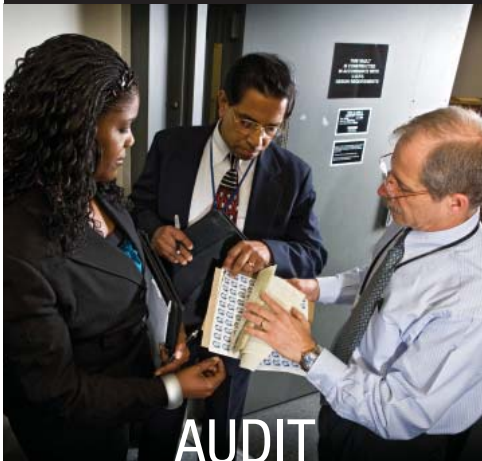




# Semiannual Report on the Audit, Investigative, and Security Activities of the United States Postal Service

April 1 — September 30, 2008



AUDIT



INVESTIGATIONS



SECURITY

## SUMMARY OF PERFORMANCE

For the period of April 1 — September 30, 2008

### AUDIT

Reports issued	222
Significant recommendations issued	112
Total reports with financial impact	83
Funds put to better use	\$387,560,085
Questioned costs <sup>1</sup>	\$163,436,940
Revenue Impact	\$4,217,803
<b>TOTAL FINANCIAL IMPACT<sup>2</sup></b>	<b>\$555,214,828</b>

### INVESTIGATIONS (OIG & POSTAL INSPECTION SERVICE COMBINED)<sup>3</sup>

Investigations completed	7,955
Arrests	4,392
Indictments/informations	2,119
Convictions/pretrial diversions <sup>4</sup>	4,191
Administrative actions	2,592
Cost avoidance	\$109,663,743
Fines, restitutions, and recoveries	\$10,985,189,460
Amount to Postal Service <sup>5</sup>	\$18,913,765

### OIG HOTLINE CONTACTS

Telephone calls	55,844
e-Mail	13,158
Virtual Front Office calls	5,266
Standard Mail	946
Voice mail messages	666
Facsimile — FAX	394
<b>TOTAL CONTACTS</b>	<b>76,274</b>

<sup>1</sup> Includes unsupported costs of \$52,847,385.

<sup>2</sup> The Postal Service agreed to recommendations or proposed alternative corrective actions that, if implemented, could result in more than \$555 million in savings.

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

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

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

## MESSAGE FROM THE INSPECTOR GENERAL AND THE CHIEF POSTAL INSPECTOR

At the beginning of the fiscal year, the Postmaster General challenged all U.S. Postal Service executives and managers to look for ways to cut costs and increase revenue.

Based on this directive, the U.S. Postal Service Office of Inspector General (OIG) and the U.S. Postal Inspection Service combined their support and legal services. The Joint Mission Support Center and Joint Legal Services Center now provide these critical functions for both agencies. The heads of the two centers report directly to the Inspector General and the Chief Postal Inspector.

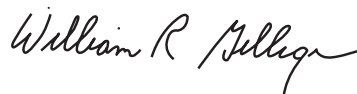
The creation of these centers represents a positive step for both agencies and is expected to result in cost savings by combining and more efficiently using resources. The Inspector General and Chief Postal Inspector further agreed to issue a combined comprehensive statement of audit and law enforcement work in this *Semiannual Report on the Audit, Investigative, and Security Activities of the United States Postal Service*.

In this inaugural issue, the OIG reports statistics and activity for April 1 through September 30, 2008, as required by statute. For this issue only, the Postal Inspection Service reports statistics and activities for the entire fiscal year, October 1, 2007, through September 30, 2008. Future statistics will be semiannual.

The OIG and Postal Inspection Service thank Postal Service officials, the Governors, and members of Congress for their continuing support and important feedback, and look forward to addressing the challenges and risks that lie ahead for the Postal Service in FY 2009.



David C. Williams  
Inspector General



William R. Gilligan  
Acting Chief Postal Inspector

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## AUDIT WORK BY RISK CATEGORY

The Office of Audit (OA) uses a risk-based planning approach to identify audit work. In this way, it can identify the most important work that needs to be done, and then position itself to do it via risk deployment. This approach enhances its value to the Postal Service. For this reporting period, OA highlights audits and reviews that address risks in the strategic, financial, and operational areas.

### STRATEGIC RISK

The Strategic Risk category includes big picture, long-range issues that impact the Postal Service's overarching strategic direction. Strategic risk factors are those which may impede the Postal Service's ability to be effective and efficient, or ensure that its products and services are self-sustaining and balance legal considerations and stakeholder views.

#### **Continuous Auditing — Performance Analyses and Risk Indicator Scans**

Continuous Auditing is a method of analysis using advances in technology that go beyond the traditional audit model of assessing events at specific points in time and location. Using CA, Auditors gather data in a regular, predictable way, then analyze anomalies, problem indicators, and trends over time.

OA began a Continuous Auditing/risk modeling initiative — called Performance Analyses and Risk Indicator Scans (PARIS) — to address a wide variety of operational, financial, and support issues within the Postal Service. The objective of PARIS is to evaluate numerous data elements from Postal Service systems by district or by program to identify indicators of, and situations that present, increased risks. OA's goal is to provide insight into and analysis of the data and then turn the data into information, knowledge, and ultimately, action.

PARIS project development follows a basic chain of steps: (1) identifying key risk factors; (2) identifying corresponding data sources; (3) developing, testing and implementing automated risk models; and (4) providing feedback and analysis to the OIG, Governors, and Postal Service management (management). Audit techniques include a variety of data gathering, analyses, and presentation procedures and tools; such as data mining techniques to detect hidden patterns and anomalies, spreadsheet models and other specialized tools for analyses, scorecards to track performance against defined indicators, and dashboards to present a concise view of the CA results.

OA is developing PARIS models across Postal Service business activities. The first model to come from PARIS was the Operations Risk Model. It was designed based on OA's audit work in the Chicago District in fiscal year (FY) 2007.

Based on its success, OA created a complementary Financial Risk Model that evaluates 12 distinct risk factors. These models enhance OA's ability to plan audit work, and to examine and monitor risk. Further they:

- Use predetermined business process risk indicators to provide a nationwide snapshot of critical business areas.
- Provide the ability to drill down to specific operational and financial risks and contain graphical trending representations to identify anomalies and causal relationships.
- Contribute to OA's short- and long-term audit planning and help validate OA resource usage.
- Are updated quarterly and offer trend information on emerging issues.
- Serve as the basis for a high-level dashboard for use by the Board of Governors' Audit and Finance Committee.
- Are predictive in nature, affording a proactive, rather than reactive, approach when tackling emerging issues.
- Provide near real-time data to use in conducting individual audits as well as summary data used in planning and developing nationwide audits.
- Assist the Postal Service in identifying emerging risks.

OA has initiated a number of audits based on the results of these models including new site activation reviews as well as a delayed mail review. Further these models identified high risk and potentially fraudulent financial transactions OA would not have necessarily identified in the past. In two recent instances, this led to the criminal prosecution of employees for embezzling funds via the use of no-fee money orders.

OA recently finalized a third model — the Engineering Risk Model, which focuses on automation risk (machine under-utilization), preventive maintenance risk, and equipment performance risk. Additional models are under development in all audit directorates. Management supports this effort. OA plans to issue reports summarizing PARIS results on a quarterly basis. Further, OA plans to meet with management periodically to share the PARIS results in greater detail.

#### **Management Response to OIG Work**

*OA adheres to professional audit standards and presents its 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 OA's recommendations and is taking or has already taken corrective action to address the issues OA raised.*

### **Network Streamlining**

The need to analyze opportunities for network streamlining remains a priority for the Postal Service and it has had some success with local facility consolidations. OA reviews focused on whether consolidation opportunities were supported, how consolidations were implemented, and whether these initiatives realized projected cost savings.

Management requested that OA assess the Remote Encoding Center (REC) network consolidation process and validate reported savings for 2006 and 2007. RECs assist plants by processing mail with unreadable addresses. Management closed 47 RECs in response to workload reductions, which resulted in a 41 percent reduction in REC network operating costs from 1999 to 2007. OA concluded that management had valid reasons for selecting specific RECs for closure; however, they need to improve the business cases justifying their decisions. OA also found that projected cost savings for 2006 and 2007 were generally supported, but overstated by about \$300,000 for 2007. OA recommended that management clarify the methodology used to select RECs for closure in future business cases and revise 2007 REC closure savings from \$7.1 million to \$6.8 million.

Management also asked OA to review the proposed consolidation of the Detroit Processing and Distribution Center (P&DC). Plant consolidations are one of three core elements of the network rationalization plan. OA concluded the proposal was generally accurate and supported, reduced costs, and increased operational effectiveness. However, OA identified a significant overstatement in proposed annual savings, decreasing the total annual savings from \$4.2 million to \$1.2 million. In addition, OA identified issues in the proposal with a potential service downgrade, the stakeholder communication process,

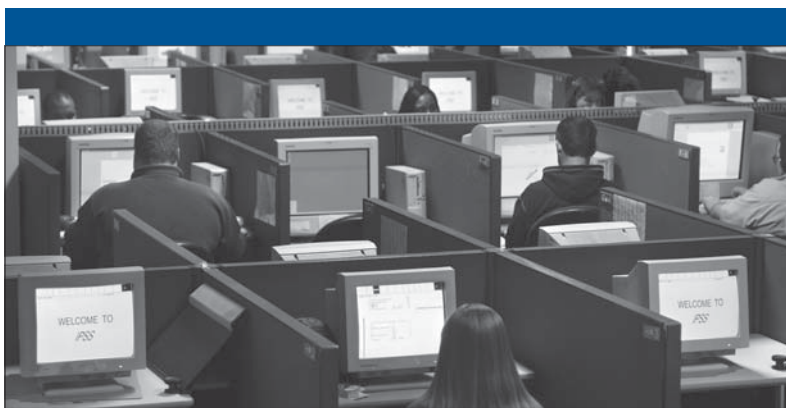
legislative restrictions, and potential risk factors. OA recommended management update the Detroit P&DC consolidation proposal to correct the identified issues, adjust savings and costs as appropriate, and then resubmit the updated proposal to headquarters for review and approval. Management disagreed with the methodology used to calculate the savings overstatement, but agreed with the recommendation. March 2008 updates to the Postal Service's consolidation policy are expected to address methodology issues in future consolidations.

Management further requested OA review the Mojave, CA, Post Office consolidation. OA concluded that the Mojave Post Office's outgoing mail volume was not routed to the Bakersfield P&DC in accordance with the approved consolidation since collection box pick-up times were not changed, resulting in a late mail arrival profile. In addition, transportation changes to highway contract routes (HCR) were not accurately reported and not consistent with the consolidation proposal. Further, the Mojave Post Office's service standards for mail destined for Bakersfield, Fresno, and Mojave, CA, were not met when outgoing mail was routed to the Santa Clarita P&DC for processing. OA recommended management strengthen accounting controls over HCRs and ensure that transportation changes directed by the approved consolidation proposal are accurately recorded in the post-implementation review (PIR).

In addition, OA completed its second in a series of Airport Mail Center (AMC) outsourcing reviews. In its review of the Miami AMC outsourcing initiative, OA determined the decision to outsource some operations at the Miami AMC was supported and complied with existing policies and procedures. Operational impacts of the outsourcing were minimal, and outsourcing is expected to reduce costs. To further enhance the process, OA recommended that the Postal Service conduct a PIR to measure the results of this initiative.

### **Mail Processing Operations**

OA determined that there was a favorable business case for consolidating mail processing operations at the Waco Processing and Distribution Facility (P&DF) and Waco Annex into one location to improve processing efficiency. Mail processing at the Waco P&DF and Annex (located about 2 miles from the P&DF) was inefficient because unnecessary transportation costs were being incurred to transport mail between facilities, staff were frequently required to work at both facilities during the course of a single tour, and some mail processing and mail handling positions were duplicated between the two facilities. OA recommended that management develop and execute a plan for consolidating Waco P&DF and Annex operations into one location.



*Management requested that the OIG's Office of Audit assess the Remote Encoding Center network consolidation process and validate reported savings for 2006 and 2007.*

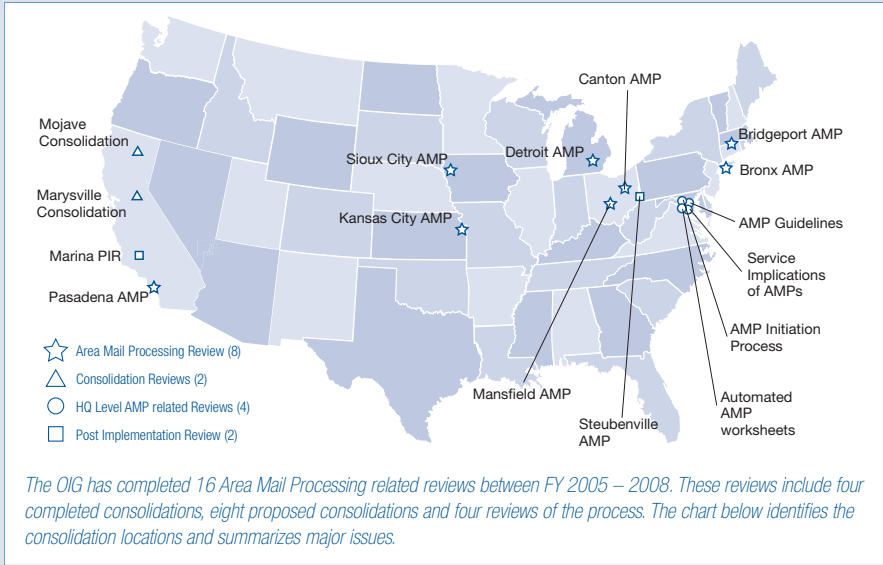
**Network Optimization**

In June 2008, the Postal Service submitted its Network Plan to Congress, as mandated by the Postal Accountability and Enhancement Act of 2006 (Postal Act of 2006). This Act requires the Postal Service to develop a strategy to rationalize its facility network and to remove excess capacity. To that end, the Network Plan recommends:

- Closing redundant AMCs.
- Consolidating mail processing operations.
- Transforming the BMC network.

As part of this effort, management is pursuing an outsourcing solution known as the Time-Definite Surface Network to transform the BMC network and move some of the existing workload into a supplier network, allowing the Postal Service to use the BMCs for alternative postal work. Risks that must be addressed in this approach include vulnerability due to dependence on a single contractor, the potential for work stoppages, and possible contractor conflicts of interest or misconduct.

At the same time, the Postal Service is facing declining mail volumes and changes in the mail mix. Collective bargaining and employee impact policies are in place to inform potentially affected employees. To assist with the significant organizational restructuring and repositioning of staff, management



The OIG has completed 16 Area Mail Processing related reviews between FY 2005 – 2008. These reviews include four completed consolidations, eight proposed consolidations and four reviews of the process. The chart below identifies the consolidation locations and summarizes major issues.

obtained authority from the Office of Personnel Management to offer voluntary early retirement to eligible career employees. Risks that must be addressed with this approach include vulnerability due to dependence on a single contractor and potential for work stoppages.

Overall, the Network Plan looks at the issues strategically and does not include specific implementation plans. Management, the Postal Regulatory Commission (PRC), Congress and stakeholders must work together to ensure that network realignment has the support to be successful despite the challenges.

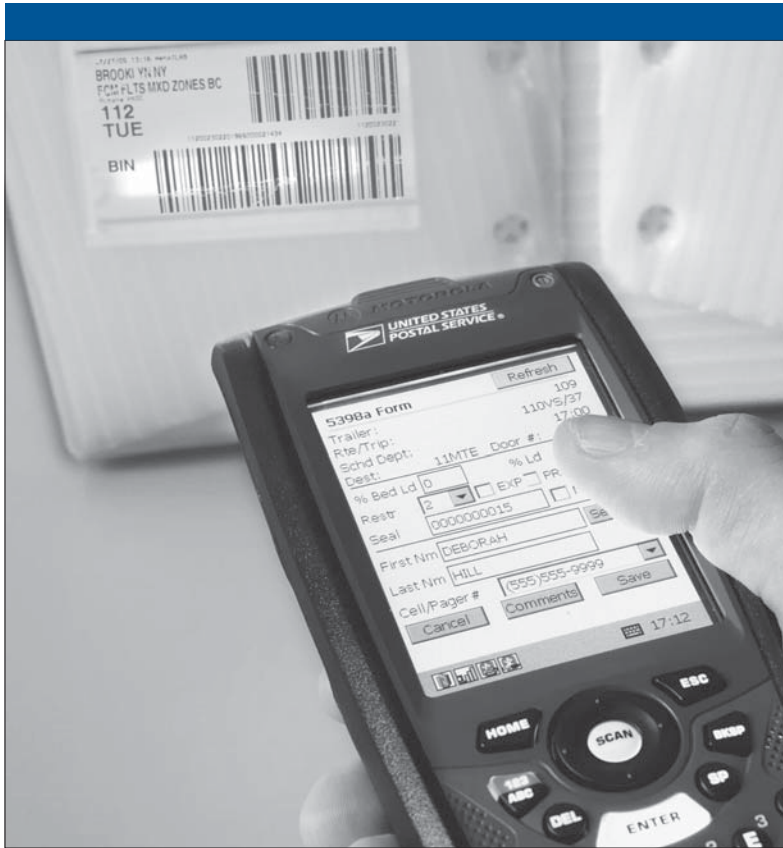
**Area Mail Processing Issues**

Report Number	Project Description	Savings Accuracy	Data Accuracy and Support	Service Impacts	Oversight and/or Approval	Stakeholder Communication	AMP Guidance and Process
NO-AR-05-004	Mansfield, OH, AMP	✓		✓			
NO-AR-05-013	Canton, OH, AMP	✓		✓			
NO-AR-06-001	AMP Guidelines				✓		✓
EN-AR-06-001	Pasadena, CA, AMP	✓	✓	✓	✓	✓	✓
NO-AR-06-010	Bridgeport, CT, AMP	✓	✓				
EN-AR-07-001	Sioux City, IA, AMP	✓	✓	✓		✓	✓
EN-AR-07-002	Service Implications of AMP		✓	✓	✓	✓	✓
NO-AR-07-003	Steubenville, OH, PIR		✓		✓		
EN-MA-07-001	AMP Initiation Process						✓
EN-AR-07-003	Bronx-Morgan, NY, AMP	✓		✓			
EN-AR-07-004	Marina, CA, PIR	✓	✓				✓
EN-MA-08-001	Automated AMP Worksheets						✓
EN-AR-08-001	Kansas City, KS, AMP	✓	✓	✓			✓
EN-AR-08-003	Marysville, CA, Consolidation		✓	✓	✓		
EN-AR-08-005	Detroit, MI, AMP	✓		✓		✓	
EN-AR-08-006	Mojave, CA, Consolidation			✓	✓		

This chart depicts systemic issues/problems that were identified during consolidation reviews. (The individual checks represent an area needing improvement.)



## STRATEGIC RISK



The Office of Audit audited the enabling infrastructure for Intelligent Mail.

### Strategic Vision for Automation

Effective automation efforts can have a big impact on the Postal Service. For example, processing mail via automation costs significantly less than processing mail manually. Specifically, in FY 2008 the national cost for automated letter mail processing was \$8.70 per 1,000 pieces versus \$119.70 for the same amount processed manually. During this reporting period, OA issued several significant reports assessing key aspects of the Postal Service's strategic vision for automation.

**Status of Intelligent Mail Enabling Structure.** OA audited the enabling infrastructure for Intelligent Mail (IM) to evaluate the readiness of key mail processing equipment (MPE), the status of nesting abilities, progress of the Mail Processing Infrastructure (MPI) Phase III, and consolidation of servers for the Integrated Data System (IDS)/National Directory Support System (NDSS). IM infrastructure is the hardware, software, telecommunications systems, power, and other support necessary for barcoded mail. Nesting

refers to the visibility of mail by tracking associated mail and containers, and MPI is the upgrade of plant wiring. The IDS collects and distributes tracking data on mailpieces, trays, and containers, and the NDSS maintains sort programs and address directory files.

OA found that management upgraded key letter and flat MPE, and that the MPE is capable of scanning the new Intelligent Mail barcode (IMB). In addition, more than 300 facilities have increased network capacity due to the early completion of Phase III of the MPI program. These facilities are ready to support IM implementation. The Postal Service's material handling group is preparing for the transition to the 24-digit IM tray barcode, which will enhance nesting abilities.

OA recommended management clarify the barcode requirements and funding for material handling systems, and ensure that contingency plans for consolidating the IDS/NDSS server include extended maintenance for microcomputers or provide other contingency plans if deployment is delayed beyond 2009.

**Investment Portfolio Measurement.** Investment portfolio measurement provides feedback on automation projects through each phase of development and informs the organization of its success in meeting the performance goals. OA's objective was to assess Engineering's capability to report on program performance as required for tollgate briefings and investment highlights. OA evaluated metric development and ownership, measurement systems, information quality, and project performance metrics for Engineering programs approved in FYs 2006 and 2007. OA found that Engineering routinely uses system data to test, measure, and report on program performance as required for tollgate briefings and investment highlights. However, Engineering can improve its reporting by including additional input from operational users, better attribute operational impact to Engineering programs, and assign operational performance metrics to operational units.

OA recommended that Engineering seek greater participation from Operations when developing and reporting on operational performance metrics and a greater separation of responsibilities for reporting on program metrics.

**Upgraded Flats Sorting Machine 1000 Utilization.** OA's audit determined that the New York Metro Area was not fully utilizing the Upgraded Flats Sorting Machine (UFSM) 1000's automated feeder enhancements to maximize its productivity and reduce support costs. The Postal Service expected at least a 70 percent volume shift from legacy mechanical keying methods to the automated feeders on the UFSM 1000. However, for FY 2006 through May 2008, the New York Metro Area continued to process almost 70 percent of applicable mail volume using



mechanical keying stations. This condition can be attributed to employees comingling machineable mail with non-automation compatible flat mail and to not having standard operating procedures for UFSM 1000 flat mail operations. Using the machine's automated feeder in the optical character reader (OCR) mode rather than keying addresses would increase efficiency and reduce the cost of processing flats mail by more than \$7 million annually.

OA recommended that management direct plant managers to move UFSM 1000 mail volume to the OCR or automatic mode to meet investment goals, and evaluate whether there is a need to lock out or remove mechanical keying stations to achieve this goal. OA also recommended the New York Metro Area develop and implement a formal plan detailing how to most effectively utilize the UFSM 1000. As a result of management's agreement with the findings, recommendations and monetary impact, they began implementing a written improvement plan on a plant-by-plant basis to continually increase utilization and optimize the use of the machine's automated feeder.



*To increase efficiency and reduce the cost of processing flats mail by more than \$7 million annually, the Office of Audit recommended using the Upgraded Flats Sorting Machine 1000's automated feeder in the optical character reader mode rather than keying addresses.*

**FINANCIAL RISK**

The Postal Service faces a critical financial risk as it, like other companies, deals with the economic slowdown affecting the nation. With the crisis in the financial industry, increases in energy costs, significant declines in mail volumes, and mandated annual payments of more than \$5 billion to pre-fund retiree health benefits, the Postal Service announced they will end the fiscal year with nearly a \$3 billion loss (compared to a \$5.3 billion loss in FY 2007). While the Postal Service made significant progress in reducing costs this year, the anticipation of further declines in volume mean that it is still confronted by a major challenge to find ways to cut costs and increase revenues.

In FY 2007, OA reported that internal controls associated with the financial reporting process were generally in place and effective; however, significant deficiencies existed with mail acceptance at Business Mail Entry Units (BMEU), international mail accounting, and unusual real estate transactions. The Postal Service made progress to improve the control environment in the mail acceptance area during FY 2008. The following areas identify overarching issues still facing the Postal Service's business mail acceptance operations, as well as other areas impacting financial risk.



*The Office of Audit conducts financial audits of stamp and cash credits at Post Offices around the nation to ensure accountable items, including money orders, are inventoried and secured. Pictured above are obsolete money orders and unrecorded Postal Service money orders that one audit found the Thousand Oaks, CA, Main Post Office should have destroyed.*

**Business Mail and Business Reply Mail Procedures**

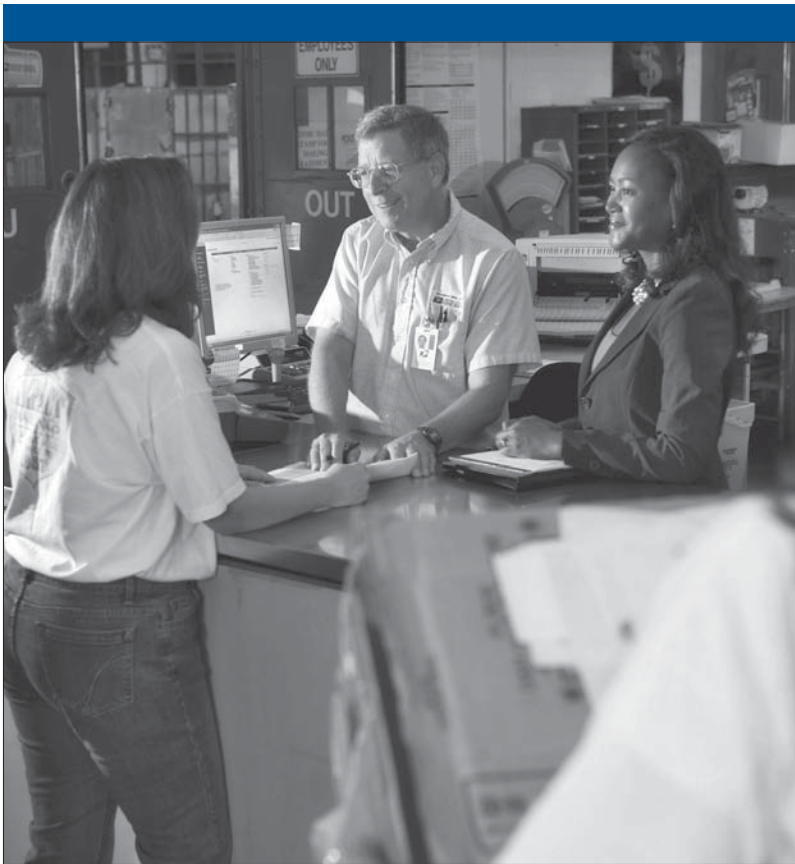
During this reporting period, OA performed two audits assessing selected aspects of business mailings. In one audit, OA found that controls over inactive accounts, master trust accounts, and mail verification and clearance procedures for the timely recording of revenue needed

## FINANCIAL RISK

improvement; and controls over value added refund procedures were not followed. OA identified about \$1.8 million and \$17.6 million in monetary and non-monetary impacts, respectively.

With about 3,700 BMEUs and almost 600 Detached Mail Units (DMU), the Business Mail Entry channel is the largest means of mail entry into the Postal Service, accounting for about 55 percent of the revenue and over 73 percent of mailpiece volume. In another audit, OA assessed whether the Postal Service followed mail sampling and verification policies and procedures to ensure applicable postage was collected at BMEUs and DMUs. For the six sites visited, there were nearly 357,000 FY 2007 "mailings" (the number of separate postage statements, and the mail associated with them, presented by customers). The revenues (value of those 357,000 mailings) totaled about \$4 billion.

OA found that employees did not always perform in-depth verifications for mailings of 10,000 or more mailpieces,



*The 3,700 Bulk Mail Entry Units and 600 Detached Mail Units are the largest means of mail entry into the Postal Service, accounting for about 55 percent of revenue and more than 73 percent of mailpiece volume.*

and the Postal Service may not have collected all postage for those mailings. For the postage statements and mailings OA reviewed, the revenue at risk (the difference between the full rate if no discounts were applied and the rate at which the mail was entered) totaled more than \$2.5 million, comprised of more than:

- \$1.9 million from the 360 postage statements and mailings OA reviewed for which BMEU personnel did not perform required verifications.
- \$600,000 because one unit did not have backup verification coverage, so the Postal Service may not have collected all applicable postage.

OA recommended that management:

- Assess the placement and usage of Mailing Evaluation Readability and Lookup Instrument (MERLIN) machines at all BMEUs to determine efficiency and relocate the machines as needed to maximize usage.
- Request PostalOne! software modifications to ensure clerks input verification results and document why verifications were not performed, either manually or using MERLIN.
- Determine whether the reasons for not verifying any mailing of more than 10,000 mailpieces were valid.
- Analyze staffing and efficiency to determine staffing requirements at DMUs and ensure that backup verifications are performed.

### **Bound Printed Matter Workshare Discounts**

The Postal Service properly established Bound Printed Matter (BPM) workshare discounts in accordance with postal legislation and internal policies and procedures, and then properly implemented them. At six large BPM acceptance facilities, controls were in place to ensure mailers prepared BPM according to workshare standards. However, some of the supporting documentation used to develop the BPM discounts was dated, which could affect the reliability of the BPM workshare discount rates. Updating this data would help establish more accurate management information the Postal Service can use to develop and implement rate changes and prepare annual reports for the PRC on the impact of workshare discounts.

OA recommended that management determine whether the supporting data is accurate in the current operational environment and develop updated cost avoidance models. Management agreed to incorporate technological and policy-driven changes into the cost models, where possible, and conduct field observations to determine the necessity of further field study and data collection. However, management also stated that updating the BPM inputs would depend on

the overall data priorities that must be addressed when the PRC issues its guidance on costing issues.

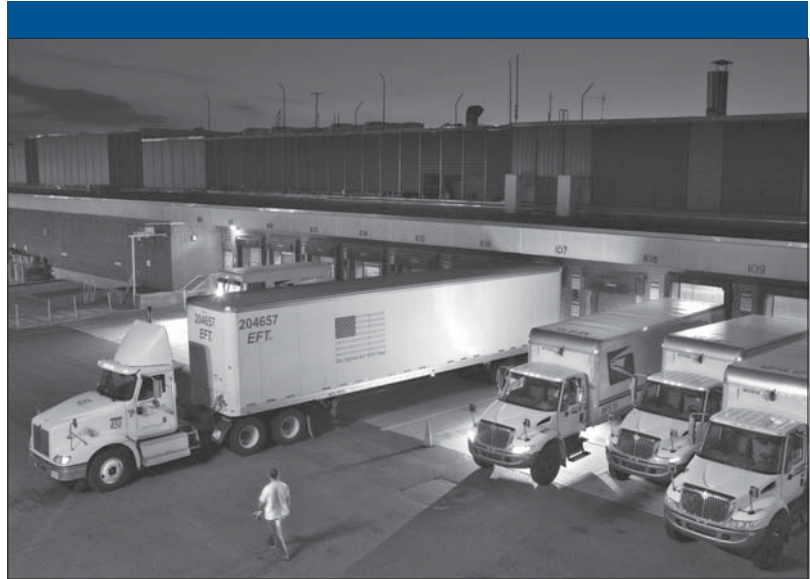
### ***In-Office Cost System Telephone Readings***

Following OA's FY 2008 audit of the In-Office Cost System that found inaccurate telephone readings, OA assessed whether these inaccuracies could have resulted in inaccurate product costing. OA's initial analysis, and a subsequent Postal Service analysis, indicated potential bias in processing cost estimates based on telephone readings. OA recommended that management perform an additional, more comprehensive analysis to determine if product costing is inaccurate based on telephone readings, take corrective actions as necessary, and continuously monitor for costing errors. Management agreed with OA's finding that there are differences in product costs based on telephone and on-site readings, but disagreed with OA's assumption that these differences are caused by the sampling method. Management did not believe that the recommended analysis would yield further useful results and stated that continuously monitoring for costing errors is problematic. OA disagreed with management's response and continues to believe that additional analysis would be informative and useful and that continuous improvement of these data systems would be a worthwhile effort.

### ***Highway Transportation: Contract Renewal and Oversight Processes***

HCRs provide for the transportation of mail between Post Offices or other designated points where mail is received or dispatched. (HCRs also include box delivery, collection service, and other mail services that were not included in OA's review.) Regular highway transportation contracts for HCRs provide service between Postal Service facilities; mailers' plants and similar facilities; and are generally for 4-year terms with an unlimited optional renewal provision.

OA reviewed management's oversight of highway transportation contracts and issued two reports that addressed the renewal process for these contracts and oversight of highway transportation trips in the Southeast Area. In renewing contracts, OA found that officials had conducted market comparisons to ensure that competition and favorable rates were achieved; however, they could improve the assessment of contract requirements and consideration of contractor performance. In addition, management did not always properly monitor and document contractor performance and could improve monitoring and controlling costs of canceled segments of highway transportation trips and extra highway transportation trips. OA calculated that more than \$9.5 million of unsupported questioned costs were due to postal officials not properly authorizing extra trip costs.



*Regular highway transportation contracts for HCRs provide service between Postal Service facilities, mailers' plants and similar facilities, and are generally for 4-year terms with an unlimited optional renewal provision.*

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

OA issued nine contract-related audit reports during the reporting period, involving two proposals, one invoice, one incurred cost submission, one accrual, one legal determination, two financial risk assessments and one assessment of contract cost reasonableness. These audits identified unsupported and questioned costs of more than \$56 million. This information was provided to contracting officers for their consideration in negotiating the best terms for the Postal Service. For example, an audit of a \$262 million firm fixed price proposal for the design, fabrication, testing, installation, field support and spares of the Advanced Facer Cancellor System 200 disclosed more than \$10 million in questioned costs. The contractor did not consider quantity discounts for proposed material costs, and the contractor proposed excessive wide area network charges and cell phone costs.

### ***No-Fee Money Orders***

OA concluded that a significant risk exists related to the misuse of no-fee money orders for local purchases by individual Post Offices. While there may be a limited need for the Postal Service to use no-fee money orders, the OIG's audits and investigations showed that local Post Offices continued to inappropriately use no-fee money orders as a convenient payment method for purchases when other payment methods were required. OA estimates



## OPERATIONAL RISK

### **What is a no-fee money order?**

*A no-fee money order is a money order the Postal Service issues for its own use at no cost to itself. Postal Service policy limits the use of no-fee money orders for purchases to a one-time local expense, not to exceed \$500.*

that in FY 2007, the Postal Service issued more than 13,170 no-fee money orders in amounts greater than \$500, with a total value of more than \$8 million. These money orders were used for things other than the proper designated purposes of salary and travel advances, replacements, or emergency situations.

To mitigate the risk of financial loss, OA recommended that the Postal Service reinforce the payment hierarchy and proper use of no-fee money orders to pay for local purchases and increase monitoring of no-fee money order use. OA also recommended it evaluate the feasibility of restricting the use of no-fee money orders for local purchases.

## OPERATIONAL RISK

The Operational Risk category focuses on issues related to the day-to-day operations of the Postal Service. These risk factors potentially affect the Postal Service's abilities to provide timely, reliable delivery and customer service across all access points. Operational risk factors pertain to the quality of postal services and the end-to-end service performance of all mail; as well as the assurance that postal products and services meet customer expectations by being responsive, consistent, and easy to use.

### **International Mail**

During this reporting period, OA issued several reports addressing issues in the area of international mail.

**Mail Condition Reporting.** The Postal Service handled more than 832 million pieces of international mail in 2007, while international revenue grew by \$242 million. The Web Mail Condition Reporting System is vital to managing day-to-day domestic and international mail operations. OA worked with management to identify opportunities to improve web mail condition reporting at the International Service Centers (ISC) nationwide. OA found that the mail condition reports were timely, but often incomplete and inaccurate, for the four ISCs reviewed. OA recommended that management provide training and ensure that the mail is processed according to the service commitments in the facility operating plan.

**Inbound International Mail.** OA analyzed data for the Miami ISC and found that data used to bill foreign postal administrations for inbound international Express Mail service was incomplete. This occurred because the requirements for the new Receipt Application (a web-based application that replaced the Receipt Verification System for initial scanning of inbound foreign mail) did not include the need to capture the dispatch date for Express Mail dispatches. Further, the computer program used to prepare billing data for inbound international Express Mail

did not properly process records with manually entered dispatch dates. As a result, the Postal Service underbilled foreign countries for processing and delivery of inbound International Express Mail items at the Miami ISC by more than \$2 million for the period October 9 to December 31, 2007, and has since taken corrective actions.

**International Reconciliation System.** In addition to reviewing Express Mail billings at the Miami ISC for Quarter 1 of FY 2008, OA also reviewed controls over the International Reconciliation System (IRS), deployed in February 2008. OA found that the Postal Service streamlined the international mail reconciliation process and made progress in improving system controls. The system automates manual input of letter bill data and eliminates the use of multiple systems to conduct research for reconciliation. However, the system is still evolving and management did not identify all requirements prior to its deployment, allowing improper records to be placed into the production database. OA also noted that International Reconciliation Units used inconsistent procedures to verify volume data and process certain dispatch records. Manually correcting and processing the existing incomplete records and improperly flagged duplicate dispatches could cost the Postal Service almost \$667,000 and \$193,000, respectively, in additional personnel resources. These inconsistent procedures represent about \$11.7 million in assets at risk. Timely and consistent reconciliation procedures assist in protecting the integrity of management data used in making pricing decisions.

Management concurred and complied with OA's recommendations for strengthening system requirements and operating procedures, but did not concur with a recommendation to develop additional user reports. Management stated that the system is not intended, by design, to be a data warehouse rather this is a function of Enterprise Data Warehouse (EDW). However to ensure consistency in the verification of volume data and processing of dispatch records, management subsequently developed high-level Standard Operating Procedures (SOP) for Records Units' operation and plans to complete detailed SOPs by the end of the calendar year. Management feels the creation of additional reports in IRS would greatly affect end user response time. Therefore, management is working on a separate initiative to include the OIG's suggested reports in EDW.

### **Mail Processing Efficiency**

The Postal Service has achieved significant results in improving mail processing efficiency through workhour reductions that OA recommended in recent years. As of 2007, the Postal Service reduced more than 1.6 million workhours (about 61 percent) of the 2.7 million recommended workhour reductions at 11 plants across

the country. Additionally, service scores have remained consistently high and productivity has improved at many of these locations. Many of the workhour reductions were achieved through the attrition of 771 employees. However, the P&DC in Canton, OH, and the Bulk Mail Center (BMC) in Dallas, TX, may be using more workhours than necessary to process their workload since they have not yet made the anticipated workhour reductions at these two facilities.

### ***New P&DC Site Activations***

OA assessed two P&DC site activations. Overall, the Oklahoma City P&DC activation team did a commendable job of overseeing the opening of the new facility. However, the team did not develop an operating plan and corresponding mail arrival profile prior to the site activation. As a result, the Postal Service may not have effectively matched personnel to mail volume, requiring subsequent adjustments to staffing levels and increasing the risk of mail delays and service degradation. During the audit, the Postal Service completed its operating plan and mail arrival profile for the Oklahoma City P&DC.

In May 2006, the Philadelphia P&DC moved operations from a former facility to a newly constructed facility. However, during the move some service scores at the Philadelphia P&DC dropped. The Postal Service acknowledged these conditions and in cooperation with management, OA assessed the compliance with activation requirements related to mail processing at the Philadelphia P&DC and found that some key activation steps were not fully implemented. As a result, the Postal Service experienced significant delayed mail.

For both of these site activations, OA recommended that management improve site activations by providing oversight during transitions to ensure completion of the operating plan and mail arrival profile, and to emphasize the importance of local management continuity.

### ***Delayed Mail***

In response to an inquiry, OA reviewed allegations of delayed mail at the North Texas P&DC. OA determined there had been a 206 percent increase in delayed mail in 1 year — from 35.7 million mailpieces in FY 2006 to 109.5 million mailpieces by the end of FY 2007. This occurred, in part, because supervision and staffing were inconsistent and some mail was poorly staged. However, by March, the North Texas P&DC made significant progress in reducing the amount of delayed mail. At that time, the North Texas P&DC reported 3.2 million pieces of delayed mail. The cumulative total for delayed mail through the first half of FY 2008 was 34.2 million mailpieces.

### ***Air and Surface Transportation Networks***

During the reporting period, OA performed several significant reviews assessing the efficiency of the Postal Service's air and surface networks.

**Air Networks.** OA assessed whether the Postal Service's use of FedEx transportation was effective and economical. OA found that from October 2004 through December 2006, the Western Area incurred about \$23.7 million in unnecessary costs due to using FedEx to move mail that could have been moved on less costly surface transportation or passenger airlines; and to paying FedEx to sort mail unnecessarily. The Western Area has an opportunity to save about \$117.5 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. Management generally agreed to the findings, but did not agree to all monetary impacts. Further, management's stated actions will not resolve all of the issues identified. We are pursuing resolution through our formal audit resolution process.

**Airport Mail Center Operations.** OA assessed the effectiveness of the Dallas Airport Mail Center (AMC) operations and concluded that the Postal Service incurred costs of more than \$8.4 million for unnecessary workhours. Additionally, management could improve effectiveness and save at least \$26.3 million over a 10-year period. These savings could be achieved by improving operations' efficiency, aligning workhours with peak mail flows, and ceasing performance of unnecessary work.

**Surface Networks.** The Postal Service's surface transportation network includes Postal Vehicle Service (PVS) operations, made up of Postal Service vehicles and employees. During this period, OA audited the effectiveness of PVS operations at the Northern Virginia P&DC and found that management could improve PVS processes, allowing them to remove more than 20,000 excess workhours from existing PVS schedules and save more than \$8 million over 10 years. Management could eliminate the workhours without negatively affecting service because schedules contain unassigned time when drivers were not needed for a specific trip or related activity, duplicate trips, and trips that were not as full as possible.

### ***National Trailer Lease Renewal***

OA evaluated the National Trailer Lease renewal in the Eastern and Southeast Areas and identified opportunities to reduce costs. Due to fleet management control weaknesses, the National Trailer Lease renewal could have been more effective by more accurately identifying its

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*During our audit of the National Trailer Lease program, we found the Eastern Area used national lease trailers for storage. Depicted here is stored equipment at the Lancaster Processing and Distribution Center on October 9, 2007.*



*An OIG audit found the Raleigh, NC, and Providence, RI, P&DCs did not always use the Powered Industrial Vehicle Management System as intended and consequently did not fully realize efficiency improvements. For example, on June 30, 2008, at 5:49 a.m., two Providence Processing and Distribution Center forklifts and four tows sat idle during an usually busy time of the night.*

trailer requirements. Instead, the Postal Service may have missed an opportunity to save \$400,000 when it allocated more trailers to the Eastern and Southeast Areas than were needed. However, the Postal Service still has an opportunity to save \$5.9 million by returning unneeded trailers.

### **Powered Industrial Vehicle Management System**

The Powered Industrial Vehicle Management System (PIVMS) is a wireless system that provides automated measurement, control, and compliance reporting of operations within a plant, resulting in optimal powered industrial vehicle safety conditions, operations, supervision, and associated savings. The Raleigh, NC, and Providence P&DCs did not always use the PIVMS as intended and consequently did not fully realize efficiency improvements. If both of these facilities used the PIVMS as intended, OA estimated that management could save more than 13,000 workhours by the end of FY 2010, with an economic impact of \$4.9 million in savings over 10 years. OA recommended that both facilities consider reducing their inventory of powered equipment.

### **Vehicle Maintenance Facilities**

The Postal Service has invested more than \$3 billion in vehicle assets for the purpose of transporting and delivering the mail. The vehicle inventory consists of 219,522 delivery, transport, and administrative vehicles, of which delivery and collection vehicles account for 195,211, or about 89 percent of the total fleet.

OA assessed whether the Postal Service accomplished all required scheduled maintenance and whether they integrated both Vehicle Maintenance Facilities (VMF) and local commercial resources for optimum efficiency. During this reporting period, OA reviewed VMFs in six of the nine postal areas. OA identified opportunities for management to improve the completion of scheduled preventive maintenance on its vehicles and integrate both VMF and local commercial vendor resources for optimum use of available resources. OA made up to eight recommendations in area reports to complete scheduled maintenance and repair and to manage VMF and commercial resources.

### **City Letter Carrier Office Processes**

Some City Letter Carriers were clocking in before their tour of duty which resulted in unauthorized overtime projected at 177,540 workhours nationwide for FYs 2007-2009. As a result, for city delivery operations, OA estimated the Postal Service incurred unrecoverable questioned costs in FY 2007 of about \$6.1 million. Likewise, OA estimated that city delivery operations will incur unauthorized overtime workhours totaling about \$12.8 million for clocking in early.



### **Delivery Point Sequencing**

The Postal Service implemented Delivery Point Sequencing (DPS) about 15 years ago to enhance the automation environment for processing and delivering letter mail. DPS is intended to reduce operating costs, improve accuracy and speed of delivery, and contribute to improved customer satisfaction. In assessing the Atlanta District, OA concluded that opportunities exist to further improve DPS percentages because delivery unit officials had not always implemented established processes for:

- Updating address databases in a timely manner.
- Reporting missent, missorted, and missequenced (known as 3M) data.
- Reporting mail arriving late.
- Handling non-DPS mail.
- Measuring mail volume.

OA reported unrecoverable questioned costs of more than \$9.5 million and funds of more than \$3.7 million that can be put to better use.

### **Political Campaign Mailings**

The Postal Service plays a vital role in the democratic process by ensuring political campaign material is delivered to voters as quickly as possible. However, officials in the districts OA reviewed did not always record political campaign mailings in the political mail log before inducting them into the mailstream. In addition, officials maintained duplicate political campaign mail recordkeeping systems. Further, officials did not always notify mailers who deposited political campaign mailings that may be too late for delivery by the election date, of the potential for late delivery, and document the advice provided to them in the political mail log. Finally, officials did not always document political campaign mail inquiries and their resolutions. These issues could result in refunds of postage and negative publicity.

OA recommended several solutions to management, including consolidating the manual political mail log into the automated recordkeeping system in PostalOne! for all sites that have access to the PostalOne! System; programming PostalOne! to require employees to identify political campaign mailings in the system; reinforcing to employees the importance of recording political campaign mail information; and including a field in PostalOne! for employees to document the advice provided to mailers regarding late arriving mail.

Management disagreed with our recommendations to consolidate the manual political mail log into the automated recordkeeping system in PostalOne! and to program



*The Office of Audit identified opportunities for management to improve the completion of scheduled preventive maintenance on its vehicles and integrate both Vehicle Maintenance Facilities and local commercial vendor resources for optimum use of available resources.*

PostalOne! to require employees to identify political campaign mailings in the system. They indicated that PostalOne! was never designed to be a data collection and management system for political mail logs, and the manual log process, with certain revisions, is effective in ensuring enough information is obtained to deal with any customer issues that appear. We view the disagreements on these recommendations as unresolved and plan to pursue them through the formal audit resolution process.

### **Identity Theft Potential in the Change of Address Process**

The Federal Trade Commission defines identity theft as a fraud that is committed when a person's identifying information is used without authority. One of the ways identity theft can occur is when mail is diverted to another location by completing unauthorized change of address (COA) orders. Over 40 million Americans change their address annually, which creates a tremendous challenge for the Postal Service.

OA assessed whether existing COA controls ensure that address change requests were properly authorized and validated to minimize potential identity theft and found that the Postal Service needs to improve these controls. As a result, management initiated actions to address these concerns, which will significantly contribute to the protection of the Postal Service's brand and its commitment to protect customer information.

### **Systems Controls Reviews**

OA performs information systems general controls reviews to support the annual financial statements audit and to

## OPERATIONAL RISK

assess the adequacy of controls over information systems security and software.

**System Software Controls.** As part of the FY 2008 information systems audit of general controls at the Postal Service's Information Technology / Accounting Service Centers (IT/ASC), OA found that management established a framework and continuing cycle of activity for limiting access to system software, monitoring access and use, and controlling system software changes. Data systems and platforms were configured adequately to optimize security and appropriately manage risks for the selected applications that OA reviewed. However, there are potential improvements to UNIX scripts, logs, and hardening standards that would further enhance the effectiveness of the controls.

**Access Controls.** OA assessed whether the Postal Service has adequate controls that limit or detect access to its information resources (data, programs, equipment, and facilities) and protect these resources against unauthorized (accidental or intentional) modification, loss, damage, or disclosure. Overall, physical access controls for IT facilities and logical access controls for mainframe, UNIX, Windows, and database platforms were in place and functioning adequately. However, OA's testing identified opportunities to improve compliance with these controls.

**Protection of Sensitive Equipment.** OA's objective was to determine whether controls were in place to ensure the Postal Service adequately protects information technology equipment from accidental or intentional loss or damage. Specifically, OA reviewed the inventories for laptop and BlackBerry devices assigned to employees and contractors at six information technology facilities to determine if accountability controls adequately protected this equipment and any data stored on these devices.

In most locations tested, the Postal Service had effective controls in place to ensure their sensitive information technology physical resources were adequately protected from accidental or intentional loss or damage. Management is strengthening accountability controls by ensuring that inventory staff are aware of and follow all steps related to safeguarding the inventory of information technology assets and any data stored on those devices from accidental or intentional loss or damage. In addition, management is improving the data integrity in the Asset Inventory Management System by ensuring periodic reconciliation of the data. OA quantified the potential risk associated with the missing laptops at \$1,901,900 and \$693,880 for the potential cost of data disclosure.

**External Public Key Infrastructure.** The Postal Service's external Public Key Infrastructure (PKI) is cross-certified with the U.S. government's Federal Bridge Certification

Authority (FBCA). OA performed this audit to assess whether the cross-certification arrangement continues to guarantee the agreed upon level of trust between the Postal Service and FBCA. In general, OA found that the Postal Service was effectively managing its PKI services in compliance with their established guidance as stated in their Certificate Policy and Certificate Practice Statements. However, OA identified 12 instances of non-compliance between the Postal Service's PKI policies and its external PKI environment. Of these, management corrected two and developed resolution plans for the remaining 10.

### **Security Vulnerability Assessments**

Below are two significant audits assessing the vulnerability of systems' security.

**Electronic Travel Voucher System.** OA conducted a security assessment of servers and databases that support the Electronic Travel Voucher System (ETVS) to determine whether the servers and databases comply with selected elements of the Payment Card Industry Data Security Standards and current Postal Service security requirements. Overall, the system and database administrators have implemented a variety of safeguards that protect the devices OA tested. However, OA's scans identified security vulnerabilities and inconsistencies with Postal Service security requirements that require management's immediate attention.

**PhoneSweep Security.** OA assessed the effectiveness of security controls for modems and other equipment connected to telephone lines at the San Mateo and Eagan IT/ASCs. Overall, the Postal Service is doing an effective job managing security controls for modems connected to the range of telephone lines at both of these locations. However, OA could not determine if any of the modems it identified were considered rogue modems — installed without official knowledge or approval — because management did not maintain a current listing of modems in service. OA suggested management maintain a current list of modems in service and their associated telephone numbers.

### **Private Branch Exchange Systems**

A Private Branch Exchange (PBX) is a private telephone network that is capable of supporting thousands of extensions. The Postal Service uses 492 PBX systems at many of their larger facilities; Sprint's Managed Network Operations manages security of these devices and provides InfoPlus traffic studies for each system at least once a year.

OA assessed whether there was an opportunity to reduce telecommunications expenses by reducing trunk space to the most cost-effective level. OA identified an over capacity of 91 T-1 lines supporting PBX telephone systems that

could be eliminated without adversely impacting operations. This condition occurred because PBX management is decentralized and telecommunications technologies and user needs change frequently. In addition, linking inventory information to detailed invoices and contract data was not always possible. Best practices suggest an accurate up-to-date inventory, detailed invoices, and applicable contract information are the primary sources of information that managers need to effectively manage the goods and services they purchase. OA found this information was not always available, which contributed to the Postal Service paying for PBX resources they no longer needed.

Management agreed with OA's recommendation to disconnect the 91 lines. However, while they did not specifically state they agreed with the monetary impact, their planned corrective actions implied agreement. When implemented, the Postal Service will reduce telecommunication expenses by more than \$1.3 million during the next 2 years.

### **Facilities Energy Management Strategy**

The Postal Service has more than 34,000 facilities nationwide. During FYs 2006 and 2007, the Postal Service expended more than \$600 million to pay for utilities to support operations in these facilities. When compared to all federal entities, the Postal Service is the second largest consumer of energy after the Department of Defense. Current law requires the Postal Service to reduce intensity by 30 percent between 2006 and 2015 based on a 2003 baseline. OA assessed whether the Postal Service had an energy management strategy for facilities to meet the intent of federal energy requirements.

OA found that the Postal Service has a strategy; however, expanding short-range planning, including more facilities, and updating energy policies would increase its effectiveness. In addition, the Postal Service conducts energy reduction activities at its facilities and annually reports energy reductions based on cost data, but does not systemically collect and use data on actual energy consumption. Without systemically using actual consumption data, the Postal Service cannot effectively establish baselines and priorities, measure progress, or support the reported energy reductions.

OA recommended that the Postal Service finalize and publish a National Energy Management Plan that establishes a long-term vision and goals and update the Facility Energy Management Policy and Guide. OA also recommended that it develop systems for reporting actual energy consumption baselines and progress toward energy reduction goals, to include the consideration of expanding electronic energy billing interfaces to collect actual energy consumption.



*In assessing the Postal Service's energy management strategy, the Office of Audit recommended expanding short-range planning, including more facilities, and updating energy policies to increase its effectiveness.*

### **Leased Facility Maintenance**

OA audited leased facility maintenance in the Great Lakes Area and determined that the Postal Service is incurring costs to maintain facilities for which the owners are contractually responsible. This occurred because the Facilities Single Source Provider (FSSP) system did not identify all lessor-responsible repairs; the Postal Service has implemented a new Lessor Maintenance Module in FSSP to mitigate this issue. OA also found that Facilities management has not developed written policies to aid in recouping these costs and representatives who input maintenance requests into FSSP were inconsistent in identifying who is responsible for repairs.

OA recommended that management strengthen policies and procedures to ensure tracking of lessor-responsible maintenance and obtain reimbursement for those repairs performed by the Postal Service.

### **Continuity of Operations**

OA determined management in the Great Lakes and Pacific areas could enhance their continuity of operations (COOP) capabilities to be able to continue essential functions during emergencies that may disrupt normal operations. Based on OA's audit and the Postal Service's response to prior emergencies, OA believes that the Postal Service has the capability to continue mail operations in an emergency. However, the Postal Service has not

## OPERATIONAL RISK

implemented sufficient internal controls, and as a result, responsible officials are not fully prepared to effectively and efficiently continue essential functions during emergencies that require COOP activation.

Management generally agreed with OA's recommendations, including identifying and prioritizing essential functions; establishing area emergency management coordinating committees; and conducting tests and exercises at primary and alternate facilities. Management stated that at the time of the audit, they were drafting policy updates and directives to address recent changes to federal homeland security guidance; which should also address the findings and recommendations.

### **Suitability Screening Process**

OA audited the Postal Service's hiring suitability screening process in the Capital Metro Area and found that prospective employees were properly evaluated for suitability in accordance with policies and procedures. However, human resources personnel in the Baltimore, Capital, and Northern Virginia District offices did not timely receive background security reports of National and Special Agency Check with Inquiries (N/SACI) to make appropriate final employee suitability determinations. Specifically, in February 2008, the U.S. Postal Inspection Service provided a backlog of more than 800 NACI and SACI results to these district offices. Some of the results were for newly hired employees who had completed their probationary periods. As a result, the Postal Service was exposed to an increased risk of hiring and retaining unsuitable employees, and significant time and resource expenses related to potential appeals and grievances by employees who should have been terminated, but have worked beyond their probationary periods.

### **Security Clearances for Postal Service Employees**

OA's audit of the process for identifying positions that require a security clearance determined that the Postal Service could improve its processes to more effectively mitigate personnel security risks. Postal Service officials had not conducted a comprehensive risk assessment to determine which positions require a security clearance since July 1999. Nearly 6,100 employees have security clearances; however, a majority of employees in positions such as Postmaster and Letter Carrier do not. Some employees in these positions have access to Postal Service assets, and some have been convicted of crimes against the Postal Service. OA recommended that management establish and implement a policy to periodically assess the risks associated with the duties of all Postal Service positions to determine which positions require a security

clearance, and to then update the *Administrative Support Manual* accordingly.

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

OA issued a capping report to management on audits of the violence prevention and response programs in five areas of operation and 15 performance clusters. OA concluded that all 15 performance clusters established threat assessment teams and took many positive steps to reduce the potential for violence. However, the violence prevention and response programs may not be fully effective in reducing the potential for violence because performance cluster managers and 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.

During the previous reporting period, OA made 12 similar recommendations in each of the five individual area reports — along with recommendations unique to some — to improve the effectiveness of the Postal Service's violence prevention and response programs. Additionally in this reporting period, OA made four recommendations in the capping report to further improve the violence prevention and response programs nationwide.

### **Grievance Settlement and Arbitration Award Payments**

OA reviewed the 10 highest paid grievance settlements and arbitration awards for FY 2007 to determine whether the grievances should have been resolved prior to monetary settlements or arbitration awards. Of these, four of the settlement documents did not contain sufficient information to make this determination.

Arbitrator awards for five of these grievances indicated they could not be resolved sooner due to contract interpretation differences and disagreements over specific remedies. The remaining grievance award indicated resolution could have been completed sooner, based on the arbitrator's opinion that the Postal Service intentionally violated the contract. Furthermore, management could not easily determine the top 10 grievance payments in FY 2007 because there was no central source for recording grievance payment information. OA recommended that management formalize and obtain funding for the enhancement of the Grievance Arbitration Tracking System to centralize all grievance payment information by early FY 2009.



## INVESTIGATIONS

*U.S. Postal Inspectors and OIG Special Agents are federal law enforcement officers charged with maintaining America's trust in the postal system. Their investigations support the Postal Service by protecting postal employees, securing the mail, safeguarding revenue and assets, and maintaining the integrity of postal personnel.*

### Reporting Period

*In the Investigations section of this report, the U.S. Postal Inspection Service provides case examples and statistics for October 1, 2007, through September 30, 2008. The OIG's Office of Investigations cases and statistics cover the period April 1 through September 30, 2008.*

## REVENUE AND ASSET PROTECTION

Postal Inspectors investigate revenue fraud committed by business mailers and mail preparation firms. On the other hand, Special Agents investigate employee misconduct and crimes committed by postal employees involving theft and misuse of postal funds or money orders, and theft and misuse of postal-issued credit cards.

### Revenue Protection

The Chief Postal Inspector designated revenue protection of the Postal Service as a key area of focus for the Postal Inspection Service in FY 2008, and for good reason: The financial health and business success of the Postal Service rely in large part on strong, aggressive revenue protection measures to help it survive the current downturn in the economic market.

Protecting Postal Service revenue means protecting its core business. In a press release issued September 24, 2008, Postmaster General John Potter declared "While we deal with economic challenges, customers and service to our customers will always be number one on our agenda, it is why we exist, it is our franchise." In fact, the mailing industry accounts for roughly 8 percent of the U.S. gross national product and employs more than 11 million people nationwide.

To protect the overwhelming majority of mailers who engage in sound business practices, Postal Inspectors must identify dishonest mailers who can rob the Postal Service and the business community of their hard-earned revenue. In FY 2008, Postal Inspection Service expertise in revenue protection and investigation resulted in the identification of 10 revenue streams posing the greatest risk to the Postal Service. By focusing on these areas, Inspectors uncovered

multiple instances of mailing-related infractions that caused millions of dollars in losses.

While revenue fraud may cover a wide range of dishonest activities, all have the same result: The Postal Service loses money to these schemes.

- Fraudulent bypass mailings, where a mailing bypasses postal employee verification and payment.
- Improper presorted (discount) mail, where the mailer submits more mail than claimed or claims refunds for higher mail volumes than were entered in the mailstream.
- Altered plant-verified drop shipments, in which the mailer adds pieces after a mailing is verified or otherwise misrepresents the mailing.
- The mailing fails to meet requirements for the rate claimed or does not have a valid authorization for preferential rates, such as for Periodicals or nonprofit mail.
- Bribery, collusion, or employee misconduct. For example, the mailer, alone or with the help of a postal employee, avoids postage payments.



*A Day of Firsts. At the end of May, the first joint basic training class of 15 Postal Inspectors and six Special Agents graduated from the Career Development Division at the William F. Bolger Center in Potomac, MD. The culmination of the 12 weeks of training was a first-ever occasion on two planes: it was the first time the Postal Inspection Service's Basic Training Program graduated OIG Special Agents. This is the first time Special Agents received basic training at Potomac rather than at the Federal Law Enforcement Training Center in Glynco, GA.*

## REVENUE AND ASSET PROTECTION

### Digital Evidence Services

Digital Evidence Services (DES) is a newly formed Directorate of the Joint Mission Support Center (JMSC). It combines the computer crimes and digital forensics resources of the OIG with those of the Postal Inspection Service to provide a host of network and computer forensic services in support of all postal investigations.

The DES has more than 40 employees located throughout the country in 18 DES labs. They are highly skilled experts in the fields of network and computer forensics. DES services include remote and local digital collection of computer data, Postal Service Internet data analysis, Postal Service e-mail retrieval/analysis, real-time computer use monitoring, cell phone analysis, and other investigative services.

In addition to these services, the DES is integrated with the Postal Service Computer Incident Response Team (CIRT). A Special Agent assigned at the CIRT facilitates network security investigations and the acquisition of a variety of digital data produced by the Postal Service network infrastructure. This integration with the Postal Service, along with the vast technical services offered, allows the DES to provide comprehensive and timely service to Postal Inspection Service and OIG investigations.

During the reporting period, the DES proactively generated 23 investigations, 10 of which pertained to felony allegations. The DES has responded to more than 563 requests for investigative support for our investigations.

### Forensic Laboratory Services

Forensic Laboratory Services (FLS) is a Directorate of the JMSC. It provides forensic scientific and technical expertise to criminal, security, and administrative investigations conducted by the Postal Inspection Service and the OIG. The Dulles, VA, laboratory has more than 40 highly trained forensic scientists and administrative support staff who play a key role in identifying, apprehending, prosecuting, and convicting persons for postal-related offenses.

The National Forensic Laboratory includes three units: Latent Print and the Automated Fingerprint Identification Systems, Physical Sciences, and Questioned Documents and Imaging, which provide forensic services and technical support in five disciplines and multiple sub-disciplines.

During this fiscal year the FLS completed more than 3,069 examinations that helped identify 467 suspects — 58 through the automated fingerprint identification system. Laboratory personnel also gave expert testimony on 28 occasions. In addition to forensic examinations, FLS provides support for Postal Service product security (money orders, meters, stamps, and packaging) and basic and advanced training classes for Postal Inspectors and Special Agents.



Forensic Laboratory Services in Dulles, VA.

- The mailer counterfeits meter indicia or manipulates meters to avoid paying postage.
- The mailer counterfeits or alters information-based indicia (IBI) postage.
- The mailer uses a fraudulent credit card or bad check to pay for postal products or services.
- The mailer uses counterfeit stamps.
- A third-party mailer charges postal customers for services not provided, giving customers the impression the Postal Service failed to provide the service.

During FY 2008, Postal Inspectors initiated 403 new investigations related to postal revenue fraud. Inspectors arrested 90 suspects for revenue-related crime, and reported 96 convictions in the same period, some from cases initiated in prior reporting periods. Inspectors identified more than \$52.5 million in losses to the Postal Service from fraudulent activities, while civil settlements, voluntary restitution, and court-ordered fines, penalties, and restitution resulting from Postal Inspection Service investigations totaled more than \$16.9 million.

### Permit Revenue Protection

The majority of Postal Service revenue is derived from Permit Imprint Mail, stamps, and metered mail. In fact, Permit Mail alone accounts for nearly 50 percent of Postal Service revenue and represents its most vulnerable area of revenue risk.

In FY 2008, the Postal Inspection Service began working with staff from the Postal Service's Intelligent Mail, Address Quality, and Engineering offices to address risks related to Permit Mail. Postal Inspectors completed a pilot test of a Permit Revenue Protection System during the fiscal year and developed several investigative leads related to suspicious mailings. The success of the pilot is expected to result in a nationwide rollout of a new initiative in FY 2009 that will establish a national database of permit numbers and capture permit information through existing mail-processing equipment.

### Revenue Protection Investigations

Following the disclosure of a \$6 million settlement with a financial corporation, another major business mailer reported it also had obtained discounts on mailings for which it was not entitled. The improper discounts would result in millions of dollars in postal losses, as the mailer had failed to comply with the Postal Service's "Move Update" requirements and therefore did not qualify for automation rate discounts. On behalf of the Postal Service, the U.S. Department of Justice (DOJ) signed a \$4.95 million settlement agreement with the mailer in June 2008. A



former subsidiary of the mailer already agreed to an \$8 million payment in a settlement related to Move Update compliance.

Postal Inspectors in El Monte, CA, reviewing data from a PC Postage meter, determined the meter was being used to print large amounts of postage without providing payment. Inspectors found the owner of an Internet merchandising company was manipulating hardware and software to print duplicates of legitimate labels to mail items in the United States and abroad. The owner cooperated with Inspectors and demonstrated his scheme, which Postal Inspectors videotaped and used to train other Inspectors nationwide. Total losses to the Postal Service exceeded \$572,000. He was convicted in federal court in February.

### **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, Special Agents 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 the OIG investigated during this reporting period.

- In June, a Pennsylvania Postmaster was found guilty of using postal money orders for personal use. He was sentenced to 5 months in prison and ordered to repay approximately \$115,400 to the Postal Service for the shortage in his stamp accountability. Additionally, he was sentenced to 5 months of home confinement and 3 years of probation.
- In August, a former Sales and Service Associate (SSA) was ordered to pay \$364,065 in restitution and sentenced to 24 months' incarceration and 3 years' supervised release. The SSA, who had worked in Puerto Rico, told Special Agents he converted postal revenue for personal use during a 1-year period.
- In August, a U.S. District Court judge in California ordered a former SSA to repay \$67,833 to the Postal Service and to serve 6 months of home confinement and 5 years' probation for converting postal money orders to his own use.

**Voyager Credit Card.** In June, a former Texas HCR Driver and his wife, a Part-time Flexible Clerk, were sentenced to



*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.*

5 years' probation after they pled guilty to illegally using a Postal Service credit card. Special Agents and a Postal Inspector observed the wife fraudulently use a Voyager card to pay for a \$350 fuel purchase for her husband's tractor trailer. The couple used Voyager credit cards to purchase and sell fuel to individuals in Texas, Arkansas, and Louisiana. The couple also used the cards to purchase fuel and groceries for personal use. As part of their plea agreement, they agreed to repay \$47,300 to the Postal Service.

**Tort Claim.** In May, the Postal Service agreed to pay a Pennsylvania postal customer for injuries and damages sustained after tripping and falling on cracked asphalt. The accident occurred in the South Jersey P&DC parking lot. The customer filed a \$15 million lawsuit, claiming she was totally disabled. Special Agents determined the customer misrepresented her claim, was physically active, and not totally disabled. On numerous occasions, the customer was observed performing activities exceeding her claim of disability. Because of the plaintiff's misrepresentation, the court reduced the award to \$125,000, and the Postal Service avoided paying an additional \$375,000.

**Workers' Compensation Fraud Investigative Results**

*April 1 – September 31, 2008*

- 767 fraud investigations resolved
- \$101,527,416 million in compensation payments avoided
- 28 arrests
- 17 indictments
- 17 convictions
- 184 personnel actions taken by postal management

**WORKERS' 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 \$965 million in 2008. At the end of 2008, the Postal Service's estimated total liability for future workers' compensation costs was more than \$6.94 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."

The OIG's mission for injury compensation fraud investigations is both proactive and reactive. Depending on the case type, Special Agents focus on the prevention and deterrence of workers' compensation fraud or on detecting and investigating an allegation of a fraudulent claim. To

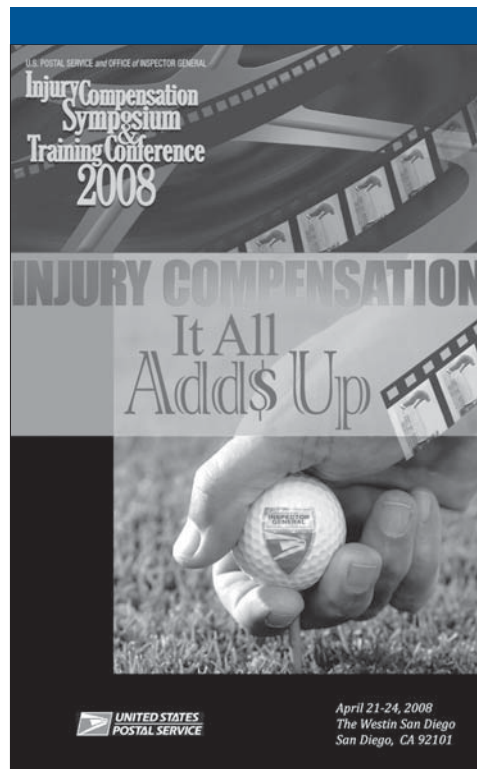
examine ways to control escalating workers' compensation costs, the Postal Service, the OIG, and the DOL convened in San Diego, in April, for the second annual National Injury Compensation Symposium and Training Conference. Approximately 250 attendees discussed the impact of healthcare fraud on the workers' compensation program. The results of OIG investigative efforts during this reporting period included \$102 million in cost savings/avoidances, 28 arrests, and 184 administrative personnel actions, including removals, suspensions, and letters of warning.

**Injury Compensation — Claimant Fraud**

Most employees who receive workers' compensation benefits do so 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. Special Agents initiate criminal investigations when they 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 additional compensation. 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.

Following are examples of injury compensation fraud cases investigated during this reporting period.

- In April, a former Minnesota Casual Clerk, who operated a business while receiving OWCP benefits for work-related back and leg injuries, was sentenced to 5 years' probation. Also, he was ordered to pay restitution of approximately \$68,600.
- In June, a former Oregon Mail Handler, who collected OWCP benefits while operating a real estate business, was sentenced to 3 years' probation and ordered to pay \$56,922 in restitution. He worked for the Postal Service for 3 years in the mid-1970s until claiming to injure his back while lifting heavy buckets of mail. The Mail Handler claimed he had numerous physical limitations, including an inability to operate a motor vehicle for more than 30 minutes. However, in November 2006, a Special Agent observed the Mail Handler driving for more than 2 hours to show properties. He was removed from the periodic rolls, and the Postal Service avoided \$443,644 in future OWCP benefit payments.
- In July, a Florida Distribution Clerk pled guilty to one count of making a material false statement in



*To examine ways to control escalating workers' compensation costs, the Postal Service, OIG, and Department of Labor convened in San Diego, in April, for the second annual National Injury Compensation Symposium and Training Conference.*

connection with receiving OWCP benefits. For more than 1 year, the Clerk simultaneously received identical controlled pain medications from three different physicians who were treating her for the same symptoms. The Clerk had signed a pain management agreement, in which she agreed not to receive controlled medications from other physicians. The Clerk faces a maximum sentence of 1 year in prison and a \$100,000 fine, while the Postal Service avoided \$878,295 in future OWCP payments.

### **OWCP Medical Provider Fraud**

Special Agents investigate allegations of fraud committed by medical providers who treat multiple Postal Service OWCP claimants. Following is a representative case worked during the reporting period.

- In September, a network of 20 physical therapy facilities located throughout Connecticut agreed to pay the U.S. Government approximately \$1.9 million for submitting falsified claims to various government healthcare programs. From October 2002 to December 2005, the network billed government healthcare programs for direct, one-on-one care when such services were not provided. Specifically, the network's therapists routinely provided therapy services simultaneously to multiple patients but billed the government as if the therapists provided direct, one-on-one care. False claims were submitted on behalf of 97 postal employees. To settle allegations under the False Claims Act, the network agreed to pay the Postal Service \$43,976.

## **MAIL THEFT**

Postal Inspectors investigate mail theft by criminals who attack the postal system, including Postal Service contractors who transport mail to postal facilities. OIG Special Agents investigate mail theft by postal employees, as well as contractors who deliver mail.

Every day, more than 700 million pieces of mail travel across the country. Mail is delivered to about 149 million addresses 6 days every week. And every day, those millions of mailpieces — First-Class letters, parcels, magazines, financial documents, business correspondence, Express and Priority Mail, Registered Mail, international mail, and much more — are moved to their destinations by plane, ship, rail, truck, automobile, and human beings. To protect the mail during all points of delivery, Postal Inspectors and Special Agents deploy security countermeasures and follow proven investigative protocols.



*A Clerk on workers' compensation was observed walking, with the aid of a cane, to a doctor's appointment. Later that same day, the Clerk was observed working without a limp, unaided, and without using a cane.*

### **External Mail Theft**

Postal Inspectors know that because mail can contain any number of valuables — not just jewelry or other expensive items, but personal and financial information such as credit card applications — criminals will try to steal it. Mail thieves employ an endless number of schemes that Postal Inspectors work hard to thwart. Inspectors take preventive measures to protect and educate postal employees and the public about mail theft.

In FY 2008, Postal Inspectors arrested 2,860 suspects for mail theft and, in the same period, 2,829 mail theft suspects were convicted in cases originating in this and prior reporting periods.

**Volume Attacks.** Postal vehicles, collection and relay boxes, apartment mailbox panels, cluster box units (CBUs), and neighborhood delivery and collection box units (NDCBUs) are targeted by thieves seeking large volumes of mail. These "volume attacks" constitute a threat to postal employees and customers.

Postal Inspectors report that customers' confidence in the mail is justified, as volume mail attacks were up slightly, 1.3 percent from last year, when 3,638 volume attacks were recorded. Inspectors investigate these thefts and work closely with Postal Service staff to develop and install neighborhood delivery units with stronger security features.

Following are examples of volume mail thefts investigated by Postal Inspectors in FY 2008.

- Postal Inspectors investigated a man in connection to mail stolen from collection boxes in Queens, NY. The

## MAIL THEFT

### Improving on Mail Services

Registered Mail is the most secure service offered by the Postal Service. It allows the agency and the customer to monitor mail from the point of acceptance to delivery. Customers can track mail online at *usps.com*, by calling 1.800.222.1811, or, for bulk mailers with electronic manifests, via electronic file transfer. The Postal Service maintains records of the mailings for specified periods of time, and customers may obtain delivery records by purchasing return receipt service.

The Registered Mail System has remained virtually unchanged since it was introduced in 1855, in large part due to its complexity. But at the request of the Deputy Postmaster General and Chief Operating Officer of the Postal Service, the Postal Inspection Service formed a task force in April 2007, comprising Postal Inspectors and postal employees, to conduct a national security review of the system.

Task force members published a final report in February 2008. The resulting National Security Review of Registered Mail was based on wide-ranging interviews of key stakeholders in the Registered Mail System and extensive evaluations of every aspect of operations, including:

Area and district Registered Mail Coordinators, and other groups, as appropriate.

- Delivery and Retail
- Stamps
- Network Operations
- Product Management
- Engineering
- Special Services
- Pricing
- Corporate Treasury
- Finance
- Intelligent Mail and Address Quality
- International

The task force determined the Registered Mail System was operating at a deficit of 38 percent per piece of mail. Their 15 recommendations addressed the need to lower operating costs, generate higher revenue, improve security, and streamline operations.

Because secure processing and handling are crucial to Registered Mail operations, the recommendations were formed using Carver risk-assessment methodology. Originally developed by the U.S. military to identify areas vulnerable to attack, Carver has since been adapted by a number of federal agencies for use as a general risk-assessment tool.

Changes proposed in the National Security Review of Registered Mail will allow the Postal Service to realize millions of dollars in cost savings.

The recommendations include these opportunities for the Postal Service:

- Annual cost savings by processing inbound international mail with First-Class Mail at international service centers.
- A one-time savings by using intelligent mail device technology to improve efficiencies; streamline operations; reduce paperwork; provide tracking and accountability; and reduce employee workhours.
- Upgraded customer service and improved revenue through better insurance protection; expedited service, such as Express Register or Secure Express; customer pickup service; and improved mail tracking.
- Improved physical security and operational controls at Registered Mail sections of postal facilities.

The team led by the Postal Inspection Service, including personnel from the Postal Service's Operations Group, is implementing the recommendations.

suspect used an official Postal Service "arrow key" to gain access to the collection boxes and rifled mail to find postal money orders. He altered the money orders and cashed them using a fraudulent Honduran passport. Inspectors linked him to mail theft in New Jersey and located more than 40 victims, who suffered financial losses exceeding \$30,000. Inspectors had arrested him years earlier for mail theft. The suspect was indicted in August.

- In May Postal Inspectors caught up with the last of 16 suspects named in a 10-count indictment for mail theft, possession of fraudulent IDs, and aggravated identity theft. The suspects stole thousands of pieces of mail across Dallas-Ft. Worth, then created counterfeit driver's licenses and IDs based on information from the mail. They deposited stolen or counterfeit credit card checks into fraudulently opened bank accounts, then withdrew the money. More than 250 victims suffered losses exceeding \$400,000. In June 2008, the main suspect pled guilty to one count of conspiracy to possess stolen mail and one count of aggravated identity theft — a statute that carries a mandatory 2-year sentence — to be served consecutively with any other sentence he receives. He now faces 7 years in prison.

The Postal Service contracts the movement of some of the nation's mail to businesses that work diligently to transport mail to postal facilities. Like postal employees, these individuals take their responsibilities seriously. Unfortunately, a small percentage of contractors abuse the public's trust. In FY 2008, Postal Inspectors' investigations of mail theft by contractors who transport mail resulted in 204 arrests and 192 convictions.

Following an investigation by Postal Inspectors on the Los Angeles International Airport Gateway Task Force, six Evergreen contractors were terminated from their jobs in April 2008 for suspected mail theft. Inspectors had been investigating the theft of video games at the airport since July 2007, and the company reported an estimated \$267,680 in losses. Inspectors identified the groundhandling employees as suspects in the case and found evidence of their involvement and several others in the thefts. In April 2008, the six contractors were indicted on charges of mail theft.

### Employee Mail Theft

The overwhelming majority of Postal Service employees work conscientiously to move the nation's mail to its proper destination. Unfortunately, a small number of employees abuse the public's trust. It is the job of Special Agents to identify dishonest employees and take steps to have them prosecuted and removed from the Postal Service. Following



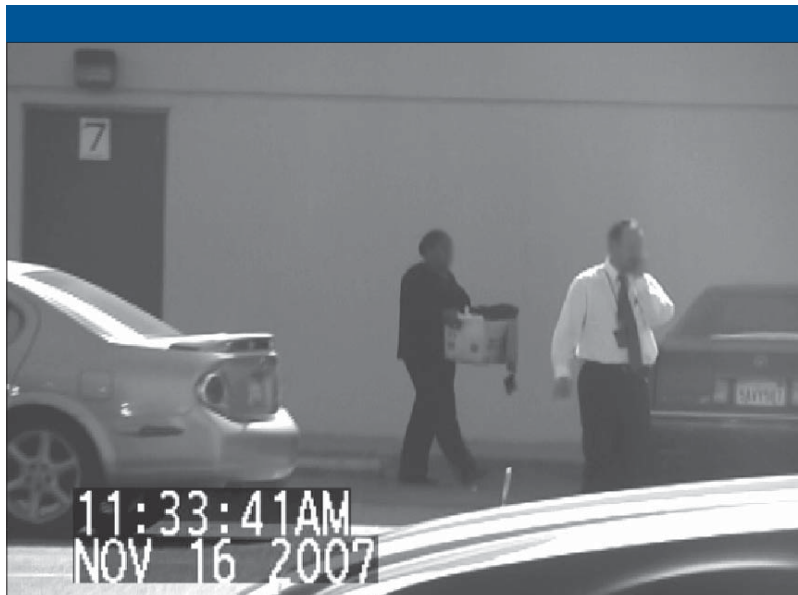
are examples of employee crimes investigated this reporting period.

- In May, a California Manager of Distribution Operations pled guilty to theft of mail. The Manager became the subject of a task force investigation to determine the cause of DVD losses from the mailstream in the targeted area. Special Agents observed the Manager conceal mailings in a postal tub, which she later carried home. The investigation revealed the Manager schemed to give DVDs to her family members, who then sold the DVDs to retail businesses in the targeted area. Total losses are approximately 4,500 DVDs, valued between \$120,000 and \$200,000. The Manager was sentenced to 18 months in prison, followed by 36 months of supervised release. Additionally, she was ordered to pay restitution of \$180,000.
- In June, a North Dakota Rural Letter Carrier resigned from duty after he was arrested for stealing more than 36,500 mailpieces, some of which were mailed in 1998. In April, a North Dakota federal grand jury issued a two-count indictment, charging the Carrier with delay or destruction of mail and possession of stolen mail matter.
- In August, a former North Carolina Rural Letter Carrier — who hid mail in his home for roughly 6 of the 13 years of his employment with the Postal Service — pled guilty to one count of delay or destruction of mail. A citizen contacted the OIG after observing a massive volume of mail in the Carrier's garage. The recovered mail was removed from the Carrier's home in two Postal Service long life vehicles and two 2-ton trucks. The Carrier faces 5 years of imprisonment and a \$250,000 fine.

**IDENTITY THEFT**

Identity theft occurs when a criminal steals someone's identifying information, such as a name, date of birth or Social Security number, and uses it to fraudulently apply for credit or take over someone's credit or bank accounts. In fact, the Postal Inspection Service is the lead agency in investigating incidents of identity theft when criminals misuse the nation's postal system to defraud the American public.

In response to the heavy financial and emotional tolls suffered by victims and the severe burdens placed on the economy, the nation's first Identity Theft Task Force was created by a presidential Executive Order. The Postmaster General directed the Postal Inspection Service to represent the agency on the task force, and one element of this



*Photograph of a California employee carrying a postal tub that contained stolen DVDs and game discs to the car.*



*Bundles of mail and postal tubs recovered by OIG Special Agents from the garage of a North Carolina Rural Carrier.*

## IDENTITY THEFT



*A Mail Expeditor and co-conspirator caught on camera purchasing a television with a gift card purchased with fraudulent identification and a stolen check.*

role is the Postal Inspection Service's participation in the Criminal Law Enforcement Subcommittee.

In 2007, the Attorney General and FTC Chairman announced the completion of the Strategic Plan of the President's Identity Theft Task Force, which included 31 major recommendations to formulate a comprehensive and coordinated proposal to attack this widespread and destructive crime. The Postal Inspection Service continues to implement recommendations of the Strategic Plan that target the full cycle of identity theft, from acquiring sensitive consumer data, tracking the misuse of personal data, investigating and prosecuting criminals, helping with the recovery of victims, and providing recommendations for various sectors of the economy.

The Postal Inspection Service and U.S. Attorney's Office of the Eastern District of Pennsylvania launched the National Identity Crimes Law Enforcement (NICLE) network in July. Funded by the Postal Inspection Service, NICLE improves the coordination of identity theft investigations between law enforcement agencies. It provides a central repository for identity crime information, allowing law enforcement agencies to learn immediately whether a particular piece of identification — such as a Social Security number or bank account — was reported stolen or used elsewhere in the course of a crime. The data will be available to local, state, and federal law enforcement agencies, allowing them to link related cases across jurisdictions.

FTC studies have shown that only a small percentage of identity theft can be traced to mail theft. In FY 2008, Postal Inspectors arrested 2,047 suspects and, in the same period, 1,732 identity thieves were convicted. Following are

examples of identity theft cases investigated by Postal Inspectors in FY 2008.

- Postal Inspectors arrested two suspects in Van Nuys, CA, for bank and access-device fraud after receiving reports from several major mailers about fraudulent credit card applications in the San Fernando Valley. The suspects broke into apartment mailboxes to steal pre-approved credit applications, which they used to apply for credit, then stole credit cards from the mailboxes before the victims picked up their mail. Inspectors executed federal search warrants on one suspect's home and vehicle and seized 30 fraudulent IDs, more than 50 credit and debit cards, stolen mail, \$23,000 in cash, and more than 1,000 credit reports. Losses were estimated in excess of \$500,000. The suspects pled guilty in March 2008.

- After Postal Inspectors executed search warrants in January 2008, they arrested three suspects in Calumet City, IL, on charges of organizing a financial crimes enterprise. The suspects used other victims' personal information to obtain Illinois IDs, then opened bank accounts with their own mailing addresses. They also created counterfeit checks and assumed the identities of bank customers to conduct split-deposit forgeries. Inspectors seized a Postal Service arrow key and stolen mail from one suspect's home. Losses in Illinois and northwest Indiana were estimated to exceed \$470,000. Two of the suspects pled guilty.

Following are examples of identity theft cases jointly investigated by Special Agents and Postal Inspectors in this reporting period.

- In May, Special Agents and Postal Inspectors arrested a Georgia Mail Expeditor, who allegedly stole boxes of checks from the postal facility where he worked and then sold them for \$250 each to a former postal employee. The former employee, who was also arrested, allegedly sold the stolen checks to seven co-conspirators who cashed them at casinos and retail businesses in Colorado, Louisiana, and Mississippi. To cash the checks, the Mail Expeditor and co-conspirators allegedly used false identification cards imprinted with the identifying information of the individuals whose names appeared on the stolen check boxes. The former employee told Special Agents that she had purchased two to three boxes of checks a week from the Mail Expeditor over the past 11 years, and that they could make as much as \$25,000 a box, depending on how soon the account holder noticed the fraudulent transactions. Losses are estimated at nearly \$600,000. In May, the Mail Expeditor and eight non-postal co-conspirators were indicted by a federal



grand jury on 51 counts. Management removed the Mail Expeditor from duty in August.

- In August, management issued an "Indefinite Suspension" to a Maryland City Letter Carrier who, along with 12 non-postal co-conspirators, was indicted by a federal grand jury on 53 counts for stealing and cashing U.S. Treasury checks. In June 2007, OIG Special Agents joined Postal Inspectors and other Special Agents from the U.S. Department of the Treasury and the U.S. Secret Service in an investigation into the stolen checks. The investigation determined the Carrier stole U.S. Treasury checks from a Post Office where he worked and distributed them to 12 non-postal employees. Two co-conspirators allegedly produced and distributed false identification cards using names printed on the checks. Using the cards, the co-conspirators allegedly cashed the checks, stealing more than \$100,000. The former Carrier faces 37 years in prison and a \$750,000 fine for mail theft by a postal employee.

## MAIL FRAUD

Countless illegal schemes violate the nation's first consumer protection law: the Mail Fraud Statute. As the agency responsible for fighting criminals who misuse the postal system to defraud the American public, the Postal Inspection Service employs this statute — which remains the most effective tool available to fight fraud — to the maximum extent possible.

Complex and noteworthy mail fraud cases range from swindles of the past, such as Ponzi schemes, to new twists on old scams, such as investment and telemarketing fraud. As the schemes continue to evolve and their ranges expand via the Internet, the Postal Inspection Service has requested assistance from other domestic and international law enforcement entities to leverage resources and maximize expertise. Postal Inspectors also continue to protect postal customers by educating them about mail fraud.

In FY 2008, Postal Inspectors investigated 1,363 fraud cases, and Postal Inspection Service analysts prepared more than 44,627 letters and informative postcards in response to mail fraud complaints. Postal Inspectors arrested 1,338 mail fraud suspects, and 1,188 were convicted as a result of investigations conducted during FY 2008 and in prior fiscal years.

**Corporate Fraud.** Following an investigation by the Postal Inspection Service and FBI, a criminal information was filed in Illinois, in October 2007, charging BP America Inc. (BP) with one count of conspiring to violate the Commodity Exchange Act, mail fraud, and wire fraud. BP allegedly schemed to corner the propane market and manipulate

### **Bob's Bitter Pill: A Half-Billion Dollar Penalty**

Spare a tear, please, for Smiling Bob, whose grinning days are gone.

Consumers across the country know Smiling Bob, the mime-like caricature from Berkeley Premium Nutraceuticals, whose ads enthusiastically touted Enzyte as a "male enhancement" supplement to improve sexual performance.

Postal Inspectors found that the only thing Enzyte actually enhanced, however, was Berkeley's — and owner Steve Warshak's — bottom line. He founded the company and built the Cincinnati-based firm into the largest dietary supplement business in the country, with Enzyte as its flagship product.

Warshak's business mantra was "Go big or don't go at all," and perhaps the U.S. District Court Judge had that in mind on August 27, 2008, when he sentenced Warshak to a quarter-century in federal prison and ordered him to pay a half-billion dollars in restitution for massive consumer fraud. Warshak's 75-year-old mother Harriet is among relatives and company executives also facing prison time and criminal judgments.

The Berkeley case was a triumph for the Postal Inspection Service, which served as lead agency and managed all aspects of the challenging 4-year investigation, assisted by other local, state, and federal law enforcement agencies. Inspectors seized cash and property worth more than \$35 million in a probe that generated 112 indictments and 13 convictions for mail fraud, money laundering, and obstruction of justice.

Though Smiling Bob was happy, Postal Inspectors found that hundreds of thousands of consumers he victimized were not. Ohio's largest-ever mail fraud scheme rocketed toward \$408 million in victim losses as Berkeley marketed alleged remedies for conditions ranging from sexual problems to insomnia to obesity, all boosted by false advertising claims and phony money-back guarantees.

Postal Inspectors determined that, for 5 years, the company and its executives made millions of dollars by sending customers dietary supplements they did not order, charging customers' credit cards without authorization, defrauding several banks, and laundering the money through personal bank and investment accounts. Berkeley's business practices were so bad that it earned the dubious honor of being No. 1 in the country for complaints to the Better Business Bureau about mail fraud.

Postal Inspection Service staff managed all asset seizures over the course of the investigation, developing an aggressive plan that coordinated 16 asset seizure warrants on the same day that 50-plus federal agents executed search warrants. At stake: investment accounts totaling more than \$24 million.



*Though Smiling Bob was happy, Postal Inspectors found that hundreds of thousands of consumers he victimized were not.*

## CONTRACT FRAUD

the price of propane carried through Texas pipelines (TET propane). Under the terms of a deferred prosecution settlement, BP agreed to pay \$53 million in restitution, a criminal penalty of \$100 million, and \$25 million to the Postal Inspection Service Consumer Fraud Fund. BP will also pay a \$125 million civil penalty to the Commodity Futures Trading Commission. In turn, the government agreed not to prosecute BP for a period of 3 years for conduct charged in the information, if the company fully complies with terms of the agreement, including that BP America and named subsidiaries cooperate with an independent monitor appointed for a 3-year period and with DOJ investigations of the propane manipulation schemes. An indictment was also issued charging four former employees of a BP subsidiary with conspiring to manipulate and corner the TET propane market and sell TET propane at an artificially inflated price in violation of mail and wire fraud statutes. Investigators determined that, in the course of the scheme, BP used the mail to transmit business correspondence such as checks and invoices.

**Investment Fraud.** A 3-year investigation of a Texas man, led by Postal Inspectors with assistance from the FBI and Texas State Securities Board, resulted in a sentence in July of 20 years in prison and 3 years' probation, with an order to pay \$63.2 million in restitution. The man duped at least 1,000 investors of more than \$50 million through an oil and gas Ponzi scheme. At his direction, employees of his firm sold interests in oil and gas well programs throughout the United States. Investors were told their money would be used to drill, test, equip, and operate oil- and gas-well programs when, in fact, the man lied about the drilling, and the wells were not producing oil and gas. Further, he failed to disclose that the Texas State Securities Board had ordered him not to offer securities in Texas, that he was previously convicted for mail fraud, and that he had consented to a Permanent Injunction issued by the Securities and Exchange Commission enjoining him from selling oil and gas interests. The man sent investors their so-called "earnings" via the mail.

**Mortgage Fraud.** Mortgage fraud is on the rise. Because no single regulatory agency is responsible for monitoring mortgages, the cooperation of law enforcement and industry entities is integral to effectively combating this crime. The Postal Inspection Service, FBI, Department of Housing and Urban Development-Office of Inspector General, Internal Revenue Service, and state and local agencies are among those currently investigating mortgage fraud. To further leverage resources, Postal Inspectors throughout the country take part in mortgage fraud task forces and working groups.

In response to the mortgage fraud crisis, the FBI and DOJ initiated Operation Malicious Mortgage, a multi-agency

takedown of mortgage fraud schemes involving more than 400 defendants nationwide. The Postal Inspection Service participated in the operation, which focused on three types of mortgage fraud: lending fraud, foreclosure rescue schemes, and mortgage-related bankruptcy schemes. Operation Malicious Mortgage targeted more than 400 subjects and resulted in 173 convictions and 81 sentences; victims suffered more than \$1 billion in estimated losses.

In one case example, the president and owner of Personal Financial Management and five other businesses was sentenced in July, in Harrisburg, PA, to more than 12 years in prison and was ordered to pay \$29.3 million in restitution to 819 victims after pleading guilty to a single count of mail fraud. Postal Inspectors found that, from 1988 and through 2007, the businessman had defrauded victims via his deceptive "Wrap Around, Equity Slide Down Discount" mortgage program and his "Mortgage Participation" investment program, which caused losses to more than 21 financial institutions. At sentencing, nine victims made "impact statements" informing the court of the severe economic, physical, and psychological consequences of the scheme for them and their families. The judge rejected the man's expression of remorse and ordered him immediately remanded into custody. The Postal Inspection Service led the investigation with assistance from the Pennsylvania Department of Banking and Office of the Attorney General.

**Deceptive Mail.** In addition to the protection afforded consumers by the Mail Fraud Statute, the Postal Service is able to offer its customers the safeguard of remedies provided under administrative and civil statutes. The statutes are intended to protect the public and preserve the integrity of the mail. Through administrative proceedings and civil federal court action, Postal Inspectors may promptly halt any improper use of the mail to shield the public from potential fraud.

A False Representation Order and a Cease and Desist Order were issued in June against Coastal Publications of Union City, NJ. Postal Inspectors found the owner conducted an unlawful work-at-home scheme via ads in national publications. Victims were advised they could earn \$10 for each envelope they mailed with the company's promotional materials. Victims first had to mail \$45 to an address in Jersey City. Those who mailed in the money only received instructions to place ads in publications for weight loss or health and nutrition, and were told they should remove \$10 from each envelope received as a result of the ads they placed.

## CONTRACT FRAUD

The Postal Service presently manages more than \$40.4 billion in contracts, ranging from multimillion 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 OIG aids the Postal Service by investigating allegations of contract fraud, waste, and misconduct. When contract improprieties are documented, Special Agents present the evidence for criminal and civil prosecution or administrative remedies. Contract fraud is defined as any intentional, unlawful deception designed to deprive the U.S. Government of something of value or to secure from the United States for individuals a benefit, privilege, allowance, or consideration to which they are not entitled.

The National Procurement Fraud Task Force (NPFTF), formed by the DOJ's Criminal Division, promotes the "early detection, prevention, and prosecution of procurement fraud associated with increased contracting activity for national security and other government programs." The NPFTF, now in its second year of operation, has increased coordination with the law enforcement community and removed barriers in the prevention and prosecution of procurement fraud.

In September, approximately 500 professionals working in the federal procurement community, including Investigators, Auditors, Procurement Specialists, and Attorneys, attended the 2008 NPFTF Training Conference in Richmond, VA. Attendees learned new strategies to address procurement fraud and developed closer working relationships with other law enforcement professionals involved in the acquisition and protection of the nation's assets.

During this reporting period, the OIG conducted 99 contract fraud investigations, resulting in seven arrests and more than \$5 million in funds returned to the Postal Service.



*The National Procurement Fraud Task Force, formed by the Department of Justice's Criminal Division, promotes the "early detection, prevention, and prosecution of procurement fraud associated with increased contracting activity for national security and other government programs."*

Following are examples of contract fraud investigations Special Agents conducted during this reporting period.

- In April and May, a Pennsylvania postal contractor reimbursed the Postal Service more than \$460,000 in credits for vehicle parts for which the contractor had lowered prices but had neither passed the cost savings on to the Postal Service nor informed management about the price change. Additionally, the contractor failed to credit the Postal Service for parts management had purchased and returned, which would have resulted in additional cost savings to the Postal Service.
- In July, the owner of a Pennsylvania refrigeration service company was sentenced to 5 months' incarceration, 5 months' home confinement, 2 years' probation, and a \$3,000 fine in connection with a scheme to bribe postal managers to secure postal contracts. Between 1998 and 2002, the contractor paid a New Jersey Postmaster and a Post Office Operations Manager \$100 to \$400 for each postal contract he received. This conviction and sentencing are the results of multiple OIG investigations into a conspiracy involving the manager, who, in exchange for money and gratuities, steered multiple postal contracts to certain businesses over an 8-year period.
- In August, the Postal Service terminated all business relationships with a New England-based automobile repair company that made multiple unnecessary repairs to postal vehicles, and had not complied with state and federal business regulations. Special Agents revealed the company made questionable repairs to postal vehicles and the company had been involuntarily dissolved by the Commonwealth of Massachusetts for failing to file annual reports.

**Examples of Contract Fraud OIG seeks to uncover**

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

**HOMICIDES, ASSAULTS, AND THREATS**

The Postal Inspection Service is committed to ensuring employee safety in the workplace. Postal Inspectors investigated 808 postal-related assaults and credible threats during FY 2008, down from 830 in the previous fiscal year, and arrested 326 suspects. Postal Inspectors seek prosecution in assault cases when appropriate.

To ensure that its employees have a safe place to work, the Postal Service employs several proactive strategies and tools for reducing workplace violence. Integral to this effort are its Threat Assessment Teams (TATs), which operate at each postal district. TATs use a cross-functional, multidisciplinary approach to assess and manage risks, help reduce incidents of inappropriate behavior, and resolve conflicts.

## OFFICIAL MISCONDUCT

In addition to conducting investigations, Postal Inspectors serve as advisors to the TATs by assisting them in assessing situations, determining the risk of violence, and developing risk-abatement plans. Another prevention strategy followed by Postal Inspectors, as well as postal supervisors, is “stand-up” talks on violence prevention, which they present to employees at postal facilities. Postal Inspectors also offer a video they produced, titled “Workplace Violence: Stop it Before it Happens,” as an additional tool to help employees learn how to resolve conflicts before they escalate to violence. The effectiveness of these workplace violence prevention efforts was evident in the 9 percent reduction of incidents in FY 2008.

- A Florida man was sentenced, in August, to 8 1/2 years in federal prison, to be followed by 3 years’ supervised release, for assaulting a Letter Carrier who was delivering mail in Lake Worth. The man struck the Letter Carrier in the face, causing him to fall and hit his

head on the sidewalk. The Carrier lost consciousness and was transported to a local hospital, where he underwent surgery. Postal Inspectors and Palm Beach sheriff’s deputies responded to the scene, but the man fled. Inspectors were able to identify and locate the man, and they arrested him on federal assault charges in February.

- Postal Inspectors responded to a Post Office in southeast Louisiana in October 2007 after an employee found a canvas bag, belonging to a Letter Carrier, in a flat tub on the workroom floor. The bag contained a gun magazine filled with .40-caliber ammunition and spent shell casings. Inspectors later recovered a loaded .40-caliber semiautomatic pistol from the Carrier’s personal car parked in the employee lot. The Carrier was removed from his position and, in July 2008, was found guilty by a federal magistrate judge of unlawfully possessing a firearm on postal property.



*Postal Inspectors responded to the scene on July 18, after the Postmaster of the Dallas, WV, Post Office had been shot. Their investigation revealed a man had walked into the Post Office with a shotgun, shot the Postmaster, and fled. The Postmaster was able to dial 911 and provide information about her attacker; then was airlifted to a local hospital where she succumbed to her injuries. Postal Inspectors, West Virginia State Police, and other authorities arrived at the scene, and a warrant was obtained for the arrest of the suspect on charges of first-degree murder. The suspect was located in Zanesville, OH, where he was involved in a hit-and-run accident after attempting to overdose on over-the-counter medication. He was admitted to a local hospital and placed under police guard. On July 21, Postal Inspectors and West Virginia State Police transported the suspect back to West Virginia after he waived extradition. He is being held in police custody in Marshal County, WV, without bond.*

## OFFICIAL MISCONDUCT

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 and 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 OIG responses to tips or allegations of employee misconduct.

- In July, a City Letter Carrier in California, who presented falsified income information to the Postal Service, was ordered to serve 5 years’ probation, perform 1,000 hours of community service, and repay approximately \$8,200 to the Postal Service. The Carrier concealed information about outside employment and real estate income, which was material to the amount of back pay he was entitled to receive from the Postal Service.
- In July, a Louisiana SSA pled guilty to one count of false claims for falsifying an address on an application for Federal Emergency Management Agency (FEMA) benefits. The SSA, who obtained \$4,358 in hurricane damage benefits to which she was not entitled, faces a maximum of 5 years in prison and a \$250,000 fine.
- In August, a New Jersey City Letter Carrier pled guilty in the U.S. District Court to one count of possessing and distributing child pornography. In March 2007, the FBI informed the OIG the Carrier had been identified for distributing child pornography. In a May 2007 interview, the Carrier told the FBI and Special Agents that he had sent and received child pornography from his personal home computer. Further, the Digital



Evidence Services (see feature story on page 16) forensically examined the computer and found 328 images and two video movies of child pornography on the hard drive. The Carrier faces a maximum sentence of 10 years' imprisonment and a \$250,000 fine.

**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 vehicles, 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. Carrier Observation Program investigations completed by the OIG during this reporting period resulted in 84 administrative personnel actions including removals, suspensions, and letters of warning.

## EXECUTIVE INVESTIGATIONS AND INTERNAL AFFAIRS

The OIG's Office of Investigations conducts criminal and administrative investigations of Postal Service executives, and OIG and Postal Inspection Service personnel, as well as whistleblower reprisal investigations.

### Whistleblower Activity

A whistleblower is an employee or former employee who reports misconduct to people or entities that have the 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. The employee must reasonably believe his or her employer has committed a violation of some law, rule, or regulation; testify or

commence a legal proceeding on the legally protected matter; or refuse to violate the law.

## ILLEGAL DRUGS AND NARCOTICS TRAFFICKING

Postal Inspectors investigate mailings of illegal drugs and drug proceeds, and Special Agents investigate postal employees who sell narcotics while on postal property or on duty.

### Narcotics Trafficking

The Postal Inspection Service interdicts mailings of illegal drugs and drug proceeds to protect postal employees as well as the integrity of the mail. Postal Inspectors also investigate organized narcotic distribution groups to protect employees and customers from the violence related to drug trafficking and to preserve the integrity of the mail.

Postal Inspectors, often working with other law enforcement officials, arrested 1,118 suspects for drug trafficking via the mail in FY 2008. Their investigations resulted in the seizure of approximately 8.6 tons of illegal narcotics found in the mail, as well as more than \$4.7 million in cash and monetary instruments, 19 firearms, and 2 vehicles related to ongoing investigations. Following are examples of investigations from FY 2008.

- In October 2007, a woman called Postal Inspectors in Harrisburg, PA, out of concern for the safety of her Letter Carrier. She reported seeing two men with weapons seeking a package addressed to her business and saying they would "find the mail man." Inspectors located the men and arrested them. One had a loaded 9 mm semiautomatic handgun, and both had prior convictions for drug trafficking, violent crimes, and weapons possession. Inspectors determined the package was from McAllen, TX, and they arrested the mailer and charged all three suspects. The package contained about 30 pounds of marijuana, and evidence indicated the men were responsible for multiple mailings. One suspect pled guilty and was sentenced in July to 5 years in prison and 3 years' probation.
- In June, Postal Inspectors in Anchorage, AK, and Phoenix, AZ, arrested the mailers of more than 1 kilo of heroin sent via Express Mail. Inspectors alleged that a prisoner coordinated the mailings while in custody at the Red Rock Correctional Facility in Arizona. His girlfriend and another co-conspirator handled the heroin and money and shipped multiple packages over 6 months to distributors in Anchorage. The case began when Postal Inspectors conducted a controlled delivery of a package containing approximately 1 kilo of black tar heroin and some prescription pills, resulting in three

### OIG whistleblower activity during this period:

- 74 Allegations received
- 23 OIG investigations initiated
- 20 Investigations closed with no finding of retaliation or deferred to other adjudicative body
- 15 Open investigations
- 0 OIG found reprisal

## ROBBERIES

arrests. They executed a second controlled delivery of heroin 1 month later, which resulted in three more arrests. All suspects were charged federally.

### Employee Drug Investigations

Special Agents investigate postal employees selling narcotics while on postal property or on duty. Information on the possession or personal use of illegal drugs by postal employees is referred through management to the Employee Assistance Program for attention.

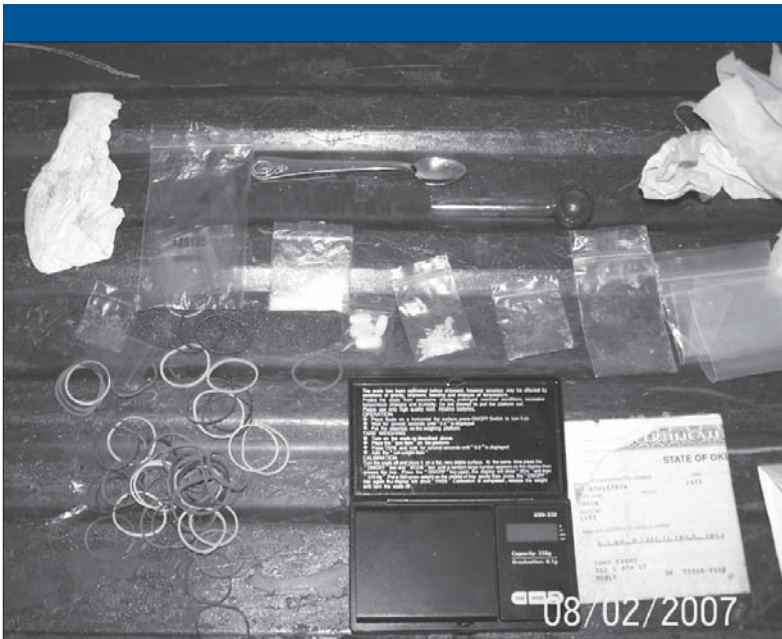
Illegal drugs in the workplace can negatively impact employee productivity and safety. They also affect employee judgment and can increase stress levels, leading to acts of violence or hostility. Use and sale of narcotics on duty by employees can contribute to other crimes such as theft, embezzlements,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

For the 6-month period, Special Agents arrested 11 postal employees suspected of possessing or using illegal drugs on duty, and 37 employees were removed from the Postal Service. Following are examples of OIG investigations of narcotics-related offenses by postal employees.

- In June, Special Agents from the OIG, the U.S. Drug Enforcement Administration (DEA) and the Bureau of Alcohol, Tobacco, Firearms and Explosives arrested

a West Virginia Postal Manager. The manager had allegedly tried to gain unauthorized entry into a Virginia Post Office to retrieve a letter she had written to the wife of a convicted methamphetamine dealer. In the letter — which the Postmaster wrote on a postal computer while on duty — the Postmaster apologized for using the wife's name to forge a letter addressed to a U.S. judge. The investigation also determined the Postmaster had been engaged in a conspiracy involving the possession with intent to distribute a controlled substance. In July, the Postmaster was indicted on two counts of possession with intent to distribute.

- In July, a former City Letter Carrier in Oklahoma was sentenced to 151 months (12.6 years) in prison for using methamphetamine, distribution of the illegal substance on two occasions, and possession with the intent to distribute. During a search of his vehicle, Special Agents discovered drug paraphernalia, 4.3 grams of methamphetamine, and a "Last Chance Agreement," issued by the Postal Service and signed by the Carrier.
- In April, a Massachusetts City Letter Carrier — who was arrested after she fled police in her postal vehicle — pled guilty to failing to stop for police, assault, resisting arrest, disorderly conduct, and drug possession. Special Agents determined the Carrier had sped through a construction zone after injecting herself with heroin while on duty and in the postal vehicle.



*During a search of a Carrier's personal vehicle, Special Agents discovered drug paraphernalia, 4.3 grams of methamphetamine, and a "Last Chance Agreement," issued by the Postal Service and signed by the Carrier.*

## ROBBERIES

Robberies pose a threat to postal employees, jeopardize the public's trust in the mail, and attack the financial integrity of the Postal Service. Postal Inspectors in all parts of the country receive expert training on how to safeguard employees and facilities against criminals, but the mail and Post Offices likely will remain compelling targets for larceny.

Thieves who attack Letter Carriers seek mail containing valuables — such as jewelry, checks, or financial information — or keys to mail receptacles that give them greater access to even more mail. Those who target Postal Service facilities are usually after cash and money orders. In FY 2008, the Postal Service experienced 88 robberies or attempted robberies of postal employees or Post Offices.

The investigation of robberies continued to be a priority for Postal Inspectors as shown in the following examples from FY 2008.

- The Archer Avenue Station in New York was robbed at gunpoint by three men of cash, stamps, and postal money in June 2007. Postal Inspectors identified a suspect based on DNA evidence found inside a



hat from the crime scene, and arrested the man in June. Inspectors learned the suspect had robbed the Post Office and recruited two friends to help. He also implicated his aunt, who was a Letter Carrier at the Post Office and who provided helpful information, including the safe combination and a postal uniform.

- Postal Inspectors learned that an HCR Driver for the Wapato, WA, Post Office was robbed of cash, checks, and postal money orders on January 17. The driver stated she was robbed by a man who specifically asked for Registered Mail, then fled the scene with several others. Postal Inspectors arrested a suspect on January 31 after executing a federal search warrant at his residence.

**BURGLARIES**

Postal Inspectors in FY 2008 reported 176 burglaries at postal facilities nationwide. Due to increased security countermeasures and aggressive investigations, roughly 86 percent of burglaries in the past fiscal year resulted in only minor losses of less than \$1,000.

In July, a suspect entered the Beverly Hills, CA, Postal Store, accessed the vault, cut a hole into the registry cage, and stole cash and blank postal money orders. In August Postal Inspectors arrested a suspect in Los Angeles who attempted to sell more than 3,000 postal money orders for \$1 million. The money orders matched the serial numbers of those stolen from the Beverly Hills facility. The suspect was on probation when he was arrested for the burglary.

**DANGEROUS MAIL INVESTIGATIONS**

Dangerous mail refers to mail containing explosives or biological, chemical, or radiological substances. Postal Inspectors receive specialized training and equipment to address these threats and to protect postal employees, customers, and the mail system. The Postal Inspection Service partners with other agencies in the homeland security community and assists with national security programs.

Postal Inspectors develop protocols for, and coordinate responses to, reports of alleged or suspected dangerous items in the mail or at mail facilities. Inspectors across the country respond to the incidents, resolve alleged and actual threats, and conduct investigations of the incidents and any related criminal activity.

**Suspicious Substances in the Mail**

Postal Inspectors respond rapidly to reports of unidentified substances in the mail and threats involving chemical or biological material. Although the incidents may not involve

criminal intent, a rapid response ensures that Postal Inspectors are on hand at the earliest opportunity when mail is intentionally used to convey chemical, biological, radiological, or explosive substances.

Postal Inspectors trained as Dangerous Mail Specialists use screening equipment, along with established threat-



*Dangerous mail refers to mail containing explosives or biological, chemical, or radiological substances. Postal Inspectors receive specialized training and equipment to address these threats and to protect postal employees, customers, and the mail system.*



*The Postal Inspection Service's mobile mail-screening station is designed to detect chemical, biological, radiological, nuclear, and explosive threats. Five to eight people operate the state-of-the-art, 53-foot custom tractor-trailer.*

## **DANGEROUS MAIL INVESTIGATIONS**

assessment protocols, to respond to mail and mail facilities reporting suspicious substances. They determine whether the substances are hazardous and could pose a threat to postal employees, customers, or facilities.

In FY 2008, the Postal Inspectors responded to 2,894 incidents nationwide involving unidentified suspicious powders and liquids reported by postal employees, customers, or other federal agencies. The unidentified substances were found in the Postal Service's critical infrastructure, at postal facilities, or in the mail. Postal Inspectors determined that all of the suspicious substances reported were nonhazardous material such as talcum powder or detergent.

The Postal Inspection Service's screening program has proven to be enormously successful for the Postal Service. While the majority of incidents involve nonhazardous substances, a response by Postal Inspectors ensures that employees can depend on having a safe and secure workplace and that countless postal facilities are kept open rather than being needlessly evacuated. The result is fewer lost workhours, better employee morale and productivity, and improved delivery standards for the Postal Service.

Beginning in May 2005, the Postal Inspection Service began purchasing and deploying throughout the country advanced equipment for screening unidentified substances that may be found in the mail. In FY 2008, the Dangerous Mail Group deployed 201 sets of equipment, and 316 Postal Inspectors completed training in and certification as Dangerous Mail Specialists. Further, over the past fiscal year, Postal Inspectors delivered more than 141 educational seminars to employees, business owners, and other law enforcement and government agencies addressing mail safety and handling protocols.

The results have been dramatic: Postal Inspection Service efforts reduced the number of unnecessary postal facility evacuations by 34 percent from the same period last year and reduced lost workhours by about 44 percent. Overall this reduced delayed mail and operating costs associated with evacuations. Further, unnecessary requests for emergency responses by local first responders were reduced, freeing responders to be available in the event of other emergencies.

### ***Suspicious Items in the Mail***

In addition to responding to reports of dangerous substances associated with the mail, Dangerous Mail Specialists respond to reports of suspicious items in the mail, such as mail bombs or improvised explosive devices (IEDs). Fortunately, mail bombs are exceptionally rare. Over the past fiscal year, Postal Inspectors investigated one

incident involving an IED sent via the mail and eight IEDs placed in postal mail receptacles.

If a mail bomb detonates, the life and safety of those in the vicinity of the explosion are the first priorities of Postal Inspectors and other responders. Once these priorities are addressed, Inspectors secure the crime scene and process the area for evidence.

In FY 2008, Postal Inspectors responded to 1,761 incidents of explosive devices placed in private mail receptacles, hoax bomb devices, suspicious items found in postal facilities or equipment, and mailed explosive devices. Their investigations resulted in 84 arrests and 65 convictions. Most of the incidents involved false alarms or items inadvertently left behind by customers. The remainder involved hoax devices or homemade explosives used to vandalize mailboxes. Postal Inspectors investigate even the threatened use of dangerous material in the mailstream and other miscellaneous misuses of the mail.

Following are examples of investigations of suspicious substances and other items conducted by Postal Inspectors in FY 2008.

- In March, Postal Inspectors, with agents from several state and local law enforcement agencies and local first responders, traveled to Clay County, IA, when 17 customers in an area covering more than 110 square miles reported their mailboxes had been destroyed by a blast or a blunt instrument. Two mailboxes contained unexploded IEDs, which were rendered safe by bomb technicians from the Iowa State Fire Marshal's Office. The public was advised, via radio and television, not to open their mailboxes until further notice, and the Postal Service curtailed Saturday mail delivery to about 1,200 customers — for their safety and to protect postal employees from harm. Inspectors identified a suspect from a surveillance video. In an interview, the suspect admitted that he and four others committed the crime. Inspectors arrested the suspects, who were charged in juvenile court with 17 federal felony counts of destroying letter boxes or mail and seven state felony counts of possessing an explosive device.
- Donald Wayne Schamber pled guilty to mailing an explosive device with intent to injure and was sentenced in May 2008 to 10 years in prison. A Letter Carrier had reported to Postal Inspectors and West Plains, MO, police on June 1, 2007, that he found a suspicious package in a collection box addressed to West Plains police. A bomb squad from the Missouri State Highway Patrol X-rayed the parcel and identified a functional pipe bomb inside, which they rendered safe. Inspectors forwarded the components to the Dulles Forensic Laboratory, which traced the components to purchases at a retail store

by a white male in May. Postal Inspectors distributed copies of a surveillance photo and reward poster to the media on June 1 and arrested Schamber only 3 days later. Schamber told Inspectors he was trying to frame his ex-wife's husband as the mailer of the device. Other local, state, and federal agencies assisted with the case.

- Postal Inspectors and other members of the FBI's Joint Terrorism Task Force in Boston, MA, arrested a man in March for allegedly mailing nearly 100 threatening communications from 2005 through 2007 targeting airports, celebrities, executives, and others in the Los Angeles area. An Inspector on the task force in Los Angeles connected the 2005 mailings to similar ones sent in 2007. Boston Postal Inspectors and FBI agents identified the man and interviewed him in January at his home. He claimed he mailed the threats because the Screen Actors Guild had made disparaging remarks against Jodi Foster, and he believed the Guild was somehow connected to the airports. He appeared before a district judge and was released on an unsecured \$10,000 bond to a third-party custodian. As part of his pretrial conditions, the man was barred from using the mail without direct supervision, accessing the Internet in any form, and traveling outside of Massachusetts. He was additionally ordered to attend mental health sessions.
- An FBI agent in Dalton, GA, requested assistance from Postal Inspectors in January related to five mailed letters threatening to cause "another 9/11" by blowing up the Shaw Industries building in Dalton. Inspectors obtained video images of the mailer from a postal facility and traced them to a suspect who recently had a conflict with his supervisor. The supervisor's name appeared on the letters as the author. On February 12, Postal Inspectors along with other local, state, and federal agents arrested the man and charged him with five counts of making terrorist threats.
- Postal Inspectors arrested a man in January for mailing threatening communications and making false or fictitious statements after the Chief Executive Officer of LaSalle Bank in Michigan received a letter on September 11, 2007, threatening the bank "would be in the next 9/11" and LaSalle Bank "would be my first mark." During an interview, Inspectors learned he mailed the threat because the bank denied him a home equity loan. The man had a prior history of mailing an anthrax hoax. Assistance in the case was provided by several local, state, and federal agencies. Forensic Examiners from the National Forensic Laboratory identified the man through latent prints on the letter.



*Postal Inspectors worked with other federal, state, and local law enforcement and security professionals in FY 2008 in conducting mail screenings to detect explosives and other dangerous material at such National Special Security Events as the Democratic and Republican National Conventions.*

### **Mail Screening at National Special Security Events**

The Department of Homeland Security (DHS) designates certain public events as National Special Security Events. The events receive this designation because they are seen as attractive targets for terrorists or assassins due to their visibility or political connection.

Postal Inspectors worked with other federal, state, and local law enforcement and security professionals, in FY 2008, in conducting mail screenings to detect explosives and other dangerous material at such National Special Security Events as the Super Bowl and the Democratic and Republican National Conventions. In addition, Postal Inspectors conducted mail-screening operations onsite at three other national special security events.

## **CHILD EXPLOITATION VIA THE MAIL**

Postal Inspectors arrested 160 suspects and identified 45 child molesters, in FY 2008, as part of the Postal Inspection Service's continuing efforts to bring to justice those who unlawfully use the mail to traffic in child pornography or otherwise sexually exploit children. Postal Inspectors also identified and rescued 46 children from incidents of sexual abuse and exploitation.

## CHILD EXPLOITATION VIA THE MAIL

Because nearly all cases of child exploitation investigated by Postal Inspectors involve the Internet as well as the mail, the Postal Inspection Service has become an integral partner in the DOJ's Project Safe Childhood initiative. The DOJ initiative is aimed at preventing the sexual exploitation of children through the Internet by using a well-coordinated, multi-pronged approach involving federal, state, and local law enforcement agencies.

During FY 2008, Postal Inspectors initiated 164 new investigations involving child exploitation. The investigations were examples of high-impact, quality casework that emphasized the identification and dismantling of major commercial distribution enterprises that relied on the mail and the Internet to conduct illegal activities. Postal Inspectors worked in close cooperation with trial attorneys of DOJ's Child Exploitation and Obscenity Section, where a Postal Inspector was assigned full time on all cases of national and international significance.

- In December 2006, the California Department of Corrections reported to Postal Inspectors that an inmate had mailed pornographic pictures to his 12-year-old daughter. The man was serving a 12-year sentence for the repeated molestation of his other daughter, who was 8-years-old, and her friend. Inspectors determined the man had telephoned his daughter from jail and threatened suicide to manipulate her into mailing him sexually explicit letters. Postal Inspectors executed three federal search warrants on five pieces of First-Class Mail, all of which were pornographic. The man pled guilty to multiple counts; however, after

entering the plea and pending a hearing, Inspectors discovered new sexually explicit letters and a drawing he had mailed to his daughter. They also found the man attempted to sexually "groom" a 16-year-old girl. Based on the new evidence, the U.S. Attorney's Office filed a motion for an upward departure at sentencing. In June, he was sentenced to 20 years in prison, to be served consecutively to his state sentence.

- Postal Inspectors were contacted in April by the Lackawanna County, PA, District Attorney's Office following training provided by Inspectors related to child exploitation investigations. Local detectives had received complaints about a man who was following children in a local park and photographing them while hiding behind trees. He had two prior state convictions for unlawful contact with children and was out on bail pending sentencing for his latest state conviction. He was classified in Pennsylvania as a violent sexual predator. Postal Inspectors contacted the man in an undercover operation, and he responded by mailing a payment for a video of hardcore child pornography, with a handwritten request for more videos. In June, Postal Inspectors and other investigators executed a controlled delivery of a child pornography video to the man's home in Scranton, and later arrested him. Inspectors found the man not only ordered the video, but had molested six boys. In September, the man pled guilty to receiving and possessing child pornography and is in custody pending sentencing.



## SECURITY AND CRIME PREVENTION

*The Chief Postal Inspector is the Chief Security Officer and Emergency Coordinator for the Postal Service. He is responsible for the physical protection of all postal facilities, personnel, and assets, as well as the Postal Service's information security program. The Chief Postal Inspector maintains liaison with other investigative and law enforcement agencies, including DHS, FEMA, and other national emergency coordinators.*

### SECURITY

#### **Security of Postal Assets**

Postal Inspectors have continued to work with staff from the Postal Service's Mail Transportation Equipment office in FY 2008 to recover costly postal pallets and flat tubs from locations across the country. Inspectors first identified the problem in 2004, which resulted in revenue shortfalls to the Postal Service. As internal controls improve and awareness of the problem grows, more postal equipment has been located and returned to circulation: In FY 2008, Postal Inspectors and postal employees recovered 12,500 pallets worth \$250,000.

#### **Personnel Security**

As part of the Postal Inspection Service's commitment to maintaining a safe and secure working environment for Postal Service employees, Postal Inspectors performed a review of personnel screening at all 80 postal districts during FY 2008. The reviews included interviews of employees involved in the hiring process, examinations of Official Personnel Folders and Pre-Employment Investigative Files, and compliance with established suitability and screening policies and procedures.

Postal Inspectors' findings disclosed that about 63 percent of the 4,314 cases had no deficiencies. In a report to District Managers, Inspectors detailed deficiencies they found and identified opportunities for improvement. The most prevalent deficiencies were incomplete or unsigned Interview Checklists, uncertified interviewers, missing documents from Official Personal Folders or Pre-Employment Investigative Folders, and lack of drug screening prior to hiring.

#### **Security Force**

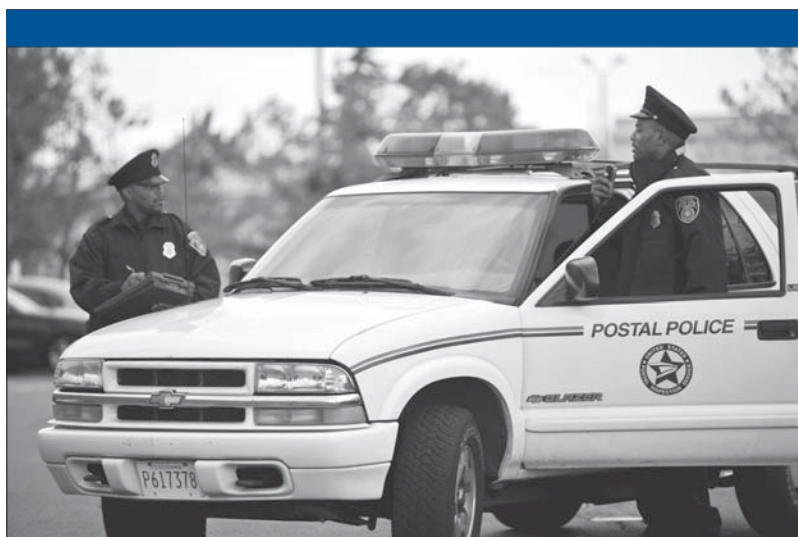
The Postal Inspection Service maintains an armed, uniformed security force of Postal Police Officers (PPOs) to provide ongoing protection for postal employees, mail, and property. PPOs are assigned to facilities considered most at risk for crime. The presence of officers serves as a deterrent to criminal activity and creates an environment conducive to the safety of postal employees and customers.

#### **Terminal Handling Supplier Reviews**

In FY 2008, the Postal Service solicited new proposals for its terminal handling services (THS) network. THS sites perform critical mailhandling operations for the Postal Service's air and ground transportation networks nationwide. Postal Inspectors and staff from the Postal Service's Supply Management and Shared Networks offices evaluated suppliers' technical proposals and presented final recommendations to postal managers. Once the suppliers were in place, Postal Inspectors conducted security assessments at each of the 56 THS sites. They provided security reports for each site visit to local and national THS managers and Postal Service contracting officers, with details of any observed security deficiencies.

#### **Access-Control Protection for Postal Facilities**

The Postal Inspection Service teamed with Postal Service staff from the Information Technology and Facilities offices to develop and deploy the new Enterprise Physical Access Control System (ePACS). ePACS is a security system that links the Postal Service's computerized access-control systems nationwide through its local area network.



*Postal Police Officers are assigned to facilities considered most at risk for crime.*

## **HOMELAND SECURITY**

The Postal Service previously used standalone systems that relied on local security processes. ePACS represents a new level of security by updating the entire postal network. When actions are taken in one system, such as an employee termination or a suspension of access, they are reflected system-wide. ePACS significantly enhances the security of postal employees, facilities, and assets.

Postal Inspectors and postal staff pilot-tested ePACS at four facilities in the Great Lakes Area, and it has since been installed at more than 175 facilities nationwide. In FY 2008, Postal Inspectors and others installed ePACS at another 35 sites. In addition to improving security, the development team identified significant future cost savings for the Postal Service by proposing the use of IT structured wiring rather than costly proprietary wiring.

### **Facility Security Reviews**

Postal Inspectors worked with staff from the Postal Service's Facilities office, in FY 2008, to conduct risk assessments of new postal facilities. The assessments are designed to ensure that appropriate security measures are incorporated into construction plans for the facilities. This practice assures that facilities offer appropriate protection for postal employees, customers, and assets. Postal Inspectors also conducted security reviews at 341 postal facilities in high-risk areas, as determined through risk-based assessments.

## **HOMELAND SECURITY**

The Postal Inspection Service is charged with implementing requirements mandated in Presidential Directive 19, which establishes national policies related to deterring, detecting, preventing, providing protection from, and responding to the terrorist use of explosives.

The Postal Inspection Service worked with other agencies on the Presidential Directive 19 working group to publish a plan, the National Strategy for Combating Terrorist Use of Explosives in the United States, in June. Postal Inspectors were additionally tasked with enhancing standards and improving the delivery of training on post-blast investigation methods for federal, state, and local authorities.

Postal Inspectors are assigned to full-time positions with the FBI's National Joint Terrorism Task Force and DHS's National Operations Center. Postal Inspectors are also active participants in homeland security and law enforcement working groups, including the federal Interagency Intelligence Committee on Counterterrorism and the National Counterterrorism Center. Furthermore, Postal Inspectors represent the Postal Service on the Postal & Shipping Sector Coordinating Council, one of 17 private-sector councils under DHS.

### **Postal Notification and Emergency Management System**

To provide timely responses, in the event of terrorist or other attacks, the Postal Inspection Service employs the multi-pronged approach of its Postal Notification and Emergency Management System (P-NEMS). P-NEMS analyzes data from the Postal Inspection Service's Critical Incident Watch Desk, the Postal Alert and Notification System (PANS), and incident-management software.

Postal Inspectors used incident-management software to track personnel, resources, and events while conducting mail-screening operations during the 2008 Democratic and Republican National Conventions. The software fully supports Incident Command System protocols and can be quickly deployed to manage facility and event security, as well as disaster preparedness and recovery.

### **Homeland Security Exercises**

The Postal Inspection Service participated in National Level Exercise (NLE) 2-08 conducted by the Federal Executive Branch from May 1 through 8, 2008. NLE 2-08 included the FEMA Eagle Horizon 08 continuity exercise, the Department of Defense Ardent Sentry exercise, and FEMA's Hurricane Preparedness Exercise. The National Continuity Policy Implementation Plan mandated that all federal departments and agencies complete the full-scale NLE 2-08 exercise.

The Eagle Horizon 08 is an externally evaluated, scenario-based exercise that allows agencies to activate and test their continuity plans, deploy essential personnel to alternate facilities, perform essential functions from the alternate facility, and test compliance with annual requirements outlined in Federal Continuity Directive 1.

Postal Inspection Service personnel from Headquarters and field locations participated in the exercise to test the continuity of operations at a Postal Service alternate facility. The exercise was conducted at the interagency level for the Postal Service and Postal Inspection Service, and internally for Postal Inspection Service compliance. The interagency exercise enabled the Postal Service to test its continuity of operations plans.

### **National Preparedness**

During its first full year as an office of the Postal Inspection Service, the National Preparedness group continued to perform responsibilities related to incident management, infrastructure protection, aviation mail security, and emergency performance measurement — all key activities in preparing for, responding to, and assisting with recovery from major incidents affecting postal employees and operations.

The goal of the Postal Inspection Service is to offer first-class protection to employees and the postal infrastructure and to ensure business continuity by anticipating threats to Postal Service interests. To accomplish this goal, staff must maintain a high level of national preparedness through coordinated planning and oversight. It has assigned a manager for each of the nine postal areas and a Homeland Security Coordinator for each of the 80 districts to synchronize their work with Postal Inspectors and ensure they can provide readiness for all hazards, implement risk-mitigation plans and procedures, and deliver prompt and effective incident-response and recovery operations across the country.

The Postal Inspection Service continued to implement, manage, and refine emergency resources, including the emergency-preparedness response-and-recovery services contracts, the Large-Capacity Power Generator Program, critical-reserve stockpile, and Geo-Spatial Information Systems. These resources guarantee “24-7-365” emergency coverage for all postal personnel and assets.

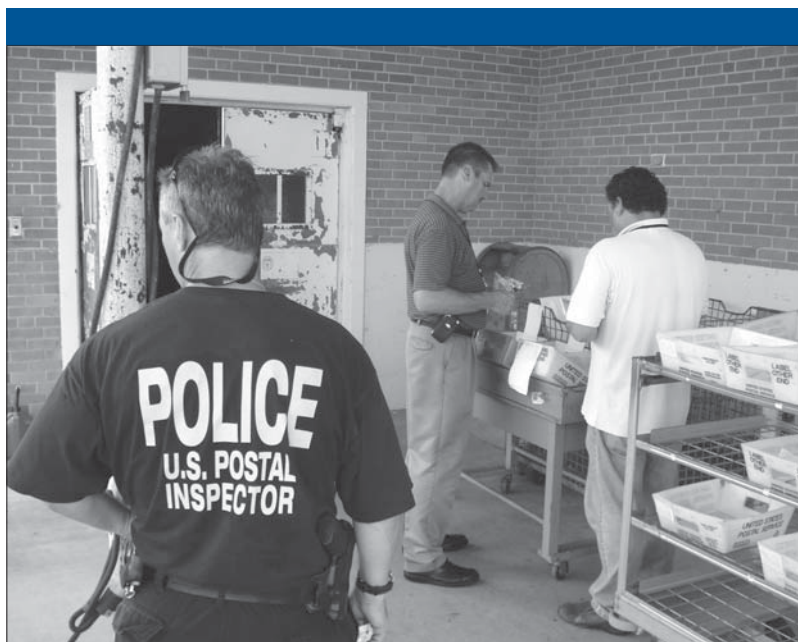
In the days leading up to the landfall of Hurricane Ike on the coast of southeast Texas, National Preparedness Managers, Homeland Security Coordinators, and Postal Inspectors — who were still responding to flood-recovery operations in the Midwest and post-storm recovery from Hurricane Gustav — worked to secure diesel generators and ensure large-generator maintenance for postal facilities.

Using the Geo-Spatial Information System, staff members identified the 45 postal facilities most likely to be impacted by the hurricane. The system generated detailed maps indicating the likely path and intensity of Hurricane Ike and pinpointed its course in relation to critical postal locations. National Preparedness staff disseminated maps and advisories to ensure that all appropriate managers, postal area staff, District Managers, and emergency-response team members were deployed and ready to implement protective measures as needed.

### **Natural and Manmade Disasters**

The Postal Inspection Service responded to dozens of emergencies, in FY 2008, related to hurricanes, floods, fires, and other incidents. Staff coordinated the deployment of emergency equipment and supplies and assisted with damage assessments and recovery, including hazardous and toxic-material removal. Safely removing hazardous materials from the postal system and educating employees and customers about nonmailable items is a priority of the Postal Inspection Service.

To ensure compliance with security measures, Postal Inspectors and National Preparedness staff conducted thousands of security-assessment reviews at postal



*In FY 2008, the Postal Inspection Service's National Preparedness Managers, Homeland Security Coordinators, and Postal Inspectors helped coordinate the Postal Service's flood post-storm recovery from Hurricanes Gustav and Ike by deploying support equipment and supplies, assisting with damage assessments and recovery, and helping to restore postal operations.*

facilities nationwide. Staff evaluated compliance with security requirements for building and vehicle security, accountable mail handling, and the local enforcement of employee-identification requirements. Both before and after disasters, National Preparedness staff employs a wide array of tools and processes to establish performance measures that will ensure effective and cost-efficient security for employee, assets, and business operations.

**Midwest Flooding.** In June, the Postal Inspection Service responded to flooding caused by severe rainfall in the Midwest that affected 33 Post Offices. In one Great Lakes Region office in Beloit, WI, where a nearby river rose 13.5 feet above flood levels, staff members met with local and postal officials to assess site conditions and set objectives for maintaining operations and mitigating risks. Over the following 3 weeks, Postal Inspection Service staff, local public works employees, postal employees, supervisors, and the Postmaster worked together on sandbagging the area in effort to maintain operations.

At the same time, in Cedar Rapids, IA, more than 4,000 residents were forced to evacuate the area when record flooding shut down most of the city. Postal Inspection Service staff worked with postal managers and Inspectors to install temporary CBUs in a parking lot where postal

## GLOBAL SECURITY AND INVESTIGATIONS

workers were passing out mail to families. The CBUs remained on high ground throughout the recovery period, and customers were given keys so they could safely retrieve mail. The sandbagging minimized damage at Post Offices, and the district Emergency Operations Coordinator assisted with response and recovery operations for Iowa City, Coralville, and Cedar Rapids.

**California Wildfires.** In October and November 2007, 23 wildfires burned in Southern California, charring more

kits, flashlights, meals ready to eat, protective masks, and water, bringing relief to thousands of people.

Wildfires raged in Northern California throughout the summer of 2008, charring more than 59,000 acres of land and burning more than 100 structures in Concow and Paradise, CA. The Postal Service ensured that all Letter Carriers in the affected areas — City, Rural, and HCR — had proper supplies to perform their duties, including bottled water and smoke-protection masks.



**Billings, MT, Plane Crash.** In May, a Beechcraft 1900 airplane carrying 5,000 pounds of First-Class and Priority Mail crashed shortly after take-off from the Logan International Airport in Billings, MT, en route to Great Falls. The District Homeland Security Coordinator worked with postal managers and Inspectors to gather mail that had been spread over a wide area. A Postal Inspector investigated the crash with other local, state, and federal officials.

than 500,000 acres and mandating the evacuation of more than 321,500 people. A total of 139 people were injured and 10 died in what were deemed the worst wildfires in the history of that area. As a result of the extensive exercises conducted earlier in the year, Postal Inspectors and other staff were well-prepared to respond to the disaster. Although many employees were forced to evacuate the area, Postal Inspection Service staff reported to multiple Emergency Operations Centers and Postal Inspectors provided round-the-clock security so that customers could pick up mail at alternate locations. Throughout the ordeal, team workers maintained excellent communications with the postal community, critical external agencies, and community members. Staff brought large quantities of emergency supplies into affected areas, including generators, portable toilets, personal hygiene kits, first-aid

## GLOBAL SECURITY AND INVESTIGATIONS

The mission of the Global Security and Investigations Division is to protect the Postal Service's international and military mail operations and related assets worldwide. In support of this mission, division personnel conduct domestic and international investigations and liaison with foreign postal administrations, security personnel, and law enforcement agencies.

Postal Inspectors engage in mail security and prevention initiatives and investigative work in support of this mission and provide security consulting for foreign postal administrations through the Postal Security Group (PSG) of the Universal Postal Union (UPU), and with the Security Action Group of the Postal Union of the Americas, Spain, and Portugal (PUASP). Inspectors work with the Postal Service's offices of Global Business and International Postal Affairs, and with other stakeholders worldwide.

As chairman of the UPU Postal Security Group, the Chief Postal Inspector and the Postal Inspection Service have a leadership role in ensuring the global security of U.S. Mail. For example, during FY 2008, division staff participated in the strategic partnership agreement between Servicio Postal Mexicano, also known as Sepomex, and the Postal Service. As part of the agreement, the Postal Inspection Service was asked to support Sepomex in creating security and investigations programs modeled after the programs of the Postal Inspection Service. Over the past fiscal year, U.S. Postal Inspectors assisted Sepomex by organizing, selecting, and training newly appointed Sepomex postal inspectors.

The alliance between the Postal Inspection Service and Sepomex supports the development and implementation of security initiatives to ensure the safety and security of mail crossing U.S. and Mexican borders, assists with the creation of new products and services for the two postal administrations, and promotes enhanced service for mailers in both countries.

For example, Sepomex postal inspectors and U.S. Postal Inspectors received information that Sepomex and Postal



Service mail sacks were being sold to a private construction company, which was using them to transport cement and sand. When investigators learned of a scheduled delivery of stolen sacks to the company on June 19, 2008, an operation was planned and executed, resulting in the recovery of 70,000 mail sacks and the arrest of seven suspects. At the home of one suspect, they seized mail sacks from Sepomex, the Postal Service, China and Germany, and determined the man has been stealing the sacks for the past 3 years. The case received widespread media attention in Mexico.

### **Conducting Global Investigations**

In FY 2008, the Global Security and Investigations Division created task forces at the five gateway cities: Miami, San Francisco, Los Angeles, Chicago, and New York. The gateway task forces comprise Postal Inspectors and Special Agents who work on criminal investigations, measures intended to prevent revenue loss related to international mail, and measures to ensure the security of the international mail system. Task force investigations have resolved significant security issues both in the United States and abroad. Following are examples of their investigations in the past fiscal year.

- In April, Postal Inspectors assigned to the JFK Gateway Task Force arrested seven contractors hired by Swissport, USA, for stealing international parcel mail. The arrests were the culmination of an extensive investigation into the theft of Express Mail and Priority Mail parcels, including military mail, transiting from JFK Airport aboard Delta Airlines to destinations around the world. All seven contractors were indicted on mail theft charges in June.
- In March, Postal Inspectors located nearly 30 tons of U.S. Mail backlogged in Mexico that was destined to Havana, Cuba. In an agreement facilitated by Postal Inspectors for the Postal Service's Global Business office and Sepomex officials, Sepomex contracted a cargo plane and transported the backlogged mail back to Havana in April. To avoid future problems, Postal Inspectors assisted Global Business specialists in developing a plan to reroute U.S. Mail destined to Cuba through Panama instead of Mexico.

### **Security Training Initiatives**

Postal Inspectors continue to deliver security training abroad for employees of foreign postal administrations and postal-related security stakeholders in support of the UPU Postal Security Group and the Postal Security Action Group of PUASP. The courses are intended to improve the security of U.S. Mail as it transits international borders.

During FY 2008, Postal Inspectors also delivered bilateral training to postal officials, postal employees, police officers, and customs agents from foreign postal administrations, to include mail theft courses in Brazil, Nicaragua, Costa Rica, Mexico, Thailand, Liberia, and other locations.

### **Universal Postal Union and the Geneva Congress**

The Universal Postal Congress is the supreme authority of the UPU and brings together the official delegates of its 191 member countries. During its quadrennial conference held in August in Geneva, Switzerland, the UPU adopted a World Postal Strategy that will serve as a roadmap for member countries and UPU bodies until the next Congress, scheduled for Doha, Qatar, in 2012. More than 3,000 participants from the UPU's member countries worked to resolve issues affecting the global postal sector.

The Chief Postal Inspector delivered several presentations during the Congress related to global postal markets and products, outlined the activities of the Postal Security Action Group (PSAG) over the past 4 years, and discussed proposals for the future direction of PSAG related to deterring criminals' use of the mail for money laundering, drug trafficking, and terrorist financing. He described critical new minimum security standards for the postal sector, which were endorsed by consensus, and proposed changes to regulations for mailing explosive devices and military ordnances, which also were adopted.

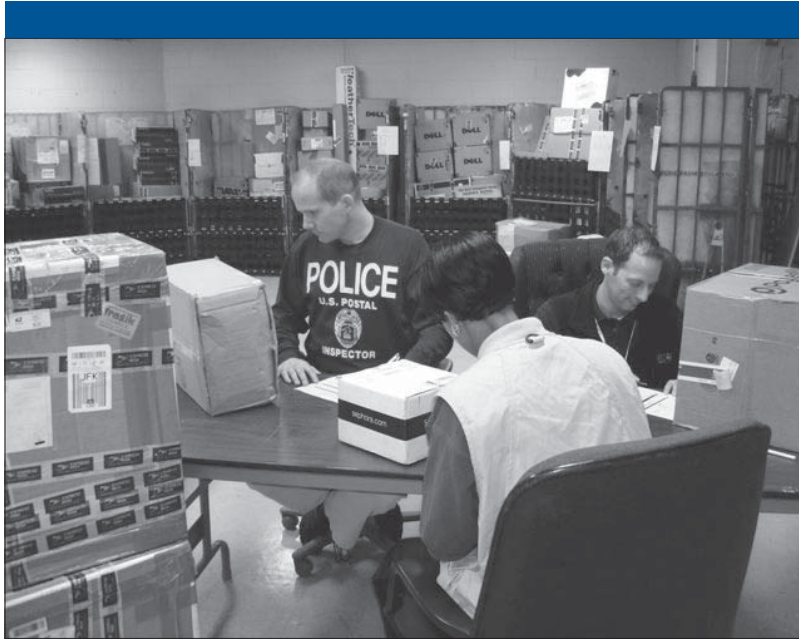
At the conclusion of the 24th Congress, it was announced that the United States would chair PSAG for the next 4 years.

## **CYBER INTELLIGENCE**

The mission of the Postal Inspection Service's Cyber Intelligence Division is to proactively address cyber crime affecting the Postal Service and its customers, and to develop solutions to mitigate threats through the following actions:

- Targeting high-value crime affecting the Postal Service and postal customers.
- Building and maintaining relationships with foreign and domestic law enforcement and intelligence agencies, businesses, and academic institutions.
- Providing timely, accurate reporting of cyber crime risks to Postal Service business ventures.
- Mitigating risks to new postal products and business planning.

Not only is the Postal Service one of the largest businesses in the United States, with nearly 685,000 employees and more than 33,000 commercial retail outlets, it owns the third largest information technology infrastructure in the



*Postal Inspectors blocked certain online shipments destined to countries with high levels of shipping fraud and implemented controls to detect parcels bearing counterfeit, duplicate, or altered mailing labels.*

world. Similar to most other U.S. businesses, the Postal Service's international business operations continue to expand.

All Postal Service operations — including mail processing, accounting, and payment systems — rely on its IT infrastructure. Further, postal customers use numerous web-based products, such as Click-N-Ship, change of address and hold mail services, and Post Office box payments. Given the size of its IT infrastructure, the Postal Service faces thousands of network attacks daily by criminals seeking access to its computers in a bid to create havoc or steal assets.

### **National Cyber Forensics and Training Alliance**

In FY 2008, the Postal Inspection Service partnered with the National Cyber Forensics and Training Alliance, a non-profit organization that works with law enforcement agencies, private industry, and academia to research cyber attacks. One of the initiatives focused on malicious software. Postal Inspectors assisted in identifying an organized-crime network operating from Romania and targeting U.S. businesses and citizens, including the Postal Service, via malicious software.

Cyber attacks, in FY 2008, were also aimed at executives of government agencies and were designed to gain access to their computers; the Postmaster General and Deputy Postmaster General were each targeted. Postal Inspectors successfully traced the attacks to specific locations and worked with the FBI and the DOJ's Computer Crime and Intellectual Property Section to prosecute the perpetrators.

Division staff uses a malicious software analysis program to assist the Postal Service's Information Technology team in monitoring and securing the IT infrastructure. The program identifies emerging cyber threats and provides timely analysis to postal executives and the Postal Service's Computer Incident Response Team. Division staff also performs "reverse engineering" of malicious code that threatens or infiltrates postal systems.

### **International Cyber Crime**

The United Kingdom is the second largest source of international mail destined for the United States. Securing mail sent to and from this vital trading partner is crucial to Postal Service operations. Criminals operating a host of fraudulent schemes now intentionally base their activities in multiple countries to exploit administrative and jurisdictional barriers to law enforcement and prosecutive proceedings. They may conduct illegal activity from one country, target victims in another, and launder the financial proceeds in several others.

Law enforcement entities in the United Kingdom have been seeing increased criminal activity involving the Mail. Beginning in June, a U.S. Postal Inspector was detailed to the City of London Police to focus on intelligence-gathering and analysis of economic crimes related to mail. The Inspector participated in customs operations at London's Heathrow Airport, and, since his deployment, he worked with his UK counterpart to interdict nearly \$19 million worth of counterfeit checks bound for the United States, and more than \$568,000 worth of counterfeit Postal Service money orders.

### **Reshipping Initiative**

Criminals who conduct reshipping scams recruit U.S. citizens by advertising at career websites and via classified ads to "make money while working from your home." Using stolen credit card numbers, scammers buy computers, electronics, and other items that can easily be resold and mail them to recruits for reshipping out of the country. The criminals even provide counterfeit "postage-paid" mailing labels. U.S. victims rarely discover the fraudulent charges until long after a package has been delivered. When cardholders report the fraud, banks collect their money from the Postal Service and merchants, and may add fines.

A Postal Inspection Service initiative to stop reshipping scams was aimed at protecting postal consumers, business mailers, and financial institutions from fraud and resulted in saving the Postal Service a projected \$8 million annually in postage, air freight charges, and fraudulent credit card fees.

In April, Postal Inspectors interviewed more than 700 reshippers nationwide to educate them about illegal reshipping and obtained agreements from them to cease the activity and release the merchandise. As a result, Postal Inspectors identified and removed from the mail nearly 1,300 parcels bearing fraudulent mailing labels.

As part of the initiative, Inspectors blocked certain online shipments to countries with high levels of shipping fraud and implemented controls to detect parcels bearing counterfeit, duplicate, or altered mailing labels.

## CONSUMER EDUCATION AND FRAUD PREVENTION

Postal Inspectors employ a number of tools — not just criminal prosecution — to fight fraud. The Postal Inspection Service also works to protect consumers by educating them about current fraud schemes so they do not become victims. For years, Postal Inspectors have led fraud-prevention projects and worked actively with consumer-protection agencies and other groups to teach citizens how to protect themselves. An educated public is the first line of defense against con artists, and Postal Inspectors are committed to helping Americans learn about fraud prevention.

### 2008 National Consumer Protection Week

The 2008 National Consumer Protection Week (NCPW) theme, “Don’t Fall for a Fake Check Scam,” was built on a consumer fraud-awareness campaign launched in October 2007 by the Alliance for Consumer Fraud Awareness. The Alliance was spearheaded by the Postal Inspection Service, in partnership with the Office of the Consumer Advocate, and included 20 financial institutions, associations, consumer advocacy groups, and businesses. Together they developed and launched the *fakechecks.org* Web site to increase Americans’ awareness about fraudulent financial schemes, help consumers learn how to protect their assets from fraudsters, and provide a single location where consumers could report suspected financial fraud.

Postal Inspectors joined managers from the Postal Service’s Office of the Consumer Advocate, District Consumer Affairs, Corporate Communications office and representatives from other federal, state, and local consumer-protection agencies during NCPW in March to urge Americans to be informed consumers, not victims of con artists. Forums



*The 2008 National Consumer Protection Week theme, Don't Fall for a Fake Check Scam, was built on a consumer fraud-awareness campaign launched in October 2007 by the Alliance for Consumer Fraud Awareness. The Alliance was spearheaded by the Postal Inspection Service.*

were sponsored by every Postal Inspection Service division and included Post Office presentations and informational booths; radio, TV, and newspaper interviews; community and senior citizens’ center presentations; employee service talks; and visits to local colleges and universities.

### Operation Tele-PHONEY

The Postal Inspection Service participated in a telemarketing fraud sweep coordinated by the FTC in May to heighten consumers’ awareness of telemarketing fraud. An announcement highlighting the results of the sweep included a number of telemarketing fraud cases investigated by Postal Inspectors and other agencies. In all, more than 30 international, federal, state, and local law enforcement agencies participated in the sweep — the largest ever coordinated by the FTC.

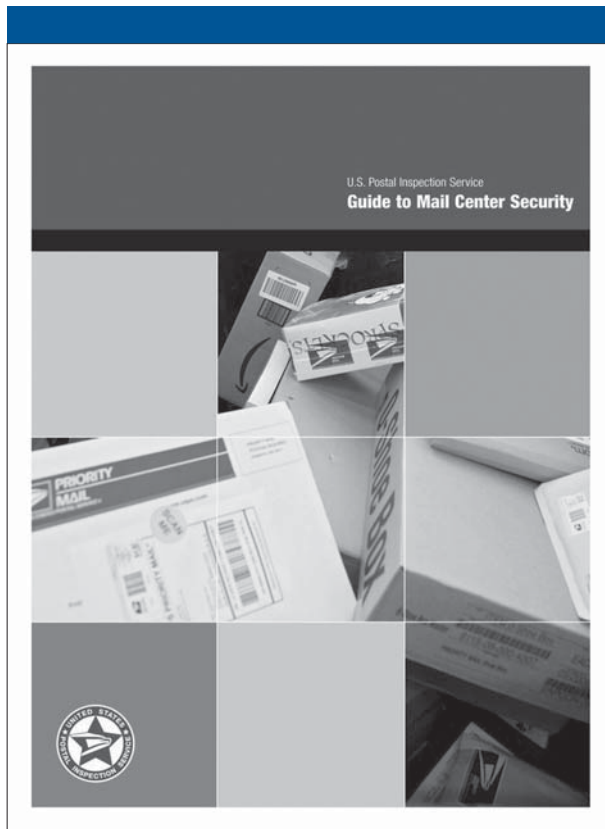
“Operation Tele-PHONEY” encompassed more than 180 cases, including civil and criminal actions in the United States and Canada. More than 80 state law enforcement actions were initiated, criminal actions were taken against more than 90 defendants, and eight cross-border telemarketing fraud actions were brought by Canada’s Competition Bureau and the British Columbia Business Practices and Consumer Protection Authority. The FTC estimated that, as a result of law enforcement actions, consumers would save approximately \$30 million over the next year. FTC Chairman William E. Kovacic said, “The sheer breadth of ‘Operation Tele-PHONEY’ is a testament to the ability of law enforcement agencies at all levels to work

together effectively to help protect consumers both in the United States and abroad.”

**Fraud Prevention Information for Postal Employees and Customers**

The Postal Inspection Service offers consumer fraud information, fraud alerts, wanted and reward posters, and related information on its Web site, *www.usps.com/postalinspectors*. Postal customers can report suspected identity theft, mail theft, and mail fraud online at the site.

In FY 2008, the Postal Inspection Service published a new edition of Publication 166, *Mail Center Security*, which provides guidelines to help business owners maintain safe and secure mail centers. It offers practical advice on protective measures that will assist businesses in assessing, preventing, and responding to problems stemming from mail theft, mail bombs, or mailed bomb threats as well as chemical, biological, or radiological threats in the mail.



*Pub 166 Guide to Mail Center Security is provided to business owners to help them maintain safe and secure mail centers.*

In March 2008, the Postal Inspection Service issued an update of Publication 307, *Stop Unsolicited Sexually Oriented Advertisements in the Mail*, to advise postal customers of the statutory remedies available to prohibit such mailings to their addresses.

These and a host of other fraud prevention publications are available online for viewing and printing at the Postal Inspection Service’s Web site.

**Victim-Witness Assistance Program**

Federal legislation mandating certain rights for victims and witnesses of crime was initially passed in 1982. As part of the Victim Witness Protection Act, Congress instructed the Attorney General to assure that all federal law enforcement agencies adopt guidelines consistent with the purpose of the act and related legislation. The Crime Victim Rights Act added the most far-reaching legislation to date supporting victim rights.

The Postal Inspection Service works with the DOJ and the law enforcement community to support the Attorney General’s Guidelines for Victims and Witnesses. The Postal Inspection Service’s responsibility is to identify potential victims related to its criminal investigations, provide them with timely notification of their rights, and inform them of the services available to assist them. Beyond legal mandates, victims may require the personal attention of a trained staff member — which often proves to be the service most valued and remembered by customers. The Postal Inspection Service is only the second federal law enforcement agency to gain direct access to the DOJ’s Victim Notification System. Access was granted due to the high volume of Postal Inspection Service investigations that affect large numbers of victims.

Victim Outreach	FY 2008
Notifications	66,499
Information and Referrals	5,378
Criminal Justice Support	1,861
Identity Theft Assistance	3,643
Elderly Victim Assistance	909
Victim Advocacy Services	928



## 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 and Postal Inspection Service 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 April 1 — September 30, 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.

<b>Risk Category</b>	<b>Number of Reports</b>	<b>Funds Put to Better Use</b>	<b>Questioned Costs</b>	<b>Unsupported Costs</b>	<b>Revenue Impact</b>
Strategic	15	\$55,268,960	\$46,876,250	–	–
Financial	160	–	\$66,795,145	\$52,847,385	\$2,133,183
Operational	47	\$332,291,125	\$49,765,545	–	\$2,084,620
<b>Total</b>	<b>222</b>	<b>\$387,560,085</b>	<b>\$163,436,940</b>	<b>\$52,847,385</b>	<b>\$4,217,803</b>

**APPENDIX A**

**Reports With Quantifiable Potential Monetary Benefits**

	Funds Put to Better Use	Questioned Costs	Unsupported Costs	Revenue Impact
<b>STRATEGIC RISK</b>				
<b>Engineering</b>				
Equipment Maintenance in the Fort Worth District; DA-AR-08-009; 8/7/2008	\$9,476,402	\$4,738,201	–	–
Mail Processing Equipment Spare Parts: Plant Stockrooms; DA-AR-08-008; 7/28/2008	\$30,155,144	\$30,155,144	–	–
Upgraded Flats Sorting Machine 1000 Utilization in the New York Metro Area; DA-AR-08-010; 8/25/2007	\$15,637,414	\$11,982,905	–	–
<b>FINANCIAL RISK</b>				
<b>Fiscal Year 2008 Financial Installation Audit</b>				
Alameda Station — Los Angeles, California; FF-AR-08-186; 5/23/2008	–	\$2,104	\$2,104	\$51,693
Anderson Business Mail Unit — Anderson, South Carolina; FF-AR-08-229; 7/8/2008	–	–	–	\$3,565
Austin Business Mail Entry Unit — Austin, Texas; FF-AR-08-187; 5/23/2008	–	–	–	\$5,850
Bardin Road Station — Arlington, Texas; FF-AR-08-159; 4/21/2008	–	\$3,078	\$3,078	–
Blythebourne Station — Brooklyn, New York; FF-AR-08-259; 8/13/2008	–	\$1,957	\$1,957	–
Brookhollow Station — Self-Service Postal Center – Dallas, Texas; FF-AR-08-236; 7/17/2008	–	\$370	\$370	\$923
Brownsville Business Mail Entry Unit — Brownsville, Texas; FF-AR-08-223; 7/2/2008	–	\$0	–	\$6,369
Cedar Bluff Station — Knoxville, Tennessee; FF-AR-08-175; 5/19/2008	–	\$0	–	\$16,424
Center City Station — Oklahoma City, Oklahoma; FF-AR-08-171; 5/5/2008	–	\$1,380	\$1,380	\$8,916
Chesapeake Beach Vending — Chesapeake Beach, Maryland; FF-AR-08-204; 6/17/2008	–	\$1,258	–	–
Chicago District Business Mail and Business Reply Mail Procedures — Chicago, Illinois; FF-AR-08-258; 8/12/2008	–	\$484,300	\$417,000	\$1,270,000
Conyers Main Post Office — Conyers, Georgia; FF-AR-08-230; 7/8/2008	–	\$466	\$466	\$8,306
Creve Coeur Branch — St. Louis, Missouri; FF-AR-08-264; 8/15/2008	–	\$2,145	\$1,325	\$17,477
Detroit Business Mail Entry Unit — Detroit, Michigan; FF-AR-08-275; 8/28/2008	–	–	–	\$20,823
Dodge City Business Mail Entry Unit — Dodge City, Kansas; FF-AR-08-211; 6/19/2008	–	–	–	\$59,577
Drums Post Office — Drums, Pennsylvania; FF-AR-08-191; 5/27/2008	–	–	–	\$7,254
Duluth Main Post Office — Duluth, Minnesota; FF-AR-08-174; 5/19/2008	–	\$1,308	\$1,308	\$1,406
Elberon Station — Long Branch, New Jersey; FF-AR-08-184; 5/23/2008	–	\$3,332	\$3,332	–
Ensenada Post Office — Ensenada, Puerto Rico; FF-AR-08-249; 8/1/2008	–	\$7,641	–	\$1,505
Franklin D. Roosevelt Station — New York, New York; FF-AR-08-208; 6/18/2008	–	\$3,906	\$3,906	\$10,734
Franklin Post Office — Franklin, Virginia; FF-AR-08-152; 4/9/2008	–	\$624	\$156	\$90,257
Grand Rapids Business Mail Entry Unit — Grand Rapids, Minnesota; FF-AR-08-199; 6/5/2008	–	–	–	\$6,213
Hartford Business Mail Entry Unit — Hartford, Connecticut; FF-AR-08-228; 7/3/2008	–	–	–	\$40,474
Hawthorne Main Post Office — Hawthorne, California; FF-AR-08-188; 5/27/2008	–	–	–	\$3,900
Honolulu Main Office Station — Honolulu, Hawaii; FF-AR-08-170; 4/30/2008	–	\$238	\$238	\$19,636
Jacksonville General Mail Facility Post Office — Jacksonville, Florida; FF-AR-08-195; 6/2/2008	–	\$162	\$162	\$41,507
Kirkwood Automated Postal Center #1 — Kirkwood, Missouri; FF-AR-08-241; 7/25/2008	–	\$3,661	\$3,661	–
Lakewood Branch Post Office — Lakewood, Ohio; FF-AR-08-222; 6/30/2008	–	–	–	\$5,584

	Funds Put to Better Use	Questioned Costs	Unsupported Costs	Revenue Impact
Lamar Station — Corpus Christi, Texas; FF-AR-08-260; 8/14/2008	—	\$749	\$287	\$1,825
Longview Business Mail Entry Unit — Longview, Texas; FF-AR-08-251; 8/7/2008	—	—	—	\$28,398
Manchester Business Mail Entry Unit — Manchester, Pennsylvania; FF-AR-08-250; 8/6/2008	—	—	—	\$2,998
Minot Main Post Office — Minot, North Dakota; FF-AR-08-232; 7/11/2008	—	\$316	\$316	\$1,389
Mount Pleasant Business Mail Entry Unit — Mount Pleasant, Iowa; FF-AR-08-183; 5/23/2008	—	—	—	\$113,014
Murfreesboro Main Office Window — Murfreesboro, Tennessee; FF-AR-08-180; 5/22/2008	—	\$424	\$424	\$4,383
New Lots Station — Brooklyn, New York; FF-AR-08-283; 9/16/2008	—	\$5,156	—	\$5,323
Norwich Business Mail Entry Unit — Norwich, Connecticut; FF-AR-08-268; 8/20/2008	—	—	—	\$85,804
Pontiac Business Mail Entry Unit — Pontiac, Michigan; FF-AR-08-272; 8/26/2008	—	—	—	\$23,034
Rapid City Main Post Office — Rapid City, South Dakota; FF-AR-08-285; 9/18/2008	—	—	—	\$2,108
Rochester Business Mail Entry Unit — Rochester, Minnesota; FF-AR-08-161; 4/21/2008	—	—	—	\$1,968
Salt Lake City Main Post Office — Salt Lake City, Utah; FF-AR-08-256; 8/8/2008	—	—	—	\$50,039
San Antonio Air Mail Facility — San Antonio, Texas; FF-AR-08-284; 9/17/2008	—	\$1,207	\$1,207	\$208
Santa Clarita Main Post Office — Santa Clarita, California; FF-AR-08-219; 6/26/2008	—	\$29,660	\$2,222	\$18,554
Seattle Business Mail Entry Unit — Seattle, Washington; FF-AR-08-200; 6/10/2008	—	—	—	\$29,079
Senatobia Business Mail Entry Unit — Senatobia, Mississippi; FF-AR-08-217; 6/25/2008	—	\$2,311	—	\$30,556
Snohomish Post Office — Snohomish, Washington; FF-AR-08-207; 6/18/2008	—	\$1,008	\$1,008	\$223
South Suburban Post Office — Bedford Park, Illinois; FF-AR-08-178; 5/20/2008	—	\$8,796	\$8,796	—
Southampton Post Office — Southampton, Pennsylvania; FF-AR-08-162; 4/18/2008	—	\$31,209	\$31,209	\$50
St. Louis Business Mail Entry Unit — St. Louis, Missouri; FF-AR-08-273; 8/26/2008	—	—	—	\$19,504
Staten Island Main Post Office — Staten Island, New York; FF-AR-08-154; 4/10/2008	—	\$18,428	\$18,428	—
Thousand Oaks Main Post Office — Thousand Oaks, California; FF-AR-08-177; 5/20/2008	—	\$4,000	\$4,000	\$4,322
Walton Business Mail Entry Unit — Walton, Kentucky; FF-AR-08-245; 7/29/2008	—	—	—	\$1,674
Wardensville Post Office — Wardensville, West Virginia; FF-AR-08-193; 5/30/2008	—	\$3,894	—	—
Warwick Business Mail Entry Unit — Warwick, Rhode Island; FF-AR-08-163; 4/21/2008	—	—	—	\$10,337
Yazoo City Post Office — Yazoo City, Mississippi; FF-AR-08-276; 8/28/2008	—	\$6,810	—	—
<b>Fiscal Year 2008 SmartPay Purchase Card Program</b>				
Great Lakes; FF-AR-08-287; 9/26/2008	—	\$38,412	\$38,412	—
Pacific Area; FF-AR-08-281; 9/12/2008	—	\$20,215	\$18,105	—
Western Area; FF-AR-08-286; 9/25/2008	—	\$57,712	\$57,712	—
<b>Supply Management</b>				
Contract Oversight of Highway Transportation Contracts in the Southeast Area; CA-AR-08-009; 8/25/2008	—	\$9,531,082	\$9,531,082	—
Firm Fixed Price Proposal, Revision B, Submitted by Siemens Energy and Automation, Incorporated, Postal Automation Division; CA-CAR-08-020; 4/18/2008	—	\$10,822,092	—	—
Rough Order Magnitude Proposal Submitted by Hewlett Packard Company; CA-CAR-08-022; 5/20/2008	—	\$45,693,734	\$42,693,734	—

**APPENDIX A**

	Funds Put to Better Use	Questioned Costs	Unsupported Costs	Revenue Impact
<b>OPERATIONAL RISK</b>				
<b>Cost, Revenue &amp; Rates</b>				
Controls Over the International Reconciliation System; CRR-AR-08-006; 8/25/2008	\$154,163	\$705,305	-	-
<b>Delivery</b>				
City Letter Carrier Operations Office Time Processes; DR-AR-08-013; 9/30/2008	\$12,862,773	\$6,128,681	-	-
Management of Delivery Point Sequencing Percentage Increases for City Delivery — Southeast Area, Atlanta District; DR-AR-08-005; 7/30/2008	\$3,738,011	\$9,574,823	-	-
Vehicle Maintenance Facilities — Scheduled Maintenance Service in the Great Lakes Area; DR-AR-08-009; 9/29/2008	\$28,224,843	-	-	-
Vehicle Maintenance Facilities — Scheduled Maintenance Service in the New York Metro Area; DR-AR-08-011; 9/30/2008	\$25,287,093	-	-	-
Vehicle Maintenance Facilities — Scheduled Maintenance Service in the Southeast Area; DR-AR-08-007; 9/16/2008	\$27,620,773	-	-	-
Vehicle Maintenance Facilities — Scheduled Maintenance Service in the Southwest Area; DR-AR-08-006; 8/14/2008	\$34,522,159	-	-	-
Vehicle Maintenance Facilities — Scheduled Maintenance Service in the Western Area; DR-AR-08-008; 9/29/2008	\$14,251,384	-	-	-
Vehicle Maintenance Facilities — Scheduled Maintenance Services in the Pacific Area; DR-AR-08-010; 9/30/2008	\$21,580,236	-	-	-
<b>Financial Reporting</b>				
Miami International Service Center — Inbound International Mail; FT-AR-08-012; 9/3/2008	-	-	-	\$2,084,620
<b>Information Systems</b>				
Private Branch Exchange Systems; IS-AR-08-010; 5/27/2008	\$1,316,533	\$14,248	-	-
<b>Inspection Service &amp; Facilities</b>				
Leased Facility Maintenance Responsibility in the Great Lakes Area; SA-AR-08-008; 7/23/2008	-	\$117,111	-	-
Regatta Annex Lease; SA-AR-08-011; 8/18/2008	-	\$621,964	-	-
<b>Network Processing</b>				
Powered Industrial Vehicle Management System at the Providence Processing and Distribution Center; NO-AR-08-010; 9/23/2008	\$1,576,086	-	-	-
Powered Industrial Vehicle Management System at the Raleigh Processing and Distribution Center; NO-AR-08-007; 9/15/2008	\$3,345,456	-	-	-
<b>Transportation</b>				
Air Networks — Federal Express Transportation Agreement — Western Area; NL-AR-08-008; 9/29/2008	\$117,549,363	\$23,747,665	-	-
Dallas Airport Mail Center Operations; NL-AR-08-009; 9/30/2008	\$26,329,467	\$8,437,430	-	-
Postal Vehicle Service Transportation Routes — Northern Virginia Processing and Distribution Center; NL-AR-08-006; 9/25/2008	\$8,009,363	-	-	-
Vehicle Management — National Trailer Lease Renewal — Eastern Area; NL-AR-08-005; 8/27/2008	\$3,886,717	\$248,779	-	-
Vehicle Management — National Trailer Lease Renewal — Southeast Area; NL-AR-08-007; 9/25/2008	\$2,036,705	\$169,539	-	-
	<b>\$387,560,085</b>	<b>\$163,436,940</b>	<b>\$52,847,385</b>	<b>\$4,217,803</b>



## Report Listing

For the period April 1 – September 30, 2008

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

### STRATEGIC RISK

#### Engineering

Engineering Investment Portfolio Measurement; DA-AR-08-007; 7/21/2008

Equipment Maintenance in the Fort Worth District; DA-AR-08-009; 8/7/2008

Flats Sequencing System: Production First Article Testing Readiness and Quality; DA-AR-08-006; 6/4/2008

Mail Processing Equipment Spare Parts: Plant Stockrooms; DA-AR-08-008; 7/28/2008

Status of Intelligent Mail Enabling Infrastructure; DA-AR-08-005; 5/21/2008

Upgraded Flats Sorting Machine 1000 Utilization in the New York Metro Area; DA-AR-08-010; 8/25/2007

#### Network Optimization

Assessment of the Remote Encoding Center Network Consolidation Process; EN-AR-08-007; 9/23/2008

Best Practices for Post-Implementation Reviews of Airport Mail Center Initiatives; EN-MA-08-002; 9/15/2008

Detroit, Michigan Processing and Distribution Center Consolidation; EN-AR-08-005; 7/17/2008

Marysville Processing and Distribution Facility Consolidation; EN-AR-08-003; 4/15/2008

Miami Airport Mail Center Outsourcing; EN-AR-08-004; 7/16/2008

Mojave Post Office Facility Consolidation; EN-AR-08-006; 9/17/2008

#### Network Processing

Activation of the Philadelphia Processing and Distribution Center; NO-AR-08-004; 7/10/2008

Mail Processing Operations in the Rio Grande District; NO-AR-08-008; 9/23/2008

#### Sales & Service

Business Mail Entry Unit Sampling and Verification Procedures; MS-AR-08-005; 7/31/2008

### FINANCIAL RISK

#### Cost, Revenue & Rates

Bound Printed Matter Workshare Discounts; CRR-AR-08-005; 5/9/2008

#### Field Financial

Fiscal Year 2008 Use of No-Fee Money Orders; FF-MA-08-001; 7/21/2008

#### Financial Reporting

Compliance with the Bank Secrecy Act; FT-AR-08-014; 9/17/2008

#### Financial Reporting

Federal Employees' Retirement System Contribution Rates; FT-AR-08-011; 8/21/2008

Independent Report on Withholdings and Contributions for Health Benefits, Life Insurance, Retirement, and Employee Head Count Data; FT-AR-08-013; 9/12/2008

#### Fiscal Year 2008 Cost and Revenue Analysis

Arizona District; FF-AR-08-153; 4/10/2008

Baltimore District; FF-AR-08-262; 8/14/2008

Central Illinois District; FF-AR-08-278; 9/4/2008

Cincinnati District; FF-AR-08-214; 6/24/2008

Greater Indiana District; FF-AR-08-167; 4/22/2008

Honolulu District Processing and Distribution Center; FF-AR-08-164; 4/21/2008

Honolulu District; FF-AR-08-165; 4/22/2008

Houston District; FF-AR-08-248; 7/31/2008

Long Island District; FF-AR-08-266; 8/19/2008

Louisiana District; FF-AR-08-255; 8/8/2008

Mid-Carolinas District; FF-AR-08-247; 7/30/2008

New Hampshire/Vermont District; FF-AR-08-269; 8/27/2008

Salt Lake District; FF-AR-08-157; 4/14/2008

Sierra Coastal District; FF-AR-08-235; 7/17/2008

Triboro District, John F. Kennedy Air Mail Facility; FF-AR-08-271; 8/25/2008

#### Fiscal Year 2008 Financial Installation Audit

Alameda Station — Los Angeles, California; FF-AR-08-186; 5/23/2008

Altus Main Post Office — Altus, Oklahoma; FF-AR-08-169; 4/25/2008

Anderson Business Mail Unit — Anderson, South Carolina; FF-AR-08-229; 7/8/2008

Anniston Business Mail Entry Unit — Anniston, Alabama; FF-AR-08-181; 5/22/2008

Arlington Business Mail Entry Unit — Arlington, Tennessee; FF-AR-08-192; 5/30/2008

Atlanta Main Post Office Self Service Postal Center — Atlanta, Georgia; FF-AR-08-243; 7/25/2008

Austin Business Mail Entry Unit — Austin, Texas; FF-AR-08-187; 5/23/2008

Bardin Road Station — Arlington, Texas; FF-AR-08-159; 4/21/2008

Belleville Self-Service Postal Center — Belleville, Illinois; FF-AR-08-263; 8/14/2008

Birmingham Business Mail Entry Unit — Birmingham, Michigan; FF-AR-08-253; 8/7/2008

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Blythebourne Station — Brooklyn, New York; FF-AR-08-259; 8/13/2008

Boston Post Office — Boston, Virginia; FF-AR-08-190; 5/27/2008

Broken Arrow Business Mail Entry Unit — Broken Arrow, Oklahoma; FF-AR-08-213; 6/20/2008

Brookhollow Station — Self-Service Postal Center — Dallas, Texas; FF-AR-08-236; 7/17/2008

Brookstone Finance Station — Acworth, Georgia; FF-AR-08-147; 4/2/2008

Brownsville Business Mail Entry Unit — Brownsville, Texas; FF-AR-08-223; 7/2/2008

Bushnell Business Mail Entry Unit — Bushnell, Florida; FF-AR-08-149; 4/2/2008

Carbondale Finance Station — Carbondale, Illinois; FF-AR-08-233(R); 7/14/2008

Carol Stream Automated Postal Center — Carol Stream, Illinois; FF-AR-08-201; 6/13/2008

Cedar Bluff Station — Knoxville, Tennessee; FF-AR-08-175; 5/19/2008

Center City Station — Oklahoma City, Oklahoma; FF-AR-08-171; 5/5/2008

Centreville Main Office Window — Centreville, Virginia; FF-AR-08-189; 5/27/2008

Chesapeake Beach Vending — Chesapeake Beach, Maryland; FF-AR-08-204; 6/17/2008

Chestertown Post Office — Chestertown, New York; FF-AR-08-267; 8/19/2008

Chicago District Business Mail and Business Reply Mail Procedures — Chicago, Illinois; FF-AR-08-258; 8/12/2008

Concord Automated Postal Center — Concord, New Hampshire; FF-AR-08-280; 9/9/2008

Conyers Main Post Office — Conyers, Georgia; FF-AR-08-230; 7/8/2008

Coupeville Post Office — Coupeville, Washington; FF-AR-08-239; 7/22/2008

Creve Coeur Branch — St. Louis, Missouri; FF-AR-08-264; 8/15/2008

Danville Business Mail Entry Unit — Danville, Kentucky; FF-AR-08-252; 8/7/2008

Dawson Business Mail Entry Unit — Dawson, Georgia; FF-AR-08-242; 7/25/2008

Decatur Business Mail Entry Unit — Decatur, Alabama; FF-AR-08-182; 5/22/2008

Detroit Business Mail Entry Unit — Detroit, Michigan; FF-AR-08-275; 8/28/2008

Dodge City Business Mail Entry Unit — Dodge City, Kansas; FF-AR-08-211; 6/19/2008

Drums Post Office — Drums, Pennsylvania; FF-AR-08-191; 5/27/2008

Duluth Main Post Office — Duluth, Minnesota; FF-AR-08-174; 5/19/2008

Elberon Station — Long Branch, New Jersey; FF-AR-08-184; 5/23/2008

Ensenada Post Office — Ensenada, Puerto Rico; FF-AR-08-249; 8/1/2008

Exeter Post Office — Exeter, California; FF-AR-08-203; 6/13/2008

Folcroft Business Mail Entry Unit — Folcroft, Pennsylvania; FF-AR-08-196; 6/3/2008

Franklin D. Roosevelt Station — New York, New York; FF-AR-08-208; 6/18/2008

Franklin Post Office — Franklin, Virginia; FF-AR-08-152; 4/9/2008

Freeport Post Office — Freeport, Ohio; FF-AR-08-158; 4/15/2008

Glennville Business Mail Entry Unit — Glennville, Georgia; FF-AR-08-261; 8/14/2008

Grand Rapids Business Mail Entry Unit — Grand Rapids, Minnesota; FF-AR-08-199; 6/5/2008

Greenwood Business Mail Entry Unit — Greenwood, Mississippi; FF-AR-08-197; 6/5/2008

Hartford Business Mail Entry Unit — Hartford, Connecticut; FF-AR-08-228; 7/3/2008

Harvester Retail Branch — St. Charles, Missouri; FF-AR-08-176; 5/19/2008

Hawthorne Main Post Office — Hawthorne, California; FF-AR-08-188; 5/27/2008

Hayden Main Post Office — Hayden, Colorado; FF-AR-08-210; 6/19/2008

Holtwood Post Office — Holtwood, Pennsylvania; FF-AR-08-220; 6/30/2008

Honolulu Main Office Station — Honolulu, Hawaii; FF-AR-08-170; 4/30/2008

Indianapolis Business Mail Entry Unit — Indianapolis, Indiana; FF-AR-08-240; 7/24/2008

Jacksonville General Mail Facility Post Office — Jacksonville, Florida; FF-AR-08-195; 6/2/2008

James A. Farley Station Self Service Postal Center — New York, New York; FF-AR-08-224; 7/2/2008

Kenilworth Main Post Office — Kenilworth, New Jersey; FF-AR-08-148; 4/1/2008

Kingsport Business Mail Entry Unit — Kingsport, Tennessee; FF-AR-08-205; 6/17/2008

Kirkwood Automated Postal Center #1 — Kirkwood, Missouri; FF-AR-08-241; 7/25/2008

Lakewood Branch Post Office — Lakewood, Ohio; FF-AR-08-222; 6/30/2008

Lamar Station — Corpus Christi, Texas; FF-AR-08-260; 8/14/2008

Laredo Business Mail Entry Unit — Laredo, Texas; FF-AR-08-282; 9/17/2008

Longview Business Mail Entry Unit — Longview, Texas; FF-AR-08-251; 8/7/2008

Lynn Haven Post Office — Lynn Haven, Florida; FF-AR-08-156; 4/14/2008

Manchester Business Mail Entry Unit — Manchester, Pennsylvania; FF-AR-08-250; 8/6/2008

Marlborough Post Office — Marlborough, New Hampshire; FF-AR-08-168; 4/24/2008

Merrifield Self-Service Postal Center — Merrifield, Virginia; FF-AR-08-209; 6/18/2008

Milwaukee Business Mail Entry Unit — Milwaukee, Wisconsin; FF-AR-08-244; 7/25/2008

Minot Main Post Office — Minot, North Dakota; FF-AR-08-232; 7/11/2008	Salt Lake City Main Post Office — Salt Lake City, Utah; FF-AR-08-256; 8/8/2008	Tampa Business Mail Entry Window Unit — Tampa, Florida; FF-AR-08-265; 8/18/2008
Moline Business Mail Entry Unit — Moline, Illinois; FF-AR-08-212; 6/19/2008	San Antonio Air Mail Facility — San Antonio, Texas; FF-AR-08-284; 9/17/2008	Thousand Oaks Main Post Office — Thousand Oaks, California; FF-AR-08-177; 5/20/2008
Mount Pleasant Business Mail Entry Unit — Mount Pleasant, Iowa; FF-AR-08-183; 5/23/2008	Santa Clarita Main Post Office — Santa Clarita, California; FF-AR-08-219; 6/26/2008	Upper Marlboro Automated Postal Center — Largo, Maryland; FF-AR-08-216; 6/25/2008
Mullen Post Office — Mullen, Nebraska; FF-AR-08-231; 7/11/2008	Seattle Business Mail Entry Unit — Seattle, Washington; FF-AR-08-200; 6/10/2008	Vernon Post Office — Vernon, Alabama; FF-AR-08-238; 7/22/2008
Murfreesboro Main Office Window — Murfreesboro, Tennessee; FF-AR-08-180; 5/22/2008	Senatobia Business Mail Entry Unit — Senatobia, Mississippi; FF-AR-08-217; 6/25/2008	Vincennes Vending Self-Service Postal Center — Vincennes, Indiana; FF-AR-08-160; 4/16/2008
New Lots Station — Brooklyn, New York; FF-AR-08-283; 9/16/2008	Snohomish Post Office — Snohomish, Washington; FF-AR-08-207; 6/18/2008	Virginia City Main Post Office — Virginia City, Montana; FF-AR-08-237; 7/18/2008
Norridgewock Post Office — Norridgewock, Maine; FF-AR-08-173; 5/13/2008	Sopchoppy Post Office — Sopchoppy, Florida; FF-AR-08-155; 4/14/2008	Walton Business Mail Entry Unit — Walton, Kentucky; FF-AR-08-245; 7/29/2008
Norwich Business Mail Entry Unit — Norwich, Connecticut; FF-AR-08-268; 8/20/2008	South Hamilton Post Office — South Hamilton, Massachusetts; FF-AR-08-257; 8/11/2008	Wardensville Post Office — Wardensville, West Virginia; FF-AR-08-193; 5/30/2008
Oakhurst Post Office — Oakhurst, New Jersey; FF-AR-08-166; 4/22/2008	South Suburban Post Office — Bedford Park, Illinois; FF-AR-08-178; 5/20/2008	Warwick Business Mail Entry Unit — Warwick, Rhode Island; FF-AR-08-163; 4/21/2008
Paris Business Mail Entry Unit — Paris, Texas; FF-AR-08-202; 6/12/2008	Southampton Post Office — Southampton, Pennsylvania; FF-AR-08-162; 4/18/2008	Wells Post Office — Wells, Vermont; FF-AR-08-151; 4/7/2008
Parma Self-Service Postal Center — Parma, Ohio; FF-AR-08-277; 9/2/2008	Spartanburg Business Mail Entry Unit — Spartanburg, South Carolina; FF-AR-08-234; 7/15/2008	Winchester Business Mail Entry Unit — Winchester, Kentucky; FF-AR-08-206; 6/17/2008
Pontiac Business Mail Entry Unit — Pontiac, Michigan; FF-AR-08-272; 8/26/2008	Spring-Klein Station Automated Postal Center — Spring, Texas; FF-AR-08-150; 4/7/2008	Windham Main Office Window Unit — Windham, Maine; FF-AR-08-226; 7/2/2008
Portage Business Mail Entry Unit — Portage, Wisconsin; FF-AR-08-172; 5/7/2008	St. Louis Business Mail Entry Unit — St. Louis, Missouri; FF-AR-08-273; 8/26/2008	Wolcottville Main Post Office — Wolcottville, Indiana; FF-AR-08-185; 5/23/2008
Portland Self-Service Postal Center — Portland, Maine; FF-AR-08-227; 7/2/2008	Staten Island Main Post Office — Staten Island, New York; FF-AR-08-154; 4/10/2008	Wolf Point Business Mail Entry Unit — Wolf Point, Montana; FF-AR-08-198; 6/5/2008
Prospect Post Office — Prospect, Kentucky; FF-AR-08-221; 6/30/2008	Sturgis Business Mail Entry Unit — Sturgis, South Dakota; FF-AR-08-179; 5/21/2008	Woodland Post Office — Woodland, Washington; FF-AR-08-246; 7/29/2008
Rapid City Main Post Office — Rapid City, South Dakota; FF-AR-08-285; 9/18/2008	Suffolk Business Mail Entry Unit — Suffolk, Virginia; FF-AR-08-218; 6/25/2008	Yazoo City Post Office — Yazoo City, Mississippi; FF-AR-08-276; 8/28/2008
Ripon Business Mail Entry Unit — Ripon, Wisconsin; FF-AR-08-215; 6/24/2008	Summit Main Post Office Automated Postal Center — Summit, New Jersey; FF-AR-08-225; 7/2/2008	<b>Fiscal Year 2008 SmartPay Purchase Card Program</b>
Rochester Business Mail Entry Unit — Rochester, Minnesota; FF-AR-08-161; 4/21/2008	Sumter Automated Postal Center — Sumter, South Carolina; FF-AR-08-254; 8/8/2008	Capital Metro; FF-AR-08-270; 8/22/2008
Rutland Business Mail Entry Unit — Rutland, Vermont; FF-AR-08-274; 8/27/2008	Sunbury Post Office — Sunbury, Ohio; FF-AR-08-194; 5/30/2008	Great Lakes; FF-AR-08-287; 9/26/2008
		Pacific Area; FF-AR-08-281; 9/12/2008

## APPENDIX A

Southeast Area; FF-AR-08-279; 9/8/2008

Western Area; FF-AR-08-286; 9/25/2008

### Revenue & Systems

In-Office Cost System Phone Readings Additional Analysis; ESS-MA-08-001; 8/11/2008

### Supply Management

Agreed-Upon Procedure Audit of Accrual Leave Invoice Submitted by Northrop Grumman Information Technology, Civilian Agencies Group; CA-CAR-08-023; 6/2/2008

Agreed-Upon Procedures Review of Five Individual Delivery Orders Under Three Guaranteed Maximum Price Contracts at Honeywell Automation and Control Solutions; CA-CAR-08-024; 6/6/2008

Contract Oversight of Highway Transportation Contracts in the Southeast Area; CA-AR-08-009; 8/25/2008

Determination of Legal Costs; CA-CAR-08-026; 8/5/2008

Financial Condition and Capability Review of Key Handling Systems, Incorporated; CA-CAR-08-028; 8/25/2008

Financial Condition Risk Assessment of Minnesota Diversified Industries, Inc.; CA-CAR-08-025; 7/21/2008

Firm Fixed Price Proposal, Revision B, Submitted by Siemens Energy and Automation, Incorporated, Postal Automation Division; CA-CAR-08-020; 4/18/2008

Management of Contract Changes — Hallmark Custom Marketing, Inc.; CA-AR-08-007; 7/11/2008

Management of Contract Changes — Marriott Hotel Services, Inc., Contract Number 479984-90-B-0399; CA-AR-08-010; 9/5/2008

Renewal Process for Highway Transportation Contracts in the Southeast Area; CA-AR-08-008; 7/17/2008

Rough Order Magnitude Proposal Submitted by Hewlett Packard Company; CA-CAR-08-022; 5/20/2008

Specific Costs Included on Invoices Submitted by C.H. Robinson Worldwide; CA-CAR-08-021; 5/7/2008

Verification of the Reasonableness for Office Supplies Purchased from OfficeMax (Government Solutions Group) by the U.S. Postal Service; CA-CAR-08-027; 8/6/2008

## OPERATIONAL RISK

### Cost, Revenue & Rates

Controls Over the International Reconciliation System; CRR-AR-08-006; 8/25/2008

System for International Revenue and Volume, Inbound and Quality of Service Performance Measurement; CRR-AR-08-007; 9/30/2008

### Delivery

City Letter Carrier Operations Office Time Processes; DR-AR-08-013; 9/30/2008

Management of Delivery Point Sequencing Percentage Increases for City Delivery — Southeast Area, Atlanta District; DR-AR-08-005; 7/30/2008

Management of Delivery Points — Southeast Area; DR-AR-08-012; 9/30/2008

Vehicle Maintenance Facilities — Scheduled Maintenance Service in the Great Lakes Area; DR-AR-08-009; 9/29/2008

Vehicle Maintenance Facilities — Scheduled Maintenance Service in the New York Metro Area; DR-AR-08-011; 9/30/2008

Vehicle Maintenance Facilities — Scheduled Maintenance Service in the Southeast Area; DR-AR-08-007; 9/16/2008

Vehicle Maintenance Facilities — Scheduled Maintenance Service in the Southwest Area; DR-AR-08-006; 8/14/2008

Vehicle Maintenance Facilities — Scheduled Maintenance Service in the Western Area; DR-AR-08-008; 9/29/2008

Vehicle Maintenance Facilities — Scheduled Maintenance Services in the Pacific Area; DR-AR-08-010; 9/30/2008

## Engineering

Facilities Energy Management Strategy; DA-AR-08-004; 4/9/2008

National Energy Management Plan; DA-MA-08-003; 9/26/2008

## Financial Reporting

Miami International Service Center — Inbound International Mail; FT-AR-08-012; 9/3/2008

## Human Capital

Grievance Settlement and Arbitration Award Payments; HM-MA-08-002; 9/16/2008

Violence Prevention and Response Programs in Selected Locations; HM-AR-08-006; 5/2/2008

## Information Systems

Access Controls at the Eagan, Minnesota; San Mateo, California; and St. Louis, Missouri Information Technology and Accounting Service Centers for Fiscal Year 2008; IS-AR-08-015; 8/15/2008

Application Control Review of the Time and Attendance Collection System; IS-AR-08-014; 8/14/2008

Compliance Audit of the Postal Service's External Public Key Infrastructure Services; IS-AR-08-017; 9/11/2008

Identity Theft Potential in the Change of Address Process; IS-AR-08-016; 8/29/2008

PhoneSweep Security Assessment at the Eagan Information Technology and Accounting Service Center; IS-CS-08-002; 9/22/2008

PhoneSweep Security Assessment at the San Mateo Information Technology and Accounting Service Center; IS-CS-08-003; 9/22/2008

Private Branch Exchange Systems; IS-AR-08-010; 5/27/2008

Protection of Sensitive Equipment at Selected Postal Service Information Technology Facilities; IS-AR-08-013; 7/9/2008

Security Vulnerability Assessment of the Electronic Travel Voucher System; IS-AR-08-012; 6/25/2008



Security Vulnerability Assessment of the Electronic Verification System Database; IS-CS-08-001; 8/29/2008

System Software Controls at the Eagan, Minnesota, and San Mateo, California Information Technology and Accounting Service Centers for FY 2008; IS-AR-08-011; 6/3/2008

### **Inspection Service & Facilities**

Continuity of Operations for the Great Lakes Area; SA-AR-08-009; 7/23/2008

Continuity of Operations for the Pacific Area; SA-AR-08-010; 7/24/2008

Leased Facility Maintenance Responsibility in the Great Lakes Area; SA-AR-08-008; 7/23/2008

Location of Southeast Area Office Space; SA-MA-08-002; 6/17/2008

Regatta Annex Lease; SA-AR-08-011; 8/18/2008

Security Clearances for Postal Service Employees; SA-AR-08-013; 8/22/2008

Suitability Screening Process for Postal Service Employees in the Capital Metro Area; SA-AR-08-012; 8/21/2008

### **Network Processing**

Delayed Mail at the North Texas Processing and Distribution Center; NO-AR-08-006; 8/14/2008

Follow-up Review of Implementation of Significant Audit Recommendations Impacting Mail Processing Efficiency; NO-AR-08-011; 9/29/2008

Mail Condition Reporting at International Service Centers Capping Report; NO-AR-08-005; 8/5/2008

Missent Priority Mail® Procedures in the Dallas District; NO-MA-08-001; 9/8/2008

Oklahoma City Processing and Distribution Center Activation; NO-AR-08-009; 9/23/2008

Powered Industrial Vehicle Management System at the Providence Processing and Distribution Center; NO-AR-08-010; 9/23/2008

Powered Industrial Vehicle Management System at the Raleigh Processing and Distribution Center; NO-AR-08-007; 9/15/2008

### **Sales & Service**

Political Campaign Mailings; MS-AR-08-006; 9/30/2008

### **Transportation**

Air Networks — Federal Express Transportation Agreement — Western Area; NL-AR-08-008; 9/29/2008

Dallas Airport Mail Center Operations; NL-AR-08-009; 9/30/2008

Postal Vehicle Service Transportation Routes — Northern Virginia Processing and Distribution Center; NL-AR-08-006; 9/25/2008

Vehicle Management — National Trailer Lease Renewal — Eastern Area; NL-AR-08-005; 8/27/2008

Vehicle Management — National Trailer Lease Renewal — Southeast Area; NL-AR-08-007; 9/25/2008

**APPENDIX B**

**APPENDIX B**

**Findings Of Questioned Costs**

For the period April 1 — September 30, 2008

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.

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

<b>Description</b>	<b>Number of Reports</b>	<b>Questioned Costs</b>	<b>Unsupported Costs Included in Questioned Costs</b>
Reports for which no management decision was made at the beginning of the reporting period	15	\$48,215,700	\$370,697
Reports requiring management decision that were issued during the reporting period	50	\$163,436,940	\$52,841,977
<b>TOTAL</b>	<b>65</b>	<b>\$211,652,640</b>	<b>\$53,212,674</b>
Reports for which a management decision was made during the reporting period (i+ii)	54	\$194,627,655	\$43,192,858
(i) Dollar Value of disallowed cost	—	\$82,452,104	\$255,941
(ii) Dollar value of cost not disallowed	—	\$112,175,561	\$42,936,917
Reports for which no management decision was made by the end of the reporting period; negotiations are ongoing	11	\$17,024,975	\$10,025,224
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	\$2,527	—
Reports for which no management decision was made within 1 year of issuance <i>(See Note 2 for a list of individual reports)</i>	—	—	—
Contract Reports with Significant Audit Finding <i>(See Note 3 for a list of individual reports)</i>	2	\$56,515,826	\$42,693,734

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

<b>Subject</b>	<b>Report/Case Number</b>	<b>Report Date</b>	<b>Questioned Costs</b>	<b>Unsupported Costs Included in Questioned Costs</b>
National Review of SmartPay Purchase Card Transactions	CA-AR-08-002	11-7-2007	\$244,626	\$243,183
Postal Service Board of Governors' Travel and Miscellaneous Expenses for Fiscal Year 2007	FT-AR-08-008	2-14-2008	\$2,527	—
<b>TOTAL</b>			<b>\$2,527</b>	<b>—</b>

**Note 2 — Reports for which no management decision was made within 1 year of issuance:**

None for this report period.

## Note 3 — Contract Reports With a Significant Audit Finding:

	Questioned Costs	Disallowed	Unsupported Costs	Finding Description
Audit of Firm Fixed Price Proposal, Revision B, Submitted by Siemens Energy and Automation, Incorporated, Postal Automation Division 4-18-2008 CA-CAR-08-020	\$10,822,092	–	–	The cost or pricing data submitted by the contractor was adequate and the proposal was prepared in accordance with appropriate provisions of the U.S. Postal Service Supplying Principles and Practices.
Rough Order Magnitude Proposal Submitted by Hewlett Packard Company 5-20-2008 CA-CAR-08-022	\$45,693,734	–	\$42,693,734	The contractor's ROM proposal was not prepared in accordance with the appropriate provisions of the U.S. Postal Service Supplying Principles and Practices and the information submitted by the contractor was not adequate.
<b>TOTAL</b>	<b>\$56,515,826</b>		<b>\$42,693,734</b>	–

## APPENDIX C

*Recommendations That Funds Be Put to Better Use*

For the period April 1 — September 30, 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	\$52,004,938
Reports issued during the reporting period	20	\$387,560,085
<b>TOTAL</b>	<b>26</b>	<b>\$439,565,023</b>
Reports for which a management decision was made during the report period	23	\$424,511,382
(i) Value of recommendations agreed to by management		\$207,003,655
(ii) Value of recommendations that were not agreed to by management		\$217,507,727
Reports for which no management decision was made by the end of the reporting period.	3	\$15,053,641

**APPENDIX D**

**APPENDIX D**

**Reported Non-Monetary Benefits**

For the period April 1 — September 30, 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.

	<b>Type of Measure</b>	<b>Value or Amount</b>
<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	73
Number of customer service audits conducted	Number of Audits	13
<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	\$29,499,963
<b>Physical Safety and Security</b>		
Dollar value of physical assets (plant, computer equipment, vehicles, etc.) at risk of loss due to inadequate physical protection	Dollar Value	–
Recommendations that address the safety and security of Postal Service employees and/or the work environment	Number of Recommendations	55
Number of employee/facility safety and security audits conducted	Number of Audits	14
<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	–
Number of data security/IT security audits conducted	Number of Audits	18
<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	\$21,581,852
<b>Disbursements at Risk</b>		
Dollar value of disbursements made where proper Postal Service internal controls and processes were not followed	Dollar Value	\$1,003,931
<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	16
<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	4
Dollar value of data used to support management decisions that is not fully supported or completely accurate	Dollar Value	\$3,060,158



## APPENDIX E

### Reports with Significant Recommendations Pending Corrective Actions

For the period through September 30, 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 Title, Recommendation Summary		
Report Number	Issue Date	R = Recommendation number TID = Target Implementation Date
NO-AR-05-011	6/17/2005	<p><b>Efficiency of the Los Angeles International Service Center</b></p> <p>R-1 — Reduce mail processing workhours by 85,000. <b>TID: October 2010</b></p>
HM-AR-05-009	7/22/2005	<p><b>Complaints Regarding Personnel Issues in the Caribbean District</b></p> <p>R-13 — Ensure employees are properly recording their clock rings in accordance with policy. <b>TID: August 2008</b></p> <p>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: August 2008</b></p>
HM-AR-06-004	5/19/2006	<p><b>Postal Service's Injury Compensation Programs' Controversion and Challenge Process in Selected Areas</b></p> <p>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: September 2009</b></p>
IS-AR-06-003	2/10/2006	<p><b>Security Vulnerability Assessment and Audit of Automated Postal Center Systems</b></p> <p>R-1 — Identify appropriate corrective action for identified vulnerabilities. <b>TID: March 2009</b></p> <p>R-7 — Implement appropriate maximum file sizes to ensure desired data is captured and retained for designated periods. <b>TID: March 2009</b></p>
FT-AR-06-016	3/31/2006	<p><b>Postal Service's Share of Health Insurance Premiums for Retired Employees</b></p> <p>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: September 2008 (management has not provided a revised date)</b></p>
DR-AR-06-007	8/9/2006	<p><b>Overdrawn Express Mail Corporate Accounts</b></p> <p>R-3 — Convert all trust Express Mail Corporate Accounts to Automated Clearing House or credit card accounts. <b>TID: March 2009</b></p>
HM-AR-06-006	8/29/2006	<p><b>Postal Service's Grievance-Arbitration Service Centers</b></p> <p>R-8 — Automate the processing and payment of arbitrator invoices using an existing Postal Service electronic purchasing system. <b>TID: May 2009</b></p> <p>R-9 — Assess the benefits of transitioning the grievance-arbitration processing function to the shared services center or another feasible alternative. <b>TID: Not provided</b></p>
IS-AR-06-017	9/27/2006	<p><b>Enterprise Payment Switch Solution Phase 1: Requirements and Design</b></p> <p>R-1 — Create or revise policies and procedures to provide guidance for Payment Card Industry compliance. <b>TID: December 2008</b></p> <p>R-2 — Resolve the inconsistencies between Postal Service policies and the Payment Card Industry Data Security Standard <b>TID: December 2008</b></p>

**APPENDIX E**

**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>
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>
EN-AR-07-002	12/5/2006	<p><b>Service Implications of Area Mail Processing Consolidations</b></p> <p>R-4 — Revise the Collection Point Management System to track changes to collection box pick-up times. <b>TID: September 2010</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: December 2008</b></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: December 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: December 2008</b></p>
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: March 2009</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: January 2009</b></p> <p>R-3 — Establish a formal process for conducting FSS's, including time frames 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>
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: December 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: October 2008</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 Handbook for Retail Operations, to include standard procedures for mobile units. <b>TID: June 2009</b></p> <p>R-2 — Distribute the revised Handbook for Retail Operations to Area officials for implementation. <b>TID: June 2009</b></p>

## Report Title, Recommendation Summary

Report Number	Issue Date	Report Title, Recommendation Summary
IS-AR-07-012	7/25/2007	<p>R = Recommendation number TID = Target Implementation Date</p> <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: March 2009</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: December 2009</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-3 — Obtain cost or pricing data when negotiating noncompetitive, share-in-savings, incentive-type contracts for mail automation equipment. <b>TID: October 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: December 2009</b></p> <p>R-4 — Coordinate with the Postal Inspection Service to ensure the proper clearance level is attributed to employees. <b>TID: November 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 time frames for completion. <b>TID: Management submitted closure request</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 2009</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: January 2009</b></p>
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: September 2008 (management has not provided a revised date)</b></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: October 2008</b></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: August 2008 (management has not provided a revised date)</b></p>

**APPENDIX E**

**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>
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: Not provided</b></p> <p>R-2 — Improve communication and coordination between processing facilities and local post offices by improving local transportation planning and scheduling. <b>TID: Not provided</b></p> <p>R-3 — Require managers to plan transportation between the two facilities and properly account for mail in trailers. <b>TID: Not provided</b></p> <p>R-4 — Improve data collection by properly supervising employees and properly training employees on the Surface Visibility system. <b>TID: Not provided</b></p>
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: October 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 (management has not provided a revised date)</b></p> <p>R-2 — Monitor performance and track adherence to the approved Function 4 Business Plans. <b>TID: July 2008 (management has not provided a revised date)</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 (management has not provided a revised date)</b></p> <p>R-4 — Update the Automated Workforce Projection System workload annually for every unit. <b>TID: July 2008 (management has not provided a revised date)</b></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: March 2009</b></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: December 2008</b></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, Confirmation Services Technical Guide, to require mailers to utilize a secure file transfer method when transmitting manifests for electronic verification to the Postal Service. <b>TID: March 2009</b></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: March 2008 (management has not provided a revised date)</b></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: April 2008 (management has not provided a revised date)</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: December 2008</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>



## Report Title, Recommendation Summary

Report Number	Issue Date	Report Title, Recommendation Summary
		R = Recommendation number TID = Target Implementation Date
DR-AR-08-004	3/4/2008	<b>City Delivery Vehicle Mileage — Base Versus Actual — National Capping Report</b>  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: July 2009</b>
IS-AR-08-006	3/6/2008	<b>Identity Theft Potential in Postal Service Information Systems</b>  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: December 2008</b>  R-3 — Establish and implement host encryption solutions for data back-up dates prior to off-site shipping and storage. <b>TID: December 2008</b>
IS-AR-08-008	3/11/2008	<b>National Accounting Oracle Financials Application Data Encryption Follow-Up</b>  R-2 — Perform verification tests to ensure management identifies and adequately protects all sensitive information in accordance with policy. <b>TID: December 2008</b>
IS-AR-08-009	3/14/2008	<b>Update Processes for Active Directory and CA-ACF2</b>  R-1 — Review the manager roles in the two systems to determine how these roles can be integrated. <b>TID: May 2008 (management has not provided a revised date)</b>  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>
FF-AR-08-131	3/19/2008	<b>Fiscal Year 2007 Financial Installation Audits — Business Mail Entry Units</b>  R-1 — Provide proper management oversight and instructions to schedule periodic verifications when Periodicals mailings are received during non-business hours. <b>TID: October 2008</b>  R-2 — Develop and implement an action plan to measurably reduce the current deficiency and its likelihood of continuing. <b>TID: January 2009</b>  R-3 — Properly train all employees, including supervisors, who accept business and Periodicals mail. <b>TID: October 2008</b>  R-4 — Review existing policies and procedures for consistency. <b>TID: October 2008</b>
MS-AR-08-003	3/19/2008	<b>Local Stamps on Consignment Programs</b>  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: Management submitted closure request</b>
DA-AR-08-003	3/20/2008	<b>Northern Virginia District Energy Management Savings Opportunities</b>  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>
MS-MA-08-001	3/26/2008	<b>Review of Business Over the Counter</b>  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: May 2008 (management has not provided a revised date)</b>  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: June 2008 (management has not provided a revised date)</b>  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: Not provided</b>

**APPENDIX E**

**Report Title, Recommendation Summary**

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<b>Report Number</b>	<b>Issue Date</b>	
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>January 2009</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>January 2009</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 (management has not provided a revised date)</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-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>
MS-AR-08-004	3/31/2008	<p><b>Click-N-Ship Program</b></p> <p>R-2 — Emphasize Click-N-Ship Website instructions. <b>TID:</b> <i>June 2008 (management has not provided a revised date)</i></p> <p>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 (management has not provided a revised date)</i></p> <p>R-8 — Consolidate the three Click-N-Ship merchant identification numbers into one. <b>TID:</b> <i>September 2008 (management has not provided a revised date)</i></p> <p>R-9 — Develop written policies and procedures for the Click-N-ship program office. <b>TID:</b> <i>September 2008 (management has not provided a revised date)</i></p>
DA-AR-08-004	4/9/2008	<p><b>Facilities Energy Management Strategy</b></p> <p>R-1 — Finalize and publish a National Energy Management Plan. <b>TID:</b> <i>December 2008</i></p> <p>R-2 — Update the Facility Energy Management Policy and Guide. <b>TID:</b> <i>December 2008</i></p> <p>R-3 — Continue to develop systems for reporting actual energy consumption baselines and progressing toward energy reduction goals. <b>TID:</b> <i>December 2008</i></p>

## Report Title, Recommendation Summary

Report Number	Issue Date	Report Title, Recommendation Summary
		R = Recommendation number TID = Target Implementation Date
CRR-AR-08-005	5/9/2008	<p><b>Bound Printed Matter Workshare Discounts</b></p> <p>R-1 — Determine whether the old supporting data is accurate in the current operational environment. <b>TID:</b> <i>December 2008</i></p> <p>R-2 — Develop updated cost avoidance models based on current data. <b>TID:</b> <i>December 2008</i></p>
DA-AR-08-005	5/21/2008	<p><b>Status of Intelligent Mail Enabling Infrastructure</b></p> <p>R-1 — Clarify the 24-digit barcode requirements and funding for material handling systems. <b>TID:</b> <i>May 2009</i></p> <p>R-2 — Ensure contingency plans for the server consolidation program include extended maintenance for micro-computers or provide for other appropriate contingency plans if deployment is delayed beyond 2009. <b>TID:</b> <i>December 2008</i></p>
IS-AR-08-010	5/27/2008	<p><b>Private Branch Exchange Systems</b></p> <p>R-1 — Discontinue the lines that were overcapacity. <b>TID:</b> <i>November 2008</i></p> <p>R-2 — Assign resources and eliminate lines. <b>TID:</b> <i>November 2008</i></p> <p>R-3 — Remove the circuit cards that support disconnected lines. <b>TID:</b> <i>December 2008</i></p>
IS-AR-08-011	6/3/2008	<p><b>System Software Controls at the Eagan, Minnesota, and San Mateo, California, Information Technology and Accounting Service Centers for FY 2008</b></p> <p>R-1 — Develop procedures to ensure UNIX administrators review exception reports and timely correct UNIX server settings deficiencies to comply with hardening standards. <b>TID:</b> <i>March 2009</i></p>
DA-AR-08-006	6/4/2008	<p><b>Flats Sequencing System: Production First Article Testing Readiness and Quality</b></p> <p>R-1 — Ensure the preproduction system can process seven mail zones for a reasonable period to meet volume requirements in the Decision Analysis Report before First Article Testing begins. <b>TID:</b> <i>December 2008</i></p> <p>R-4 — Develop a recovery schedule to ensure the Preliminary Production Baseline Technical Data Package will be available before the production First Article Test begins. <b>TID:</b> <i>Not provided</i></p> <p>R-5 — Ensure that the initial Maintenance Diagnostic and Support System and the Program Control System functionalities are available for First Article Testing and develop a schedule for future design releases. <b>TID:</b> <i>Not provided</i></p> <p>R-6 — Validate the supplier's ability to provide qualified personnel to support Flats Sequencing Systems on all mail processing tours. <b>TID:</b> <i>Not provided</i></p> <p>R-7 — Ensure that the supplier follows the quality control plan and the configuration control process and validates that the first five production systems are built to the same drawing configuration. <b>TID:</b> <i>Not provided</i></p>
SA-MA-08-002	6/17/2008	<p><b>Location of Southeast Area Office Space</b></p> <p>R-2 — Conduct a detailed analysis to determine the optimal location for the Southeast Area office. <b>TID:</b> <i>June 2009</i></p>
IS-AR-08-012	6/25/2008	<p><b>Security Vulnerability Assessment of Electronic Travel Voucher System</b></p> <p>R-5 — Work together to implement Triple Data Encryption Standard cryptography to encrypt credit card numbers stored within the Electronic Travel Voucher System. <b>TID:</b> <i>March 2009</i></p>
IS-AR-08-013	7/9/2008	<p><b>Protection of Sensitive Equipment at Selected Postal Service Information Technology Facilities</b></p> <p>R-1 — Ensure Material Accountability Officers and Assistants are aware of and follow all policies and procedures for inventory control of sensitive equipment including report certification by their functional managers. <b>TID:</b> <i>March 2009</i></p>

**APPENDIX E**

**Report Title, Recommendation Summary**

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TID = Target Implementation Date

<b>Report Number</b>	<b>Issue Date</b>	
EN-AR-08-004	7/16/2008	<p><b>Miami Airport Mail Center Outsourcing</b></p> <p>R-1 — Perform a post-implementation review to determine the cost savings from the Miami Airport Mail Center outsourcing initiative. <b>TID: June 2009</b></p>
CA-AR-08-008	7/17/2008	<p><b>Renewal Process for Highway Transportation Contracts in the Southeast Area</b></p> <p>R-1 — Develop route survey plans and ensure that surveys are conducted and included in the contract file when contract renewal is under consideration. <b>TID: Not provided</b></p> <p>R-2 — Provide training to promote the use of the eBuy Service Change Request System to submit renewal forms. <b>TID: Not provided</b></p> <p>R-3 — Implement a checklist to ensure that requirements and contractors' performance have been appropriately considered, and submit the checklists to the contracting officer for retention in the contract file. <b>TID: August 2008 (management has not provided a revised date)</b></p>
DA-AR-08-007	7/21/2008	<p><b>Engineering Investment Portfolio Measurement</b></p> <p>R-1 — Seek greater participation from Operations when developing and reporting on operational performance metrics. <b>TID: Not provided</b></p> <p>R-2 — Seek greater separation of responsibilities for reporting on program metrics. <b>TID: Not provided</b></p>
FF-MA-08-001	7/21/2008	<p><b>Fiscal Year 2008 — Use of No-Fee Money Orders</b></p> <p>R-2 — Seek greater separation of responsibilities for reporting on program metrics. <b>TID: January 2009</b></p>
SA-AR-08-008	7/23/2008	<p><b>Leased Facility Maintenance Responsibility in the Great Lakes Area</b></p> <p>R-1 — Strengthen its policies and procedures to ensure tracking and reimbursement of expenses incurred by the Postal Service for performing lessor responsible maintenance and repairs. <b>TID: Not provided</b></p> <p>R-2 — Require the Great Lakes Facilities Service Office to collect the \$62,625 in recoverable supported questioned costs. <b>TID: December 2008</b></p>
SA-AR-08-009	7/23/2008	<p><b>Postal Service Continuity of Operations for the Great Lakes Area</b></p> <p>R-1 — Update contact information of key continuity of operations personnel at least semiannually, or more often as changes occur. <b>TID: December 2008</b></p> <p>R-2 — Complete continuity of operations training, including Postal Alert and Notification System training. <b>TID: June 2009</b></p> <p>R-3 — Identify and prioritize essential functions. <b>TID: December 2008</b></p> <p>R-4 — Establish a formal review process to ensure continuity of operations plans are completed, updated annually, and maintained in the Postal Alert and Notification System, as required. <b>TID: March 2009</b></p> <p>R-5 — Establish an area emergency management coordinating committee to provide oversight and assistance to district and facility Emergency Management Teams in establishing, implementing, and reviewing emergency management plans. <b>TID: March 2009</b></p> <p>R-6 — Establish specific guidance for identifying and selecting alternate facilities to include, at a minimum, the number of alternate facilities that should be identified and criteria regarding location, mail volume, and mail capacity. <b>TID: December 2008</b></p> <p>R-7 — Require personnel responsible for continuity of operations at primary and alternate facilities to conduct tests and exercises to ensure alternate facilities can effectively process the primary facilities' mail. <b>TID: June 2009</b></p>
SA-AR-08-010	7/24/2008	<p><b>Postal Service Continuity of Operations for the Pacific Area</b></p> <p>R-1 — Establish a formal review process to ensure continuity of operations plans are completed, updated annually, and maintained in the Postal Alert Notification System, as required. <b>TID: June 2009</b></p>



## Report Title, Recommendation Summary

Report Number	Issue Date	Report Title, Recommendation Summary
DA-AR-08-008	7/28/2008	<p>R = Recommendation number TID = Target Implementation Date</p> <p><b>Mail Processing Equipment Spare Parts: Plant Stockrooms</b></p> <p>R-1 — Update policy to preclude delegation of supervisory approval rights for orders above the inventory system's recommended levels. <b>TID: Not provided</b></p> <p>R-2 — Require each Area Vice President to submit an inventory reduction plan where excess spare parts on hand are greater than the recommended inventory level. <b>TID: Not provided</b></p> <p>R-3 — Require material management specialists to provide maintenance managers needed assistance for redistributing, recycling, and disposing of excess mail processing equipment spare parts <b>TID: Not provided</b></p>
DR-AR-08-005	7/30/2008	<p><b>Management of Delivery Point Sequencing Percentage Increases for City Delivery — Southeast Area, Atlanta District</b></p> <p>R-1 — Require unit officials to prioritize the tasks associated with resolving specific Delivery Point Sequencing issues in their delivery units and develop an action plan to mitigate the low city delivery Delivery Point Sequencing percentage. <b>TID: October 2008</b></p>
MS-AR-08-005	7/31/2008	<p><b>Business Mail Entry Unit Sampling and Verification Procedures</b></p> <p>R-1 — Assess the placement and usage of Mailing Evaluation Readability and Lookup INstrument machines at all Business Mail Entry Units. <b>TID: March 2009</b></p> <p>R-2 — Analyze staffing and efficiency to determine staffing requirements at direct mail units and develop a procedure for assigning backup personnel as needed to perform the required verifications. <b>TID: March 2009</b></p> <p>R-3 — Request PostalOne! software modifications. <b>TID: March 2009</b></p> <p>R-4 — Direct District Managers to review PostalOne! reports to determine the validity of reasons for any mailing of more than 10,000 pieces not receiving a required verification. <b>TID: March 2009</b></p>
DA-AR-08-009	8/7/2008	<p><b>Equipment Maintenance in the Fort Worth District</b></p> <p>R-1 — Establish an action plan to increase equipment maintenance completion rates at the Lubbock, Wichita Falls, and Abilene mail processing facilities. <b>TID: Not provided</b></p> <p>R-2 — Establish a shared maintenance and operational action plan for minimizing letter mail machine rejects at processing plants in the Fort Worth District. <b>TID: Not provided</b></p> <p>R-3 — Develop procedures to ensure site compliance with letter mail operational standards for quality. <b>TID: August 2008 (management has not provided a revised date)</b></p>
SA-AR-08-011	8/18/2008	<p><b>Regatta Annex Lease</b></p> <p>R-1 — Coordinate future leasing efforts to help ensure that investment decisions for leasing facilities are prudent. <b>TID: Not provided</b></p> <p>R-2 — Explore and identify leasing alternatives when notified of changes in facility requirements. <b>TID: Not provided</b></p>
SA-AR-08-012	8/21/2008	<p><b>Postal Service's Suitability Screening Process for Postal Service Employees in the Capital Metro Area</b></p> <p>R-1 — Establish and implement policies and procedures to include specific guidelines for suitability screening and ensuring these reports are sent to the appropriate district Human Resources office timely. <b>TID: September 2009</b></p>
SA-AR-08-013	8/22/2008	<p><b>Security Clearances for Postal Service Employees</b></p> <p>R-1 — Establish and implement a policy to periodically assess the risks associated with the duties of all Postal Service positions to determine which positions require a security clearance. <b>TID: September 2009</b></p> <p>R-2 — Revise the Administrative Support Manual, as appropriate, to reflect changes to the list of positions requiring a security clearance. <b>TID: September 2009</b></p>

**APPENDIX E**

**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>
CRR-AR-08-006	8/25/2008	<p><b>Controls Over the International Reconciliation System</b></p> <p>R-1 — Update the requirements analysis to ensure all appropriate business rules and edits are incorporated. <b>TID:</b> <i>August 2008 (management has not provided a revised date)</i></p> <p>R-2 — Ensure all significant issues identified during Customer Acceptance Test are corrected before placing the software release into production. <b>TID:</b> <i>September 2009</i></p> <p>R-3 — Build and run comprehensive test files for customer service tests that incorporate all system requirements when the updated requirements analysis is complete. <b>TID:</b> <i>Not provided</i></p> <p>R-4 — Promptly incorporate edit requirements provided by the end-user into International Reconciliation System functionality. <b>TID:</b> <i>September 2009</i></p> <p>R-5 — Revise the system logic to include comparison of weight values and receptacle counts in identifying duplicate dispatches. <b>TID:</b> <i>December 2008</i></p> <p>R-7 — Develop management reports to provide all necessary information for timely reconciliation. <b>TID:</b> <i>September 2009</i></p> <p>R-8 — Create a standard operating procedures guide for the key reconciliation processes. <b>TID:</b> <i>December 2008</i></p>
DA-AR-08-010	8/25/2008	<p><b>Upgraded Flats Sorting Machine 1000 Utilization in the New York Metro Area</b></p> <p>R-1 — Move Upgraded Flats Sorting Machine 1000 mail volume to the optical character reader or automatic mode to meet investment goals. <b>TID:</b> <i>January 2009</i></p> <p>R-2 — Develop and implement a formal plan detailing how to most effectively utilize the Upgraded Flat Sorting Machine 1000. <b>TID:</b> <i>January 2009</i></p>
NL-AR-08-005	8/27/2008	<p><b>Vehicle Management — National Trailer Lease Renewal — Eastern Area</b></p> <p>R-1 — Develop a comprehensive process to identify trailer requirements and manage trailer inventory and use, including installing satellite tracking devices on trailers. <b>TID:</b> <i>September 2008 (management has not provided a revised date)</i></p> <p>R-2 — Analyze the number of trailers needed to transport mail and equipment and return unneeded trailers to Postal Service Headquarters for reallocation or return to the leasing contractor. <b>TID:</b> <i>Not provided</i></p> <p>R-3 — Analyze storage requirements and procure storage space in the most cost-effective manner. <b>TID:</b> <i>Not provided</i></p>
IS-AR-08-016	8/29/2008	<p><b>Identity Theft Potential in the Change of Address Process</b></p> <p>R-1 — Update the Internet and Telephone Change of Address applications. <b>TID:</b> <i>March 2009</i></p> <p>R-2 — Develop and implement a plan of action, with milestones, to enhance controls for verifying that COA orders are legitimate and authorized by the owner of the address. <b>TID:</b> <i>March 2009</i></p> <p>R-4 — Investigate and provide timely feedback to the National Customer Support Center and customers on all potentially fraudulent change of address complaints. <b>TID:</b> <i>December 2008</i></p> <p>R-5 — Coordinate, develop, and implement policies and procedures for regularly monitoring and evaluating all potentially fraudulent COA complaints. <b>TID:</b> <i>December 2008</i></p>
NO-AR-08-007	9/15/2008	<p><b>Powered Industrial Vehicle Management System at the Raleigh Processing and Distribution Center</b></p> <p>R-1 — Use the Powered Industrial Vehicle Management System to the fullest extent possible to manage operations and continue to improve mail processing efficiency by reducing 9,000 workhours in tow and forklift operations by FY 2010. <b>TID:</b> <i>October 2009</i></p>

## Report Title, Recommendation Summary

Report Number	Issue Date	Report Title, Recommendation Summary
		R = Recommendation number TID = Target Implementation Date
DR-AR-08-007	9/16/2008	<b>Vehicle Maintenance Facilities — Scheduled Maintenance Service in the Southeast Area</b>  R-5 — Modify the annual vehicle maintenance plan to provide for all scheduled vehicle maintenance to better manage and improve efficiency. <b>TID: October 2008</b>
HM-MA-08-002	9/16/2008	<b>Grievance Settlement and Arbitration Award Payments</b>  R-1 — Formalize and obtain funding for the enhancement of the Grievance Arbitration Tracking System to centralize all grievance payment information. <b>TID: January 2009</b>
EN-AR-08-006	9/17/2008	<b>Mojave Post Office Facility Consolidation</b>  R-1 — Strengthen accounting controls over highway contract routes by providing training for input of data in the Web Service Change Request database along with additional management oversight. <b>TID: October 2008</b>  R-2 — Ensure that transportation changes directed by the approved area mail processing consolidation proposal are accurately recorded in the post-implementation review. <b>TID: October 2008</b>
EN-AR-08-007	9/23/2008	<b>Assessment of the Remote Encoding Center Network Consolidation Process</b>  R-1 — Clarify the methodology used to select remote encoding centers for closure in future business cases. <b>TID: February 2010</b>
NO-AR-08-010	9/23/2008	<b>Powered Industrial Vehicle Management System at the Providence Processing and Distribution Center</b>  R-1 — Use the Powered Industrial Vehicle Management System to the fullest extent possible to manage operations and continue to improve mail processing efficiency by reducing 4,000 workhours in tow and forklift operations by fiscal year 2009. <b>TID: September 2008 (management has not provided a revised date)</b>
NL-AR-08-006	9/25/2008	<b>Postal Vehicle Service Transportation Routes — Northern Virginia Processing and Distribution Center</b>  R-1 — Ensure that managers follow prescribed fleet management procedures for making Postal Vehicle Service schedules effective, including the use of vehicle utilization reviews. <b>TID: November 2008</b>  R-2 — Verify elimination of the 18,006 hours that management agreed to remove from trip schedules. <b>TID: December 2008</b>  R-3 — Reassess the 2,011 hours which Postal Service managers still feel are necessary and eliminate the hours as indicated by the reassessment or document the reasons for retaining the hours. <b>TID: December 2008</b>  R-4 — Issue a memorandum to drivers enforcing load restraint policies for Postal Vehicle Service trips and provide oversight of load restraint processes. <b>TID: Not provided</b>  R-5 — Analyze the use of the tractors that are nearing the end of their expected service lives, and develop an economical requirement-based plan for their replacement, including possible replacement with surplus vehicles from other facilities. <b>TID: Not provided</b>
NL-AR-08-007	9/25/2008	<b>Vehicle Management — National Trailer Lease Renewal — Southeast Area</b>  R-1 — Develop a comprehensive plan to identify trailer requirements and manage trailer inventory and use, including making use of the installed satellite tracking devices on trailers. <b>TID: April 2009</b>  R-2 — Analyze the number of trailers needed to transport mail and equipment and return unneeded trailers to Postal Service Headquarters for reallocation or return to the leasing contractor. <b>TID: April 2009</b>
DR-AR-08-008	9/29/2008	<b>Vehicle Maintenance Facilities — Scheduled Maintenance Service in the Western Area</b>  R-2 — Maintain the most efficient combination of vehicle maintenances facility and commercial resources based on geographical location and costs, and; make optimal use of the Postal Service's national vehicle shuttle agreement or other local commercial shuttle services, when cost effective, for transporting vehicles to and from maintenance facilities. <b>TID: Not provided</b>

**APPENDIX E**

**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>
DR-AR-08-009	9/29/2008	<p><b>Vehicle Maintenance Facilities — Scheduled Maintenance Service in the Great Lakes Area</b></p> <p>R-5 — Maintain the most efficient combination of vehicle maintenances facility and commercial resources based on geographical location and costs, and; make optimal use of the Postal Service's national vehicle shuttle agreement or other local commercial shuttle services, when cost effective, for transporting vehicles to and from maintenance facilities. <b>TID: May 2009</b></p>
NL-AR-08-008	9/29/2008	<p><b>Air Networks — Federal Express Transportation Agreement — Western Area</b></p> <p>R-1 — Use surface transportation to the extent possible for mail that does not require air transportation. <b>TID: Not provided</b></p> <p>R-2 — Transport mail to the maximum extent possible using the service-responsive capacity of passenger airlines under contract with the Postal Service. <b>TID: Not provided</b></p> <p>R-3 — Sort mail into bypass containers as appropriate. <b>TID: Not provided</b></p>
DR-AR-08-010	9/30/2008	<p><b>Vehicle Maintenance Facilities — Scheduled Maintenance Services in the Pacific Area</b></p> <p>R-4 — Maintain the most efficient combination of vehicle maintenances facility and commercial resources based on geographical location and costs and; make optimal use of the Postal Service's national vehicle shuttle agreement or other local commercial shuttle services, when cost effective, for transporting vehicles to and from maintenance facilities. <b>TID: Not provided</b></p>
DR-AR-08-011	9/30/2008	<p><b>Vehicle Maintenance Facilities — Scheduled Maintenance Services in the New York Area</b></p> <p>R-3 — Maintain the most efficient combination of vehicle maintenances facility and commercial resources based on geographical location and costs, and; make optimal use of the Postal Service's national vehicle shuttle agreement or other local commercial shuttle services, when cost effective, for transporting vehicles to and from maintenance facilities. <b>TID: Not provided</b></p>
DR-AR-08-013	9/30/2008	<p><b>City Letter Carrier Operations Office Time Processes</b></p> <p>R-2 — Enforce supervisory oversight of the processes. <b>TID: October 2008</b></p>
MS-AR-08-006	9/30/2008	<p><b>Political Campaign Mailings</b></p> <p>R-1 — Consolidate the manual political mail log into the automated record keeping system in PostalOne! for all sites that have access to the PostalOne! system. Require sites that do not use the PostalOne! System, to maintain the manual political mail log and transmit the political campaign mailing information to their respective Business Mail Entry Units to be entered into PostalOne!. <b>TID: December 2008</b></p> <p>R-2 — Program PostalOne! to require employees to identify political campaign mailings in the system. <b>TID: Not provided</b></p> <p>R-3 — Reinforce to employees the importance of recording political campaign mail information. <b>TID: December 2008</b></p> <p>R-4 — Include a field in PostalOne! for employees to document the advice provided to mailers regarding late arriving political campaign mail, and revise the guidance to instruct employees to use PostalOne! to document this advice. <b>TID: December 2008</b></p> <p>R-5 — Reinforce to employees the importance of advising mailers regarding late arriving political campaign mail. <b>TID: December 2008</b></p> <p>R-6 — Develop standard operating procedures for accepting, processing, and documenting political mail inquiries and their resolution. <b>TID: Not provided</b></p> <p>R-7 — Provide training for officials responsible for political campaign mail complaints. <b>TID: Not provided</b></p>
NL-AR-08-009	9/30/2008	<p><b>Dallas Airport Mail Center Operations</b></p> <p>R-4 — Eliminate unnecessary workload by ensuring mail is assigned and tagged before arriving at the Airport Mail Center and by ensuring it arrives on time to meet its assigned transportation. <b>TID: Not provided</b></p>



## **APPENDIX F**

### ***Significant Management Decisions in Audit Resolution***

For the period April 1 — September 30, 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 September 30, 2008.

**APPENDIX G**

**APPENDIX G**

**Investigative Statistics (OIG and Postal Inspection Service Combined)<sup>1</sup>**

For the period April 1 — September 30, 2008

	Investigations Completed	Arrests	Indictments/Informations	Convictions/Pretrial Diversions <sup>2</sup>	Admin. Action Taken	Cost Avoidance	Fines, Restitution & Recoveries	Amt. to USPS (from previous column) <sup>3</sup>	To Mgmt. for Admin. Action-2,765
Mail Theft by Nonemployees	1,347	1,275	487	1,406	66	–	\$13,033,728	–	–
Theft, Delay or Destruction of Mail by Employees or Contractors	1088	253	182	226	634	–	\$396,576	\$104,430	–
Injury Compensation Fraud	767	28	17	17	184	\$101,827,416	\$145,574,075	\$1,181,699	–
Assaults and Threats against postal employees on-duty	398	152	14	112	210	–	–	–	–
Employee Misconduct	1438	110	66	103	1172	\$167,959	\$1,034,785	(\$360,872) <sup>4</sup>	–
Robbery	41	28	13	35	–	–	\$302,998	\$69,937	–
Burglary	95	48	12	52	–	–	\$24,390	\$49,774	–
Financial Fraud and Embezzlements	533	112	91	116	278	\$2,479,298	\$3,195,652	\$3,310,401	–
Revenue Investigations	164	36	11	47	15	–	\$8,619,940	–	–
Contract Fraud	99	7	5	5	33	\$5,189,070	\$512,630,174	\$12,223,596	–
Mail Fraud	565	565	517	592	–	–	\$10,250,252,178	\$32,200	–
Identity Theft	760	990	423	898	–	–	\$47,484,194	–	–
Hazardous Material	23	12	7	6	–	–	\$63,728	–	–
Bombs, Threats, Hoaxes, and Explosive Devices	49	51	5	51	–	–	\$4,028	\$600	–
Dangerous Mail	85	42	26	48	–	–	\$72,814	\$2,000	–
Mailing of Controlled Substances	364	576	197	382	–	–	\$2,300,000	\$2,300,000	–
Child Exploitation and Obscenity	101	82	44	65	–	–	\$200,200	–	–
Miscellaneous Crime	38	25	2	30	–	–	–	–	–
<b>TOTAL</b>	<b>7,955</b>	<b>4,392</b>	<b>2,119</b>	<b>4,191</b>	<b>2,592</b>	<b>\$109,663,743</b>	<b>\$10,985,189,460</b>	<b>\$18,913,765</b>	<b>2,765</b>

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

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

<sup>3</sup> Amounts include case results of joint investigations with other OIG, federal, state, and local law enforcement entities.

<sup>4</sup> Amount included Fines, restitutions, and recoveries. The FY 2008 *Spring Semiannual Report to Congress* was overstated by \$360,872; amount this period has been adjusted appropriately.

**Investigative Statistics (OIG and Postal Inspection Service Combined)<sup>1</sup> — FY 2008**

For the period October 1, 2007 — September 30, 2008

	Investigations Completed	Arrests	Indictments/Informations	Convictions/Pretrial Diversions <sup>2</sup>	Admin. Action Taken	Cost Avoidance	Fines, Restitution & Recoveries	Amt. to USPS (from previous column) <sup>3</sup>	To Mgmt. for Admin Action-4656
Mail Theft by Nonemployees	2,797	2,860	960	2,829	128	–	\$26,711,481	–	–
Theft, Delay or Destruction of Mail by Employees or Contractors	2,033	419	333	341	964	–	\$684,345	\$269,144	
Injury Compensation Fraud	1,491	51	28	30	318	\$197,323,293	\$151,479,330	\$3,906,065	–
Assaults and Threats against postal employees on-duty	808	326	32	229	470	–	–	–	–
Employee Misconduct	3,032	235	153	195	1,900	\$167,959	\$2,678,600	\$1,162,473	–
Robbery	78	78	35	56	–	–	\$317,802	\$83,141	–
Burglary	202	114	34	104	–	–	\$41,798	\$138,704	–
Financial Fraud and Embezzlements	955	211	189	191	459	\$4,579,709	\$5,264,081	\$5,223,448	–
Revenue Investigations	302	90	44	96	23	–	\$16,906,307	–	–
Contract Fraud	168	12	8	12	58	\$5,189,070	\$516,096,892	\$15,142,815	–
Mail Fraud	1,363	1,338	1,199	1,188	–	–	\$11,292,328,756	\$1,138,917	–
Identity Theft	1,490	2,047	931	1,732	–	–	\$99,364,139	–	–
Hazardous Material	119	16	11	11	–	–	\$70,436	–	–
Bombs, Threats, Hoaxes, and Explosive Devices	222	84	14	65	–	–	\$8,835	\$600	–
Dangerous Mail	186	100	54	75	–	–	\$350,768	\$2,000	–
Mailing of Controlled Substances	857	1,118	417	751	–	–	\$4,700,000	\$4,700,000	–
Child Exploitation and Obscenity	274	160	100	130	–	–	\$232,005	–	–
Miscellaneous Crime	80	60	2	64	1	–	–	–	–
<b>TOTAL</b>	<b>16,457</b>	<b>9,319</b>	<b>4,554</b>	<b>8,099</b>	<b>4,321</b>	<b>\$207,260,031</b>	<b>\$12,117,235,575</b>	<b>\$31,767,367</b>	<b>4,656</b>

<sup>1</sup> Statistics include joint investigations with other law enforcement agencies.<sup>2</sup> Convictions reported in this period may be related to arrests made in prior reporting periods.<sup>3</sup> Amounts include case results of joint investigations with other OIG, federal, state, and local law enforcement entities.<sup>4</sup> Amount included in fines, restitutions, and recoveries. The fy 2008 *Spring Semiannual Report to Congress* was overstated by \$360,872; amount this period has been adjusted appropriately.

**APPENDIX H**

**APPENDIX H**

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

For the period April 1, 2007 — September 30, 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.

<b>Type of Scheme</b>	<b>Complaints Filed</b>	<b>Consent Agreements</b>	<b>FROs</b>	<b>Cease &amp; Desist Orders</b>
Advance fee	2	—	—	—
Charity	2	2	—	2
Contests/sweepstakes	2	3	1	3
Coupon fraud	4	1	—	1
False billings	3	3	1	5
Internet auction	1	—	1	2
Lotteries (foreign and domestic)	1	1	—	1
Merchandise:				
Failure to furnish	1	1	—	1
Failure to pay	3	2	—	2
Misrepresentation	1	1	—	1
Miscellaneous	11	4	2	8
Telemarketing	1	1	—	1
Work at home	7	5	4	9
<b>TOTAL</b>	<b>39</b>	<b>24</b>	<b>9</b>	<b>36</b>

**Financial Reporting On Investigative Activities April — September 2008**

<b>Type</b>	
Personnel	151,449,684
Nonpersonnel	36,224,426
<b>TOTAL</b>	<b>187,674,110</b>
Capital obligations	32,982,058

**Other Administrative Actions**

Administrative action requests	117
Temporary restraining orders requested	1
Temporary restraining orders issued	1
Cases using direct purchase authority	—
Civil penalties (Section 3012) imposed	\$12,264
Test purchases	—
Withholding mail orders issued	48
Voluntary discontinuances	22

**Administrative Subpoenas Requested by the Inspection Service:**

For the period April 1, 2007 — September 30, 2008

<b>Defendant:</b>	<b>Violation:</b>	<b>Date Issued:</b>	<b>Date Returned:</b>
08-027 Prize Paradise, Inc.	39 USC 3005; 3016 Sweepstakes scheme		Held pending settlement negotiations
08-028 Cashorama, Inc.	36 USC 3005; 3016 Sweepstakes scheme		Held pending settlement negotiations
08-029 Elwood & Stanley, Inc.	36 USC 3005; 3016 Sweepstakes scheme		Held pending settlement negotiations
08-030 Prize World, Inc.	36 USC 3005; 3016 Sweepstakes scheme		Held pending settlement negotiations
08-031 P.G Incorporated	36 USC 3005; 3016 Sweepstakes scheme		Held pending settlement negotiations
08-032 Valmont, Vickery & Wardell	39 USC 3005; 3016 Sweepstakes; scheme		Held pending settlement negotiations
08-033 Royal Sweepstakes, Inc	36 USC 3005; 3016 Sweepstakes scheme		Held pending settlement negotiations
08-034 Winners Research Center	36 USC 3005; 3016 Sweepstakes scheme		Held pending settlement negotiations
08-035 eBay/PayPal	39 USC 3005; 3016 False Representations re: Internet auctions	6/2/2008	
08-036 eBay/PayPal (Begley) (no. re-issued)	39 USC 3016 False representation; sweepstakes mailing		Subpoena request rejected; does not meet statutory requirements
08-036 REGUS	39 USC 3016 False representation; sweepstakes mailing		Returned to staff for additional data



## APPENDIX I

*Closed Congressional and Board of Governors' Inquiries*

For the Period April 1 — September 30, 2008

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

*Investigations*

<b>Requestor</b>	<b>Allegation/Concern</b>	<b>OIG Findings</b>	<b>Closure Date</b>
Representative, Maryland	Alleged theft of two U.S. Citizenship and Immigration Services Permanent Resident Cards.	Because materials were mailed without tracking numbers, we could not determine where they disappeared from the mailstream. We noted that this type of mail is not sorted manually, reducing the risk of internal theft. We found no evidence of a systemic problem in the delivery area.	4/30/2008
Representative, California	Alleged fraud at a Los Angeles post office; whistleblower reprisal for reporting fraud to the OIG.	We reviewed, concluding management did not base its adverse action against the employee upon the protected disclosure he made; instead, adverse actions were based on legitimate business reasons. We did confirm instances where employees falsely reported attempted delivery of Express Mail service and we reported our findings to management.	4/29/2008
Representative, Florida	Request for on-going or concluded audits or investigations concerning facilities in Panama City and Bay County; lost mailing and payment by a non-profit mailer.	We confirmed the allegations but could find no evidence to determine the cause of the loss. We noted that employees were conversant in proper procedures for processing this kind of mailing. Management provided a refund.	6/10/2008
Representative, New York	Mail theft, possibly by a postal employee.	We investigated, found no evidence of mail theft by postal employees.	6/10/2008
Senator, California	Improper delay in processing a Workers' Compensation claim, and retaliation.	We completed an investigation into the retaliation charges in 2007 without substantiating the complaint. Complainant later admitted management reimbursed her sick leave account upon approval of the Workers' Compensation claim.	4/29/2008
Senator, Ohio	Mail tampering and theft, possibly by a postal employee.	We investigated, found no evidence of mail tampering or theft by postal employees.	5/8/2008
Senator, Texas	Whistleblower reprisal; theft and delay of mail.	In June 2008, we reported on the reprisal complaint, concluding management did not base its adverse action against the employee upon the protected disclosure he made in 2006. In July, we addressed the substance of the protected disclosure, relating to theft and delay of mail. Our 2006 investigation revealed serious violations of postal policy in the Houston District concerning reporting of delayed mail. In providing this latest response, we reviewed mail status and verified delays persisted, but we did not substantiate further incidents of intentional delay.	7/25/2008
Representative, Ohio	Theft of gift cards and money.	Our investigation revealed a postal employee was stealing gift cards from envelopes. We are seeking federal prosecution.	6/2/2008
Senator, Texas	Theft, destruction, and delay of mail.	Our interviews revealed the complainant had no firsthand knowledge, and we declined further work unless new investigative leads develop.	4/17/2008
Representative, Florida	A change-of-address request was submitted online through the Postal Service's Website without resident's consent; identity theft.	We investigated, determined the request was filed by someone external to the Postal Service. We referred our findings to the Postal Inspection Service for investigation. We also referred our findings to the Office of Audit for possible consideration.	6/9/2008
Senator, New York	Letter Carrier improperly delivered mail; OIG Hotline failed to respond to similar complaint.	We reviewed new and prior allegations by this complainant; allegations were not substantiated.	4/25/2008

<b>Requestor</b>	<b>Allegation/Concern</b>	<b>OIG Findings</b>	<b>Closure Date</b>
Senator, Ohio	Mail tampering and theft, possibly by a postal employee.	We investigated, did not substantiate allegations.	7/14/2008
Representative, Texas	Whistleblower reprisal; theft and delay of mail.	In June 2008, we reported on the reprisal complaint, concluding management did not base its adverse action against the employee upon the protected disclosure he made in 2006. In July, we addressed the substance of the protected disclosure, relating to theft and delay of mail. Our 2006 investigation revealed serious violations of postal policy in the Houston District concerning reporting of delayed mail. In providing this latest response, we reviewed mail status and verified delays persisted, but we did not substantiate further incidents of intentional delay.	7/25/2008
Senator, Texas	Intentional delay of mail, possibly by postal employees.	We did not substantiate further incidents of intentional delay, and plan no further investigative work. However, we advised management, in 2007, of serious violations of postal policy for reporting delayed mail. We learned that management responded with several personnel changes.	7/25/2008
Representative, Georgia	Compensation request for loss of income and insurance reimbursement from the Postal Service because his stolen video camera was held as evidence by the OIG.	The camcorder is evidence in an investigation of mail theft by a postal employee and expected to be used by state prosecutors. The Postal Service worked with complainant to adjudicate insurance claim.	6/19/2008
Representative, Kentucky	Postal Inspectors harassed, intimidated, and acted unprofessionally towards complainants.	We investigated, found no misconduct on the part of the Postal Inspectors.	7/8/2008
Senator, Virginia	Theft and mishandling of mail by the Postal Service.	We investigated, did not substantiate allegations.	7/1/2008
Representative, Florida	Tampering, theft, and delay of mail possibly by postal employees.	We investigated, found no evidence of misconduct or theft on the part of the postal employees.	6/4/2008
Representative, Illinois	OIG Special Agents conspired to falsify investigative reports, which led to administrative action by management; complainant's prior union activities, and interracial marriage were motives for the conspiracy.	We investigated this allegation earlier in the fiscal year. We then conducted a further review in response to the new congressional inquiry, finding the original report was direct, precise, factual, free of bias, and limited to the scope of the allegations of fraud. The review fully supported the earlier determination that the allegations of conspiracy and bias were unfounded.	9/29/2008
Senator, California	Recipient of Standard Mail alleged mail tampering and intentional delay of advertising mail, possibly by postal employees.	We found no evidence to support the allegation.	5/22/2008
Senator, Florida	Theft of checks; fraudulently cashed.	We investigated, determined theft occurred external to the Postal Service. We referred our findings to the Postal Inspection Service for investigation.	6/19/2008
Representative, New Jersey	Delay of mail (Permanent Resident Card) as evidenced by postmark date.	We reviewed, found no evidence of a systemic problem in the area. Complainant was satisfied with receipt of Permanent Resident Card and did not want to pursue the matter.	6/13/2008
Senator, Ohio	Mail theft and forgery of Social Security check, possibly by a postal employee.	We investigated, did not substantiate allegations. To the contrary, we found the complainant cashed the check alleged to have been stolen.	6/10/2008
Representative, Virginia	Discrimination and questionable bidding practices in awarding transportation contracts by postal officials in Maryland and Virginia.	We investigated, did not substantiate allegations.	8/22/2008
Senator, Texas	Requested compensation for all out of schedule pay; alleged improprieties at a Texas post office.	The complainant declined to provide specifics that would warrant our active involvement, so we did not conduct further investigative work.	7/9/2008
Senator, Ohio	Mail tampering and theft, possibly by a postal employee.	We revisited earlier allegations, reviewed mail flow tests, and conducted additional interviews, but found no evidence of mail tampering. We will continue to monitor mail flow through this station.	8/12/2008
Representative, California	A postal employee signed for a Registered mailpiece; another postal employee provided vacation hold mail to customer without asking for identification.	Our investigation revealed postal employees violated postal policies and procedures. We provided our findings to management.	7/24/2008

## APPENDIX I

Requestor	Allegation/Concern	OIG Findings	Closure Date
Representative, Virginia	Theft of cash, possibly by a postal employee.	We investigated, did not substantiate allegations of mail theft by postal employees, nor did we confirm that the theft occurred.	8/25/2008
Senator, Minnesota	Requested investigation into treatment a constituent received by the OIG.	We reviewed, found no evidence of misconduct by the OIG. We noted similar charges were heard and dismissed as part of an Equal Employment Opportunity (EEO) case.	7/24/2008
Representative, Missouri	Mail tampering, possibly by postal employees.	We investigated, did not substantiate allegations.	7/28/2008
Senator, Texas	Postal supervisor submitted false or inaccurate claims for mileage reimbursement and postal management failed to respond properly to OIG findings.	We reiterated that our jurisdiction extended only to investigating and providing our findings to management for review and appropriate action.	7/25/2008
Representative, North Dakota	Retaliation for contacting the OIG for alleged timecard fraud.	We reviewed allegations under the standards for Whistleblower reprisal, but concluded management did not base its adverse action against the employee upon the protected disclosure he made.	9/15/2008
Representative, Indiana	Mail tampering with a Registered Mail envelope sent from France.	We investigated. We could not determine if the envelope was opened by a postal employee or if it was opened in transit due to handling and processing; but we found no pattern of mail tampering in the area.	9/25/2008

### Audits

Requestor	Allegation/Concern	OIG Findings	Closure Date
Ranking Member, Senate Committee	Misuse of funds; excessive and wasteful travel; and related complaints of Whistleblower Retaliation.	We provided initial findings.	9/3/2008

### General Counsel

Requestor	Allegation/Concern	OIG Findings	Closure Date
Senator, Maine	Concerns about involvement in a workplace environment evaluation conducted by the OIG into allegations by a coworker.	We contacted the complainant to explain the process we use and our need for employee cooperation when we conduct inquiries into workplace environment allegations.	4/17/2008
Senator, Maine	Contesting OIG findings on previous complaints of a hostile environment and improper sharing of confidential personal information.	We provided a detailed explanation of our earlier findings and rebutted several of complainant's criticisms.	4/24/2008
Senator, Missouri	Harassment, intimidation, and inhumane treatment of Letter Carriers.	We reviewed, found employee had a pending grievance and EEO complaint; we declined further work.	4/7/2008
Senator, Texas	Harassment and intimidation by management at a Texas post office.	We confirmed a need for management to assess the workplace climate. Management completed an assessment, report, and a plan of action which we will review.	8/7/2008
Representative, Michigan	Pattern of nepotism within in the Greater Michigan District.	We documented two temporary assignments that might appear to conflict with statutory and regulatory prohibitions, but that management addressed these cases in 2002. We found no similar recent, specific allegations.	8/18/2008
Requestor	Allegation/Concern	OIG Findings	Closure Date
Representative, New York	Management committed computer fraud, waste, and misconduct in the Long Island District; whistleblower reprisal.	We reviewed Office of General Counsel determination that the allegations fall outside of the applicable 5-year statute of limitations. In addition, we found the employee had a pending EEO complaint and declined further work on the reprisal issues.	7/9/2008

Representative, North Carolina	Concerns regarding timecards and scheduling at a North Carolina post office.	We reviewed, found employee had a pending grievance and EEO complaint, and declined further work.	7/10/2008
Chairman, Senate Committee	Requested unredacted copy of the General Services Administration Report of Investigation.	Provided a copy of report.	7/8/2008
Representative, New Mexico	FOIA request for an investigative report.	Our FOIA Office provided a redacted copy of the report.	7/14/2008
Senator, Washington	Complaint that the OIG FOIA Office did not properly locate a requested investigative report.	Requestor did not provide our FOIA Office sufficient scoping information to locate the documents. We provided the new information from the Senator to the OIG FOIA Office for processing.	8/13/2008

### Referrals

Requestor	Allegation/Concern	Referred To	Closure Date
Representative, New Jersey	Problems obtaining a fair settlement with the Postal Service.	Government Relations Office	5/7/2008
Representative, Texas	Mail delivery issues resulting from substitute carriers not knowing the route.	Government Relations Office	5/22/2008
Representative, Pennsylvania	Wasteful Postal Service policy of destroying rather than forwarding tax forms sent as Standard Mail, when forwarding orders are in place.	Mailer, not Postal Service, elects forwarding service. Therefore, referred to Treasury Inspector General for Tax Administration	6/23/2008
Representative, North Carolina	Request for a direct meeting with appropriate oversight officials to provide proper context and more clarity to her employment situation.	Government Relations Office	6/30/2008
Senator, Illinois	Request to switch from cluster boxes to curbside delivery at individual mailboxes.	Government Relations Office	7/30/2008
Senator, Illinois	Postal officials improperly or unfairly forced signature on a "last chance" agreement, possibly forcing termination of employment.	Government Relations Office	9/15/2008
Senator, Illinois	Employment related issues at an Illinois post office.	Government Relations Office	9/29/2008

## **SUPPLEMENTAL INFORMATION**

### ***Freedom of Information Act***

Through FY 2008, the Freedom of Information Act (FOIA) Offices for the Postal Inspection Service and OIG operated independently of, but frequently coordinated with, each other and their counterparts at the Postal Service. Although they will not merge operations until FY 2009, both agency FOIA statistics are being presented jointly here for the first time. The FOIA Offices receive requests for records from the public, the media, and Postal Service employees. The FOIA, 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 April 1 — September 30, 2008

<b>Requests</b>	<b>Number of Requests</b>
Carryover from prior period	24
Received during period	192
Total on hand during period	316

<b>OIG Actions</b>	<b>Number of Requests</b>
<b>Processed during the period</b>	<b>291</b>
Requests released in full	17
Requests partially granted	89
Requests not granted	40
Requests referred to another agency	74
No Records	35
Not proper FOIA requests	11
Refusal to comply	11
Other	14

<b>Balance</b>	<b>Number of Requests</b>
Balance at the end of the period (pending)	21

<b>Processing Days</b>	<b>Number of Days</b>
Median processing days to respond to a FOIA request: OIG only	2



**Workplace Environment**

For the period April 1 — September 30, 2008

The OIG’s Workplace Environment team receives referrals involving workplace environment and operational issues from multiple sources, which include the Hotline, Congress, Board of Governors (BOG), and management for the Postal Service and OIG. 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 Postal Service management to ensure Postal Service employees a stress 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 morale and productivity, or that may not have been addressed until an EEO is filed or other adverse consequences occur.

**Activities**

For the period April 1 – September 30, 2008

<b>Referrals</b>	<b>Total</b>
Carryover from prior period	21
Complaints received from OIG Hotline	270
Congressional/BOG/Postal Service management	10
Internal	9
Other	0
Total on hand during this period	310

<b>Workplace environment actions</b>	<b>Total</b>
Complaints closed during this period	278
Referred to Postal Service management	93
Referred to OIG Office of Investigations	12
Referred to OIG Office of Audit	0
Summary of findings reported to Congress/BOG/Postal Service management	6
Conducted limited inquiry into allegations/issues	108
Referred to database for statistical analysis and possible systemic reviews	56
Fact-finding reports issued to OIG management	3
<b>Referrals pending at the end of the period</b>	<b>32</b>

**Jurisdiction and Laws**

More than 200 federal laws are enforced by Postal Inspectors and OIG Special Agents through investigations of crimes that impact the Postal Service, use the mail as a mechanism to support the crime or involve postal employees. A wide array of federal statutes are used to ferret out fraud, waste and misconduct in government agencies, including the Postal Service. Generally, crimes related to the U.S. Mail are covered in Title 18, United States Code, Sections 1691-1737, while others affecting the Postal Service are codified under Title 39. Shown here are some of the most important areas of jurisdiction.

**Assaults** (18 USC 111, 1114)

The protection of Postal Service employees is one of the Postal Inspection Service's most important responsibilities. Postal Inspectors promptly investigate assaults and threats that occur while postal employees are performing official duties or as a result of their employment.

**Bombs** (18 USC 1716)

Although a rare crime, Postal Inspectors give high investigative priority to the mailing of bombs, due to the severe impact it can have on postal customers, employees, and operations.

**Burglary** (18 USC 2115)

The Postal Service experienced 176 burglaries in FY 2008. Postal Inspectors respond and investigate these incidents

**Child Exploitation** (18 USC 1470, 2251- 2254, 2422-2425)

The Postal Inspection Service is recognized as one of the leading federal law enforcement agencies combating the production, distribution, receipt, and possession of child pornography and other crimes related to the sexual exploitation of children through the mail and the Internet.

**Contract Fraud** (18 USC 201, 440, 441)

The OIG aids the Postal Service by aggressively investigating allegations of fraud, waste, misconduct and other contract improprieties in the thousands of postal contracts.

**Credit Card Fraud** (15 USC 1644; Access Device Fraud: 18 USC 1029)

Both agencies investigate credit card fraud, and often work jointly on cases involving postal employees and outsiders. Special Agents investigate postal employees who misuse government credit cards or steal cards from the mail and use them or sell them to others. Postal Inspectors investigate cards stolen from the mail by outsiders.

**Delay, Destruction or Obstruction of Mail**

(18 USC 1700, 1701, 1702, 1703)

Both agencies uphold federal statutes aimed at securing customers' mail, including statutes related to the desertion, obstruction, delay, or destruction of mail. Special Agents investigate incidents involving postal employees and contractors. Postal Inspectors investigate incidents involving outsiders.

**Electronic Crimes** (18 USC 1029, 1030, 1037, 1343, 2701)

Both agencies investigate electronic or "cybercrimes." Postal Inspectors protect customers from fraud schemes and other crimes that may occur online and involve the misuse of the mail or of the Postal Service. Special Agents investigate intrusions into the Postal Service computer networks or misuse of those systems by postal employees.

**Embezzlement, Theft or Destruction of Public Money, Property or Records** (18 USC 641, 1711)

Theft or embezzlement of postal funds by postal employees is investigated by the OIG.

**Extortion** (18 USC 873, 876, 877)

Postal Inspectors investigate extortion and blackmail when demands for ransoms or rewards are sent through the mail.

**False Statements** (18 USC 1001)

Both agencies use this statute in their investigations.

**Forfeiture** (18 USC 981, 982)

Agents from both agencies use criminal and civil forfeiture statutes, when appropriate, to seize assets associated with criminal acts.

**Identity Fraud** (18 USC 1028)

Identity fraud victimizes millions of Americans each year. Both agencies play a role in investigating this crime. The Postal Inspection Service investigates identity theft and account takeovers when there is a nexus to the mail or the Postal Service. Special Agents investigate cases where a postal employee steals mail to obtain personal information.

**Injury Compensation Fraud** (18 USC 287, 1919, 1920)

Schemes by healthcare providers and postal employees to defraud the workers' compensation system cost the Postal Service millions of dollars annually. Special Agents' investigative work saves the Postal Service millions in long-term costs and deters others from abusing the system.

**Kickbacks, Bribes and Gratuities** (41 USC 51-53; 18 USC 201)

Special Agents investigate contract irregularities and frauds — including kickbacks, bribes, and gratuities to postal employees.

**Lotteries** (18 USC 1301, 1302, 1303 and 39 USC 3005)

Postal Inspectors protect consumers by strictly enforcing all laws related to importing, transporting, and mailing lottery tickets. Under the false representations and lottery statute (3005), Postal Inspectors are authorized to instruct Postmasters to withhold from delivery and return to sender any mail that violates the law.

**Mail Fraud** (18 USC 1341, 1342, 1345 and 39 USC 3005, 3007)

The Postal Inspection Service is committed to protecting postal customers from being defrauded through the mail. Postal Inspectors place special emphasis on mail fraud scams related to advance fees, boiler rooms, health care, insurance, investments, deceptive mailings, and other consumer fraud — especially when it targets the elderly or other vulnerable groups.

**Mail or Mailbox Destruction** (18 USC 1705)

The Postal Inspection Service is committed to ensuring the safety of the nation's mail by securing letter boxes or other receptacles for U.S. Mail. To this end, Postal Inspectors aggressively pursue individuals who willfully or maliciously injure or destroy such receptacles.

**Money Laundering** (18 USC 1956, 1957)

Postal Inspectors and Special Agents investigate criminals who attempt to conceal the proceeds of illegal acts through monetary transactions. They identify and seize criminals' assets, denying violators the proceeds of their crimes.

**Money Orders, Counterfeit Stamps, and Related Crimes** (18 USC 500, 501, 503, 1720)

Special Agents investigate sophisticated schemes to manipulate postal money orders or funds by employees while Postal Inspectors pursue criminals who forge, alter, or counterfeit postage stamps, postal money orders, and other stamp products.

**Narcotics and Controlled Substances** (21 USC 841, 843, 844; 18 USC 1716)

Postal Inspectors initiate investigations related to transporting and distributing narcotics through the mail when employees are not involved. Special Agents investigate the sale or distribution of illegal narcotics by postal employees in the postal workplace or while on duty.

**Obscenity and Sexually Oriented Advertising** (18 USC 1461, 1463, 1735 and 39 USC 3010)

Postal Inspectors follow court-established guidelines to uphold obscenity standards, which prohibit "obscene, lascivious, indecent, filthy, or vile" mailings. Customers who wish to halt mailings of sexually oriented advertisements or similar solicitations may complete and submit PS Form 1500, available at Post Offices or online.

**Robbery** (18 USC 2114)

Postal Inspectors respond promptly to robberies of postal employees, facilities, vehicles and postal contractors.

**Theft of Mail** (18 USC 1708, 1709)

Theft of mail is a primary investigative responsibility of both agencies. Special Agents investigate thefts by postal employees and contractors. Postal Inspectors investigate incidents by all others, including Postal Service contractors who transport mail to postal facilities.

**Theft of Postal Property** (18 USC 1707)

Misconduct by postal employees is investigated by Special Agents and includes theft, destruction, or misuse of Postal Service property or equipment.

**Whistleblower Protection** (5 USC 1201-1206, 1212-1213)

Postal employees who report misconduct that is a violation of law or a direct threat to public interest are protected by this act. Special Agents investigate violations.

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The United States Postal Service has two law enforcement agencies with distinct areas of investigative responsibility to serve the needs of stakeholders, postal employees, and the American public.

## Who do I call?

### Postal Inspection Service

- Security of employees, facilities, and equipment
- Revenue and postage fraud
- International mail security
- Violent crimes:
  - Threats and assaults of employees
  - Burglaries and robberies
- Mail theft by nonemployees
- Dangerous mail and bombs
- Mail fraud
- Identity theft
- Narcotics in the mail
- Child pornography and obscenity

**Contact: 877-876-2455**  
<http://postalinspectors.uspis.gov/>



### Office of Inspector General

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

**Contact: 888-USPS OIG**  
[www.uspsoig.gov](http://www.uspsoig.gov)





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