



October 1, 1999 - March 31, 2000



OFFICE OF INSPECTOR GENERAL

Semiannual Report to Congress

Including Significant Activities of the Inspection Service





KARLA W. CORCORAN
Inspector General

A Message from the Inspector General

Our Investment in the New Millennium

As we enter the new millennium, the Office of Inspector General is proud to have assisted the Postal Service in meeting its “Year 2000” (Y2K) challenge. Working with Postal Service management and staff, we helped to ensure that any disruptions of mail delivery were minimal and that the Postal Service tradition of universal delivery continued. The critical date of the Y2K challenge — January 1, 2000 — came almost three years to the day after our inception in January 1997. This was without a doubt the most visible area where we have had an overarching and continuous impact that spanned the three years of our existence. In fact, our efforts were recognized by Postmaster General Henderson at the January Board of Governors meeting when he praised our work in assisting the Postal Service in meeting its challenge so successfully.

Simultaneously, while working on the Y2K challenge, we continued to provide the Postal Service and its stakeholders with value-added audit, investigative, and other services in numerous ways, including:

- ◆ Developing and issuing our first video report, which brought to life the unsafe and unsanitary conditions in a Postal facility that threatened the health and safety of Postal employees and customers;
- ◆ Testifying before Congress on our oversight responsibilities related to the Postal Service’s business operations;
- ◆ Working with Postal Service management to develop a public disclaimer, which fully discloses that the External First-Class Measurement System is not a system-wide measurement of First-Class Mail performance;
- ◆ Identifying 20 trailers holding hundreds of thousands of pieces of misreported, unprocessed mail up to three weeks old during the holiday season, including Christmas advertising flyers, catalogs, small packages, and periodicals;
- ◆ Evaluating the tray management system, a \$.5 billion automated mail movement and storage system, and questioning the accuracy of the projected return on investment;
- ◆ Reviewing costs and revenues on the Postal Service’s first Semi-Postal Breast Cancer Research stamp and questioning whether the Postal Service adequately accounted for and recovered all of its costs in generating \$8.6 million for breast cancer research;
- ◆ Recovering about \$3 million as a result of an ongoing investigation of a major telecommunications contractor for improper billing;
- ◆ Establishing a contract audit program to assist the Postal Service in negotiating fair and reasonable contract prices and paying only for allowable and supportable costs incurred by contractors, on which the Postal Service spends over \$7 billion each year; and
- ◆ Launching a new program for issuing computer security advisories to Postal management alerting them of potential weaknesses in systems security.

In addition to these and other projects that we have conducted during the past six months, the Office of Inspector General received an award for “Best Special Event” and the President’s Award, the highest recognition a Federal agency can receive, for our employees’ participation in the 1999 Combined Federal Campaign.

One of the highlights of this semiannual reporting period was our “Third Annual Recognition Day” ceremony. Representative John M. McHugh, Chairman, Subcommittee on the Postal Service, House Committee on Government Reform; Governor Einar Dyhrkopp, Chairman of the Postal Service Board of Governors; and Dan Blair, Senior Counsel, Senate Committee on Governmental Affairs, each spoke to our more than 400 employees, congratulating them on their successes and encouraging them to continue achieving the Office of Inspector General mission.

As a result of cooperative efforts among the Governors, Postal Service management, and others, we resolved two previously reported major challenges. Specifically, the Governors approved a revised “Designation of Functions” between the Inspection Service and the Office of Inspector General. The major changes to the revision included the Office of Inspector General being responsible for all audit work and expenditure investigations, and clarifying definitions between the two groups. In addition, the Governors approved an audit resolution process to aid in resolving disagreements between management and the Office of Inspector General.

We continue to work with the Governors and others on important issues such as Inspector General independence, the need for additional staffing to perform audits transferred from the Inspection Service as a result of the newly approved designation of functions, and additional space requirements resulting from our changing needs.

This Semiannual Report to Congress details our significant activities and accomplishments as well as those of the Inspection Service from October 1, 1999, through March 31, 2000. Submission of this report fulfills our reporting requirement under the Inspector General Act and Inspection Service requirements under the Mail Order Consumer Protection Amendments of 1983. This report also represents a comprehensive status of the work of this office and the Inspection Service in combating fraud, waste, abuse, and mismanagement within the Postal Service.

In this reporting period, we issued 50 audit reports, including 18 contract audits performed for us by the Defense Contract Audit Agency, and 77 management advisory reports and other products. We also closed 64 investigations. These efforts resulted in over \$33.6 million in questioned costs and funds to be put to better use. The work of approximately 2,100 Postal Inspectors included 176 audits and 96 expenditure, financial, service, and revenue investigative reports which identified over \$266 million in questioned and unsupported costs and more than \$9 million in funds to be put to better use. Our combined efforts resulted in 463 written products to strengthen Postal Service programs and operations and over \$308 million in monetary benefits.

Also, in the last six months, I have filled a key management position by appointing Richard Chambers as the Deputy Inspector General. In this role, Mr. Chambers will assist other members of our Management Committee and me in leading the Office of Inspector General. The Board of Governors and the Postal Service also experienced management changes. We look forward to working with John Walsh, from Connecticut, who was appointed by President Clinton to the Board of Governors, and John Nolan who was selected to be Deputy Postmaster General.

Four years ago no one could have predicted we would achieve so much in such a short period of time. We are proud of our hard work and accomplishments during our brief existence. We remain committed to working with the Inspection Service to help the Postal Service meet the challenges of a competitive marketplace and assisting the Postal Service in achieving its mission. The new millennium will bring many changes, but we look forward to the challenges.

Sincerely,



Karla W. Corcoran
Inspector General

April 30, 2000



Chairman John McHugh of the House Subcommittee on the Postal Service addresses all Office of Inspector General staff at the Third Annual Recognition Day.

Table of Contents

EXECUTIVE SUMMARY.....	5
MAJOR MANAGEMENT ISSUES FACING THE POSTAL SERVICE	9
POSTAL SERVICE REPORTED ACCOMPLISHMENTS	17
OVERVIEW	21
Office of Inspector General	22
Inspection Service.....	32
ORGANIZATION.....	35
Office of Inspector General	37
Inspection Service.....	41
GOALS AND STRATEGIES	43
Office of Inspector General	44
Inspection Service.....	45
CUSTOMER SERVICE	47
Office of Inspector General	48
Inspection Service.....	54
PERFORMANCE REVIEWS.....	57
Office of Inspector General	58
◆ Accepting and Processing	58
◆ Transportation	59
◆ Delivery	60
◆ Marketing	61
◆ Legislative and Regulatory Reviews	62
Inspection Service.....	64
◆ Transportation	64
◆ Delivery	64
◆ Mail Theft	64
◆ Service Investigations	66
FINANCIAL MANAGEMENT REVIEWS	67
Office of Inspector General	68
◆ Financial Opinion Audits	68
◆ Financial Related Reviews	69
◆ Contracting and Facilities	70
◆ Legislative and Regulatory Reviews	72
Inspection Service.....	73
◆ District and Installation Financial Audits.....	73
◆ Contracts and Facilities Audits	74
◆ Revenue Investigations	74
◆ Embezzlements.....	75
TECHNOLOGY REVIEWS	77
Office of Inspector General	78
◆ Year 2000 and Information Systems	78
◆ Developmental Reviews	79
◆ Computer Security	80



◆ Electronic Commerce	81
◆ Computer Intrusion	82
◆ Legislative and Regulatory Reviews	82
Inspection Service.....	83
◆ Electronic Commerce.....	83
LABOR MANAGEMENT REVIEWS	85
Office of Inspector General	86
◆ Violence in the Workplace	86
◆ Workplace Climate.....	87
◆ Healthcare	88
◆ Postal Employees Safety Enhancement Act.....	90
◆ Legislative and Regulatory Reviews	90
Inspection Service	91
◆ Workplace Climate.....	91
◆ Postal Robberies	91
◆ Drugs in the Workplace	92
◆ Workers' Compensation.....	92
OVERSIGHT REVIEWS OF INSPECTION SERVICE	95
Office of Inspector General	96
◆ Oversight of Inspection Service.....	96
◆ Legislative and Regulatory Reviews	97
OTHER SIGNIFICANT REVIEWS.....	99
Office of Inspector General	100
◆ Executive Investigations.....	100
◆ Legislative and Regulatory Reviews	100
Inspection Service	102
◆ Physical Security	102
◆ Narcotics Offenses and Trafficking	102
◆ Child Exploitation	103
◆ Prohibited Mail.....	104
◆ Postal Burglaries	104
◆ Mail Fraud	105
◆ Money Laundering	107
APPENDICES	108
Appendix A - Closed Congressional Inquiries.....	109
Appendix B - Reports Issued to Postal Management	114
Appendix C - Findings of Questioned Costs	130
Appendix D - Recommendations That Funds Be Put to Better Use....	131
Appendix E - Unresolved Reports	132
Appendix F - Summary of Inspection Service Actions	
Under 39 USC § 3005 and § 3007	135
Appendix G - Criminal Statistics	137
Appendix H - Summary of Postal Service Investigative Activities	
Under 39 USC § 3013 (prototype)	138
Hotline Poster	139

Executive Summary



**DID YOU
KNOW?**

What is the OIG's primary responsibility?

The primary responsibility of the OIG is to prevent, detect, and report fraud, waste, abuse, and mismanagement, and to promote efficiency in the programs and operations of the Postal Service.

This Executive Summary highlights the Office of Inspector General (OIG) and Inspection Service accomplishments from October 1, 1999, through March 31, 2000, that are contained in this Semiannual Report to Congress.



The OIG Management Committee consists of (left to right) Deputy Inspector General Richard Chambers and Assistant Inspectors General Sylvia Owens and Ronald Merryman; Inspector General Karla Corcoran; Assistant Inspectors General Norm Hancock and Billy Sauls; and General Counsel Tom Coogan. (Not pictured; Executive Representative for Field Liaison Colleen McAntee)

EXECUTIVE SUMMARY

This Executive Summary provides a brief synopsis of the work reported during this six-month period. This issue of our Semiannual Report addresses the major challenges the Postal Service faces as it enters the 21st century and the many reviews performed—from preparing for Year 2000 (Y2K) readiness, to exploring electronic commerce and computer intrusion issues, to investigating mail thefts and workplace violence—that help improve Postal operations.

The OIG and the Inspection Service conduct reviews and investigations—independently and collaboratively—that play a vital role in helping the Postal Service make improvements. Work performed by both the OIG and the Inspection Service is included in this report. We have included examples of Inspection Service work to present Congress and the Governors with a unified report of the work being done within the Postal Service to combat fraud, waste, abuse, and mismanagement.

In this, the OIG's seventh Semiannual Report, the work has been categorized into seven subject areas: customer service, performance, financial management, technology, labor management, oversight of the Inspection Service, and other significant issues. We believe this format provides a clear understanding of where our work falls within the ten major management and program challenges facing the Postal Service, which include:

- ◆ reforming the regulatory environment;
- ◆ managing affordability by controlling costs
- ◆ growing and protecting revenues;
- ◆ improving workplace climate and labor relations;
- ◆ maintaining a safe and healthy workplace;

- ◆ developing measures and assessing performance;
- ◆ ensuring data integrity and reliability;
- ◆ leveraging technology;
- ◆ maintaining computer security; and
- ◆ increasing customer service and satisfaction.

The following highlights the accomplishments of the OIG and Inspection Service under the specific subject areas:

(1) The area of **customer service** highlights the OIG and Inspection Service commitment to providing the best quality customer service available.

(2) The area of **performance** focuses on the critical core business processes needed to succeed in a competitive environment. The OIG conducted 27 reviews in this area, which included projects that will help save the Postal Service over \$30 million in current and future years. A few examples of work in this area include:

- ◆ working with Postal Service management to develop a public disclaimer, which fully discloses that the External First-Class Measurement System is not a system-wide measurement of First-Class Mail performance;
- ◆ disclosing that the Postal Service could save \$28 million over five years by reducing contract rates where Postal Service employees perform ground-handling services expected to be performed by air carriers;
- ◆ determining that the Postal Service had not recovered some allowable costs associated with Breast Cancer Research Stamp Program; and
- ◆ identifying that \$6 million in stamp stock, stored on a loading dock, was not properly accounted for or adequately secured at a Processing and Distribution Center.

The Inspection Service completed 12 audits related to area, district, and local issues, and numerous investigations, such as:

- ◆ vehicle inventories and surface transportation operations;
- ◆ controls over carrier overtime; and
- ◆ mail theft, resulting in arrests of 404 employees and 2,522 nonemployees.

(3) In the area of **financial management**, which incorporates financial opinion and other related financial reviews, contracting, and facilities practices, the OIG completed 65 reviews and conducted investigations resulting in one conviction, nine arrests, two indictments, and recoveries and restitution of over \$1.1 million, which included:

- ◆ an audit of the San Mateo accounting service center that resulted in eight financial accounting adjustments that increased income by \$32.5 million;
- ◆ a review of cost containment measures to reduce the Postal Service budgeted expense by \$400 million during Fiscal Year (FY) 1999, which disclosed that specific guidance on cost reductions was needed to ensure that strategic goals were not impacted; and
- ◆ an investigation into a contract with a large telecommunications contractor that resulted in a recovery of \$900,000 in this reporting period, for a total recovery of \$2.9 million to date.

In addition to other work, the Inspection Service:

- ◆ reported the results of 2 opinion audits, 135 financial installation audits, and 18 District Accounting Office audits, for a total of 155 audits, which identified over \$126,000 in revenue deficiencies;
- ◆ reported the results of eight contract audits and one facility audit, which identified \$266 million in questioned costs; and
- ◆ reported the results of 58 revenue investigations during the reporting period, which identified \$12.6 million in revenue deficiencies.

(4) In the area of **technology**, which encompasses the Y2K initiative, information systems and infrastructure, developmental systems, telecommunications, and computer security, the OIG performed 11 reviews. Some of our more significant activities include:

- ◆ working with Postal management to successfully implement the Y2K emergency response capability;
- ◆ reviewing the Tray Management System and identifying that the return on investment was significantly overstated and that equipment maintenance labor and operating costs will be at least \$27.9 million more than projected; and
- ◆ issuing the OIG's first Computer Security Advisory to assist Postal management in improving computer security.

The Inspection Service:

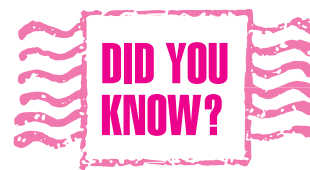
- ◆ developed a two-day training course for Postal Inspectors and others entitled Computer Searches and Internet Investigations. In November, reporters from ABC's "20/20" visited the new computer class to highlight the new role of Postal Inspectors as "cyber-cops."

(5) The **labor management** area focuses on issues related to violence in the workplace, workplace climate, health care, and the Postal Employees' Safety Enhancement Act. During this reporting period, the OIG conducted 44 reviews in this area, including:

- ◆ the OIG's first video report documenting unsafe working conditions at a Southwest station;
- ◆ a review that substantiated allegations of a hostile work environment that increased the risk of violence in a Southeast Area post office; and
- ◆ an investigation of a healthcare provider that revealed a Postal employee had been performing work on a physician's residence while collecting disability payments.

The Inspection Service:

- ◆ arrested 13 individuals for selling drugs on Postal property;
- ◆ conducted numerous workers' compensation investigations resulting in \$66.4 million in long-term and continuation-of-pay cost saving for this reporting period; and
- ◆ arrested 230 individuals for assaults and threats against Postal employees.



What are the OIG "values?"

The OIG's values are teamwork, leadership, creativity, communication, and conceptualization, that are incorporated into a 360-degree employee evaluation system called "TLC3."



Deteriorating lead-based paint recorded in the OIG's first video report concerning a Postal facility.

(6) In the area of **oversight of the Inspection Service**, the OIG completed three reviews including:

- ◆ a review of the Postal Service's process for determining the security clearance levels for non-Inspection Service positions.

(7) **Other significant reviews** included projects that do not readily fall into the other six categories. The 41 other OIG reviews included:

- ◆ investigations of Postal Service Career Executive Service employees who allegedly misused government-issued Citibank credit cards for personal purchases and improperly used Postal Service vehicles and drivers for personal transportation for about 2 1/2 years.

The Inspection Service conducts numerous audits and investigations covering significant issues in the areas of physical security, narcotics offenses trafficking, child exploitation, prohibited mail, Postal burglaries, and mail fraud.



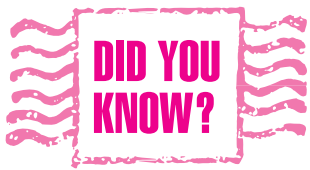
Major Management Issues Facing the Postal Service



DID YOU KNOW?

To whom does the Inspector General report?

The Inspector General reports to the nine Postal Service Governors and not to the Postmaster General. Also, the Inspector General is required by statute to keep Congress informed of OIG activities.



Does the OIG have access to all Postal Service documents and information?

The Inspector General Act specifically provides that the Inspector General is authorized “to have access to all records, reports, audits, reviews, documents, papers, recommendations, or other material available to the applicable establishments.”



The proposed H.R. 22 would provide regulatory relief for the Postal Service.

MAJOR MANAGEMENT ISSUES FACING THE POSTAL SERVICE

During the past five years, the Postal Service has made notable improvements in its financial position and delivery performance. It has recorded positive net income and maintained or improved the overall delivery of certain specific classes of mail. However, the Postal Service is entering a new era. It expects declines in some of its core business areas in the coming years. The growth of the Internet, electronic communications, and electronic commerce all have the potential to substantially affect mail volume and traditional revenue stream. As a result, the Postal Service may experience difficulty maintaining its position in a dynamic communications and delivery environment.

In the emerging electronic age, in which some segments of the population are changing the way they communicate and do business, the Postal Service must continue to respond to new customer requirements to meet its mission. Additionally, the outcome of proposed legislative reforms could alter the fundamental regulatory framework that provides for the structure of the Postal Service’s current operations. These developments make it imperative for the Postal Service to (1) reform the regulatory environment; (2) manage affordability by controlling costs; (3) grow and protect revenues; (4) improve workplace climate and labor relations; (5) maintain a safe and healthy workplace; (6) develop measures and assess performance; (7) ensure data integrity and reliability; (8) leverage technology; (9) maintain computer security; and (10) increase customer service and satisfaction.

These issues, their significance, and key OIG projects that address them are examined below.

REFORM THE REGULATORY ENVIRONMENT

The Postal Service believes it is imperative to have the statutory authority to adapt to new conditions and demands due to rapid changes in electronic communications, coupled with the nation’s now mature and highly competitive

shipping and express industry. The Postmaster General has stated that competitors of the Postal Service can move faster, act more agilely, and thus, better respond to the changing marketplace. To compete effectively and in concert with the needs of its customers, the Postal Service believes it needs commercial freedoms, including market-based pricing and the ability to generate income for investment. Unlike many of the foreign posts that have been privatized or deregulated, the Postal Service is limited in its ability to invest, enter into forward-looking pacts with labor, or seek new alliances and new markets because of legal restrictions.

While many stakeholders agree that reform of our nation’s postal laws is needed, identifying and implementing the right changes presents a difficult challenge. The Postal Modernization Act, H.R. 22, would give the Postal Service greater freedom to compete, while establishing new rules to ensure fair competition and protect the public interest. Since H.R. 22 was reintroduced in Congress in January 1999, Postal management has worked with the House Subcommittee on the Postal Service to draft provisions to move the mailing industry forward, while providing the Postal Service with competitive pricing in an effort to strengthen the value and relevance of the mail and respond to customer needs.

To address this major management challenge during the coming year, among other reviews, the OIG will:

- ◆ Assess statutory and regulatory provisions that effect the development of electronic commerce products and services;
- ◆ Determine whether the Postal Service has the commercial freedoms needed to compete in the Internet shipping market; and
- ◆ Assess the impact of current regulations on the Postal Service’s ability to offer incentives to attract and retain highly-qualified executives.

MANAGE AFFORDABILITY BY CONTROLLING COSTS

The Postal Service’s ability to ensure universal mail service at affordable rates is dependent on controlling costs, strengthening internal controls, and improving productivity. Most

importantly, aggressive cost management will be necessary to mitigate historic cost trends that drive rate increases. To control costs, the Postal Service has launched an initiative to eliminate \$4 billion in expenses by FY 2004. The majority of these reductions will come from breakthroughs in productivity in Postal operations. Further, the Postal Service has taken steps to strengthen internal operating controls to avoid unwarranted costs. While these actions are important, they will not guarantee success unless the Postal Service ensures controls are also adequate in future programs and initiatives. Effective management of the Postal Service's capital investments is also critical if the Postal Service is to achieve its projected return on investments. Given the Postal Service's plan to spend billions of dollars on automation projects over the next few years, it will need to ensure it must be prepared to meet the critical challenges of effectively implementing automation projects within budget, obtaining the planned savings on schedule, and improving overall productivity.

Despite efforts to control costs and increase productivity, the Postal Service requested rate increases in January 2000 to cover its rising operating costs in areas such as First-Class Mail, Express Mail, Parcel Post, and Periodicals. Such increases would allow the Postal Service to support its operations solely through sales of its products and services. The rate-making process also affords the Postal Service the opportunity to pursue rate classification changes that would benefit mailers. However, many Americans have the perception that the Postal Service raises rates more frequently than it actually does, and without regard to customers' concerns and input. For this reason, the Postal Service continues to face challenges from its competitors as mailing groups and members of the public argue before the Postal Rate Commission against the Postal Service's proposed rate increases.

To address this major management challenge during the coming year, among other reviews, the OIG will:

- ◆ identify opportunities for optimization and cost savings within the Postal Service's transportation networks;
- ◆ review the cost effectiveness of the Postal Service's facilities site selection process;

- ◆ evaluate controls over Postal Service contracts for consulting, personal, and auditing services;
- ◆ monitor the rate case and review the methods used to gather and analyze data to support rate cases and associated costs;
- ◆ review the effectiveness of the Decision Analysis Report process for making major investment decisions; and
- ◆ determine whether the Mail Transportation Equipment Service Centers are achieving stated performance and financial goals.

GROW AND PROTECT REVENUES

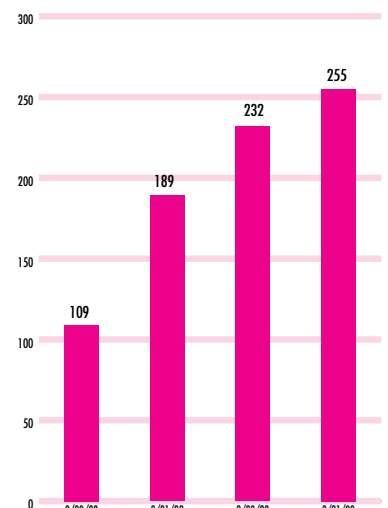
The Postal Service's ability to adapt to increasing competition is critical if it is to maintain a competitive position in the rapidly-changing communications and delivery environment. Increasing competition, particularly from electronic alternatives, has slowed the growth of Postal revenue and is expected to have a continuing impact on the Postal Service's financial viability in the next decade. According to the General Accounting Office (GAO) and Postal Service, First-Class Mail volumes are expected to decline at an annual rate of 2.5 percent from FY 2003 to FY 2008. Such a decline would be unprecedented in the Postal Service's history and would likely create financial and performance challenges.

The Postal Service has also encountered increasing competition from the private sector and foreign posts. Increased competition places billions of dollars of Postal revenues at risk. The Postal Service has said that it will be challenged to find new revenue sources. Efforts by the Postal Service to introduce new products and services have frequently met with opposition and have caused controversy. Competitors and others have questioned whether it is appropriate for a government entity with monopoly protection to provide nontraditional products and services in competition with the private sector. Members of Congress, concerned that the Postal Service was unfairly expanding its product line to compete in non-Postal related markets, have introduced legislation to curtail such activity.

In addition to generating new revenue, the Postal Service must ensure that postage and fees for its products and services are collected. How-

OIG Open Criminal Investigations By Semiannual Period

NUMBER OF INVESTIGATIONS IN AN OPEN STATUS



OIG investigations help to protect Postal Service revenues.

ever, the Postal Service has not always had effective controls to protect its revenues. With bulk mail business accounting for a substantial portion of the Postal Service's annual revenue, the Postal Service will need to strengthen its controls to improve the efficiency of its revenue assurance process. Recent efforts to tighten controls have met resistance from the mailing industry and have been subject to congressional scrutiny.

To address this major management challenge during the coming year, among other reviews, the OIG will:

- ◆ Evaluate how marketing contributes to the successful development and promotion of Postal Service products and services;
- ◆ Review the effectiveness and management of the Postal Service Premier Accounts Program;
- ◆ Determine whether revenues from large mailers cover associated costs and whether Postal Service procedures for large mailers are effective;
- ◆ Assess the integrity and reliability of the verified drop shipment process; and
- ◆ Assess the effectiveness of the Postal Service's revenue assurance process.

IMPROVE WORKPLACE CLIMATE AND LABOR RELATIONS

Labor-management relations remain one of the Postal Service's major challenges in meeting its goals and maximizing performance. With about 900,000 full- and part-time employees, a healthy work environment is key to maximizing employee and organizational performance. However, the Postal Service has been hampered by persistent labor-management problems, such as adversarial relationships, inadequate performance measurement systems, and management styles that negatively affect productivity. Labor-management problems have also been perpetuated by numerous unresolved grievances that have impaired initiatives to automate and improve the efficiency of Postal operations. These problems have created barriers that have often stood in the way of agreements between the Postal Service and its labor unions.

As part of the Postal Service's ongoing

commitment to eliminate violence from the workplace, the Postmaster General asked Joseph A. Califano, Jr., to chair The United States Postal Service Commission on a Safe and Secure Workplace. The five-member Commission will investigate and analyze violence in the Postal Service, giving special attention to work-related stress, substance abuse, and the workplace environment. The Commission's draft report will be issued in August 2000.

One area that historically has posed a challenge to the Postal Service and its unions involves wage negotiations. For the first time in a decade, the American Postal Workers Union and the National Postal Mail Handlers Union reached collective bargaining agreements without third-party arbitration. However, for one union, the National Association of Letter Carriers, interest arbitration involving a third-party arbitrator was used to settle contract disputes regarding employee wages. The interest arbitration award created expectations of grade level and wage increases for clerk and mailhandler employees. These expectations will potentially increase the tension between labor and management especially during future labor negotiations.

The Postal Service has identified a number of goals and strategies to improve its workplace relations and to enhance various employee programs, such as its diversity program. However, success of these efforts is unlikely without a partnership between Postal managers and employees. Labor-management partnerships are also critical if the Postal Service is to achieve its overall financial goals. Employees and their unions will have to embrace technological advancements that will improve customer service and ensure the financial viability of the Postal Service. However, Postal Service announcements, that it will substitute capital for labor and further decrease the size of its workforce, impact employee job security and performance.

Additionally, management receives incentives under the Postal Service's Economic Value Added variable pay program. To achieve these incentives, management sometimes engages in behavior that employees view as adversarial. This also adversely impacts employee productivity. In order to become a more effective organization, the Postal Service will have to evalu-



The Califano Commission will recommend steps to prevent violence in the Postal Service workplace.

ate the needs of its employees and resolve persistent labor-management problems.

To address this major management challenge during the coming year, among other reviews, the OIG will:

- ◆ Assess the effectiveness of Postal Service initiatives to improve the organizational climate;
- ◆ Evaluate the criteria supporting violence prevention strategies and the violence prevention program to determine the impact on workplace climate and operations;
- ◆ Evaluate the appropriateness of the Economic Value Added program as a performance measure;
- ◆ Ascertain the effectiveness of workplace climate assessments; and
- ◆ Review the consistency of disciplinary actions in the Postal Service.

MAINTAIN A SAFE AND HEALTHY WORKPLACE

Another significant challenge the Postal Service faces is implementing the Postal Employees Safety Enhancement Act, which became effective on September 28, 1998. The act requires the Postal Service to comply with Occupational Safety and Health Act requirements for private sector employers. Accordingly, the Postal Service may now face citations and monetary penalties for noncompliance. As of March 2000, the Postal Service has been assessed over \$182,000 in fines. In complying with the act, Postal officials stated they would have to review and modify existing safety and health policies, programs, procedures, systems, training, and education programs, as well as modify recordkeeping procedures for accident and injury data. The Postal Service has begun new training initiatives on safety leadership for operations managers and supervisors, and instituted a self-audit program process to improve safety performance. Challenges associated with implementing the requirements of the act include: (1) modifying existing automated systems at the same time the Postal Service was forced to dedicate significant resources to meet the Y2K computer challenge; (2) developing and implementing training programs on judicial

and other processes that previously were not applicable to the Postal Service for safety personnel, legal staff, and key operations staff; and (3) revising the Postal Service's financial systems to track expenses associated with implementing the new requirements. Additional challenges could come this year if the current ergonomic rule proposal, which ranges from carpal tunnel syndrome from typing to a pulled back muscle from heavy lifting, is implemented because of the associated costs.

The Injury Compensation Program also poses additional management challenges. Workers' compensation medical costs under the Postal Service's Injury Compensation Program have risen dramatically between FY 1999 and FY 2000, and exceeded budgeted estimates. The Postal Service is particularly concerned about the recent program-wide 20 percent increase experienced in medical costs. The OIG has efforts underway to help the Postal Service determine why these medical costs are increasing. In addition, the Postal Service is making a concentrated effort to return employees to work and off of the periodic roll to aid in reducing the long-term workers' compensation liability.

To address this major management issue during the coming year, among other reviews, the OIG will:

- ◆ Assess the Postal Service's implementation of the Postal Employees Safety Enhancement Act and its impact on the organization and operations;
- ◆ Review the Postal Service's identification of substandard facilities;
- ◆ Assess the administration of light and limited duty assignments; and
- ◆ Assess the reasons for significant increases in medical costs in the Postal Service's workers' compensation program, and identify overpayments to recipients and providers.

DEVELOP MEASURES AND ASSESS PERFORMANCE

The Postal Service's ability to maximize performance in the face of increasing customer demands and choices calls for establishing processes to accurately assess performance results. This year the Postal Service published its first annual performance report under the

The "...Annual Performance Plan for FY 2000 sets goals, indicators and targets that continue the transformation of the Postal Service into a proactive, mission-driven, customer-focused organization that is responsive to the requirements of the American public, the challenges of a rapidly changing marketplace and the needs of employees."

*The Postal Service FY 2000
Annual Performance Plan*

Government Performance and Results Act. This report should help the Postal Service, Congress, and other stakeholders assess the Postal Service's performance in the past fiscal year against the goals in its performance plan. In this regard, it will be important for the Postal Service to continue to make tangible progress toward implementing a complete set of performance measures and targets for its critical functions and program areas. For example, in FY 2000, the Postal Service intends to develop new measures to assess the timeliness of the delivery of international mail, publications, and bill payments sent through the mail. Additionally, the Postal Service will need to establish indicators for strengthening labor-management relations, improving the consistency and accuracy of mail delivery, and measuring employee proficiency. These measures will help the Postal Service fully assess its progress toward meeting its goals.

To address this major management challenge during the coming year, the OIG will monitor each program through audits or reviews to assure that the Postal Service is developing appropriate measures to assess program performance. In addition, the OIG will:

- ◆ Evaluate the sufficiency and appropriateness of the Priority End-to-End measurement system; and
- ◆ Monitor and report on the Postal Service's efforts to comply with the Government Performance and Results Act.

ENSURE DATA INTEGRITY AND RELIABILITY

Accurate measurement of mail delivery is key to the Postal Service's efforts to improve and sustain service performance. However, questions have been raised concerning the integrity of data used to measure the timeliness of overnight First-Class Mail delivery. Last year, the OIG identified several weaknesses that could compromise the validity of the Postal Service's reporting system during reviews of rail detention costs and the equipment preventive maintenance program. In response, the Postal Service has revised and updated instructions on volume reporting and will deliver this year a training course on data integrity, reporting, and reliability.

Reliable data is also a key to effective deci-

sionmaking. In many instances, the OIG has found that the Postal Service does not capture the necessary data to support effective decision-making. Despite the importance of reliable data, a recent study by an outside contractor on data reliability within the Postal Service, concluded that the increasing pace of change in the environment and technology of the Postal Service's operations have led participants, including ratemakers, to criticize the quality of the Postal Service's data and procedures. Given the importance of data quality to setting Postal rates, the Postal Service will need to demonstrate to Congress, the Postal Rate Commission, stakeholders, and the public that it is making progress in improving the quality of its cost data.

To address this major management challenge during the coming year, among other reviews, the OIG will:

- ◆ Assess the reliability of the financial statements and test financial data at Postal installations;
- ◆ Evaluate the controls and accuracy of data contained in the accounting system that controls revenue generated by postage meters;
- ◆ Assess the accuracy of fuel cost reimbursements;
- ◆ Assess Delivery Confirmation program controls and the accuracy of customer delivery status information; and
- ◆ Examine the accuracy and support for travel expenses incurred for international trips.

LEVERAGE TECHNOLOGY

The Postal Service is seeking ways to leverage technology to improve its service, productivity, and profitability. While it depends on technology to deliver more than 650 million pieces of mail every day, the Postal Service must continue to adapt to each new wave of technology quickly to maintain its competitive position in the market. Doing so is critical because expectations from businesses and individual customers will continue to be shaped by what they see as they "surf the net." Customers will expect complete tracking capabilities and a full set of business transactions that can be completed on their personal computers at the office or at home. To address changing customer needs, the

Postal Service is developing an “information platform” to help ensure better data management, tracking of mail piece information, communications between the Postal Service and its customers, and activity-based costing.

The large size and diversity of the Postal Service customer base will also present technical challenges and demand that solutions are simple, easy to use, and competitive. To be successful, the Postal Service must also ensure that the corresponding cost savings projected through technology investments are realized by efficiently redeploying the resources replaced by the new technology.

To address this major management challenge during the coming year, among other reviews, the OIG will:

- ◆ Evaluate performance and costs associated with the Postal Service’s robotics program;
- ◆ Monitor and evaluate the research and design for new automation initiatives critical to the Integral Postal Facility;
- ◆ Assess performance and costs of new automated equipment used for business mail acceptance and validation;
- ◆ Monitor development of the information platform to ensure it meets the needs of the Postal Service and achieves expected benefits; and
- ◆ Provide ongoing reviews of POS (Point of Service) ONE development and deployment.

MAINTAIN COMPUTER SECURITY

Computers and electronic data have become indispensable to the critical operations of the Postal Service. However, this reliance on automated systems increases the risk of fraud, inappropriate disclosure of sensitive data, and disruption of critical operations and services. The same factors that benefit operations—speed and accessibility—also make it possible for individuals and organizations to easily interfere with or eavesdrop on operations, possibly for purposes of fraud, sabotage, or other malicious reasons. Recent highly-publicized attacks on major electronic commerce web sites revealed the loss of revenue and brand integrity that can accompany a computer security inci-

dent. Threats of such actions are increasing, in part, because the number of individuals with computer skills is increasing and because intrusion or “hacking” techniques have become readily available through magazines and computer bulletin boards. In addition, natural disasters and inadvertent errors by authorized computer users can have devastating consequences if information resources are poorly protected.

The Postal Service’s systems face the same vulnerability to these risks as all businesses. To combat these risks and protect the critical information infrastructure, comprehensive computer security programs must be developed. The Postal Service is currently taking steps to address these risks, however, resolving the risks on a lasting basis, as with any organization, will require substantial ongoing management attention. Because the Postal Service intends to position itself as a major participant in electronic commerce, the importance of adequate computer security to operate such programs cannot be overemphasized.

To address this major management issue during the coming year, among other reviews and actions, the OIG will:

- ◆ Conduct a comprehensive Postal-wide review of computer security;
- ◆ Evaluate senior management involvement in the organization, planning, budgeting, policies, and implementation of computer security;
- ◆ Assess Privacy Act concerns about automated information systems;
- ◆ Review the Postal Service’s plans for safeguarding against computer security failures; and
- ◆ Evaluate the security architecture over electronic commerce systems and services.

INCREASE CUSTOMER SERVICE AND SATISFACTION

In today’s marketplace, customers have choices about how they conduct transactions, transmit messages, and deliver merchandise. Increasing service delivery and customer satisfaction will be key to maintaining and building customer loyalty and growing new business. However, recent criticism about the manner in

which the Postal Service recovers assessments from mailers because of their underpayments for postage and other fees threatens critical partnerships the Postal Service has worked to establish with its mailers. As the Postmaster General indicated at a recent conference, the success of the Postal Service depends on its partnerships with the mailing industry. Because the Postal Service's efficiency and productivity are volume-driven, it needs the volume and its associated revenue to thrive in the future.

The Postal Service also views its access to the American household as a unique asset that it can rely on in the face of increasing competition. While this has been an asset, the Postal Service must also continue to develop products and services that retain their relevancy and value for customers with changing needs. Customer needs will also have to be satisfied in an increasingly complex manner, and the Postal Service will need to reshape the way it views its traditional role. It must quickly begin building the capabilities to succeed in this environment before the window of opportunity closes.

To address this major management challenge during the coming year, among other reviews, the OIG will:

- ◆ Assess the Postal Service's electronic commerce environment and activities;
- ◆ Evaluate strategic/operational planning and budgeting for electronic commerce;
- ◆ Assess the Postal Service's strategic and operational planning for shipments from Internet retailers;
- ◆ Assess the Postal Service's treatment of mailers in the Revenue Assurance Process; and
- ◆ Evaluate controls over the development and implementation of specific electronic commerce systems.

Postal Service Reported Accomplishments



**DID YOU
KNOW?**

Is the OIG part of the Postal Service?

Yes, OIG employees are Postal Service employees; however, the OIG is not part of the Postal Service management chain.

The OIG's goal is to work in concert with the Postal Service to ensure the American public receives the best mail delivery service in the world. Highlighting the Postal Service's accomplishments provides context to the OIG and Inspection Service activities. During the October 1999 through March 2000 timeframe, the Postal Service made strides in achieving its *CustomerPerfect!* goals. In addition, the Postal Service announced the following accomplishments, which the OIG has categorized in the areas of performance, financial management, technology, and labor management.

PERFORMANCE

- ◆ Worked closely with the Postal Service Subcommittee to formulate the Deceptive Mail Prevention and Enforcement Act. The act, which became law in December 1999, enhances the Postal Service's ability to protect its customers from deceptive sweepstakes mailings that lure patrons into oversubscribing to magazines or buying unneeded and unwanted merchandise in an attempt to win prizes.
- ◆ Signed an agreement with the People's Republic of China, one of the largest markets for international mail, to improve existing services and seek opportunities to jointly develop new international mail services, while expanding Global Priority Mail service to provide 3- to 5-day service to the Czech Republic, Hungary, Poland, Malaysia, Columbia, India, and South Africa.
- ◆ Created or expanded strategic alliances with business partners to secure its position in the expedited and package market by expanding its alliance with DHL Worldwide Express, partnering with Airborne Express in their Airborne@Home initiative, and expanding the pilot program with MailBoxes, Etc.
- ◆ Provided the drive and creativity that resulted in unprecedented success of the Breast Cancer Research stamp. This effort received the Winning Spirit Innovation Award from the Women's Information Network Against Breast Cancer.

FINANCIAL MANAGEMENT

- ◆ Posted a positive net income for the fifth straight year and reduced expenses by \$675 million to compensate for lagging revenue.
- ◆ Streamlined its cash management process and received a Silver Alexander Hamilton Award in Cash Management from Treasury and Risk Management magazine.
- ◆ Implemented several initiatives to reduce annual transportation costs, including a fuel program to save \$25 million, a trailer leasing program to save \$3.5 million, and a highway emergency contract initiative to reduce costs by as much as \$15 million.
- ◆ Introduced additional credit card services at its 33,000 post offices, including a cash back option from debit card purchases of Postal products and the acceptance of all major credit cards.

TECHNOLOGY

- ◆ Successfully managed the Y2K rollover, ensuring the continuity of mission-critical systems and electronic interfaces with business partners.
- ◆ Introduced computerized postage that allows customers to print postage through their personal computers, and licensed Internet postage services to E-Stamp Corporation, Stamps.com, and Pitney Bowes, Inc.
- ◆ Deployed new Delivery Confirmation Computers and hand-held scanners at 36,000 facilities, which will extend information technology capabilities further into the delivery infrastructure to collect and communicate process indicators.
- ◆ Launched its Electronic Merchandise Return Service, Returns@ease, making e-Shopping returns easy and convenient for customers and retailers.
- ◆ Began deployment of network intrusion software at key facilities to allow for the detection and monitoring of unauthorized network use.



LABOR MANAGEMENT

- ◆ Received the 1999 Director's Award from the U. S. Office of Personnel Management for successfully implementing the Alternative Dispute Resolution program, and completed the first phase of its restructuring of the Equal Employment Opportunity program by merging REDRESS and Equal Employment Opportunity counseling to resolve complaints at the early stages.
- ◆ Received the prestigious Hammer Award for launching 23 broad-ranging initiatives promoting diversity at all levels of the organization.
- ◆ Developed an interim Occupational Safety and Health Administration program that should be implemented in May 2000 to help manage citations and identify program areas that require improvement.

KEY PERSONNEL CHANGES

During this reporting period, there were several key personnel changes for the Board of Governors and Postal Service. In addition to the arrival of Governor John Walsh, and Deputy Postmaster General John Nolan, the Board of Governors and the Postal Service have experienced other changes in key positions. Thomas Koerber, Secretary to the Board, will retire in June 2000 and the Board selected David Hunter and Bill Johnstone as Assistant Secretaries. In addition, Mary Elcano, General Counsel, who provided invaluable assistance for the newly formed OIG, retired during this reporting period. The OIG looks forward to working with Mary's replacement, Mary Anne Gibbons, as well as Peter Jacobson, newly-appointed Chief Technology Officer, and Patrick Donahoe, newly appointed Senior Vice President for Human Resources.



Does the OIG investigate individual labor management complaints?

Generally, the OIG does not review individual employee complaints; however, as a new agency, the OIG has conducted reviews of some complaints to develop an understanding of the Postal culture and employee concerns.



Inspector General Corcoran congratulates General Counsel Mary Elcano on her retirement.



Overview



**DID YOU
KNOW?**

How do the OIG responsibilities differ from the Inspection Service?

The OIG's main responsibilities are detecting fraud, waste, abuse, and mismanagement, and promoting efficiency of operations. The Inspection Service is mainly concerned with the security and sanctity of the mail and the safety of Postal Service employees.

This section provides an overview of the OIG and Inspection Service internal operations. To differentiate between the work reported by the OIG and Inspection Service, the pages containing the Inspection Service work have been color screened.

OFFICE OF INSPECTOR GENERAL

AN INDEPENDENT VOICE

The OIG is independent of Postal Service management and is under the general supervision of nine Presidentially-appointed Postal Governors who also oversee Postal Service management. In January 1997, Karla W. Corcoran was appointed the first independent Inspector General of the Postal Service. From 1988 until the establishment of this office in 1997, the Chief Postal Inspector performed dual roles as the Inspector General and Chief Postal Inspector and reported to the Postmaster General.

In carrying out its responsibility under the Inspector General Act, the OIG:

- ◆ conducts independent audits and investigations of Postal Service programs and operations to help ensure the economy, efficiency, effectiveness, and integrity of the Postal Service;
- ◆ exercises oversight responsibility for all activities of the Inspection Service;
- ◆ keeps Congress, the Postal Service Governors, and management fully informed about problems, deficiencies, and the progress of corrective actions; and
- ◆ shares with the Inspection Service a goal of improving Postal Service operations.

Benefits of an Independent Office of Inspector General

As an independent and distinct entity within the Postal Service, the OIG:

- ◆ Provides management, the Governors, and Congress, with timely, objective, and complete information and analysis of Postal Service operations;

- ◆ Provides expanded audit and investigative coverage of all Postal Service operations and activities, including ratemaking, contract administration, labor management, computer intrusion, electronic commerce, and marketing;
- ◆ Conducts technological evaluations and investigations in areas such as electronic commerce, computer intrusion, and computer security with experienced, specially trained staff;
- ◆ Provides oversight of the Inspection Service and performs independent reviews of complaints against its employees;
- ◆ Facilitates audit resolution, which provides a mechanism for resolving findings and recommendations where the OIG and Postal management disagree;
- ◆ Adds value to Postal Service operations, contributes to a more economical and efficient organization, and helps the Postal Service maintain its integrity through independent investigations, audits, and reviews;
- ◆ Serves as a venue for all Postal employees and other stakeholders to report fraud, waste, abuse, mismanagement, and other improprieties and concerns, with protection from management retaliation; and
- ◆ Achieves cost savings, enhances contract and program administration, and increases employee and program efficiency and integrity.

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

OIG Vision and Values

The vision of the OIG is “A Constellation of Talented People Making a Difference.” This vision reflects the OIG’s mission to shed light on problems and opportunities. The OIG emphasizes five fundamental values:

- ◆ **Teamwork**—synergy derived from people with diverse backgrounds and ideas working together to achieve better results;



The Strategic Plan reinforces the OIG vision and values.

- ◆ **Leadership**—applying interpersonal influence to inspire others to move in a meaningful direction with competence and commitment;
- ◆ **Creativity**—taking an innovative approach to business problems or questioning and challenging the quality of conventional work, with the goal of improving Postal Service operations;
- ◆ **Communication**—providing open, positive, and honest exchange of information and ideas while showing respect for the contributions and opinions of others; and
- ◆ **Conceptualization**—visualizing “the big picture” and understanding how an individual action affects the bottom line or ultimate goal of the organization; “keeping one’s eye on the ball.”

OIG Culture

The OIG culture demands that all people be treated fairly and be given the opportunity to develop their unique and diverse skills and abilities to their fullest potential. The OIG is committed to attracting a diverse and highly qualified workforce from government, the private sector, the Postal Service, and colleges and universities.

The OIG is proud of its professional and cultural diversity and is committed to developing and utilizing the talents of all its employees. In order to ensure that the OIG employees are the best they can be, the OIG encourages employees to attain and maintain professional accreditation. Many OIG staff have advanced degrees and are Certified Public Accountants, Certified Internal Auditors, Certified Fraud Examiners, Certified Information Systems Auditors, and Certified Acquisition Auditors. In addition, a number of investigators hold law enforcement specialty certifications in areas such as polygraph examinations and seized computer evidence recovery, and all OIG criminal investigators have undergone rigorous training. By demonstrating professional skills and technical knowledge, the OIG will provide value-added services to Postal Service management to help maintain a competitive edge in today’s marketplace.

OIG Diversity

During the past six months, the OIG continued to hire highly skilled staff from the widest sources available. As of March 31, 2000, 470 individuals were on board, of which 209 (44 percent) were women and 206 (44 percent) were minorities. Based on the latest U.S. Bureau of the Census estimates, the OIG has met or exceeded the U.S. percentage of total population for each minority group, except for Hispanics and Native Americans. The OIG senior staff is 34 percent female and 28 percent minority.

In August 1999, the Governors approved a FY 2000 budget of \$72 million that allows the OIG to hire a total of 648 employees and to open offices in five additional locations. The OIG will complete hiring by May 31, 2000, with all staff on board by July 31, 2000. To identify a diverse pool of highly-qualified candidates for the additional positions that need to be filled, the OIG staff has attended numerous conferences, colleges, and career fairs. With the unemployment rate at historic lows, hiring competent and talented individuals continues to be one of the OIG’s greatest challenges. In addition, the OIG may need to increase its staffing levels and hiring efforts because beginning this year, the Inspection Service will no longer perform field financial audits and other local, district, and area performance audits.

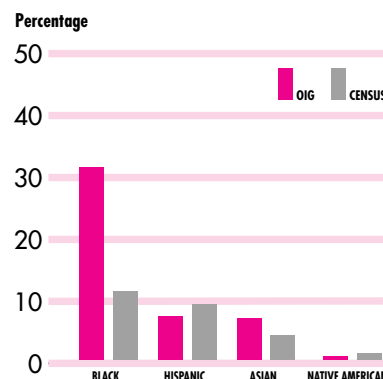
Striving to Be a Model Organization

The OIG strives to be a model organization by using the latest available technology, the most innovative ideas of its employees, and the best business practices of both the public and private sectors. One of its internal goals is to become the most efficient, effective, and economical organization possible. The OIG staff works to establish best practices by benchmarking with other organizations and exemplary performers. The OIG is also working to develop streamlined policies to facilitate innovation. By making its policies broad and flexible, OIG encourages creative thought and the development of improved processes and procedures. These include:

- ◆ Forming interdisciplinary project teams of criminal investigators, evaluators, statisticians, and attorneys for greater diversity and objectivity;

Diversity Statistics

COMPARISON OF OIG TO CENSUS INFORMATION



- ◆ Using technology-based teams for computer intrusion, information systems, and electronic commerce audits;
- ◆ Analyzing more data in a shorter time through specialized teams that use computer retrieval and system command languages;
- ◆ Using electronic workpapers and developing automated investigative programs that aid in the documentation and analysis of data; and
- ◆ Designing a Pay-for-Performance system that rewards employees who demonstrate superior performance and share the vision and values of the organization.

NOTABLE OIG ACHIEVEMENTS

OIG Testimony at Oversight Hearing

On October 21, 1999, the Inspector General, General Counsel, and Assistant Inspector General for Audits testified before the House Subcommittee on the Postal Service Committee on Government Reform. The Inspector General highlighted the OIG's significant contributions during the third year of the OIG's existence and provided a synopsis of the OIG's work in the critical areas of performance, technology, financial management, labor-management relations, and Inspection Service oversight. In addition, the OIG discussed the major challenges it faces and progress made in building a new organization.

Designation of Functions Between the OIG and Inspection Service

Over the last six months, the OIG and Inspection Service met to review the original Designation of Functions approved by the Governors in March 1997. These meetings culminated in a revised Designation of Functions approved by the Governors at their April 2000 board meeting. The original Designation of Functions served as a preliminary charter when the OIG was newly created in order to distinguish the OIG's new role from the Inspection Service.

Since 1997, the OIG and the Inspection Service realized that changes to the original Designation of Functions were needed to more clearly delineate respective investigative and audit responsibilities. This process included

establishing common definitions, reviewing legal requirements, and determining roles and responsibilities that were in the best interest of the Postal Service. The revised Designation of Functions will more clearly delineate the respective responsibilities and enhance coordination between the OIG and the Inspection Service.

The major changes in the revised designation are:

- ◆ The OIG will perform all audits within the Postal Service, the Inspection Service will discontinue performing audits;
- ◆ The OIG will investigate all procurement fraud within the Postal Service, the Inspection Service will discontinue procurement/expenditure investigations except cash and money orders; and
- ◆ The OIG will investigate thefts of Postal funds resulting from improper expenditures, including compromise of program integrity, and the Inspection Service will conduct all revenue investigations and embezzlements where there is no formal contract and payments are made in cash or money orders.

In general, the revised Designation of Functions also reflects a more defined line of investigative authority associated with revenue investigations, e-Business/e-Commerce, civil false claims, computer intrusion, executive investigations, and service investigations. Currently, the OIG is working with the Inspection Service to develop operating guidelines between the agencies to implement the revised Designation of Functions.

To obtain detailed information on the new Designation of Functions, please visit the respective web sites at www.uspsoid.gov or www.usps.gov/postalinspectors.

Resolution Process for Audit Disagreements

By statute, the OIG conducts, supervises, and coordinates all audits and audit-related services within the Postal Service. Reports resulting from these efforts frequently include findings or observations with recommendations or suggestions for corrective action on the part of Postal management. Management is responsible for providing timely responses to draft reports and implementing agreed upon recommenda-

"I want to thank [the OIG] who I think is doing an amazing job in establishing an office and yet at the same time not spending a lot of time getting acclimated but rather going out and making a real difference to the quality of service that the Postal Service provides."

The Honorable John M. McHugh
Chairman
Subcommittee on the Postal Service

Designation of Functions

as of May 2000

OFFICE OF INSPECTOR GENERAL



- **AUDIT**
 - All audits
- **DISBURSEMENT INVESTIGATIONS**
 - Contract/procurement fraud
 - Improper expenditures except cash and money orders
 - IMPAC Card
- **HEALTH CARE FRAUD - USPS NEXUS**
 - Provider and contractor fraud
 - Health benefit program fraud
- **EMPLOYEE CORRUPTION**
 - Bribery
 - Gratuities
 - Conflict of Interest
- **COMPUTER INTRUSION**
- **FRAUD AWARENESS BRIEFINGS RELATED TO OIG RESPONSIBILITIES**
- **SECURITY PROGRAMS**
 - Employment backgrounds (as requested by the Board of Governors)
- **EXECUTIVE INVESTIGATIONS**
 - Excludes crimes of violence
- **QUI TAM**
- **TORT CLAIM FRAUD**
- **INSPECTION SERVICE OVERSIGHT**

INSPECTION SERVICE



- **REVENUE/FINANCIAL INVESTIGATIONS**
 - Theft or embezzlement of postal cash and money orders by employees and others where there is no formal contract
 - Fraudulent activity relating to mailings, postage, and meters
- **FRAUDULENT WORKERS' COMPENSATION**
- **FRAUD AGAINST CONSUMERS, BUSINESS, AND GOVERNMENT (NON-POSTAL)**
- **HEALTH CARE FRAUD - OTHER**
- **SECURITY CONSULTATION ON ELECTRONIC PRODUCTS AND SERVICES**
- **CRIME PREVENTION AND SECURITY**
- **CRIMES OF VIOLENCE**
- **DRUGS IN THE WORKPLACE**
- **MAIL THEFT**
- **PROHIBITED MAILINGS**
 - Child Exploitation
 - Bombs
 - Drugs
- **ROBBERIES**
- **BURGLARIES**
- **MONEY ORDERS, FINANCIAL INSTRUMENTS, AND POSTAL PROPERTY CRIMES**
- **SECURITY PROGRAMS**
 - Facilities, Mail, and Products
 - Employee Background Investigations
 - Emergency Preparedness
 - International Security
 - Service Investigations
- **ASSET FORFEITURE PROGRAM**

JOINT FUNCTIONS

- **RESPONSIBILITY FOR**
 - e-business/e-commerce will be determined in accordance with the principles set forth in this document.
- **FUTURE E-COMMERCE ACTIVITIES WILL BE REVIEWED JOINTLY BY THE OIG AND INSPECTION SERVICE ON AN ONGOING BASIS.**



tions/suggestions. Both the OIG and management personnel should make every effort to resolve differences of opinion concerning findings/observations and recommendations/suggestions prior to issuance of draft reports, as appropriate. However, despite the best efforts of all involved, sometimes disagreements occur.

As indicated in the previous Semiannual Report, the OIG and Postal management have been working together to frame a process for resolving disagreements on OIG audit and audit-related reports. During this period, the audit resolution process was completed. The process will serve as a vital mechanism for ensuring that disagreements are resolved on a timely basis at the appropriate level of management. The process involves three phases in which unresolved disagreements are elevated to progressively higher levels of management within the Postal Service. The overall process is outlined below.

Final OIG reports are issued with a summary of management's comments in the body of the report and the corresponding OIG evaluation of those comments. When management disagrees, or the OIG determines that management's comments are "not responsive," the resolution process proceeds as follows:

Step 1. The OIG will initiate a meeting with the cognizant management committee member within 15 calendar days of the date of final report to discuss the disagreement(s) and reach resolution if possible. If the disagreement is resolved, the OIG will issue a letter describing how the disagreement was resolved.

Step 2. If the OIG and cognizant management committee member cannot resolve the disagreement(s) at Step 1, the Inspector General or designated representative will present the issue and the reason for disagreement within 45 calendar days after date of final report to the postmaster general or designated representative for attempted resolution at Step 2. The postmaster general or the designated representative will work with the parties to reach agreement. If an agreement is reached, the OIG will issue a letter describing how the disagreement was resolved. If an agreement is not reached, the Inspector General will determine whether it is appropriate to elevate the issue to the Board of

Governors, through the Audit Committee, as outlined in Step 3.

Step 3. If agreement is not reached within 90 days of the date of the final report, the Inspector General may elect to take the disagreement(s) to the Governors for final resolution. Generally, disagreements that the Inspector General determines meet one or more of the following criteria will be brought to the Governors:

- ◆ material to the financial position of the Postal Service;
- ◆ have a potential significant impact on Postal-wide programs or operations; and
- ◆ involve highly visible or potentially embarrassing issues for the Postal Service.

The Governors may elect to hear the disagreement directly, or they may ask the Audit Committee or some other designee to review and resolve the disagreement on their behalf. The decision of the Governors will represent the final Postal Service position concerning the disputed issue. However, pursuant to statutory responsibilities, the Inspector General will report the status of unresolved recommendations and suggestions as well as the disposition of these disagreements in the Semiannual Report to Congress. The approved process now governs the resolution of all disagreements between management and the OIG on recommendations/suggestions in audit and audit-related products.

Y2K: "The Postal Service Was Ready!"

In March 2000, the Postal Service gathered over 100 senior Postal Service managers for a special celebration of the Postal Service's Y2K Initiative, which successfully ushered in the new year. In addition to complimenting the extraordinary efforts of Postal Service staff, Postmaster General Henderson singled out the Inspector General and seven members of the OIG's Y2K audit team who were instrumental in surfacing Y2K problems and recommending solutions for senior management attention. He thanked the OIG for the independent assessments of Postal Service contract administration, testing, and contingency planning efforts. This celebration was in addition to the recognition the OIG Y2K audit team received from the

"I think that the cooperation between postal management and OIG is a model case for how things ought to operate ... the OIG played a major role in our being successful in Y2K..."

William J. Henderson
Postmaster General

Executive Council on Integrity and Efficiency, which last September, awarded the audit team the Council's highest award, the Award for Excellence.

International and Domestic Presence

The OIG is sharing its knowledge within the domestic and international law enforcement community and representing the Postal Service and the Inspector General community in several different professional organizations. For example, members of the OIG staff:

- ◆ Provided a presentation on computer security at the First International High Tech Crime and Forensics conference in London, England, in October 1999. The conference brought together computer security and law enforcement professionals from the United States, Europe, and Asia.
- ◆ Briefed member countries on fraud indicators concerning Bulk Mail corruption at the International Revenue Protection Seminar in Bristol, England.
- ◆ Met with the Japanese Postal delegation during a visit to Washington, DC, in January 2000, to provide an overview of the OIG organizational structure, recruitment, training, designation of functions, investigations, and audits. The Japanese government is considering legislation to create a Postal Service oversight agency and wanted to learn more about how the OIG was created.
- ◆ Continued to provide access to state-of-the-art computer crimes training to employees within the Postal Service, the Inspector General community, and the law enforcement community. Currently, the OIG has contracted to provide 260 training slots for the basic course and a new, advanced course. Last year, 250 people were trained to conduct computer security and intrusion investigations.
- ◆ Served as a member of the International Internal Audit Standards Board of the Institute of Internal Auditors. The board, comprised of audit directors from Fortune 500 companies, major government audit organizations, major accounting firms, and academia, sets standards for internal auditors worldwide.

- ◆ Served on the American Institute of Certified Public Accountants "Task Force on Government Auditors." The task force identifies and resolve conflicts between Government Auditing Standards and the Institute's Code of Professional Conduct, relating to the audit independence issue.
- ◆ Chaired and hosted monthly meetings of the Council of Counsels to the Inspector General, a group made up of lawyers representing all federal Inspectors General.

OIG Works with Postal Management to Address Computer Security Concerns

The OIG continues to work with Postal management to highlight potential security risks within the Postal network infrastructure. As a result of efforts in working with Postal management regarding computer security concerns, the Postal Service installed its first intrusion detection devices on the Postal Service computer network. This intrusion detection system provides Postal systems administrators with real-time alerting capabilities in the event of an "attack" on the Postal network.

OIG Helps Raise Awareness of Computer Security Risks

As the nationwide incidence of computer crime continues to increase, the OIG staff at various agencies must respond to computer crimes, particularly computer intrusions. Many of these agencies have expressed frustration at the difficulty of finding the qualified investigative personnel and funding required to establish a successful intrusion investigation capability. Computer crimes rarely affect only one organization; rather, cases often cut across agency, and even national boundaries, making information-sharing vital. To that end, the OIG:

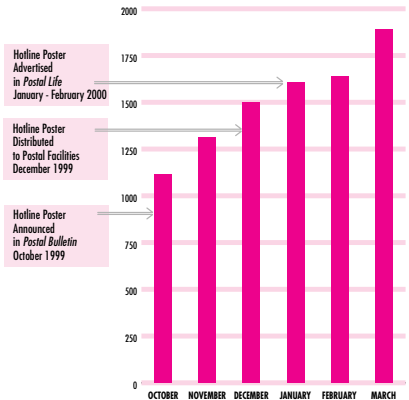
- ◆ Established the Inspector General Intrusion Working Group to bring together representatives from across the Inspector General community to improve information-sharing efforts and promote the leveraging of resources to combat computer crime;
- ◆ Hosted the first meeting of the Intrusion Working Group in February 2000, which was attended by 29 representatives from 21 organizations. Topics discussed



Two officials with the Japanese Ministry of Posts and Telecommunications, General Affairs Department, met with Inspector General Corcoran concerning OIG operations.

Hotline Awareness

SEMIANNUAL REPORTING PERIOD OCTOBER 1999-MARCH 2000



included program funding, strategic planning, legal issues, recruitment, and leveraging of resources across the Inspector General community to promote high standards in the investigation of computer crime. The response to the first meeting was overwhelmingly positive, and many organizations have expressed a commitment to continue, and in some cases expand their participation; and

- ◆ Provided a presentation regarding computer security and fraud issues in electronic commerce to over 120 participants in a joint conference of the Mid-Atlantic and New York/New Jersey chapters of the Intergovernmental Audit Forum. The presentation included not only an overview of security risks in electronic commerce, but also information regarding emerging technologies currently being developed and implemented to help mitigate those risks.

Video Report of Postal Facility Unsafe Working Conditions Debuts

During this six-month period, the OIG unveiled a new product line - video reports. This medium leverages technology to accurately depict audit observations at a Postal facility. During this period, the OIG issued a video report on unsafe working conditions at a Southwest station. The video report helped Postal management visualize the unsafe physical working conditions found at the station, including potential violations of safety, health, and security requirements. These unsafe conditions increased the risk of injury to Postal Service employees and customers, and compromised Postal Service property and the safety and security of the mail at this facility.

OIG Hotline Awareness

The OIG Hotline is a vital and confidential communications link between the OIG and persons contacting the Hotline to report alleged violations of laws, rules, or regulations; mismanagement; waste of funds; abuse of authority; or danger to public health and safety. Since October 1997, it has received more than 40,000 contacts from employees, customers, and the general public.

During the fall of 1999, the OIG initiated a Hotline awareness campaign with an eye-

catching poster. The poster was initially reproduced in the *September 30, 1999, Semiannual Report to Congress*. It was also distributed to all Postal Service facilities, advertised in the January/February *Postal Life* magazine, which is distributed to all Postal employees, and can be ordered from the Postal Service Material Distribution Centers. Following publication of the poster, Hotline contacts increased dramatically—from a total of 1,116 during October 1999, to 1,888 in March 2000—an increase of nearly 70 percent.

OIG Holds Third Annual Training and Recognition Event

The OIG celebrated its third anniversary with an employee training and recognition event held January 11-13, 2000, in Washington, DC. The event emphasized the OIG's core vision and values and featured technical training sessions, job-related seminars, and a ceremony recognizing the accomplishments of the OIG staff. The OIG senior executives provided a presentation of the history of the OIG and the duties and responsibilities of functional teams. For the first time, senior executives gave awards to eleven individuals who best exemplified the OIG core values and performed in a truly outstanding manner: Darrell Benjamin, Jeanne Black, William Hencken, Stephanie Hengemann, Rick Hightower, Aaron Jordan, Tracy LaPoint, Kelly Oliver, Rona Shorr, Steve Suarez, and Joy Thornton.

The three-day event was highlighted by presentations from: U.S. Representative John McHugh, Chairman of the Subcommittee on the Postal Service; Governor Einar B. Dyhrkopp, Chairman of the Postal Service Board of Governors; Dan Blair, Senior Counsel, Governmental Affairs Committee, U.S. Senate; Jerry B. Harvey, Professor of Management Science, George Washington University and author of the *Trip to Abilene*; and Eileen McDargh, motivational speaker on business excellence. The conference was not only a training vehicle, but also a celebration of the tremendous contributions made by the OIG staff throughout the year.

OIG Receives Special Awards

The OIG received four 1999 Combined Federal Campaign awards, including a unique



Governor Dyhrkopp, Chairman of the Board of Governors, shares his perspective on Postal Service operations at the Third Annual Recognition Day.

award for the National Capitol Area's Communication Contest for "Best Special Event." This award was presented by Donna Shalala, Secretary of the Department of Health and Human Services, to the OIG in recognition of excellence in efforts to sponsor various special events that raise money and heighten Combined Federal Campaign awareness among employees. The OIG also received "The Combined Federal Campaign President's Award," "The Pacesetter Award," and the "100 Percent Goal Certificate Award."

PROGRESS IN BUILDING THE OIG'S INFRASTRUCTURE

In order to build an effective infrastructure, the OIG established:

Human resource processes and systems, including:

- ◆ a 360-degree feedback evaluation system;
- ◆ a Pay-For-Performance system;
- ◆ an extensive screening process for potential employees;
- ◆ a thorough pre-employment background investigation process;
- ◆ a one-week orientation class for new employees;
- ◆ a monthly employee newsletter; and
- ◆ a three-week Postal-specific investigative training program.

Administrative resources services, including:

- ◆ management controls over internal processes;
- ◆ development of its own contracting function;
- ◆ establishment of the OIG offices by identifying, leasing, and developing space to accommodate the OIG staff in various locations throughout the country;
- ◆ performance of numerous quality assurance and internal reviews; and
- ◆ implementation of an automated tracking system for time and projects.

Critical audit, investigative and administrative processes, including:

- ◆ developing internal policies for describing the OIG authorities and responsibilities;

- ◆ continuing to notify Postal employees at all levels of their right to report wrongdoing to the OIG without fear of retaliation;
- ◆ deploying an electronic subpoena system to improve processing of Inspector General administrative subpoenas;
- ◆ establishing a report processing review staff to expedite and standardize issuance of reports;
- ◆ working with the Postal Service to ensure a valid tracking system for recommendations from the external auditor, GAO, Inspection Service, and the OIG;
- ◆ entering into an agreement with the Financial Crimes Enforcement Network to access numerous commercial, financial, and law enforcement databases to help with criminal financial investigations and audits;
- ◆ processing over 56 Freedom of Information Act requests and closing 51 Congressional and Governor responses;
- ◆ issuing 209 Inspector General subpoenas (164 for the Inspection Service and 45 for the OIG); and
- ◆ providing quarterly firearms qualifications and defensive tactics training to the OIG criminal investigators.

Strategic processes, including:

- ◆ revising the Five-Year Strategic Plan;
- ◆ developing a universe of over 1,000 projects;
- ◆ preparing the FY 2000 Annual Performance Plan;
- ◆ achieving over 80 percent of the performance measurements for FY 1999 resulting in a Team Award for the OIG employees;
- ◆ detailing a member of the OIG staff to the Office of Management and Budget to serve as a technical expert on Inspectors General matters; and
- ◆ establishing computer intrusion and electronic commerce units.



Secretary Shalala, Department of Health and Human Services, (second from left) presents OIG staff with a special award for OIG's support of the Combined Federal Campaign.



The OIG Administrative Resources Team provides a variety of important supporting services by utilizing the talents of a diverse and highly qualified staff.

CHALLENGES FACING THE OIG

Proposed Changes Conflict with OIG Independence

A recent change by the American Institute of Certified Public Accountants to revise its independence requirements for internal, state, local, and federal auditors could have a major impact on the OIG. In response to this change, the GAO has proposed incorporating the American Institute of Certified Public Accountants changes into the Government Auditing Standards. Under this revision, Inspectors General appointed by the agency head or board they serve are not considered independent. As a result, these Inspectors General would have to issue qualified reports noting a lack of organizational independence, which could threaten the credibility and usefulness of all reports issued.

These proposed revisions are inconsistent with the Inspector General Act and, according to an independent legal opinion, may be unconstitutional. The Comptroller General has issued a discussion draft and has responded that he does not believe the proposal is unconstitutional. The Inspector General Act created independent Inspectors General charged with conducting audits, investigations, and other reviews of programs and operations. The act also provides the Inspector General with greater independence than most certified public accounting firms because top management is prohibited from interfering with the Inspector General's decision to audit or investigate any matter. The OIG is playing an active role in discussing the issue with the American Institute of Certified Public Accountants, GAO, and the Inspectors General community, to resolve this conflict before the proposed changes go into effect.

Hiring Additional Qualified Staff

Hiring highly-qualified people during this period of record-low unemployment is a major challenge. With a goal of 648 employees by September 30, 2000, the OIG assembled a cross-functional team to assure that well-qualified staff is promptly hired by further streamlining its hiring and clearance processes. These actions have resulted in a reduction in processing time, a quicker interview process, and more rapid background investigations. The OIG anticipates having all 648 employees hired by May 31, 2000.

Transitioning Inspection Service Audit Work

Following an OIG audit in the fall of 1999 of the Inspection Service's use of criminal investigators to perform audits, the Inspection Service elected to cease performing audits. As a result, the OIG faces the challenge of assuming this work. This challenge includes acquiring the staff and infrastructure necessary to perform the financial and performance audit work critical to the Postal Service's system of internal controls. The OIG recently submitted a proposal to the Governors to increase resources for the field financial audit function. Additional requirements will be identified in connection with the FY 2000 budget submission.

Office Space and Field Offices

The OIG has established new offices in Chicago, New York, Raleigh, and Los Angeles, and is hiring personnel to staff these offices. These new offices will expand the OIG's ability to meet the needs of and better serve the Postal community.

However, even more office space will be needed as the OIG staff grows. Open meeting areas at headquarters will be converted to office space temporarily while the OIG looks for a more permanent solution by obtaining additional space.

OTHER MAJOR CHALLENGES

The OIG continues to work on other major challenges. These are in three major areas: Internal OIG Infrastructure, Internal to the Postal Service, and External to the Postal Service, and are as follows.

Internal OIG Infrastructure:

- ◆ building the OIG processes, policies, and procedures;
- ◆ promoting the OIG values and culture;
- ◆ continuing to forge ahead with the OIG mission while being sensitive to the variety of extensive demands that are being placed on the OIG employees in its evolving environment; and
- ◆ preparing the OIG for the triennial peer reviews scheduled for FY 2001 that will assess how well the OIG has met professional standards in performing its work.

Internal to the Postal Service:

- ◆ continuing to add value by providing

meaningful results on a timely basis;

- ◆ educating the Postal Service on the OIG roles and responsibilities;
- ◆ resolving differences, including those of authority, roles, and responsibilities with the Inspection Service;
- ◆ educating Postal Service management on the independence of the OIG and its duty to report any significant issues to the Postal Service Governors and the Congress;
- ◆ informing Postal Service officials of the OIG authority to make independent decisions on areas to review; and
- ◆ performing work and continuing to gain expertise in Postal Service programs, operations, and emerging issues.

External to the Postal Service:

- ◆ making the results of the OIG work publicly available without affecting the Postal Service's competitive position;
- ◆ educating Postal stakeholders on the OIG's role;
- ◆ remaining a significant influence in the Inspectors General and federal law enforcement communities;
- ◆ coordinating reviews of Postal Service programs and operations with the GAO to reduce the possibility of duplication; and
- ◆ effectively responding to Hotline and Congressional inquiries.



The Internal Quality Team helps to reinforce the core values of the OIG through team-building and process improvement.

INSPECTION SERVICE

For more than two centuries, the role of the Inspection Service has been to preserve the public trust in the Postal Service. The Inspection Service enforces over 200 statutes related to crime against the U.S. Mail, the Postal Service, Postal employees, and customers. The Inspection Service's mission has been refined over the years by statutes related to the U.S. Mail, creation of a separate OIG, and the needs and requirements of the Postal Service and its customers. The Inspection Service provides an essential service to the American public and the Postal Service by ensuring the security and sanctity of the mails and the safety of Postal employees. The Inspection Service has almost 4,500 employees, which includes approximately 2,100 Postal Inspectors, about 1,500 uniformed Postal Police Officers, and about 900 professional support associates.

The national headquarters of the Inspection Service is organized into functional groups that report to the Deputy Chief Inspectors for:

- ◆ Business Investigations;
- ◆ Criminal Investigations;
- ◆ Professional Standards and Resource Development; and
- ◆ Administration.

The Inspection Service includes 18 field divisions, which report directly to two Deputy Chief Inspectors for Field Operations. Five Operations Support Groups also support the field offices. The Inspection Service Forensic Laboratories, located at five sites, support field office investigations and provide state-of-the-art technology. Inspection Service offices are linked nationally through electronic systems with online connections to the National Crime Information Center and the National Law Enforcement Telecommunications System.

Postal Inspectors conduct criminal investigations and arrest violators for Postal offenses, serve warrants and subpoenas, and present evidence to prosecutors for action. Inspectors respond to emergencies involving Postal Service crimes, natural disasters, and other problems that affect the Postal Service. The Inspection Service will continue to conduct financial installation audits through the end of FY 2000.

Along with the coverage of the Postal Inspectors, uniformed Postal Police Officers provide security around the clock at Postal facilities. Postal Police Officers, at facility control centers, monitor robbery and burglar alarms to provide protection for Postal employees, property, and assets. The Postal Police Officers also provide escorts for the Postal Service for high-valued shipments, such as certain registered mail and Postal remittances.

Postal Inspectors work cooperatively nationwide with the OIG, Department of Justice, and other federal, state, and local law enforcement agencies on joint efforts. The expertise of the Inspection Service is recognized internationally, with Inspectors assigned to the U.S. National Central Bureau of Interpol in Washington, DC, and to Interpol Headquarters in Lyon, France. The Inspection Service has a leading role in the Postal Security Action Group, a committee within the Universal Postal Union, which has established the following priorities:

- ◆ prevent injuries to customers resulting from dangerous goods in the mail;
- ◆ prevent the loss or theft of mail entrusted by customers to world Postal administrations;
- ◆ prevent revenue and asset losses of world Postal administrations; and
- ◆ preserve customers' confidence in the U.S. mail.

Postal Inspectors are active members in councils and groups, such as the:

- ◆ Financial Crimes Enforcement Network;
- ◆ Organized Crime Council;
- ◆ International Policy Committee of the International Association of Chiefs of Police;
- ◆ International Association of Financial Crimes Investigations;
- ◆ Securities and Commodities Fraud Working Group;
- ◆ Economic Crimes Council;
- ◆ National Health Care Anti-Fraud Association;
- ◆ National Law Enforcement Explorers' Committee; and



Postal Police Officers provide security and protection for Postal employees, property, and assets.



◆ Asset Forfeiture Policy Advisory Group.

Postal Inspectors also work with the following organizations regarding child pornography cases: the Child Exploitation and Obscenity Section of the Department of Justice; the National Center for Missing and Exploited Children; and the Standing Working Party on Offenses Against Minors, which is an international organization sponsored by Interpol.

The Inspection Service's forensic specialists and technical financial analysts play a vital role in supporting investigative, audit, and security functions of the Inspection Service. These professional technical employees perform a variety of tasks, which include:

- ◆ providing forensic examinations;
- ◆ developing, procuring, and deploying electronic security and surveillance equipment;
- ◆ providing photography, video, and graphics support;
- ◆ publishing policies, reports, manuals, handbooks, and consumer publications;
- ◆ developing and maintaining management systems;
- ◆ providing direct contact with Congress and the public; and
- ◆ supplying administrative support.

NOTABLE INSPECTION SERVICE ACHIEVEMENTS

Inspection Service Has New Seal

The Inspection Service unveiled a new seal during this reporting period. The seal represents all Inspection Service employees and incorporates the two basic elements of its service, the Postal Service eagle, and a five-pointed star. New badges for Postal Inspectors and Postal Police Officers were also issued to incorporate updated elements of the seal.

New Movie About Postal Inspectors

On February 25, 2000, *The Inspectors 2*, a ShowTime original movie premiered starring Louis Gossett, Jr., and Jonathan Silverman. *The Inspectors 2* is the second ShowTime original film about the country's oldest federal law enforcement agency, the Inspection Service. This film is based on actual Inspection Service

cases involving one of America's fastest growing white-collar crimes: identity theft.

Annual Report of Investigations

The 1999 Annual Report of Investigations of the Inspection Service was released in March 2000. The accomplishments described in the report are intended to inform the Postmaster General, the Postal Service Board of Governors, Postal managers, and employees about Inspection Service activities, and give greater insight into the value and benefits provided by the Inspection Service.

Consumer Protection

On December 12, 1999, the President signed the Deceptive Mail Prevention and Enforcement Act, which became Public Law 106-168. This new law will protect consumers against deceptive mailings and sweepstakes practices by establishing standards for sweepstakes mailings, skill contests, and facsimile checks; restricting government look-alike documents; and creating a uniform notification system allowing individuals to remove their names and addresses from all major sweepstakes mailing lists at one time. Disclosure will make clear that no purchase is necessary to enter a sweepstakes and that a purchase will not improve a consumer's chances of winning a prize. The law also creates financial penalties for companies that do not disclose all terms and conditions of a contest. Individuals will be able to request that certain mailings are discontinued to their homes, and companies will face liability if they do not honor these requests. Most importantly, the law allows the Postal Service to issue administrative subpoenas in these matters. Inspection Service personnel were instrumental in providing Congress with important information relating to deceptive mailings, and in drafting the legislation. Appendix F provides statistics on this area.

National Symposium on Child Sexual Abuse

The Inspection Service co-sponsored the Sixteenth National Symposium on Child Sexual Abuse the week of March 6, 2000, in Huntsville, Alabama. This symposium was attended by more than 1,800 people from across the country to include local, state, and Federal law enforcement personnel; prosecutors; judges;



The Inspection Service's new seal incorporates the Postal Service eagle in a five-pointed star.

child protection service workers; and mental health and medical professionals. This symposium, the largest of its kind, provided state-of-the-art training in the intervention and investigation of child sexual abuse and exploitation.

Career Development

The Inspection Service Career Development Division provides basic training for candidate Postal Inspectors as well as in-service training for all Inspection Service employees. Certification of threat management instructors is also provided.

All Postal Inspector candidates undergo 14 weeks of scenario-based basic training consisting of investigative techniques, defensive tactics, firearms, legal matters, search and seizure, arrest techniques, court procedures, Postal operations, and a detailed study of the Federal statutes over which the Inspection Service has jurisdiction. The training program has been revised to focus on building problem-solving abilities, critical thinking, and cognitive skills. During this reporting period, the Career Development Division graduated one basic Postal Inspector training class. The 24 graduates are currently completing various phases of post-basic training.

Security

To assist in carrying out its responsibilities, the Inspection Service maintains a security force staffed by uniformed Postal Police Officers who are assigned to major Postal facilities throughout the country. The officers provide perimeter security, escort high-value mail shipments, and perform important protective functions. Postal Police Officers undergo a 10-week basic training course at the Federal Law Enforcement Training Center in Glynco, Georgia, which includes firearms training, constitutional law, ethical behavior, conflict management, communications/interviewing, criminal law, search/seizure, civil liability, detention and arrest, physical security, patrol procedures, victimology, and radio communications. One Postal Police Officers class, comprised of 45 candidates, graduated from the Federal Law Enforcement Training Center Postal Police basic training program during this period.

Y2K

The Information Technology Division completed preparations for the Y2K rollover within the Inspection Service, finalized procedures to invoke the Inspection Service's Component Contingency Plans and Business Continuity Plans, and maintained readiness to ensure systems, information technology infrastructure, external data interfaces, and other Inspection Service components were Y2K compliant. An Inspection Service Information Technology Y2K Command Center was also set up to monitor the status of its systems and respond to Inspection Service Y2K-related information technology problems. All Inspection Service applications that were remediated on the computer system or migrated to the new infrastructure were certified and tested to be Y2K compliant. Telecommunications hardware and software supporting approximately 190 sites was also thoroughly tested. Around-the-clock staffing occurred during the rollover period, beginning December 31, 1999.

Information Technology

The Inspection Service's Correspondence Management System, Fraud Complaint System, Polygraph Examiner System, Complement Reporting System, and Prohibited Mailings and Narcotics System were completed, tested, and deployed on the new infrastructure. Enhancements to the Inspection Service Database Information System were also completed. Based on the Inspection Service's increased use of the Internet, the Information Technology Division doubled the connection speed to the Internet.



The second movie based on actual Inspection Service cases recently aired on cable television.

Organization



DID YOU KNOW?

What are the locations of the OIG Headquarters and field offices?

The OIG Headquarters is in Rosslyn, Virginia. Additional offices are located in Los Angeles, California; Denver, Colorado; Atlanta, Georgia; Chicago, Illinois; New York, New York; Raleigh, North Carolina; and Dallas, Texas; and at the three Postal Data Centers in Minneapolis, Minnesota; St. Louis, Missouri; and San Mateo, California.

Office of Inspector General Organizational Structure



This section describes the organization of the OIG and the Inspection Service. The OIG is organized consistent with the three Voices of the Postal Service CustomerPerfect! Program: Voice of the Customer, Voice of the Employee, and Voice of the Business. The Inspector General, Deputy Inspector General, General Counsel, five Assistant Inspectors General, and the Executive Representative for Field Liaison, form the OIG management committee. In order to differentiate between the OIG and the Inspection Service, the pages concerning the Inspection Service have been color screened.

OFFICE OF INSPECTOR GENERAL

The OIG is designed to support Postal Service business and public policy objectives. It is a unique, non-traditional, and diverse organization that conducts audits, evaluations, investigations, and other core Inspector General functions identified by the Inspector General Act of 1978, as amended.

The OIG's core values of teamwork, leadership, communication, creativity, and conceptualization are demonstrated by teams that focus on improving Postal Service business processes and overall organizational achievement. The following section describes the OIG organizational structure during the semiannual reporting period ending March 31, 2000.

DEPUTY INSPECTOR GENERAL, Richard Chambers - assists the Inspector General and the OIG Management Committee and leading the organization.

ASSISTANT INSPECTOR GENERAL FOR STRATEGIC PLANNING & QUALITY MANAGEMENT, Ronald Merryman

Deputy Assistant Inspector General, Wayne Goleski

ELECTRONIC COMMERCE TEAM

Director, Robert Batta - conducts reviews of Postal Service initiatives in the emerging field of electronic commerce, including areas such as information-based indicia and electronic bill payment.

FORENSIC & TECHNICAL SERVICES TEAM

Director, John Demaggio - provides technical support in such areas as surveillance, evidence recovery, firearms, computer forensics, and polygraph examinations; and maintains close liaison with technical experts in the law enforcement community.

INFORMATION TECHNOLOGY TEAM

Director, David Sidransky - manages computer operations and telecommunications within the OIG; operates the local and wide-area networks; provides computer security and technical support to the OIG staff; and manages agency-wide information systems.

INTERNAL QUALITY TEAM

Director, Jim Nugent - instills continuous internal process improvement and facilitates internal communications through orientation, teambuilding, and mentoring.

QUALITY ASSURANCE/INTERNAL AFFAIRS TEAM

Director, George Davis - conducts internal reviews of OIG operations and procedures to ensure that they are effective and appropriate, provides advice on improving operations, and conducts reviews of allegations made against OIG employees.

STRATEGIC PLANNING TEAM

Director, Russ Barbee - anticipates and plans for current and future changes in the Postal Service, the OIG operations, and technology by identifying workload, providing research and statistical analysis, informing Postal Service employees and customers about the OIG mission, and promoting the vision of the OIG.

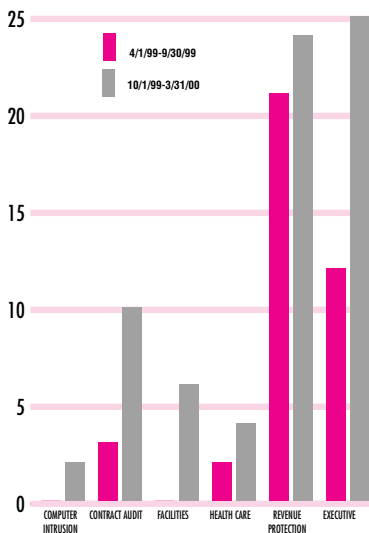
ASSISTANT INSPECTOR GENERAL FOR AUDIT (PERFORMANCE), Robert L. Emmons (Acting)

Deputy Assistant Inspector General, Debra Ritt

ACCEPTING & PROCESSING TEAM

Director, Stew Dorris - conducts audits and reviews focusing on mail acceptance and collection operations, and mail processing and distribution processes.

Number of Investigations Completed During Semiannual Period



The Assistant Inspector General for Investigations oversees all investigations performed by the OIG.

DELIVERY OPERATIONS TEAM

Director, Bennie Cruz - conducts audits and reviews to enhance delivery processes and operations and improve customer satisfaction.

DEVELOPMENTAL TEAM

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

FINANCIAL TEAM

Directors, John Seeba and Sheila Bruck - conducts audit work in support of the independent public accounting firm's annual financial audit opinion and conducts other financial-related audits to identify areas for improvement.

SUPPORT TEAM

Director, Gwen Johnson - provides investigative support to all Performance teams and conducts audits and reviews of Postal Service enabling operations, including quality, government relations, and customer service.

TRANSPORTATION TEAM

Director, Debra Ritt (Acting) - conducts audits and reviews focusing on domestic and international transportation and logistics operations, specifically addressing Postal Service fleet operations and contracts for airline, highway, and rail services.

ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS (REVENUE & COST CONTAINMENT), Sylvia Lindquist Owens

Deputy Assistant Inspectors General, Ronald K. Stith and Richard S. Trinidad

CONTRACT AUDIT TEAM

Director, Kim Stroud - improves Postal Service contracting by conducting audits and investigations of purchasing activities and operations.

HEALTH CARE TEAM

Director, Katherine K. Johnson - identifies and investigates medical providers that have falsely billed the Postal Service for work-related injury claims, and conducts audits of systemic issues involving the Workers' Compensation Program.

FACILITIES TEAM

Director, Tony Cannarella - conducts audits, management reviews, and investigations of all aspects of Postal facilities, including repair, renovation, and new construction.

REVENUE GENERATION TEAM

Director, Larry Chisley - examines and evaluates the major sources of revenue from marketing, advertising, stamp services, retail, and international mail business operations, and also monitors Postal rate cases.

REVENUE PROTECTION TEAM

Directors, Dan O'Rourke and Michael Shiohama - investigates bribery, kickbacks, embezzlements, and other cases involving revenue losses and contract fraud, such as defective pricing, product substitution, and cost mischarging.

ASSISTANT INSPECTOR GENERAL FOR EMPLOYEE, Billy Sauls

Deputy Assistant Inspector General, Ronnie Wainwright

ADMINISTRATIVE RESOURCES TEAM

Director, Steve Spratt - provides the OIG staff with facility, procurement, financial, budget, and other services necessary to accomplish the OIG mission.

HUMAN RESOURCES TEAM

Director, Connie Ambush - delivers full-service human resources programs for the OIG in the areas of employee relations, ethics, pay and benefits, retirement, awards, performance management, counseling, diversity, and training.

INFORMATION SYSTEMS TEAM

Director, Dave Berran - audits major automated Postal management and information systems to determine Y2K readiness, and whether applications are properly established and systems are properly designed to provide accurate data to management; and provides computer-assisted audit techniques to support the OIG staff.

LABOR MANAGEMENT TEAM

Directors, Joyce Hansen and Chris Nicoloff - conducts audits and evaluations of labor management and employee relations

issues within the Postal Service to assist in fostering and maintaining a healthy organizational climate for employees and improving operational efficiency; also audits and evaluates Postal Service systems and operations involving violence prevention.

ASSISTANT INSPECTOR GENERAL FOR CUSTOMER, Norm Hancock

Deputy Assistant Inspector General, Debbie Pettitt

COMPUTER INTRUSION TEAM

Director, Howard Cox - detects and investigates computer hacking and other high-technology crimes involving Postal Service computers and telecommunications systems; and assists in identifying computer systems vulnerabilities so that appropriate countermeasures may be implemented.

EXECUTIVE INVESTIGATIONS TEAM

Director, Tommy Hampton - investigates allegations of criminal activities and misconduct involving Postal Service executives.

HOTLINE TEAM

Director, Joe Oliva - operates the OIG Hotline to provide a vital and confidential communication link between the Postal Service and the public.

OVERSIGHT TEAM

Director, Bob Pemberton - conducts audits and evaluations of Inspection Service programs and operations.

GENERAL COUNSEL TO THE INSPECTOR GENERAL, Tom Coogan

Deputy General Counsel, Kirt West

CONGRESSIONAL & PUBLIC RELATIONS TEAM

Director, Laura Whitaker - serves as liaison to Congress, the Board of Governors, and the media; coordinates congressional testimony and presentations; reviews legislation and regulations; coordinates internal policies and procedures; and reviews and comments on Postal Service policies and procedures.

LEGAL SERVICES TEAM

Director, Gladis Griffith - provides legal advice to the Inspector General and OIG staff on criminal, civil, and administrative issues; processes subpoenas; responds to Freedom of Information and Privacy Act requests; and serves as liaison with the Postal Service Law Department and Department of Justice legal staffs.

EXECUTIVE REPRESENTATIVE FOR FIELD LIASON, Colleen McAntee -

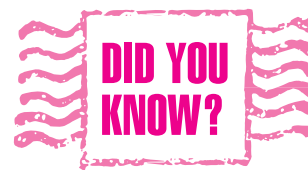
provides a senior level communications link between the OIG Headquarters and its ten field offices, and all Postal Service field operations.

REVISED ORGANIZATIONAL STRUCTURE

Near the end of the semiannual reporting period, the OIG decided to revise its structure to better reflect Postal Service business processes, the new Designation of Functions between the OIG and Inspection Service, and to be more effective and responsive in dealing with its customers. These changes include:

- ◆ Renaming and realigning all teams under the following areas: e-Business, Business Operations, Business Protection, Oversight and Business Evaluations, and Internal Business;
- ◆ Dividing the field liaison function into East and West areas of operation; and
- ◆ Moving the Strategic Planning, Congressional & Public Relations, and Quality Assurance/Internal Affairs Teams to more prominent positions in the organization.

A copy of the revised organization chart follows.

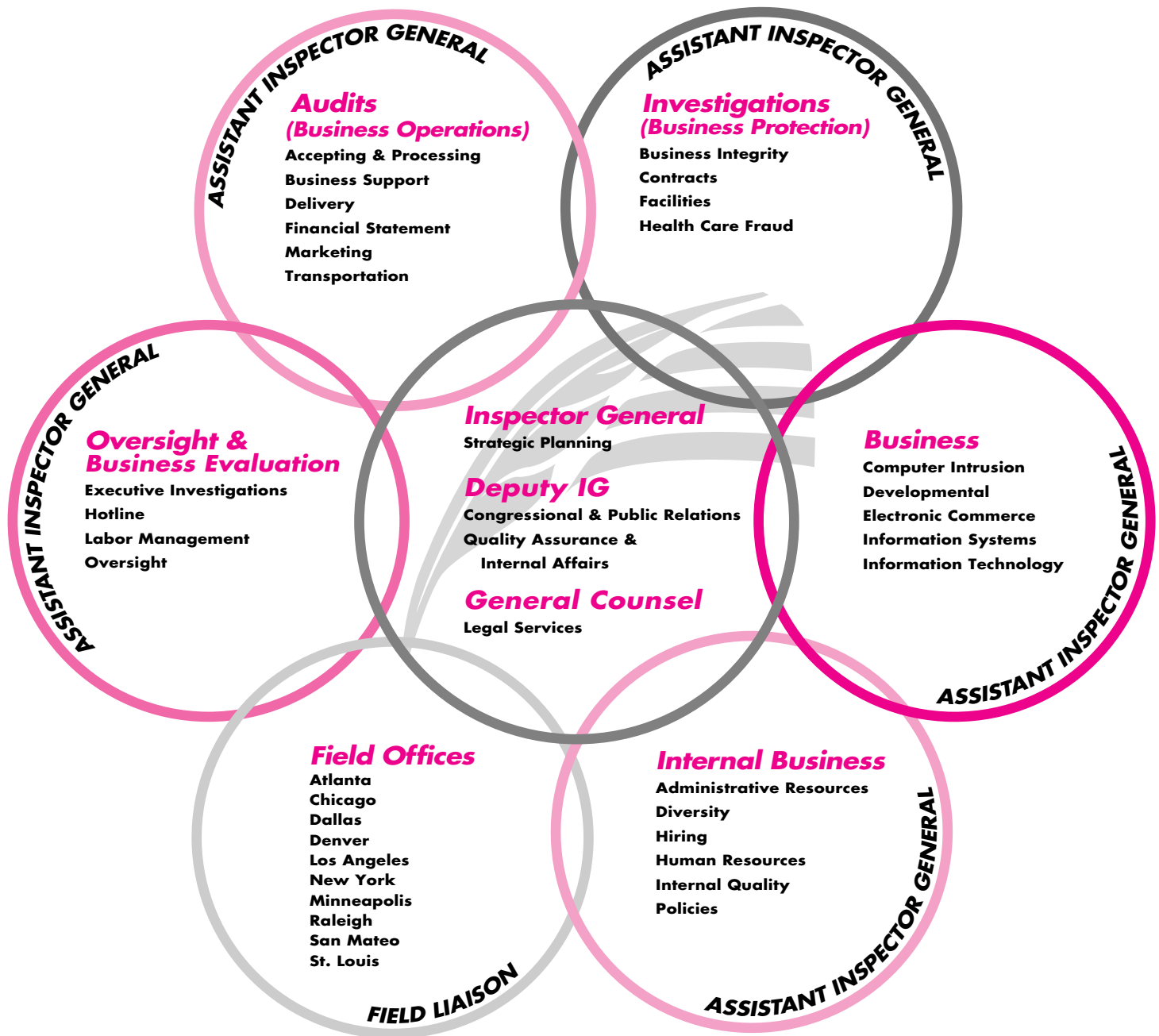


What is the background of the OIG staff?

OIG personnel include auditors, evaluators, criminal investigators, lawyers, technicians, and administrative personnel from Federal and state government agencies, private industry, non-profit organizations, and the Postal Service.

Office of Inspector General Revised Organizational Structure

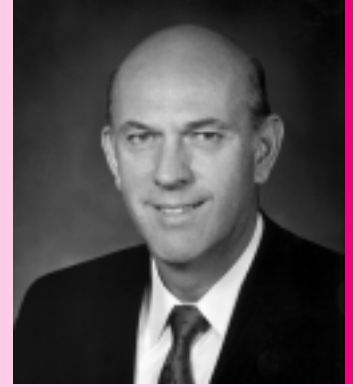
as of May 8, 2000



INSPECTION SERVICE

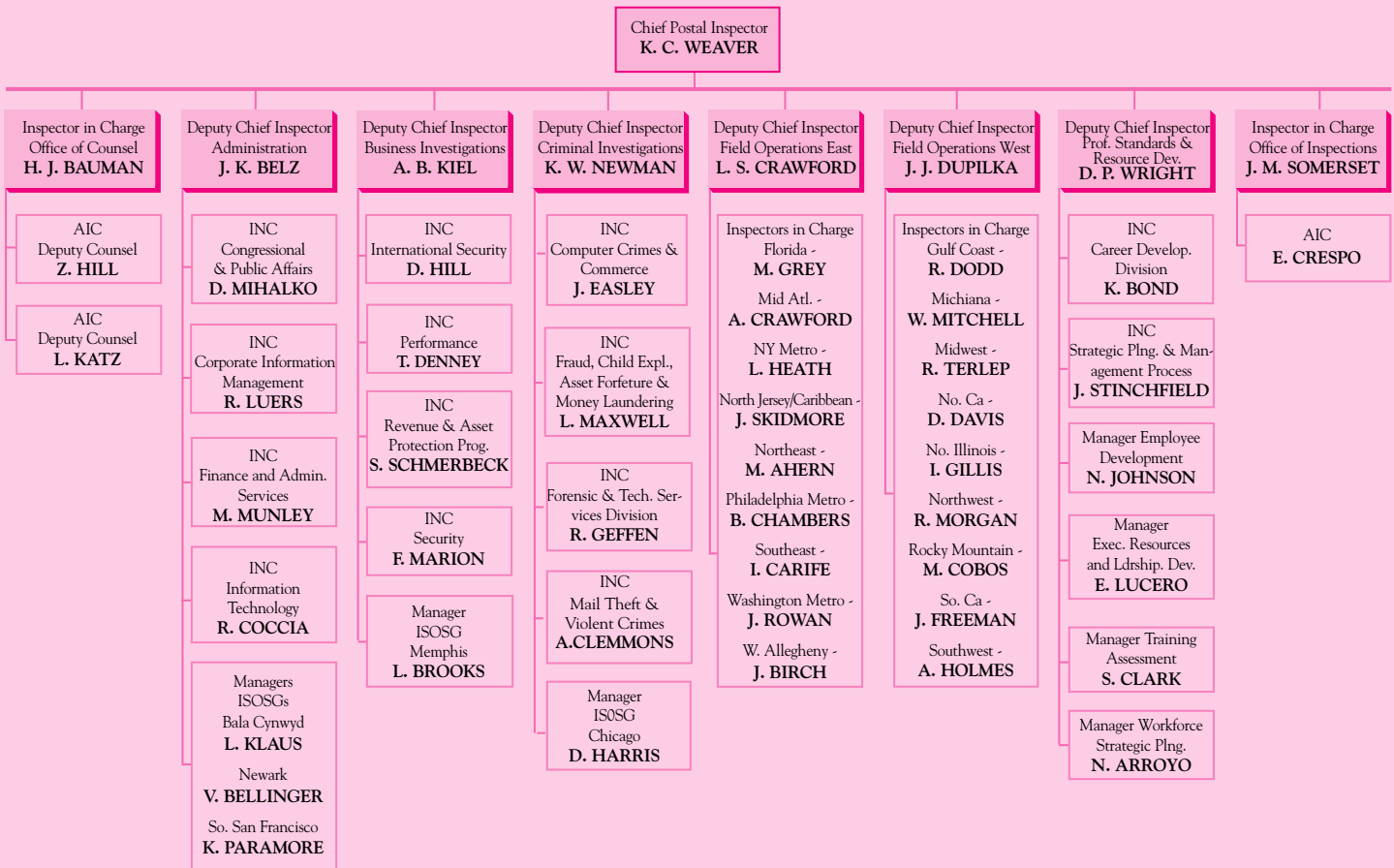
At the end of FY 1999, the Inspection Service completed a realignment of reporting relationships among field divisions. Over the last few years, 30 Inspection Service Field Divisions have been consolidated to 18. This has resulted in increased efficiency and effectiveness. The consolidation of specific support functions, the availability of additional staff resources for emer-

gency response, and a more uniform span of control among division Inspectors-in-Charge will enhance the Inspection Service's ability to address Inspection Service goals. The Inspection Service remains committed to the ongoing evaluation of organizational performance, employee development, and customer service with the goal of continuous improvement.



**Chief Postal Inspector
Kenneth C. Weaver**

Inspection Service Organizational Structure



AIC - Assistant Inspector in Charge
 INC - Inspector in Charge
 ISOSG - Inspection Service Operations Support Group



Goals and Strategies

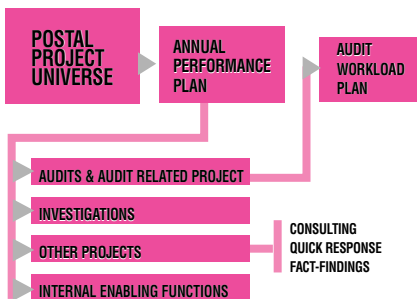


DID YOU KNOW?

Why does the Postal Service need an OIG in addition to the Inspection Service?

In a word - Independence. The Inspection Service is part of and reports through Postal management. The OIG is independent from Postal management, and by law, must report findings without interference from management.

Planning System Interrelationships



This section describes the OIG and Inspection Service vision and goals for assisting the Postal Service in achieving its operational, performance, and financial goals in the 21st century. In addition, this section describes the process by which the OIG translates its vision into an annual performance plan. In order to differentiate between the OIG and the Inspection Service, the pages concerning the Inspection Service have been color screened.

OFFICE OF INSPECTOR GENERAL

STRATEGIC GOALS

To assure long-term success, the OIG recognizes that it must address Postal Service operations and activities, broadly define realistic goals, set priorities in line with business vision, and conceive effective strategies and action plans. Therefore, in January 1998, the OIG issued its first Five-Year Strategic Plan

In the published Strategic Plan for FY's 1998-2002, three external and three internal goals were identified that were aligned with each of the Postal Service's *CustomerPerfect!* goals. The revised plan will reflect one external and one internal goal, aligned with the *CustomerPerfect!* goals. These five-year goals are:

External Goal

Enhancing the Postal Service's:

- ◆ customer service and value;
- ◆ employee and workplace environment; and
- ◆ financial integrity and business viability.

Internal Goal

- ◆ effective use of OIG resources.

OIG PLANNING PROCESS

These goals play a crucial role in the OIG's planning process. The planning process has three interrelated components: the project universe, the annual performance plan, and the annual audit workload plan. The project uni-

verse, which includes all projects that could be considered, is the umbrella of the plan. This year, the OIG identified nearly 1,000 projects for consideration. To hire staff to complete the entire universe of projects in one year would be unrealistic. Therefore, OIG management selects projects from the universe on the basis of risk. These risk factors include the:

- ◆ level of Postal Service labor and capital resources;
- ◆ impact on Postal-wide operations and goals; and
- ◆ degree of sensitivity and level of visibility.

The OIG selected the highest priority projects for inclusion in the annual performance plan, the second component of the planning process. For FY 2000, this plan consists of over 200 projects, many of which are identified in the Major Management Challenges section of this report. The third component is the OIG annual audit workload plan, which is extracted from the annual performance plan. This audit workload plan, which includes Inspection Service audits, is presented to the Postal Governors each year.

PERFORMANCE RESULTS

Each year the OIG establishes annual performance goals to support its strategic goals. During FY 1999, the OIG accomplished over 80 percent of its plan. For FY 2000, OIG has established eight annual performance goals—one for each major operating area—and two for internal operations. To date, OIG is on target to substantially meet its plan.

THE ROAD AHEAD

As the OIG expands its infrastructure, it will transition its focus to more intensive prevention and detection of fraud, waste, abuse, and mismanagement, as well as the promotion of effectiveness, efficiency, and economy throughout the Postal Service. The OIG will continue to work with the Inspection Service to transition additional responsibilities to support *CustomerPerfect!* goals and help the Postal Service meet its major management challenges.

INSPECTION SERVICE

The Inspection Service continues to support the Postal Service's *CustomerPerfect!* model which consists of three voices— Voice of the Customer, Voice of the Employee, and Voice of the Business. The management cycle of planning, implementation and review provides a practical and tangible method for establishing Inspection Service goals. This process resulted in the identification of the five goals and ten indicators for FY 2000 as follows:

Inspection Service FY2000 Goals and Indicators

GOALS

INDICATORS

CUSTOMER

Increase Customer Confidence
in the Security & Integrity of the Mail

Customer Satisfaction Measurements-
Residential (Security)
Volume Thefts

EMPLOYEE

Ensure Employee Safety

Number of Robberies
Robbery Solution Rate
Number of Assaults
Number of Credible Threats

Enhance the Workplace Environment
to Improve Organizational Performance

Performance Management Profiles
Recruitment

BUSINESS

Prevent Loss of Revenue
and Assets

Fraudulent Schemes Involving
Underpayment of Postage

Reduce Costs

Fraudulent Compensation
Costs Avoided



Customer Service



DID YOU KNOW?

Why must the OIG report all of its findings and issues to the Governors and Congress?

The OIG is required by law to keep the Governors and Congress fully and currently informed. The OIG also reports its findings and issues to Postal management so that they can take appropriate action to improve the efficiency and effectiveness of Postal programs and operations.

This section describes the OIG and Inspection Service's efforts to provide Customer Service including initiatives by support functions to enhance service to internal customers. Customer satisfaction and service is the underlying creed of most successful organizations and businesses. In order to differentiate work reported by the OIG and the Inspection Service, pages concerning the Inspection Service have been color screened.

OFFICE OF INSPECTOR GENERAL

The OIG's customers include Members of Congress, the Postal Service Governors, Postal managers and employees, other government agencies, and the American public. In addition to conducting audits, investigations, and other reviews, the OIG demonstrates its commitment to service by responding to customer concerns in a variety of ways as described below.

COMMUNICATING WITH CONGRESS AND THE POSTAL SERVICE GOVERNORS

The OIG is legally responsible for keeping Members of Congress and the Postal Service Governors fully and currently informed. The OIG keeps Congress informed by issuing the Semiannual Report to Congress, testifying at oversight and other hearings, and briefing Members and their staffs on issues related to the Postal Service. The OIG keeps the Governors informed through regular briefings at monthly Board meetings, a monthly activity report from the Inspector General, and responses to requests for information. The OIG also regularly provides Congress and the Governors with copies of audit and management advisory reports.

One of the highest priorities of the OIG is to provide accurate and timely responses to Congress and the Postal Governors. The OIG Congressional and Public Relations team serves as the liaison between OIG staff and Congress and the Governors and provides a myriad of services, such as:

- ◆ serving as the point of contact and conduit of information for all of OIG communications with Congress and the Governors;

- ◆ facilitating and monitoring OIG internal processing of all Congressional and Governors' requests to help ensure accurate and timely responses;
- ◆ monitoring legislation and attending Congressional hearings that affect the Postal Service and the Inspector General community;
- ◆ coordinating preparation of written and oral testimony for Congressional hearings and questions arising from such hearings; and
- ◆ working with Congressional staff members to address important issues as appropriate.

In addition, the OIG keeps the Governors' and Congressional staff members informed about matters that are referred to the OIG from Postal Service stakeholders and constituents.

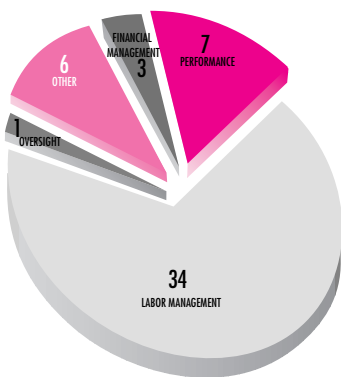
The OIG conducts independent audits and investigations of Postal Service programs and operations to help ensure their efficiency and integrity. The OIG does not, however, normally perform audits and investigations when the case involves an individual employee issue that can be resolved through contractual grievance-arbitration procedures or the Equal Employment Opportunity process.

Instead, the OIG focuses its efforts on identifying systemic issues and performing Postal-wide reviews designed to assist in promoting a healthy and productive work environment for all Postal Service employees. By performing systemic rather than individual reviews, the results of OIG work will affect a large number of people and have a wide-ranging beneficial impact on Postal Service operations. Information about individual concerns, however, is incorporated into a database to identify systemic issues and potential areas for Postal-wide review by the OIG.

During this six-month reporting period, the OIG closed 51 Congressional and Governor inquiries. Appendix A of this report lists the OIG responses to these inquiries by subject area. In addition to the following summaries, narratives describing significant OIG work in response to Congressional and Governor requests appear in subsequent sections, as appropriate.

The following are a few examples that illus-

Congressional Inquiries Closed During this Semi-annual Period by Category



trate the variety of inquiries the OIG closed during this reporting period:

- ◆ An investigation into allegations of contract fraud and conflict of interest revealed that the Postal Service was paying a contractor for services performed for another company (owned by the contractor’s spouse) while on the job for the Postal Service. Although the United States Attorney’s office declined to prosecute, the matter is being pursued under the Program Fraud Civil Remedies Act.
- ◆ An allegation of a delayed payment of a \$25,000 indemnity claim to an individual, when coupled with other similar inquiries, led to the OIG initiating a systemic review of the indemnity claim process. The individual was eventually issued a check for the full amount claimed, plus postage.
- ◆ After an individual was ordered by a Postal Service manager to vacate Postal Service premises where he was collecting signatures for a political election, he contacted the OIG through his Congressional representative. The OIG found that Postal Service regulations expressly prohibit political activity on Postal property. Therefore, the Postal Service manager acted lawfully and in accordance with applicable Postal Service regulations.

In its continuing efforts to improve overall responsiveness to Congressional requests, the OIG has improved its tracking system that provides information on the status of each request. The tracking system also provides historical data on all Congressional and Governor inquiries since the OIG’s inception.

RESPONDING TO HOTLINE INQUIRIES

The OIG Hotline provides a vital and confidential communication link between the OIG and persons who contact the Hotline. The Hotline receives complaints from employees, customers, and the general public. Complaints include alleged violations of laws, rules, or regulations; mismanagement; waste of funds; abuse of authority; or danger to public health and safety. Complaints and allegations received by the Hotline are analyzed to identify systemic issues affecting the Postal Service.

The OIG considers all Hotline contacts when planning OIG audits and projects. However, the Hotline does not replace formal avenues of problem resolution like grievance arbitration procedures established under agreement between the Postal Service and its Unions, or Equal Employment Opportunity complaint procedures established under Federal guidelines.

As mentioned in the Overview section, during the fall of 1999, the OIG initiated a Hotline awareness campaign by distributing a “Fraud, Waste, Abuse, and Mismanagement” poster throughout the Postal Service. As a result, Hotline contacts increased dramatically, by almost 70 percent, and total contacts during the reporting period exceeded 9,000—the second largest total for a semiannual reporting period since the Hotline was established in 1997.

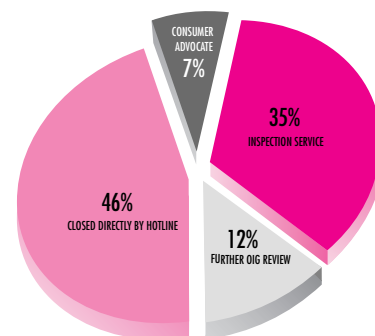
- ◆ Of the more than 9,000 contacts received:
- ◆ Twelve percent were referred internally to the OIG staff for resolution or information, and pertained to allegations of fraud, waste, abuse, and mismanagement, or violations of health and safety rules;
- ◆ Thirty-five percent were referred to the Inspection Service and involved allegations of criminal activity, including threats of violence, mail theft, vandalism, or mail tampering;
- ◆ Seven percent were customer service matters that were referred directly to the Postal Service Consumer Advocate; and
- ◆ Forty-six percent related to miscellaneous requests for information such as job opportunities, ZIP Codes, postal meters, and other Postal Service-related matters.

The OIG’s national toll-free Hotline number, 1-888-USPS-OIG (1-888-877-7644), is staffed from 7:00 a.m.-7:00 p.m., Eastern Time, Monday through Friday (except federal holidays). Threats and any other potentially violent work situations are routed immediately to the Postal Police Control Center for action 24-hours a day either by an OIG Hotline analyst or through a caller-directed menu system. If the emergency call is answered by an OIG Hotline analyst, it is evaluated and immediately forwarded to Postal Inspectors for appropriate



The OIG Hotline poster should be posted in all Postal facilities.

Referral of Contacts Received by the Hotline During this Semiannual Period



attention. Contacts can also be received at any time by fax, e-mail, and voicemail. To increase efficiency and Postal customer service satisfaction, the OIG uses a caller-direct menu that allows callers to route inquiries to the appropriate office for response.

People interested in contacting the Hotline may also write to the United States Postal Service, OIG, Attn: Hotline, 1735 North Lynn Street, Arlington, VA 22209-2020; e-mail the OIG at hotline@uspsoig.gov; or fax information to (703) 248-2259.

ISSUING INSPECTOR GENERAL SUBPOENAS

The Inspector General is authorized under section 6(a)(4) of the Inspector General Act to issue subpoenas in support of audits and investigations. The Inspector General issues subpoenas in support of activities it performs and in support of selected investigations undertaken by the Inspection Service.

The OIG is fully utilizing technology to process subpoenas and has deployed its electronic subpoena system. The OIG “e-subpoena” system enables OIG special agents and Postal Inspectors to process subpoena requests online by completing standard forms and transmitting the requests electronically. This greatly reduces the time and resources involved in processing requests that previously were received by mail or fax and had to be re-entered in the subpoena system. The e-subpoena system was recognized last year with an Award of Excellence from the Executive Council on Integrity and Efficiency.

In this reporting period, the OIG issued 209 subpoenas: 164 subpoenas supporting the Inspection Service and 45 subpoenas supporting the OIG. Eighteen of these subpoenas were issued in accordance with the Right to Financial Privacy Act, which requires notifying the customer before obtaining financial information. The OIG issued its first subpoena under the Electronic Right to Privacy Act in response to an investigation into cyber-attacks on Postal Service computer systems.

The OIG legal staff provides assistance in enforcing subpoenas when the subpoenaed party refuses to provide the records. Subpoenas issued under the Inspector General Act are enforced with the assistance of the Department of Justice. Two enforcement cases are pending

judicial determination. In a third case, a federal court in Philadelphia gave the OIG 24 hours to respond to a challenge to a Right to Financial Privacy Act subpoena. The legal staff filed its response within 24 hours, and the following day the court dismissed the challenge, directing the financial institution to turn over the records.

ANSWERING FREEDOM OF INFORMATION AND PRIVACY ACT INQUIRIES

The OIG responds to many requests for reports and other information made to the OIG under the Freedom of Information Act and the Privacy Act. The Freedom of Information Act requires that the OIG respond to the requestor within 20 working days. Upon receiving a request, OIG staff conduct a search of OIG records to determine whether the OIG has any responsive documents. The OIG disclosed many audit and management advisory reports. Open criminal investigations, however, are not released, and generally, only portions of closed criminal investigations are released.

Because some audit and management advisory reports contain sensitive Postal Service business information, the OIG asks Postal Service management and Law Department officials to identify any business or proprietary information that may be exempted from disclosure under the Freedom of Information Act. After reviewing management’s comments, the OIG makes the final determination as to whether an exemption is applicable to an OIG document.

Often, the OIG receives requests for Postal Service documents and documents from other agencies. In those cases, requestors are notified that their request is being forwarded to the appropriate agency for determination.

Requestors have the right to appeal an OIG determination to withhold all or part of a document. The appeal is sent to the OIG, who forwards it to the Law Department, which is responsible for handling all Freedom of Information appeals in the Postal Service.

During this six-month period, the OIG received 56 requests for information pursuant to the Freedom of Information and Privacy Acts. Two of these requests were answered in full, seven were withheld totally, twenty-seven were partially withheld, and six were referred outside the OIG. The OIG did not have any documen-

tation for the remaining 14 requests. During this reporting period, two appeals were transmitted to the Postal Service's Law Department, Civil Practice Section, for final decisions. One appeal was decided in the OIG's favor and the other appeal is pending. In addition, the Law Department rendered a final decision on two appeals that were transmitted in the last reporting period, upholding the OIG's initial decision to withhold information.

A majority of Freedom of Information Act requests were from individuals interested in obtaining their applicant files and for specific audit reports.

MONITORING COMPUTER MATCHING REQUESTS FOR POSTAL INFORMATION

Under the Privacy Act, a matching program is defined as any computerized comparison involving the automated Federal system of records of two or more agencies. Information contained in a system of records may be disclosed to a recipient agency for use in a computer matching program pursuant to a written agreement between the source and recipient agencies, and after publication in the Federal Register. The Postal Service receives requests from other government agencies for Postal Service data that are used in computer matching programs for a variety of purposes, including statistical studies and law enforcement activities. Pursuant to the Privacy Act, the Postal Service Data Integrity Board reviews requests seeking information to perform computer matches. The Inspector General is a member of the Data Integrity Board along with the Vice President, Employee Resources Management; Vice President, General Counsel; Chief Financial Officer and Executive Vice President, Finance; and the Chief Postal Inspector.

During this six-month period, the Inspector General, as a member of the Data Integrity Board, reviewed and approved the following four requests for computer matching data from the Postal Service

- ◆ Separate requests from the South Dakota Department of Labor and the Florida Department of Education asking for information from the Postal Service to identify Postal employees who were former students of South Dakota's and

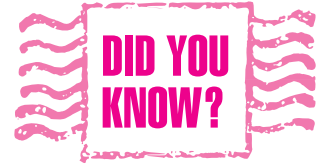
Florida's, respective, education systems. Each State's Department of Education will determine whether Postal job duties of former students relate to their education.

- ◆ The Department of Education requested a computer matching agreement to obtain information from the Postal Service to identify Postal employees who are in default on student loan obligations held by the Department. The purpose of the match is to collect those debts under the salary offset provisions of the Debt Collection Act of 1982 when voluntary payment is not forthcoming.
- ◆ The Department of Veterans Affairs requested an extension of a computer matching agreement to obtain information from the Postal Service to identify Postal employees who owe delinquent debts under programs administered by the Department. The purpose of the match is to collect those debts under the salary offset provisions of the Debt Collection Act of 1982 when voluntary payment is not forthcoming.

In addition, the OIG itself follows the computer matching requirements of the Privacy Act. The OIG and the Department of Labor, Office of Workers' Compensation Programs, recently agreed to a process by which the OIG would construct a computer matching program. In this computer match, the OIG would compare Postal Service payroll records with the Department of Labor, Office of Workers' Compensation Programs records as part of an audit of workers' compensation payments to Postal Service employees. The OIG is awaiting final approval from the Postal Service Data Integrity Board. Upon approval, the OIG will initiate a review of the Postal Service Injury Compensation Program to determine the extent of overpayment of Federal Employee Compensation Act benefits to Postal Service employees who have returned to work.

RESPONDING TO MANAGEMENT REQUESTS FOR OIG REVIEWS

The OIG provides timely and accurate information and recommendations to Postal Service management. The OIG asked Postal



How does the OIG handle Freedom of Information Act requests?

Public requests for OIG information are processed pursuant to the Freedom of Information Act (FOIA) by OIG staff. FOIA requests may be made in writing, or the public can review information posted on the world wide web at www.uspsoid.gov

Service managers to identify operations and emerging issues that would benefit from the OIG's review. Their suggestions are considered during the OIG annual planning process and, to the extent practical, are given priority consideration for inclusion in the plan. This process creates a unique opportunity to assist management by providing independent analysis and additional information that will assist management officials in fulfilling their responsibilities.

Some examples of suggestions from Postal Service management for operations and issues that the OIG plans to review in FY 2000 include:

- ◆ workers' compensation;
- ◆ marketing systems;
- ◆ alternative dispute resolution; and
- ◆ computer security.

The OIG plans to continue to solicit suggestions from Postal managers and will consider all suggestions as it plans projects.

REVIEWING LEGISLATION AND REGULATIONS

As required by the Inspector General Act, the OIG monitors legislative and regulatory developments to advise Congress and the Governors of the impact of such legislation and regulations on Postal Service programs and operations. The relevant legislative and regulatory reviews are included at the end of the appropriate sections that describe the OIG and Inspection Service reviews performed during the last six months. During the six-month period, the OIG evaluated 47 legislative proposals and 49 regulatory initiatives.

ASSISTING INSPECTORS GENERAL COUNCILS

The OIG is a member of the Executive Council on Integrity and Efficiency, whose member Inspectors General are appointed by their agency heads. The OIG also interacts with the President's Council on Integrity and Efficiency, whose members are appointed by the President.

The President's Council on Integrity and Efficiency and Executive Council on Integrity and Efficiency conduct interagency audits, inspections, and investigative projects to address government-wide fraud, waste, and

abuse. They achieve these goals through established committees, which include Audit, Inspection and Evaluation, Integrity, Investigations, Legislation, and Professional Development. The Postal Service Inspector General serves on the President's Council on Integrity and Efficiency's Investigations Committee and the Assistant Inspector General for Audits serves on the Federal Audit Executive Council.

Both Councils frequently request assistance and information from the Inspector General community about specific projects, and solicit ideas, comments, and suggestions regarding other Inspector General-related issues. Maintaining an ongoing relationship with these groups allows the OIG to respond to requests and participate in discussions and decisionmaking on important issues of mutual interest within the Inspector General community.

The OIG received over 50 inquiries from these Councils during this reporting period. A sampling of some of the various requests include:

- ◆ providing information for the President's Council on Integrity and Efficiency FY 1999 Progress Report to the President, which outlined the Postal Service OIG's audit and investigative accomplishments for the year;
- ◆ joining with the Inspector General community and commenting to Congress on the Webster Report, which addressed the need for criminal investigators to remain within the Inspector General community; and
- ◆ participating in significant discussion and debate of a possible GAO auditing standard that would question the organizational independence of Inspectors General and have a significant negative impact on the Inspector General community.

USING COMPUTER FORENSICS

The OIG Computer Forensics Team is staffed by specialists trained and certified in the seizure of computers and the recovery of electronic evidence. Their mission is to identify individuals who use computers for criminal purposes generally in one of three ways. First, a computer may be the target of the offense. In these cases, the criminal's goal is to steal information from or cause damage to a computer.

Second, the computer may be a tool of the offense. This occurs when an individual uses a computer to facilitate some traditional offense such as fraud. Lastly, computers are sometimes incidental to the offense but significant to law enforcement because they contain evidence of a crime.

- ◆ During the reporting period, Computer Forensics team members participated in five search warrants and seized thousands of megabytes of data. The data will be analyzed in the OIG computer forensics laboratory located in headquarters.
- ◆ Members of the team are active in the High Technology Crime Investigation Association, the Regional Computer Forensics Group, and the International Association of Computer Investigative Specialists.

PROVIDING POLYGRAPH SERVICES

The OIG Polygraph program aids criminal investigators and is an effective tool to assist in proving guilt as well as innocence. OIG polygraph examiners represent the OIG within the polygraph community and on the Federal Polygraph Executive Committee.

DEPLOYING A COMMUNICATIONS SYSTEM

Law enforcement agencies use two-way radio communications during field operations. The OIG utilizes state-of-the-art handheld radios to ensure operational readiness and practicality for field agents. In addition, the OIG utilizes the Customs Service radio network, called SECTOR, to enhance the effectiveness of its communications abilities and assure that communications are secure.

SECTOR increases the range of the handheld radios through a nationwide system of over 368 repeaters. The SECTOR system also gives field agents a communication link to a dispatcher who can send emergency assistance immediately 24 hours a day, seven days a week. The Customs Service is compensated by the OIG on a per handheld or subscriber basis. This arrangement benefits the OIG by reducing manpower, repair, and site costs.



OIG staff sharing skills and knowledge to achieve effective results.

INSPECTION SERVICE

The Inspection Service has adopted numerous initiatives to improve customer service. The Inspection Service endeavors to alert consumers and businesses to current crimes by attracting media attention to Postal crime trends, publicizing positive law enforcement accomplishments, circulating media releases, and hosting crime prevention presentations.

CONGRESSIONAL LIAISON

On December 13, 1999, Senate and House staff members and a representative from the Postal Service's Government Relations office toured the Forensic and Technical Service Division facility in Virginia, during which the capabilities and technical expertise of each department were explained. A positive response from congressional staffers resulted in additional tours being scheduled.

The Inspection Service recently participated in the spring session of the Brookings Institution's LEGIS Fellows Program. The program offers a one-month orientation to the structure and organization of Congress, followed by an assignment on Capitol Hill working for a member of Congress, a Congressional committee, or a support agency in Washington, DC. A six-month detail assignment was completed in December by a Postal Inspector serving as a Legislative Assistant on the personal staff of a member of the House Committee on Government Reform, the oversight committee of the Postal Service.

The Inspection Service coordinated meetings for the Chief Postal Inspector with the Chairman of the Subcommittee on the Postal Service and the Ranking Minority member, Subcommittee on the Postal Service, to discuss Inspection Service matters.

CONSUMER PROTECTION

Mail fraud is a crime that can be prevented through education and awareness because every victim or potential victim must decide whether or not to participate in a given promotion. Accordingly, this year Postal Inspectors frequently joined forces with consumer protection agencies and organizations in fraud prevention initiatives. The Postal Service has partnered with the Securities and Exchange Commission,

the National Association of Attorneys General, the Better Business Bureau, the American Association of Retired Persons, and the Federal Trade Commission. One such teaming involved "surfing the net" for get rich quick scams for project "Get Rich Quick.con." Another initiative involved Internet auction frauds. The Inspection Service contributed to this effort by highlighting at least 26 Internet auction investigations that involved use of the mail.

Additionally, a survey commissioned by the Inspection Service revealed that 48 percent of respondents who were victims of fraud did not report the crimes. The reason most often cited was that did not know where to go for assistance. In an effort to educate and help consumers, the Inspection Service joined forces with several federal, state, and private agencies, including the Department of Justice, Federal Bureau of Investigation (FBI), Federal Trade Commission, Securities and Exchange Commission, National Association of Attorneys General, American Association of Retired Persons, and Better Business Bureau to launch **KNOW FRAUD**, the largest consumer protection effort ever undertaken. The purpose of the nationwide campaign was to connect the public with agencies that can help and provide consumers with new resources to "slam the phone" on telemarketing scams.

A toll-free number, 1-877-987-3728, and a **KNOW FRAUD** web site were established to provide consumers with additional fraud prevention information and to link consumers with law enforcement officials who would share information. To date, over 80,000 visits to the web site have been received as well as nearly 42,000 calls to the toll-free number.

CRIME LABORATORIES

Solving investigations and convicting criminals often requires the unique scientific and technical support of the Forensic and Technical Services Division. The Forensic and Technical Services Division oversees polygraph, technical, and laboratory services for the Inspection Service. Five forensic laboratories provide scientific support by analyzing and examining document and physical evidence gathered from Postal crime scenes.



The Inspection Service KNOW FRAUD campaign was designed to help protect consumers.

TECHNICAL SERVICES

Technical services personnel assist and support field division staff in the acquisition and use of various sophisticated equipment and services to make their job easier and safer. The unit utilizes Inspectors, security technicians, and communications specialists to meet program objectives. Programs include radio, electronic surveillance, and mail screening. Information relating to each program follows.

- ◆ The division provides and manages a \$40 million national two-way radio communications system for Postal Inspectors and Postal Police Officers. The system includes the hardware infrastructure (mobiles, portables, base stations and repeaters) and ancillary equipment including satellite telephone services. The systems provide the Inspection Service with reliable and efficient law enforcement communications and emergency national or local disaster communications for the Postal Service (e.g., floods, hurricanes, etc.). During this reporting period, the Rocky Mountain, Western Allegheny, and Philadelphia Metro Divisions were being upgraded with digital narrow band systems. Special projects this period included upgrading the radio system for the San Juan office and setting up a communications system for the Y2K Command Center.
- ◆ The National Electronic Surveillance Program includes the administration and asset management of the Inspection Service's approved or court-ordered interception of electronic transmissions, which requires strict adherence to legal and operational guidelines, and continued maintenance of state-of-the-art technology and expertise.
- ◆ Forensic and Technical Service Division staff supplied the equipment and installation for a Title III wiretap on land-line and cellular telephone circuits used by Postal Inspectors and Arizona police detectives after they uncovered a multi-million dollar marijuana trafficking organization. Large quantities of marijuana were being sent via a private carrier to several states, and proceeds returned via Express Mail to commercial mail receiving agencies. The case resulted in the

arrest of seven subjects, including an employee of a private carrier, and the seizure of \$60,000 in cash, jewelry, and six vehicles.

- ◆ The Mail Screening Program involves acquiring and maintaining portable and fixed mail screening equipment utilized by Inspection Service personnel and Postal employees assigned to Mail Recovery Centers and the national headquarters mailroom. Currently, the Inspection Service maintains 107 portable units used by Postal Inspectors nationwide and 16 fixed units in Postal facilities. In addition, seven mobile trailers are maintained and ready for immediate deployment for urgent mail screening initiatives authorized by the Chief Postal Inspector. Eighty portable units were recently upgraded for Y2K compatibility. The Inspection Service provided mail screening during the World Trade Organization Conference held in Seattle, Washington, on November 30 through December 3, 1999.

POLYGRAPH SERVICES

Polygraph examinations have proven to be effective in resolving cases involving employee assaults, registered and other mail thefts, allegations of assault, and misappropriation of Postal funds or property.

- ◆ A casual clerk/rural carrier associate of the Appalachian District Accounting Office was polygraphed in conjunction with an investigation of lost registered mail. The clerk took a polygraph test and was found deceptive; however, the clerk denied any knowledge of the theft and agreed to an automobile and residence consent search. During the search, Postal Inspectors recovered a substantial amount of cash and other documents that were contained in the registered mail. The employee then confessed to stealing.
- ◆ A New York distribution clerk accepted \$7,500 in counterfeit U.S. currency. In all, the clerk had 150 counterfeit \$50 bills. When Postal Inspectors responded, the employee claimed he could not remember any one person coming to his window with these counterfeit bills and did not realize they were counterfeit when he accepted them. The clerk was then



The Inspection Service's forensic specialists provide technical expertise to support investigations of criminal activities.



Are mailboxes considered Federal property?

Yes, Federal law (18 USC § 1705) makes it a crime to vandalize mailboxes (and to injure, deface, or destroy any mail deposited in them). Violators can be fined up to \$250,000 or imprisoned for up to three years for each act of vandalism.

polygraphed and found deceptive. In the subsequent interrogation, he acknowledged he knew the money was counterfeit when he accepted it and admitted that he exchanged the money for Postal money orders.

FORENSIC SERVICES

Inspection Service forensic analysts provide expert examinations and testimony on evidence submitted by Postal Inspectors for document, fingerprint, chemical, and physical evidence analyses. Lab personnel are available to respond to the most critical, violent criminal investigations to assist in processing and evaluating evidence. During this reporting period, over 108 sets of fingerprints were matched on Automated Fingerprint Identification System searches. This significantly reduced investigative hours by identifying suspects from latent prints developed. Ten identifications were made just on volume mail theft cases in two western cities. In Virginia, a suspect was identified through an Automated Fingerprint Identification System search after 43 fingerprints were obtained and then matched in the system. The suspect was responsible for stealing mail from 200 residents and possessed 12 counterfeit driver's licenses when arrested. Forensic analysts also made 45 court appearances to provide testimony.

DIGITAL EVIDENCE

Inspection Service personnel assigned to this unit preserve, access, retrieve, and recover evidence stored on computers and related media. The unit also conducts forensic examinations of audio and video media. They provided assistance with search warrant and affidavit preparation, pre-search planning, on-site search assistance, and marking, packing, transporting, and processing seized computer equipment.

Significant activities of the Digital Evidence Program include testimony in a child molestation case that resulted in a successful prosecution. On-site support of search warrant activities was also provided in Maryland, Virginia, Illinois, and Texas. Program managers assisted in a child exploitation case in Montana, which involved finding over 3,500 child pornography images on the suspect's seized computers.

Performance Reviews

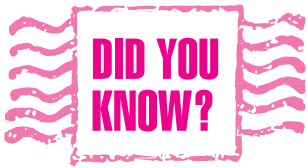


OFFICE OF INSPECTOR GENERAL

- Accepting and Processing
- Transportation
- Delivery
- Marketing
- Legislative and Regulatory Reviews

INSPECTION SERVICE

- Transportation
- Delivery
- Mail Theft
- Service Investigations



What is a "performance" audit?

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

This section highlights audits, reviews, and investigations conducted by the OIG and the Inspection Service in the Performance area. Also, included at the end of the OIG section are the OIG legislative and regulatory reviews. In order to differentiate the work products by the OIG and Inspection Service, the pages containing the Inspection Service work have been color screened. Report numbers are shown in parentheses after the narratives, as appropriate.

OFFICE OF INSPECTOR GENERAL

To deliver world-class service, businesses and government agencies must excel in performing their core business processes. For the Postal Service, these core business processes and systems encompass accepting, processing, transporting, and delivering the mail as well as marketing Postal products and services. In the past six months, the OIG has completed 27 reviews of key and emerging issues relating to the Postal Service's performance of core business processes. The reviews identified opportunities to save over \$31 million during current and future years. The reports with the major savings or significant findings are:

- ◆ External First-Class Measurement System, page 58;
- ◆ Commercial Air Carrier Performance, page 59;
- ◆ Breast Cancer Research Stamp Program, page 61; and
- ◆ Security of Stamp Stock, page 61.

ACCEPTING AND PROCESSING

Each day, over 650 million pieces of mail are accepted by the Postal Service in a variety of ways, including collections from more than 300,000 blue collection boxes and residential and business collection mailboxes. Express Mail, First-Class Mail, and some Priority Mail and periodicals are sorted at the more than 300 processing and distribution plants, while Standard Mail is generally handled at the 21 bulk mail centers. In order to ensure timely and

accurate delivery of mail, accepting and processing procedures must be state-of-the-art. Situations that result in delayed mail processing must be vigorously evaluated and the underlying causes promptly resolved. During the past six months, the OIG issued six reports in the Accepting and Processing Area, including the External First-Class Measurement System and delayed mail volume, which are discussed below.

EXTERNAL FIRST-CLASS MEASUREMENT SYSTEM

The OIG evaluated the Postal Service's controls for detecting and preventing compromise of the External First-Class Measurement System and its capabilities for measuring First-Class Mail service. The audit confirmed the current contractor has adequate internal controls for detecting and preventing compromise of the system. However, the current system does not include all ZIP Code areas in the selection process, relies on a sample size that is larger than necessary to obtain projectable results, and does not measure the mail volume flow of many modes of First-Class Mail.

The audit identified that the External First-Class Measurement System may not accurately measure overall performance of First-Class Mail service ZIP Codes that are not represented in the testing universe. The OIG offered a recommendation designed to enhance the system and ensure that External First-Class Measurement Systems results would not be misinterpreted by users outside of the Postal Service. Management agreed with a recommendation to fully disclose that the External First-Class Measurement System is not a system-wide measurement of all First-Class Mail performance. Specifically, management agreed to include the following disclaimer in connection with External First-Class Measurement System results: "External First-Class Measurement is an external measurement system of collection box to mailbox delivery performance. External First-Class Mail Measurement continuously tests a panel of 465 ZIP Code areas selected on the basis of geographic and volume density from which 90 percent of First-Class volume originates and 80 percent destines. External First-Class Mail Measurement is not a system-wide measurement of all First-Class Mail performance." Management also agreed to establish milestones

for using planned information technology to measure all streams of First-Class Mail. (OIG DS-AR-00-001)

DELAYED MAIL IDENTIFIED

During this period, the OIG conducted two reviews of mail processing activities that identified delayed mail at Postal facilities. Because mail processing delays are potentially damaging to the Postal Service's reputation with its customers, the OIG reported results to Postal management expeditiously and management took immediate action to correct the problems identified.

- ◆ In the first review, the OIG discovered approximately 20 trailers of delayed mail at a Kentucky processing and distribution center. The mail was found inside sealed and unsealed trailers and was several weeks old. Delayed mail was also found in various staging areas on the plant floor and in unsecured storage areas. Facility personnel also inaccurately reported delayed mail volumes and processing deadlines to Postal Service Headquarters. Postal management took immediate steps to correct the underlying causes of the mail delays and indicated that the OIG's review led to decisions that will improve controls and integrity in the processing and reporting of mail volumes. (OIG TR-MA-00-001)
- ◆ In the second review, the OIG evaluated the Standard Mail processing operation at a Virginia location to determine if mail delays similar to those in Kentucky also occurred at other locations. While the review did not disclose the same type of mail delays and processing issues identified in Kentucky, the OIG determined that mail could be more efficiently staged for mail processing and identified problems with the procedure for reporting mail status. Management took immediate action to correct the problems identified. (OIG AC-LA-00-001)

TRANSPORTATION

Transportation of mail is a vital part of the Postal Service's mission of binding the nation together by providing prompt, reliable, efficient, and universal mail delivery. To fulfill this mission, the Postal Service spends in excess of

\$4.4 billion annually on transportation services. For most of these services, the Postal Service relies on private transportation contractors. In addition to its contracts with commercial carriers, the Postal Service operates its own truck fleet for some routes and manages three dedicated transportation networks for expedited services. During the past six months, the OIG performed eight transportation-related reviews, the most significant of which are highlighted below.

COMMERCIAL AIR CARRIER PERFORMANCE

In response to a request from the Postal Service's Chief Operating Officer, the OIG conducted an audit of commercial air carrier performance. The Chief Operating Officer expressed concern that air carriers were not meeting expected on-time delivery targets established by the Postal Service's Air Systems Contract, despite pay-for-performance incentives offering incremental pay for higher levels of service. To address these concerns before renewal of the Air Systems Contract in September 2000, the OIG issued three reports.

- ◆ The first report disclosed the Postal Service could save \$28 million over a five-year period by reducing contract rates where Postal Service employees perform ground-handling services expected of carriers. Although the contract requires air carriers to unload the mail at Postal Service facilities, local agreements were made at 17 locations to have Postal Service personnel unload mail without any decrease in the payments to the carriers. In negotiating the terms of the new Air Systems Contract, the OIG recommended management assess the value of delivery services, reduce the contract rate where Postal employees are unloading the mail, and eliminate provisions prohibiting contract rate adjustments. Management concurred with the OIG findings and recommendations, but did not fully agree with estimated savings. However, management indicated they would give special consideration to price adjustments in the upcoming contract renewal. (OIG TR-AR-00-006)
- ◆ In the second report, the OIG determined the measurement system for evaluating air



Containers of delayed mail indicate management problems with mail processing operations.



The OIG Transportation Team focuses on improving the Postal Service's airline, highway, and rail operations.

carrier performance did not provide the Postal Service and commercial air carriers with the type of information needed to make performance improvements. Also, the method for measuring volumes did not represent overall air carrier performance and data supporting performance measurement was inaccurate. Postal Service management agreed with the OIG's recommendations, and suspended use of the current system, effective February 26, 2000. Postal management also agreed to either redesign performance measurement or explore other alternatives for improving performance. (OIG TR-AR-00-003)

- ◆ The third report disclosed the pay-for-performance clause introduced in September 1998 was not effective in improving air carrier performance and that data underlying incentive payments was unreliable. The audit concluded that continued use of the current pay-for-performance system would not produce the service improvements originally envisioned. The OIG recommended Postal Service management immediately discontinue incentive payments and eliminate the current pay-for-performance clause in future renewals of the Air Systems Contract. Management agreed with the findings and recommendations and suspended use of the Performance Measurement System on February 26, 2000. (OIG TR-AR-00-004)

EXCESSIVE EXPENDITURES FOR HIGHWAY TRIPS IN THE SOUTHWEST AREA

In an audit of extra highway trips in the Southwest Area, the OIG reported that contractors were overpaid approximately \$848,000 for extra trips operated under a service improvement initiative. Although required by Postal policy, contract rates for the extra trip service were not adjusted and contracts were not amended to authorize the use of leased equipment. As a result, the Postal Service continued to make excessive payments to contractors for 33 months after the service improvement program was initiated. Management agreed with the OIG's findings and recommendations, but disagreed with the amount of the overpayments. However, despite this disagreement, management indicated they would review and deter-

mine contractors' actual costs and recover any overpayments. (OIG TR-AR-00-005)

DELIVERY

Universal service—delivering mail to everyone, everyday, everywhere in America, at uniform rates—is the cornerstone of the Postal Service's mission. To fulfill this mission, the Postal Service developed a delivery network of about 233,000 mail routes that are serviced by nearly 300,000 letter carriers and 200,000 delivery vehicles. During FY 1999, the Postal Service delivered over 200 billion pieces of mail to 130 million homes and businesses—an average of 1,500 pieces of mail for every household and business in America. In the last six months, the OIG performed five delivery-related reviews, two of which are highlighted below.

ACCEPTANCE OF ALTERNATIVE FUEL DELIVERY VEHICLES NOT MEETING SPECIFICATION

Management requested that OIG review plans to accept 21,775 delivery vehicles under a \$441 million contract with an automobile manufacturer. Postal Service management had already determined that fuel pumps on the vehicles failed within 100 hours of engine run time when used with ethanol fuel. The OIG agreed with management that the Postal Service should accept the vehicles after the manufacturer agreed to correct the problem by retrofitting the vehicles after delivery.

The OIG recommended the Postal Service identify and recover all expenses, including salaries, fringe benefits, and other costs incurred by Postal Service personnel to retrofit the vehicles, and that the manufacturer be required to provide details on its retrofitting plans to ensure only minimal disruption to Postal operations. Management agreed with the OIG recommendations and indicated that if the manufacturer is unable to comply with the contract, they will enter negotiations to return the vehicles or obtain a price reduction, identify and recover all costs to retrofit vehicles, and obtain a written retrofit plan from the manufacturer. (OIG DS-MA-00-001)

IMPROVEMENTS IN VEHICLE MAINTENANCE ASSIGNMENTS AND REDUCTION IN RELATED TRANSPORTATION COSTS

The OIG conducted a review of delivery operations and determined that 3 of 10 area offices did not always send vehicles to the nearest facility for maintenance. In addition, the Postal Service used mechanics to transport the vehicles to the maintenance facility. The OIG reported the Postal Service could achieve cost savings by transporting vehicles to the nearest maintenance facility, obtaining contractors to transport vehicles when cost effective, and using personnel other than mechanics to transport vehicles. Management generally agreed with the suggestions and initiated action to address the issues in the report. (OIG DS-MA-00-002)

MARKETING

The Postal Service operates in a competitive environment. The Postal Service's ability to maintain or increase its market share is essential to provide universal service at affordable rates. During the past six months, the OIG performed eight reviews of marketing, including stamp operations. The most significant marketing-related reviews are highlighted below.

BREAST CANCER RESEARCH STAMP PROGRAM

The OIG conducted an audit of the Breast Cancer Research Stamp Program to determine whether revenues, costs, and payments were accounted for adequately, and whether Postal Service management acted on suggestions in a prior OIG audit report. The audit disclosed that the Postal Service had raised about \$8.6 million for breast cancer research.

The OIG found, however, that the Postal Service had not collected \$841,000 in recoverable program costs incurred for the Breast Cancer Research stamp. The OIG also reported the Postal Service spent more than \$940,000 to print an additional 131.7 million Breast Cancer Research stamps that, based on past sales data, may not be needed.

The OIG recommended the Postal Service recover the incremental costs, issue guidance on tracking and reporting program costs, and develop an improved system for estimating the

number of semi-postal stamps required in the future. Management agreed to issue regulations on recoverable semi-postal stamp costs by July 2000. However, management only intended to recover \$482,000 of \$841,000 in incremental costs, and disagreed that improvements are needed to improve estimates of semi-postal stamp printing requirements. The OIG plans to perform additional work in the area of estimating stamp printing volumes. The GAO recently issued a separate report on the appropriateness of the Postal Service as a fundraising agency and the overall effectiveness of semi-postal stamps. (OIG RG-AR-00-002)

SECURITY OF STAMP STOCK

The Postal Service prints over 38 billion stamps each year, which generates over \$12 billion in annual revenue. Sales include approximately 30 billion First-Class Mail stamps. Security of stamp inventory is important because stamps can easily be converted to cash. The OIG performed two reviews as discussed below.

- ◆ During one review, the OIG observed unsecured stamp stock, valued in excess of \$6 million, on the outbound dock of a North Carolina processing and distribution center. The stamp stock, which was transported as registered mail, was not properly accounted for and secured. The audit disclosed that the registered mail clerk had not taken custody of and secured the stamp stock as required because storage space was not available at the plant.

The OIG offered three suggestions to provide adequate security. Postal Service management agreed to take steps to ensure employee compliance with Postal security regulations, investigate options for securing the stamp stock at the present facility, and ensure that adequate space is provided for stamp stock storage in the new facility. (OIG TR-MA-00-002)

- ◆ Another OIG audit identified 27 management control weaknesses in the areas of physical security, interior facility design, stamp accountability, stamp destruction, separation of duties, and stamp inventory management at six Postal Service sites. At one of the sites, weaknesses contributed to a \$79,680 loss in stamp stock.



The Breast Cancer Research Stamp program has raised over \$8.6 million for breast cancer research.

Management generally agreed with the OIG findings and recommendations, and offered additional information or proposed solutions to mitigate concerns raised in the report. (OIG RG-AR-00-001)

COST/BENEFIT OF THE INTERNATIONAL STAMP COLLECTION PROGRAM QUESTIONED

As a result of a Congressional inquiry, an OIG review of the Postal Service's International Stamp Collection Program disclosed that, since its inception in FY 1997, the program had lost about \$3.9 million. In addition, about \$4.5 million in costs had not been accurately charged to the program. Postal Service management agreed with the OIG's suggestions to consider past financial performance in addition to revenue and cost projections in determining whether to continue the program, and to ensure accurate identification of future program costs. The Postmaster General notified Congress that the International Stamp Collection Program would be discontinued which will save the Postal Service about \$1.5 million annually in catalogue printing costs. (OIG RG-MA-00-001)

INADEQUATE INTERNAL CONTROLS OVER GRAND CANYON STAMP

The OIG issued its second report on errors in the issuance of the Grand Canyon stamp. The first report determined that a printing error occurred because management did not adhere to established control processes to prevent text errors, specifically the use of the name Colorado rather than Arizona. The second report disclosed that additional controls were needed to prevent the second error, the reversal of photo images used in the stamp designing process. Stamp Services' management implemented additional controls that should prevent the errors noted in these reports from occurring in future stamp designs. (OIG RG-LA-00-002)



The Postal Service decided not to recall the Grand Canyon Stamp which was printed with a reversed photo image.

LEGISLATIVE AND REGULATORY REVIEWS

PROPOSED LEGISLATION

S. 1359 – The Postal Hazardous Materials Safety Enhancement Act

This legislation would remove the exemption the Postal Service currently enjoys from Federal regulation of hazardous material shipped in the mails. The Postal Service self-governs hazardous materials transportation through internal regulations and inspections.

The sponsor of the legislation has stated the National Transportation Safety Board has made numerous recommendations over the years to subject the Postal Service to Department of Transportation inspections and increased enforcement efforts. In addition, the sponsor maintains that the National Transportation Safety Board has also recommended the Postal Service be subject to enforcement obligations similar to those observed by other package and express mail companies.

The Postal Service is concerned that adding another layer of regulation could create more problems than it would solve, and would be an impediment to efficient Postal operations. Mail might not be able to move when scheduled due to Department of Transportation inspections and a diminished level of service could result. This legislation has been referred to the Senate Commerce Committee for their consideration. The OIG has not performed specific work to evaluate the impact of this proposal. However, the OIG will consider including appropriate steps in future reviews to develop independent and objective information to assist Congress in its decisionmaking.

H.R. 3202 – Door Delivery of Mail to Persons Residing in Senior Communities

This legislation would require the Postal Service to deliver mail to the doors of persons who reside in senior communities. Senior communities are defined in the bill as housing facilities or communities designed for persons age 55 or older. Eighty percent of the units in the facility or community would have to have at least one resident age 55 or older residing in them to qualify the facility or community for

door delivery. The bill has been referred to the House Postal Service Subcommittee for legislative consideration.

This legislation could have an impact on the economy and efficiency of the Postal Service. The Postal Service believes that requiring it to employ dismantled delivery in areas encompassed by the bill would increase labor costs and diminish delivery efficiency. The OIG has not performed specific work to evaluate the impact of this proposal. However, the OIG will consider including appropriate steps in future reviews to develop independent and objective information to assist Congress in its decisionmaking.

H. R. 3768 – Dedicated ZIP Codes for Communities Surrounded by a City

This bill would require the Postal Service to issue a ZIP Code to any city, town, or municipality of 5,000 or more persons that is completely surrounded by any other city. The Postal Service has established an extensive and thorough process for assigning ZIP Codes. Before any ZIP Code can be authorized or assigned, Postal Service management prepares a long-range study that includes input from local delivery office managers. The bill has been referred to the House Government Reform Committee for legislative consideration.

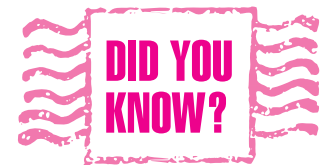
This legislation could impact the economy and efficiency of the Postal Service. Postal Service officials have expressed the need to be able to develop and assign ZIP Codes based on criteria that will facilitate the efficient and timely delivery of the mail. The adoption of additional criteria in assigning ZIP Codes is unrelated to processing and delivery of mail and could impact mail service. This could result in added costs and delays in mail delivery. The OIG has not performed specific work to evaluate the impact of this proposal. However, the OIG will consider including appropriate steps in future reviews to develop independent and objective information to assist Congress in its decisionmaking.

S. 2044 / S. 2062 – Stamp Out Domestic Violence Act of 2000

These two legislative proposals authorize the sale of semi-postal stamps, providing a fundraising mechanism for various causes by the

sale of stamps at prices above the normal First-Class rate. Under the semi-postal legislation, the difference between the stamp sales price, less the First-Class rate and an amount sufficient to cover reasonable costs incurred by the Postal Service in printing, selling, and distributing the stamp, would be paid to the benefiting organization. Both bills have been referred to the Senate Governmental Affairs Committee for legislative consideration.

The OIG has reviewed the only semi-postal stamp bill to have become law to date – the Breast Cancer Research Stamp. The review disclosed that management controls for revenues, costs, and payments were ineffective. Additional information concerning this review is contained in the Performance section of this report. The GAO has also reviewed the appropriateness of the Postal Service as a fundraising agency and the overall effectiveness of semi-postal stamps.



What is the OIG Hotline number?

The number to call for reporting possible fraud, waste, abuse, and mismanagement in the Postal Service is 1-888-USPS-OIG or 1-888-877-7644.



Does the Postal Service's External First-Class Measurement System measure the delivery performance of all First-Class Mail?

No. According to Postal management, "External First-Class Measurement is an external measurement system of collection box to mailbox delivery performance. External First-Class Mail Measurement continuously tests a panel of 465 ZIP Code areas selected on the basis of geographic and volume density from which 90 percent of First-Class volume originates and 80 percent destinations. External First-Class Mail Measurement is not a system-wide measurement of all First-Class Mail performance."

INSPECTION SERVICE

The Inspection Service is responsible for investigations that ensure the sanctity of the mail. The Inspection Service completed 12 performance audits related to area, district, and local issues. This section describes some of their more significant work in the areas of transportation and delivery. Included are selected Inspection Service mail theft reviews at the end of this section.

TRANSPORTATION

The following reviews are highlights of Inspection Service work on transportation-related issues at the area, district, and local levels.

HUB AND SPOKE OPERATIONS REVIEWED AT A MIDWEST SITE

An audit was conducted to review surface transportation operations supported by the Hub and Spoke in order to identify redundant transportation routings. The review found numerous trips within routes that were underutilized at five plants, and weaknesses in the areas of untimely clearance for surface mail, improper operations, placards in use, surface transportation mail being routed to air carriers, and untimely dispatch of mail to meet scheduled transportation. These findings can result in significant savings by reducing work hours and transportation costs. Management has taken action to address many of the findings reported. (IS 039-1295484-PA(2))

DELIVERY

Delivery-related reviews conducted by the Inspection Service at the area, district, and local level are highlighted in the following sections.

CITY CARRIER OPERATIONS/OVERTIME

An audit of City Carrier Operations/Overtime in a district in Pennsylvania was conducted to determine whether delivery unit managers and supervisors were effectively reviewing, evaluating, and approving city carrier's overtime to ensure overtime usage was judicious and justified. Reviews at 5 post offices representing 10 delivery zones disclosed untimely and inaccurate mail counts, lack of utilization of idle time, and insufficient overall supervisory action. The audit revealed that of the total city carrier over-

time usage, approximately 39 percent of the overtime hours was not justified by carrier workload. Management concurred with recommendations to improve controls over the counting, recording, input, utilization of data, delivery of service, supervision to clarify carrier expectations, procedures for assistance/overtime authorization, and management of attendance control. (IS 052-1289574-PA(3))

IMPROVEMENTS NEEDED IN CITY CARRIER OPERATIONS AT A SOUTHWEST DISTRICT

An audit of the City Carrier and Flat Sorting Machine Operations at a Southwest district was performed to assist management in identifying operational efficiencies and cost-savings. The review found that carrier overtime was excessive and not justified, sorting machine operations were not fully utilized, and that a staffing study was not initiated to determine the quantity and level of employees needed on the sorting machine operations. Postal management agreed with the recommended corrective actions and projected annual savings of over \$3.8 million. (IS 052-1290664-PA(3))

MAIL THEFT

Postal Inspectors are committed to reducing mail theft to maintain the public's confidence in the Postal Service and preserve the sanctity of the mail. Postal Inspectors are currently working with major mailers to prevent mail theft and related problems. Mail losses attributed to the Postal Service are often consequences of actions taken by one of its business "partners." These actions may occur at some point in the process of mail acceptance, processing, transportation, or delivery. During this reporting period, Postal Inspectors have arrested 404 employees, and 2,522 non-employees or contractors for mail theft resulting in 368 and 1,997 convictions, respectively. Mail theft targets include not only items of obvious value in the mail, such as jewelry, computers, cash, credit cards and checks, but mail containing personal and financial information. The following are examples of significant reviews reported during this semiannual reporting period.

NON-EMPLOYEE MAIL THEFT

Thieves frequently concentrate on targets that offer a large volume of mail. Inspection Service efforts are continuing to lessen the vul-

nerability of such targets to attack. Examples of case activity related to mail theft by non-employees are highlighted below:

- ◆ A joint task force consisting of Postal Inspectors and over 40 other law enforcement officers arrested 16 individuals for their involvement in a debit card scheme centered in Florida. The task force learned that individuals were recruited to open checking accounts at area banks and to obtain debit cards that would allow them to retrieve money from the accounts. Stolen and counterfeit checks were then deposited into checking accounts. Losses exceeded \$700,000.
- ◆ Postal Inspectors on a New York task force arrested an individual for conspiring to open a bank account with almost \$286,000 in stolen checks. Over \$113,000 was actually withdrawn from the account. The task force investigation further revealed that the individual had previously opened an account in which five stolen checks totaling over \$400,000 were deposited. The account was frozen before the funds could be withdrawn.
- ◆ An individual was arrested in New York for his involvement in the fraudulent negotiation of over 500 convenience checks, which resulted in bank losses that exceeded \$2 million dollars. The individual stated he received the checks from another individual and was paid for his services when the checks cleared his account.
- ◆ A mailroom employee in New York was arrested by Postal Inspectors and charged with possession of stolen mail. Postal Inspectors determined the employee stole checks sent from various suppliers and vendors. Approximately \$250,000 was used by an organized crime group, with which the employee was associated, to open investment accounts in Illinois and California.
- ◆ Postal Inspectors were notified by bank employees of a missing daily remittance that was sealed for dispatch in a pouch in a Mississippi post office. Postal Inspectors were on hand when the armored car transporting the remittance returned to the company's secured loading area and conducted interviews and searches. Dur-

ing the removal of empty mailbags and trays from the armored car, a one-gallon plastic water bottle was found behind a seat. A search of the bottle, which belonged to a company employee, disclosed a large bundle of money. Federal prosecution is pending.

EMPLOYEE MAIL THEFT AND THE DELAY OR DESTRUCTION OF MAIL

The overwhelming majority of Postal employees work conscientiously to move the nation's mail to its proper destination, and it is a responsibility they take very seriously. Unfortunately, there are a few who abuse the public trust placed in them. It is the job of the Inspection Service to identify these individuals and take steps to have them removed from the Postal Service. Examples of employee mail theft cases are highlighted below:

- ◆ Postal Inspectors arrested a New York letter carrier and another individual and charged them with conspiracy to steal mail. The letter carrier admitted providing approximately 100 credit cards to the individual over the past two years. The letter carrier was placed on emergency suspension pending removal from the Postal Service.
- ◆ A casual employee of a California airport mail center was terminated from the Postal Service after being confronted by Postal Inspectors with about 24 parcels due for delivery with altered and/or over-labeled parcel addresses. The employee admitted to Postal Inspectors that he altered and over-labeled the 24 parcels.
- ◆ Postal Inspectors and local police uncovered a stolen credit card and counterfeit credit card scheme that resulted in the recovery of over 520 stolen credit cards. To date, there has been one arrest and over 40 additional suspects identified. Losses are estimated at over \$750,000.
- ◆ The Inspection Service and the FBI worked together to investigate a scheme where fraudulent bank accounts were opened and deposits made with stolen and counterfeit checks. The investigation revealed that a debit card was obtained for the fraudulent account and withdrawals were made through cash advances and



Postal Inspectors help ensure the integrity and safety of the mail system, identify lost revenue, and maintain effective customer service.

purchases. The individuals also used the debit cards to purchase large volumes of Postal money orders, which were kept under the \$3,000 reporting requirement. Losses exceeded \$26 million. To date, one suspect has been sentenced to 4 years and 9 months in prison, 5 years of probation, and restitution of over \$360,000.

SERVICE INVESTIGATIONS

Service investigations are conducted to address localized service-related concerns or to verify the accuracy and timeliness of reports of mail processing conditions or delivery services. Some of the more significant reviews are noted below.

FLAT SORTING MACHINE OPERATIONS

A review of the Flat Sorting Machine Operations was conducted at a processing and distribution center in Michigan. The objective of the review was to determine if processes were in place to ensure flat sorting machines were fully and effectively utilized. The flat sorting machine unit was not properly staffed and overlapping employee schedules caused unproductive time. Postal Inspectors recommended that management reschedule the clerk staff and the resulting increase of machine utilization would save the Postal Service over \$466,000 in each month. Management implemented two of the five recommendations and agreed to implement the remaining recommendations during FY 2000. (IS 071-1294372-SI(2))

REVIEW OF THE ACCURACY OF EXTERNAL FIRST-CLASS REPORTING AT A NORTHEAST DISTRICT

A review was conducted at a Northeast district to verify the accuracy of external First-Class reporting for a sample of post office boxes. The review found several problems, including reporters who did not pick up their mail for a number of days, mail that was not picked up on a daily basis, and mail pieces that were not reported upon pickup or picked up late. The results of the review were provided to management. (IS 071-1296235-SI(2))

Financial Management Reviews



OFFICE OF INSPECTOR GENERAL

- Financial Opinion Audits
- Financial-Related Reviews
- Contracting and Facilities
- Marketing
- Legislative and Regulatory Reviews

INSPECTION SERVICE

- District and Installation Financial Audits
- Contracts and Facilities Audits
- Revenue Investigations
- Embezzlements

This section highlights audits, reviews, and investigations performed by the OIG and Inspection Service in the Financial Management area. Also included at the end of this section are OIG legislative and regulatory reviews. In order to differentiate the work reported by the OIG and Inspection Service, the pages containing the Inspection Service work have been color screened. Report numbers are shown in parentheses after the narrative, as appropriate.

OFFICE OF INSPECTOR GENERAL

The Postal Service is a \$62 billion business that relies on strong financial management controls to maximize revenue and minimize costs. In the past six months, the OIG has completed 65 financial-related reviews. In addition, the OIG has conducted investigations that have resulted in one conviction, nine arrests, two indictments, and investigative recoveries and restitution of over \$1.1 million. These reviews add value by identifying opportunities for cost savings and by improving financial management, contracting, and facilities practices.

FINANCIAL OPINION AUDITS

The Postal Reorganization Act of 1970 requires annual audits of the Postal Service's financial statements. In FY 1999, the OIG assumed full responsibility from the Inspection Service for the financial audit work conducted at Postal Service Headquarters, and at the three Accounting Service Centers. This audit work supports the independent public accounting firm's overall opinion of the Postal Service's financial statements. The most significant six reports are highlighted below:

- ◆ An audit at the San Mateo Accounting Service Center resulted in four findings and eight financial accounting adjustments. Postal management agreed to three findings and accepted all proposed adjustments. The adjustments increased income by \$32.5 million. The audit also noted that five of the seven prior years' findings had been completely implemented while substantial progress had been made on the other two.
- ◆ An audit at the Minneapolis Accounting Service Center identified two internal control weaknesses. First, the Center did not have adequate procedures and controls to prevent or recover overpayments to employees who separated prior to the end of a pay period. Second, controls over back pay awards were weak, leading to frequent disbursement errors. In a random sample of back pay awards, the OIG found 17 of 24 awards contained errors totaling \$44,000. In addition, the OIG recommended a \$433 million adjusting journal entry, which impacted the FY 1999 general ledger account balances. Postal management agreed with the findings and recommendations, and accepted the \$433 million balance sheet adjustment. The Postal Service also took action to correct two of the prior years' findings but a third finding was reported again in this year's review. (OIG FR-AR-00-006)
- ◆ An audit at the St. Louis Accounting Service Center resulted in five findings and three financial accounting adjustments. With the exception of two areas, Postal management generally agreed with the findings and recommendations contained in the five reports and accepted the proposed adjustments. The adjustments decreased income by \$340,000. The audit also noted that four of the nine findings from prior years had been completely implemented while substantial progress has been made on three; two are still outstanding. (OIG FR-AR-00-005)
- ◆ An audit at Postal Service Headquarters examined cash, investments, retirement, workers' compensation, postage in the hands of the public estimation model, and

During the course of this audit, the OIG found interest penalty payments had steadily increased from \$1.7 million in FY 1995 to over \$3.5 million in FY 1999. The OIG provided management with a list of 128 finance numbers that accounted for a majority of the total interest penalty payments in order to target improvements in this area. Management agreed to implement the OIG's recommendations to improve compliance with the Prompt Payment Act. (OIG FR-AR-00-007)



The OIG San Mateo Financial Team performs reviews at the data center. Also pictured are Inspector General Corcoran, Deputy Inspector General Chambers, and possibly, a future OIG employee.

the Postal Service's year-end accrual model. The audit disclosed that management's policies, accounting procedures, and internal controls conformed with generally accepted accounting principles. (OIG FR-AR-00-004)

- ◆ The OIG also reviewed travel and miscellaneous expenses for the Postal Service officers and the Board of Governors and determined that the expenses were valid, adequately supported, and properly recorded in Postal Service accounts. (OIG FR-AR-00-001 and OIG FR-AR-00-002)

FINANCIAL-RELATED REVIEWS

Financial-related audits are reviews that examine areas that have significant financial implications and offer the potential to save Postal resources. The OIG has taken a proactive approach to identify areas that offer potential cost savings and improve Postal operations. During this semiannual period, the OIG completed 25 reviews in areas such as the Headquarters Management Challenge and Dinero Seguro.

HEADQUARTERS SURPASSES MANAGEMENT CHALLENGE

The OIG reviewed cost containment measures to reduce budgeted expenses by \$400 million during FY 1999 as part of the Postmaster General's Management Challenge initiative. The initiative was implemented to ensure the Postal Service would achieve its targeted \$200 million net income for the year despite delays in rate increases and decreased revenue projections. The OIG review disclosed the Postal Service surpassed its Management Challenge goals—cutting \$675 million in expenses with little impact on customer service. However, key personnel were told to make reductions without specific guidance on how to reduce costs. As a result, personnel often did not focus on strategic goals and long-term implications when making budget reductions. Because the focus was on short-term goals, value-added programs were sometimes eliminated or deferred. The OIG recommended several process improvements and that a method be developed to assess the impact of future budget reductions. Management concurred with the OIG suggestions and

advised that written guidelines and criteria would be incorporated in subsequent budget activities. (OIG FR-MA-00-001)

REVIEW SUGGESTS LOWER DINERO SEGURO ELECTRONIC FUND TRANSFER THRESHOLDS

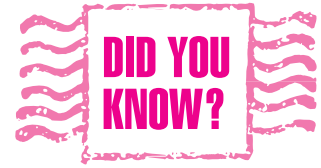
The OIG has continued to take a proactive role in Postal Service operations by reviewing a draft solicitation to expand the Dinero Seguro electronic funds transfer service to the Dominican Republic. The review disclosed the solicitation specified a daily transaction threshold of \$2,999 for an individual. The OIG suggested that the threshold be lowered to \$2,000 for this solicitation and future expansions, which would reduce the risk of money laundering but have little impact on the revenues of the program. Management concurred with the recommendation. (OIG FR-LA-00-001)

CONTINUED INVESTIGATION OF DINERO SEGURO PROGRAM LEADS TO MORE ARRESTS

Following the audit of the Dinero Seguro Program, which was reported in the previous Semiannual Report to Congress, OIG personnel continued using sophisticated computer analysis techniques to review more than 500,000 transactions to identify suspicious activity. The review identified a series of suspicious transactions by various senders. This led to a joint investigation by the OIG and other federal law enforcement agencies that uncovered a scheme involving drug traffickers using the Dinero Seguro money transfer program to wire drug proceeds from the United States to Mexico. As of March 31, 2000, four additional arrests had been made for distribution of controlled substances, conspiracy, and money laundering. In addition, \$854,000 of marijuana, \$60,000 of cocaine, and currency totaling over \$568,000 were seized.

INTERNATIONAL TRAVEL LODGING EXPENSES WERE REASONABLE

The OIG reviewed 39 international travel vouchers totaling \$445,000 and determined that reported lodging expenses were reasonable based on a comparison to State Department rates. However, while Postal Service travel policies



Does the Postal Service follow Federal Government Statutes and Regulations?

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



and procedures encouraged prudent planning of travel, they did not set expense limits for international lodging. (OIG RG-LA-00-001)

EMPLOYEE CHARGED WITH EMBEZZLEMENT

During an OIG audit of cancelled checks originally disbursed by the San Mateo Accounting Service Center, the OIG discovered irregularities associated with payments of tort claims handled by a Postal Service employee. Investigation by the OIG and Inspection Service disclosed that an employee fraudulently prepared, approved, and submitted vehicle accident claims to the Accounting Service Center for payment. The scheme resulted in the issuance of 14 checks totaling nearly \$68,000 to accomplices that the employee recruited to be claimants and payees. The employee was subsequently arraigned in Federal court and charged with embezzlement. Prosecution is pending.



Documents seized from a major procurement fraud investigation.

CALLING CARD SAVINGS IDENTIFIED

Review of contract rates and billing practices of a major telecommunications provider disclosed opportunities to save on monthly expenses. Specifically, the review indicated that the Postal Service paid an average of 38 cents per minute for calling card calls, which was 22 cents higher per minute than its toll free, “dial 1,” and local phone services. Contractor personnel responsible for billing and invoicing explained that the calling card charges were higher because Postal Service personnel used operator assistance instead of direct dial when making calls. Using direct dial would save \$13,000 per month over the remaining life of the contract. The OIG suggested that district personnel be instructed to use direct dial when using calling cards. Management agreed with the OIG’s suggestion and took corrective action. (OIG FA-MA-00-003)

COMPENSATION POLICIES WERE VAGUE AND CONFUSING

As a result of an employee complaint, an investigation was initiated by the OIG to determine whether employees at a Postal Service facility were fraudulently or illegally receiving night differential, overtime, and Sunday premium pay. The complainant alleged this situation existed with the knowledge and concurrence of upper

management. An investigation revealed there was no criminal activity or intent on the part of Postal Service employees. However, the investigation did reveal pay and compensation policies for employees on detail, temporary assignment, or in training status were vague and confusing—an opinion shared by officials at the district and area level. The issue was brought to the attention of Headquarters Offices of Corporate Accounting, Human Resources, and Compensation. As a result, Postal Service Management issued a compensation clarification directive to the field to clarify pay policy and alleviate confusion resulting in potential cost savings and enhanced employee morale.

TORT CLAIM RECEIVABLES

The OIG found that tort claim receivables were neither aggressively managed nor written off after the statute of limitations for collection had expired. Fourteen of twenty accounts receivable reviewed were uncollectible and needed to be written off. Three receivables transferred to a collection agency were not followed up on, and two others needed to be referred to a collection agency. One account needed a review by the legal department for improper denial of a claim by a municipality. Management did not agree with the findings but took corrective action to write-off the outstanding tort receivables. (OIG FR-FA-00-006)

CONTRACTING AND FACILITIES

In FY 1999, the Postal Service had contract actions of \$9.1 billion for supplies and services, equipment, transportation, and facilities. These contracts included \$581.8 million in non-competitive purchases and \$374.5 million in credit card purchases. The Postal Service is also one of America’s largest owners, developers, and managers of real estate, committing over \$1.6 billion in FY 1999 for repair, renovation, and new construction of facilities, and paying \$727.5 million in rent.

Effective October 1, 1999, the OIG assumed responsibility from the Inspection Service for contract audits designed to assist Postal Service contracting officers in determining fair and reasonable contract prices, as well as providing them with reviews of contractor accounting systems. The OIG contracted with the Defense Contract Audit Agency to assist with this effort.

During the semiannual period, the OIG conducted 34 reviews of contracting and facilities-related issues. Of these, the Defense Contract Audit Agency completed 18 reviews of Postal Service contracts at the request of the OIG. Also, the OIG has 255 open criminal investigations, many of which target fraud and corruption in these areas. The most significant contracting and facilities reviews are highlighted below.

TELECOMMUNICATIONS CONTRACTOR AGREES TO ADDITIONAL SETTLEMENT

An investigation into charges submitted by a large telecommunication contractor responsible for installing telecommunications wiring for 8,000 Postal facilities resulted in an additional settlement agreement. The investigation revealed that the contractor had subcontractors completing most of the work and had been billed for services not rendered, incomplete, or defective. After being notified of this, the contractor recouped an additional \$900,000 from its subcontractors, which is being credited to the Postal Service contract. Including the amount above, the total recovery to date is \$2.9 million.

IMPROVEMENTS NEEDED IN CONTRACTOR SUSPENSION AND DEBARMENT POLICY

A review of the Postal Service's suspension and debarment actions disclosed the Postal Service had only suspended or debarred 29 individuals/firms during the past four years. The OIG found this was in sharp contrast to other Federal agencies with similar or smaller contracting programs. The review noted that Postal Service's policy was vague and subject to misinterpretation. Further, the OIG noted the policy did not facilitate timely processing of suspension and debarment actions, and Postal management did not maintain a list of problem contractors. Postal Service management generally agreed with the findings and established a team to review current practices. (OIG FA-AR-00-001)

CONTRACTOR CHARGES DISPUTED/FOUND IMPROPER

The OIG conducted several investigations and reviews that questioned contractor charges.

Three are highlighted below.

- ◆ During an OIG investigation into the production and deployment of a flat sorting machine, the OIG identified six issues related to potential overcharges and questioned costs associated with a \$935,000 claim for an equitable adjustment submitted by the contractor. Three of these issues have been resolved, resulting in the contractor reducing its claim by \$35,000. The remaining issues are pending final contract negotiations.
- ◆ In another investigation, the OIG reviewed allegations that an indefinite quantity contractor was overcharging the Postal Service. The OIG discovered that the contractor improperly billed the Postal Service \$12,500. As a result of the investigation, the contractor made full restitution.
- ◆ In a separate investigation, the OIG discovered a contractor had paid gratuities to Postal Service representatives and improperly charged the costs of these gratuities to the Postal Service through an existing contract. The contractor refunded the Postal Service \$2,145. As a result of the investigation, Postal Service agreed to a contract modification to account for unallowable costs revealed in the audit report.

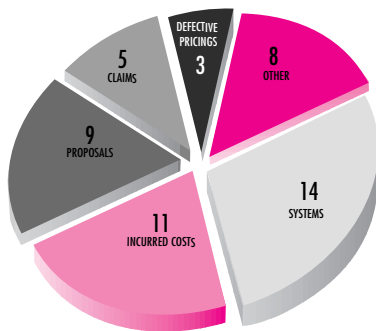
CONTRACTOR INDICTED ON KICKBACK SCHEME

A joint investigation conducted by the OIG, the Defense Criminal Investigative Service, the National Aeronautics and Space Administration OIG, and the Environmental Protection Agency OIG resulted in a seven-count indictment against the president of a printing services company for allegedly paying kickbacks to obtain subcontracts related to the Postal Service and other government agencies. If convicted, the contractor faces a maximum sentence of five years in prison for the conspiracy count affecting the Postal Service and ten years for each of the violations of the anti-kickback act affecting the non-Postal agencies, as well as a \$250,000 fine for each count.



Investigators secure documents supporting an ongoing review.

Types and Number of Contract Audits Initiated



DEFECTIVE ROOFING PRODUCT AT A POSTAL FACILITY

An OIG investigation determined that there was no merit to a Hotline complaint that the new roof at a Texas Processing and Distribution Center was defective and had to be replaced at an additional cost of \$1 million. Specifically, a general contractor had installed a new roof at the center using a defective roofing product; however, the roof was replaced under warranty at no additional cost to the Postal Service. Management agreed to implement two OIG suggestions designed to ensure that the Postal Service does not incur costs for repairing roofs, which were initially installed using a defective roofing product. (OIG FA-MA-00-002)

CONTRACT PRICING REVIEWS

During the reporting period, the Defense Contract Audit Agency initiated 50 contract audits on the OIG's behalf. Eighteen audits were requested because of concerns by the OIG and 32 were requested by Postal contracting officials. The audits consisted of various types, such as incurred costs, proposals, defective pricing, and systems reviews. Incurred cost audits evaluate the reasonableness of costs incurred by contractors, while audits of proposals evaluate the reasonableness of contractor cost estimates. Defective pricing audits are performed to determine whether contract prices significantly increased because of defective contractor pricing data. Lastly, contractor systems such as accounting, estimating, and billing systems are reviewed to determine their adequacy to account for contract costs. The chart shows the number of audits by type initiated in this reporting period.

Of the 50 audits, 18 were completed during the semiannual period and auditors took exception to \$2.3 million that consisted of questioned, unsupported, or unresolved costs. The chart shows the types of audits that resulted in the \$2.3 million in audit exceptions.

The most significant of the 18 contract audits completed during the semiannual period are highlighted below:

- ◆ An audit of the 1994 operating expenses associated with a lease between the Postal Service's Los Angeles West Coast Training Center and the lessor concluded

that the lessor's claimed operating expenses were almost \$640,000 more than the costs included in its records. The lessor could not provide supporting documentation for the disallowed amounts and stated that most of the records were lost as a result of a change in ownership of the building. The lessor was also unable to provide a reconciliation of the company's books and records. The results of this audit are still pending resolution between the contracting officer and the contractor. (OIG CA-CAR-00-009)

- ◆ Another audit of a recyclable release liner contractor questioned over \$498,000 in overhead costs and identified unsupported costs of \$382,500 due to the contractor's lack of support for proposed travel costs. The excessive overhead resulted from the contractor's use of outdated financial data. The findings of this audit are still pending resolution between the contracting officer and the contractor. (OIG CA-CAR-00-010)
- ◆ In a third audit, approximately \$465,000 of a contractor's proposed cost for sorter equipment was questioned. The questioned costs related to a sorter previously built by the contractor, which was not part of the current contract effort. The findings are still pending resolution between the contracting officer and the contractor. (OIG CA-CAR-00-015)
- ◆ Finally, an audit determined whether over \$538,000 in claimed costs submitted by a contractor was acceptable as a basis for an agreement of a settlement. However, the audit questioned over \$121,000 of the contractor's costs resulting from overstated overhead costs and the contractor's inability to provide supporting documentation for electrical costs. The findings are pending resolution between the contracting officer and the contractor. (OIG CA-CAR-00-006)

LEGISLATIVE AND REGULATORY REVIEWS

During this reporting period, the OIG did not identify any significant legislation or regulations affecting Postal Service financial management, contracting, and facilities areas.

INSPECTION SERVICE

Within the financial management area, the Inspection Service performed District Accounting Office, financial installation, contracting, and facilities audits. In addition, the Inspection Service conducted financial and contract audits, revenue investigations, and embezzlements.

DISTRICT AND INSTALLATION FINANCIAL AUDITS

The Inspection Service conducts District Accounting Office audits to evaluate accounting controls over district accounts as a supplement to financial installation audits and the security provided district computer systems. Inspectors also conduct financial installation audits to review the adequacy of internal controls at the installation level. During this reporting period, the Inspection Service reported the results of 2 opinion audits, 135 financial installation audits and 18 District Accounting Office audits, for a total of 155 audits. These audits resulted in 87 findings being presented to Postal management and identified \$126,680 in revenue deficiencies. Some of the more significant audits are noted below.

- ◆ A financial audit of a Mississippi business mail entry unit identified over \$27,000 in revenue deficiencies. Clerks were not properly monitoring bulk mailings. Amounts were not entered into a permit account because of an insufficient balance in the account; however, mailings were accepted and processed. Automation rate mailers were not providing support documentation for postage rates claimed. Management agreed with the finding and initiated collection procedures. (IS 011-1299014-AF(1))
- ◆ A financial installation audit at a Michigan post office disclosed a breakdown in internal controls. The review disclosed 34 permit accounts were cancelled from 1995 through 1997, with over \$19,000 in customer deposits that had not been refunded. The review also disclosed that permit imprints disclosed 105 inactive permit accounts with balances totaling over \$25,000 had not been refunded. The lack of internal controls could lead to the misappropriation of customer funds or loss of Postal revenue. Management agreed with the finding and initiated corrective action. (IS 011-1299819-AF(1))
- ◆ A financial audit at a California business mail entry unit identified over \$14,000 in revenue deficiencies. Established procedures were not sufficient to ensure that mailing statements were controlled, required reviews were conducted, bypass mailings were identified, and revenues were collected. Improving procedures and ensuring timely performance of Periodicals, First-Class and Standard Mail reviews would help prevent loss of revenue due to clerical errors, inappropriately applied discounts and rates, missing mailing statements and bypass mailings. Management agreed with the recommendations and began an action plan to improve internal controls and collect the revenue deficiencies. (IS 011-1298831-AF(1))
- ◆ A financial audit at an Illinois business mail entry unit identified a \$5,300 periodicals revenue deficiency. Management did not have a procedure in place to review mailing histories to verify publishers were maintaining periodicals' stated mailing frequencies and to check for missing mailing statements. The proper completion of mail acceptance verification procedures, timely entry of mailing statements and managerial oversight of operations would improve internal controls within the unit. Management agreed with the recommendations, collected the revenue deficiency and initiated an action plan to improve internal controls. (IS 011-1302193-AF(1))
- ◆ Two financial installation audits at Ohio post offices identified problems with Post Office Box/Caller Service. Post office box fees were not properly charged or collected. The weakness in the Post Office Box/Caller Service internal control procedures resulted in revenue deficiencies of \$4,400 and \$3,750, respectively. Management agreed with the findings and recommendations and provided plans to take corrective action. (IS 011-1300965-AF(1) and IS 011-1300969-AF(1))

CONTRACTING AND FACILITY AUDITS

The Inspection Service conducts pre-award and post-award audits to ensure efficiency, effectiveness, and economy in the procurement process. Questioned costs relate to post-award audits and recommendations to put funds to better use relate to contract proposal audits. In addition, the Inspection Service has responsibility for new construction or leasing activity estimated with a cost of \$5 million or less.

During this reporting period, Postal Inspectors reported the results of two contract proposal audits, six post-award audits, and one facility audit. These reviews identified \$266 million in questioned costs. Details of significant audits reported during the period appear below.

- ◆ Postal Inspectors completed a contract audit of a \$13.5 million contract claim submitted by a contractor for the delay associated with the Tray Management System, Phase III-A. The audit identified over \$7 million in questioned costs of which \$1.7 million was unsupported costs. (IS 181-1294644-AC(1))
- ◆ Postal Inspectors audited approximately \$421 million in costs that a contractor represented as costs incurred for the performance of a contract during 1998. The Inspection Service questioned a total of \$95.9 million in incurred costs. Of this amount, \$13.2 million represented questioned administrative costs and \$4.1 million represented unsupported costs. The contracting officer utilized the results of the audit in making a decision not to increase the per piece rate as requested by the contractor. (IS 184-1281717-AC(1))
- ◆ Inspectors completed an audit of the \$163 million claim submitted by a contractor, which related to the operation of a dedicated network. The purpose of the audit was to verify the accuracy of the claimed amount. The audit identified the entire \$163 million claim as questioned costs. (IS 182-1300114-AC(1))

- ◆ Postal Inspectors completed an audit of SiteMETA (Method to Evaluate Technological Alternatives) model usage. SiteMETA is a set of interrelated programs that are used to model complex mail flows in mail processing facilities. The model is used to determine automation equipment and facility space requirements for Postal facilities. The audit identified systemic deficiencies related to the utilization, review, and approval of the SiteMETA process. Management agreed with the report's findings and developed policies and procedures to include usage guidelines, standardized reporting, validation procedures, and formal review and approval processes. (IS 267-1293180-FPA(1))

REVENUE INVESTIGATIONS

The Inspection Service conducts revenue investigations to help ensure that Postal Service revenue is properly assessed and collected. Priority is given to investigating alleged schemes to avoid payment of postage and to identify, pursue, and seek prosecutive actions against violators, through civil, administrative, and criminal remedies.

Postal Inspectors focus attention on revenue investigations where there is intent on the part of the customer to defraud the Postal Service. In this reporting period, there were 59 arrests and 45 successful criminal prosecutions resulting from revenue investigations. Inspectors reported the results of 58 revenue investigations during the reporting period, which identified \$12.6 million in revenue deficiencies. Examples of case activity related to revenue investigations follow.

- ◆ Inspectors identified the mailer of a national publication as the perpetrator of a scheme to misrepresent its eligibility to mail at the periodical rates of postage. The case has been referred to the U.S. Attorney's Office for prosecution. The loss to the Postal Service to date is over \$1 million.

- ◆ A mailer took advantage of a \$30,000 over-setting on its postage meter. The mailer normally brought the meter in several times a month for resetting. After several months passed and the “free” postage ran out, the mailer brought the meter in to purchase postage and waited to see if the Postal clerk would notice the error. The meter was reset three times before the Postal Service discovered the problem. Only after the matter was brought to the mailer’s attention did he offer to pay for the additional postage used.
- ◆ A Federal grand jury in Missouri returned a seven-count indictment against a Texas man for his involvement in purchasing postage stamps with counterfeit corporate checks. The suspect used a scheme that had been previously identified in a rash of fraudulent stamp purchases in Tennessee, Alabama, Missouri, and Ohio. Postal Inspectors obtained information relating to the involvement of others, which resulted in a search of a Georgia residence. Seized in the search was nearly \$14,000 in postage stock, a computer, numerous color printers, credit card embossing and scanning equipment, check paper stock, blank credit card stock, and other related items.
- ◆ Postal Inspectors arrested a Kansas man for passing forged checks to purchase coils of postage stamps. The forgeries started in August 1996, ceased for approximately two years, then began again in December 1998. Latent fingerprints taken from the forged checks were analyzed and a successful match identified the suspect.
- ◆ The owner of a New York commercial mail receiving agency pled guilty to possessing and using counterfeit meter stamps. In addition to receiving four months in prison, he was ordered to pay \$5,000 in restitution to the Postal Service.
- ◆ Postal Inspectors arrested a California man for his participation in a scheme to fraudulently purchase postage stamps from various places in northern California. The suspect and his accomplices stole bank account holder information,

made fraudulent California driver’s licenses matching bank victim identities, and generated counterfeit checks to fraudulently purchase approximately \$166,000 worth of postage stamps. Inspectors notified bank authorities of weaknesses in their internal controls compromising bank account holder information. Additional charges are expected as the investigation continues.

EMBEZZLEMENTS

Embezzlement is appropriating property fraudulently for individual gain. Within the Postal Service, embezzlements include stealing from cash drawers by Postal Service or contractor employees; kiting schemes involving Postal money orders or falsified financial records; and the theft of merchandise from retail stores.

Postal Inspectors investigated 200 employee embezzlements this reporting period, with documented losses of \$2.7 million. Examples of significant Inspection Service case activity during the period follow.

- ◆ A Federal grand jury in Virginia returned a 12-count indictment against a former Virginia postmaster for mail fraud, embezzlement, and making false entries in the issuance of postal money orders. The former postmaster was charged with the embezzlement of \$60,179 in money order funds.
- ◆ A Florida window clerk was charged with misappropriating \$26,500 in Postal funds. An investigation was initiated at the Postal retail store based on reported shortages and disclosed the clerk consistently under-reported postage sales and failed to remit Postage revenues. During the investigation, Postal Inspectors observed the clerk placing Postal funds in his pocket. Inspectors recovered \$2,276 pocketed by the clerk.
- ◆ The former postmaster of a Maryland post office pled guilty to the embezzlement of 150 postal money orders, valued at over \$58,000. The former postmaster made full restitution and was sentenced to 18 months supervised probation, 250 hours of community service, a \$1,000 fine, and ordered to continue mental health counseling.



Technology Reviews



OFFICE OF INSPECTOR GENERAL

- Y2K and Information Systems
- Developmental Reviews
- Computer Security
- Electronic Commerce
- Computer Intrusion
- Legislative and Regulatory Reviews

INSPECTION SERVICE

- Electronic Commerce

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

OFFICE OF INSPECTOR GENERAL

Through technology, the Postal Service is able to deliver more than 650 million pieces of mail every day, and maintain its network of over 38,000 post offices and facilities. The Postal Service recognizes that technology is key to productivity and affordability. Its technology strategy is to provide convenient access to all concerned on a daily basis through increasingly sophisticated retail systems, expansion into new electronic access channels, and electronic linkages that integrate customer and postal processes. The OIG technology reviews encompass the Y2K initiative, information systems, information technology infrastructure, developmental systems, telecommunications, computer security, and computer intrusion. During this period, the OIG performed 11 reviews in the technology area. Significant reviews are highlighted below.

YEAR 2000 (Y2K) AND INFORMATION SYSTEMS

The Postal Service recognized the criticality of technology in its future and invested heavily in Y2K preparedness - an investment that paid off! During Y2K preparations, the OIG continued to provide timely audit support by evaluating ongoing Y2K efforts to identify issues and recommend corrective actions. During this period, the OIG performed independent observations of system tests of critical mail processing equipment and other mission-critical applications, issued three Y2K reports, and monitored the Y2K rollover at Postal Service Headquarters

and at its two major data processing centers in California and Minnesota.

The Postmaster General lauded the OIG's contributions to the Postal Service's Y2K initiative in a public session with the Board of Governors. Also, the President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency recognized the Postal Service OIG's Y2K oversight role with the Award for Excellence. This award recognized the team's efforts that led to "increased level of senior management involvement, re-examination of the initiative's scope, and expansion testing."

Key OIG efforts on the Y2K initiative are highlighted below:

- ◆ The OIG addressed the Postal Service's Y2K progress in the critical areas of automated mail processing equipment, critical suppliers, embedded chips, and technology-dependent facilities. Aside from remediation of severe and critical computer applications, no other area was as important to the Postal Service's Y2K initiative. The OIG concluded the Postal Service had made substantial progress and adequate processes were developed to make facilities, including mail-processing equipment, Y2K-ready before the new millennium. The OIG recommended the Postal Service place more emphasis on supplier contingency planning, establish deadlines to activate these plans for high risk critical suppliers, and monitor processing equipment software deployment to ensure installation of the proper Y2K compliant software. Management implemented all the OIG recommendations. (OIG IS-AR-00-001)
- ◆ In December 1999, the OIG reported the Postal Service had demonstrated significant progress in making its severe and critical information systems Y2K compliant, implementing Y2K solutions for its information technology infrastructure and mail-processing equipment, completing information system readiness testing, and determining whether its data exchange partners would be Y2K ready. The Postal Service also demonstrated considerable progress in assessing the Y2K readiness of its facilities and exter-



Postal Service Management thanked the OIG for its timely and outstanding efforts in assisting the Postal Service with its Y2K challenge.

nal suppliers. While strides had been made in these areas, the OIG advised management that more work was needed in developing component contingency and business continuity plans. Management agreed with the findings. (OIG IS-AR-00-002)

- ◆ The OIG also addressed the development and testing of continuity and contingency plans designed to mitigate operational failures and the ability of the Postal Service to recover expeditiously from such events. The OIG noted the Postal Service made significant progress in developing business continuity and contingency plans. However, a plan had not been developed for one critical system and other plans were not completed, well integrated, or adequately tested. The OIG recommended the Postal Service develop a plan for the omitted critical system, expand testing to those areas where plans were not fully developed, and integrate all continuity and contingency plans with other supporting plans. The OIG also recommended the Postal Service pursue comprehensive plans for all severe or critical systems and for high-impact failure scenarios in the long-term. Management generally agreed with the findings and recommendations and took action to mitigate potential problems. However, management disagreed with OIG's recommendation to expand the testing but planned to require business owners to provide additional testing justification. (OIG TR-AR-00-001)
- ◆ Finally, the OIG reviewed the "Day One" strategy that comprised a comprehensive set of actions to be executed during the last days of 1999 and the first days of 2000. The OIG noted the Postal Service established an effective infrastructure and process to communicate, react to, and track resolution of potential Y2K failures. The Postal Service also had developed a complete "Day One" strategy to identify Y2K problems and take corrective actions. However, the OIG determined that, although dedicated resources were available, the Postal Service needed to further define the critical staff needed for the rollover period and rehearse its "Day One" strategy.

Management agreed with the findings and recommendations and took immediate action to mitigate potential problems. (OIG TR-AR-00-002)

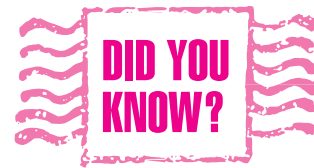
OIG AND POSTAL MANAGEMENT WORK TO IMPLEMENT POSTAL-WIDE Y2K EMERGENCY RESPONSE CAPABILITY

In the months prior to the Y2K rollover, the OIG and Postal management discussed concerns regarding the potential for computer intrusion into the Postal Service systems by unauthorized individuals or groups, particularly those that could be masked as Y2K disruptions. The OIG worked with Postal management to underscore the potential harm to Postal Service operations from a successful intrusion into the Postal Service network by unauthorized individuals. The OIG stressed that such a disruption could place critical Postal Service computer systems at risk, degrade the performance of the Postal Service network, and hamper the overall function of the Postal Service.

Postal management requested the assistance of the OIG in establishing a 24-hour emergency response capability that would address potential disruptions during the days preceding and following the Y2K rollover. By evaluating the programs implemented by other law enforcement agencies and computer emergency response organizations, the OIG was able to assist the Postal Service in establishing an emergency response capability. After coordinating emergency preparedness efforts, several members of the OIG joined Postal personnel in staffing the Y2K emergency response teams. Although there were isolated reports of general computer problems, which the OIG helped to assess, no intrusions into the Postal Service network were detected.

DEVELOPMENTAL REVIEWS

The Postal Service is developing numerous business systems that will improve performance, enhance service, and reduce operating costs. The OIG understands the importance of reviewing these systems as they are developed and has completed three audits of major projects currently under development during the reporting period.



What is computer "hacking?"

Computer hacking is an event in which someone within or outside the Postal Service illegally attempts to gain entry into the Postal Service computer systems. The OIG is developing a computer intrusion network that will enable OIG to detect and investigate hacking attempts.

TRAY MANAGEMENT SYSTEM

The Tray Management System automates the movement and staging of mail between most mail sorting operations in a processing plant. The OIG audited this system to determine if cost estimates and projected savings were reasonable and achievable, and whether system capacity was adequate to move candidate mail. Despite progress made to date in designing and deploying the Tray Management System, the OIG determined the projected return on investment for the system was overstated and that the Postal Service will incur at least \$27.9 million more in equipment maintenance, labor, and operations disruption costs than projected.

The audit also disclosed that system capacity was less than projected, a plan for attrition maintenance training did not exist, and Phases II and III of contract administration contained weaknesses. Management's comments were responsive to the majority of issues identified in the report. However, management did not agree to revalidate the savings associated with the Tray Management System or to reassess whether the continued deployment was in the Postal Service's best interest. The OIG and Postal Service management subsequently resolved their disagreements. (OIG DA-AR-00-002)

POS (POINT OF SERVICE) ONE – VENDOR SOLUTION

At the request of the Postal Service's Chief Marketing Officer, the OIG reviewed the benefits of transitioning from two vendors to one for the POS ONE system. The audit revealed the cost model reasonably projected the financial impact of transitioning to one POS ONE vendor. However, the OIG was unable to validate the overall benefits from such a transition and determined that relying on one vendor posed some risks. The OIG did not solicit formal comments but encouraged Postal Service management to carefully weigh the potential risks against projected benefits prior to relying on one vendor. Management subsequently decided to continue with two vendors. (OIG DA-LA-00-001)

PHASE I REMOTE ENCODING CENTER CONSOLIDATION

Last year, the Postal Service announced that remote encoding center operations would be consolidated to control overhead costs as technological improvements reduced the workload at the centers. The OIG assessed Phase I of the planned consolidation and determined that it was properly approved and economically justified, and that policies, procedures, and controls over the process were sufficient. However, the net cash flow estimated in the initial economic analysis of Phase I was overstated. Postal Service personnel agreed with the OIG and revised the estimated cash flows. (OIG DA-AR-00-001)

COMPUTER SECURITY

Computers and electronic data have become indispensable to the critical operations of the Postal Service. The Postal Service relies upon a massive computer infrastructure to accomplish and streamline operations, from managing one of the largest civilian workforces in the world, to moving billions of pieces of mail per year. In addition to using information technology to promote efficiency, Postal management has initiated projects intended to bolster the Postal Service's position as a major participant in electronic commerce, a strategy that necessarily requires further reliance upon information technology. Although information technology has enhanced efficiency and revenue, security issues related to computers place Postal operations at risk for fraud, inappropriate disclosure of sensitive data, and disruption of critical operations and services.

As the Postal Service continues to transform itself into a technology and service leader in the digital marketplace, computer security will translate into competitive advantage by protecting the Postal Service brand image, providing a secure accessible environment for consumers and business partners, reducing legal and financial liability, and ensuring service continuity. To that end, the OIG continues to work with Postal management to improve the overall computer security posture of the Postal Service.

The OIG is looking at the Postal Service's ability to protect its investment in technology by evaluating computer security. During this



The OIG has been reviewing the new Point of Service terminals installed at retail stores nationwide.

reporting period, the OIG completed two computer security reviews. The results of these and other OIG computer security initiatives during the period are highlighted below.

PRIVACY ACT ALLEGATIONS

Allegations involving Privacy Act violations concerning four Postal Service systems prompted the OIG to conduct a review. The complainant alleged that Postal Service security policies for systems of records were not followed and recommendations provided by the Postal Service's National Computer Security Group were not implemented. The OIG substantiated the systems security allegations but could not substantiate specific "willful" Privacy Act violations. The OIG recommended Postal Service management reemphasize existing restrictions on the use of production data in test facilities, and that the necessary systems security approvals be obtained before moving production data to test facilities. Postal management concurred with three of OIG's recommendations and provided acceptable alternatives as solutions for two other recommendations. (OIG IS-AR-00-003)

OIG EFFORTS TO MITIGATE COMPUTER SECURITY RISKS

The OIG issued its first Computer Security Advisory this reporting period to assist Postal management in improving computer security. This advisory was prepared from information received from Federal law enforcement and intelligence sources as well as major computer security organizations. The advisory addressed "denial of service" attacks, the subject of intense press coverage and multiple criminal investigations. While the main advisory was prepared to address information technology management concerns, supporting technical supplements were written to communicate vital technical information to network administration personnel. Together, the Computer Security Advisory and technical supplements outlined the "denial of service" security problems relevant to Postal computer systems and provided information regarding risk and damage mitigation. Such advisories are intended to provide officials with technical information to identify, prevent, and respond to attacks on Postal web sites and

other vital computer systems, and to assist in reporting criminal attacks to the OIG. (OIG CI-CSA-00-001)

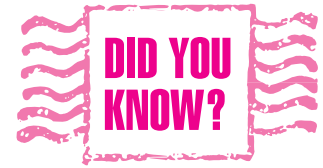
COMPUTER SECURITY CONCERNS IDENTIFIED TO NEW CHIEF TECHNOLOGY OFFICER

Since computer security issues affect financial, operational, strategic, and legal concerns within an organization, implementing effective security policy is largely dependent upon the support of high-level decisionmakers. In order to promote organization-wide computer security within the Postal Service, the OIG reported to the Postal Service's Chief Technology Officer on the need to take immediate action to address Postal-wide computer security issues identified at Federal agencies by Congress and the GAO. These issues included use of warning banners, outdated security policy, and computer security organizational structure. (OIG CI-LA-00-001)

ELECTRONIC COMMERCE

Businesses world-wide are facing the threats and opportunities presented by electronic commerce. Like many other businesses, the Postal Service is expecting little or no growth in its traditional markets (e.g., First-Class Mail) and needs to develop new sources of revenue. The Postal Service views electronic commerce as a strategy for obtaining new sources of revenue. Several of these strategies in electronic commerce are beginning to emerge. For instance, the Postal Service is building a strong Internet presence and working on becoming the "carrier of choice" for merchandise purchased on the Internet. However, the Postal Service faces a formidable challenge in implementing electronic commerce strategies for the new century.

Clearly, electronic commerce will forever change the way the Postal Service conducts business. The OIG has established a separate electronic commerce team directly involved in day-to-day consultations and reviews of the electronic commerce initiative, and a number of other teams are available to perform related reviews and investigations. In addition to the work being done in other related areas, ongoing OIG electronic commerce-related activities include: (1) a Postal-wide survey of electronic



What is the OIG's web address?

<http://www.uspsoig.gov>

commerce; (2) an examination of the electronic commerce organizational structure, planning and budgeting process; and (3) a review of competition and management of mail from Internet retailers. The OIG will continue to help the Postal Service move successfully and securely into the electronic marketplace of the 21st century.

COMPUTER INTRUSION

The Computer Intrusion Team investigates violations of federal law pertaining to computer activity such as the Computer Fraud and Abuse Act. Law enforcement activities include developing and implementing intrusion detection systems for law enforcement purposes, working with Postal management in responding to computer-based attacks, and conducting criminal investigations of attacks. During this period, the OIG completed one review and closed two investigations in this area.

OIG REVIEWS ALLEGATION MADE BY "WATCH-DOG" GROUP

At the request of Postal Service management, the OIG conducted a review of allegations made by an outside agency that proclaims itself as the "Watchdog over the Postal Service." The outside agency alleged that repeated visits by Postal Service employees to the organization's web site were causing service disruptions. The OIG indicated that, in at least two locations, the Postal Service Government Relations' web site had a direct link to the outside organization's web site. As a result of these links, over 1,000 visits per day were made by Postal Service employees to this web site. The OIG determined that this high number of visits could be construed as excessive. The OIG further suggested that steps be taken to remove the links to the outside web site. Postal management disagreed saying that there was no evidence of abuse or excessive usage by Postal employees. The OIG intends to reexamine this issue as part of a future review of the Postal Internet. (OIG CI-MA-00-001)

LEGISLATIVE AND REGULATORY REVIEWS

During this reporting period, the OIG did not identify any significant legislation or regulations affecting Postal Service technology.



The Computer Intrusion Team uses the latest technology to investigate computer hacking attacks on Postal Service systems.

INSPECTION SERVICE

The Inspection Service plays an important role in the support of Postal Service e-Commerce initiatives and technical applications. The Inspection Service's Computer Crimes and Commerce Units and their Information Technology Division utilize the latest technology to facilitate their work.

ELECTRONIC COMMERCE

The Inspection Service monitors the development of new Postal electronic products and services as well as provides advice to Postal managers on the security, loss prevention, revenue protection, and evidence retention capabilities of the electronic products and services. Members of the Inspection Service units have developed and conducted training on computer crimes, particularly those involving the Internet. The units also provide program management and guidance to field divisions conducting online investigations.

To increase the technical knowledge and skills of Postal Inspectors, the Inspection Service developed a two-day training course for Postal Inspectors and others entitled *Computer Searches and Internet Investigations*. The course provides Postal Inspectors with a basic introduction to new investigative and evidentiary issues relating to high-technology crime, and introduces them to the Internet as a valuable source of information and as a potential crime scene. In November, reporters from ABC's broadcast news program "20/20" visited the new computer class to highlight the new role of Postal Inspectors as "cybercops."

The Inspection Service maintains a security infrastructure for national computing and telecommunications needs, including developing and maintaining business applications to support core business functions.

While the Postal Service worked to mitigate the potentially debilitating effects of the Y2K calendar rollover, the Inspection Service provided continuous security, emergency planning advice, and a Recovery Management Plan. The Postal Service provided reports on Postal conditions related to Y2K and helped prepare personnel to react to potential problems, based upon Inspection Service crisis management plans.



PACIFIC COAST RAIN FOREST

SECOND IN A SERIES



N A T U R E O F A M E R I C A

Labor Management Reviews



OFFICE OF INSPECTOR GENERAL

- Violence in the Workplace
- Workplace Climate
- Healthcare
- Postal Employees Safety Enhancement Act
- Legislative and Regulatory Reviews

INSPECTION SERVICE

- Workplace Climate
- Postal Robberies
- Drugs in the Workplace
- Workers' Compensation



The OIG Labor Management Team evaluates Postal Service organizational climate and employee relations issues.

This section highlights audits, reviews, and investigations performed by the OIG and the Inspection Service in the Labor Management area. Also included at the end of the section are the OIG legislative and regulatory reviews. In order to differentiate the work reported by the OIG and Inspection Service, the pages containing the Inspection Service work have been color screened. Report numbers are shown in parentheses after the narrative, as appropriate.

OFFICE OF INSPECTOR GENERAL

The OIG has identified the Postal Service's labor management area as one of the major performance and management challenges that must be addressed if the Postal Service is to be competitive in the 21st century. The OIG supports the Postal Service in its overall goal of fostering an inclusive and welcoming workplace consistent with the Postal Service values of fairness, opportunity, safety, and security. The labor management area deals with issues involving workplace violence, workplace climate, health care, and the Postal Employees Safety Enhancement Act. During the period, the OIG conducted 44 reviews in this area.

VIOLENCE IN THE WORKPLACE

The Postal Service widely acknowledges concerns about violence in the workplace. Both the OIG and the Postal Service are dedicated to the prevention of violence and consider early intervention and cooperation with management and employee groups essential. The OIG recently conducted 12 reviews of violence in the workplace, several of which are presented below.

INCREASED RISK FOR VIOLENCE AT A SOUTHEAST AREA POST OFFICE

The OIG reviewed and substantiated allegations of a hostile working environment that increased the risk for violence at a Southeast Area post office. The audit disclosed evidence that some managers verbally abused, harassed, and intimidated employees. There was also evi-

dence that managers singled out employees for unwarranted discipline, resulting in monetary awards and settlements totaling about \$70,000 in back pay to 13 employees. The audit further disclosed district officials knew of employees' concerns for about three years, but did not address employee issues or respond to Congressional inquiries in a timely manner. Management generally agreed with the recommendations, with the exception of implementing disciplinary action against the managers identified. Management indicated that corrective action was appropriate and identified specific actions initiated for these managers. The Southeast Area also issued guidance to district managers in an effort to prevent similar incidents at other facilities. (OIG LM-AR-00-001)

HOSTILE WORK ENVIRONMENT IN PUERTO RICO POST OFFICE

The OIG identified evidence of a hostile work environment at a Puerto Rico Metro Area post office but found that Postal management had improved the environment during the last two years. The audit was initiated in response to requests from the Chairman of the Subcommittee on the Postal Service to review allegations that threats and assaults had taken place in the post office. The OIG confirmed that physical altercations had occurred between managers and craft employees. However, the OIG concluded that district management took appropriate action to resolve the issues and, as evidenced in a December 1999 climate survey, was successful in improving the workplace climate. Postal management elected not to provide written comments on the report. (OIG LM-LA-00-002 and OIG LR-CR-00-032)

MANAGEMENT TOOK ACTION TO HANDLE POTENTIAL HOSTILE WORKING ENVIRONMENTS

The OIG reviewed several allegations involving potential hostile working environments.

- ◆ The OIG reviewed allegations of unethical conduct and abusive behavior by a Postal supervisor in a Great Lakes Area post office. The OIG review revealed that an employee and workplace intervention analyst was assigned to review the situation at the post office. Addi-

tionally, the OIG confirmed that Postal officials conducted conflict management training at the facility, and that a climate task force is now in place at the post office to provide continuous monitoring and guidance in addressing the workplace climate situations. Further, the complainants relayed that the overall situation had greatly improved and that in their opinion, the climate task force made a dramatic difference. (OIG LM-CR-99-012)

- ◆ The OIG reviewed allegations that a manager caused a hostile working environment in a Southeast Area processing and distribution center. The OIG determined that management implemented procedures to deal with the employees' concerns and that the manager who was the focus of the allegations was reassigned. This manager also received training regarding interpersonal skills and behavior. (OIG LM-CR-00-020)
- ◆ The OIG reviewed a Louisiana Postal Service employee's allegation of sexual harassment and a hostile working environment. The review was initiated in response to a request from the Chairman of the Subcommittee on the Postal Service to investigate these allegations. As a result of the OIG review, the area manager for human resources took action and initiated an investigation into the employee's issues. In addition, the area manager conducted a workplace climate assessment at the post office. (OIG LM-CR-00-027)
- ◆ During this reporting period, the OIG initiated a large scale review of 26 district offices located in the Mid-Atlantic, Pacific, Southeast, and Western Areas, in an ongoing effort to determine the impact of Postal Service compliance with violence prevention and response program criteria. Area and district officials have been briefed on the findings for their respective programs. Reports on all 26 districts have been drafted and will be reported in the next semiannual report.

WORKPLACE CLIMATE

The Postal Service believes that signs of workplace stress are present, and that it needs to

take comprehensive steps to improve the workplace environment. This must be accompanied by aligning human resources with business requirements. To assist the Postal Service in addressing workplace environment issues, the OIG conducted 24 reviews of workplace climate and conditions, three of which are highlighted below.

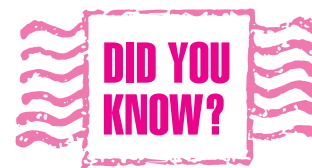
MANAGEMENT FOLLOWED APPROPRIATE POLICIES AND PROCEDURES

The OIG reviewed several instances involving application of Postal policies and procedures.

- ◆ The OIG evaluated allegations made by a Kansas Postal Service employee regarding unjust suspension and removals from the Postal Service. The Chairman of the Subcommittee on the Postal Service requested a review of reprisal allegations by Postal Service management as a result of the employee's contact with the Subcommittee. The OIG determined that there was no evidence of misconduct on the part of Postal Service management and that the employee's removals were not related to communications with Congress. Further, the OIG found that the employee was terminated on both occasions for unacceptable conduct. In addition, the employee has returned to duty as a letter carrier and, as a result of arbitration, has recovered some back pay. (OIG LM-CR-99-009)
- ◆ The OIG reviewed allegations made by a Postal Service employee regarding denial of a request to reinstate 160 hours of sick leave because the employee was not given full-time status until the three year temporary limit expired and the benefits were lost. The OIG found that the Postal Service determination was in accordance with established procedures and policies, which had been properly applied. (OIG LM-CR-00-004)

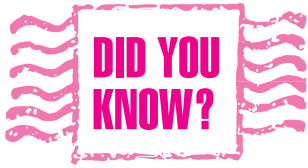
EMPLOYEE AWARDED BACK PAY

The OIG reviewed an allegation made by an employee that the Postal Service owed her back pay as a result of an on-the-job injury. As a result of the OIG inquiry, the Postal Service



Are all Hotline complaints confidential?

The identity of individuals who make complaints or provide information regarding alleged wrongdoing is held confidential unless the individual gives permission for the disclosure of his/her name, or if disclosure is required by law.



Will the OIG investigate allegations of retaliation when wrongdoing is reported to them?

The OIG investigates all complaints of management retaliation received from Postal Service employees who had previously reported wrongdoing to the OIG.

submitted the claim for processing and the employee subsequently was awarded over \$8,000 in back pay. (OIG LM-CR-OO-030)

HEALTH CARE

For FY 1999, the Postal Service paid over \$580 million for employee injury claims, an \$18 million increase over FY 1998. Because the Postal Service is self-insured for workers' compensation costs, they make such payments out of operating funds. Thus, the Postal Service's net income is affected every time an employee is injured and unable to return to work. Containing these costs continues to be a key to the Postal Service's financial well being.

The OIG conducts audits and investigations designed to prevent and detect fraud, waste, abuse, and mismanagement related to Postal Service health care program costs, and assists in the protection of the health and welfare of the Postal Service's workforce. The OIG has initiated proactive investigative projects to identify issues affecting health care providers. Other ongoing OIG investigations include improper billing practices, such as false claims and false statements. In addition, the OIG is evaluating the increase in medical costs within the injury compensation program and has other related reviews ongoing.

In the past six months, the OIG completed six projects—four investigative reviews and two management reviews—resulting in a \$155,000 recovery and one conviction. In addition, five ongoing investigations have resulted in three arrests. Some of the OIG's more significant initiatives in this area are highlighted below.

INAPPROPRIATE USE AND UNTIMELY SUBMISSION OF INJURY CLAIM FORMS

- ◆ The OIG received a Hotline complaint concerning the Postal Service's inappropriate use of an injury claim form. The OIG conducted a review of the use of the form to obtain employee medical information from health care providers. The review disclosed that since mid-1994, the office staff had inappropriately used the injury claim form as an authorization to request employees' medical information from health care providers. As a result, Postal Service management issued a poli-

cy letter instructing appropriate personnel not to use the injury claim form for the release of medical information. This would eliminate the practice of misrepresenting the claimants' authorization and violating the employees' privacy. The OIG also recommended that management avoid misinterpretation of the language on the forms and ensure timely dissemination of Health and Resource Management instructions. Postal management agreed and has taken corrective actions. (OIG HC-MA-00-001)

- ◆ The OIG received a Hotline complaint concerning the untimely submission of injury claims in a New Mexico district. The OIG conducted a review of injury claims submissions in the district and found that Postal Service managers were submitting injury claims an average of 21 days late for 246 injury claims that were reviewed. The review showed that late claim submissions occurred because the district senior management did not enforce internal policies and procedures.

To correct these deficiencies, the OIG suggested that Postal Service managers develop a policy detailing supervisory responsibilities for processing injury claims and establish sanctions for supervisors who fail to submit injury claims timely. In addition, injury compensation training should be required and conducted for all Postal Service supervisors. Management agreed with most of the recommendations but did not agree with mandatory injury compensation training. Management has either taken or is planning to take corrective action. (OIG HC-MA-00-002)

HEALTH CARE PROVIDERS INVESTIGATED

- ◆ In an investigation of a health care provider, jointly conducted by the OIG and other Federal law enforcement agencies, a settlement agreement was reached by an Oklahoma-based physician billing company and its founder to pay the Government and 28 states \$15 million. This payment was made to resolve allegations of false billings to Medicare, Medicaid, the Defense Department's TRICARE

programs, the Federal Employee Health Benefits Program, and the Office of Workers' Compensation Programs. The settlement agreement resolved allegations that the firm and its founder typically submitted claims for more extensive procedures than rendered, and billed for services more extensive than those actually provided by physicians. The Postal Service recovered \$155,500 from the settlement agreement.

- ◆ The OIG conducted an investigation of a health care provider based upon information received from the Inspection Service that an employee and physician were in collusion regarding the employee's disability claim. The investigation revealed that the employee who had been on disability for the last 18 years performed work on the physician's residence while collecting disability payments. Subsequently, the employee was indicted for filing false claims. Federal prosecution was declined on the physician.
- ◆ An OIG-led task force initiated a joint investigation into fraudulent billing of medical claims by a medical provider. The provider was fraudulently billing medical clinics for services not rendered to the Postal Service and state employees under the Workers' Compensation Program. Since December 1998, the provider billed the Postal Service for over \$400,000 in medical services. Four search warrants were executed and numerous records were seized. The investigation is continuing.
- ◆ As a result of a multi-agency task force that included the OIG, a California physician was convicted in federal court of 41 counts of mail fraud, wire fraud, bankruptcy fraud, false statements, and conspiracy to accept and pay kickbacks. The physician was accepting kickbacks for patient referrals, signing medical certificates for durable medical equipment that was not needed, and fraudulently using medical provider numbers to bill Medicare and Medi-Cal. Sentencing is pending.

OIG RECOUPS DISABILITY OVERPAYMENT

During the investigation of a health care provider for alleged double billing, the OIG found that an overpayment was made to a former Postal Service employee who was receiving disability compensation. The OIG requested that the Department of Labor, Office of Workers' Compensation Programs, credit the Postal Service for the overpayment. The Postal Service was reimbursed over \$18,000. The investigation is continuing.

HEALTH CARE SWINDLERS AND DRUG DIVERTER ARRESTED

- ◆ As a result of a joint task force investigation that included the OIG, two individuals were arrested and charged in state court for their alleged participation in a health care fraud scheme. The individuals involved fabricated or stole health care provider names, then submitted fraudulent claims for payment to insurance programs. Prosecution is pending.
- ◆ As a result of another joint task force investigation, a search warrant was executed and an individual was arrested for defrauding the Federal Employees Health Benefit Program. The scheme involved the diversion of expired and substandard drugs to health care providers, thus endangering the health and well-being of Postal Service employees. Prosecution is pending.

MEDICAL PROVIDERS INVESTIGATED

- ◆ The OIG received information that disclosed billing irregularities by a physician providing services to a Postal Service employee for a work-related injury. The physician used multiple employment identification numbers on claim forms that resulted in the issuance of duplicate payments. Federal prosecution was declined against the physician; however, state charges are pending against the employee.
- ◆ The OIG initiated another investigation based upon an allegation that a physician double-billed the Postal Service for

providing services. The Department of Labor denied payment after being notified by the Postal Service Injury Compensation Office. Federal prosecution was declined.

THE POSTAL EMPLOYEES' SAFETY ENHANCEMENT ACT

The Postal Employees Safety Enhancement Act, enacted on September 28, 1998, changed the status of the Postal Service as an employer under the Occupational Safety and Health Act of 1970. As a result, the Postal Service can be cited, fined, and referred for prosecution by the Occupational Safety and Health Administration for safety violations. This Act was meant to assure safe and healthy working conditions for Postal workers.

The Postal Service is continuing to implement the Postal Employees Safety Enhancement Act to improve workplace safety. In complying with the act, Postal Service officials will have to review and modify existing safety and health policies, programs, procedures, systems, training, and education programs. The OIG completed reviews of unsafe working conditions during this period.

FIRST VIDEO REPORT DOCUMENTS UNSAFE WORKING CONDITIONS

The OIG substantiated employee allegations that working conditions at an aging Southwest Area Postal facility were unsafe. Using video equipment, the OIG documented water leaks that created electrical and fire hazards and lead-based paint that had deteriorated. Further, the video demonstrated that employees had limited protection from falling debris. The OIG concluded that these conditions increased the risk of employee and customer injuries, compromised Postal Service property and the security of the mail, and constituted potential violations of Occupational Safety and Health Administration requirements. Postal management agreed to implement all corrective actions addressing all reported issues, including relocating operations until conditions were corrected. (OIG LM-AR-00-002 and OIG LM-VR-00-001)

LEGISLATIVE AND REGULATORY REVIEWS

SUBPOENA AUTHORITY JEOPARDIZED BY NEW PRIVACY STANDARDS

The OIG commented on a proposed Department of Health and Human Services rule defining standards of privacy for individually identifiable health information and restricting the OIG's ability to obtain individual health care information through the use of administrative subpoenas. The proposed rule would establish a three-part test requiring that:

- ◆ the information be relevant and material to a legitimate law enforcement inquiry;
- ◆ the request be as specific and narrowly drawn as is reasonably practicable; and
- ◆ the information be purged of unique, individual identifiers.

The OIG expressed concern that the three-part test would restrict its ability to obtain individual health care information through its administrative subpoena process. The OIG also expressed concern that the second part of the three-part test would require Inspector General subpoenas to be so narrowly drawn that it would impede the OIG's ability to obtain information during the course of a lawful audit or investigation. In addition, the rule does not indicate how the three-part test will be met or who will make that determination.

The OIG recommended the drafters insert language exempting Inspector General subpoenas from the new three-part test. In response to comments provided by the OIG and others, the Department of Health and Human Services agreed to amend the proposed rule.



Examples of safety and health hazards documented in an OIG video report.



INSPECTION SERVICE

The Inspection Service reviews a number of labor management areas including: workplace climate, Postal robberies, drugs in the workplace, and workers' compensation investigations.

WORKPLACE CLIMATE

The Inspection Service is committed to employee safety in the workplace, and partners with Postal management and employee groups in early interventions and other efforts to prevent violence in the workplace. There were 230 arrests for assaults and threats, up from 127 from the last reporting period.

- ◆ An individual was sentenced to 29 years in prison for attempted murder, aggravated battery with a firearm, armed violence, and aggravated discharge of a firearm for the shooting of an Illinois letter carrier. The letter carrier was shot five times while delivering the mail. An investigation of the incident determined the shooting was over a dispute involving child support. The carrier recovered fully.
- ◆ Postal Inspectors and local police detectives arrested an individual for the physical assault of a letter carrier delivering mail in New York. The assault arose from an earlier confrontation between the carrier and a Postal Service customer concerning delivery of a Social Security check. During the confrontation, one of the customer's companions pistol-whipped the carrier. The carrier was not seriously hurt. The individual was charged with assault.
- ◆ An individual pled guilty to one count of shooting a mail handler in North Carolina as the employee was attempting to assist a coworker. The employee's former friend was arrested for the shooting. Sentencing is pending.

POSTAL ROBBERIES

The Inspection Service regards the prevention of robberies as one of its highest organizational priorities and affords task force attention to facility, carrier, and other Postal robberies to deter these attacks on employees. Carrier robberies are generally committed for the purpose of stealing mail and Postal keys to mail receptacles, while robberies of facilities are committed for cash and money orders. The Inspection Service investigated 53 robberies in this reporting period. Robbery-related arrests and convictions for this semiannual period totaled 34 and 56, respectively. Aggressive prosecution and stiff sentences are sought for Postal robbers. Examples of significant investigations follow.

- ◆ An individual was sentenced to 39 years and 7 months in prison for armed robberies of post offices in West Virginia and New Jersey. The individual was ordered to pay over \$22,000 in restitution jointly with a co-conspirator, who was previously sentenced to 11 years and 6 months in prison.
- ◆ Three individuals were sentenced for a series of armed robberies that included post offices in Virginia. The suspects, respectively, were sentenced to 124 years and 4 months in prison and a total of over \$216,000 in restitution; 26 years and 10 months in prison and over \$103,000 in restitution; and five years in prison, three years' probation, and restitution of \$3,790.
- ◆ An individual was convicted for an armed robbery of a Postmaster at a post office in North Carolina. The individual was sentenced in Federal court to serve 13 years and 4 months in prison, make restitution of over \$2,000, assessed a fine of \$4,000, and required to pay a special assessment of \$200.
- ◆ An individual was convicted in Federal court for the armed robbery of a New Jersey post office. The individual was sentenced to 32 years and 4 months in prison.



What should you do if you receive a mailing promising you a free prize, or if you have been victimized in a free prize promotion through the mail?

You should contact your local postmaster or the nearest Inspection Service office.

- ◆ A Postal contract driver reported to Postal Inspectors of being robbed at gunpoint while transporting the registry pouch from a post office to a general mail facility in Maryland. The driver stated the suspect approached the truck, opened the passenger side door, displayed a semi-automatic handgun and entered the truck and ordered him to drive the truck to a remote location where he later took possession of the registered pouch. The registered pouch contained \$18,000 in U.S. currency, \$2,294 in checks, and several registered mail pieces. Two individuals were arrested by Postal Inspectors and pled guilty in Federal court to theft of government property. They were sentenced to a combined 12 months in prison, 8 years supervised probation, 6 months home detention, and ordered to pay \$37,320 in restitution to the Postal Service.

DRUGS IN THE WORKPLACE

Postal Inspectors also investigate the dealing and selling of narcotics by Postal employees or others while on Postal property or on duty. Information regarding the possession or personal use of illegal drugs by Postal employees is referred through Postal management to the Employee Assistance Program for attention. During this reporting period, Postal Inspectors arrested 13 individuals for the sale of drugs on Postal property.

- ◆ A letter carrier in Illinois was arrested for selling crack cocaine and marijuana while on duty. During the interview, the individual admitted to selling drugs and using marijuana on a daily basis.
- ◆ A letter carrier in California was arrested for distribution of marijuana while delivering mail. Subsequent to the arrest, the carrier confessed to selling drugs.
- ◆ After Postal Inspectors received an anonymous call regarding the narcotic usage and trafficking by a California letter carrier, an undercover operation corroborated the allegation. The carrier sold marijuana to an undercover Inspector on three occasions while delivering mail. Following the arrest, the carrier admitted to narcotics trafficking. The carrier was charged in state court with distribution of

drugs. The carrier pled guilty and was sentenced to 180 days in jail (suspended) and 3 years probation.

WORKERS' COMPENSATION

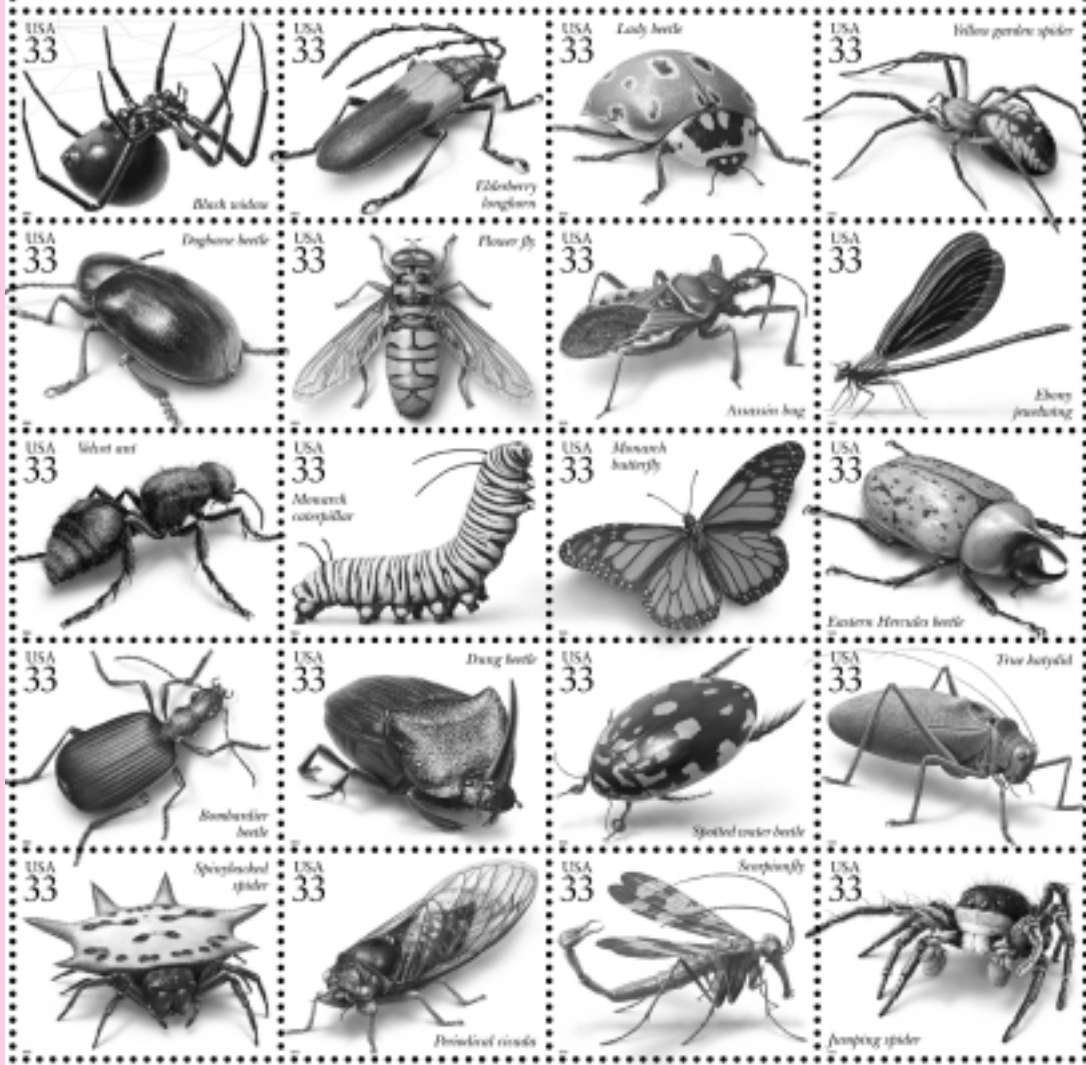
The Inspection Service investigates fraudulent claims and receipt of benefits by individual employees. Unlike other Federal agencies, these claims are paid from Postal revenues, not appropriations, thereby affecting the Postal Service's net income.

Prosecution of workers' compensation fraud serves as a deterrent and prevents future benefit payments from being made to violators. Normally, prosecution is based on showing that the allegedly disabled claimant is receiving outside earnings and failing to report them to the Department of Labor. Inspection Service investigations resulted in \$66.4 million in long-term and continuation-of-pay cost savings for this fiscal year to date, compared to \$60.6 million for the same period last year. During this reporting period, 29 individuals were arrested for workers' compensation fraud. The following are a few examples of court action for this type of infraction.

- ◆ A former Maryland letter carrier was sentenced in the District of Columbia to four months' home detention, five years' probation, and ordered to pay restitution of \$20,000 at a rate of \$125 per month. The letter carrier received workers' compensation benefits while operating a septic tank business and failed to report her activity and earnings to the Department of Labor as required. As a result of the investigation, future cost savings of over \$446,000 were realized by the Postal Service.
- ◆ A former California clerk was sentenced in Washington to 40 days' home confinement, 3 years' probation, and \$1,000 in restitution. The former clerk received workers' compensation benefits while claiming disability. As a result of an Inspection Service investigation, successful prosecution was based solely on the employee exceeding physical activity limitations. Future cost savings of over \$739,000 to the Postal Service will be realized.

- ◆ A former Florida letter carrier was sentenced to five months' imprisonment, three years' probation, and ordered to pay over \$27,000 in restitution. The former employee received workers' compensation benefits while working a construction job and failed to report her activity and her income to the Department of Labor. An Inspection Service investigation determined that the claimant's physical activities exceeded her medical restrictions and also revealed her outside employment. As a result of the Inspection Service investigation, future cost savings of over \$943,000 were realized by the Postal Service.
- ◆ A former Texas letter carrier was sentenced in the Northern District of Texas to five years' probation, six months' home confinement with electronic monitoring, and court ordered restitution of over \$18,000. His retirement of \$2,275 was immediately payable toward the restitution. The letter carrier was convicted for claiming total disability due to an injury of his right foot while concealing his employment as a carpet installer. Future cost savings to the Postal Service of over \$896,000 will be realized.

INSECTS & SPIDERS



Oversight Reviews of Inspection Service



OFFICE OF INSPECTOR GENERAL

Oversight of Inspection Service
Legislative and Regulatory Reviews

This section highlights audits, reviews, and investigations performed by the OIG in conducting its oversight of the Inspection Service. Also included at the end of this section are the OIG legislative and regulatory reviews. Report numbers are shown in parentheses after the narrative, as appropriate.

OFFICE OF INSPECTOR GENERAL

One of the primary reasons the OIG was established in the Postal Service was to provide oversight of Inspection Service activities. The OIG's work in this area provides an independent voice with objective information and analysis of Inspection Service operations and issues.

OVERSIGHT OF THE INSPECTION SERVICE

The OIG seeks to review and resolve all complaints received against the Inspection Service. During this reporting period, the OIG completed three oversight reviews, two of which are highlighted below.

SENSITIVE SECURITY CLEARANCE PROCESS FOR NON-INSPECTION SERVICE POSITIONS

The OIG reviewed the Postal Service's process for determining the security clearance levels for non-Inspection Service positions and concluded that the process could be improved. Specifically, existing guidance did not clearly establish who should determine sensitive clearance requirements or explain how to determine the appropriate clearance levels. As a result, managers and human resources personnel each assumed the other had responsibility to determine whether a sensitive clearance was needed and the appropriate clearance level.

The OIG suggested that the Chief Postal Inspector issue guidance that clearly assigns responsibility for determining appropriate clearance levels and identifies how the determinations should be made. Management stated that the Administrative Support Manual would be revised to clarify any misunderstandings. (OIG OV-MA-00-001)

ALLEGATIONS CONCERNING 1998 LEADERSHIP CONFERENCE - REVISED REPORT

The OIG reported in its October 1999 Semiannual Report to Congress that it had reviewed a Hotline allegation that the Inspection Service abused and wasted Postal funds at its FY 1998 leadership conference. To ensure timely dissemination of the information contained in the report, the OIG elected to publish the report without management comments. Subsequently, the OIG received management comments and published a revised report during this reporting period.

The revised report disclosed certain expenditures and agenda items for the FY 1998 Leadership Conference appeared unnecessary or extravagant, and some workshop topics were not directly related to the Inspection Service mission. The OIG suggested that future workshops be mission-related, expenditures be centrally controlled, the cost of mementos be modest to avoid the appearance of extravagance, and that conference publications be limited to material that relates to the mission of the Inspection Service.

Management agreed that future workshops be mission-related and conference expenditures be centrally controlled. Management further stated that the mementos were presented as informal awards consistent with the Postal Service's employee award program and the conference publication was related to the mission of the conference and of the Inspection Service. Management further stated that they will more closely monitor the written content of future publications to avoid detracting from the publication message. The OIG responded that the mementos were not given in accordance with the Inspection Service and Postal Service awards programs, the conference bulletin was not limited to mission-related material, and the expenditures associated with the bulletin were not consistent with those of similar Postal Service conferences. These issues remain unresolved. (OIG OV-MA-99-003(R))



The OIG reviewed the Inspection Service's 1998 Leadership Conference expenses, including this conference publication.

REVIEW OF COMPLAINTS REGARDING THE INSPECTION SERVICE

The OIG's oversight of the Inspection Service provides customers, employees, and other interested persons with an independent avenue to address their complaints. At the same time, the OIG provides the Inspection Service with an unbiased review of accusations that, if left unresolved, could harm its reputation as a professional law enforcement agency. During this reporting period, the OIG received 21 new complaints, and closed 27 Inspection Service-related Hotline complaints as shown on the chart on this page.

MONITORING INSPECTION SERVICE INTERNAL INVESTIGATIONS

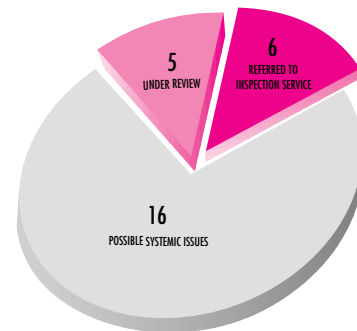
The OIG's Oversight team is responsible for monitoring the conduct of internal investigations of Inspection Service non-executive employees. These investigations, which are assigned to the Inspection Service Office of Inspections at National Headquarters, are conducted when there are allegations of employee misconduct that affect the performance of their duties, or when managers have information of employee misconduct. As of the beginning of FY 2000, the Office of Inspections had 28 open internal investigations. Sixteen cases were closed during the first two quarters of the fiscal year, while 41 cases remained open as of March 31, 2000.

LEGISLATIVE AND REGULATORY REVIEW

OIG'S OVERSIGHT ROLE HAS BEEN EXPANDED

The Deceptive Mail Prevention and Enforcement Act, PL 106-168, was enacted on December 12, 1999, to curtail the activities of disreputable operators of mailed sweepstakes and games of chance. Appendix H describes in greater detail how the Act expands the OIG's oversight and reporting responsibilities and the investigative authority of the Postal Service.

Inspection Service-Related Hotline Cases Closed During This Semiannual Period





Other Significant Reviews



OFFICE OF INSPECTOR GENERAL

Executive Investigations
Legislative and Regulatory Reviews

INSPECTION SERVICE

Physical Security
Narcotics Offenses and Trafficking
Child Exploitation
Prohibited Mail
Postal Burglaries

Mail Fraud
Fraud Against Consumers
Fraud Against Businesses
Fraud Against the Government
Money Laundering



How is the OIG funded?

The OIG budget is approved by the Governors. Postal revenues fund the OIG.

This section highlights audits, reviews, and investigations performed by the OIG and the Inspection Service in other significant areas. Also, included at the end of this section are the OIG legislative and regulatory reviews. In order to differentiate the work product by the OIG and Inspection Service, the pages containing the Inspection Service have been color screened. Report numbers are shown in parentheses after the narrative, as appropriate.

LEGISLATIVE AND REGULATORY REVIEWS

WEBSTER COMMISSION RECOMMENDS CONSOLIDATING INSPECTORS GENERAL

The Commission on the Advancement of Federal Law Enforcement, established to advise Congress and the public on Federal law enforcement matters and headed by former FBI Director William Webster, issued its report to Congress. The Commission's basic conclusion was that Federal law enforcement agencies, while essential and doing good work, have become too numerous. It stated that the Federal law enforcement apparatus has become too unwieldy and needs to be pruned back. The Commission suggested that Federal law enforcement make improvements in order to deal more effectively with the future of criminal activity, particularly terrorism and cyberwarfare.

The report frequently mentions the Offices of Inspectors General. The Commission cited the proliferation of the Offices of Inspectors General as one of the primary reasons the law enforcement community has grown so large and become unwieldy and jurisdictionally ill-defined. The Commission recommended stripping Inspectors General of their law enforcement functions and consolidating their audit functions under one Auditor General.

The Inspectors General community, through the President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency, criticized the Commission's report. The Councils' response notes that the Commission cited no empirical or objective evidence to support consolidating Inspectors General offices. The Councils also charged the Commission with a lack of understanding regarding Congressional intent in enacting the Inspector General Act. The response highlighted that the Commission failed to credit the Offices of Inspectors General with recovering

OFFICE OF INSPECTOR GENERAL

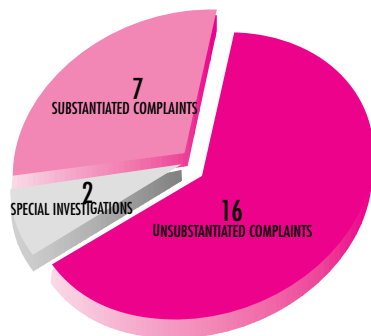
In addition to reviews summarized earlier in this Semiannual Report, the OIG has completed 41 reviews of other significant issues related to Postal Service operations.

EXECUTIVE INVESTIGATIONS

The OIG is responsible for reviewing allegations involving senior-level Postal executives and has over 25 ongoing investigations of allegations involving criminal violations and misconduct, including retaliation against individuals who have previously provided the OIG with information. During this period, the OIG closed 25 cases as shown in the chart. Examples of two recent investigations are as follows:

- ◆ In an investigation of a Postal Service Career Executive Service employee, the OIG determined that the employee misused his government-issued Citibank Credit Card for personal purchases. The determination was based on interviews of Postal Service personnel and examination of records of the Citibank charges. The employee admitted to using the Citibank Credit Card for approximately \$7,000 in personal purchases.
- ◆ In another investigation of a Postal Service Career Executive Service employee, the OIG determined that the employee improperly used a Postal Service vehicle and employee driver for personal transportation for a period of approximately 2½ years. Although the United States

OIG Investigations Closed During This Semiannual Period



more than \$13 billion for taxpayers, completing over 122,000 successful criminal prosecutions, and prompting agency action on more than 19,000 personnel matters. Finally, the Councils opined that the Commission did not obtain sufficient testimony from the Inspector General community to make a fair and objective assessment of the role of the Inspectors General in the law enforcement community.

PROPOSED LEGISLATION

S. 1707 – Establishment of Certain Designated Federal Entities under the Inspector General Act of 1978

This bill is primarily designed to make the Inspector General of the Tennessee Valley Authority a presidentially-appointed position. The bill also provides for the establishment of the Criminal Investigator Academy within the Department of the Treasury. The academy will train investigators working in the Offices of Inspectors General. In addition, the bill establishes the Inspectors General Forensic Laboratory, also within the Department of the Treasury. This laboratory will perform forensic services for the Offices of Inspectors General. The bill also authorizes annual appropriations for these establishments.

While making the Tennessee Valley Authority Inspector General presidentially-appointed does not affect the Postal Service or the OIG, creating the academy and the laboratory does. Training for existing and newly-hired agents is essential for maintaining a high level of investigative expertise and professionalism. The Offices of Inspectors General will benefit by having their own training academy and forensics lab. This legislation has passed the Senate and has been referred to the House Government Reform Committee, pending further legislative consideration.





Postal Inspectors make arrests related to a variety of offenses involving the mail.

INSPECTION SERVICE

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

PHYSICAL SECURITY

The Inspection Service devotes significant resources to preventing crimes through employee and customer awareness programs and security measures. Potential problems and deficiencies are identified and priorities are set based on trend analyses of specific criminal activity. Once trends are identified, prevention and security measures are developed to reduce or eliminate the risk of criminal activity against the mail, the Postal Service, and its employees.

To protect both the public and Postal employees, the Inspection Service developed plans and provided resources to ensure the screening of mail by Postal Inspectors in response to recent security threats. Examples include the crash of Egypt Air 900, the Seattle meetings of the World Trade Organization, and the threat of someone mailing an explosive device disguised as a Christmas gift.

In October 1999, the Inspection Service held its first international revenue protection-training course in Panama City, Panama. Forty-one participants from 18 member countries of the Postal Union of the Americas, Spain, and Portugal attended this pilot course hosted by the Postal Administration of Panama.

The Inspection Service issued over 17,000 security clearances, and met with Area Security Officers to develop the Security Control Officer Program. To date, approximately 5,000 individuals have been trained as Security Control Officers.

The Inspection Service International Security Group established world-wide Postal security networks in partnership with 81 international authorities. This group works with member countries to improve the quality of service, safety, and security of the mail for Universal Postal Union countries. Representatives of the group are located at Interpol in Washing-

ton, DC; Lyon, France; and Bern, Switzerland. The Inspection Service was involved in the following projects:

- ◆ The Chief Inspector chaired the Postal Security Action Group meeting held in Bern, Switzerland. The group, now comprised of postal security experts from 46 member and 27 observer countries, identified, interdicted, and disrupted Nigerian advance fee fraud letters, which had a significant impact on Postal customers and administrations world-wide. The group discussed current activities, the use of postage meters, use of legitimate postage, and the creation of a universal memorandum of understanding.
- ◆ A Postal Inspector assigned to the U.S. National Central Bureau - Interpol attended the annual Interpol General Assembly meeting in Seoul, Korea, as a delegate of the United States. The South Korean National Police Agency hosted the conference.

NARCOTICS OFFENSES AND TRAFFICKING

The Inspection Service interdicts mailings of illegal drugs and drug proceeds to protect Postal employees from violence related to drug trafficking, and to preserve the integrity of the mail. Postal Inspectors, working with other law enforcement agencies, arrested 804 individuals during this semiannual period for drug trafficking and money laundering via the U.S. Mail. Seizures from the mail for this period included 5764 pounds of illegal narcotics and 68,491 units of steroids. Investigations also resulted in the seizure of \$1.1 million in cash and monetary instruments, 19 vehicles, and 37 firearms.

- ◆ An individual pled guilty to six counts of illegal possession and distribution of controlled substances. Between July 1997 and May 1998, this individual fraudulently caused two pharmaceutical distributors to send controlled substances based on an altered Drug Enforcement Agency registration certificate from a closed pharmacy where the offender was previously employed. The individual received approximately 161,000 doses of controlled substances with a street value estimated at between \$483,000 and

\$805,000. The proceeds of these illegal activities were laundered by using Postal money orders to pay the distributors for the drugs.

- ◆ Nine individuals were indicted by an Arizona grand jury on drug-related offenses. The individuals were arrested in Arizona, Massachusetts, and Hawaii by Postal Inspectors and other Federal and state law enforcement agents for transporting marijuana, money laundering, and conspiracy. The arrests were a result of a multi-million dollar marijuana trafficking organization operating out of Arizona. The traffickers transported large quantities of marijuana to Massachusetts, New York, New Jersey, Florida, and Pennsylvania. The traffickers set up at least four fictitious businesses at four different commercial mail receiving agencies¹ in Arizona. Drug proceeds were returned via Express Mail to individuals at other commercial mail receiving agencies in Arizona.
- ◆ A Federal grand jury in Massachusetts indicted seven individuals for conspiracy to distribute marijuana and various money laundering violations. The case is an ongoing Organized Crime and Drug Enforcement Task Force investigation involving a drug trafficking operation between Arizona and Massachusetts. Express Mail was used extensively to launder the drug proceeds and traffic the marijuana. Postal Inspectors in Massachusetts and Arizona coordinated the investigation, which resulted in the arrests of six individuals, and several seizures of Express Mail parcels in Arizona.
- ◆ A task force of Postal Inspectors, Customs Service agents, Drug Enforcement Administration agents, and local law enforcement officers arrested seven individuals involved in an international drug smuggling operation. The individuals purchased the drugs in the Netherlands and mailed them from the Netherlands and Belgium to California, and also recruited couriers to transport the drugs on commercial airline flights. To date, more than 15,000 pills have been seized, with a street value of \$450,000.

- ◆ Several individuals pled guilty to interstate transportation in aid of racketeering enterprises. Sentencing was the result of a two-year conspiracy, drug and money laundering investigation, which involved approximately 90 kilograms of cocaine being mailed from California to Michigan, and conversely, drug proceeds being mailed from Michigan to California.

CHILD EXPLOITATION

Postal Inspectors employ proactive investigative techniques to identify and bring to justice individuals who use the mail to distribute or knowingly receive child pornography. During this reporting period, 53 child molesters were identified and stopped as a result of the Inspection Service's investigative efforts to rid the mail of child pornography. This represented an increase of 45 percent over the same period last year. Fifty-eight children were rescued from ongoing sexual abuse, and 13 additional victims of prior sexual abuse by child pornography suspects were identified. Postal Inspectors nationwide are investigating 473 cases involving child pornography. To date, Inspection Service efforts have resulted in 112 arrests and 108 convictions. Some of the more significant child exploitation case activity that occurred during this period is highlighted below.

- ◆ Four individuals involved in a child pornography ring in Oklahoma were charged with violations relating to the production, distribution, and possession of child pornography. The initial suspect was identified through an undercover operation conducted by a Postal Inspector in Tennessee. Search warrants were subsequently obtained and executed at locations in three different Oklahoma counties. Videotapes and photographs depicting the sexual abuse of two children were seized. The suspects include the parents of these children. State charges have also been filed against the four individuals.
- ◆ A prison sentence of 24 years and 5 months was handed down to a convicted child molester and pornographer in an Indiana federal court. Postal Inspectors initiated an investigation after the individual mailed film depicting the sexual

¹ These agencies are businesses designated by their customers to receive, hold, and forward their mail.

abuse of minors to a commercial film processor. Working with local law enforcement, Postal Inspectors determined that the offender sexually abused, photographed, and videotaped a number of children, including the individual's own child and stepchild.

- ◆ An individual pled guilty in Federal district court in Hawaii to receiving child pornography through the mail and via the Internet. Postal Inspectors executed a search warrant at the individual's home, and discovered a number of homemade videotapes depicting exploitation activity with six different children. Sentencing is pending.
- ◆ Postal Inspectors and Customs agents in Michigan arrested a Canadian national on a Federal warrant for the distribution of child pornography videotapes. This individual was identified during the course of another Inspection Service child exploitation investigation. Canadian law enforcement officials searched the offender's residence and seized approximately 1,000 videotapes, along with a computer and computer-generated child pornography images.
- ◆ An individual was sentenced in Federal court to 30 months in prison for using the computer and the mail to entice and engage children in sexual conduct. This individual's license to practice medicine was revoked by the Illinois State Board of Licensing and the Drug Enforcement Administration revoked the offender's ability to dispense controlled substances.
- ◆ An individual in Nevada was sentenced to 46 months in a Federal prison for using the Internet and the mail to distribute child pornography. State charges are pending against this offender for molesting four minors.
- ◆ Complaints from a victim and the National Center for Missing and Exploited Children's Cyber Tipline resulted in the arrest of an individual for possession, production, and distribution of child pornography. The individual used the Internet to auction pornographic photographs of the victim, who was a minor at the time the photos were taken.

PROHIBITED MAIL

The Inspection Service considers the investigation of mail bombs among its highest priorities. This reporting period, Postal Inspectors arrested 39 and convicted 34 individuals for their involvement in incidents related to mail bombs and bomb threats. These include threats against Postal facilities, placement of hoax devices and other suspicious items in the mail, and bombs/devices placed in private mail receptacles.

- ◆ An individual pled guilty in Federal court in New York to two counts of mailing threatening communications. This individual was previously arrested and charged with mailing hoax bomb devices to a state lottery office.
- ◆ The FBI issued an advisory regarding the possibility of parcels containing bombs being placed in the mail showing a Frankfurt, Germany, postmark. Members of the Inspection Service participated as experts in numerous interviews conducted by CNN's *Morning News*, *Burden of Proof*, *Talk Back Live* and *CBS Evening News*, as well as with Tribune Broadcasting, Cox Broadcasting, Hearst Broadcasting, Reuters, CBS Radio and United Press International.

POSTAL BURGLARIES

The Inspection Service employs sophisticated burglary prevention techniques and detection devices to make Postal facilities less vulnerable to attack. Burglaries may result in property losses, mail thefts, and repair expenses for damage to Postal facilities as a result of forced entries. During this period, there were 91 arrests and 85 convictions related to burglaries compared to 75 arrests and 62 convictions for the last reporting period.

- ◆ An Illinois post office and several other businesses located in a strip mall were burglarized. Postal Inspectors arrested a professional burglar who had 16 prior arrests. The offender confessed to burglarizing the post office and two Illinois contract stations, and was subsequently sentenced to 25 years in prison.



MAIL FRAUD

Postal Inspectors protect Postal patrons, business mailers and local, state and Federal governments from schemes involving investments, insurance, Medicare/Medicaid fraud, telemarketing, loans, and merchandise misrepresentations. The elderly and disadvantaged individuals who are more dependent on mail delivery for purchases, are particularly susceptible to fraudulent schemes. These citizens trust the Postal Service will maintain the integrity of the mail, while fraudulent opportunists attempt to enjoy the reliability and relative anonymity the mail offers. The Inspection Service investigated approximately 36,000 consumer fraud complaints this reporting period. As a result, 827 individuals were arrested and 715 individuals were convicted on charges of mail fraud.

Listed below are some of the investigations that were conducted during this period.

FRAUD AGAINST CONSUMERS

To preserve the public's confidence and trust in the U.S. Mail, the Inspection Service investigates a variety of mail fraud schemes, including fraud against consumers. Some of the most significant investigations follow.

- ◆ Four individuals who operated a sweepstakes telemarketing scheme in California, were convicted and sentenced to pay over \$1 million in victim restitution to the over 1,000 elderly victims who mailed a check to claim a prize they were told they had won. None of the victims received prizes.
- ◆ A telemarketing investigation in Southern California resulted in a court ordered payment of over \$6 million in restitution to victims of a riverboat gambling venture. This individual was also sentenced to three years and five months in prison.
- ◆ An individual in Texas was arrested for involvement in a work-at-home scheme in which approximately 9,500 victims were identified. The individual used 32 commercial mail receiving agency addresses from coast-to-coast to operate the secretarial work-at-home schemes and a direct marketing television distributorship scheme.
- ◆ An investment fraud investigation from the Midwest resulted in an individual being sentenced for defrauding investors, who were elderly and invested more than \$3.5 million of their life savings. Victims were offered a minimum of 12 percent on money invested, which was allegedly to be used to purchase deeds of trust on commercial and residential properties. In addition to being sentenced to 12 months and 1 day in prison and 3 years' supervised release, the man was ordered by the court to pay \$1.4 million in restitution.
- ◆ A married couple was sentenced in Federal court for conducting a mail fraud scheme that victimized at least 15 African-American churches across the United States. This scheme resulted in losses of approximately \$2.6 million. One spouse assisted churches in obtaining financing for building projects through the sale of church bonds, while the other spouse represented himself as a contractor with 20 years of experience building churches. The couple advised victims that when they were finished, they would turn over the keys to the church, which would be ready for immediate use by the congregation. No churches identified were ever completed even though the couple obtained building funds. They were sentenced collectively to five years and five months' imprisonment, six years' supervised release, and ordered to pay over \$700,000 restitution to victim churches.
- ◆ Two of three individuals pled guilty in Federal court for defrauding numerous individuals by falsely advertising the sale of stuffed animals on the Internet. The defendants alleged they were in possession of rare or retired stuffed animals that were for sale at substantial discounts. After receiving victims' money, the defendants sent victims damaged stuffed animals or no stuffed animals at all. This scheme resulted in the loss of over \$20,000 to victims.
- ◆ The U.S. Attorney's Office in New York presented the Inspection Service with three equitable sharing checks totaling almost \$1,215,000 as the result of asset forfeiture cases involving insider trader stock manipulations and sweepstakes fraud. The checks have been deposited

into the Postal Inspector's Forfeiture Revenue Account.

FRAUD AGAINST BUSINESSES

The mail is often used to submit false or inflated invoices to businesses and institutions. Some of the more significant investigations follow.

- ◆ An individual was found guilty in Pennsylvania on charges of submitting more than 2 million unredeemed manufacturers' cents-off coupons. The coupons were valued in excess of \$1 million.
- ◆ A New Jersey flea market salesman pled guilty in a \$350,000 failure to pay case. The investigation determined the individual fraudulently established 1,630 customer accounts utilizing at least 12 different boxes at several post offices and commercial mail receiving agencies in New Jersey to order compact discs that he then sold at area flea markets.
- ◆ A scam involving mailing fraudulent invoices resulted in an individual pleading guilty in Federal court in Pennsylvania. Postal Inspectors determined this individual mailed over 4,000 fraudulent bills to victim companies, many being private and public schools. The individual attempted to defraud the companies in excess of \$7 million. The victim companies unknowingly paid exorbitant prices for merchandise they had not ordered.
- ◆ An individual in Illinois was sentenced to one year and six months in prison, three years of probation, and ordered by the court to make over \$176,000 in restitution for involvement in a scheme which inflated rental rates for condominiums and then split the inflated proceeds. An investigation by Postal Inspectors revealed that the individual also sold customers tickets to sporting events and concerts at prices that allowed her to increase the amount of sales commissions she received from her employer. She also advised her employer she sold vacation packages at inflated prices to customers when she had not.

- ◆ Three individuals were sentenced in Federal court for their involvement in a \$22 million bank and investment fraud scheme. The individuals created companies that conducted very little business, but were used as fronts to apply for bank loans and obtain investor funds.

FRAUD AGAINST THE GOVERNMENT

Postal Inspectors also work to protect the government from being victimized by mail fraud. Some of the most significant investigations follow.

- ◆ An Inspection Service investigation resulted in a guilty plea to mail fraud by company employees. The company operated in Oregon and California, and sold stolen recreational vehicles. The investigation revealed representatives of the company assisted out-of-state customers who purchased recreational vehicles to evade sales tax and registration fees owed their states as well as assisted out-of-state customers register their new vehicles in Oregon. The company paid over \$1.4 million in forfeited proceeds to the FBI and the Inspection Service and \$1.6 million to the State of Oregon.
- ◆ A Missouri chiropractor was sentenced in Federal court to four months of home confinement, five years of supervised release, and ordered to pay over \$15,000 in restitution to Medicare. The chiropractor defrauded Medicare by submitting false insurance claims for treatment allegedly rendered to patients.
- ◆ An individual in New Jersey was sentenced in Federal court to two years and nine months in prison, three years of supervised release, and ordered to pay \$846,000 in restitution to the U.S. Department of Education. The individual and her brother operated a beauty school and directed their employees to submit false forms to various educational loan assistant centers. The submission of the false documents caused the school's default rate to remain within the Department of Education guidelines for participating in the Federally-funded financial aid programs. Postal Inspectors, along with agents from the Department of Edu-

cation's OIG, determined the false submissions made by the school enabled it to receive over \$1 million in Federally-guaranteed loans over a five-year period, which it would not have otherwise been entitled to receive. Four others involved in the scheme, including the brother, were previously sentenced.

MONEY LAUNDERING

The Inspection Service plays a key role in fulfilling the Postal Service's anti-money laundering program requirements under the Bank Secrecy Act. Postal Inspectors work closely with Postal management to ensure that new financial services possess anti-money laundering security measures. In addition, Postal Inspectors participate in Bank Secrecy Act training programs, sharing their money laundering expertise with Postal employees involved in the sale of Postal financial products.

- ◆ The Inspection Service seized more than \$345,000 from two California bank accounts for structuring financial transactions to avoid Federal reporting requirements. Reports showed that 29 separate post offices were visited on 118 different occasions between April 13, 1998, and May 17, 1999, for the purchase of 889 Postal Service money orders with an aggregate value of approximately \$444,500. All of the Postal Service money orders were found to have been purchased through structured transactions in avoidance of both Federal and Postal reporting requirements. The investigation is continuing.
- ◆ Postal Inspectors arrested two fugitives for their involvement in a money laundering and narcotic smuggling scheme. One individual was arraigned in Federal court on two counts of murder, money laundering, and narcotics smuggling, and held without bond. The other individual was arraigned for currency and monetary instrument reports violations and released on a \$25,000 personal bond. The investigation is continuing.
- ◆ An individual in Michigan was arrested by local police and charged with bank fraud. Having established a commercial mail receiving agency post office box

under an assumed name, the individual attempted to access funds from an account opened under an alias. The account had been flagged due to the deposit of numerous high-value Postal money orders identified as structured purchases by debit cards drawn from fraudulent bank accounts. The arrest is the third in an investigation that began after the Inspection Service was contacted regarding losses approaching \$1 million. Postal Inspectors are investigating this case jointly with FBI agents.

- ◆ Postal Inspectors in New York arrested two individuals on conspiracy to commit money laundering. At the time of their arrest, approximately \$200,000 was seized. One individual was held without bond and the other was released on a \$100,000 personal bond. The investigation is continuing.



Appendices



Is OIG responsible for all audits within the Postal Service?

Yes. In January 1999, the Postmaster General reemphasized to all Postal Service officers the audit role of the OIG. Specifically, the OIG is responsible for performing or contracting for all Postal Service audits, as well as establishing procedures for management-requested audits. In addition, the OIG serves as the focal point with other agencies, to coordinate work efforts and avoid any duplication.

APPENDIX A

Closed Congressional and Board of Governors Inquiries

For the period October 1, 1999, through March 31, 2000

This appendix lists the 51 Congressional and Governor inquiries the OIG closed during this reporting period. The OIG reviewed these inquiries to help identify systemic issues and to determine the need for future Postal-wide audits.

CONGRESSIONAL

PERFORMANCE

Requestor	Allegation/Concern	Location	Response Date
Senator, Wyoming	Review of the International Collection Program	Postal-wide	12/3/99
Representative, Kentucky	Mail processing delays due to improper staffing	Louisville, Kentucky	2/18/00
Representative, California	Dissatisfaction with Priority Mail service from contractor	Postal-wide	2/24/00
Representative, California	Untimely delivery of newsletters	Oakland, California	2/24/00
Senator, New York	Mail was not forwarded to new address	Poughkeepsie, New York	3/3/00
Representative, Ohio	Improper handling of indemnity claim	Pompano Beach, Florida	3/13/00
Senator, Illinois	Mail collection problems	Chicago, Illinois	3/17/00

FINANCIAL MANAGEMENT

Requestor	Allegation/Concern	Location	Response Date
Chairman, House Postal Subcommittee	Purchase and maintenance of Postal facility	Roundup, Montana	11/9/99
Representative, New Jersey	Contract fraud and conflict of interest	Allendale, New Jersey	2/29/00
Chairman, House Postal Subcommittee	Violations of Federal laws and regulations in facility relocation	New Haven, Connecticut	3/17/00

LABOR MANAGEMENT

Requestor	Allegation/Concern	Location	Response Date
Senator, Michigan	Unethical conduct and abusive behavior by management	Benton Harbor, Michigan	11/15/99
Representative, California	Mismanagement of Postal Service facility and discrimination against employees	San Francisco, California	11/26/99
Senator, Indiana	Review of suspension from employment and concerns with Equal Employment Opportunity process	South Bend, Indiana	11/26/99
Representative, New Jersey	Managerial harassment and concerns about Equal Employment Opportunity claim	Sparta, New Jersey	11/30/99
Chairman, House Postal Subcommittee	Human resource concerns with the Postal Service	Postal-wide	12/15/99
Representative, New Jersey	Age discrimination and managerial harassment	Morristown, New Jersey	12/27/99
Representative, New Jersey	Managerial harassment	Rockaway, New Jersey	12/27/99
Representative, Pennsylvania	Discrimination, failure to comply with employment guidelines, and abuse of workers' compensation laws	New Kensington, Pennsylvania	12/27/99
Senator, North Carolina	Request for additional information	Greenville, North Carolina	12/29/99
Representative, New York	Boycott of vending machines and misuse of funds	Buffalo, New York	1/4/00
Representative, New York	Postal Service providing false information regarding workers' compensation claim	Marlboro, New York	1/5/00
Representative, Florida	Intimidation and restricted use of sick time	Miami, Florida	1/31/00
Chairman, House Postal Subcommittee	Managerial abuses, discrimination, and hostile work environment	Santa Ana, California	2/24/00
Representative, Alabama	Wrongful termination	Mobile, Alabama	3/1/00
Chairman, House Postal Subcommittee	Unjust suspension and removal from employment	Baxter Springs, Kansas	3/8/00
Chairman, House Postal Subcommittee	Disparate treatment by supervisors	Annapolis, Maryland	3/8/00
Senator, Alabama	Managerial harassment	Winfield, Alabama	3/8/00
Senator, South Carolina	Request for reinstatement of sick leave	Charleston, South Carolina	3/8/00



Requestor	Allegation/Concern	Location	Response Date
Representative, Missouri	Nepotism and false accusations of sexual harassment	Cape Girardeau, Missouri	3/15/00
Representative, New Jersey	Managerial harassment and status on workers' compensation claim	South Plainfield, New Jersey	3/15/00
Representative, Massachusetts	Employment discrimination complaint not handled properly	South Dennis, Massachusetts	3/29/00
Representative, Ohio	Hostile work environment	Brook Park, Ohio	3/29/00
Senator, Illinois	Managerial harassment	Chicago, Illinois	3/29/00
Senator, Illinois	Managerial harassment and hostile work environment	South Holland, Illinois	3/29/00
Senator, New York	Abuse of union time by stewards	Alden, New York	3/29/00
Chairman, House Postal Subcommittee	Hostile work environment ²	Arecibo, Puerto Rico	3/31/00
Chairman, House Postal Subcommittee	Hostile work environment ²	Arecibo, Puerto Rico	3/31/00
Chairman, House Postal Subcommittee	Hostile work environment ²	Arecibo, Puerto Rico	3/31/00
Chairman, House Postal Subcommittee	Hostile work environment	Ft. Lauderdale, Florida	3/31/00
Chairman, House Postal Subcommittee	Sexual harassment and hostile work environment	Plaquemine, Louisiana	3/31/00
Representative, California	On-the-job injury resulting in back pay	Manteca, California	3/31/00
Representative, Oklahoma	Managerial harassment	Broken Arrow, Oklahoma	3/31/00
Representative, Pennsylvania	Failure to pay overtime hours	Allentown, Pennsylvania	3/31/00

OVERSIGHT OF THE INSPECTION SERVICE

Requestor	Allegation/Concern	Location	Response Date
Senator, Michigan	Status of mail fraud complaint	Detroit, Michigan	2/15/00



² All three individual Congressional inquiries concerned related issues and were addressed jointly by the OIG.

OTHER SIGNIFICANT REVIEWS

Requestor	Allegation/Concern	Location	Response Date
Representative, Texas	Release of information regarding investigation closed within the last 3-5 years	Postal-wide	10/8/99
Senator, New York	Mail fraud related to debt collection scams	New York, New York	1/4/00
State Senator, Virginia	Participating in peaceful political activity on Postal Service property	Oak Hill, Virginia	3/3/00
Chairman, House Postal Subcommittee	Misuse of National Change of Address data	Postal-wide	3/10/00
Representative, Pennsylvania	Misuse of National Change of Address data	Postal-wide	3/10/00

BOARD OF GOVERNORS

FINANCIAL MANAGEMENT

Requestor	Allegation/Concern	Location	Response Date
Chairman	Fraud, program abuse, and postal policy violations	Glendale Heights, Illinois	3/20/00

LABOR MANAGEMENT

Requestor	Allegation/Concern	Location	Response Date
Governor	Request for minority statistics	Postal-wide	1/19/00



APPENDIX B

Reports Issued to Postal Management

For the period October 1, 1999, through March 31, 2000

OVERVIEW

Office of Inspector General

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

Inspection Service

The Inspection Service audit groups are aligned by the type of audits performed which are primarily performance, financial, contract, and facility audits. The Inspection Service continued to provide Postal-wide attention in selected areas until these functions are fully transitioned to the OIG.

SUMMARY

The following is a summary by principal area of reports issued to Postal management for both the OIG and Inspection Service. The following pages list each organization's reports separately.

Principal Area	Number of Reports Issued	Questioned Costs	Unsupported Costs ³	Recommend Funds Put to Better Use
Performance	42	\$ 848,000	\$ 0	\$39,258,326
Financial Management	289	268,561,854	6,911,275	114,906
Technology	9	0	0	0
Labor Management	6	0	0	0
Oversight	2	0	0	0
Other Significant Reviews	25	0	0	0
GRAND TOTALS	373	\$269,409,854	\$6,911,275	\$39,373,23

Definitions

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

Unsupported Costs – A cost that is not supported by adequate documentation.

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

³Unsupported Costs are included with the amounts shown as Questioned Costs.

REPORT LISTING

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

OIG REPORTS

PERFORMANCE

Report/Case Number	Subject Title/ Project Type	Location/ Contract	Questioned Costs	Un- supported Costs ³	Recommend Funds Put to Better Use	Issue Date
ACCEPTING AND PROCESSING						
AC-LA-00-001	Richmond Processing and Distribution Center Standard Mail Processing	Richmond, VA	\$0	\$0	\$0	1/31/00
AC-MA-00-001	St. Louis Processing and Distribution Center – Business Mail Entry Unit Use of the Convenience Deposit Point Process	St. Louis, MO	0	0	0	3/17/00
DS-AR-00-001	External First-Class Mail Measurement System	Postal-wide	0	0	0	3/27/00
TRANSPORTATION						
TR-AR-00-001	Year 2000 Business Contingency and Continuity Planning: Plan Development and Testing	Postal-wide	\$0	\$0	\$0	12/3/99
TR-MA-00-001	Mail Processing Delays at the Louisville Processing and Distribution Center	Louisville, KY	0	0	0	12/6/00
TR-AR-00-002	Year 2000 Business Continuity and Contingency Planning: Day One Strategy	Postal-wide	0	0	0	12/7/00
TR-MA-00-002	Handling of Stamp Stock at the Greensboro Processing and Distribution Center	Greensboro, NC	0	0	0	1/31/00
TR-AR-00-003	Commercial Air Carrier: Performance Measurement System	Postal-wide	0	0	0	1/31/00
TR-AR-00-004	Commercial Air Carrier Performance: Effectiveness of Pay-for-Performance	Postal-wide	0	0	0	1/31/00
TR-AR-00-005	Southwest Area Expenditures for Extra Highway Trips Using Leased Equipment	Southwest Area	848,000	0	0	2/29/00
TR-AR-00-006	Commercial Air Carrier Performance: Payment for Ground Handling Services	Postal-wide	0	0	28,000,000	3/27/00
DELIVERY						
DS-MA-00-001	Acceptance of Delivery Vehicles	Postal-wide	\$0	\$0	\$0	12/15/99
DS-MA-00-002	Assignment of Postal Service Vehicles for Maintenance Service	Postal-wide	0	0	0	2/25/00

Report/Case Number	Subject Title/ Project Type	Location/ Contract	Questioned Costs	Un-supported Costs ³	Recommend Funds Put to Better Use	Issue Date
MARKETING						
RG-MA-00-001	Cost and Benefit of the International Collection Program	Postal-wide	\$0	\$0	\$1,500,000	12/3/99
RG-AR-00-001	Controls Over the Storage and Distribution of Stamp Inventory at Selected Sites	Postal-wide	0	0	0	1/31/00
RG-LA-00-001	International Travel Process-Phase II Lodging Expenses	Postal-wide	0	0	0	2/29/00
RG-LA-00-002	Grand Canyon Stamp-Production Internal Controls	Postal-wide	0	0	0	3/27/00
RG-AR-00-002	Breast Cancer Research Stamp Program Review-Phase II	Postal-wide	0	0	841,000	3/31/00
RP-MA-00-001	Indefinite Quantity Contracts	Postal-wide	0	0	0	11/8/99
PERFORMANCE TOTALS			\$848,000	\$30,341,000	\$0	

FINANCIAL MANAGEMENT

Report/Case Number	Subject Title/ Project Type	Location/ Contract	Questioned Costs	Un-supported Costs ³	Recommend Funds Put to Better Use	Issue Date
FINANCIAL-RELATED						
FR-LA-00-001	Sure Money Electronic Funds Transfer Service Expansion to Dominican Republic	Postal-wide	\$0	\$0	\$0	11/23/99
FR-FA-00-001	Employee Separation	Postal-wide	8,913	0	0	11/23/99
FR-FA-00-002	Back Pay Award	Postal-wide	0	0	0	11/23/99
FR-FA-00-007	Facilities Management System-Windows Internal Controls	Postal-wide	0	0	0	11/23/99
FR-FA-00-003	Capital Personal Property	Postal-wide	0	0	0	12/1/99
FR-FA-00-008	Internal Controls at the Dulles, Virginia, International Records Unit	Dulles, VA	0	0	0	12/1/99
FR-FA-00-005	Travel Advances	Postal-wide	0	0	0	12/1/99
FR-FA-00-006	Tort Claim Receivables	Postal-wide	0	0	0	12/10/99
FR-AR-00-003	Withholdings and Contributions for Health Benefits, Life Insurance, Retirement, and Employee Headcount Data	Postal-wide	0	0	0	12/16/00
FR-MA-00-001	Budget Cost Containment Measures	Postal-wide	0	0	0	12/22/00
FR-FA-00-009	Computer Associates-Access Control Facility 2 Password Options	Postal-wide	0	0	0	1/4/00
FR-AR-00-001	Postal Service Officers' Travel and Miscellaneous Expense for FY 1999	Postal-wide	0	0	0	1/4/00

Report/Case Number	Subject Title/ Project Type	Location/ Contract	Questioned Costs	Un-supported Costs ³	Recommend Funds Put to Better Use	Issue Date
FR-AR-00-002	Postal Service Board of Governors Travel and Miscellaneous Expense for FY 1999	Postal-wide	0	0	0	1/6/00
FR-AR-00-004	FY 1999 Postal Service Financial Statement Audit- Washington, DC, Headquarters	Postal-wide	0	0	0	1/31/00
FR-AR-00-005	FY 1999 Postal Service Financial Statement Audit- St. Louis Information Service Center	St. Louis, MO	0	0	0	2/11/00
FR-AR-00-006	Transmittal of FY 1999 Postal Service Financial Statement Audit- Eagan Information Service Center	Minneapolis, MN	0	0	0	2/25/00
FR-AR-00-007	Transmittal of FY 1999 Postal Service Financial Statement Audit- San Mateo Information Service Center	San Mateo, CA	0	0	0	2/25/00

CONTRACT AUDITS

CA-CAR-00-001	Evaluation of Costs Associated with a Postal Service Sublease of Facilities		\$0	\$0	\$0	12/16/99
CA-CAR-00-002	Evaluation of Accounting System		0	0	0	1/4/00
CA-CAR-00-003	Evaluation of Direct Labor Rates and Indirect Expenses Rates		0	0	0	1/4/00
CA-CAR-00-004	Evaluation of Forward Pricing Rates and Factors		0	0	0	1/27/00
CA-CAR-00-005	Evaluation of Accounting System		0	0	0	1/28/00
CA-CAR-00-006	Evaluation of Claim Submitted		121,452	54,185	0	2/21/00
CA-CAR-00-009	Evaluation of 1994 Operating Expenses		639,621	639,621	0	2/23/00
CA-CAR-00-007	Evaluation of Final Indirect Rates		0	0	0	2/23/00
CA-CAR-00-008	Evaluation of Costs Incurred		0	0	0	2/23/00
CA-CAR-00-011	Evaluation of Proposal		36,490	0	0	3/6/00

Report/Case Number	Subject Title/ Project Type	Location/ Contract	Questioned Costs	Un- supported Costs ⁹	Recommend Funds Put to Better Use	Issue Date
CA-CAR-00-010	Evaluation of Proposal		881,215	382,500	0	3/6/00
CA-CAR-00-012	Evaluation of Accounting System		0	0	0	3/9/00
CA-CAR-00-014	Proposal for Tray Management System Work		38,607	0	0	3/14/00
CA-CAR-00-013	Delivery Confirmation Code Recognition for Flat Sorting Machine 881		59,229	0	0	3/14/00
CA-CAR-00-015	Proposal for a Small Parcel and Bundle Sorter		464,644	0	0	3/14/00
CA-CAR-00-016	Research and Development Costs		0	0	0	3/16/00
CA-CAR-00-017	Evaluation of Proposal for Express Mail Collection Boxes		0	0	0	3/24/00
CA-CAR-00-018	Evaluation of Subcontract Proposal		90,366	0	0	3/29/00
CA-MA-00-001	Contract Audit Practices	Postal-wide	92,214	0	0	3/31/00
FACILITY PROGRAM AUDITS						
FA-AR-00-001	Postal Service Suspension and Debarment Process	Postal-wide	\$0	\$0	\$0	10/22/99
FA-MA-00-001	Asbestos Abatement at Postal Service Facilities	Postal-wide	0	0	0	1/24/00
FA-MA-00-002	Roofing Product at Postal Service Facilities	Postal-wide	0	0	0	2/29/00
FA-MA-00-003	Cost Savings Identified in the Use of Calling Cards by Postal Service Employees	Postal-wide	0	0	26,000	3/21/00
FINANCIAL MANAGEMENT TOTALS			\$2,432,751		\$26,000	
				\$1,076,306		

TECHNOLOGY

Report/Case Number	Subject Title/ Project Type	Location/ Contract	Questioned Costs	Un- supported Costs ³	Recommend Funds Put to Better Use	Issue Date
Y2K AND INFORMATION SYSTEMS						
IS-AR-00-001	Year 2000 Initiative: Mail Processing Equipment, Critical Suppliers, Embedded Chips, and Facilities	Postal-wide	\$0	\$0	\$0	11/30/99
IS-AR-00-002	Status of Postal Service Year 2000 Readiness	Postal-wide	0	0	0	12/3/99
IS-AR-00-003	Allegation Involving Privacy Act Violations	Postal-wide	0	0	0	3/31/00
DEVELOPMENTAL						
DA-LA-00-001	Point of Service ONE- Vendor Solution	Postal-wide	\$0	\$0	\$0	11/4/99
DA-AR-00-001	Phase 1 Remote Encoding Center Consolidation	Postal-wide	0	0	0	2/10/00
DA-AR-00-002	Tray Management System	Postal-wide	0	0	0	3/31/00
COMPUTER INTRUSION						
CI-CSA-00-001	Computer Security Advisory	Postal-wide	\$0	\$0	\$0	2/29/00
COMPUTER SECURITY						
CI-MA-00-001	Allegations of Abuse of Postalwatch.org Web Link	Postal-wide	\$0	\$0	\$0	2/24/00
CI-LA-00-001	Postal Service Computer Security	Postal-wide	0	0	0	3/1/00
TECHNOLOGY TOTALS			\$0	\$0	\$0	

LABOR MANAGEMENT

Report/Case Number	Subject Title/ Project Type	Location/ Contract	Questioned Costs	Un- supported Costs ³	Recommend Funds Put to Better Use	Issue Date
HOSTILE WORK ENVIRONMENT						
LM-LA-00-002	Allegation of a Hostile Work Environment in a Puerto Rico Post Office	Puerto Rico	\$0	\$0	\$0	2/29/00
LM-AR-00-001	Allegations of a Hostile Working Environment at a Post Office in the Southeast Area	Southeast Area	0	0	0	3/20/00
UNSAFE WORKING CONDITIONS						
LM-AR-00-002	Allegations of Unsafe Working Conditions at the Dallas Downtown Station	Dallas, TX	\$0	\$0	\$0	3/20/00
LM-VR-00-001	Allegations of Unsafe Working Conditions at the Dallas Downtown Station- Video Report	Dallas, TX	0	0	0	3/20/00

Report/Case Number	Subject Title/Project Type	Location/Contract	Questioned Costs	Un-supported Costs ³	Recommend Funds Put to Better Use	Issue Date
HEALTH CARE						
HC-MA-00-001	Allegation Concerning the Middlesex Central District's Use of Injury Claim Forms CA-1	Middlesex Central District	\$0	\$0	\$0	2/29/00
HC-MA-00-002	Allegation of Untimely Submission of Injury Claims	Albuquerque District	0	0	0	3/21/00
LABOR MANAGEMENT TOTALS			\$0	\$0	\$0	

OVERSIGHT REVIEWS OF THE INSPECTION SERVICE

Report/Case Number	Subject Title/Project Type	Location/Contract	Questioned Costs	Un-supported Costs ³	Recommend Funds Put to Better Use	Issue Date
OV-MA-99-001	Postal Personnel Security Program-Sensitive Clearance for Non-Inspection Service Position	Postal-wide	\$0	\$0	\$0	3/23/00
OV-MA-99-003 (R)	FY 1998 National Leadership Conference	Norman, OK	0	0	0	3/23/00
OVERSIGHT TOTALS			\$0	\$0	\$0	

OTHER SIGNIFICANT REVIEWS

Report/Case Number	Subject Title/Project Type	Location/Contract	Questioned Costs	Un-supported Costs ³	Recommend Funds Put to Better Use	Issue Date
99CX017EX000	Executive Investigation		\$0	\$0	\$0	1/24/00
98CX012EX000	Executive Investigation		0	0	0	2/16/00
99CX019EX000	Executive Investigation		0	0	0	1/23/00
99CX024EX000	Executive Investigation		0	0	0	1/31/00
99CX031EX000	Executive Investigation		0	0	0	1/31/00
98CX032EX000	Executive Investigation		0	0	0	1/4/00
98CX035EX000	Executive Investigation		0	0	0	12/15/99
99CX002EX000	Executive Investigation		0	0	0	11/30/99
00CX005EX000	Executive Investigation		0	0	0	2/1/00
98CX015EX000	Executive Investigation		0	0	0	10/1/99
99CX011EX000	Executive Investigation		0	0	0	10/1/99
00CX008EX000	Executive Investigation		0	0	0	2/2/00
99CX026EX000	Executive Investigation		0	0	0	10/1/99
99CX010EX000	Executive Investigation		0	0	0	10/1/99
99CX012EX000	Executive Investigation		0	0	0	10/1/99
99CX023EX000	Executive Investigation		0	0	0	10/13/99
00CX011EX000	Executive Investigation		0	0	0	1/17/00
97CX007EX000	Executive Investigation		0	0	0	2/2/00

Report/Case Number	Subject Title/Project Type	Location/Contract	Questioned Costs	Un-supported Costs³	Recommend Funds Put to Better Use	Issue Date
99CX032EX000	Executive Investigation		0	0	0	3/1/00
99CX034EX000	Executive Investigation		0	0	0	10/28/99
97CX002EX000	Executive Investigation		0	0	0	12/16/99
98CX016EX000	Executive Investigation		0	0	0	1/6/00
98CX005EX000	Executive Investigation		0	0	0	11/15/99
99CX006EX000	Executive Investigation		0	0	0	12/5/99
00CX001EX000	Executive Investigation		0	0	0	3/9/00
SIGNIFICANT REVIEWS			\$0	\$0	\$0	
OIG TOTALS			\$3,280,751	\$1,076,306³	\$30,367,000	

INSPECTION SERVICE REPORTS

FINANCIAL MANAGEMENT

Report/Case Number	Subject Title/Project Type	Location/Contract	Questioned Costs	Un-supported Costs ³	Recommend Funds Put to Better Use	Issue Date
CONTRACT AUDITS						
181-1282969-AC(1)	Contract Audit	Kansas City, KS 66112	\$ 0	\$ 0	\$88,906	11/4/99
181-1294644-AC(1)	Contract Audit	Hatfield, PA 19440	7,063,747	1,675,877	0	11/17/99
184-1199426-AC(1)	Contract Audit	Chicago, IL 60601	0	0	0	11/01/99
182-1300114-AC(1)	Contract Audit	Fairborne, OH 45324	163,115,691	0	0	1/10/00
184-1281717-AC(1)	Contract Audit	Fairborne, OH 45324	95,904,442	4,147,617	0	11/24/99
184-1289120-AC(1)	Contract Audit	Danbury, CT 06810	14,798	11,475	0	3/22/00
184-1293100-AC(1)	Contract Audit	Chicago, IL 60611	0	0	0	11/10/99
185-1268720-AC(1)	Contract Audit	Irvine, CA 92715	0	0	0	12/23/99

FINANCIAL OPINION

010-1259185-AD(1)	Canadian Surface Mail Accounting	Jersey City, NJ 07096	\$0	\$0	\$0	1/4/00
010-1296618-AD(1)	Vehicle Management Accounting System	Baltimore, MD 21201	0	0	0	10/7/99

FINANCIAL INSTALLATION AUDITS

011-1298638-AF(1)	Financial Installation Audit	Jamaica, NY 11431	\$0	\$0	\$0	3/30/00
011-1298640-AF(1)	Financial Installation Audit	Ronkonkoma, NY 11779	0	0	0	11/23/99
011-1298652-AF(1)	Financial Installation Audit	Floral Park, NY 11001	0	0	0	1/31/00
011-1298653-AF(1)	Financial Installation Audit	Staten Island, NY 10314	0	0	0	12/30/99
011-1298655-AF(1)	Financial Installation Audit	Columbus, GA 31908	0	0	0	2/25/00
011-1298698-AF(1)	Financial Installation Audit	New York, NY 10001	0	0	0	3/20/00
011-1298700-AF(1)	Financial Installation Audit	New York, NY 10001	0	0	0	3/20/00
011-1298723-AF(1)	Financial Installation Audit	Wells, ME 04090	0	0	0	12/15/99
011-1298776-AF(1)	Financial Installation Audit	Sacramento, CA 95813	0	0	0	3/20/00
011-1298818-AF(1)	Financial Installation Audit	Denver, CO 80266	0	0	0	11/4/99
011-1298825-AF(1)	Financial Installation Audit	Alpharetta, GA 30004	0	0	0	2/3/00
011-1298829-AF(1)	Financial Installation Audit	Honolulu, HI 96820	0	0	0	2/25/00
011-1298831-AF(1)	Financial Installation Audit	San Francisco, CA 94188	0	0	0	2/8/00
011-1298880-AF(1)	Financial Installation Audit	Orlando, FL 32862	0	0	0	1/31/00
011-1298923-AF(1)	Financial Installation Audit	Tampa, FL 33630	0	0	0	12/27/99
011-1298929-AF(1)	Financial Installation Audit	Tampa, FL 33630	0	0	0	12/27/99
011-1298935-AF(1)	Financial Installation Audit	Miami, FL 33152	0	0	0	11/23/99
011-1298941-AF(1)	Financial Installation Audit	Mt. Morris, IL 61054	0	0	0	11/18/99
011-1298944-AF(1)	Financial Installation Audit	Woodstock, IL 60098	0	0	0	11/18/99
011-1299012-AF(1)	Financial Installation Audit	Memphis, TN 38101	0	0	0	12/6/99
011-1299013-AF(1)	Financial Installation Audit	Jackson, MS 39205	0	0	0	1/19/00
011-1299014-AF(1)	Financial Installation Audit	Olive Branch, MS 38654	0	0	0	11/1/99
011-1299041-AF(1)	Financial Installation Audit	Antioch, TN 37013	0	0	0	12/30/99
011-1299042-AF(1)	Financial Installation Audit	Hampton, VA 23670	0	0	0	10/25/99
011-1299046-AF(1)	Financial Installation Audit	Trenton, TN 38382	0	0	0	1/5/00

Report/Case Number	Subject Title/Project Type	Location/Contract	Questioned Costs	Un-supported Costs ⁹	Recommend Funds Put to Better Use	Issue Date
011-1299047-AF(1)	Financial Installation Audit	Jackson, MS 39205	0	0	0	3/17/00
011-1299055-AF(1)	Financial Installation Audit	Memphis, TN 38101	0	0	0	12/16/99
011-1299193-AF(1)	Financial Installation Audit	Boston, MA 02205	0	0	0	3/28/00
011-1299194-AF(1)	Financial Installation Audit	Rochester, NY 14600	0	0	0	1/7/00
011-1299200-AF(1)	Financial Installation Audit	Newington, CT 06111	0	0	0	2/23/00
011-1299203-AF(1)	Financial Installation Audit	Manchester, NH 03100	0	0	0	3/14/00
011-1299218-AF(1)	Financial Installation Audit	Columbia, SC 29201	0	0	0	3/3/00
011-1299219-AF(1)	Financial Installation Audit	Columbia, SC 29201	0	0	0	3/24/00
011-1299231-AF(1)	Financial Installation Audit	Jersey City, NJ 07303	0	0	0	3/17/00
011-1299240-AF(1)	Financial Installation Audit	San Juan, PR 00936	0	0	0	10/28/99
011-1299245-AF(1)	Financial Installation Audit	San Juan, PR 00936	0	0	0	12/10/99
011-1299329-AF(1)	Financial Installation Audit	Florence, KY 41042	0	0	0	11/10/99
011-1299330-AF(1)	Financial Installation Audit	Chicago, IL 61938	0	0	0	11/3/99
011-1299723-AF(1)	Financial Installation Audit	Martinsburg, WV 25401	0	0	0	11/30/99
011-1299724-AF(1)	Financial Installation Audit	Merrifield, VA 22116	0	0	0	12/3/99
011-1299727-AF(1)	Financial Installation Audit	Capitol Heights, MD 20791	0	0	0	12/22/99
011-1299728-AF(1)	Financial Installation Audit	Washington, DC 20066	0	0	0	2/14/00
011-1299729-AF(1)	Financial Installation Audit	Lutherville/Timonium, MD 21093	0	0	0	1/13/00
011-1299730-AF(1)	Financial Installation Audit	Rockville, MD 20850	0	0	0	2/28/00
011-1299732-AF(1)	Financial Installation Audit	Merrifield, VA 22081	0	0	0	2/3/00
011-1299744-AF(1)	Financial Installation Audit	Perris, CA 92570	0	0	0	11/15/99
011-1299746-AF(1)	Financial Installation Audit	Fullerton, CA 92831	0	0	0	11/24/99
011-1299748-AF(1)	Financial Installation Audit	Van Nuys, CA 91409	0	0	0	3/30/00
011-1299784-AF(1)	Financial Installation Audit	Thurmont, MD 21788	0	0	0	3/17/00
011-1299816-AF(1)	Financial Installation Audit	Elm City, NC 27822	0	0	0	3/8/00
011-1299819-AF(1)	Financial Installation Audit	Royal Oak, MI 48083	0	0	0	1/25/00
011-1299938-AF(1)	Financial Installation Audit	San Diego, CA 92199	0	0	0	2/29/00
011-1299942-AF(1)	Financial Installation Audit	Los Angeles, CA 90001	0	0	0	3/22/00
011-1299944-AF(1)	Financial Installation Audit	Orange, CA 92667	0	0	0	11/4/99
011-1300035-AF(1)	Financial Installation Audit	Denver, CO 80202	0	0	0	3/3/00
011-1300037-AF(1)	Financial Installation Audit	Colorado Springs, CO 80903	0	0	0	1/28/00
011-1300039-AF(1)	Financial Installation Audit	Logan, UT 84321	0	0	0	2/10/00
011-1300139-AF(1)	Financial Installation Audit	San Antonio, TX 78284	0	0	0	11/15/99
011-1300140-AF(1)	Financial Installation Audit	Stillwater, OK 74074	0	0	0	11/9/99
011-1300152-AF(1)	Financial Installation Audit	Oklahoma City, OK 73198	0	0	0	2/24/00
011-1300153-AF(1)	Financial Installation Audit	Oklahoma City, OK 73198	0	0	0	1/31/00
011-1300200-AF(1)	Financial Installation Audit	Waterloo, IA 50701	0	0	0	12/14/99
011-1300207-AF(1)	Financial Installation Audit	Jefferson City, MO 65101	0	0	0	11/24/99
011-1300214-AF(1)	Financial Installation Audit	Hazelwood, MO 63042	0	0	0	2/15/00
011-1300219-AF(1)	Financial Installation Audit	Dubuque, IA 52001	0	0	0	11/2/99
011-1300220-AF(1)	Financial Installation Audit	St.Louis, MO 63155	0	0	0	2/1/00
011-1300248-AF(1)	Financial Installation Audit	Salt Lake City, UT 84199	0	0	0	2/4/00
011-1300250-AF(1)	Financial Installation Audit	Mesa, AZ 85201	0	0	0	12/10/99
011-1300251-AF(1)	Financial Installation Audit	Boulder, CO 80301	0	0	0	1/3/00
011-1300383-AF(1)	Financial Installation Audit	Wilkes-Barre, PA 18701	0	0	0	12/10/99
011-1300384-AF(1)	Financial Installation Audit	Scranton, PA 18505	0	0	0	12/10/99
011-1300497-AF(1)	Financial Installation Audit	Bloomsburg, PA 17815	0	0	0	3/15/00

Report/Case Number	Subject Title/ Project Type	Location/ Contract	Questioned Costs	Un- supported Costs ⁹	Recommend Funds Put to Better Use	Issue Date
011-1300500-AF(1)	Financial Installation Audit	Easton, PA 18044	0	0	0	2/3/00
011-1300502-AF(1)	Financial Installation Audit	Lancaster, PA 17604	0	0	0	2/23/00
011-1300508-AF(1)	Financial Installation Audit	Easton, PA 18043	0	0	0	2/3/00
011-1300516-AF(1)	Financial Installation Audit	Valley Forge, PA 19481	0	0	0	1/14/00
011-1300927-AF(1)	Financial Installation Audit	Melrose Park, IL 60160	0	0	0	11/26/99
011-1300961-AF(1)	Financial Installation Audit	Cincinnati, OH 45202	0	0	0	11/29/99
011-1300965-AF(1)	Financial Installation Audit	Dayton, OH 45401	0	0	0	1/18/00
011-1300967-AF(1)	Financial Installation Audit	Cincinnati, OH 45214	0	0	0	2/7/00
011-1300969-AF(1)	Financial Installation Audit	Sidney, OH 45365	0	0	0	1/28/00
011-1300970-AF(1)	Financial Installation Audit	Columbus, OH 43216	0	0	0	2/4/00
011-1300980-AF(1)	Financial Installation Audit	Hebron, OH 43025	0	0	0	3/15/00
011-1301231-AF(1)	Financial Installation Audit	Southfield, MI 48037	0	0	0	2/7/00
011-1301233-AF(1)	Financial Installation Audit	Troy, MI 48009	0	0	0	3/27/00
011-1301266-AF(1)	Financial Installation Audit	Jackson, MI 49201	0	0	0	2/22/00
011-1301268-AF(1)	Financial Installation Audit	Lansing, MI 48924	0	0	0	3/17/00
011-1301271-AF(1)	Financial Installation Audit	Lansing, MI 48037	0	0	0	2/28/00
011-1301509-AF(1)	Financial Installation Audit	Bloomsburg, PA 17815	0	0	0	3/15/00
011-1302193-AF(1)	Financial Installation Audit	Berwyn, IL 60402	0	0	0	12/28/99
011-1302198-AF(1)	Financial Installation Audit	Worth, IL 60482	0	0	0	1/11/00
011-1302199-AF(1)	Financial Installation Audit	Downers Grove, IL 60515	0	0	0	2/4/00
011-1302381-AF(1)	Financial Installation Audit	Worth IL 60482	0	0	0	1/14/00
011-1302405-AF(1)	Financial Installation Audit	Chicago, IL 60601	0	0	0	3/16/00
012-1298736-AF(1)	Financial Installation Audit	San Mateo, CA 94402	0	0	0	11/15/99
012-1299090-AF(1)	Financial Installation Audit	Royal Oak, MI 48068	0	0	0	12/17/99
012-1299920-AF(1)	Financial Installation Audit	Chatsworth, CA 91311	0	0	0	11/5/99
012-1300206-AF(1)	Financial Installation Audit	Clarion, IA 50526	0	0	0	11/1/99
012-1300962-AF(1)	Financial Installation Audit	Cincinnati, OH 45240	0	0	0	12/17/99
013-1298728-AF(1)	Financial Installation Audit	Freeport, ME 04033	0	0	0	11/15/99
013-1298984-AF(1)	Financial Installation Audit	Ft. Myers, FL 33902	0	0	0	10/26/99
013-1298991-AF(1)	Financial Installation Audit	Melbourne, FL 32901	0	0	0	12/7/99
013-1299201-AF(1)	Financial Installation Audit	Norwich, CT 06360	0	0	0	2/8/00
013-1299247-AF(1)	Financial Installation Audit	San Juan, PR 00919	0	0	0	1/24/00
013-1300524-AF(1)	Financial Installation Audit	Pittsburgh, PA 15213	0	0	0	12/30/99
014-1298649-AF(1)	Financial Installation Audit	Flushing, NY 11351	0	0	0	3/30/00
014-1298774-AF(1)	Financial Installation Audit	Ridgefield, WA 98642	0	0	0	2/17/00
014-1298986-AF(1)	Financial Installation Audit	Miami, FL 33149	0	0	0	1/21/00
014-1298988-AF(1)	Financial Installation Audit	Miami, FL 33145	0	0	0	1/21/00
014-1299034-AF(1)	Financial Installation Audit	Evans, GA 30809	0	0	0	11/18/99
014-1299036-AF(1)	Financial Installation Audit	Forest, MS 39074	0	0	0	11/18/99
014-1299043-AF(1)	Financial Installation Audit	Indian Head, MD 20640	0	0	0	10/29/99
014-1299202-AF(1)	Financial Installation Audit	Niantic, CT 06357	0	0	0	11/29/99
014-1299205-AF(1)	Financial Installation Audit	Walpole, NH 03608	0	0	0	12/29/99
014-1299222-AF(1)	Financial Installation Audit	Hackettstown, NJ 07840	0	0	0	2/24/00
014-1299234-AF(1)	Financial Installation Audit	Elizabeth, NJ 07202	0	0	0	1/31/00
014-1299785-AF(1)	Financial Installation Audit	Locust Grove, VA 22508	0	0	0	3/17/00
014-1299787-AF(1)	Financial Installation Audit	Lanham-Seabrook, MD 20706	0	0	0	2/25/00
014-1299937-AF(1)	Financial Installation Audit	Santa Ana, CA 92799	0	0	0	1/14/00



Report/Case Number	Subject Title/ Project Type	Location/ Contract	Questioned Costs	Un- supported Costs ⁹	Recommend Funds Put to Better Use	Issue Date
014-1300156-AF(1)	Financial Installation Audit	Irving, TX 75063	0	0	0	12/15/99
014-1300157-AF(1)	Financial Installation Audit	Baton Rouge, LA 70862	0	0	0	11/24/99
014-1300208-AF(1)	Financial Installation Audit	Wentzville, MO 63385	0	0	0	1/13/00
014-1300209-AF(1)	Financial Installation Audit	Beulah, ND 58523	0	0	0	3/15/00
014-1300224-AF(1)	Financial Installation Audit	Milan, IL 61264	0	0	0	12/6/99
014-1300225-AF(1)	Financial Installation Audit	Marshfield, MO 65706	0	0	0	1/13/00
014-1300228-AF(1)	Financial Installation Audit	North Platte, NE 69101	0	0	0	2/14/00
014-1300506-AF(1)	Financial Installation Audit	Thorofare, NJ 08086	0	0	0	12/30/99
014-1300982-AF(1)	Financial Installation Audit	Zanesville, OH 43701	0	0	0	3/28/00
014-1301289-AF(1)	Financial Installation Audit	Ft. Wayne, IN 46805	0	0	0	3/9/00
015-1299038-AF(1)	Financial Installation Audit	Linden, AL 36748	0	0	0	11/18/99
015-1299102-AF(1)	Financial Installation Audit	Rio, IL 61472	0	0	0	10/28/99
015-1299237-AF(1)	Financial Installation Audit	Fairlawn, NJ 07410	0	0	0	1/31/00
015-1299726-AF(1)	Financial Installation Audit	Davy, WV 24828	0	0	0	12/16/99
015-1300217-AF(1)	Financial Installation Audit	Clemons, IA 50051	0	0	0	1/24/00
015-1300247-AF(1)	Financial Installation Audit	Dexter, NM 88230	0	0	0	3/8/00

DISTRICT ACCOUNTING OFFICE AUDITS

016-1298651-AF(2)	Financial Installation Audit	White Plains, NY 10602	\$0	\$0	\$0	11/23/99
016-1298675-AF(2)	Financial Installation Audit	Sacramento, CA 95799	0	0	0	10/22/99
016-1298677-AF(1)	Financial Installation Audit	Oakland, CA 94615	0	0	0	1/24/00
016-1299028-AF(2)	Financial Installation Audit	Jackson, MS 39201	0	0	0	12/23/99
016-1299181-AF(1)	Financial Installation Audit	Hartford, CT 06100	0	0	0	3/13/00
016-1299457-AF(2)	Financial Installation Audit	Philadelphia, PA 19101	0	0	0	11/16/99
016-1300040-AF(1)	Financial Installation Audit	Albuquerque, NM 87102	0	0	0	3/3/00
016-1300971-AF(1)	Financial Installation Audit	Columbus, OH 43216	0	0	0	2/24/00
188-1298641-AF(2)	Financial Installation Audit	White Plains, NY 10602	0	0	0	12/20/99
188-1298819-AF(2)	Financial Installation Audit	Oakland, CA 94615	0	0	0	11/1/99
188-1298821-AF(2)	Financial Installation Audit	San Francisco, CA 94188	0	0	0	12/21/99
188-1298822-AF(2)	Financial Installation Audit	Sacramento, CA 95799	0	0	0	11/4/99
188-1299455-AF(2)	Financial Installation Audit	Philadelphia, PA 19101	0	0	0	12/7/99
188-1300041-AF(1)	Financial Installation Audit	Albuquerque, NM 87101	0	0	0	3/10/00
188-1300428-AF(1)	Financial Installation Audit	Oklahoma City, OK 73125	0	0	0	3/10/00
188-1300429-AF(1)	Financial Installation Audit	Grand Prairie, TX 75051	0	0	0	2/21/00
188-1300974-AF(1)	Financial Installation Audit	Columbus, OH 43216	0	0	0	2/24/00
800-1300800-ICR(1)	Financial Installation Audit	Detroit, MI 48236	0	0	0	1/13/00

EXPENDITURE INVESTIGATIONS

195-1299456-EI(1)	Procurement Activities	St. Louis, MO 63155	\$30,425	\$0	\$0	11/8/99
566-1265991-EI(1)	IMPAC Credit Card Review	San Diego, CA 92199	0	0	0	12/14/99

Report/Case Number	Subject Title/ Project Type	Location/ Contract	Questioned Costs	Un-supported Costs ³	Recommend Funds Put to Better Use	Issue Date
FACILITY PROGRAM AUDITS						
267-1293180-FPA(1)	SiteMeta Model Usage	Washington, DC 20066	\$0	\$0	\$0	3/16/00
FINANCIAL INVESTIGATIONS						
017-1253585-FI(2)	Financial Investigation	Detroit, MI 48232	\$0	\$0	\$0	11/18/99
017-1288456-FI(2)	Financial Investigation	Seahurst, WA 98062	0	0	0	10/27/99
017-1294538-FI(2)	Financial Investigation	Exmore, VA 23350	0	0	0	10/1/99
017-1294539-FI(2)	Financial Investigation	Melfa, VA 23410	0	0	0	10/1/99
017-1292697-FI(2) ⁴	Financial Investigation	Diamondale, MI 48821	0	0	0	7/16/99
017-1295925-FI(2)	Financial Investigation	New York, NY 10001	0	0	0	11/17/99
017-1296647-FI(2)	Financial Investigation	Osburn, ID 83849	0	0	0	10/1/99
017-1296651-FI(2) ⁴	Financial Investigation	Lansing, MI 48917	0	0	0	9/8/99
017-1298857-FI(2)	Financial Investigation	Royal Oak, MI 48083	0	0	0	1/10/00
017-1301046-FI(2)	Financial Investigation	Haddock, GA 31033	0	0	0	11/1/99
017-1306153-FI(2)	Financial Investigation	Yacolt, WA 98675	0	0	0	1/24/00
017-1308019-FI(2)	Financial Investigation	Dayton, Ny 14041	0	0	0	3/8/00
820-1212361-FI(1)	Financial Investigation	Portland, OR 97205	0	0	0	11/2/99
827-1234991-FI(1)	Financial Investigation	Gateway, CO 81522	0	0	0	1/25/00
830-1302496-FI(1)	Financial Investigation	Bosie, ID 83708	0	0	0	11/18/99
833-1295888-FI(1)	Financial Investigation	San Jose, CA 95101	0	0	0	11/18/00
839-1298725-FI(2)	Financial Investigation	Golconda, IL 62938	0	0	0	10/18/99
840-1302577-FI(2)	Financial Investigation	Phoenix, AZ 85034	0	0	0	12/2/99
830-1307109-FI(2)	Financial Investigation	Bethalto, IL 62010	0	0	0	2/7/00
840-1306609-FI(2)	Financial Investigation	Billings, MT 59101	0	0	0	2/15/00
841-1290810-FI(2)	Financial Investigation	Miami, FL 33138	0	0	0	12/7/99
842-1301419-FI(1)	Financial Investigation	Grand Rapids, MI 49504	0	0	0	1/18/00
843-1307671-FI(1)	Financial Investigation	Yakima, WA 98902	0	0	0	3/23/00
146-1183701-PVS(2)	Financial Investigation	Detroit, MI 48233	0	0	0	3/10/00
165-1305549-PVS(2)	Financial Investigation	Independence, OR 97351	0	0	0	1/13/00
REVENUE INVESTIGATIONS						
061-1259463-RI(1)	Postage Meter	Stamford, CT 06920	\$0	\$0	\$0	12/22/99
061-1297813-RI(1)	Postage Meter	Cicero, IL 60650	0	0	0	10/13/99
061-1299270-RI(1)	Postage Meter	Asheville, NC 28813	0	0	0	12/17/99
061-1299271-RI(1)	Postage Meter	Richmond, VA 23228	0	0	0	1/18/00
061-1299272-RI(1)	Postage Meter	Louisville, KY 40213	0	0	0	1/7/00
061-1299339-RI(1)	Postage Meter	Cleveland, OH 44113	0	0	0	12/17/99
061-1299566-RI(1)	Postage Meter	Albuquerque, NM 87110	0	0	0	12/21/99
061-1299582-RI(1)	Postage Meter	Tampa FL 33603	0	0	0	3/10/00
061-1299589-RI(1)	Postage Meter	Garland, TX 75044	0	0	0	11/24/00
061-1299593-RI(1)	Postage Meter	Birmingham, AL 35206	0	0	0	1/19/00
061-1299594-RI(1)	Postage Meter	Spokane, WA 99212	0	0	0	2/15/00
061-1299595-RI(1)	Postage Meter	Stone Mountain, GA 30087	0	0	0	12/8/99
061-1299601-RI(1)	Postage Meter	Renton, WA 98055	0	0	0	12/7/99
061-1299605-RI(1)	Postage Meter	Hauppauge, NY 11788	0	0	0	1/3/00
061-1299608-RI(1)	Postage Meter	Tarrytown, NY 10591	0	0	0	2/24/00
061-1299620-RI(1)	Postage Meter	Boise, ID 83705	0	0	0	3/22/00
061-1300036-RI(1)	Postage Meter	Lakewood, CO 80214	0	0	0	11/30/99

Report/Case Number	Subject Title/Project Type	Location/Contract	Questioned Costs	Un-supported Costs ³	Recommend Funds Put to Better Use	Issue Date
061-1300252-RI(1)	Postage Meter	Santa Fe, NM 87505	0	0	0	3/2/00
061-1300331-RI(1)	Postage Meter	Sacramento, CA 95814	0	0	0	1/18/00
061-1300332-RI(1)	Postage Meter	San Jose, CA 95126	0	0	0	1/21/00
061-1300385-RI(1)	Postage Meter	Bensalem, PA 19021	0	0	0	1/25/00
061-1300485-RI(1)	Postage Meter	Lacrosse, WI 54603	0	0	0	1/21/00
061-1301540-RI(1)	Postage Meter	Lansing, MI 48910	0	0	0	2/18/00
061-1303288-RI(1)	Postage Meter	Los Angeles, CA 90023	0	0	0	2/2/00
061-1305144-RI(1)	Postage Meter	Houston, TX 77251	0	0	0	3/16/00
061-1305918-RI(1)	Postage Meter	Houston, TX 77087	0	0	0	2/8/00
062-1206077-RI(1)	Nonprofit Mail	Tallahassee, FL 32301	0	0	0	2/17/00
062-1233050-RI(1)	Nonprofit Mail	Long Beach, CA 90809	0	0	0	2/15/00
062-1301372-RI(1)	Nonprofit Mail	Livonia, MI 48150	0	0	0	11/16/99
062-1302374-RI(1)	Nonprofit Mail	Flint, MI 48532	0	0	0	12/8/99
062-1303709-RI(1)	Standard Mail	Albany, GA 31707	0	0	0	12/8/99
062-1303973-RI(1)	Nonprofit Mail	Pontiac, MI 48343	0	0	0	12/15/99
064-1282422-RI(1)	Business Reply Mail	Tampa, FL 33623	0	0	0	12/17/99
064-1302881-RI(1)	First-Class Mail	Bedford, VA 24523	0	0	0	11/17/99
064-1306639-RI(1)	First-Class Mail	Richmond, VA 23294	0	0	0	1/28/00
064-1308714-RI(1)	Postage Meter	Norwalk, CT 06856	0	0	0	2/25/00
065-1294384-RI(1)	Periodical Mail	W. Palm Beach, FL 33406	0	0	0	10/12/99
065-1294847-RI(1)	Periodical Mail	Cadillac, MI 49601	0	0	0	11/12/99
064-1305694-RI(1)	Periodical Mail	New York, NY 10036	0	0	0	1/21/00
066-1298980-RI(1)	Periodical Mail	Glasgow, KY 42141	0	0	0	10/4/99
066-1298981-RI(1)	Nonprofit Mail	Spartanburg, SC 29307	0	0	0	10/4/99
066-1298983-RI(1)	Nonprofit Mail	Danville, KY 40422	0	0	0	10/4/99
066-1304422-RI(1)	Standard Mail	Rockford, IL 61110	0	0	0	12/16/99
068-1300519-RI(1)	First-Class Mail	Richmond, VA 23227	0	0	0	11/29/99
069-1220769-RI(2) ⁴	Caller Service Fees	Seattle, WA 98124	0	0	0	5/3/99
069-1303033-RI(2) ⁴	Caller Service Fees	Des Moines, IA 50318	0	0	0	3/3/99
069-1304383-RI(2)	Caller Service Fees	Clarion, IA 50526	0	0	0	12/17/99
069-1308683-RI(2)	Caller Service Fees	Lanoka Harbor, NJ 08734	0	0	0	3/8/00
069-1308684-RI(2)	Caller Service Fees	Pine Beach, NJ 08741	0	0	0	3/8/00
069-1308685-RI(2)	Caller Service Fees	Stanhope, NJ 07874	0	0	0	11/29/99
069-1308687-RI(2)	Caller Service Fees	Yardville, NJ 08620	0	0	0	3/8/00
069-1310014-RI(2)	Caller Service Fees	Belford, NJ 07718	0	0	0	3/13/00
920-1203070-RI(1)	First-Class Mail	Hazelwood, MO 63042	0	0	0	2/16/00
921-1297254-RI(1)	Plant Verified Drop Shipment Mail	Tarzana, CA 91356	0	0	0	2/10/00
921-1299389-RI(1)	Plant Verified Drop Shipment Mail	Belle Mead, NJ 08502	0	0	0	11/3/99
923-1297408-RI(1)	First-Class Mail	Edison, NJ 08899	0	0	0	11/19/99
924-1254090-RI(1)	Presort Bureaus	Lynnfield, MA 01940	0	0	0	9/16/99
924-1285196-RI(1)	Presort Bureaus	Eugene, OR 97402	0	0	0	11/17/99
FINANCIAL MANAGEMENT TOTALS			\$266,129,103		\$88,906	
				\$5,834,969³		

PERFORMANCE

Report/Case Number	Subject Title/ Project Type	Location/ Contract	Questioned Costs	Un- supported Costs ³	Recommend Funds Put to Better Use	Issue Date
ACCEPTING AND PROCESSING, TRANSPORTATION, DELIVERY AND ENABLING FUNCTIONS						
038-1288323-PA(2)	Mail Flow Analysis	Albany, NY 12212	\$0	\$0	\$0	3/16/00
038-1292495-PA(2)	Delivery Automation	Denver, CO 80299	0	0	0	2/8/00
039-1291158-PA(2)	Mail Transport Equipment	Pasadena, CA 91102	0	0	0	12/8/99
039-1295484-PA(2)	Transportation Review		0	0	5,073,926	3/29/00
052-1254545-PA(3) [†]	Indefinite Quantity Contract Work Orders	Santa Clarita, CA 91380	0	0	0	9/21/99
052-1289574-PA(3)	City Carrier Operations/Overtime	Harrisburg, PA 17107	0	0	0	11/17/99
052-1290664-PA(3)	Carrier Operations	San Antonio, TX 78265	0	0	1,857,900	10/5/99
052-1293000-PA(3)	Window Operation Retail Hours	Gaithersburg, MD 20898	0	0	0	10/18/99
052-1293335-PA(3)	Carrier Overtime	Ft. Worth, TX 76161	0	0	0	12/22/99
052-1296292-PA(3)	City Carrier Operations/Overtime		0	0	0	2/14/00
312-1294163-PA(3)	Service Improvement	Houston, TX 77202	0	0	0	11/30/99
314-1288321-PA(3)	Vehicle Maintenance Facility		0	0	0	10/19/99
SERVICE INVESTIGATIONS						
070-1264180-SI(1) [†]	Observation of Mail Conditions	Chicago, IL 60657	\$0	\$0	\$0	8/13/99
070-1268886-SI(1)	Observation of Mail Conditions	Chicago, IL 60610	0	0	0	10/20/99
070-1291731-SI(1)	Classification Reform Follow-Up Review	Tampa, FL 33609	0	0	0	10/12/99
070-1309573-SI(1)	Mail Service	Beverly Hills, CA 90210	0	0	0	3/14/00
071-1294372-SI(2)	Operational Review	Allen Park, MI 48101	0	0	0	1/28/00
071-1296235-SI(2)	Overnight Delivery	San Juan, PR 00960	0	0	0	11/1/99
071-1296405-SI(2)	Observation of Mail Conditions	Washington, DC 20260	0	0	0	2/23/00
072-1267684-SI(2)	Observation of Mail Conditions	Richmond, VA 23232	0	0	0	11/3/99

Report/Case Number	Subject Title/Project Type	Location/Contract	Questioned Costs	Un-supported Costs ³	Recommend Funds Put to Better Use	Issue Date
072-1267691-SI(2)	Observation of Mail Conditions	Louisville, KY 40231	0	0	0	11/29/99
072-1295069-SI(2) ⁴	Change of Address Complaints	San Jose, CA 95101	0	0	0	9/21/99
072-1297502-SI(2)	Observation of Mail Conditions	Chicago, IL 60669	0	0	1,985,500	12/20/99
PERFORMANCE TOTALS			\$ 0	\$ 0	\$8,917,326	
INSPECTION SERVICE TOTALS			\$266,129,103	\$5,834,969 ³	\$9,006,232	
GRAND TOTALS			\$269,409,854	\$6,911,275 ³	\$39,373,232	

³Unsupported Costs are included with the amounts shown as Questioned Costs.

⁴These reports were issued in a prior Semiannual Reporting period; however, they were not entered into the Inspection Service database information system until the current reporting period. To ensure all reports issued to management are reported to Congress, these reports are being included during this reporting period.

APPENDIX C

Findings of Questioned Costs

For the period ending March 31, 2000

OFFICE OF INSPECTOR GENERAL AND INSPECTION SERVICE

Description	Number of Reports	Total Questioned Costs	Unsupported Costs Included In Questioned Costs
Reports for which no management decision was made at the beginning of the reporting period	20	\$24,446,815	\$6,250,621
Reports requiring a management decision that were issued during the reporting period	16	269,409,854	6,911,275
TOTALS	36	\$293,856,669	\$13,161,896
Reports for which a management decision was made during the reporting period (i + ii)	16	\$1,126,565	\$10,383
(i) Dollar value of disallowed costs		\$571,670	
(ii) Dollar value of costs not disallowed		\$554,895	
Reports for which no management decision was made by the end of the reporting period. Negotiations are ongoing.	20	\$292,730,104	\$13,151,513
Reports for which no management decision was made within six months of issuance (See Note 1 for list of individual reports)	3	\$15,742,109	
Reports for which no management decision was made within one year of issuance (See Note 2 for list of individual reports)	3	\$7,617,479	\$6,240,238

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

Report Date	Case Number	Project Type	Total Questioned Costs	Unsupported Costs Included In Questioned Costs
7/28/99	184-1259633-AC(1)	Contract Audit	\$29,758	\$0
9/24/99	190-1290163-AC(2)	Contract Audit	15,662,099	0
7/9/99	192-1262874-AC(2)	Contract Audit	50,252	0
TOTALS			\$15,742,109	\$0

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

Report Date	Case Number	Project Type	Total Questioned Costs	Unsupported Costs Included In Questioned Costs
6/16/98	184-1218249-AC(1)	Contract Audit	\$515,521	\$398,675
12/7/98	184-1243166-AC(1)	Contract Audit	7,087,038	5,841,563
3/12/98	182-1224877-AC(1)	Contract Audit	14,920	0
TOTALS			\$7,617,479	\$6,240,238

APPENDIX D

Recommendations That Funds Be Put to Better Use

For the period ending March 31, 2000

OFFICE OF INSPECTOR GENERAL AND INSPECTION SERVICE

Description	Number of Reports	Dollar Value
Reports for which no management decision was made at the beginning of the reporting period	49	\$104,768,853
Reports requiring a management decision that were issued during the reporting period	8	39,373,232
TOTALS	57	\$144,142,085

Reports for which a management decision was made during the report period	37	\$99,406,468
(i) Value of recommendation implemented by management		\$43,433,198
(ii) Value of recommendation that management did not recover		\$55,973,270
(iii) Value of recommendations that management did not agree to implement		\$0
Reports for which no management decision was made by the end of the reporting period	20	\$44,735,617
Reports for which no management decision was made within six months of issuance (See Note 1 for list of individual reports)	5	\$4,704,159
Reports for which no management decision was made within one year of issuance (See Note 2 for list of individual reports)	13	\$34,868,626

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

Report Date	Case Number	Project Type	Recommend Funds Put to Better Use
4/30/99	181-1283911-AC(1)	Contract Audit	46,162
6/15/99	181-1288561-AC(1)	Contract Audit	94,303
7/21/99	181-1289630-AC(1)	Contract Audit	4,403,092
8/27/99	181-1294162-AC(1)	Contract Audit	122,861
9/20/99	181-1296773-AC(1)	Contract Audit	37,741
TOTAL			\$4,704,159

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

Report Date	Case Number	Project Type	Recommend Funds Put to Better Use
10/13/98	181-1252323-AC (1)	Contract Audit	\$6,166,150
10/30/98	181-1252372-AC(1)	Contract Audit	1,710,680
12/18/98	181-1253441-AC(1)	Contract Audit	145,532
11/24/98	181-1254410-AC(1)	Contract Audit	137,480
3/9/99	181-1265241-AC(1)	Contract Audit	103,476
4/14/98	181-1237199-AC(1)	Contract Audit	14,156,740
5/30/96	181-1165940-AC(1)	Contract Audit	8,370,460
5/23/96	181-1187389-AC(1)	Contract Audit	2,799,714
7/3/97	181-1204343-AC(1)	Contract Audit	134,283
7/22/97	181-1212417-AC(1)	Contract Audit	10,595
1/23/98	181-1214298-AC(1)	Contract Audit	135,198
12/3/97	181-1215690-AC(1)	Contract Audit	481,301
11/26/97	181-1216446-AC(1)	Contract Audit	517,017
TOTAL			\$34,868,626

APPENDIX E**Unresolved Reports**

For the period ending March 31, 2000

OFFICE OF INSPECTOR GENERAL AND INSPECTION SERVICE

Description	Number of OIG Reports	Number of Inspection Service Reports	Total Number of Reports
Reports Unresolved at Beginning of Period:			
Reports Issued Before 4/1/99	7	45	53
Reports issued Prior Period, 9/30/99	3	51	53
Total Reports	10	96	106
Reports Issued This Period, 3/31/00	3	120	123
Total Reports ⁵	13	216	229
Reports Resolved:			
Issued Before 4/1/99	0	33	33
Issued Prior Period 9/30/99	0	41	41
Issued This Period 3/31/00	0	78	78
Total Resolved	0	152	152
Reports Unresolved as of 3/31/00:			
One year or more, 4/1/99 (See Note 1 for list of individual reports)	7	12	19
Six months or more but less than one year, 10/1/99 (See Note 2 for list of individual reports)	3	10	13
Less than Six Months	3	42	45
TOTAL UNRESOLVED	13	64	77
Reports Resolved Where Management Did Not Agree to Implement All Recommendations	0	3	3

⁵Excludes audits previously reported, in Appendix C, Findings of Questioned Costs; and Appendix D, Recommendations That Funds Be Put To Better Use.

Note 1 – List of reports pending one year or more:

OFFICE OF INSPECTOR GENERAL

Issue Date	Report/Case Number	Condition ⁶
3/30/99	LR-MA-99-006	Employee Allegations at the Ponca City Post Office
3/30/99	LR-AR-99-006	Allegations of Retaliation at the Garden Grove Post Office
3/31/99	LR-AR-99-001	Labor and Management Workplace Disputes
3/31/99	FA-AR-99-001	Review of the Atlanta Olympic Facility Improvement Plan
3/31/99	LR-AR-99-008	Follow-up on Postal Service Recommendations to Investigate Sexual Harassment Allegations and to Reassign a Supervisor
3/31/99	LR-AR-99-009	Administration of the Advance Sick Leave Program and Health and Safety Issues at the Garden Grove Post Office
3/31/99	DS-MA-99-002	Accident Reporting Process

INSPECTION SERVICE

Issue Date	Report/Case Number	Condition
8/12/97	1199652-AD(1)	Electronic Data Processing Controls, San Mateo, CA – Management is progressing in testing critical applications and providing off-site storage for critical files.
9/30/98	1225935-AD(1)	Electronic Data Processing Controls, St. Paul, MN – Management is concluding administrative security issues.
5/11/98	1204380-PA(1)	National Audit on Effectiveness of Employee Reassignments – Management is developing integrated policies and procedures on reassignment processes and providing attention in complement planning initiatives.
5/12/98	1209811-PA(1)	National Audit on Air Transportation Networks – Management is preparing operating plans and corrective actions are being taken.
6/05/98	1214098-PA(1)	National Audit on City Route Inspections and Adjustment Process – Management is developing instructions to review, train, and increase supervision for the route inspections/adjustment process and the associated monitoring of savings.
9/15/98	12202833-PA(1)	National Audit on Postal Retail Stores – Management is developing procedures in retail operations and a handbook and instructions are being updated.
12/30/98	1223496-PA(1)	National Audit on Logistics and Transportation – Management is in the process of implementing recommendations regarding air-to-surface mail routing.
3/17/99	1244541-PA(1)	National Audit on Priority Mail – Management is developing procedures to ensure efficient and effective processing of priority mail.
5/7/98	1223382-AX(1)	Mail Transport Equipment Service – Management is implementing recommendations regarding program planning management.
1/27/99	1260310-RI(1)	Postage Meter, Anchorage, AK – Management is in the process of reconciling in-stock inventory records.
12/30/98	1262023-RI(1)	Postage Meter, Southington, CT – Management is in the process of implementing recommendations regarding meter inventories, meter control, and miss-set meters.
12/31/97	1188871-RI(1)	Inbound Verification Procedures, Jersey City, NJ – Management is continuing to develop action plans to verify inbound foreign and Canadian mail.

⁶ Postal Service and OIG management just recently implemented a process to address the disagreements shown in this appendix (See Overview section)

Note 2 – List of reports pending six months or more but less than one year:

OFFICE OF INSPECTOR GENERAL

Issue Date	Report/Case Number	Condition
3/23/00	OV-MA-99-003 (R)	FY 1998 National Leadership Conference
9/30/99	LR-AR-99-012	Actions Against Postmasters Atlanta District
9/30/99	RG-MA-99-010	Reproductions of Stamp Images

INSPECTION SERVICE

Issue Date	Report/Case Number	Condition
8/13/99	1256263-AF(1)	Financial Installation Audit, Chicago, IL – Management is in the process of implementing recommendations relating to employee accountabilities, post office box/caller service and stamp inventories.
8/6/99	1256274-AF(1)	Financial Installation Audit, Seattle, WA – Management is reviewing procedures relating to business reply mail and post office box/caller service fees.
8/12/99	1256722-AF(1)	Financial Installation Audit, San Luis Obispo, CA – Management is implementing procedures relating to office accountability.
9/2/99	1257164-AF(1)	Financial Installation Audit, Baltimore, MD – Management is implementing procedures relating to post office box/caller service and business reply mail.
4/19/99	1261674-FI(2)	Self-Initiated Financial Review, Washington, DC – Management is implementing procedures relating to office accountability and security.
7/6/99	1253949-RI(1)	Postage Meter, Hayward, CA – Management is in the process of implementing recommendations relating to meter and inventory inspections.
5/22/99	1263973-RI(1)	Postage Meter, Washington, DC – Management is in the process of implementing internal control recommendations.
9/14/99	1294489-RI(1)	Business Reply Mail Review, Chicago, IL – Management is in the process of implementing recommendations relating to postage due/business reply mail.
4/19/99	1254408-SI(2)	Mail Service Review, Chicago, IL – Management is currently re-evaluating maintenance staffing issues.
8/10/99	1294973-PA(3)	Processing and Distribution Audit, Oakland, CA – Management is in the process of implementing recommendations relating to the utilization of the optical character reader.

APPENDIX F

Summary of Actions Under 39 USC § 3005 and § 3007

For the period October 1, 1999, through March 31, 2000

INSPECTION SERVICE

Type of Scheme	Complaints Filed	Consent Agreements	False Representation Orders	Cease & Desist Orders
Advance fee				
Boiler rooms/Telemarketing		1		1
Contest/Sweepstakes	1	2	2	3
Rebate fraud				
Directory solicitations				
Distributorships				
Employment				
False billings	6	6	2	8
Fraud against government agencies				
Fraud against Postal Service				
Insurance				
Investments	1	1		1
Loans				
Lotteries (Foreign and Domestic)				
Medical				
Memberships				
Merchandise:				
Failure to furnish	2	2		2
Failure to pay	3	3		3
Misrepresentation	2	2	1	3
Miscellaneous	4	2	2	2
Solicitations				
Travel				
Work at home	2	2	1	3
TOTALS	21	21	8	26

Other Administrative Actions

Administrative Actions Requests	17
Temporary Restraining Orders Requested	1
Temporary Restraining Orders Issued	1
Civil Injunctions (1345) Requested	0
Civil Injunctions (1345) Issued	0
Cases Using Direct Purchase Authority	0
Refusals of Direct Purchase Authority	0
Civil Penalties (Section 3012) Imposed	\$0
Expenditures Incurred for:	
Test Purchases	\$0
Expert Testimony	\$0
Witness Travel	\$0
Withholding Mail Orders Issued	83
Voluntary Discontinuances	263

DEFINITIONS OF SCHEMES

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

Boiler rooms/Telemarketing. An office or suite of offices with banks of telephones and telephone solicitors who use high-pressure techniques to persuade consumers to respond to bogus offers.

Contest/Sweepstakes. Schemes in which the respondent is required to pay a fee to obtain prizes of money, gifts, or other items of value. "Prizes" are never shipped or are inferior to what was promised.

Rebate fraud. Redeeming cents-off coupons or manufacturers' rebates when no merchandise was actually purchased; establishing fictitious stores, clearing houses, or addresses; or submitting counterfeit coupons or rebates by consumers.

Directory solicitations. Fraudulent solicitation in the guise of invoices for advertisement or renewal in business directories.

Distributorships. Pyramid schemes in which it is mathematically impossible for all participants to recoup their investments. The emphasis is not on the sale of the product, but on getting others to participate.

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

False billings. Mailing solicitation in the guise of billings.

Fraud against government agencies. Any scheme that attempts to defraud a government agency except the Postal Service.

Fraud against Postal Service. Any scheme that attempts to defraud the Postal Service.

Insurance. Investigations of insurance-related fraud involving false claims, false advertising on the availability of insurance, or the collection of premiums for nonexistent policies.

Investments. Misrepresented opportunities to invest in commodities gems, metals, stocks, bonds, certificates of deposit, mutual funds, IRAs, coins, stamps, art, etc.

Loans. Mailings soliciting money for information on nonexistent or misrepresented loans.

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

Medical. Sales by mail of misrepresented health products or services, including fraudulent medical degrees.

Memberships. Failure to provide services advertised in connection with organization membership.

Merchandise failure to furnish. A mail order operator that does not provide ordered merchandise.

Merchandise failure to pay. Mail order merchandise that is acquired without providing payment.

Merchandise misrepresentation. Mail order merchandise or services that are materially misrepresented in advertising.

Miscellaneous. Any other scheme not described in a specific category.

Solicitations. Fraudulent solicitation of funds through the mail for alleged charitable, religious, minority-oriented groups, and similar cases or organizations.

Travel. Fraudulent vacation or travel opportunities.

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

APPENDIX G

Criminal Statistics

For the period October 1, 1999, through March 31, 2000

OFFICE OF INSPECTOR GENERAL

Type of Investigation	Arrests	Convictions ⁷
Revenue & Cost Containment		
Revenue Protection	9	1
OIG TOTALS⁸	9	1

INSPECTION SERVICE

Type of Investigation	Arrests	Convictions ⁷
Revenue & Asset Protection Program		
Expenditure Investigations	1	8
Financial Investigations	169	159
Workers' Compensation Fraud	29	33
Revenue Investigations	59	45
Robbery	34	56
Burglary	91	85
Miscellaneous External Crimes		
Includes counterfeit and contraband postage, money order offenses, vandalism and arson	356	264
Assaults Against Employees		
Includes threats and assaults against on-duty postal employees	230	181
Employee Narcotics Cases		
Includes employees and non-employees selling narcotics on postal property	13	20
Mail Theft by Employees		
Includes theft and possession of stolen mail	404	368
Mail Theft by Non-Employees or Contractors		
Includes theft and possession of stolen mail	2,522	1,997
Miscellaneous Employee Crimes		
Includes theft of postal property and sabotage of equipment	42	46
Bombs/Explosive Devices	39	34
Mailing of Controlled Substances		
Includes hazardous material, firearms and weapons, intoxicants, explosives other than bombs, extortion and false documents	804	569
Child Exploitation, Mailing of Obscene Matter and Sexually Oriented Advertisements	112	108
Mailing of Miscellaneous Nonmailables		
Includes hazardous material, firearms and weapons, intoxicants, explosives other than bombs, extortion and false documents	34	20
Mail Fraud	827	715
INSPECTION SERVICE TOTALS⁸	5,766	4,708
GRAND TOTALS	5,775	4,709

⁷ Convictions reported in this time frame may be related to arrests made in prior reporting periods.

⁸ Arrests and convictions include joint investigations with other federal law enforcement agencies.

APPENDIX H (PROTOTYPE)

Summary of Postal Service Investigative Activities Under 39 USC § 3013

The Postal Reorganization Act requires the Postmaster General to furnish information on the investigative activities of the Postal Service on a semiannual basis. With passage of the Deceptive Mail Prevention and Enforcement Act in December 1999, the Postal Service's reporting obligations were changed. These changes will have a significant impact on the OIG's oversight of the Inspection Service and the manner in which the OIG will fulfill its semiannual reporting obligations.

The act requires the Postal Service to submit its semiannual report to the OIG rather than to the Board of Governors, expands the subject matter that must be reported, and revises the reporting schedule to coordinate with the OIG Semiannual Report to Congress. The information in the report includes actions directed at combating crimes involving the mail; costs and expenditures devoted to Postal Service investigative activities; use of the newly-conferred subpoena power; and any additional information the OIG may require. This change in reporting requirements is effective for the reporting period beginning April 1, 2000, and will be reported in future Semiannual Reports to Congress as shown in this prototype appendix.

The following outline describes the significant reporting obligations required under 39 USC § 3013.

ABUSE OF MAILS

(39 USC § 3013(1), (2), and (3))

This section presents:

- Proceedings instituted or resolved under 39 USC § 3005 during the reporting period;
- Cases involving exercise of authority granted under 39 USC § 3005(e); and
- Activities of the Postal Service seeking injunctions to temporarily detain mail.

SWEEPSTAKES SUBPOENAS

(39 USC § 3013(5))

Detailed discussions of each case in which the Postal Service exercised its subpoena authority in investigating cases of alleged illegal and deceptive sweepstakes offerings.

FINANCIAL REPORTING ON INVESTIGATIVE ACTIVITIES

(39 USC § 3013(4))

Financial information related to conducting Postal Service investigative activities.

MISCELLANEOUS ACTIVITIES

(39 USC § 3013(6))

All other additional information which the OIG may require.



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Poster 500, October 1999

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NOTES

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NOTES

US Postage Stamps

ISSUED FROM APRIL 1, 1999 THROUGH SEPTEMBER 30, 1999

PAGE

- 3 UNCLE SAM – colorfully depicts “Uncle Sam” on a stamp used for second-ounce postage.
- 16 HOLIDAY CELEBRATION: HANUKKAH- celebrates the Jewish Festival of Lights, the first stamp jointly issued between two countries.
- 18 YEAR 2000 – serves as a historical record of a unique period of time in our country with a traditional image of a baby ringing in the New Year.
- 20 INSECTS AND SPIDERS – celebrates National Stamp Collecting Month with life-like depictions of 16 crawling insects and four spiders.
- 42 VIVARINI’S MADONNA AND CHILD – captures the warmth of the holiday season through the use of Bartolomeo Vivarini’s masterpiece, Madonna and Child, painted during the 15th century.
- 46 HOLIDAY CONTEMPORARY: DEER – features a fleet-footed deer prancing across a colorful background as a token of holiday friendship, cheer, and goodwill.
- 62 GRAND CANYON – recognizes one of the Nation’s beautiful landmarks, part of a series of four scenes that depicts “Americana.”
- 76 LUNAR NEW YEAR: DRAGON – celebrates the Year of the Dragon, the eighth in the Lunar New Year Commemorative series.
- 83 NORTH ATLANTIC TREATY ORGANIZATION – honors the 50th anniversary of the founding of this organization which formed an alliance of 12 independent nations committed to one nation’s defense.
- 84 PACIFIC COAST RAIN FOREST – recognizes 26 animal and plant species common to the Pacific Northwest Rain Forest, the second in the “Nature of America” series.
- 94 PATRICIA ROBERTS HARRIS – honors this woman for her steadfast determination and forthrightness, the 23rd American and seventh woman commemorated in the Black Heritage series.
- 98 U.S. NAVY SUBMARINES – depicts five Navy submarines from different periods in submarine technology in appreciation of the dedication and valor of our nation’s submarine force.
- 101 OFFICIAL MAIL –
- 108 HOLIDAY CELEBRATION: KWANZAA – commemorates the African American seven-day celebration of family, community, and culture.

ACKNOWLEDGEMENTS

This report represents the outstanding efforts and accomplishments of OIG and Inspection Service staff. The production of this report would not have been possible without the contributions and dedication of the many OIG and Inspection Service who contributed to this effort, particularly Wayne Goleski, Jim Crumacker, Dan Kenney, Allan Reid and Paula Staub of OIG and Tom Denny of the Inspection Service.



OFFICE OF INSPECTOR GENERAL

1735 N. Lynn Street
Arlington, VA 22209-2020
(703) 248-2300
Fax: (703)248-2291
Internet: www.uspsoig.gov