the administration of U.S. Postal Service programs and operations during the reporting period.

The appendices on the following pages fulfill the requirements of the Act.

## APPENDIX A

### Reports Issued to Postal Service Management

For the period October 1, 2007 — March 31, 2008

OIG audit teams conduct performance and financial audits, evaluations, and other reviews to address the business of the Postal Service. Each team issues audit reports (AR) or management advisory reports (MA) in accordance with the identified needs of the project.

#### Definitions:

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

**Unsupported Costs.** A cost that is not supported by adequate documentation. Unsupported costs are included with the amounts shown as Questioned Costs.

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

**Revenue Impact.** Amounts from revenue generating functions such as retail sales, rent, leases, or fees that were underpaid or not realized. In addition, this category includes increased revenue from existing functions and generating revenue from new sources.

Management Goals	Number of Reports	Funds Put to Better Use	Total Questioned Costs	Unsupported Questioned Costs	Revenue Impact
Generate Revenue	5	—	—	—	\$88,649,009
Increase Efficiency	34	\$308,907,598	\$188,022,675	\$59,106,533	—
Improve Service	6	\$231,337,397	—	—	—
Customer-Focused Culture	7	—	—	—	—
Enhance Sustainability	1	—	—	—	—
Regulatory Studies and Reporting Obligations	3	\$12,355	—	—	\$13,505
Preserving Integrity	177	\$7,379,777	\$2,186,374	\$839,190	\$4,161,359
<b>TOTAL</b>	<b>233</b>	<b>\$547,637,127</b>	<b>\$190,209,049</b>	<b>\$59,945,723</b>	<b>\$92,823,873</b>

**Reports With Quantifiable Potential Monetary Benefits**

Report Title	Funds Put to Better Use	Total Questioned Costs	Unsupported Questioned Costs	Revenue Impact
<b>GENERATE REVENUE</b>				
<b>Financial Reporting</b>				
New York International Service Center – Inbound International Mail; FT-AR-08-005; 1/24/2008	—	—	—	\$13,700,604
<b>Sales &amp; Service</b>				
Click-N-Ship Program; MS-AR-08-004; 3/31/2008	—	—	—	\$74,079,700
Local Stamps on Consignment Programs; MS-AR-08-003; 3/19/2008	—	—	—	\$868,705
<b>INCREASE EFFICIENCY</b>				
<b>Delivery</b>				
City Delivery Vehicle Mileage – Base Versus Actual – Capital Metro Area DR-AR-08-003; 10/26/2007	—	\$2,117,349	\$2,117,349	—
<b>Engineering</b>				
Equipment Maintenance Opportunities; DA-AR-08-002; 2/15/2008	\$130,063,240	\$11,612,797	—	—
<b>Inspection Service &amp; Facilities</b>				
Postal Service Facilities Single Source Provider System; SA-AR-08-004; 3/3/2008	—	\$9,379	—	—
<b>Sales &amp; Service</b>				
First-Class Permit Reply Mail; MS-AR-08-001; 11/8/2007	\$61,542,721	\$41,860,508	—	—
<b>Supply Management</b>				
Firm Fixed Price Proposal Submitted by Siemens Energy and Automation, Incorporated, Postal Automation Division; CA-CAR-08-011; 1/04/2008	—	\$11,002,117	—	—
Firm Fixed Price Proposal, Revision A, Submitted by Siemens Energy and Automation, Incorporated, Postal Automation Division; CA-CAR-08-019; 3/27/2008	—	\$69,876,229	\$56,989,184	—
Supplemental Report on Audit of Proposal Submitted by Northrop Grumman Corporation, Electronic Systems Company; CA-CAR-08-001; 10/15/2007	—	\$14,417,441	—	—
Termination for Convenience Settlement Proposal Submitted by Minnesota Diversified Industries; CA-CAR-08-004; 10/30/2007	—	\$1,038,210	—	—
<b>Transportation</b>				
Air Networks – Federal Express Transportation Agreement – Pacific Area; NL-AR-08-002; 2/19/2008	\$45,031,871	\$17,756,411	—	—
Air Networks – Issues in the Pacific Area Associated with a Major Postal Service Customer; NL-AR-08-001; 11/23/2007	\$62,148,585	\$18,332,234	—	—
Postal Vehicle Service Transportation Routes – San Francisco Processing and Distribution Center; NL-AR-08-003; 3/26/2008	\$10,121,181	—	—	—
<b>Network Processing</b>				
Summary Audit on the Timeliness of Mail Processing, Transportation, and Delivery Operations in the Chicago District; NO-AR-08-003; 3/28/2008	\$231,337,397	—	—	—
<b>REGULATORY STUDIES AND REPORTING OBLIGATIONS</b>				
<b>Cost, Revenue, &amp; Rates</b>				
In-Office Cost System Telephone Readings; CRR-AR-08-004; 3/31/2008	\$12,355	—	—	—
<b>Fiscal Year 2007 Financial Installation Audit</b>				
Postal Accountability and Enhancement Act, Section 709, Assessment of Certain Rate Deficiencies; FF-AR-08-030; 11/29/2007	—	—	—	\$13,505

**APPENDIX A**

*Office of Inspector General Semiannual Report to Congress  
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<b>Report Title</b>	<b>Funds Put to Better Use</b>	<b>Total Questioned Costs</b>	<b>Unsupported Questioned Costs</b>	<b>Revenue Impact</b>
<b>PRESERVING INTEGRITY</b>				
<b>Fiscal Year 2007 Financial Installation Audit</b>				
Alamo Main Post Office – Alamo, Texas; FF-AR-08-031; 11/27/2007	—	\$1,064	\$1,064	—
Brewer Post Office – Brewer, Maine; FF-AR-08-004; 10/4/2007	—	\$4,298	—	—
Cardiss Collins Postal Store – Chicago, Illinois; FF-AR-08-024; 11/7/2007	—	\$24,055	\$24,055	\$67,355
Cleveland Main Office Window Service – Cleveland, Ohio; FF-AR-08-028; 11/15/2007	\$443,439	\$410,450	—	—
Mooreville Business Mail Entry Unit – Mooreville, North Carolina; FF-AR-08-018; 11/1/2007	—	—	—	\$2,670
Newark Main Post Office – Newark, California; FF-AR-08-014; 10/22/2007	—	\$114	—	\$5,943
Ogdensburg Business Mail Entry Unit – Ogdensburg, New York; FF-AR-08-013; 10/15/2007	—	—	—	\$2,342
Paoli Business Mail Entry Unit – Paoli, Pennsylvania; FF-AR-08-006; 10/4/2007	—	—	—	\$4,312
Parker Main Post Office – Parker, Colorado; FF-AR-08-035; 11/29/2007	—	\$7,467	—	\$1,440
Pricing and Classification Service Center – New York, New York; FF-AR-08-001; 10/23/2007	—	—	—	\$62,251
SmartPay Purchase Card Program – Atlanta District, Atlanta, Georgia; FF-AR-08-012; 10/18/2007	—	\$2,792	\$1,740	—
SmartPay Purchase Card Program – Baltimore District, Baltimore, Maryland; FF-AR-08-022; 11/7/2007	—	\$70,485	\$34,621	—
SmartPay Purchase Card Program – Chicago District, Chicago, Illinois; FF-AR-08-021; 11/7/2007	—	\$73,415	\$37,556	—
SmartPay Purchase Card Program – Fort Worth District, Fort Worth, Texas; FF-AR-08-025; 11/13/2007;	—	\$31,028	\$14,955	—
SmartPay Purchase Card Program– Los Angeles District, Los Angeles, California; FF-AR-08-026; 11/14/2007	—	\$166,693	\$159,871	—
SmartPay Purchase Card Program – Massachusetts District, North Reading, Massachusetts; FF-AR-08-037; 11/30/2007	—	\$107,517	\$66,509	—
SmartPay Purchase Card Program – New York District, New York City, New York; FF-AR-08-048; 12/17/2007	—	\$99,157	\$18,701	—
SmartPay Purchase Card Program – Northern Virginia District, Merrifield, Virginia; FF-AR-08-027; 11/15/2007	—	\$5,712	\$3,882	—
SmartPay Purchase Card Program – Pittsburgh District, Pittsburgh, Pennsylvania; FF-AR-08-019; 11/1/2007	—	\$11,056	\$6,726	—
SmartPay Purchase Card Program – Richmond District, Richmond, Virginia; FF-AR-08-023; 11/7/2007	—	\$45,705	—	—
SmartPay Purchase Card Program – Santa Ana District, Santa Ana, California; FF-AR-08-038; 11/30/2007	—	\$103,694	\$94,481	—
SmartPay Purchase Card Program – Sacramento District, West Sacramento, California; FF-AR-08-015; 10/24/2007	—	\$16,052	\$12,290	—
Southwest Area SmartPay Purchase Card Program; FF-AR-08-072; 1/11/2008	—	\$63,511	\$56,427	—
Yauco Post Office – Yauco, Puerto Rico; FF-AR-08-017; 10/30/2007	—	\$38,230	—	\$2,592
<b>Fiscal Year 2007 Financial Statements Audit</b>				
Board of Governors' Travel and Miscellaneous Expenses for Fiscal Year 2007; FT-AR-08-008; 2/15/2008	—	\$2,527	—	—
Eagan Information Technology and Accounting Service Center; FT-AR-08-007; 2/8/2008	—	—	—	\$2,706,979



Report Title	Funds Put to Better Use	Total Questioned Costs	Unsupported Questioned Costs	Revenue Impact
St. Louis Information Technology and Accounting Service Center; FT-AR-08-010; 3/31/2008	—	\$6,644	—	—
San Mateo Information Technology and Accounting Service Center; FT-AR-08-009; 3/20/2008	\$32,850	\$50,024	—	—
<b>Fiscal Year 2008 Financial Installation Audit</b>				
Aloha Station – Beaverton, Oregon; FF-AR-08-142; 3/27/2008	—	\$1,082	\$1,082	\$254
Arcadia Business Mail Entry Unit – Arcadia, California; FF-AR-08-054; 12/26/2007	—	—	—	\$9,958
Baltimore Main Office Window – Baltimore, Maryland; FF-AR-08-064; 1/07/2008	—	\$34,222	\$240	\$10,563
Birmingham Business Mail Entry Unit – Birmingham, Alabama; FF-AR-08-091; 2/5/2008	—	—	—	\$44,838
Burlington Business Mail Entry Unit – Essex Junction, Vermont; FF-AR-08-114; 2/26/2008	—	—	—	\$180,840
Caldwell Business Mail Entry Unit – West Caldwell, New Jersey; FF-AR-08-083; 1/30/2008	—	—	—	\$112,709
Champaign Business Mail Entry Unit – Champaign, Illinois; FF-AR-08-087; 1/31/2008	—	—	—	\$2,015
Columbia Business Mail Entry Unit – Columbia, Missouri; FF-AR-08-140; 3/26/2008	—	—	—	\$5,805
Dallas Business Mail Entry Unit – Dallas, Texas; FF-AR-08-117; 3/3/2008	—	\$32,378	\$32,378	\$95,599
Dulles Business Mail Entry Unit – Dulles, Virginia; FF-AR-08-105; 2/14/2008	—	\$7,583	—	\$205,513
East Hanover Business Mail Entry Unit – East Hanover, New Jersey; FF-AR-08-095; 2/6/2008	—	—	—	\$1,690
Escondido Business Mail Entry Unit – Escondido, California; FF-AR-08-123; 3/7/2008	—	—	—	\$19,495
Fresno Business Mail Entry Unit – Fresno, California; FF-AR-08-132; 3/19/2008	—	\$693	\$693	\$3,151
Grand Haven Business Mail Entry Unit – Grand Haven, Michigan; FF-AR-08-144; 3/28/2008	—	—	—	\$1,107
Grass Valley Business Mail Entry Unit – Grass Valley, California; FF-AR-08-079; 1/22/2008	—	—	—	\$3,324
Gurnee Business Mail Entry Unit – Gurnee, Illinois; FF-AR-08-128; 3/17/2008	—	—	—	\$8,338
Heath Branch Post Office – Newark, Ohio; FF-AR-08-108; 2/25/2008	—	\$11,666	—	—
High Mar Station – Boulder, Colorado; FF-AR-08-102; 2/13/2008	—	\$1,113	\$701	\$80
James C. Brown Jr. Facility Post Office – Las Vegas, Nevada; FF-AR-08-049; 12/18/2007	—	\$347	—	\$1,836
Janesville Business Mail Entry Unit – Janesville, Wisconsin; FF-AR-08-040; 12/18/2007	—	—	—	\$1,012
Kennesaw Business Mail Entry Unit – Kennesaw, Georgia; FF-AR-08-0125; 3/11/2008	—	—	—	\$9,524
Kilmer Lobby Branch – Edison, New Jersey; FF-AR-08-118; 3/4/2008	—	—	—	\$6,640
Lake Hughes Post Office – Lake Hughes, California; FF-AR-08-145; 3/27/2008	—	\$1,227	—	—
Long Beach Business Mail Entry Unit – Long Beach, California; FF-AR-08-068; 1/10/2008	—	—	—	\$33,848
Madison Business Mail Entry Unit – Madison, Connecticut; FF-AR-08-082; 1/28/2008	—	—	—	\$20,347
Manassas Main Office Window – Manassas, Virginia; FF-AR-08-135; 3/19/2008	—	\$20,166	\$17,524	\$19,480
Manchester Main Post Office – Manchester, New Hampshire; FF-AR-08-075; 1/15/2008	—	\$17,583	—	\$42,448
Maplewood Business Mail Entry Unit – Maplewood, New Jersey; FF-AR-08-090; 2/4/2008	—	—	—	\$2,761
Mary Esther Post Office – Mary Esther, Florida; FF-AR-08-098; 2/7/2008	—	\$5,999	\$5,999	\$1,600
Marysville Business Mail Entry Unit – Marysville, Ohio; FF-AR-08-032; 11/29/2007	—	—	—	\$13,417
Merrifield Post Office – Merrifield, Virginia; FF-AR-08-070; 1/10/2008	—	\$1,898	—	\$23,382
Miami General Mail Facility Post Office – Miami, Florida; FF-AR-08-042; 12/7/2007	—	—	—	\$1,158
Milpitas Main Post Office – Milpitas, California; FF-AR-08-107; 2/20/2008	—	\$380	\$380	\$5,119

**APPENDIX A**

*Office of Inspector General Semiannual Report to Congress  
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<b>Report Title</b>	<b>Funds Put to Better Use</b>	<b>Total Questioned Costs</b>	<b>Unsupported Questioned Costs</b>	<b>Revenue Impact</b>
Naperville Post Office – Naperville, Illinois; FF-AR-08-134; 3/19/2008	—	\$15,698	\$3,180	\$3,099
Niles Branch – Niles, Illinois; FF-AR-08-112; 2/25/2008	—	—	—	\$1,591
North Haven Post Office – North Haven, Connecticut; FF-AR-08-119; 3/4/2008	—	—	—	\$17,193
O'Fallon Post Office – O'Fallon, Missouri; FF-AR-08-133; 3/19/2008	—	—	—	\$34,715
Reno Main Office – Self-Service Postal Center – Reno, Nevada; FF-AR-08-097; 2/6/2008	—	\$952	\$952	—
Roselle Branch Post Office – Roselle, New Jersey; FF-AR-08-110; 2/25/2008	—	—	—	\$1,517
San Antonio Business Mail Entry Unit – San Antonio, Texas; FF-AR-08-146; 3/28/2008	—	—	—	\$27,345
Smithtown Business Mail Entry Unit – Smithtown, New York; FF-AR-08-051; 12/17/2007	—	—	—	\$25,180
Strasburg Business Mail Entry Unit – Strasburg, Virginia; FF-AR-08-104; 2/14/2008	—	—	—	\$223,790
Sylacauga Business Mail Entry Unit – Sylacauga, Alabama; FF-AR-08-069; 1/10/2008	—	—	—	\$7,400
Toledo Business Mail Entry Unit – Toledo, Ohio; FF-AR-08-077; 1/16/2008	—	—	—	\$46,507
Warminster Business Mail Entry Unit – Warminster, Pennsylvania; FF-AR-08-065; 1/11/2008	—	—	—	\$6,513
Webb Bridge Station – Alpharetta, Georgia; FF-AR-08-096; 2/5/2008	—	\$8,285	—	\$22,774
<b>Information Systems</b>				
Identity Theft Potential in Postal Service Information Systems; IS-AR-08-006; 3/6/2008	\$102,699	\$34,729	—	—
Oracle Application Control Review – Invoice Processing and Discounts; IS-AR-08-003; 1/10/2008	\$361,108	\$404,057	—	—
<b>Inspection Service &amp; Facilities</b>				
Postal Inspection Service Security Controls and Processes; SA-AR-08-003; 12/19/2007	\$6,439,681	—	—	—
<b>Supply Management</b>				
National Review of SmartPay Purchase Card Transactions; CA-AR-08-002; 11/8/2007	—	\$244,626	\$243,183	—
<b>TOTAL</b>	<b>\$547,637,127</b>	<b>\$190,209,049</b>	<b>\$59,945,723</b>	<b>\$92,823,873</b>

**Report Listing**

For the period October 1, 2007 – March 31, 2008

Complete listing of all OIG reports issued to Postal Service management.

**GENERATE REVENUE****Cost, Revenue, & Rates**

Security Review of the Electronic Verification System; CRR-AR-08-002; 2/12/2008

**Financial Reporting**

New York International Service Center — Inbound International Mail; FT-AR-08-005; 1/24/2008  
Generate Revenue

**Information Systems**

Application Controls Review of the Electronic Verification System; CRR-AR-08-003; 3/31/2008

**Sales & Service**

Click-N-Ship Program; MS-AR-08-004; 3/31/2008

Local Stamps on Consignment Programs; MS-AR-08-003; 3/19/2008  
Generate Revenue

**INCREASE EFFICIENCY****Delivery**

City Delivery Vehicle Mileage — Base Versus Actual — Capital Metro Area; DR-AR-08-003; 10/26/2007

City Delivery Vehicle Mileage — Base Versus Actual — National Capping Report; DR-AR-08-004; 3/4/2008

**Engineering**

Equipment Maintenance Opportunities; DA-AR-08-002; 2/15/2008

Project Management Challenges in Engineering Programs; DA-MA-08-001; 10/11/2007

St. Louis Equipment Preventive Maintenance and Waste Disposal Follow-Up; DA-MA-08-002; 2/21/2008

**Inspection Service & Facilities**

Postal Service Facilities Single Source Provider System; SA-AR-08-004; 3/3/2008

Use of Existing Postal-Owned Space — Capping Report; SA-AR-08-007; 3/21/2008

Use of Existing Postal-Owned Space in the New York Metro Area; SA-AR-08-002; 11/9/2007

**Network Optimization**

Kansas City, Kansas Processing and Distribution Center Consolidation; EN-AR-08-001; 1/14/2008

St. Louis Airport Mail Center Outsourcing; EN-AR-08-002; 2/29/2008

**Sales & Service**

First-Class Permit Reply Mail; MS-AR-08-001; 11/8/2007

Function 4 Business Plan Process; MS-AR-08-002; 11/16/2007

**Supply Management**

Financial Risk Assessment Audit of Automated Control Technologies, LLC; CA-CAR-08-012; 1/29/2008

Firm Fixed Price Proposal Submitted by Siemens Energy and Automation, Incorporated, Postal Automation Division; CA-CAR-08-011; 1/4/2008

Firm Fixed Price Proposal, Revision A, Submitted by Siemens Energy and Automation, Incorporated, Postal Automation Division; CA-CAR-08-019; 3/27/2008

Incurred Costs of American Bank Note Company; CA-CAR-08-010; 12/17/2007

Pre-award Accounting System Survey of CAGE Inc.; CA-CAR-08-016; 2/28/2008

Pre-award Accounting System Survey of Code Plus, Inc.; CA-CAR-08-013; 1/29/2008

Pre-award Accounting System Survey of Design Systems, Incorporated; CA-CAR-08-007; 11/26/2007

Pre-award Accounting System Survey of Facilities Partners, LLC CA-CAR-08-003; 10/29/2007

Pre-award Accounting System Survey of Foth Production Solutions, LLC; CA-CAR-08-018; 2/28/2008

Pre-award Accounting System Survey of Material Handling Systems, Incorporated; CA-CAR-08-005; 11/9/2007

Pre-award Accounting System Survey of Mechanized Systems Designs, Incorporated; CA-CAR-08-015; 2/5/2008

Pre-award Accounting System Survey of Omega Automation, Incorporated; CA-CAR-08-008; 11/29/2007

Pre-award Accounting System Survey of S/D Engineers, Incorporated; CA-CAR-08-006; 11/26/2007

Pre-award Accounting System Survey of Scio Systems Incorporated; CA-CAR-08-017; 2/28/2008

Pre-award Accounting System Survey of Thinkpath, Incorporated; CA-CAR-08-002; 10/15/2007

Pre-award Accounting System Survey of TranSystems Corporation; CA-CAR-08-009; 11/30/2007

Revision "B" Forward Pricing Rate Proposal for Fiscal Years 2008 through 2012 Submitted by Siemens Energy and Automation, Incorporated, Infrastructure Logistics Division; CA-CAR-08-014; 2/4/2008

Supplemental Report on Audit of Proposal Submitted by Northrop Grumman Corporation, Electronic Systems Company; CA-CAR-08-001; 10/15/2007

Termination for Convenience Settlement Proposal Submitted by Minnesota Diversified Industries; CA-CAR-08-004; 10/30/2007

**Transportation**

Air Networks — Federal Express Transportation Agreement — Pacific Area; NL-AR-08-002; 2/19/2008

Air Networks – Issues in the Pacific Area Associated with a Major Postal Service Customer; NL-AR-08-001; 11/23/2007

Postal Vehicle Service Transportation Routes — San Francisco Processing and Distribution Center; NL-AR-08-003; 3/26/2008

## APPENDIX A

Office of Inspector General Semiannual Report to Congress  
October 1, 2007 — March 31, 2008

### IMPROVE SERVICE

#### Delivery

Timely City Delivery — Chicago District;  
DR-AR-08-001; 10/11/2007

#### Network Optimization

Automated Area Mail Processing Worksheets;  
EN-MA-08-001; 10/19/2007

#### Network Processing

Delayed Mail at the Waco Processing and  
Distribution Facility; NO-AR-08-002; 3/13/2008

Mail Condition Reporting at the  
J.T. Weeker International Service Center;  
NO-AR-08-001; 3/13/2008

Summary Audit on the Timeliness of Mail Processing,  
Transportation, and Delivery Operations in the  
Chicago District; NO-AR-08-003; 3/28/2008

#### Sales & Service

Business Over the Counter;  
MS-MA-08-001; 3/26/2008

### CUSTOMER-FOCUSED CULTURE

#### Engineering

Ventilation Filtration System Utilization;  
DA-AR-08-001; 1/08/2008

#### Human Capital

Equal Employment Opportunity Contracting  
Function; HM-MA-08-001; 2/21/2008

Violence Prevention and Response Programs  
in Four Northeast Area Performance Clusters;  
HM-AR-08-005; 1/14/2008

Violence Prevention and Response Programs in  
Three Capital Metro Area Performance Clusters;  
HM-AR-08-001; 10/16/2007

Violence Prevention and Response Programs  
in Three Southeast Area Performance Clusters;  
HM-AR-08-002; 11/2/2007

Violence Prevention and Response Programs  
in Three Southwest Area Performance Clusters;  
HM-AR-08-003; 11/7/2007

Violence Prevention and Response Programs  
in Two Pacific Area Performance Clusters;  
HM-AR-08-004; 11/13/2007

### ENHANCE SUSTAINABILITY

#### Engineering

Northern Virginia District Energy Management  
Savings Opportunities; DA-AR-08-003; 3/20/2008

### REGULATORY STUDIES AND REPORTING OBLIGATIONS

#### Cost, Revenue, & Rates

In-Office Cost System Telephone Readings;  
CRR-AR-08-004; 3/31/2008

Internal Controls over the Revenue,  
Pieces, and Weight Adjustment System;  
CRR-MA-08-001; 12/14/2007

#### Fiscal Year 2007 Financial Installation Audit

Postal Accountability and Enhancement Act, Section  
709, Assessment of Certain Rate Deficiencies;  
FF-AR-08-030; 11/29/2007

### PRESERVING INTEGRITY

#### Financial Reporting

Peak Season (Christmas 2006FY 2007) Fuel;  
FT-AR-08-003; 12/14/2007

#### Fiscal Year 2007 Cost and Revenue Analysis

Northern New Jersey District, New Jersey  
International and Bulk Mail Center  
FF-AR-08-016; 10/24/2007

San Francisco District, San Francisco International  
Service Center; FF-AR-08-011; 10/11/2007

Cost and Revenue Analysis;  
FF-AR-08-084; 1/30/2008

#### Fiscal Year 2007 Financial Installation Audit

Alamo Main Post Office — Alamo, Texas;  
FF-AR-08-031; 11/27/2007

Allentown Business Mail Entry Unit — Allentown,  
Pennsylvania; FF-AR-08-029; 11/16/2007

Atlantic City Business Mail Entry Unit — Atlantic City,  
New Jersey; FF-AR-08-008; 10/9/2007

Birdsboro Post Office — Birdsboro, Pennsylvania;  
FF-AR-08-010; 10/10/2007

Brewer Post Office — Brewer, Maine;  
FF-AR-08-004; 10/4/2007

Business Mail Entry Units; FF-AR-08-131; 3/19/2008

Cardiss Collins Postal Store — Chicago,  
Illinois; FF-AR-08-024; 11/7/2007

Cleveland Main Office Window Service — Cleveland,  
Ohio; FF-AR-08-028; 11/15/2007

Holland Post Office — Holland, Michigan;  
FF-AR-08-007; 10/4/2007

Horsham Business Mail Entry Unit — Horsham,  
Pennsylvania; FF-AR-08-005; 10/4/2007

Kansas City Stamp Service Center — Kansas City,  
Missouri; FF-AR-08-020; 11/2/2007

Langhorne Business Mail Entry Unit — Langhorne,  
Pennsylvania; FF-AR-08-003; 10/4/2007

Mooresville Business Mail Entry Unit — Mooresville,  
North Carolina; FF-AR-08-018; 11/1/2007

Newark Main Post Office — Newark, California;  
FF-AR-08-014; 10/22/2007

Ogdensburg Business Mail Entry Unit — Ogdensburg,  
New York; FF-AR-08-013; 10/15/2007

Ogdensburg Post Office — Ogdensburg,  
New York; FF-AR-08-009; 10/10/2007

Paoli Business Mail Entry Unit — Paoli,  
Pennsylvania; FF-AR-08-006; 10/4/2007

Parker Main Post Office — Parker, Colorado;  
FF-AR-08-035; 11/29/2007

Post Offices, Stations, and Branches;  
FF-AR-08-122; 3/5/2008

Potsdam Business Mail Entry Unit — Potsdam,  
New York; FF-AR-08-002; 10/3/2007

Pricing and Classification Service Center — New  
York, New York; FF-AR-08-001; 10/23/2007

SmartPay Purchase Card Program;  
FF-AR-08-094; 2/4/2008

SmartPay Purchase Card Program —  
Atlanta District — Atlanta, Georgia;  
FF-AR-08-012; 10/18/2007

SmartPay Purchase Card Program —  
Baltimore District, Baltimore, Maryland;  
FF-AR-08-022; 11/7/2007

SmartPay Purchase Card Program — Chicago  
District, Chicago, Illinois; FF-AR-08-021; 11/7/2007

SmartPay Purchase Card Program —  
Fort Worth District Fort Worth, Texas;  
FF-AR-08-025; 11/13/2007;

SmartPay Purchase Card Program —  
Los Angeles District, Los Angeles, California;  
FF-AR-08-026; 11/14/2007

SmartPay Purchase Card Program — Massachusetts  
District, North Reading, Massachusetts;  
FF-AR-08-037; 11/30/2007

SmartPay Purchase Card Program —  
New York District, New York City, New York;  
FF-AR-08-048; 12/17/2007

SmartPay Purchase Card Program — Northern  
Virginia District, Merrifield, Virginia;  
FF-AR-08-027; 11/15/2007

SmartPay Purchase Card Program —  
Pittsburgh District, Pittsburgh, Pennsylvania;  
FF-AR-08-019; 11/1/2007

SmartPay Purchase Card Program —  
Richmond District, Richmond, Virginia;  
FF-AR-08-023; 11/7/2007

SmartPay Purchase Card Program —  
Sacramento District, West Sacramento, California  
FF-AR-08-015; 10/24/2007

SmartPay Purchase Card Program —  
Santa Ana District, Santa Ana, California;  
FF-AR-08-038; 11/30/2007

Southwest Area SmartPay Purchase Card Program;  
FF-AR-08-072; 1/11/2008

Stamp Distribution Offices; FF-AR-08-062; 1/4/2008

Yauco Post Office — Yauco, Puerto Rico;  
FF-AR-08-017; 10/30/2007

#### **Fiscal Year 2007 Financial Statements Audit**

Board of Governors' Travel and  
Miscellaneous Expenses for Fiscal Year  
2007; FT-AR-08-008; 2/15/2008

Control Issues; FT-WP-08-001; 2/8/2008

Eagan Information Technology and Accounting  
Service Center; FT-AR-08-007; 2/8/2008

Manual Transportation Payments;  
FT-AR-08-001; 11/15/2007

Officers' Travel and Representation Expenses for  
Fiscal Year 2007; FT-AR-08-004; 12/20/2007

St. Louis Information Technology and Accounting  
Service Center; FT-AR-08-010; 3/31/2008

San Mateo Information Technology and Accounting  
Service Center; FT-AR-08-009; 3/20/2008

Special-Purpose Financial Statements;  
FT-AR-08-002; 11/16/2007

Washington, D.C., Headquarters;  
FT-AR-08-006; 2/8/2008

#### **Fiscal Year 2008 Financial Installation Audit**

Aloha Station — Beaverton, Oregon;  
FF-AR-08-142; 3/27/2008

Arcadia Business Mail Entry Unit — Arcadia,  
California; FF-AR-08-054; 12/26/2007

Ash Flat Business Mail Entry Unit — Ash Flat,  
Arkansas; FF-AR-08-086; 1/30/2008

Auburn Business Mail Entry Unit — Auburn, New  
York; FF-AR-08-076; 1/15/2008

Aurora Business Mail Entry Unit — Aurora, Missouri;  
FF-AR-08-067; 1/08/2008

Aurora Main Office — Self-Service Postal Center —  
Aurora, Colorado; FF-AR-08-130; 3/17/2008

Baltimore Main Office Window — Baltimore,  
Maryland; FF-AR-08-064; 1/7/2008

Birmingham Business Mail Entry Unit —  
Birmingham, Alabama; FF-AR-08-091; 2/5/2008

Burlington Business Mail Entry Unit — Essex  
Junction, Vermont; FF-AR-08-114; 2/26/2008

Cabool Main Post Office — Cabool, Missouri;  
FF-AR-08-053; 12/20/2007

Caldwell Business Mail Entry Unit — West Caldwell,  
New Jersey; FF-AR-08-083; 1/30/2008

Castle Rock Automated Postal Center — Castle Rock,  
Colorado; FF-AR-08-139; 3/25/2008

Champaign Business Mail Entry Unit — Champaign,  
Illinois; FF-AR-08-087; 1/31/2008

Chattahoochee Business Mail Entry Unit —  
Chattahoochee, Florida; FF-AR-08-143; 3/27/2008

Chattanooga Business Mail Entry Unit —  
Chattanooga, Tennessee; FF-AR-08-089; 2/1/2008

Circleville Post Office — Circleville, Ohio;  
FF-AR-08-138; 3/24/2008

Columbia Business Mail Entry Unit — Columbia,  
Missouri; FF-AR-08-140; 3/26/2008

Coraopolis Business Mail Entry Unit — Coraopolis,  
Pennsylvania; FF-AR-08-059; 12/28/2007

Covington Business Mail Entry Unit — Covington,  
Kentucky; FF-AR-08-033; 11/29/2007

Dallas Business Mail Entry Unit — Dallas, Texas;  
FF-AR-08-117; 3/3/2008

Daly City Main Office Automated Postal Center —  
Daly City, California; FF-AR-08-113; 2/26/2008

Decatur Business Mail Entry Unit — Decatur,  
Georgia; FF-AR-08-092; 2/1/2008

Doyle Main Post Office — Doyle, California;  
FF-AR-08-088; 2/1/2008

Dulles Business Mail Entry Unit — Dulles,  
Virginia; FF-AR-08-105; 2/14/2008

East Hanover Business Mail Entry Unit — East  
Hanover, New Jersey; FF-AR-08-095; 2/6/2008

Eastman Business Mail Entry Unit — Eastman,  
Georgia; FF-AR-08-085; 1/29/2008

Escondido Business Mail Entry Unit — Escondido,  
California; FF-AR-08-123; 3/7/2008

Falconer Post Office — Falconer, New York;  
FF-AR-08-129; 3/17/2008

Farmingdale Business Mail Entry Unit —  
Farmingdale, New York; FF-AR-08-056; 12/28/2007

Flushing Mobile Post Office — Flushing,  
New York; FF-AR-08-109; 2/25/2008

Forest Business Mail Entry Unit — Forest,  
Mississippi; FF-AR-08-126; 3/11/2008

Fresno Business Mail Entry Unit — Fresno,  
California; FF-AR-08-132; 3/19/2008

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Gloucester City Post Office — Gloucester City, New Jersey; FF-AR-08-055; 12/28/2007

Grand Haven Business Mail Entry Unit — Grand Haven, Michigan; FF-AR-08-144; 3/28/2008

Grants-Milan Station — Milan, New Mexico; FF-AR-08-057; 12/27/2007

Grass Valley Business Mail Entry Unit — Grass Valley, California; FF-AR-08-079; 1/22/2008

Gravois Mills Post Office — Gravois Mills, Missouri; FF-AR-08-111; 2/25/2008

Green Bay Business Mail Entry Unit — Green Bay, Wisconsin; FF-AR-08-080; 1/23/2008

Gurnee Business Mail Entry Unit — Gurnee, Illinois; FF-AR-08-128; 3/17/2008

Hazelwood Business Mail Entry Unit — Hazelwood, Missouri; FF-AR-08-081; 1/24/2008

Heath Branch Post Office — Newark, Ohio; FF-AR-08-108; 2/25/2008

Hemlock Post Office — Hemlock, New York; FF-AR-08-045; 12/11/2007

High Mar Station — Boulder, Colorado; FF-AR-08-102; 2/13/2008

Hudson Business Mail Entry Unit — Hudson, Wisconsin; FF-AR-08-066; 1/8/2008

Huntingdon Post Office — Huntingdon, Pennsylvania; FF-AR-08-101; 2/12/2008

Huntington Main Post Office — Huntington, New York; FF-AR-08-058; 12/28/2007

Ida Jean Haxton Station Automated Postal Center — Huntington Beach, California; FF-AR-08-043; 12/07/2007

Irvine Self-Service Postal Center — Irvine, California; FF-AR-08-141; 3/27/2008

Jackson Business Mail Entry Unit — Jackson, Ohio; FF-AR-08-073; 1/15/2008

James C. Brown Jr. Facility Post Office — Las Vegas, Nevada; FF-AR-08-049; 12/18/2007

Janesville Business Mail Entry Unit — Janesville, Wisconsin; FF-AR-08-040; 12/18/2007

Keene Business Mail Entry Unit — Keene, New Hampshire; FF-AR-08-074; 1/15/2008

Kennesaw Business Mail Entry Unit — Kennesaw, Georgia; FF-AR-08-0125; 3/11/2008

Kilmer Lobby Branch — Edison, New Jersey; FF-AR-08-118; 3/4/2008

La Salle Post Office — La Salle, Colorado; FF-AR-08-052; 12/20/2007

Lake Hughes Post Office — Lake Hughes, California; FF-AR-08-145; 3/27/2008

Liguori Business Mail Entry Unit — Liguori, Missouri; FF-AR-08-093; 2/5/2008

Long Beach Business Mail Entry Unit — Long Beach, California; FF-AR-08-068; 1/10/2008

Madison Business Mail Entry Unit — Madison, Connecticut; FF-AR-08-082; 1/28/2008

Manassas Main Office Window — Manassas, Virginia; FF-AR-08-135; 3/19/2008

Manchester Main Post Office — Manchester, New Hampshire; FF-AR-08-075; 1/15/2008

Maplewood Business Mail Entry Unit — Maplewood, New Jersey; FF-AR-08-090; 2/4/2008

Marion Business Mail Entry Unit — Marion, Kentucky; FF-AR-08-034; 11/29/2007

Marion Main Post Office — Marion, South Dakota; FF-AR-08-047; 12/11/2007

Mary Esther Post Office — Mary Esther, Florida; FF-AR-08-098; 2/7/2008

Marysville Business Mail Entry Unit — Marysville, Ohio; FF-AR-08-032; 11/29/2007

Matteson Business Mail Entry Unit — Matteson, Illinois; FF-AR-08-044; 12/11/2007

McArthur Main Post Office — McArthur, California; FF-AR-08-116; 3/3/2008

McKnight Branch Automated Postal Center — Pittsburgh, Pennsylvania; FF-AR-08-103; 2/13/2008

Merrifield Post Office — Merrifield, Virginia; FF-AR-08-070; 1/10/2008

Miami General Mail Facility Post Office — Miami, Florida; FF-AR-08-042; 12/7/2007

Milledgeville Business Mail Entry Unit — Milledgeville, Georgia; FF-AR-08-106; 2/15/2008

Milpitas Main Post Office — Milpitas, California; FF-AR-08-107; 2/20/2008

Mount Hermon Main Post Office — Mount Hermon, California; FF-AR-08-060; 12/28/2007

Murphysboro Post Office — Murphysboro, Illinois; FF-AR-08-063; 1/7/2008

Naperville Post Office — Naperville, Illinois; FF-AR-08-134; 3/19/2008

Newton Upper Falls Post Office — Newton Upper Falls, Massachusetts; FF-AR-08-046; 12/11/2007

Niles Branch — Niles, Illinois; FF-AR-08-112; 2/25/2008

North Haven Post Office — North Haven, Connecticut; FF-AR-08-119; 3/4/2008

Norwood Young America Business Mail Entry Unit — Norwood Young America, Minnesota; FF-AR-08-061; 1/02/2008

Novato Business Mail Entry Unit — Novato, California; FF-AR-08-050; 12/18/2007

Oakridge Post Office — Oakridge, Oregon; FF-AR-08-100; 2/12/2008

O'Fallon Post Office — O'Fallon, Missouri; FF-AR-08-133; 3/19/2008

Palos Verdes Business Mail Entry Unit — Palos Verdes Peninsula, California; FF-AR-08-099; 2/7/2008

Peotone Post Office — Peotone, Illinois; FF-AR-08-039; 11/30/2007

Red Rock Vista Station — Las Vegas, Nevada; FF-AR-08-036; 11/29/2007

Reno Main Office — Self-Service Postal Center — Reno, Nevada; FF-AR-08-097; 2/6/2008

Roselle Branch Post Office — Roselle, New Jersey; FF-AR-08-110; 2/25/2008

San Antonio Business Mail Entry Unit — San Antonio, Texas; FF-AR-08-146; 3/28/2008

Santa Rosa Business Mail Entry Unit — Santa Rosa, California; FF-AR-08-136; 3/20/2008

Scottsville Post Office — Scottsville, Kentucky; FF-AR-08-121; 3/5/2008

Smithtown Business Mail Entry Unit — Smithtown, New York; FF-AR-08-051; 12/17/2007

Southington Post Office — Southington, Connecticut; FF-AR-08-120; 3/5/2008

Strasburg Business Mail Entry Unit — Strasburg, Virginia; FF-AR-08-104; 2/14/2008

Sylacauga Business Mail Entry Unit — Sylacauga, Alabama; FF-AR-08-069; 1/10/2008

Temple City Main Post Office — Temple City, California; FF-AR-08-124; 3/10/2008

Toledo Business Mail Entry Unit — Toledo, Ohio; FF-AR-08-077; 1/16/2008

Warminster Business Mail Entry Unit — Warminster, Pennsylvania; FF-AR-08-065; 1/11/2008

Watertown Business Mail Entry Unit — Watertown, New York; FF-AR-08-041; 12/6/2007

Watsonville Business Mail Entry Unit 01 — Watsonville, California; FF-AR-08-071; 1/10/2008

Wayne Business Mail Entry Unit — Wayne, New Jersey; FF-AR-08-078; 1/18/2008

Webb Bridge Station — Alpharetta, Georgia; FF-AR-08-096; 2/5/2008

West Palm Beach Main Office Window Unit — West Palm Beach, Florida; FF-AR-08-115; 2/29/2008

West Rutland Post Office — West Rutland, Vermont; FF-AR-08-137; 3/20/2008

Winder Business Mail Entry Unit — Winder, Georgia; FF-AR-08-127; 3/17/2008

### Information Systems

Compliance Audit of the Postal Service's External Public Key Infrastructure Services; IS-AR-08-001; 10/5/2007

Enterprise Payment Switch Solution Phase III: Security Testing; IS-AR-08-004; 2/6/2008

Fiscal Year 2007 Information Systems General Computer Controls Capping Report; IS-AR-08-007; 3/11/2008

Identity Theft Potential in Postal Service Information Systems; IS-AR-08-006; 3/6/2008

Information Systems Access Controls at Selected Information Technology Facilities for Fiscal Year 2007; IS-AR-08-002; 11/6/2007

National Accounting Oracle Financials Application Data Encryption Follow-Up; IS-AR-08-008; 3/11/2008

Oracle Application Control Review — Invoice Processing and Discounts; IS-AR-08-003; 1/10/2008

Oracle Processing — Application Control Review — Processing Phase; IS-AR-08-005; 3/3/2008

Update Processes for Active Directory and CA-ACF2; IS-AR-08-009; 3/14/2008

### Inspection Service & Facilities

Assessing Management Controls, Processes, and Programs Regarding U.S. Postal Inspection Service Security; SA-AR-08-001; 10/29/2007

Emergency Preparedness Plans for the New York Metro Area; SA-AR-08-005; 3/21/2008

Emergency Preparedness Plans for the Western Area; SA-AR-08-006; 3/21/2008

Postal Inspection Service Security Controls and Processes; SA-AR-08-003; 12/19/2007

Postal Service's Personnel Security Process; SA-MA-08-001; 2/12/2008

### Supply Management

Estimated Supply Chain Management Impact Associated with Waste, Trash, and Recycling Services; CA-MA-08-001; 1/10/2008

National Review of SmartPay Purchase Card Transactions; CA-AR-08-002; 11/8/2007

Voyager Card Program — Alexandria, Louisiana South Park Station and Baton Rouge, Louisiana Downtown Station; CA-AR-08-004; 12/31/2007

Voyager Card Program — Denver, Colorado Vehicle Maintenance Facility and Longmont, Colorado Post Office; CA-AR-08-001; 10/19/2007

Voyager Card Program — Hayward and Concord, California Post Offices; CA-AR-08-003; 11/16/2007

Voyager Card Program — Orlando, Florida Lee Vista Station and Boynton Beach, Florida Main Office Station; CA-AR-08-005; 2/29/2008

Voyager Card Program; CA-AR-08-006; 3/21/2008

### Transportation

Vehicle Management — Unsecured Trailers — San Francisco Processing and Distribution Center; NL-AR-08-004; 3/29/2008

## APPENDIX B

Office of Inspector General Semiannual Report to Congress  
October 1, 2007 — March 31, 2008

## APPENDIX B

### Findings Of Questioned Costs

For the period October 1, 2007 — March 31, 2008

**Questioned Cost:** A cost that is unnecessary, unreasonable, unsupported, or an alleged violation of law, regulation, or contract.

As required by the IG Act, the following pages show the total number of audit reports and the total dollar value of questioned costs in audit reports.

Description	Number of Reports	Questioned Costs	Unsupported Costs Included in Questioned Costs
Reports for which no management decision was made at the beginning of the reporting period	28	\$290,673,034	2,314,919*
Reports requiring management decision that were issued during the reporting period	53	\$190,209,049	\$59,945,723
<b>TOTAL</b>	<b>81</b>	<b>\$480,882,083</b>	<b>\$62,260,642</b>
Reports for which a management decision was made during the reporting period (i+ii)	66	\$432,666,383	\$61,889,945
(i) Dollar Value of disallowed cost	—	\$70,180,280	\$4,900,761
(ii) Dollar value of cost not disallowed	—	\$362,486,103	\$56,989,184
Reports for which no management decision was made by the end of the reporting period; negotiations are ongoing	15	\$48,215,700	\$370,697
Reports for which no management decision was made within 6 months of issuance (See Note 1 for a list of individual reports)	3	\$2,624,316	\$71,956
Reports for which no management decision was made within 1 year of issuance (See Note 2 for a list of individual reports)	2	\$45,221,850	—

Note 1 — Reports for Which No Management Decision Was Made Within 6 Months of Issuance:

Subject	Report/Case Number	Report Date	Questioned Costs	Unsupported Costs Included in Questioned Costs
6/15/2007	NL-AR-07-005	Vehicle Management – National Trailer Lease Renewal – Southwest Area	997,016	—
9/28/2007	NL-AR-07-009	Vehicle Management – National Trailer Lease Renewal – Pacific Area	1,555,344	—
7/18/2007	CA-CAR-07-015	Audit of Price Adjustment Claim Submitted by Bertsch Properties, Limited Liability Corporation (LLC)	71,956	71,956
<b>TOTAL</b>			<b>\$2,624,316</b>	<b>\$71,956</b>

\*The unsupported amount shows an increase of \$572 from what was reported in the September 2007 Semiannual Report to Congress.



Note 2 — Reports for Which No Management Decision Was Made Within 1 Year of Issuance:

Subject	Report/Case Number	Report Date	Questioned Costs	Unsupported Costs Included in Questioned Costs
9/30/2004	NL-AR-04-005	Vehicle Management – Delivery Vehicles – Buy Versus Lease	\$42,751,032	—
7/5/2006	CA-CAR-06-027	Report on Audit of Settlement Proposal Under Contract Number 102591-03-Q-0454 Submitted by Hasler Incorporated	\$2,470,818	—
<b>TOTAL</b>			<b>\$45,221,850</b>	<b>—</b>

Note 3 — Contract Reports With a Significant Audit Finding:

	Questioned Costs	Disallowed	Unsupported Costs	Finding Description
Firm Fixed Price Proposal Submitted by Siemens Energy and Automation, Incorporated, Postal Automation Division; CA-CAR-08-011; 01/04/2008	\$11,002,117	—	—	The cost or pricing data submitted by the contractor was not adequate and the proposal was not prepared in accordance with the U.S. Postal Service Supplying Principles and Practices.
Firm Fixed Price Proposal, Revision A, Submitted by Siemens Energy and Automation, Incorporated, Postal Automation Division; CA-CAR-08-019; 3/27/2008	\$69,876,229	—	\$56,989,184	The cost or pricing data submitted by the contractor was not adequate and the proposal was not prepared in accordance with the U.S. Postal Service Supplying Principles and Practices.
Supplemental Report on Audit of Proposal Submitted by Northrop Grumman Corporation, Electronic Systems Company; CA-CAR-08-001; 10/15/2007	\$14,417,441	\$14,417,441	—	The cost or pricing data submitted by the contractor was not adequate and the proposal was not prepared in accordance with the U.S. Postal Service Supplying Principles and Practices.
<b>TOTAL</b>	<b>\$95,295,787</b>	<b>\$14,417,441</b>	<b>\$56,989,184</b>	

**APPENDIX C**

Office of Inspector General Semiannual Report to Congress  
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**APPENDIX C**

**Recommendations That Funds Be Put to Better Use**

For the period October 1, 2007 — March 31, 2008

As required by the IG Act, the following pages show the total number of audit reports and the total dollar value of recommendations for funds that can be put to better use by management.

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

Description	Number of Reports	Dollar Value
Reports for which no management decision was made at the beginning of the reporting period	6	\$59,285,542
Reports issued during the reporting period	12	\$547,637,127
<b>TOTAL</b>	<b>18</b>	<b>\$606,922,669</b>
Reports for which a management decision was made during the report period	11	\$552,681,919
(i) Value of recommendations agreed to by management		\$415,578,050
(ii) Value of recommendations that were not agreed to by management		\$137,103,869
Reports for which no management decision was made by the end of the reporting period.	7	\$54,240,750
Reports for which no management decision was made within 6 months of issuance <i>(See Note 1 for a list of individual reports)</i>	2	\$9,717,525
Reports for which no management decision was made within 1 year of issuance <i>(See Note 2 for a list of individual reports)</i>	2	\$41,811,124

Note 1 - Reports for Which No Management Decision Was Made Within 6 Months of Issuance:

Subject	Report Number	Report Date	Recommend Funds Put to Better Use
Vehicle Management — National Trailer Lease Renewal — Pacific Area	NL-AR-07-009	9/28/2007	\$5,960,140
Vehicle Management — National Trailer Lease Renewal — Southwest Area	NL-AR-07-005	6/15/2007	\$3,757,385
<b>TOTAL</b>			<b>\$9,717,525</b>

Note 2 - Reports for Which No Management Decision Was Made Within 1 Year of Issuance:

Subject	Report Number	Report Date	Recommend Funds Put to Better Use
Vehicle Management — Delivery Vehicles — Buy versus Lease	NL-AR-04-005	9/30/2004	\$40,296,954
Vehicle Management — National Trailer Lease Requirements — Capital Metro Area	NL-AR-06-013	9/29/2006	\$1,514,170
<b>TOTAL</b>			<b>\$41,811,124</b>

**APPENDIX D****Reported Non-Monetary Benefits**

For the period October 1, 2007 — March 31, 2008

**Overview**

Many of our audit reports identify areas for improvement that result in non-monetary benefits to the Postal Service. These benefits include improvements to service, protection of assets, and improvements in the reliability of data.

	Type of Measure	Value or Amount
<b>IMPROVED SERVICE</b>		
Recommendations that address the Postal Service's efforts to improve the quality and accessibility of its products and services	Number of recommendations	47
Number of customer service audits conducted	Number of audits	10
<b>SAFEGUARDING ASSETS</b>		
<b>Assets or Accountable Items at Risk</b>		
Inadequate internal controls put the value of assets or accountable items (such as cash and stamps) at risk of loss	Dollar value	\$69,917,447
<b>Physical Safety and Security</b>		
Dollar value of physical assets (plant, computer equipment, vehicles, and so forth) at risk of loss due to inadequate physical protection	Dollar value	\$1,600,000
Recommendations that address the safety and security of Postal Service employees and/or the work environment	Number of recommendations	92
Number of employee/facility safety and security audits conducted	Number of audits	15
<b>Information Technology Security</b>		
Inadequate controls/protection put the value of data, IT assets (software, networks), and employee work time at risk of loss	Dollar value	\$587,997
Number of data security/IT security audits conducted	Number of audits	17
<b>Revenue at Risk</b>		
Dollar value of revenue that the Postal Service is at risk of losing (mailer seeking alternative solutions for current services)	Dollar value	\$3,323,080
<b>Disbursements at Risk</b>		
Dollar value of disbursements made where proper Postal Service internal controls and processes were not followed	Dollar value	\$25,633,856
<b>Goodwill / Branding</b>		
An "adverse impact" on goodwill is an actual event/problem that harms the Postal Service's reputation or a potential problem that could negatively impact the Postal Service "brand name"	Number of issues identified	22
<b>RELIABILITY OF DATA</b>		
<b>Records at Risk</b>		
Data at risk of corruption or loss due to inadequate internal controls and or protection	Number of data records at risk	791,948,447
Dollar value of data used to support management decisions that are not fully supported or completely accurate	Dollar value	\$890,959,332

## APPENDIX E

Office of Inspector General Semiannual Report to Congress  
October 1, 2007 — March 31, 2008

## APPENDIX E

### Reports With Significant Recommendations Pending Corrective Actions

For the period through March 31, 2008

As required by the IG Act, the following pages include a list of each audit report for which no management decision has been made by the end of the reporting period.

Report Number	Issue Date	Report Title, Recommendation Summary
		R = Recommendation number TID = Target Implementation Date
NO-AR-05-011	6/17/2005	<b>Efficiency of the Los Angeles International Service Center</b> R-1 — Reduce mail processing workhours by 85,000. <b>TID:</b> <i>October 2010</i>
HM-AR-05-009	7/22/2005	<b>Complaints Regarding Personnel Issues in the Caribbean District</b> R-13 — Ensure employees are properly recording their clock rings in accordance with policy. <b>TID:</b> <i>Management working on closure request</i> R-19 — Establish a team to conduct a review of all calendar years 2002 through 2004 special job opportunity hiring of casual and transitional employees to ensure there were no additional individuals improperly hired. <b>TID:</b> <i>Management working on closure request</i>
HM-AR-06-004	5/19/2006	<b>Postal Service's Injury Compensation Programs' Controversion and Challenge Process in Selected Areas</b> R-2 — Provide sufficient oversight of injury compensation control offices by including steps to validate the proper tracking and monitoring of controverted and challenged claims in the Human Resource Information System and the Claim Control Register in their Area Program reviews. <b>TID:</b> <i>Management working on closure request</i>
IS-AR-06-003	2/10/2006	<b>Security Vulnerability Assessment and Audit of Automated Postal Center Systems</b> R-1 — Identify appropriate corrective action for identified vulnerabilities. <b>TID:</b> <i>April 2008</i> R-7 — Implement appropriate maximum file sizes to ensure desired data is captured and retained for designated periods. <b>TID:</b> <i>April 2008</i>
FT-AR-06-016	3/31/2006	<b>Postal Service's Share of Health Insurance Premiums for Retired Employees</b> R-1 — Establish and communicate policies and procedures to continuously monitor the accuracy of the Postal Service's share of health insurance premiums paid for retirees and survivors. <b>TID:</b> <i>June 2008</i>
NL-AR-06-008	7/25/2006	<b>Surface Transportation — Processing and Distribution Center Transportation Routes – Great Lakes Area</b> R-1 — Verify the actual cancellation, modification, or substitution of the 20 trips identified during our audit by management. <b>TID:</b> <i>March 2008 (management has not provided a revised date)</i> R-2 — Verify the actual cancellation, modification, or substitution of the 73 trips with which Postal Service officials agreed. <b>TID:</b> <i>March 2008 (management has not provided a revised date)</i> R-3 — Reassess the 14 trips which managers still feel are necessary and cancel or modify the trips as indicated by the reassessment, or document the reasons for retaining the trips. <b>TID:</b> <i>March 2008 (management has not provided a revised date)</i>
DR-AR-06-007	8/9/2006	<b>Overdrawn Express Mail Corporate Accounts</b> R-3 — Convert all trust Express Mail Corporate Accounts to Automated Clearing House or credit card accounts. <b>TID:</b> <i>March 2009</i>
HM-AR-06-006	8/29/2006	<b>Postal Service's Grievance-Arbitration Service Centers</b> R-8 — Automate the processing and payment of arbitrator invoices using an existing Postal Service electronic purchasing system. <b>TID:</b> <i>April 2007</i> R-9 — Assess the benefits of transitioning the grievance-arbitration processing function to the shared services center or another feasible alternative. <b>TID:</b> <i>Not provided</i>
IS-AR-06-017	9/27/2006	<b>Enterprise Payment Switch Solution Phase 1: Requirements and Design</b> R-1 — Create or revise policies and procedures to provide guidance for Payment Card Industry compliance. <b>TID:</b> <i>June 2008</i> R-2 — Resolve the inconsistencies between Postal Service policies and the Payment Card Industry Data Security Standard <b>TID:</b> <i>June 2008</i>

**Report Title, Recommendation Summary**

<b>Report Number</b>	<b>Issue Date</b>	<b>Report Title, Recommendation Summary</b>
		R = Recommendation number TID = Target Implementation Date
DR-MA-06-008	9/29/2006	<p><b>Delivery and Retail Standard Operating Procedures – Great Lakes Area</b></p> <p>R-2 — Resolve and close Integrated Operating Plan discrepancies timely as required by Standard Operating Procedures. <b>TID: September 2007</b> (management has not provided a revised date)</p> <p>R-3 — Document unauthorized overtime using PS Form 1017-B, Unauthorized Overtime Record, and take corrective actions. <b>TID: September 2007</b> (management has not provided a revised date)</p> <p>R-4 — Use Delivery Operations Information System performance reports to document carriers' performance feedback. <b>TID: September 2007</b> (management has not provided a revised date)</p>
HM-AR-06-007	9/29/2006	<p><b>Postal Service's Schedule Awards Program in the New York Metro Area — Report I</b></p> <p>R-5 — Revise the Basic Injury Compensation Course to include training on how to calculate and verify the schedule award amounts the OWCP authorizes and include the revised portion as mandatory training for all injury compensation managers and specialists. <b>TID: Not provided</b></p> <p>R-7 — Revise Postal Service policy to require injury compensation managers to monitor compensation payments via chargeback summaries and detail reports. Immediately notify the OWCP district offices of any underpayments. <b>TID: Not provided</b></p>
DA-AR-06-006	9/30/2006	<p><b>Biohazard Detection System</b></p> <p>R-1 — Procure and implement a technological solution to ensure Automated Facer Cancellor System and Biohazard Detection System operations are synchronized for starts and stops. <b>TID: August 2008</b></p>
EN-AR-06-001	9/26/2006	<p><b>Pasadena, California, Processing and Distribution Center Consolidation</b></p> <p>R-3 — Update the Area Mail Processing policy. <b>TID: April 2008</b></p>
EN-AR-07-001	11/9/2006	<p><b>Sioux City, Iowa, Processing and Distribution Facility Consolidation</b></p> <p>R-1 — Complete revisions to the Sioux City Area Mail Processing (AMP) proposal. <b>TID: December 2008</b></p> <p>R-2 — Communicate updated information on the Sioux City AMP to stakeholders. <b>TID: December 2008</b></p> <p>R-3 — Provide detailed instructions for completing facility information. <b>TID: December 2008</b></p> <p>R-4 — Provide detailed instructions for estimating employee relocation. <b>TID: April 2008</b></p>
EN-AR-07-002	12/5/2006	<p><b>Service Implications of Area Mail Processing Consolidations</b></p> <p>R-1 — Improve instructions for completing service standards worksheets. <b>TID: April 2008</b></p> <p>R-2 — Revise Area Mail Processing (AMP) Guidelines to outline a specific methodology for measuring service performance. <b>TID: April 2008</b></p> <p>R-3 — Revise AMP Guidelines to include the impact on collection box pick-up times and any planned changes for business mail entry units and retail operations. <b>TID: April 2008</b></p> <p>R-4 — Revise the Collection Point Management System to track changes to collection box pick-up times. <b>TID: September 2009</b></p>
IS-AR-07-003	12/7/2006	<p><b>Security Vulnerability Assessment of Legacy Applications at the Eagan Host Computing Services, Eagan, Minnesota</b></p> <p>R-1 — Implement an automated asset management solution. <b>TID: December 2008</b></p>
IS-AR-07-006	12/26/2006	<p><b>National Customer Management System Encryption</b></p> <p>R-1 — Replace the current encryption methodology. <b>TID: March 2008</b> (management has not provided a revised date)</p> <p>R-2 — Verify all encryption algorithms used in the storage or transmission of sensitive cardholder data comply with Postal Service and Payment Card Industry Security requirements. <b>TID: July 2008</b></p>
IS-AR-07-007	2/23/2007	<p><b>Enterprise Payment Switch Solution Phase II: Preparations for Security Testing</b></p> <p>R-2 — Complete the Payment Card Industry Compensating Controls Worksheet. <b>TID: June 2008</b></p>

**APPENDIX E**

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**Report Title, Recommendation Summary**

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<b>Report Number</b>	<b>Issue Date</b>	<b>Report Title, Recommendation Summary</b>
SA-AR-07-002	3/30/2007	<p><b>Postal Service Security Controls and Processes for the Capital Metro Area</b></p> <p>R-1 — Provide consolidated standard operating procedures and guidance to assist in performing duties and responsibilities consistently and in a timely manner. <b>TID: July 2008</b></p> <p>R-2 — Establish and implement appropriate internal controls, such as an internal review and approval process, to ensure that security personnel complete facility security surveys (FSS) accurately and in a timely manner. <b>TID: October 2008</b></p> <p>R-3 — Establish a formal process for conducting FSSs, including timeframes for addressing deficiencies and follow-up reviews. <b>TID: October 2008</b></p> <p>R-4 — Establish requirements for mandatory security training including periodic refresher training, for responsible security personnel at the area-, district-, and facility-levels. <b>TID: January 2009</b></p> <p>R-5 — Develop performance measures to assess the achievement of security goals. <b>TID: January 2009</b></p>
NL-AR-07-004	4/20/2007	<p><b>Surface Transportation - Processing and Distribution Center Transportation Routes – Southwest Area</b></p> <p>R-1 — Verify the actual cancellation, modification, or substitution of the 32 trips with which Postal Service managers agreed. <b>TID: May 2007 (management has not provided a revised date)</b></p>
NO-AR-07-004	4/25/2007	<p><b>Efficiency Review of the Bridgeport Processing and Distribution Facility – Bridgeport, Connecticut</b></p> <p>R-1 — Consolidate the Bridgeport Processing and Distribution Facility's incoming mail processing operations into the Stamford Processing and Distribution Center. <b>TID: Not provided</b></p>
SA-AR-07-003	5/9/2007	<p><b>Postal Service Security Controls and Processes for the Pacific Area</b></p> <p>R-1 — Establish and implement appropriate internal controls (such as an internal review and approval process) to ensure security personnel complete facility security surveys accurately and in a timely manner. <b>TID: October 2008</b></p> <p>R-2 — Develop appropriate performance measures for physical security to assess the achievement of security goals and incorporate them into performance plans for area-, district-, and field-level security personnel. <b>TID: January 2009</b></p>
HM-AR-07-002	5/16/2007	<p><b>Postal Service's Workplace Safety and Workplace-Related Injury Reduction Goals and Progress</b></p> <p>R-1 — Closely monitor conversion to the SAP Environmental Health and Safety module. Ensure the upgraded system captures costs by facility, district/performance cluster, and area office, as well as the costs for identified key categories. <b>TID: March 2009</b></p>
DR-MA-07-004	6/14/2007	<p><b>Management of Retail Work Hours in Relation to the Workload for Mobile Units – Triboro District</b></p> <p>R-1 — Revise the <i>Handbook for Retail Operations</i>, to include standard procedures for mobile units. <b>TID: December 2008</b></p> <p>R-2 — Distribute the revised <i>Handbook for Retail Operations</i> to Area officials for implementation. <b>TID: December 2008</b></p>
NL-AR-07-005	6/15/2007	<p><b>Vehicle Management - National Trailer Lease Renewal – Southwest Area</b></p> <p>R-1 — Strengthen management control over National Trailer Lease equipment allocated to the Southwest Area. <b>TID: Not provided</b></p> <p>R-2 — Analyze the number of trailers needed to transport mail and equipment and return unneeded trailers. <b>TID: Not provided</b></p> <p>R-3 — Analyze storage requirements and procure storage space in the most cost-effective manner. <b>TID: Not provided</b></p>
EN-MA-07-001	6/26/2007	<p><b>Area Mail Processing Initiation Process</b></p> <p>R-1 — Validate current consolidation opportunities with changes in the network realignment strategy. <b>TID: June 2008</b></p> <p>R-2 — Revise <i>Area Mail Processing Guidelines</i> to integrate the "bottom-up" and "top-down" approaches to identifying consolidation opportunities. <b>TID: April 2008</b></p>
EN-AR-07-003	7/18/2007	<p><b>Bronx, New York, Processing and Distribution Center Consolidation</b></p> <p>R-1 — Revise <i>Area Mail Processing Guidelines</i> to include a more objective and supportable method for determining workhours required to process mail volume transferred between mail processing facilities. <b>TID: April 2008</b></p>
IS-AR-07-012	7/25/2007	<p><b>Review of Controls Over Postal Inspection Service Network Switches</b></p> <p>R-2 — Apply the updated hardening standards and guidelines. <b>TID: May 2008</b></p>

**Report Title, Recommendation Summary**

<b>Report Number</b>	<b>Issue Date</b>	<b>Report Title, Recommendation Summary</b>
		R = Recommendation number TID = Target Implementation Date
EN-AR-07-004	8/14/2007	<p><b>Post-Implementation Reviews of the Marina Processing and Distribution Center Area Mail Processing Consolidation</b></p> <p>R-2 — Clarify the Area Mail Processing (AMP) Guidelines to identify and use the most current four postal quarters prior to the AMP submission as a source for review baseline data. <b>TID: April 2008</b></p> <p>R-3 — Include a description of other cost-saving initiatives underway concurrently with the consolidation in the review. <b>TID: April 2008</b></p> <p>R-4 — Establish a more rigorous review process to more effectively identify misstatements and errors in methodology. <b>TID: April 2008</b></p>
IS-AR-07-016	8/20/2007	<p><b>Audit of Database Administration Practices</b></p> <p>R-2 — Establish policies and procedures for the protection and use of sensitive data in the test, development, and production environments. <b>TID: September 2008</b></p>
CA-MA-07-005	8/2/2007	<p><b>Commodity Sourcing Activities Within the Automation Category Management Center</b></p> <p>R-1 — Explore options for developing alternative sources for mail automation equipment. <b>TID: October 2008</b></p> <p>R-2 — Negotiate mail automation technology rights that protect the Postal Service in the event of supplier debarment or suspension, while staying within the scope of existing and new technology protection clauses. <b>TID: Management working on closure request</b></p> <p>R-3 — Obtain cost or pricing data when negotiating noncompetitive, share-in-savings, incentive-type contracts for mail automation equipment. <b>TID: September 2008</b></p>
IS-AR-07-017	8/29/2007	<p><b>Separation of Duties at the Eagan, Minnesota; San Mateo, California; and St. Louis, Missouri Information Technology and Accounting Service Centers</b></p> <p>R-1 — Assess the risk of the duties of all Information Technology and Accounting Service Center positions for the purpose of assigning these positions as sensitive. <b>TID: March 2008 (management has not provided a revised date)</b></p> <p>R-4 — Coordinate with the Inspection Service to ensure the proper clearance level is attributed to employees. <b>TID: September 2008</b></p>
DA-AR-07-005	9/10/2007	<p><b>Automated Flat Sorting Machine 100 Enhancements</b></p> <p>R-3 — Establish formal procedures for validating baseline throughput figures. <b>TID: April 2008</b></p>
DA-MA-07-002	9/13/2007	<p><b>St. Louis Equipment Maintenance and Waste Disposal</b></p> <p>R-1 — Continue to support initiatives for an effective maintenance program and formalize the training initiatives, including specific timeframes for completion. <b>TID: September 2008</b></p>
DR-MA-07-005	9/21/2007	<p><b>Maintenance and Repair Payments to Commercial Vendors Using Postal Service Form 8230, Authorization for Payment</b></p> <p>R-6 — Eliminate one clerk position at the San Mateo Accounting Center through attrition. <b>TID: June 2008</b></p>
HM-AR-07-004	9/26/2007	<p><b>The Postal Service's Comprehensive Strategic Workforce Plan</b></p> <p>R-1 — Develop guidance and procedures for creating a comprehensive strategic workforce plan to address current and future workforce requirements. <b>TID: December 2008</b></p> <p>R-2 — Coordinate the agency-wide development and implementation of the comprehensive strategic workforce plan with the vice presidents responsible for human capital issues and other vice presidents responsible for workforce planning and operations. <b>TID: December 2008</b></p>
NL-AR-07-007	9/27/2007	<p><b>Postal Vehicle Service Transportation Routes – Milwaukee Processing and Distribution Center</b></p> <p>R-1 — Verify elimination of the 11,283 hours that management agreed to remove from trip schedules. <b>TID: April 2008</b></p>

**APPENDIX E**

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<b>Report Number</b>	<b>Issue Date</b>	<b>Report Title, Recommendation Summary</b>
FF-AR-07-254	9/28/2007	<p><b>Audit Report - Chicago District Financial Accountability</b></p> <p>R -1 — Develop and implement a mandatory financial training program for all unit managers and supervisors. <b>TID:</b> <i>September 2008</i></p> <p>R-2 — Establish a system to monitor compliance with financial procedures, establish, and enforce accountability for non-compliance. <b>TID:</b> <i>April 2008</i></p> <p>R-3 — Collect cash/stamp shortages and post office box/caller service fees identified in the individual site memoranda, as appropriate. <b>TID:</b> <i>April 2008</i></p> <p>R-5 — Provide a quarterly and annual summary of unit compliance with financial procedures regarding remediation of the findings contained in this report. <b>TID:</b> <i>October 2008</i></p> <p>R-6 — Monitor monthly compliance with the cash deposit procedures for the Grand Crossing Station, until remediation of the issue has been maintained for 12 months. <b>TID:</b> <i>August 2008</i></p>
MS-AR-07-004	9/28/2007	<p><b>Postal Service Passport Program</b></p> <p>R-1 — Develop a reconciliation process to ensure that both the Postal Service's Facilities Database and the Department of State's database contain identical passport acceptance facilities information. <b>TID:</b> <i>Management working on closure request</i></p>
NL-AR-07-008	9/28/2007	<p><b>The Impact of Transportation on Chicago District Performance</b></p> <p>R-1 — Analyze Chicago District operations to identify excess postal vehicle resources. <b>TID:</b> <i>Not provided</i></p> <p>R-2 — Improve communication and coordination between processing facilities and local post offices by improving local transportation planning and scheduling. <b>TID:</b> <i>Not provided</i></p> <p>R-3 — Require managers to plan transportation between the two facilities and properly account for mail in trailers. <b>TID:</b> <i>Not provided</i></p> <p>R-4 — Improve data collection by properly supervising employees and properly training employees on the Surface Visibility system. <b>TID:</b> <i>Not provided</i></p>
NL-AR-07-009	9/28/2007	<p><b>Vehicle Management — National Trailer Lease Renewal — Pacific Area</b></p> <p>R-1 — Strengthen management control over National Trailer Lease equipment allocated to the Pacific Area. <b>TID:</b> <i>March 2008 (management has not provided a revised date)</i></p> <p>R-2 — Analyze the number of trailers needed to transport mail and equipment. Return unneeded trailers. <b>TID:</b> <i>March 2008 (management has not provided a revised date)</i></p> <p>R-3 — Analyze the number of 28-foot trailers needed, fill operational requirements with 53-foot trailers where feasible, and return unneeded equipment to the leasing contractor. <b>TID:</b> <i>March 2008 (management has not provided a revised date)</i></p> <p>R-4 — Analyze storage requirements and procure storage space in the most cost-effective manner. <b>TID:</b> <i>March 2008 (management has not provided a revised date)</i></p>
NO-AR-07-012	9/28/2007	<p><b>Timeliness of Mail Processing at the Chicago, Illinois, Cardiss Collins, Processing and Distribution Center</b></p> <p>R-1 — Monitor delayed mail on a daily basis and develop action plans to ensure timely processing of the mail. <b>TID:</b> <i>Not provided (follow-up work will be done by September 2008)</i></p> <p>R-2 — Ensure supervisors are properly trained and held accountable for results in their operations. <b>TID:</b> <i>Not provided</i></p> <p>R-3 — Establish performance goals for employees, monitor achievement of those goals, and rate performance based on goals. <b>TID:</b> <i>Not provided</i></p> <p>R-4 — Ensure timely and proper preventive maintenance is conducted. <b>TID:</b> <i>Not provided</i></p> <p>R-5 — Ensure proper staffing and use of overtime in relation to workload. <b>TID:</b> <i>Not provided</i></p> <p>R-6 — Ensure proper plans are developed and followed for events that will affect mail processing operations. <b>TID:</b> <i>Not provided (follow-up work will be done by September 2008)</i></p> <p>R-7 — Develop contingency plans in the event that mail cannot be processed at the Cardiss Collins Processing and Distribution Center. <b>TID:</b> <i>Not provided (follow-up work will be done by September 2008)</i></p> <p>R-8 — Provide constant supervision to improve the timely processing of the mail. <b>TID:</b> <i>Not provided</i></p>



**Report Title, Recommendation Summary**

<b>Report Number</b>	<b>Issue Date</b>	<b>Report Title, Recommendation Summary</b>
		R = Recommendation number TID = Target Implementation Date
DR-AR-07-016	9/29/2007	<p><b>Implementation and Utilization of the Growth Management Tool</b></p> <p>R-1 — Update Delivery and Retail Growth and Delivery Point Management Standard Operating Procedures. <b>TID:</b> July 2008</p>
DR-AR-08-001	10/11/2007	<p><b>Timely City Delivery — Chicago District</b></p> <p>R-1 — Implement Delivery Standard Operating Procedures in all delivery units. <b>TID:</b> Not provided</p> <p>R-2 — Provide appropriate oversight to ensure delivery unit Standard Operating Procedures are in place, operating as intended, and achieving desired results. <b>TID:</b> Not provided</p> <p>R-3 — Validate that the Chicago District has implemented Delivery Standard Operating Procedures in all delivery units. <b>TID:</b> Not provided</p> <p>R-4 — Provide appropriate oversight to ensure the Chicago District is monitoring delivery unit performance. <b>TID:</b> Not provided</p>
EN-MA-08-001	10/19/2007	<p><b>Automated Area Mail Processing Worksheets</b></p> <p>R-1 — Enhance Area Mail Processing guidelines to use facility-specific historical productivity rates. <b>TID:</b> April 2008</p> <p>R-2 — Analyze Highway Contract Route (HCR) variable and fixed-cost data to determine the average price to mileage increase ratio. <b>TID:</b> April 2008</p> <p>R-3 — Document major concerns and input provided by stakeholders. <b>TID:</b> April 2008</p> <p>R-10 — Include specific instructions to retain all documentation and reports used to complete the area mail processing proposal. <b>TID:</b> April 2008</p>
HM-AR-08-002	11/2/2007	<p><b>The Postal Service's Violence Prevention and Response Programs in Three Southeast Area Performance Clusters</b></p> <p>R-1 — Implement an internal control to ensure current zero tolerance policy is properly posted in all facilities, at least annually. <b>TID:</b> May 2008</p> <p>R-2 — Update the zero tolerance policy to include the lead plant managers' signatures. <b>TID:</b> May 2008</p> <p>R-5 — Instruct Human Resources managers of their responsibility to conduct periodic reviews to determine if management has met the mandatory workplace violence awareness training requirements for all employees; implement a control to determine which managers and supervisors did not receive the violence awareness training. <b>TID:</b> May 2008</p> <p>R-7 — Implement a control to ensure threat assessment teams comply with the <i>Threat Assessment Team Guide</i> when responding to and assessing reports of potentially violent situations and inappropriate behavior. <b>TID:</b> May 2008</p> <p>R-8 — Direct the threat assessment teams to review the incidents that had insufficient supporting documentation and determine if they were resolved in accordance with the <i>Threat Assessment Team Guide</i>. <b>TID:</b> May 2008</p> <p>R-9 — Direct Performance Cluster managers to ensure the threat assessment teams document their evaluations of climate indicators to identify trends and potential hotspots. <b>TID:</b> May 2008</p> <p>R-11 — Implement controls to ensure threat assessment teams document the processes used to measure the team's performance and ensure the measurements used are adequate for determining success and identifying areas for improvement. <b>TID:</b> May 2008</p> <p>R-12 — Implement an internal control to ensure Performance Cluster managers provide adequate oversight of their threat assessment teams to improve the effectiveness of the violence prevention and response programs. <b>TID:</b> May 2008</p>

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TID = Target Implementation Date

<b>Report Number</b>	<b>Issue Date</b>	<b>Report Title, Recommendation Summary</b>
HM-AR-08-003	11/7/2007	<p><b>The Postal Service’s Violence Prevention and Response Programs in Three Southwest Area Performance Clusters</b></p> <p>R-1 — Implement an internal control to ensure current zero tolerance policy is properly posted in all facilities, at least annually. <b>TID: May 2008</b></p> <p>R-3 — Notify Performance Cluster managers that workplace violence awareness training is a fiscal year mandatory requirement; and it is their responsibility to ensure that training occurs. <b>TID: May 2008</b></p> <p>R-4 — Determine which managers, supervisors, and 204b supervisors have not received the 8-hour (one-time) workplace violence awareness training; and provide the training as soon as possible. <b>TID: May 2008</b></p> <p>R-5 — Instruct Human Resources managers of their responsibility to conduct periodic reviews to determine if management has met the mandatory workplace violence awareness training requirements for all employees; and to determine which managers and supervisors did not receive training. <b>TID: May 2008</b></p> <p>R-7 — Implement a control to ensure threat assessment teams comply with the <i>Threat Assessment Team Guide</i> when responding to and assessing reports of potentially violent situations and inappropriate behavior. <b>TID: May 2008</b></p> <p>R-8 — Direct the threat assessment teams to review the incidents that had insufficient or no supporting documentation and determine if they were resolved in accordance with the <i>Threat Assessment Team Guide</i>. <b>TID: May 2008</b></p> <p>R-9 — Ensure threat assessment teams document their evaluations of climate indicators to identify trends and hotspots. <b>TID: May 2008</b></p> <p>R-11 — Ensure threat assessment teams implement performance measures that gauge whether the team’s efforts and processes to prevent violent incidents in the workplace are successful or need improvement. <b>TID: May 2008</b></p> <p>R-12 — Implement controls to ensure threat assessment teams document the processes used to measure the teams’ performance, as required by the <i>Threat Assessment Team Guide</i>, and ensure the measurements used are adequate for determining success and identifying areas for improvement. <b>TID: May 2008</b></p> <p>R-13 — Implement an internal control to ensure Southwest Area Performance Cluster managers provide adequate oversight of their threat assessment teams to improve the effectiveness of the violence prevention and response programs. <b>TID: May 2008</b></p> <p>R-14 — Ensure management implements adequate controls. <b>TID: May 2008</b></p>
IS-AR-08-002	11/6/2007	<p><b>Information Systems Access Controls at Selected Information Technology Facilities for Fiscal Year 2007</b></p> <p>R-2 — Reconcile the number of users between two applications and disable all unused or inactive accounts. <b>TID: February 2008 (management has not provided a revised date)</b></p> <p>R-5 — Change the password expiration and password length default settings to comply with Postal Service policy. <b>TID: February 2008 (management has not provided a revised date)</b></p>
MS-AR-08-001	11/8/07	<p><b>Review of Postal Service First-Class Permit Reply Mail</b></p> <p>R-1 — Revise Domestic Mail Manual nonmachinable criteria. <b>TID: Management working on closure request</b></p> <p>R-2 — Notify affected mailers that their two-way Digital Video Disk return mailpieces must be tested by Postal Service Engineering staff to ensure that the affected mailpieces are machinable, or be subject to the \$0.17 nonmachinable surcharge. <b>TID: Management working on closure request</b></p> <p>R-3 — Ensure Business Mail Entry Unit employees begin collecting the \$0.17 per piece nonmachinable surcharge for all affected mailpieces. <b>TID: Management working on closure request</b></p>

**Report Title, Recommendation Summary**

<b>Report Number</b>	<b>Issue Date</b>	<b>Report Title, Recommendation Summary</b>
HM-AR-08-004	11/13/2007	<p>R = Recommendation number TID = Target Implementation Date</p> <p><b>The Postal Service's Violence Prevention and Response Programs in Two Pacific Area Performance Clusters</b></p> <p>R-1 — Implement an internal control to ensure current zero tolerance policy is properly posted in all facilities, at least annually. <b>TID: June 2008</b></p> <p>R-2 — Notify Performance Cluster managers that workplace violence awareness training is a fiscal year mandatory requirement and it is their responsibility to ensure that training occurs — preferably during non-peak operational periods. <b>TID: October 2008</b></p> <p>R-3 — Determine which managers and supervisors have not received the 8-hour (onetime) workplace violence awareness training, and provide the training as soon as possible. <b>TID: September 2008</b></p> <p>R-4 — Direct Performance Cluster managers to ensure the remaining managers and supervisors receive the 8-hour (one-time) workplace violence awareness training as soon as possible. <b>TID: April 2008</b></p> <p>R-5 — Instruct Human Resources managers of their responsibility to conduct periodic reviews (at least quarterly); determine if management has met the mandatory workplace violence awareness training requirements for all employees (special supervisors) and threat assessment team members; implement a control to ensure Human Resources managers conduct periodic reviews. <b>TID: October 2008</b></p> <p>R-7 — Implement a control to ensure threat assessment teams comply with the <i>Threat Assessment Team Guide</i> when responding to and assessing reports of potentially violent situations and inappropriate behavior. <b>TID: September 2008</b></p> <p>R-8 — Direct the threat assessment team to review the incidents that had insufficient supporting documentation and determine if they were resolved in accordance with the <i>Threat Assessment Team Guide</i>. <b>TID: June 2008</b></p> <p>R-9 — Ensure the threat assessment teams document their evaluations of climate indicators to identify trends and potential hotspots. <b>TID: June 2008</b></p> <p>R-11 — Ensure the threat assessment team has the requisite number and type of threat assessment team members. <b>TID: March 2008 (management working on closure request)</b></p> <p>R-12 — Implement controls to ensure the threat assessment team document the processes used to measure the team's performance, as required by the <i>Threat Assessment Team Guide</i>; and ensure the measurements used are adequate for determining success and identifying areas for improvement. <b>TID: September 2008</b></p> <p>R-13 — Implement an internal control to ensure Performance Cluster managers provide adequate oversight of their threat assessment teams to improve the effectiveness of violence prevention and response programs. <b>TID: October 2008</b></p> <p>R-14 — Ensure management implements adequate controls. <b>TID: October 2008</b></p>
FT-AR-08-001	11/15/2007	<p><b>Manual Transportation Payments</b></p> <p>R-2 — Communicate policies and procedures to appropriate personnel. <b>TID: June 2008</b></p>
MS-AR-08-002	11/16/2007	<p><b>Function 4 Business Plan Process</b></p> <p>R-1 — Adhere to the Function 4 on-site review schedule and ensure qualified teams are available to conduct scheduled reviews. <b>TID: July 2008</b></p> <p>R-2 — Monitor performance and track adherence to the approved Function 4 Business Plans. <b>TID: July 2008</b></p> <p>R-3 — Provide Automated Workforce Projection System training to ensure awareness of the requirements to update the system with the Function 4 on-site and administrative reviews. <b>TID: July 2008</b></p> <p>R-4 — Update the Automated Workforce Projection System workload annually for every unit. <b>TID: July 2008</b></p>
FF-AR-08-030	11/29/2007	<p><b>Postal Accountability and Enhancement Act, Section 709, Assessment of Certain Rate Deficiencies</b></p> <p>R-1 — Update guidance to improve the revenue deficiency monitoring and collection process; and to reflect current Postal Service regulations, terminology, and accounting codes. <b>TID: June 2008</b></p> <p>R-2 — Clarify and communicate the 12-month time limit for assessing revenue deficiencies to appropriate officials and mailers. <b>TID: June 2008</b></p>
SA-AR-08-003	12/19/2007	<p><b>Postal Inspection Service Security Controls and Processes</b></p> <p>R-1 — Assess the allocation of resources to ensure the appropriate assignment of personnel to effectively and efficiently perform security surveys and reviews. <b>TID: Not provided</b></p>
DA-AR-08-001	1/8/2008	<p><b>Review of Ventilation Filtration System Utilization</b></p> <p>R-1 — Develop and implement a mechanical lockout device for the VFS control panel. This will limit control panel access for making operating mode changes to authorized personnel. <b>TID: June 2008</b></p>

**APPENDIX E**

**Office of Inspector General Semiannual Report to Congress**  
**October 1, 2007 — March 31, 2008**

**Report Title, Recommendation Summary**

R = Recommendation number  
 TID = Target Implementation Date

<b>Report Number</b>	<b>Issue Date</b>	<b>Report Title, Recommendation Summary</b>
HM-AR-08-005	1/14/2008	<p><b>The Postal Service's Violence Prevention and Response Programs in Four Northeast Area Performance Clusters</b></p> <p>R-3 — Notify Performance Cluster managers that workplace violence awareness training is a fiscal year mandatory requirement, and it is their responsibility to ensure training occurs, preferably during non-peak operational periods. <b>TID:</b> <i>March 2008 (management has not provided a revised date)</i></p> <p>R-9 — Implement a control to ensure threat assessment teams comply with the <i>Threat Assessment Team Guide</i> when responding to and assessing reports of potentially violent situations and inappropriate behavior. <b>TID:</b> <i>March 2008 (management has not provided a revised date)</i></p> <p>R-10 — Direct threat assessment teams to review the incidents that had insufficient supporting documentation and determine if they were resolved in accordance with the <i>Threat Assessment Team Guide</i>. <b>TID:</b> <i>March 2008 (management has not provided a revised date)</i></p> <p>R-11 — Ensure the threat assessment teams document their evaluations of climate indicators to identify trends and potential hotspots. <b>TID:</b> <i>March 2008 (management has not provided a revised date)</i></p> <p>R-14 — Implement controls to ensure teams document the process used to measure team's performance and ensure they are adequate for determining success and identifying areas for improvement. <b>TID:</b> <i>March 2008 (management has not provided a revised date)</i></p>
FT-AR-08-005	1/24/2008	<p><b>New York International Service Center — Inbound International Mail</b></p> <p>R-1 — Establish and communicate policies and procedures to address the complete processing and billing cycle for inbound international mail. <b>TID:</b> <i>March 2009</i></p> <p>R-2 — Evaluate, modify, and test the program used to prepare inbound Express Mail data for billing. <b>TID:</b> <i>March 2008 (management has not provided a revised date)</i></p> <p>R-3 — Direct International Accounting Branch and appropriate systems personnel to establish controls to ensure that foreign postal administrations are correctly billed for all valid dispatches, including dispatch numbers used more than once in a calendar year. <b>TID:</b> <i>December 2008</i></p>
IS-AR-08-004	2/6/2008	<p><b>Enterprise Payment Switch Solution Phase III: Security Testing</b></p> <p>R-1 — Complete the Information Security Assurance process in accordance with Postal Service policy. <b>TID:</b> <i>February 2008 (management has not provided a revised date)</i></p> <p>R-2 — Review the Information Security Assurance document package completed in Recommendation 1 to ensure compliance with Postal Service and Payment Card Industry security requirements. <b>TID:</b> <i>February 2008 (management has not provided a revised date)</i></p> <p>R-3 — Include in the Postal Service's <i>2007 Payment Card Industry Report on Compliance</i> a description of planned actions for all uncorrected risks identified by the Information Security Assurance process. <b>TID:</b> <i>January 2008 (management has not provided a revised date)</i></p>
CRR-AR-08-002	2/12/2008	<p><b>Security Review of the Electronic Verification System</b></p> <p>R-2 — Revise Publication 91, <i>Confirmation Services Technical Guide</i>, to require mailers to utilize a secure file transfer method when transmitting manifests for electronic verification to the Postal Service. <b>TID:</b> <i>September 2008</i></p>
DA-AR-08-002	2/15/2008	<p><b>Equipment Maintenance Opportunities</b></p> <p>R-1 — Develop an automated system support solution for production-based maintenance to facilitate daily maintenance routines. <b>TID:</b> <i>May 2008</i></p> <p>R-3 — Provide training to field maintenance supervisors on production-based maintenance capabilities, usage, and benefits. <b>TID:</b> <i>May 2008</i></p> <p>R-4 — Require site maintenance managers to adhere to requirements to implement production-based maintenance. <b>TID:</b> <i>Not provided</i></p>
FT-AR-08-008	2/15/2008	<p><b>Postal Service Board of Governors' Travel and Miscellaneous Expenses for Fiscal Year 2007</b></p> <p>R-1 — Implement and communicate formal, written policies and procedures for processing Board of Governors' travel vouchers, including requirements for payment with only two original signatures, to all applicable personnel. <b>TID:</b> <i>March 2008 (management has not provided a revised date)</i></p>
NL-AR-08-002	2/19/2008	<p><b>Air Networks — Federal Express Transportation Agreement – Pacific Area</b></p> <p>R-1 — Use surface transportation to move mail that does not require air transportation to meet Postal Service on-time standards. <b>TID:</b> <i>March 2008 (management has not provided a revised date)</i></p> <p>R-3 — Maximize the use of bypass containers by using bypass sorting as much as possible at processing plants and by dispatching mail to airports in time for terminal handling service contractors to load it into bypass containers. <b>TID:</b> <i>Not provided</i></p>

**Report Title, Recommendation Summary**

R = Recommendation number  
TID = Target Implementation Date

<b>Report Number</b>	<b>Issue Date</b>	<b>Report Title, Recommendation Summary</b>
HM-MA-08-001	2/21/2008	<p><b>The Postal Service's Equal Employment Opportunity Contracting Function</b></p> <p>R-1 — Fully document the processes and procedures used to select EEO contract investigation and final agency decision letter writing services. <b>TID: September 2008.</b></p>
EN-AR-08-002	2/29/2008	<p><b>St. Louis Airport Mail Center Outsourcing</b></p> <p>R-2 — Establish a post-implementation review program for Airport Mail Centers (AMC) that compares anticipated savings with actual results. <b>TID: March 2008 (management has not provided a revised date)</b></p> <p>R-3 — Conduct a post-implementation review for the St. Louis AMC closure and outsourcing initiative using the guidance established in recommendation 2. <b>TID: Not provided</b></p>
DR-AR-08-004	3/4/2008	<p><b>City Delivery Vehicle Mileage — Base Versus Actual — National Capping Report</b></p> <p>R-2 — Revising the Automated Vehicle Utilization System to eliminate the possibility of negative miles being recorded by modifying the system to prevent input of the ending mileage being less than the beginning mileage. <b>TID: Not provided</b></p>
IS-AR-08-006	3/6/2008	<p><b>Identity Theft Potential in Postal Service Information Systems</b></p> <p>R-1 — Ensure that employees and contractors accessing identified systems have the appropriate security clearance and that the clearance status is documented with the access request. <b>TID: September 2008</b></p> <p>R-3 — Establish and implement host encryption solutions for data back-up dates prior to off-site shipping and storage. <b>TID: May 2008</b></p>
IS-AR-08-008	3/11/2008	<p><b>National Accounting Oracle Financials Application Data Encryption Follow-Up</b></p> <p>R-2 — Perform verification tests to ensure management identifies and adequately protects all sensitive information in accordance with policy. <b>TID: March 2008 (management has not provided a revised date)</b></p>
IS-AR-08-009	3/14/2008	<p><b>Update Processes for Active Directory and CA-ACF2</b></p> <p>R-1 — Review the manager roles in the two systems to determine how these roles can be integrated. <b>TID: May 2008</b></p> <p>R-2 — Review the capabilities and establish requirements for tracking employees assigned to detail positions and how to pass on timely and accurate data to another system. <b>TID: December 2008</b></p> <p>R-3 — Develop and implement planned enhancement that will ensure access reviews take place when significant changes occur in job assignments. <b>TID: May 2008</b></p>
FF-AR-08-131	3/19/2008	<p><b>Fiscal Year 2007 Financial Installation Audits — Business Mail Entry Units</b></p> <p>R-1 — Provide proper management oversight and instructions to schedule periodic verifications when Periodicals mailings are received during non-business hours. <b>TID: September 2008</b></p> <p>R-2 — Develop and implement an action plan to measurably reduce the current deficiency and its likelihood of continuing. <b>TID: September 2008</b></p> <p>R-3 — Properly train all employees, including supervisors, who accept business and Periodicals mail. <b>TID: September 2008</b></p> <p>R-4 — Review existing policies and procedures for consistency. <b>TID: September 2008</b></p>
MS-AR-08-003	3/19/2008	<p><b>Local Stamps on Consignment Programs</b></p> <p>R-1 — Provide information about local Stamps on Consignment programs to the Manager, Retail Access Channels. <b>TID: Not provided</b></p> <p>R-2 — Terminate existing local Stamps on Consignment agreements, incorporate them into the national program, and collect the past due amounts that consignees owe the Postal Service for stamp consignments. <b>TID: Not provided</b></p>
DA-AR-08-003	3/20/2008	<p><b>Northern Virginia District Energy Management Savings Opportunities</b></p> <p>R-1 — Establish energy awareness programs. <b>TID: Not provided</b></p> <p>R-2 — Explore the use of low- and no-cost energy conservation initiatives. <b>TID: Not provided</b></p> <p>R-3 — Direct applicable personnel to perform periodic walk-through inspections at facilities to measure compliance with energy management program initiatives. <b>TID: June 2008</b></p> <p>R-4 — Direct applicable personnel to review and monitor energy bills to ensure accuracy and to review the adequacy of rate plans. <b>TID: Not provided</b></p>

**APPENDIX E**

*Office of Inspector General Semiannual Report to Congress  
October 1, 2007 — March 31, 2008*

**Report Title, Recommendation Summary**

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<b>Report Number</b>	<b>Issue Date</b>	<b>Report Title, Recommendation Summary</b>
CA-AR-08-006	3/21/2008	<p><b>Voyager Card Program</b></p> <p>R-1 — Reiterate to district personnel the importance of complying with Voyager Card policies and procedures. <b>TID:</b> <i>Not provided</i></p> <p>R-2 — Direct district personnel to provide sufficient oversight of their Voyager Card Programs. <b>TID:</b> <i>Not provided</i></p>
MS-MA-08-001	3/26/2008	<p><b>Review of Business Over the Counter</b></p> <p>R-1 — Add language to Postal Service (PS) Form 3849, "Sorry We Missed You," to make customers aware they can request redelivery through <i>USPS.com</i> and the contact center. <b>TID:</b> <i>May 2008</i></p> <p>R-2 — Add language to PS Form 8076, "Authorization to Hold Mail," to make customers aware they can place mail on hold through <i>USPS.com</i> and the contact center. <b>TID:</b> <i>June 2008</i></p> <p>R-3 — Use advertisements to inform customers that hold mail and redelivery services are available via <i>USPS.com</i> and the contact center. <b>TID:</b> <i>Not provided</i></p>
NL-AR-08-003	3/26/2008	<p><b>Postal Vehicle Service Transportation Routes – San Francisco Processing and Distribution Center</b></p> <p>R-1 — Verify elimination of the 26,698 hours that management agreed to remove from trip schedules. <b>TID:</b> <i>May 2008</i></p> <p>R-2 — Coordinate and conduct a zero-base review to determine if all facility driver tasks are necessary, determine how much time is necessary for drivers to perform the tasks, and adjust driver schedules accordingly. <b>TID:</b> <i>May 2008</i></p>
NO-AR-08-003	3/28/2008	<p><b>Summary Audit on the Timeliness of Mail Processing, Transportation, and Delivery Operations in the Chicago District</b></p> <p>R-1 — Monitor the processing and delivery of mail to ensure these operations are timely. <b>TID:</b> <i>Not provided</i></p> <p>R-2 — Conduct safety talks, correct potential hazards, and follow up on limited duty employees and unscheduled absences. <b>TID:</b> <i>Not provided</i></p> <p>R-3 — Reduce workhours by 697,245 by fiscal year 2017. <b>TID:</b> <i>Not provided</i></p> <p>R-4 — Improve delivery operations efficiency by improving supervision and holding employees accountable. <b>TID:</b> <i>Not provided</i></p>
NL-AR-08-004	3/29/2008	<p><b>Vehicle Management — Unsecured Trailers — San Francisco Processing and Distribution Center</b></p> <p>R-1 — Secure Postal Service property and equipment stored on the unsecured lot have damaged or defaced trailers repaired or removed from operation. <b>TID:</b> <i>Not provided</i></p>
CRR-AR-08-003	3/31/2008	<p><b>Application Controls Review of the Electronic Verification System</b></p> <p>R-1 — Re-evaluate all warning messages in the Product Tracking System to determine whether they impact the postage calculation. <b>TID:</b> <i>March 2009</i></p> <p>R-2 — Strengthen the edit rules in the Product Tracking System to enforce the requirements for destination entry discounts. <b>TID:</b> <i>June 2009</i></p> <p>R-3 — Develop and implement formal procedures for sampling and monitor delinquent sampling. <b>TID:</b> <i>December 2009</i></p> <p>R-5 — Develop reconciliation solution. <b>TID:</b> <i>September 2008</i></p>
CRR-AR-08-004	3/31/2008	<p><b>In-Office Cost System Telephone Readings</b></p> <p>R-1 — Expand existing quality control programs to assist area and district management with identifying and monitoring data collectors with a high number of inaccurate In-Office Cost System readings. <b>TID:</b> <i>December 2008</i></p> <p>R-4 — Implement the expanded quality control program developed by Statistical Programs to identify and monitor data collectors with a high number of inaccurate In-Office Cost System readings. <b>TID:</b> <i>December 2008</i></p> <p>R-5 — Follow the quality control procedures Statistical Programs has established to handle the In-Office Cost System readings that do not meet data integrity standards to prevent such data from inclusion in national aggregation. <b>TID:</b> <i>December 2008</i></p>
FT-AR-08-010	3/31/2008	<p><b>Fiscal Year 2007 Postal Service Financial Statements Audit — St. Louis Information Technology and Accounting Service Center</b></p> <p>R-1 — Implement and communicate complete written policies and procedures to require employees to enter and update rates timely, to obtain support for rates as necessary, and periodically verify international rates. <b>TID:</b> <i>Not provided</i></p> <p>R-2 — Modify policies and procedures to include the destination facility validation in the highway extra trips payment process. <b>TID:</b> <i>June 2009</i></p>

**Report Title, Recommendation Summary**

Report Number	Issue Date	Report Title, Recommendation Summary
MS-AR-08-004	3/31/2008	<p data-bbox="505 321 732 342">R = Recommendation number</p> <p data-bbox="505 344 760 365">TID = Target Implementation Date</p> <p data-bbox="407 384 586 405"><b>Click-N-Ship Program</b></p> <p data-bbox="407 426 1357 447">R-1 — Disable customers' ability to print labels without purchasing postage from the Click-N-Ship application. <b>TID:</b> <i>May 2008</i></p> <p data-bbox="407 468 932 489">R-2 — Emphasize Click-N-Ship Website instructions. <b>TID:</b> <i>June 2008</i></p> <p data-bbox="407 510 1503 552">R-3 — Communicate Postal Service policies and procedures to affected employees pertaining to items with omitted postage, insufficient postage, and mailed with stale dates. <b>TID:</b> <i>May 2008</i></p> <p data-bbox="407 573 1495 615">R-4 — Strengthen policies and procedures to include methods to detect packages retrieved from collection boxes with omitted postage and with stale dates. <b>TID:</b> <i>May 2008</i></p> <p data-bbox="407 636 1515 678">R-5 — Educate delivery and retail employees on policies and procedures relating to accepting Click-N-Ship packages mailed with omitted postage, insufficient postage, and with stale dates. <b>TID:</b> <i>May 2008</i></p> <p data-bbox="407 699 1459 720">R-6 — Provide instructions on the SCAN form for delivery and retail employees to follow when handling Click-N-Ship items. <b>TID:</b> <i>June 2008</i></p> <p data-bbox="407 741 1295 762">R-7 — Educate delivery and retail employees on SCAN forms when accepting Click-N-Ship packages. <b>TID:</b> <i>April 2008</i></p> <p data-bbox="407 783 1214 804">R-8 — Consolidate the three Click-N-Ship merchant identification numbers into one. <b>TID:</b> <i>September 2008</i></p> <p data-bbox="407 825 1208 846">R-9 — Develop written policies and procedures for the Click-N-ship program office. <b>TID:</b> <i>September 2008</i></p>

**APPENDIX F****Significant Management Decisions in Audit Resolution**

For the period October 1, 2007 — March 31, 2008

As required by the IG Act, the following page discusses information concerning any significant management decision with which the Inspector General disagrees and is currently in audit resolution.

**Status**

The OIG has no significant management decisions in audit resolution as of March 31, 2008.

## APPENDIX G

Office of Inspector General Semiannual Report to Congress  
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## APPENDIX G

### Investigative Statistics<sup>1</sup>

For the period October 1, 2007 — March 31, 2008

	Contract Fraud	Financial Fraud	Health Care Fraud	Internal Mail Theft	Official Misconduct	TOTAL
Investigations completed	69	422	724	945	1,594	3,754
Arrests	5	99	23	166	125	418
Indictments/informations	3	98	21	151	87	360
Convictions/pretrial diversions <sup>2</sup>	7	75	13	115	92	302
Administrative actions taken	25	181	134	330	728	1,398
Cost avoidance	—	\$2,100,411	\$95,495,877	—	—	\$97,596,288
Total fines, restitutions, and recoveries	3,466,719	2,068,429	6,175,255	251,769	1,643,815	\$13,605,987
Amount to the Postal Service <sup>3</sup>	2,919,219	1,913,047	2,724,366	164,774	1,523,345	\$9,244,750
Cases referred to management for administrative action	—	—	—	—	—	1,891

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

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

<sup>3</sup> Amount included in fines, restitutions, and recoveries.



## APPENDIX H

**Summary of U.S. Postal Inspection Service Actions Under 39 USC 3005 and 3007**

For the period October 1, 2007 — March 31, 2008

The Postal Reorganization Act requires the Postmaster General to furnish information, on a semiannual basis, on the investigative activities of the Postal Service by the U.S. Postal Inspection Service. 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 on investigative activities to the OIG rather than to the 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 Inspection Service investigative activities; use of subpoena power; and any additional information the OIG may require.

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.

Type of Scheme	Complaints Filed	Consent Agreements	FROs	Cease & Desist Orders
Advance fee	3	—	1	1
Contests/sweepstakes	4	1	—	1
Coupon fraud	4	4	—	4
False billings	9	6	3	8
Internet auction	8	3	4	7
Lotteries (foreign and domestic)	2	1	—	2
Medical	5	—	—	—
Merchandise:				
Failure to furnish	4	1	—	1
Failure to pay	17	7	1	7
Misrepresentation	10	—	—	—
Miscellaneous	11	3	—	4
Telemarketing	2	1	2	2
Work at home	15	5	4	9
<b>TOTAL</b>	<b>94</b>	<b>32</b>	<b>15</b>	<b>46</b>

**FY 2008 Financial Reporting  
On Investigative Activities**

Type	
Personnel	\$143,267,671
Nonpersonnel	\$24,789,227
<b>TOTAL</b>	<b>\$168,056,898</b>
Capital obligations	\$4,740,645

**Other Administrative Actions**

Administrative action requests	96
Temporary restraining orders requested	—
Temporary restraining orders issued	—
Cases using direct purchase authority	2
Civil penalties (Section 3012) imposed	\$329,800
Test purchases	\$204
Withholding mail orders issued	79
Voluntary discontinuances	8

*Note:*

- 1) There is a significant increase in the number of subpoenas issued this past summer due to a growing increase in inbound foreign lottery solicitations mailed from Canada.
- 2) There is a significant increase in the number of administrative actions and civil penalties due largely to renewed emphasis on that program by the Postal Service's Office of Counsel.

**APPENDIX H**

Office of Inspector General Semiannual Report to Congress  
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**Administrative Subpoenas Requested by the Inspection Service:**

October 1, 2007 — March 31, 2008

<b>Defendant:</b>	<b>Violation:</b>	<b>Date Issued:</b>	<b>Date Returned:</b>
08-001 American Online, Inc.	39 USC 3005; 3016 Sweepstakes promotion	10/26/07	—
08-002 Electric Lightwave, Inc.	36 USC 3005; 3016 false representation; invoice	10/26/07	—
08-003 Fonorola Corporation	39 USC 3005; 301 Deceptive mailings	10/26/07	Not served
08-004 Lightyear Network Solutions, LLC	39 USC 3005; 3016 Deceptive mailing; sweepstakes	10/26/07	—
08-005 Lightyear Network Solutions, LLC (second submission)	39 USC 3005; Deceptive mailing; sweepstakes	10/26/07	—
08-006 AdBoutique	39 USC 3005; 3016 Deceptive mailing	10/26/07	12/5/07
08-007 Clifford Robison	39 USC 3005; 3016 Deceptive mailing; sweepstakes	10/18/07	1/31/08
08-008 Mastiff Consultants, Inc. (second submission)	39 USC 3005; 3016 Deceptive mailing; sweepstakes	11/19/07	11/28/07
08-009 Jo Lee Smith, and Smithhaven, Inc.	39 USC 3005; 3016 Deceptive mailing; sweepstakes	Withdrawn; to be resubmitted as two subpoenas	—
08-010 Libbey J. Tiefer (International Express Awards, Inc.)	39 USC 3016; False representation; sweepstakes mailing	12/4/07	1/11/08
08-011 U.S. Bank National Association	39 USC 3016; False representation; sweepstakes mailing	12/7/07	1/14/08
08-012 Todd Hoover	39 USC 3016; False representation; sweepstakes mailing	12/7/07	To be personally served
08-013 Scott Diltz	39 USC 3016; False representation; sweepstakes mailing	12/7/07	1/8/08
08-014 Kevin Kasday (trustee for Greyhound Trust)	39 USC 3016; False representation; sweepstakes mailing	12/7/07	1/8/08
08-015 Kelly Fyffe	39 USC 3016; False representation; sweepstakes mailing	12/7/07	1/8/08
08-016 Alisa Williams	39 USC 3016; False representation; sweepstakes mailing	12/7/07	1/9/08
08-017 Nicole Scott	39 USC 3016; False representation; sweepstakes mailing	12/7/07	1/9/08
08-018 Jo Lee Smith	39 USC 3016; False representation; sweepstakes mailing	12/7/07	1/10/08
08-019 Smithhaven, Inc	39 USC 3016; False representation; sweepstakes mailing	12/7/07	1/10/08
08-020 Andrea Burrow	39 USC 3016; False representation; sweepstakes mailing	12/7/07	1/14/08
08-021 Don Lyon	39 USC 3016; False representation; sweepstakes mailing	12/10/07	1/14/08
08-022 Michael S. Fox	39 USC 3016; False representation; sweepstakes mailing	12/10/07	1/9/08
08-023 Sheilah Williams	39 USC 3016; Sweepstakes Mailing	12/10/07	—
08-024 Paul Ivaska	39 USC 3016; False representation; sweepstakes mailing	12/10/07	1/24/08
08-025 Pam Nagel	39 USC 3016; False representation; sweepstakes	12/10/07	1/18/08
08-026 Transmonde USA, Inc. (Hartford Direct)	39 USC 3016; Psychic scheme	2/13/08	—
08-027 Prize Paradise, Inc.	39 USC 3016; False representation; sweepstakes	3/27/08	—
08-028 Cashorama, Inc.	39 USC 3016; False representation; sweepstakes	3/27/08	—
08-029 Elwood & Stanley, Inc.	39 USC 3016; False representation; sweepstakes	3/27/08	—

## APPENDIX I

**Closed Congressional and Board of Governors Inquiries**

For the Period October 1, 2007 — March 31, 2008

This appendix lists the Congressional and Board of Governors inquiries the OIG closed during this reporting period. We reviewed these inquiries to help identify systemic issues and to determine the need for future Postal Service-wide audits. Inquiries are listed in the chronological order of receipt.

**Investigations**

<b>Requestor</b>	<b>Allegation/Concern</b>	<b>Our Findings</b>	<b>Closure Date</b>
Representative, New York	Unlicensed contractor illegally used another's New York State Alarm License to obtain work at a postal facility.	Our investigation resulted in an arrest and a guilty plea. We provided information on the resolution of the case to management.	3/10/08
Senator, Massachusetts	Whistleblower reprisal after reporting waste and mismanagement to the OIG.	We reviewed, found concerns communicated to us were not covered by the Postal Service whistleblower protection rules. Employee has pending Equal Employment Opportunity (EEO) complaints, we declined additional work.	11/14/07
Representative, Maryland	Management intentionally delayed or hid mail in trailers at multiple facilities.	We investigated, did not substantiate allegations. However, we identified significant mail delay problems in the area and reported our findings to management.	10/25/07
Representative, Oversight Committee Ranking Member	Fraud, waste, and abuse by a postal manager.	We investigated, did not substantiate allegations.	10/31/07
Representative, Florida	Management used forged and falsified records as a basis for distributing federal retirement account benefits and insurance proceeds following the death of a postal employee.	We investigated, found management followed proper regulations and procedures.	10/4/07
Representative, California	An employee intentionally delayed bulk political mail to help the local opposition party.	We investigated, did not substantiate allegations.	10/4/07
Representative, New Jersey	Mishandling of mail at a P&DC.	We investigated, did not substantiate allegations. However, we found delayed mail problems and provided our findings to district management.	10/31/07
Representative, Florida	Mail tampering by an employee.	We investigated, did not substantiate allegations.	10/4/07
Senator, Florida	Retaliation for contacting Congress about employment-related issues.	We reviewed, found the case met none of the four necessary elements of whistleblower reprisal.	10/31/07
Representative, Illinois	A Postmaster took mail and stole bank account information to sell to others.	Our investigation did not substantiate allegations and found no similar complaints or instances of tampering or losses for this ZIP Code; we noted the complainant refused to cooperate in procedures to track and report lost mail.	10/10/07
Representative, New Jersey	Lost or stolen Registered Mail originating in Israel.	We investigated. We could not determine the point where the loss occurred; but we found no evidence of misconduct on the part of postal employees and no pattern in the area.	11/14/07
Representative, New York	Retaliation for contacting the OIG on workplace issues.	We reviewed, found case did not meet the four necessary elements of whistleblower reprisal.	2/6/08
Senator, Massachusetts	Employment-related complaint.	The employee had a pending Equal Employment Opportunity complaint; we deferred any work pending the EEO review.	10/22/07
Representative, California	In retaliation for reporting a physical assault, management withheld overtime pay.	We investigated, did not substantiate allegations; we noted pay errors had been corrected, and assisted in explaining earnings statement to complainant.	11/30/07
Representative, Virginia	Letter Carrier signed for but did not deliver a registered package; investigating agents harassed complainant.	We confirmed the Letter Carrier signed for package, as a courtesy, which we reported to management. We found no misconduct on the part of the Special Agents.	11/6/07
Senator, California	Mail tampering by postmasters and employees of multiple post offices.	Our investigation did not substantiate allegations and found no similar complaints, instances of tampering, or losses for these post offices.	11/15/07

**APPENDIX I**

*Office of Inspector General Semiannual Report to Congress  
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<b>Requestor</b>	<b>Allegation/Concern</b>	<b>Our Findings</b>	<b>Closure Date</b>
Representative, New York	Theft of greeting cards, possibly by a postal employee.	Our investigation revealed a postal employee had unauthorized possession of U.S. Mail and was stealing cash. We arrested the employee and provided our findings to management and the U.S. Attorney.	1/10/08
Senator, Delaware	Theft of two parcels, both originating in the United Kingdom, possibly by a postal employee.	We investigated, found no evidence of misconduct or theft on the part of the postal employees, and unsuccessfully attempted to locate the missing items.	1/7/08
Representative, Texas	Agent harassed subject of an investigation; request for expungement of investigatory records under the Privacy Act.	We investigated, found no evidence of misconduct on the part of the agent; we discretionarily chose to add subject's account to our database.	10/30/07
Senator, Florida	Postal Service managers gave false testimony in connection with a claim of discrimination filed in an EEO case.	We were unable to investigate due to unwillingness of complainant to cooperate with our agents.	12/20/07
Senator, Florida	Postal Service managers gave false testimony in connection with a claim of discrimination filed in EEO case.	We were unable to investigate due to unwillingness of complainant to cooperate with our agents.	12/20/07
Representative, Texas	A complainant sought to appeal findings from an investigation.	Our office does not adjudicate appeals and issues no appealable investigative findings. We reviewed the claimant's allegations, management activities, and pending EEO actions. We concluded no additional investigative work was indicated.	12/20/07
Representative, Ohio	Mail tampering.	We investigated, did not substantiate allegation.	10/29/07
Senator, Virginia	Letter Carrier signed for but did not deliver a registered package; investigating agents harassed complainant.	We confirmed the Letter Carrier signed for package as a courtesy, which we reported to management. We found no misconduct on the part of the Special Agents.	11/6/07
Representative, Kentucky	A business reported late or missing inbound and outbound mail.	We investigated, found no evidence to indicate misconduct or illegal activity by postal employees; we noted that the design of the mailpiece, especially its window, may cause delays.	12/19/07
Senator, Oversight Committee Chairman	Employment-related complaint.	The employee had a pending EEO complaint; we deferred any work pending the EEO review.	11/16/07
Representative, Maryland	Mail theft of a registered package, possibly by postal employee.	Our investigation revealed the Letter Carrier violated postal procedure and improperly delivered registered package to an individual other than the intended addressee. We forwarded our findings to postal management.	12/10/07
Representative, New York	Mail theft, possibly by a postal employee.	We investigated, did not substantiate allegation. Since the sender did not elect delivery confirmation, we could not determine where in the mail stream the loss occurred.	1/24/08
Senator, Georgia	Mail tampering.	We investigated, found no evidence of mail tampering by postal employees.	1/24/08
Representative, Texas	Theft of gift card.	We investigated, determined theft occurred external to the Postal Service. We referred our findings to the Inspection Service for investigation.	12/11/07
Senator, Delaware	Theft from or rifling of package.	We investigated, noted the delay in local dispatch was unusual, but alone not conclusive proof of misconduct. We identified no patterns, indicators, or trends of suspicious activity that would give rise to further investigation or substantiate allegations.	11/30/07
Representative, Georgia	Theft from or rifling of package.	We investigated, did not determine if damage more likely resulted from machinery, or handling, or mail theft. We are continuing to monitor postal databases to see if this incident may be part of a systemic problem.	1/7/08
Senator, Massachusetts	Request that we revisit allegations of falsification of documents related to an OWCP claim and that the agent behaved improperly during the investigation.	We declined further review and noted the matter had been heard in the EEO process. We found no misconduct on the part of the Agent.	2/19/08
Representative, Ohio	Mail tampering and/or delay in delivery.	We investigated, found that employees attempted delivery of an Express Mail piece within a day of its being mailed.	1/24/08

Requestor	Allegation/Concern	Our Findings	Closure Date
Senator, Ohio	Loss of a Priority Mail package with Delivery Confirmation.	We investigated, found no evidence of mail theft by postal employees, but were unable to determine the point of loss.	3/12/08
Representative, California	Alleged delayed or discarded mail at a post office.	We reviewed, found management properly documented significant amounts of Standard "flats" mail that was backlogged or delayed. We did not substantiate intentional delay of mail.	2/25/08
Senator, Maryland	Theft of gift card sent via Priority Mail service, possibly by a postal employee.	We attempted but were unable to investigate due to insufficient information from complainant.	3/27/08
Senator, Texas	Mail tampering.	We investigated, found no evidence of mail tampering by postal employees or mail tampering in general, but noted that the tears in mail were consistent with damage from automated machinery.	3/12/08
Senator, Vermont	Delay or length of time the for completion of an investigation.	We reported that the investigation and report to management concluded prior to receipt of the inquiry.	3/13/08
Senator, Texas	Postal Service documents, containing personal employee information, were improperly discarded in trash receptacles at a post office.	We investigated, confirmed documents containing personal information of Postal Service employees were left unsecured in a trash receptacle. We forwarded our findings to postal management.	3/12/08

## Audits

Requestor	Allegation/Concern	Our Findings	Closure Date
Representative, Illinois	Request we evaluate mail delivery issues in the Chicago area and recommend improvements.	Issues were addressed in the following Audit Reports: <ul style="list-style-type: none"> <li>■ Timely City Delivery — Chicago District, issued 10/11/07</li> <li>■ Timely City Delivery — Chicago District, issued 10/11/07</li> <li>■ Chicago District Financial Accountability, issued 9/28/07</li> <li>■ The Impact of Transportation on Chicago District Performance, issued 9/28/07</li> </ul>	11/1/07
Representative, Oversight Committee Chairman	The Committee on Oversight and Government Reform requested the OIG provide a list and details of recommendations made by the OIG from January 1, 2001, to present that have not been implemented by agency officials or by Congress.	The Office of Audit submitted a Compendium of Open Significant Recommendations on January 31, and a Final Compendium on February 29. With the second submission, we reported that working with the Postal Service we closed 30 of the 228 open significant recommendations we addressed in January.	2/29/08

## General Counsel

Requestor	Allegation/Concern	Our Findings	Closure Date
Representative, Texas	Harassment and falsification of mail counts at a Texas post office.	We confirmed management took steps to resolve and prevent harassment. We referred the falsification allegations to the Office of Investigation.	12/6/07
Senator, Florida	Postal Service did not compensate complainant for suggested service improvement idea submitted to management.	We noted an arbitrator denied a related grievance in 2002 and declined to open a formal review.	11/19/07
Representative, Washington	Whistleblower reprisal after reporting corruption and mismanagement.	Employee's formal grievance, EEO complaint, and legal action covering the same issues were pending; we declined action.	10/11/07

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Requestor	Allegation/Concern	Our Findings	Closure Date
Senator, Maine	A coworker created a hostile environment; a manager shared confidential personal information with complainant's coworker.	We reviewed and found management took steps to address the hostile environment, including assembling a Threat Assessment Team to address workplace safety issues. Although it had been referred to the Inspection Service, we attempted to review management's response to the disclosure allegation but were unable, due to the manager's extended unavailability.	2/5/08
Senator, Connecticut	Request for agency records concerning noise levels from the Advanced Facer Canceling System.	We treated the request as a FOIA matter and determined records are part of a draft audit report and not releasable at this time.	12/5/07
Representative, Ohio	Request for expungement of records under the Privacy Act.	We discretionarily chose to insert the information the requestor provided into the investigative file.	12/5/07
Representative, Missouri	Request for an investigation into the way management implements the incentive awards program at a Missouri facility.	We reviewed, found employee had a pending grievance and EEO complaint. Our review did show at least an appearance of inequity in how management decides on awards; we provided information to District Management for action deemed appropriate.	2/29/08
Senator, Washington	Alleged fraud, mismanagement, and racial discrimination.	We reviewed and found these to be isolated issues; we declined further review.	11/29/07
Representative, New Jersey	Postmaster and Supervisor created a threatening and hostile work environment.	We reviewed, found these to be individual issues subject either to union grievance or EEO processes and declined further work.	11/19/07
Senator, Virginia	Request for the identity and a review of the approach taken by an OIG employee who conducted an evaluation of allegations of a hostile work environment.	We reviewed, found no wrongdoing on the part of the employee.	1/29/08
Representative, New York	Hostile work environment created by a Supervisor in a training position.	We confirmed several of the allegations to some degree and found District management had already responded to the alleged unprofessional conduct. We did not substantiate the remaining allegations.	3/31/08
Representative, Florida	FOIA request for findings of an investigation into management's distribution of proceeds from a deceased employee's retirement account, insurance, and savings plans.	Our FOIA Office provided redacted records approved for release.	2/20/08
Senator, Georgia	FOIA request for an investigative report.	Investigative work remained open. We declined to release so as not to interfere with on-going investigative work.	2/26/08
Representative, Tennessee	Discrimination and harassment by management.	We reviewed, found these to be individual issues subject either to union grievance or EEO processes, and decline further work.	2/7/08
Representative, New Jersey	Employment-related request.	We declined assistance.	2/21/08
Senator, New York	Alleged harassment, discrimination, and intimidation by management at a post office.	We reviewed, found to be individual issues subject either to union grievance or EEO processes, and declined further work.	3/5/08
Senator, Missouri	Mismanagement at a postal plant.	We were unable to investigate due to insufficient information from the anonymous source.	3/20/08

## Referrals

Requestor	Allegation/Concern	Referred To	Closure Date
Senator, Michigan	Package sent to England but returned to the U.S. marked undeliverable.	Postal Service Government Relations Office	1/3/08
Representative, Georgia	Mail fraud.	Inspection Service	1/30/08
Representative, New Mexico	Delay of campaign mail. Request for reimbursement for printing, designing, and mailing of the campaign mail delivered after the elections.	Government Relations Office	2/4/08
Senator, Maryland	Mail theft; our initial review indicated involvement of a person external to the Postal Service.	Inspection Service	3/10/08

<b>Requestor</b>	<b>Allegation/Concern</b>	<b>Referred To</b>	<b>Closure Date</b>
Senator, Missouri	Delay of mail at two facilities, and concerns with contracting out mail delivery by hiring subcontractors.	Government Relations Office	3/3/08
Representative, Illinois	Management wrongfully terminated an employee after he filed a Workers' Compensation claim for injuries as a temporary Letter Carrier in inclement weather.	Government Relations Office	3/6/08
Representative, Florida	Trinity area is not offered full postal services.	Government Relations Office	3/6/08
Representative, Connecticut	Working and physical plant conditions at a post office.	Government Relations Office	3/27/08

## FREEDOM OF INFORMATION ACT

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# SUPPLEMENTAL INFORMATION

## Freedom of Information Act

The Freedom of Information Act (FOIA) Office for the Postal Service Office of Inspector General operates independently of, but frequently coordinates with, its counterparts at the Postal Service and the Inspection Service. The FOIA Office receives requests for records from the public, the media, and Postal Service employees. The Freedom of Information Act, according to the Department of Justice, “generally provides that any person has a right, enforceable in court, to obtain access to federal agency records, except to the extent that such records (or portions of them) are protected from public disclosure by one of nine exemptions.

### Activities

For the period October 1, 2007 — March 31, 2008

<b>Requests</b>	<b>Number of Requests</b>
Carryover from prior period	34
Received during period	156
Total on hand during period	190

<b>OIG Actions</b>	<b>Number of Requests</b>
Processed during the period	185
Requests released in full	11
Requests partially granted	53
Requests not granted	24
Requests referred to another agency	50
No Records	42
Not proper FOIA requests	1
Refusal to comply	2
Other	2

<b>Balance</b>	<b>Number of Requests</b>
Balance at the end of the period (pending)	5

<b>Processing Days</b>	<b>Number of Days</b>
Median processing days to respond to a FOIA request	5



**Workplace Environment**

For the period October 1, 2007 — March 31, 2008

The OIG’s Workplace Environment team receives referrals involving workplace environment and operational issues from multiple sources, which include the Hotline, Congress, the Board of Governors (BOG), and Postal Service and OIG management. Complaints reviewed by the team include sexual harassment; discrimination; harassment and intimidation; nepotism; mail delivery and processing; and workplace safety issues. Workplace Environment closely coordinates efforts with management to ensure Postal Service employees have a stress-free and adversity-free work environment. The team also reviews complaints received from OIG staff, which provides them with another avenue to report their concerns, in addition to the Equal Employment Opportunity process. Once the review is completed, the team may issue a Fact-Finding Report to OIG management. This process has been successful in assisting employees and the OIG in resolving workplace issues that may have a negative impact on employee moral and productivity, or that may not have been addressed until an EEO is filed or other adverse consequences occur.

<b>Referrals</b>	<b>Total</b>
Carryover from prior period	44
Complaints received from OIG Hotline	301
Congressional/BOG/Postal Service management	6
Internal	6
Other	3
Total on hand during this period	360
<b>Workplace environment actions</b>	<b>Total</b>
Complaints closed during this period	339
Referred to Postal Service management	57
Referred to OIG Office of Investigations	7
Referred to OIG Office of Audit	1
Summary of findings reported to Congress/BOG/Postal Service management	5
Conducted limited inquiry into allegations/issues	208
Referred to database for statistical analysis and possible systemic reviews	57
Fact-finding reports issued to OIG management	4
<b>Referrals pending at the end of the period</b>	<b>21</b>

## GLOSSARY

Office of Inspector General Semiannual Report to Congress  
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### Glossary

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

**BMC.** Bulk Mail Center where packages and standard mail are processed.

**Bulk Mail.** Mail that is rated for postage partly by weight and partly by the number of pieces in the mailing. The term is generally used to refer to Standard Mail (A).

**Express Mail Service.** A mail class that provides expedited delivery service for mailable matter subject to certain standards.

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

**First-Class Mail.** A class of mail that includes all matter wholly or partly in writing or typewriting, all actual and personal correspondence, all bills and statements of account, and all matter sealed or otherwise closed against inspection. First-Class Mail comprises three subclasses: postcards, letters and sealed parcels, and Priority Mail.

Any mailable matter may be sent as First-Class Mail. First-Class Mail is a Postal Service trademark.

**Flat-Size Mail.** A mailpiece that exceeds one of the dimensions for letter-size mail (11-1/2 inches long, 6-1/8 inches high, 1/4 inch thick) but that does not exceed the maximum dimension for the mail processing. Flat-size mail may be unwrapped, sleeved, wrapped, or enveloped.

**FY.** Fiscal year.

**Highway Contract Routes.** A route served by a postal contractor to carry mail by highway between designated points.

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

**Merchandise Failure To Pay Scheme.**

Mail order merchandise acquired without providing payment.

**Merchandise Misrepresentation Scheme.** Mail order merchandise or services that are materially misrepresented in advertising.

**OWCP.** Administered by the U.S. Department of Labor, the Office of Workers' Compensation Programs provides direct compensation to providers, claimants, and beneficiaries.

**PCIE ECIE.** The President's Council on Integrity and Efficiency and Executive Council on Integrity and Efficiency address integrity, economy, and effectiveness issues that transcend individual government agencies.

This organization also seeks to increase the professionalism and effectiveness of IG personnel throughout the government.

**Postal Act of 2006.** Abbreviation for the Postal Accountability and Enhancement Act passed by Congress in December 2006.

**Postal Regulatory Commission (PRC).**

An independent federal agency that makes recommendations on Postal Service requests for changes in postal rates and mail classifications. The five commissioners are nominated by the President and approved by the U.S. Senate. The name was changed from Postal Rate Commission on December 20, 2006.

**Priority Mail.** First-Class Mail that weighs more than 13 ounces and, at the mailer's option, any other mail matter weighing 13 ounces or less. Priority Mail provides expedited delivery.

**Processing And Distribution Center/Facility (P&DC/F).** A central mail facility that processes and dispatches part or all of both incoming mail and outgoing mail for a designated service area. It also provides instructions on the preparation of collection mail, dispatch schedules, and sorting plan requirements to mailers.

**Retail Facility.** A postal unit of a post office and its subordinate units as well as military Post Offices that sell postage stamps and provide other postal retail services to customers. The subordinate units are within the service area of a main post office and include post office stations, post office branches, contract postal units, and nonpersonnel units.

**SmartPay® Purchase Card.** SmartPay® Purchase Cards are how the Postal Service acquires goods and services through contracts.

**Standard Mail.** A class of mail that includes advertisements, circulars, newsletters, magazines, small parcels, and merchandise.

**Unsupported Costs.** Costs that are questioned because of inadequate supporting documentation for the proposed/ claimed costs.

**Verification.** Process to check a mailing presented by a mailer to determine proper preparation and postage payment.

**Voyager Fleet Cards.** These are credit cards are used by postal employees to acquire automotive goods and services, such as gasoline or repairs.

**Work At Home Scheme.** Schemes, such as envelope stuffing, that falsely purport to provide home employment.

The following are among the many trademarks owned by the United States Postal Service: United States Postal Service®, U.S. Postal Service®, USPS®, First-Class Mail®, USPS.com®, Click-N-Ship®, Automated Postal Center®, APC®, Express Mail®, Priority Mail®, Standard Mail®, Parcel Post®, Media Mail®, Customized Market Mail®, United States Postal Service Office of the Inspector General®, Post Office™, Postal Service™, Signature Confirmation™, Certified Mail™, Delivery Confirmation™, Registered Mail™, Post Office Box™, Zip Code™, Carrier Pickup™, Quick, Easy, Convenient™ and Postmaster General™. The Sonic Eagle Logo, Round Top Collection Box design, Letter Carrier Uniform design, and the Mail Truck Design are also registered trademarks belonging to the United States Postal Service.

**OFFICE OF INSPECTOR GENERAL**

# **Report Fraud, Theft, and Misconduct in the Postal Service**

**CONTACT THE HOTLINE AT:**

**1.888.USPS.OIG**

**1.888.877.7644**

**Fax: 1.866.756.6741**

**or *www.uspsoig.gov***

**TTY (HEARING IMPAIRED)**

**1.866.OIG.TEXT**

**1.866.644.8398**



U.S. POSTAL SERVICE OFFICE OF INSPECTOR GENERAL  
1735 N. Lynn Street, Arlington, VA 22209-2020  
703.248.2100 Fax: 703.248.2291 [www.uspsig.gov](http://www.uspsig.gov)