



October 1, 2001 – March 31, 2002



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

A Time for Reflection and Continued Passion

Sometimes rocky, sometimes rewarding, always gratifying—that's how I would describe the journey of establishing this office. Over the past five years, we traveled many miles and forged significant new paths.

As I reflect on all we have accomplished, I realize that I could not have done it without the commitment and passion of those who walked the journey with me. In 1997, Congress presented us with a challenge to create a totally new organization that would independently investigate and evaluate Postal Service programs and operations. We did it! Together, we built an organization over 700 strong that adds value to Congress, the Postal Service Governors, the Postal Service, and the American public.

We turned our passion for the challenge into performance by building an organization that assists the Postal Service through reviews of its processes, operations, and management controls. To date, we have identified over \$1.9 billion in potential savings, cost avoidances, unrecoverable costs, fines, penalties, and recoveries related to postal operations. In addition, we have performed hundreds of reviews, audits, and investigations which contribute to a more efficient, effective Postal Service. Our success in identifying areas where the Postal Service can control costs, increase revenues, strengthen labor-management relations, and improve management processes and controls is due in large part to our position as an independent, objective organization not subject to influence by Postal Service management.

One of my proudest accomplishments during these first five years is our fierce fight to maintain that independence. We fought the battle in the inspector general community, taking the lead and helping to overturn an initiative to take it away. We pursue it every day as we strive to perform our work in an environment of objectivity and impartiality, when we seek to obtain documents that are denied to us, and when we are on the streets conducting investigations and our authority is questioned. Although the Inspector General Act has been in existence for almost 25 years, the Postal Service has only had an independent inspector general for five years. The lack of experience with and knowledge of how an independent inspector general works has led to misunderstanding and confusion that we hope will be resolved in the future through our education and outreach efforts.

During our 5-year tenure, the Postal Service has faced predictable as well as unforeseen challenges—severe financial losses resulting from controllable and uncontrollable factors, strained labor relations, the devastating events of September 11, 2001, the terror of anthrax in the mail, and now a proliferation of mailbox bombs. We have been with the Postal Service through it all and our commitment to and passion for our mission has not wavered.

This, our eleventh Semiannual Report, sets forth the significant activities and accomplishments of this office and the Inspection Service from October 1, 2001, through March 31, 2002. It details our efforts to combat fraud, waste, abuse, and mismanagement within the Postal Service; and fulfills our reporting requirement under the Inspector General Act and Inspection Service requirements under the Mail Order Consumer Protection Act.

In this reporting period, the Office of Inspector General issued 283 audit reports, 102 management advisory reports and other products, and closed 56 investigations. Our efforts resulted in more than 441 written products to strengthen Postal Service programs and operations.

During these six months, the Inspection Service experienced a change in leadership when Chief Postal Inspector Kenneth Weaver retired. The Board of Governors also had some changes. We said goodbye to Governor Tirso del Junco, whose term ended in December.

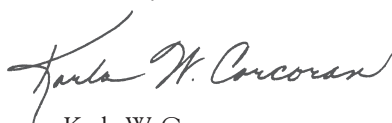
We had a few changes in our own leadership team. We bid farewell to Billy Sauls, Assistant Inspector General for Investigations, who left in January to establish a new office for the Federal Reserve Board of Governors, and welcomed Sam Maxey as the new Assistant Inspector General for Investigations. In addition, Gladis Griffith was named Deputy Assistant Inspector General for Congressional, Oversight, and Legal Services; and Mary Demory was named Deputy Assistant Inspector General for Internal Business. We are delighted to add each of them to our team as we move into the future.

As we reflect on our past, we can't help but wonder, "Where will the next five years take us?" While we obviously cannot predict the future, we can say with certainty that we will continue to bring passion and integrity to our work and tackle any future challenges.

We know that we have a big job ahead of us in the coming years. Not the least of these challenges before us is examining the Postal Service's proposed Transformation Plan. In April, the Postal Service presented to Congress their proposal, which includes changes to their existing structure and operating procedures. While these proposed changes are purported to help turn around the Postal Service's precarious position, reaction to the Plan has been mixed. While we realize drastic measures may be required to bring the Postal Service back to a position of solvency and viability, we believe there are many questions to be asked and issues to be addressed for this plan to succeed. We are currently reviewing it to determine its efficacy and will present our findings to Congress, the Governors, and the Postal Service.

In closing, I want to say that I am extremely proud of this agency's accomplishments and look forward to it adding value to the Postal Service in the coming years. I would like to end with a quote from Aristotle which I believe captures the essence of an inspector general's often difficult role: "Courage is the most important of the virtues, because without it you can't practice any of the other virtues consistently."

Sincerely,



Karla W. Corcoran
April 30, 2002



Inspector General Karla Corcoran and Deputy Inspector General Tom Coogan said goodbye to Assistant Inspector General for Investigations Billy Sauls in January.



Inspector General Karla Corcoran and Sam Maxey, new Assistant Inspector General for Investigations, said goodbye to retiring Chief Postal Inspector Kenneth Weaver (left).

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Executive Summary



DID YOU KNOW?

When was Postal Service OIG established?

Congress created the Postal Service Office of Inspector General in 1996. Karla W. Corcoran was hired by the Postal Service Governors and was sworn in as the Postal Service's first independent Inspector General on January 6, 1997, and has a 7-year appointment in this position.

This Executive Summary highlights the Office of Inspector General (OIG) and Inspection Service accomplishments from October 1, 2001, through March 31, 2002, that are contained in this Semiannual Report to Congress.



Management Committee and Deputies

EXECUTIVE SUMMARY

This Executive Summary provides a synopsis of the work reported during this 6-month period. This issue of the Semiannual Report addresses the major issues facing the Postal Service and the work performed by the OIG that helped improve postal operations. It also provides a general overview of Inspection Service operations and specific examples of work related to the detection and prevention of fraud, waste, abuse, and mismanagement.

The OIG is responsible for conducting all audits of Postal Service programs and operations. In addition, the OIG, along with the Inspection Service, conducts investigations to prevent and detect fraud, waste, abuse, and mismanagement affecting the Postal Service. Both conduct investigations that play a vital role in helping the Postal Service make improvements. Work performed by the OIG and the Inspection Service is included in this report to present Congress and the Governors a unified report of the Postal Service's efforts to combat fraud, waste, abuse, and mismanagement.

In this, the OIG's eleventh Semiannual Report, the work has been categorized into nine subject areas: responding to terrorism, performance, financial management, technology, labor management, oversight of the Inspection Service and other significant reviews, customer service, organizational dynamics, and organizational structure. These nine areas include OIG work addressing the following 10 major management issues facing the Postal Service:

- ◆ physical security and safeguarding the mail;
- ◆ maintaining customer confidence;
- ◆ resolving workforce and workplace issues;
- ◆ controlling costs;
- ◆ protecting revenues;
- ◆ managing acquisitions and contracts;

- ◆ leveraging technology;
- ◆ ensuring data integrity and reliability;
- ◆ maintaining information security and customer privacy; and
- ◆ balancing public service and commercial enterprise.

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

(1) Responding to terrorism focuses on the challenges of protecting postal employees and customers from exposure to biohazardous material, and safeguarding the mail system from future bioterrorism attacks while maintaining current service levels to the American public. Some of the work performed in this area included:

- ◆ Evaluating the Postal Service's response to the anthrax threat in several areas, including safeguarding employees, communication of safety and health information, purchasing of safety material and sterilization equipment, decontamination of facilities and mail, and transportation of mail;
- ◆ Concluding that the Postal Service failed to get advance approval from local government officials to process sanitized mail and deploy irradiation equipment at two facilities resulting in up to \$1 million needlessly spent preparing facilities for sanitizing mail;
- ◆ Finding that expedited contracts awarded in response to the biohazard threat deviated from standard contracting procedures and provisions. One review, involving a \$34 million contract, and another review of 10 contracts totaling \$70.3 million revealed that the Postal Service omitted or deviated from some standard contract provisions designed to safeguard it from financial and environmental risk; and
- ◆ Assisted the Federal Bureau of Investigation on various counter-terrorism task forces and tip line centers, and continued to assist the National Infrastructure Protection Center in the use of computer-assisted investigative techniques to identify potential suspects in the attacks.

(2) **Performance** focuses on the critical core business processes needed to succeed in a competitive environment. The OIG conducted 8 reviews in this area, which include projects that will help save the Postal Service about \$87 million in current and future years. A few examples of OIG work in this area included:

- ◆ Disclosing that the Postal Service could save over \$80 million over 12 years by purchasing instead of leasing trailers;
- ◆ Revealing that the Postal Service could save up to \$5 million over 5 years by reducing trailer door damage;
- ◆ Determining that the Postal Service lacked data to accurately evaluate the financial performance of retail stores;
- ◆ Concluding that Postal Service could improve mail delivery by sharing its best practices;
- ◆ Recovering over \$87,000 from a contractor who submitted false claims; and
- ◆ Identifying that a contractor, who was awarded five highway contracts, did not provide workers' compensation coverage for its employees, as required by the contracts.

The Inspection Service conducted numerous investigations in the area of mail theft, resulting in the arrests of over 300 employees and over 2,500 non-employees or contractors.

(3) **Financial management** incorporates financial-related reviews, financial opinion work, and contracting and facilities reviews. The OIG completed 258 reviews and investigations that identified over \$52.4 million in questioned costs and opportunities to save \$5.4 million during current and future years. Some of the more significant OIG activities include:

- ◆ Identifying non-compliance with Postal Service regulations and minor weaknesses in internal control at 180 facilities;
- ◆ Identifying that the Postal Service paid \$45 million for 30 properties which were never developed, utilized, or referred for disposal;
- ◆ Disclosing that the Postal Service's relocation loan program was more generous than other federal agencies and large companies;

- ◆ Investigating a \$750,000 tort claim filed against the Postal Service which resulted in dismissal of the lawsuit; and
- ◆ Investigating a \$7 million lawsuit resulting from an accident which was settled for \$185,000.

In addition to other work, the Inspection Service reported:

- ◆ Revenue investigations that resulted in 23 arrests and 29 successful criminal convictions.
- ◆ Initiation of 210 employee embezzlement investigations, which documented losses of over \$2.2 million.

(4) **Technology** encompasses reviews of developmental systems, computer security, electronic commerce, and computer intrusion detection activities. The OIG performed 25 reviews and investigations in this area. Some of the more significant OIG activities included:

- ◆ Concluding that the Processing Operations Information System was not an effective decisionmaking tool for managing processing operations;
- ◆ Revealing weaknesses in a facilities management system that could affect the data integrity of the system;
- ◆ Disclosing that the Postal Service spent \$22 million on five independent public key infrastructure initiatives that either overlapped in some areas or could overlap as they proceed; and
- ◆ Reviewing postal computer network firewall logs that led to an employee's resignation for having pornographic images in a postal computer.

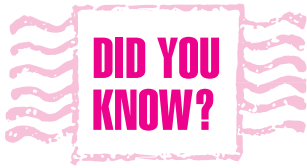
In addition to other work, the Inspection Service reported:

- ◆ Continuing the development of the Business Mailers Industry Task Force Website for use as a communication tool by the task force members; and
- ◆ Creating the Anthrax Information and Mail Security Websites as well as the Anthrax Reporting Incident System. The Anthrax Information Website contains Federal Bureau of Investigation and Postal Service press releases, known mailing lists, Federal Bureau of Investigation evidence photos, and an Inspection



Did You Know?

The OIG is the 4th largest federal Office of Inspector General employing over 700 employees with 15 field locations throughout the United States.



How does the OIG and Postal Service resolve report disagreements?

The OIG and the Postal Service have developed a Report Response and Resolution process to resolve differences of opinion on audit findings and recommendations. Disagreements are elevated through successively higher levels of management in an attempt to reach resolution. If agreement is not reached, the Inspector General may elect to submit the disagreement to the Governors for final resolution.

Service Biological and Chemical Weapons presentation.

(5) **Labor management** focuses on issues related to the workplace environment, human resources, and health care. During this reporting period, the OIG conducted 46 reviews and 7 investigations in this area, which included:

- ◆ Concluding that although sexual harassment prevention policies and procedures were adequate, discipline, training, and investigative efforts could be improved;
- ◆ Assisting the Postal Service with reducing administrative leave cost by over \$3 million in calendar year 2001;
- ◆ Revealing that the use of the economic value-added concept was not an appropriate methodology to fund the Postal Service's Pay for Performance Program; and
- ◆ Conducting an investigation resulting in an individual receiving 8 years probation and paying \$24,000 in restitution to the Federal Employees Health Benefits Program.

The Inspection Service work resulted in the:

- ◆ Sentencing of a former California mail handler to 5 years probation, after pleading guilty to mail fraud. The former mail handler also was ordered to pay over \$15,000 restitution.
- ◆ Sentencing of a former Florida letter carrier to 2 years imprisonment and 3 years supervised release for misrepresenting a medical condition. In addition to the incarceration, the former employee was ordered to pay over \$92,500 in restitution.
- ◆ Sentencing of a former Ohio letter carrier to 8 months incarceration for making false statements to obtain federal employees' compensation benefits. In addition, the former letter carrier was ordered to pay over \$72,500 in restitution.

(6) **Oversight of the Inspection Service and Other Significant Activities.** In this area, the OIG completed several reviews of the Inspection Service, and 19 investigative efforts and reviews of other significant issues related to Postal Service operations, which included:

- ◆ Disclosing that the Inspection Service's executive awards ranged up to \$20,000, to 100 percent of its eligible executives during FYs 1999 and 2000, and the program was not implemented as approved by the Board of Governors;
- ◆ Concluding that although the Inspection Service effectively safeguarded collected evidence, it could improve its practices for maintaining, controlling, and disposing of evidence;
- ◆ Revealing that a postal executive received consulting fees and conducted personal business with a Postal Service contractor and as a result was placed on administrative leave pending possible removal; and
- ◆ Finding that the Inspection Service issued a sensitive security clearance to a postal contractor who had a prior federal felony conviction for unlawful receipt of pornographic images of children.

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

(7) **Customer service** focuses on the OIG and the Inspection Service efforts to provide customer service, including support functions to enhance service to internal customers and Hotline operations.

(8) **Organizational dynamics** focuses on the OIG and the Inspection Service vision, values, culture, and diversity.

(9) **Organizational structure** focuses on the OIG and the Inspection Service headquarters and field structure.

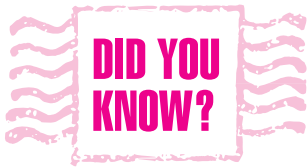
Major Management Issues Facing the Postal Service



DID YOU KNOW?

How long is a Postal Service Governor's Term?

The Postal Service has an 11-member Board of Governors which is comprised of nine presidentially-appointed Governors, the Postmaster General, and the Deputy Postmaster General. The Governors serve a staggered nine-year term and no more than five Governors can belong to the same political party.



Why does the OIG review proposed legislation, regulations, and policy?

The Inspector General Act requires the Office of Inspector General to review all proposed legislation, regulations, and policies and make recommendations to the Postal Service.

MAJOR MANAGEMENT ISSUES FACING THE POSTAL SERVICE

The Postal Service is facing challenging times. Long-term technological and commercial trends are reshaping the collection, transportation, and delivery of postal products. These trends, as well as challenges resulting from current financial losses, bioterrorist threats, and employee issues, were incorporated into the Postal Service's recently-developed plan to transform its business, operations, and delivery services. To assist Congress, the Governors, and postal management as they address these challenges, the OIG has independently identified the following major management issues facing postal management:

- ◆ physical security and safeguarding the mail;
- ◆ maintaining customer confidence;
- ◆ resolving workforce and workplace issues;
- ◆ controlling costs;
- ◆ protecting revenues;
- ◆ managing acquisitions;
- ◆ leveraging technology;
- ◆ ensuring data integrity and reliability;
- ◆ maintaining information security and customer privacy; and
- ◆ balancing public service and commercial enterprise.

These issues, their significance, and the key OIG projects addressing them are included in this section.

PHYSICAL SECURITY AND SAFEGUARDING THE MAIL

With 38,000 facilities and over 207 billion pieces of mail delivered each year, the Postal Service has, for over 200 years, faced the challenge of moving the mail efficiently and economically while effectively safeguarding postal employees and customers. Terrorist attacks and biohazardous material transported through the mail last fall resulted in a renewed emphasis on securing the nation's postal system. The Postal Service needs to continue its efforts to complete an organization-wide business continuity plan

that not only addresses natural disasters but also protects its entire critical infrastructure. In light of the September 11, 2001 terrorist attacks, the Postal Service must comply with national efforts, such as Presidential Decision Directive 63, which are designed to protect the infrastructure of the United States from terrorist attacks.

To assure the physical security and safeguarding of the mail, the Postal Service has been actively seeking solutions to detect biohazardous materials and/or sanitize the mail. These technological solutions may require procuring new equipment and changing processes, which could impact facility floor plans and staffing requirements. To better protect its employees, the Postal Service must also reassess its facility designs, especially ventilation systems, maintenance practices, and emergency response and evacuation procedures.

To assist the Postal Service in addressing these issues, the OIG:

- ◆ Reviewed the Postal Service's communication of the anthrax threat to Postal Service employees and the actions taken to ensure their safety and health
- ◆ Evaluated mail security and sanitization procedures and transportation of biohazardous materials to ensure effectiveness
- ◆ Worked with the Federal Bureau of Investigation to identify terrorist activities involving computers
- ◆ Is assessing the Postal Service's efforts and plans to protect its critical infrastructure
- ◆ Is evaluating the Inspection Service's efforts to ensure security of the mail

MAINTAINING CUSTOMER CONFIDENCE

To remain competitive, the Postal Service must deliver the mail in a timely manner and at affordable rates, and be customer-focused. In today's marketplace, customers have choices about how they conduct transactions, transmit messages, and deliver merchandise. Increasing customer confidence will be the key to growing new business. The Postal Service views its access to the American household as a unique asset that it can leverage as it faces increasing competition. The Postal Service must continue to develop products and services that retain rele-

vance and value for customers with changing needs. This has become even more challenging in light of the disruption caused by the recent anthrax contamination.

To assist the Postal Service in addressing these issues, the OIG:

- ◆ Identified best practices to assist the Postal Service in improving External First-Class Mail delivery
- ◆ Evaluated certified mail handling and scanning procedures to ensure timely mail delivery
- ◆ Is evaluating ground transportation scheduling to ensure timely mail delivery

RESOLVING WORKFORCE AND WORKPLACE ISSUES

With more than 860,000 full and part-time employees, improving the work environment and labor relations is key to maximizing Postal Service operational and financial performance. Also, personnel compensation and benefits costs totaled over \$51 billion for FY 2001, and account for more than three-quarters of the Postal Service's total operating expenses. In an increasingly competitive environment, improving labor relations and controlling labor costs is essential if the Postal Service is to provide universal service at reasonable rates. Past attempts to improve labor relations and reduce labor costs through automation have not been as successful as planned, due to restrictions in union agreements.

Future efforts to improve in these areas will only succeed if the Postal Service can effectively partner with its employees and engage them in a shared vision of success. This vision must include eliminating the confrontational environment on the workroom floor and providing employees the freedom to raise concerns without fear of retaliation. As the Postal Service pursues efforts to partner with employees, it must also develop programs for recruiting, training, communicating, compensating, and rewarding employees consistent with the Postal Service's vision for the future. In this regard, the Postal Service needs to establish an effective way to tie employees' pay to their performance.

The Postal Service faces a significant challenge of reducing labor-related costs under the Postal Service Injury Compensation Program.

Costs under this program have risen dramatically over the past three years to over \$700 million annually, primarily due to increased medical costs. Not only do these costs directly impact the Postal Service's financial performance, but they also indirectly impact productivity. Furthermore, the full impact of the Postal Service's potential financial liability under the Occupational Safety and Health Act has yet to be determined because it has only been subject to citations and monetary penalties for non-compliance since 1998.

To assist the Postal Service in addressing this issue, the OIG:

- ◆ Investigated health care provider fraud against postal employee health care insurance providers
- ◆ Investigated alleged reprisals against employees
- ◆ Evaluated aspects of the pay for performance program
- ◆ Is continuing to identify best practices that reduce grievances
- ◆ Is reviewing succession planning
- ◆ Is partnering with the Department of Labor to find ways to reduce injury compensation costs

CONTROLLING COSTS

Increasing productivity while controlling costs is the primary method the Postal Service uses to reduce expected losses. At the end of February 2002, the Postal Service took actions to reduce anticipated costs by over \$850 million for the current fiscal year. However, the cost of servicing a growing universal delivery network has escalated. In addition, the September 11, 2001 terrorist attacks and anthrax contamination, created new challenges for the financial viability of the Postal Service.

Even with the approval of a rate increase for June 2002, the Postal Service projects a loss of about \$1.5 billion for FY 2002. In February 2001, one of the steps the Postal Service took to address this shortfall was to freeze all non-essential capital investments, particularly in new facilities and facility improvements. Deferring other capital expenditures cannot be sustained over the long term. Therefore, further cost reductions and productivity gains must con-



tinue to be pursued.

To assist the Postal Service in addressing this issue, the OIG:

- ◆ Evaluated the executive relocation program's effect on cost
- ◆ Identified and investigated fraud relative to purchasing, contracting, and programs responsible for the acquisition of transportation, facilities, consulting services, and supplies and materials
- ◆ Investigated tort and indemnity claims against the Postal Service
- ◆ Investigated false claims filed against the Postal Service by contractors
- ◆ Is evaluating carrier productivity and highway network operations effect on costs

PROTECTING REVENUES

Unlike most federal agencies, the Postal Service relies primarily on its revenues, not appropriations, to fund its operations. Without adequate revenues, the Postal Service would have to reduce services, raise rates, or seek taxpayer subsidies. Thus, the Postal Service needs to address the challenge of increasing its revenue each year to cover increasing costs.

Over the past several years, the Postal Service has had difficulty addressing this challenge and has reported less than expected revenue because of competition from electronic commerce and the general downturn in the economy. In addition, after the September 11, 2001 terrorist attacks, the Postal Service experienced an unexpected decline in revenues, at a time when the Postal Service was dependent on the fall mailing season to generate a substantial portion of its annual revenue for FY 2002. These declines in revenue have contributed to a \$1.7 billion loss in FY 2001 and anticipated losses of about \$1.5 billion for FY 2002.

The Postal Service has introduced new products and services to increase revenues, but these efforts have not always met expectations. Recently, the Postal Service has reviewed its eCommerce initiatives and is deciding which ones to continue. In addition, competitors have questioned whether it is appropriate for the Postal Service, as a government entity with monopoly protection, to provide nontraditional

commercial products and services.

To assist the Postal Service in addressing this issue, the OIG:

- ◆ Assessed the role of marketing in increasing revenue
- ◆ Evaluated the availability of data to ensure Postal Retail Stores are profitable and generating revenue
- ◆ Is assessing the profitability of eCommerce initiatives and sponsorship programs and their contributions to increasing revenues
- ◆ Is continuing to review new scanning technology designed to ensure appropriate revenue is received from bulk mailing customers

MANAGING ACQUISITIONS AND CONTRACTS

The Postal Service administers over \$15 billion a year (almost a quarter of its revenues) in contracts for essential goods and services, including facilities, transportation, mail processing equipment, and supplies. The Postal Service's challenge in this area is to balance efficient contracting practices with effective controls to prevent fraud, waste, and abuse. Over the past several years, the Postal Service has progressed towards adopting purchasing practices consistent with best commercial practices. Recently, it has identified the supply chain management philosophy to further its business and competitive objectives in the purchasing process. While this practice allows for certain efficiencies and cost savings, it has fewer controls and increases the risk of abuse in the procurement area.

The Postal Service must continue to protect its interests. It must take aggressive steps to ensure appropriate monitoring and oversight, including systems and data to validate contractor charges for services rendered. It must also increase its efforts to ensure that postal contracts contain sufficient language to pursue action against contractors as necessary or conduct independent reviews. Quality assurance, staffing, and training of contracting officials impacts the Postal Service's ability to properly monitor contractor work.

To assist the Postal Service in addressing this issue, the OIG:

- ◆ Reviewed expedited contracts for equipment and services needed to deal with bioterrorism
- ◆ Conducted 35 audits of contractor proposals, incurred cost submissions, systems, and contract closeouts
- ◆ Recommended improved controls over contracting policies and better practices to protect the Postal Service from contract fraud
- ◆ Recommended significant changes to the Postal Service's system to suspend and debar fraudulent contractors
- ◆ Investigated fraudulent contracting practices and embezzlements by employees and improper billings by contractors
- ◆ Is reviewing sole source contracting practices, undefinitized contractual actions, and unauthorized commitments

LEVERAGING TECHNOLOGY

The Postal Service is leveraging technology to improve its service, productivity, and profitability. While it depends on technology to deliver more than 660 million pieces of mail daily, the Postal Service must continue to adapt to each new wave of technology quickly to maintain its competitive position in the market.

The large size and diversity of the Postal Service's customer base presents technological challenges and demands 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. Decisions on technology investments must continue to be scrutinized more closely and be based on information that is current, accurate, and reliable.

To assist the Postal Service in addressing this issue, the OIG:

- ◆ Reviewed the viability of eBusiness initiatives against performance goals
- ◆ Assessed system life cycle development for major technology projects

- ◆ Is reviewing enterprise-wide system and data integration initiatives
- ◆ Is reviewing information platform initiatives

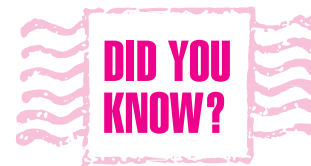
ENSURING DATA INTEGRITY AND RELIABILITY

Accurate measurement of mail delivery is key to improving and sustaining service performance. Reliable data is also a key to effective decisionmaking. However, in many instances, the OIG has found that the Postal Service does not adequately capture or track the data necessary to support effective decisionmaking. The OIG has also noted the Postal Service's inability to track costs that have been incurred but not paid makes it difficult for managers to monitor expenses.

Changes in technology and the business environment emphasize the need for providing timely, accessible, relevant, and accurate data to Postal Service decision makers. Also, given the importance of data quality in setting postal rates and, recently, requesting emergency appropriations, the Postal Service must continue demonstrating to Congress, the Postal Rate Commission, stakeholders, and the public that it is making progress in improving the quality of its revenue, cost, and service measurements.

To assist the Postal Service in addressing this issue, the OIG:

- ◆ Evaluated the accuracy of the emergency appropriation request
- ◆ Validated data used to justify and support major capital expenditures such as the Automated Flat Sorting Machine 100 and Postal Operations Information System
- ◆ Evaluated the investment decisionmaking process
- ◆ Is continuing evaluations of rate making processes, including those proposed in the Transformation Plan
- ◆ Is determining whether retail sales data are accurate and used for management decisionmaking



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



MAINTAINING INFORMATION SECURITY AND CUSTOMER PRIVACY

Computers and electronic data are vital to the critical operations of the Postal Service. 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. Attacks on both government and private industry websites serve to emphasize the damage a computer security breach can do to brand integrity and an organization’s revenue stream.

Terrorist organizations use computer networks to attack the federal infrastructure. The OIG’s work on two major national security efforts demonstrated the potential vulnerability of postal computer systems, and the need to continue to emphasize computer security throughout the Postal Service.

Furthermore, the OIG’s work with the Webster Commission, which examined the impact of poor computer security on Federal Bureau of Investigations operations, identified lessons learned that could be used to evaluate the Postal Service’s computer security posture and its susceptibility to insider attacks. Many postal and contractor employees have access to postal computer systems and the sensitive information located on those systems. Access to sensitive data, without appropriate monitoring and controls over such access, could lead to the compromise of information and operations. This lesson applies with equal vigor to postal operations and demonstrates the need for postal management to carefully monitor and control postal computer use by employees and contractors.

Congress reemphasized the importance of addressing these risks by passing the USA Patriot Act, which enhanced the government’s authority to address hacker attacks on government computer systems. Furthermore, Postal Service electronic commerce initiatives on the Internet have raised security issues. Success in this arena will depend on the level of protection afforded sites, such as the Postal Service’s website and the programs operating in it, including eBillPay™, NetPost Certified™, and The Postal Store™. In addition, the Postal Service

needs to protect consumer information and guarantee customer privacy.

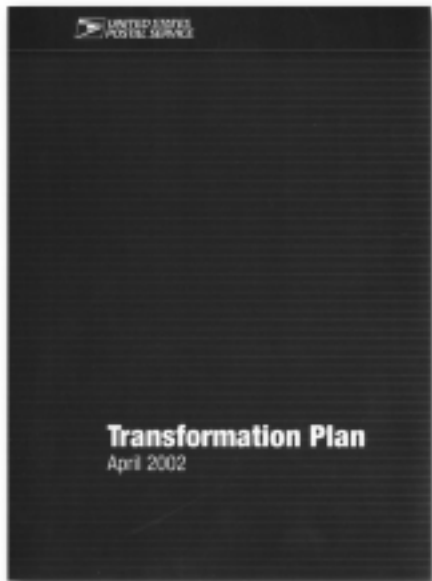
To assist the Postal Service in addressing this issue, the OIG:

- ◆ Assessed the security and privacy of major eCommerce initiatives
- ◆ Assisted postal management in responding to virus and “worm” attacks on critical systems
- ◆ Continued to conduct vulnerability tests of computer systems and networks throughout the Postal Service
- ◆ Is working with the Postal Service to identify potential threats to critical infrastructures through the Postal Service’s Computer Incident Response Team

BALANCING PUBLIC SERVICE AND COMMERCIAL ENTERPRISE

Since 1970, the Postal Service has been required to operate in a businesslike manner. However, unlike a private corporation, it is bound by statutory constraints that limit its ability to negotiate with customers and employees, develop and price new products, and generate and invest profits. Although the Postal Service is granted a monopoly on letter mail, it must deliver to all areas in a timely fashion, and at uniform, affordable rates. The Postal Service’s obligation to serve as both a public service and a commercial enterprise has become more challenging in the face of increased competition in the delivery and communication industries.

In April 2001, the General Accounting Office stated that the Postal Service faced major challenges that called for a structural transformation if the Postal Service were to remain viable in the 21st century. In response to the General Accounting Office and a Congressional mandate, the Postal Service issued its Transformation Plan in April 2002 to serve as a long-term blueprint for the Postal Service’s future. The Transformation Plan made it clear that the Postal Service’s primary mission has not and will not change; and that the Postal Service will continue to provide universal services to customers in all areas at reasonable rates. In its Transformation Plan, the Postal Service recommends converting the Postal Service to a commercial government enterprise,



The Postal Service’s Transformation Plan outlines a blueprint for the long-term future.

operating like a private business in many respects, while still remaining a government entity.

The Postal Service needs to articulate how it will balance providing public service with being a commercial enterprise and how it will implement strategies to meet future service and delivery challenges. Since the OIG's inception in 1997, the Postal Service has had three postmasters general, each with their own distinct vision of the Postal Service's future. Each implemented operational changes consistent with their vision, which impacted the costs and revenues of the Postal Service. Postmaster generals must have long-term strategies with consistent objectives that transcend short-term changes in senior management.

The Postal Service must act decisively to maintain its public service role in a commercial environment. It must work within the established statutory framework to improve its accountability in contracting and other major expenditures. It must identify its core businesses and ensure that new products and services are self-sustaining. In short, the Postal Service must refine its operation under the existing statutory model while developing and redefining its role under the Transformation Plan.

To assist the Postal Service in addressing this issue, the OIG:

- ◆ Identified OIG work that has focused on the issues discussed in the Transformation Plan
- ◆ Reviewed reform and other legislation impacting the Postal Service
- ◆ Evaluated revised rules governing commercial mail receiving agencies
- ◆ Is evaluating and identifying trends from OIG work that will address issues in the Transformation Plan





You Answered the Call

OFFICE OF INSPECTOR GENERAL



*Assisting in Search and Rescue
Evidence Gathering
Securing Safe Transport
Conducting Audits*



**POLICE
FEDERAL AGENT**

Responding to Terrorism



DID YOU KNOW?

Did You Know?

If you receive mail that contains fraudulent material, do not throw the envelope away. This document is important in finding out from where the item was mailed.

RESPONDING TO TERRORISM

The tragic terrorist attacks dramatically changed the environment in which the Postal Service operates. For the first time, the Postal Service was on the front lines of the war against terrorism. The bioterrorist attacks on the nation had a major impact on the American public and postal operations.

As a result, the Postal Service is facing the enormous challenges of protecting postal employees and customers from exposure to biohazardous material, and safeguarding the mail system from future bioterrorism attacks while maintaining current service levels to the American public. The OIG is committed to ensuring that postal employees and customers are safeguarded from future biohazard threats as well as making sure that monies allocated to purchase new equipment and implement safety measures are well spent. In addition, the OIG is committed to supporting other government agencies in the fight against the threat of terrorism.

OIG employees have participated in various roles in responding to terrorism. Additionally, the OIG has assisted the Postal Service with its efforts and during this reporting period conducted 11 reviews. These reviews evaluated communication efforts to protect employees and the public, decontamination efforts, and expedited contracting processes. Some of the OIG's efforts are highlighted below.

RESPONSE TO ANTHRAX THREAT EFFECTIVE

The OIG commended the efforts of Postal Service management and employees in responding to the anthrax threat in the wake of the September 11, 2001, attacks on the United States. The OIG completed a series of reviews that evaluated the Postal Service's response to the anthrax threat in several areas, including safeguarding employees, communicating safety and health information, purchasing safety material and sterilization equipment, decontaminating facilities and mail, and transporting mail. OIG reports provided 24 recommendations to improve processes and protect Postal Service interests. These recommendations included improving contracting, security, transportation, and decontamination procedures. The Postal

Service has taken or planned appropriate corrective actions that are responsive to the OIG's recommendations. (OIG AC-AR-02-004)

POSTAL SERVICE COMMENDED FOR EMPLOYEE SAFETY & HEALTH COMMUNICATION EFFORTS

An OIG review found the Postal Service effectively communicated information to protect the safety and health of the public and postal employees. The OIG commended the communication efforts, safety, and self-initiated actions taken by the Postal Service, and concluded that the Postal Service communicated an extensive amount of information on mail handling received from health experts to ensure the safety and health of its employees. Under the guidance of the Centers for Disease Control and Prevention, Postal Service management agreed to initiate worksite evaluations, which should help the Postal Service address any future biohazard threats more efficiently and economically. (OIG LH-MA-02-002)

PLAN ADEQUATE FOR SANITIZING AND PROCESSING MAIL, BUT SOME FUNDS NEEDLESSLY SPENT

An OIG review found that the Postal Service's plan for sanitizing and processing the mail during the anthrax biohazard threat was sufficient to protect employees, customers, and the mail. However, the Postal Service failed to get advance approval from local government officials to process sanitized mail and deploy irradiation equipment at two facilities. As a result, it may have needlessly spent up to \$1 million preparing the facilities for sanitizing mail. The review also found that three federal government agencies refused to accept both sanitized and non-sanitized mail that the Postal Service considered safe for delivery, creating a backlog of mail at some postal facilities.

Postal Service management agreed to develop procedures to ensure that approvals are obtained from the appropriate local government officials prior to acquiring and/or modifying facilities for sanitizing and processing mail. Also, management agreed to return the backlog of mail to senders if agencies failed to accept mail within a specified period of time. (OIG AC-AR-02-003)



The OIG evaluated the effectiveness of decontamination efforts at Postal Service facilities.



The Postal Service began using special equipment to sanitize the mail. This equipment is sectioned off into protective areas to ensure the health and safety of postal employees and customers.

ANTHRAX TESTING AND DECONTAMINATION EFFORTS EFFECTIVE, BUT CONTRACTOR OVERSIGHT NEEDS IMPROVEMENT

An OIG review found that the Postal Service's testing for anthrax contamination and decontamination of facilities was effective and that contingency planning for biohazard emergencies was appropriate. However, the review noted the Postal Service did not provide adequate contractor oversight to avoid possible conflicts of interest; identify a permanent coordinator to implement contingency plans for biohazard emergencies; or identify clear milestones for completion of contingency plans. The Postal Service agreed to establish a policy that would prohibit contract project managers from competing for the same work for which they provided technical direction or advice; designate a permanent Postal Service coordinator or entity to implement biohazard contingency plans; and develop and monitor contingency planning milestones. (OIG EM-MA-02-001)

POTENTIALLY CONTAMINATED MAIL IMPROPERLY TRANSPORTED

An OIG review revealed that the Postal Service improperly transported mail potentially contaminated with anthrax in vehicles that were not designed or intended for the transportation of hazardous material. In addition, contract drivers did not receive appropriate training in the movement of hazardous material, and did not undergo criminal background screenings. Furthermore, the Postal Service incurred unnecessary costs of \$181,000 on trailers waiting to be loaded at two facilities. Postal Service management agreed to issue guidance to ensure potentially contaminated mail is properly transported, and to establish controls to avoid unnecessary transportation costs. In addition, Postal Service management referred the recommendation regarding criminal background screenings for contract drivers to the Inspection Service for guidance. (OIG TD-MA-02-001)

POSTAL SERVICE FACES CHALLENGES IN STERILIZING THE MAIL

An OIG audit revealed that the Postal Service took appropriate action to explore and develop a sterilization process for anthrax-contaminated mail. The chosen method of electron beam irradiation was successful for the sterilization of anthrax-contaminated mail. However, there were factors that impact its long-term use including high cost, slow processing throughput, and mail damage. The Postal Service paid \$40 million for eight electron beam irradiation systems; experienced differences in the irradiation throughputs; and, identified items such as vitamins, electronics, and heat sensitive materials that were damaged and should not have been electron beam irradiated. The Postal Service is planning to implement a three-prong approach of prevention, detection, and sanitization for national deployment. The OIG did not make recommendations and plans to continue monitoring technology applications related to the anthrax threat. (OIG DA-AR-02-003)

MISCOMMUNICATION CAUSED FACILITY TO CLOSE TWICE DURING ANTHRAX CRISIS

A South Jersey processing and distribution center was closed twice due to the miscommunication of anthrax test results. Despite this the Postal Service was able to quickly decontaminate the facility without any confirmed incidents of anthrax infection by the public or postal employees.

The miscommunication occurred during a time of crisis and when policy and procedures addressing the anthrax threat were still being developed. The miscommunication contributed to the wrong mail processing machine being initially decontaminated. However, the correct machine was decontaminated within days and the Postal Service has established written policies and procedures, which should ensure this type of miscommunication does not occur in the event of another anthrax or biohazard attack. (OIG LH-MA-02-004)



OIG special agents assisted in investigating contaminated mail at postal facilities.



An OIG review found the Postal Service improperly transported potentially contaminated mail.

REVIEW OF EARLY DECONTAMINATION CONTROLS

An OIG review of a specific decontamination effort at a postal facility discovered some discrepancies and issues the OIG believed postal management should address. These included communication of test results and procedures requiring independence of duties between entities that test, decontaminate, and retest facilities. Postal management, while pointing out the chaotic circumstances at the time and the fact that the facility was successfully decontaminated, agreed to establish procedures requiring independent verification and timely notification. (OIG LH-MA-02-003)

ANTHRAX INVESTIGATION CONDUCTED PROPERLY

The OIG conducted an inquiry into allegations that Inspection Service management mishandled personnel and safety issues during an anthrax investigation at a Capital Metro Area postal facility. Inspection Service management allegedly directed inspectors to collect anthrax-related evidence against their will and without the required protective gear. The OIG found that one inspector did become ill, however, the illness was not due to any negligence on behalf of Inspection Service management. Also, in light of the Centers for Disease Control and Prevention's guidance, the OIG determined that Inspection Service management took proper precautions and handled this situation appropriately.

EXPEDITED CONTRACTING PROCEDURES CAN BE IMPROVED

Two OIG reviews of expedited contracts issued by the Postal Service in response to the biohazard threat revealed the Postal Service deviated from standard contracting procedures and provisions. One review, involving a \$34 million contract, revealed that the Postal Service omitted or deviated from some standard contract provisions designed to safeguard it from financial and environmental risk. Another review of 10 contracts totaling \$70.3 million identified similar deviations that increased the Postal Service's financial risk. For example, there was a lack of documentation supporting the price reasonableness of \$53.7 million in contract increases, and almost \$600,000 paid to

a supplier for work that the OIG could not verify. Postal Service management agreed to improve expedited purchasing procedures and agreed to request contract audits necessary to protect its financial interests. (OIG CQ-MA-02-001 and OIG CQ-MA-02-002)

OIG RESPONDS TO TERRORISM

The OIG and postal employees responded quickly to the challenges stemming from the September 11, 2001, attacks against the nation. Approximately 70 OIG special agents and computer specialists participated in various investigative activities related to terrorism in locations throughout the United States. For example, agents:

- ◆ Participated in witness interviews, the collection of evidence, and the processing of other investigative leads, as well as related investigative security work at the World Trade Center and the Pentagon.
- ◆ Participated on Federal Bureau of Investigation task forces to help identify potential suspects, and assisted the Inspection Service in screening and investigating suspect mail.
- ◆ Assisted the Federal Bureau of Investigation on various counter-terrorism task forces and tip line centers, and continued to assist the National Infrastructure Protection Center in the use of computer-assisted investigative techniques to identify potential suspects in the attacks.

OIG ASSISTS THE POSTAL SERVICE WITH COORDINATING ANTHRAX TESTING

In the days following the anthrax attack, the OIG took a proactive role to assist the Postal Service in testing and decontaminating postal facilities. In an unusual role, the OIG served as the contracting officer representative to a contract with the Army Corps of Engineers, who coordinated testing and contamination of several postal facilities. The OIG provided liaison to the Corps so that responses were timely, processes were developed, and that adequate resources were available. In one situation, the OIG made contact with the Centers for Disease Control and Prevention to secure additional laboratory assistance to assess anthrax samples.



Approximately 100 OIG employees received awards recognizing their dedication and commitment in responding to the terrorist attacks of September 11, 2001, and subsequent bioterrorist attacks through the mail. Pictured below are some of the OIG special agents who were recognized.



This discussion led to a nationwide conference call with Public Health Laboratories in several states and resolved a serious issue of testing capacity. This was a situation where OIG involvement helped the Postal Service ensure that its employees, customers, and the mail were safe.

OIG EMPLOYEES ASSIST IN THE FIGHT AGAINST TERRORISM

Seven OIG employees were called back to active military duty after the attacks. The OIG is proud of these employees' dedicated service and commitment to their country, and looks forward to their safe return.

OIG EMPLOYEES HONORED FOR ASSISTANCE IN WAKE OF TERRORIST ATTACKS

Approximately 100 employees were honored at a special ceremony during the OIG's Fifth Annual Employee Recognition Conference. The following speakers joined the Inspector General in recognizing the contributions of OIG employees in the aftermath of September 11, 2001: Joel Hudson, Administrative Assistant to the Secretary of the Army; Patrick McFarland, Inspector General of the Office of Personnel Management and Chairman of the President's Council on Integrity and Efficiency Investigations Committee; and James Rowan, Deputy Chief Inspector Security/Technology.

SPECIAL REWARD
Up to **\$2.5 million**

For information leading to the arrest and conviction of the individual(s) responsible for the mailing of letters containing anthrax to the New York Post, Tom Brokaw at NBC, Senator Tom Daschle and Senator Patrick Leahy:

AS A RESULT OF EXPOSURE TO ANTHRAX, FIVE (5) PEOPLE HAVE DIED.

The person responsible for these deaths...

- Likely has a scientific background/work history which may include a specific familiarity with anthrax
- Has a level of comfort in and around the Trenton, NJ area due to present or prior association

Anyone having information, contact **America's Most Wanted** at **1-800-CRIME TV** or the **FBI** via e-mail at **ameranthrax@fbi.gov**

All information will be held in strict confidence. Reward payment will be made in accordance with the conditions of Postal Service Reward Notice 298, dated February 2002. Source of reward funds: U.S. Postal Service and FBI \$2,500,000; ADVO, Inc. \$500,000.

The Postal Service and the Federal Bureau of Investigation offers a reward for information leading to the arrest and conviction of parties responsible for mailing anthrax contaminated letters.



Performance Reviews



OFFICE OF INSPECTOR GENERAL

- Accepting and Processing Reviews
- Transportation and Delivery Reviews
- Marketing Reviews
- Consulting and Quick Response Reviews
- Legislative, Regulatory & Policy Reviews

INSPECTION SERVICE

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

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. During the past 6 months, the OIG completed 8 reviews of the Postal Service's performance of core business processes. The reviews identified opportunities to save over \$87 million during current and future years. In addition, the OIG created a consulting and quick response team to conduct expedited reviews of Postal Service business practices.

ACCEPTING AND PROCESSING REVIEWS

On average, over 660 million pieces of mail are accepted each day by the Postal Service in a variety of ways, including collections from more than 300,000 blue collection boxes, as well as residential and business collection mailboxes. Express Mail, First-Class Mail, and some Priority Mail and periodicals are sorted at more than 470 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 equipment must be state-of-the-art. Situations that result in delayed mail processing must be vigorously evaluated and the underlying causes must be promptly resolved. In this regard, the Postal Service continues to explore ways to enhance the accepting and processing of mail

through innovative automation.

During the past 6 months, mail processing has been greatly impacted by terrorist activities, including anthrax contamination, which caused the closing of a number of major mail processing centers. Although the closures protected employees and customers, it has required the Postal Service to divert mail, incur increased costs, and deal with processing challenges. To address the anthrax contamination of the mail, the Postal Service purchased and plans to purchase additional specialized equipment designed to sterilize the mail and protect employees and the public from the threat of anthrax and other possible biohazard contamination. During the past 6 months, the OIG conducted four audits in the accepting and processing area. Two anthrax related reviews are highlighted in the Responding to Terrorism section and the other two reviews are highlighted below:

FAILURE TO FILL VACANT POSITIONS RESULTS IN DELAYED STANDARD MAIL AND INCREASED COSTS

An OIG review found that 2-day to 8-day delays in mail delivery and a 22 percent increase in overtime costs at several Northeast Area post offices occurred because management allowed 12 clerk positions to remain vacant. The review also found that the post offices did not accurately record or report the delayed mail in reports to Postal Service headquarters. Postal Service management agreed to adequately staff mail-processing operations at postal facilities and ensure that daily mail condition reports are prepared accurately and retained in accordance with Postal Service policy. (OIG AC-AR-02-001)

2001 TAX SEASON CERTIFIED MAIL PROCESSING DELAYED

An OIG audit found that certified mail was delayed at four locations during the 2001 tax season because postal managers did not fully utilize mail detector technology and instead relied on manual processing of some certified mail. Postal Service management agreed to update operating plans to handle the increased volume of certified mail during the tax season, improve certified mail detector software functionality, and develop new procedures to decrease the

On average, the Postal Service accepts over 660 million pieces of mail each day in a variety of ways, including collections from more than 300,000 blue collection boxes.



reliance on manual operations.
(OIG AC-AR-02-002)

TRANSPORTATION AND DELIVERY REVIEWS

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 at affordable rates. The Postal Service spends in excess of \$5 billion annually for air, highway, rail, and water transportation. As a result of the September 11, 2001, terrorist attacks, the Postal Service has relied more heavily on highway and rail transportation because of restrictions on commercial airlines carrying certain types of mail.

Contractors provide most transportation; however, the Postal Service operates its own fleet of trucks for some highway routes, including a delivery network of approximately 230,000 mail routes that are serviced by nearly 300,000 letter carriers and almost 180,000 delivery vehicles. Under a January 2001 agreement with FedEx to transport Express, Priority, and First-Class Mail, the Postal Service is expected to provide more reliable service, reduce costs, and manage future cost growth.

During FY 2001, the Postal Service delivered almost 207 billion pieces of mail to 138 million homes and businesses—a yearly average of 1,500 pieces of mail for every household and business in America. During the past 6 months, the OIG completed four transportation and delivery related audits, one of which was a video report, and conducted several investigations. One anthrax related review is highlighted in the Responding to Terrorism section and the other significant audits and investigations are highlighted below:

OVER \$80 MILLION COULD BE SAVED BY PURCHASING TRAILERS

An OIG audit revealed the Postal Service could save over \$80 million over the next 12 years by purchasing rather than leasing 4,475 trailers, and that the lease justification had not been prepared according to Postal Service investment policy. Specifically, postal investment policy requires that both leases and major operating expense investments be supported by a Decision Analysis Report. Furthermore, the

investment policy specifies the threshold for Board of Governors' review or approval is \$10 million. Postal Service management disagreed with the OIG's findings, recommendations, and estimated savings, stating that this was not a lease, but a service contract, and therefore did not require a Decision Analysis Report or Board of Governors' approval. The OIG is pursuing resolution of this disagreement through the audit resolution process.
(OIG TD-AR-02-002)

REDUCED TRAILER DOOR DAMAGE CAN SAVE THE POSTAL SERVICE \$5 MILLION

An OIG audit revealed the Postal Service could save up to \$5 million over the next 5 years by reducing trailer door damage. The audit found that cargo not properly loaded or secured shifted during transport, causing trailer door damage. Postal Service management agreed to issue training videos on proper load-securing procedures, and emphasize the importance of using safety posters, checklists, inspection sheets, and deficiency reports. This report was issued in written, CD-ROM, and video formats.
(OIG TD-MA-02-002, OIG TD-VR-02-001)

OVER \$87,000 RECOVERED FROM A TRANSPORTATION CONTRACTOR

An OIG investigation resulted in recovery of over \$87,000 from an Alaska air transportation contractor who submitted false claims and received overpayments from the Postal Service. Specifically, the investigation determined that the contractor overstated mail weight and charged the Postal Service a more expensive wilderness rate instead of the cheaper mainline rate.

SHARING OF BEST PRACTICES COULD IMPROVE MAIL DELIVERY

In response to a Board of Governors' request, the OIG conducted an audit, which found Postal Service facilities had been using various practices to improve on time mail delivery performance but did not have a process in place to share the practices nationwide. More specifically, the Postal Service had no formal mechanism for identifying, assessing, and sharing best practices agency-wide to improve delivery performance. Postal management agreed to establish a formal process to identify and share best practices. (OIG TD-AR-02-001)



An OIG audit found the Postal Service could save \$5 million over the next 5 years by reducing trailer damage.

HIGHWAY TRANSPORTATION CONTRACTS TERMINATED FOR DEFAULT

As a result of an OIG investigation, the Postal Service terminated five highway transportation contracts awarded to a Kansas contractor. The investigation found that the contractor did not provide workers' compensation coverage for its employees, as required by the contracts.

DELIVERY STUDY RESULTS WERE NOT RELIABLE

An OIG review determined that postal management could not use a contractor's study of Express Mail on-time delivery performance because the accuracy and completeness of data used in the study could not be verified. The contractor acknowledged the constraints and, as a result, the OIG will review the accuracy and completeness of on-time delivery performance data in its audit of the Express Mail scanning processes.

MARKETING REVIEWS

The Postal Service operates in a globally competitive environment and its ability to maintain or increase its market share of the \$900 billion mailing industry is essential to providing universal service at affordable rates. Therefore, the Postal Service designs its products and services to build customer awareness and loyalty. The Postal Service also wants to ensure that its services are available at places where customers choose to do business. During this reporting period, the OIG completed two reviews of marketing operations, which are highlighted below:

THE ROLE OF MARKETING IN THE POSTAL SERVICE

An OIG audit found that the Postal Service had not developed a consolidated marketing plan since FY 2000 and that the system for measuring the effectiveness of advertising campaigns needed improvement. The Postal Service agreed to develop an integrated marketing plan linked to its strategic plan; include performance measures to assess the effectiveness of the marketing plan; establish measurable advertising objectives prior to the start of their advertising campaigns; establish benchmarks for each objective prior to beginning advertising cam-

paigns; and reevaluate the use of targeted advertising campaigns that do not generate enough revenue to cover advertising expenses. (OIG EM-AR-02-007)

DATA NEEDED TO ACCURATELY EVALUATE POSTAL RETAIL STORES

At the request of the Board of Governors, the OIG conducted a review that revealed the Postal Service lacked data to accurately evaluate the financial performance of retail stores. As a result, postal management will be unable to reasonably compute the economic impact of building postal retail stores until it develops methods to isolate financial data for individual postal retail stores. Postal management agreed to establish systems, when economically feasible, to provide necessary data to evaluate the financial performance and impact of retail store operations. (OIG EM-AR-02-002)

CONSULTING AND QUICK RESPONSE

The OIG created a consulting and quick response team to conduct expedited reviews to improve Postal Service business practices and operations and to advise postal management and the Governors on information needed to address critical time sensitive issues. These reviews address major challenges and the needs of internal and external stakeholders. During this reporting period, the work in this new area covered the Postal Service's handling of expedited contracts related to obtaining equipment to sanitize the mail. These reviews are highlighted in the Responding to Terrorism section of this report.

LEGISLATIVE, REGULATORY & POLICY REVIEWS

During this reporting period, the OIG identified legislation, regulations, and policies affecting Postal Service performance. Some of the legislation and regulations reviewed are highlighted below:

Transformation Plan

In a June 14, 2001, letter Senator Joseph Lieberman requested that the Postal Service develop and submit a comprehensive plan to address its problems and methods to correct them after the General Accounting Office placed the Postal Service on its high-risk list.



As a result of the September 11, 2001, terrorist attacks, the Postal Service has relied more heavily on highway and rail transportation because of restrictions on commercial airlines carrying certain types of mail.



The OIG determined that the Postal Service lacked data to evaluate performance of Retail Stores.

On October 9, 2001, the Federal Register published the Postal Service's notice inviting the public to comment on the Outline for Discussion: Concepts for Postal Transformation. On April 4, 2002, the Postal Service delivered to Congress the Transformation Plan, which provides a comprehensive plan for the future of the Postal Service. The OIG will examine the plan during the next reporting period and will conduct reviews to assist the Postal Service in assuring the plan is efficiently and effectively implemented.

PROPOSED LEGISLATION

S. 1669 -- Hazardous Material Transportation Safety Reauthorization Act of 2001 (Similar: H.R. 3276)

This bill contains a provision that would classify hazardous materials as nonmailable unless exempted by law or Postal Service regulation. In addition, the bill would strengthen existing law by authorizing the Postal Service to impose civil penalties ranging from \$250 to \$100,000 for each violation of the law regarding the shipment of hazardous materials and to collect clean-up costs and damages resulting from the shipment.

This legislation would be very helpful to the Postal Service in its efforts to protect its employees and the public from harmful substances transported through the mail. It should act as a deterrent for those who may be inclined to ship hazardous materials through the mail. The funds collected from the penalties imposed and for clean-up costs and damages will help the Postal Service defray the expense associated with contamination resulting from hazardous materials entering the mail stream.



OIG Special Agent Paul Herbert received the Award for Public Service from the United States Attorney's Office, Eastern District of New York, for his work on an investigation involving a Postal Service manager who pled guilty to felony charges of embezzlement and conspiracy to defraud.



INSPECTION SERVICE

Mail thieves frequently concentrate on targets that offer a large volume of mail including not only items of obvious value in the mail, such as jewelry, computers, cash, credit cards, and checks, but also mail containing personal and financial information. Postal Inspectors investigate mail theft to maintain the public's confidence in the Postal Service and preserve the sanctity of the mail. Postal Inspectors are working with major mailers to prevent mail theft and related problems. Also, while the overwhelming majority of Postal Service employees work conscientiously to move the nation's mail to its proper destination, a small number of employees abuse the public's trust. It is the job of the Inspection Service to identify these individuals and take steps to have them prosecuted and removed from the Postal Service. The following chart provides the activity during this reporting period.



Founded by Benjamin Franklin in 1737, the Postal Inspection Service is one of the oldest federal law enforcement organizations in America.

TYPE OF INVESTIGATION	ARRESTS	CONVICTIONS
Non-Employee Mail Theft	2,583	2,183
Employee Mail Theft	336	307

Financial Management Reviews



OFFICE OF INSPECTOR GENERAL

Financial Opinion Audits
Financial-Related Reviews
Contracting and Facilities Reviews
Legislative, Regulatory & Policy Reviews

INSPECTION SERVICE



Is the OIG responsible for audits within the Postal Service?

Yes. In January 1999, the Postmaster General re-emphasized to all Postal Service officers the audit roles 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 will serve as the focal point with other agencies, to coordinate work efforts and avoid any duplication.

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

OFFICE OF INSPECTOR GENERAL

The Postal Service currently faces one of the most challenging financial periods in its history. In FY 2001, the Postal Service incurred a net loss of \$1.68 billion on \$66 billion in revenue. The events of September 11, 2001, and the anthrax attacks, further depressed an already bleak outlook for FY 2002. In response to the declining financial situation, the Postal Service has taken aggressive actions to cut costs. In addition, a rate increase was requested and subsequently recommended by the Postal Rate Commission after the Postal Service held discussions and reached agreements with major mailers and other participants. The Postal Service Governors approved the Postal Rate Commission's recommendations.

The Postal Service relies on strong financial management controls to maximize revenue and minimize costs. In the past 6 months, the OIG has completed 258 financial management reviews and 7 investigations. These efforts identified almost \$52.4 million in questioned costs and opportunities to save \$5.4 million during current and future years. In addition, OIG investigations resulted in a conviction and several indictments. These projects add value to the Postal Service by identifying opportunities for cost savings and improving financial management, contracting, and facilities practices, and detecting and deterring fraud, waste, abuse, and mismanagement.

FINANCIAL OPINION AUDITS

The Postal Reorganization Act of 1970 requires an annual audit of the Postal Service's financial statements. The OIG conducts audits in support of the independent public accounting firm's overall opinion on those statements. These audits assess the integrity and reliability of the financial information contained in the Postal Service financial statements. The Information Technology and Accounting Service Centers in Eagan, Minnesota; St. Louis, Missouri; San Mateo, California; and at Postal Service Headquarters in Washington, DC, oversee the collection of approximately \$66 billion in revenue and the recording and disbursement of about a similar amount each year. Examples of reviews in this area are highlighted below:

- ◆ The OIG conducted audits at these centers and headquarters and found that management's policies, accounting procedures, and internal controls conformed with generally accepted accounting principles. However, the OIG identified the following areas for improvement:
 - ◆ accountability for capital personal property;
 - ◆ money order inquiry system;
 - ◆ controls over accounting for parts inventory and the recording of vehicle disposals; and
 - ◆ controls to ensure contracting officers award contracts within their authority.

The OIG recommended and the Postal Service management generally agreed to improve all of the areas. (OIG FT-AR-02-007 through OIG FT-AR-02-010)

- ◆ The OIG reviewed travel and miscellaneous expenses for the Office of the Board of Governors and travel and representation expenses for Postal Service officers for the year ending September 30, 2001. The reviews determined expenses were properly supported and complied with postal policies and procedures and Board of Governors' guidelines. (OIG FT-AR-02-005 and OIG FT-AR-02-006)

ALMOST \$1.4 MILLION OVERPAID TO VENDORS

An OIG audit found that in FY 2001 the Postal Service paid almost \$1.4 million to vendors for services already paid for or not rendered. The Postal Service did not always verify either the standard invoice number format or the vendor location, or made data entry errors resulting in over 1,000 duplicate payments totaling over \$1.13 million. Vendors returned \$880,000, and based on the OIG's review, postal management initiated actions to recover almost \$217,000. The OIG recommended and postal management agreed to collect remaining overpayments of about \$250,000 identified in the report and to direct field office personnel to verify invoice numbers and vendor locations before paying the invoices. (OIG FT-AR-02-011)

FY 2001 FINANCIAL INSTALLATION AUDITS

The OIG conducted audits at 205 postal facilities and found that financial information was reasonably and fairly represented in the accounting records, and internal controls were generally in place and effective. However, at 180 facilities, the OIG identified certain non-compliance with Postal Service instructions and minor internal controls weaknesses. The OIG issued individual reports to address these issues and will issue a summary report providing Postal Service management with recommendations to address systemic issues. (For specific reports see Appendix A, page 102-106.)

THE POSTAL SERVICE CHANGES TO MONTHLY REPORTING OF FINANCIAL DATA

With the support of the OIG and the recent approval by the Governors, the Postal Service is undertaking one of the most significant changes to its financial accounting systems in recent history. By September 2003, the Postal Service plans to change the periodic reporting of financial data from 13 accounting periods to a monthly reporting cycle. There are numerous advantages for monthly reporting including alignment with the government fiscal year, the ability to meet Office of Management and Budget requirements for calendar quarter reporting in FY 2004, and the elimination of

the need for the accounting period 14 reconciliation. Other benefits include reduced accounting cost and a monthly cycle that will be compatible with private sector. This change will also require the OIG to adjust the nature, timing, and extent to which financial transactions are tested.

FINANCIAL-RELATED REVIEWS

Financial-related audits examine areas that have significant financial implications and offer the Postal Service an opportunity to save resources. The OIG has taken a proactive approach to identify areas that offer potential cost savings and improve postal operations. In the past 6 months, the OIG has completed 6 financial-related audits and 7 investigations. Some significant reviews and investigations are highlighted below:

POSTAL SERVICE RELOCATION LOAN PROGRAM MORE GENEROUS THAN OTHER FEDERAL AGENCIES & FORTUNE 500 COMPANIES

At the request of the Board of Governors, the OIG reviewed a Postal Service program that allows postal employees to relocate to high-cost areas without an increase in their monthly mortgage payment. This program was more generous than relocation programs offered by Fortune 500 companies and other federal agencies. Under the program, executives apply the equity from their previous home to the purchase of a new home and the Postal Service pays for any increases in the executives' mortgages.

Between January 1997 and October 2000 the program was selectively offered to 48 executives, 10 of whom did not meet program eligibility requirements. In addition, the program was offered in three cities not covered by the program; offered to five individuals multiple times, regardless of their eligibility; and based on informal policies that did not address program exceptions or establish adequate documentation. Postal Service management agreed to provide the shared real estate appreciation loan program policy to all executives, improve program documentation, restrict program participation to defined high-cost areas, update approved high-cost areas annually, and ensure



During an audit, OIG employees review controls over cash as part of a financial installation review.

that program exceptions are in the best interest of the Postal Service. This report is one of a series examining relocation benefits for postal executives. (OIG FT-AR-02-001)

CONTROLS OVER CREDIT CARD PURCHASES NEED STRENGTHENING

The OIG found that overall the Postal Service had proper and sufficient controls over purchases made with the International Merchant Purchase Authorization Card. However, the audit did identify instances where controls needed improvement. The Postal Service continued to address the issues involving improving controls, and the OIG will continue to monitor International Merchant Purchase Authorization Card purchases and make further recommendations if warranted. (OIG FT-AR-02-002)

OBSERVATIONS OF STATISTICAL TESTS FOR THE COST AND REVENUE ANALYSIS

An OIG audit of statistical tests for the FY 2001 Cost and Revenue Analysis revealed that, generally, tests conducted to collect cost, revenue, and volume data were performed in accordance with policies and procedures. However, employees did not always adhere to instructions for sampling and data collection. Postal Service management agreed to reinforce procedures and train data collectors. In addition, the Postal Service plans to implement new In-Office Cost System Software and policies in FY 2003. (OIG FF-AR-02-206)

OIG ASSISTS IN VERIFYING POSTAL EMPLOYEE WITHHOLDINGS AND EMPLOYER CONTRIBUTIONS

At the request of the Inspector General for the Office of Personnel Management, an OIG review verified Postal Service employee withholdings and employer contributions reported in the "Report of Withholdings and Contributions for Health Benefits, Life Insurance, and Retirement." The OIG verified the information in the report and identified three minor errors, which were corrected. The report was for informational purposes only, and did not require action by postal management. (OIG FT-AR-02-003)

IMPLEMENTATION OF RECOMMENDATIONS MADE IN THE DATA QUALITY STUDY NEEDS IMPROVEMENT

The OIG assessed the Postal Service's efforts to implement 11 recommendations from the April 1999 Data Quality Study, which was jointly sponsored by the Postal Service, Postal Rate Commission, and General Accounting Office. The OIG initiated this audit because of the potential impact of the Data Quality Study recommendations on the ratemaking process.

The audit revealed that the Postal Service made reasonable progress in implementing six recommendations for the Transportation Cost System and the Revenue, Pieces and Weight System. However, efforts to implement the five recommendations involving the replacement of the mid-1980s Carrier Cost System delivery study data were not effective or timely. The report concluded that until the Postal Service updates the delivery special studies, a portion of approximately \$9 billion in city carrier street time costs may not be accurately distributed to the various subclasses of mail. Postal management agreed to require finance personnel to establish a formal, time-phased action plan that identifies key milestone dates and provides the chief financial officer and executive vice president with periodic briefings on the progress of the new costing strategy. (OIG FT-AR-02-004)

OIG INVESTIGATIVE EFFORTS REDUCE CIVIL CLAIMS AGAINST THE POSTAL SERVICE BY OVER \$7.8 MILLION

◆ Tort claims totaling \$7 million were settled for \$185,000 as a result of an OIG investigation. The claims were based on an accident that involved a postal letter carrier who fell out of a mail delivery truck and onto the plaintiff, allegedly resulting in serious injuries. The plaintiff's relatives also filed a joint tort claim lawsuit stating that the plaintiff's alleged injuries caused them pain and suffering. By revealing that the plaintiff was without obvious physical limitations in contrast to the claims made for damages, the OIG investigation assisted the Department of Justice in settling the claims for a reduced amount.



An OIG audit of statistical tests for the FY 2001 Cost and Revenue Analysis revealed that, generally, tests conducted to collect cost, revenue, and volume data were performed in accordance with policies and procedures.

- ◆ As a result of an OIG investigation, a settlement agreement was reached between a private citizen and the Postal Service concerning a \$45,000 tort claim. The claim was based on an auto accident involving the plaintiff and a Postal Service vehicle. Information obtained during the course of the investigation revealed that the plaintiff had been in eight previous motor vehicle accidents. In all previous accidents, the plaintiff had claimed injuries identical to the injury allegedly suffered in the accident with the postal vehicle. The case was settled for over \$13,600 resulting in a cost avoidance of more than \$31,000 to the Postal Service.
- ◆ A \$750,000 claim was dismissed as a result of an OIG investigation. A private citizen filed a tort claim lawsuit against the Postal Service in connection with an injury allegedly sustained as a result of an accident with a Postal Service vehicle. The investigation did not substantiate the individual's claimed injury and assisted with the dismissal of the claim.
- ◆ As a result of an OIG investigation, a \$250,000 claim was settled for approximately \$10,000. A highway contract route driver filed a tort claim lawsuit against the Postal Service in connection with injuries allegedly suffered when an overhead garage door at a processing and distribution facility fell, striking the driver on the head and lower back. The investigation revealed several discrepancies in the plaintiff's claim related to the timing, plausibility, and severity of the alleged accident, and as a result the claim was settled.

CONTRACTING AND FACILITIES REVIEWS

The Postal Service manages approximately \$15 billion annually in contracts for essential goods and services, including facilities, transportation, mail processing equipment, and supplies. This makes the Postal Service one of the largest civilian contracting agencies in government. During FY 2001, postal purchases included over \$570 million in noncompetitive

contracts and over \$310 million in credit card purchases. The Postal Service is also one of America's largest owners, developers, and managers of real estate, committing over \$370 million in FY 2001 for repair, renovation, and construction of new facilities, and paying over \$920 million in rent. The commitment amount of \$370 million was reduced from the prior fiscal year because the Board of Governors and Postal Service management decided to take action to immediately suspend new construction, new leasing, and facility expansion contract activity, except for those items that were in process or met the exception criteria.

The OIG is responsible 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 financial systems. In the past 6 months, the OIG conducted 38 reviews of contracting and facilities-related issues with the assistance of a contract audit agency, which specializes in pre-award and post-award contract audits. Also, the OIG conducts investigations targeting fraud and corruption in these areas. Highlights of some contracting and facilities reviews follow:

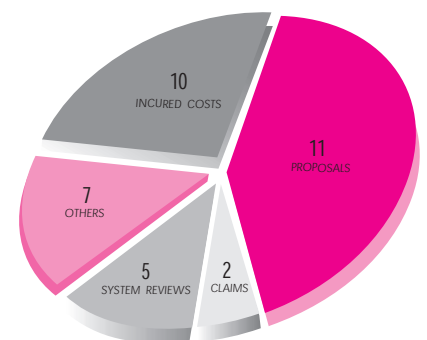
CONTRACT AUDITS IDENTIFIED OVER \$51.1 MILLION IN QUESTIONED COSTS

In the past 6 months, the OIG worked with the Defense Contract Audit Agency and completed 35 audits of contracts valued at almost \$580 million. These audits resulted in approximately \$51.1 million in questioned and unsupported costs and opportunities to save \$1.3 million during current and future years. The contract audits include: incurred cost audits that evaluated the reasonableness of costs incurred by contractors; proposal audits that evaluate the reasonableness of contractor cost estimates; defective pricing audits that are performed to determine whether contract prices significantly increased because of defective contractor pricing data; and contractor financial system audits, such as accounting, estimating, and billing systems that are reviewed to determine their adequacy to account for contract costs. These audits, which are summarized in the graph in the margin focus on whether contractors'



OIG investigations often result in settlements of reduced claims for damage, at great cost savings to the Postal Service. For example, the owner of a vehicle originally claimed over \$45,000 worth of damage as a result of a collision with a postal vehicle; however, the claim was settled for over \$13,000.

Types and Number of Contract Audits Completed



The OIG completed 35 audits of contracts valued at over \$580 million.



The OIG audited a contractor's firm-fixed-price proposal for the Mailing Evaluation, Readability, Lookup Instrument Program, commonly known as MERLIN.

- ◆ Proposed and incurred costs were allowable and reasonable;
- ◆ Pricing data were accurate, complete, and current; and
- ◆ Accounting systems for allocating costs to the Postal Service were adequate.

In addition to raising questions about costs, the audits disclosed that a major contractor's proposal was not prepared in accordance with Postal Service policy. Following is a summary of 6 significant contract audits completed in the last 6 months:

- ◆ An audit of a contractor's \$109.7 million firm-fixed-price proposal for the Mailing Evaluation, Readability, Lookup Instrument Program disclosed questioned costs of \$13.5 million, with unsupported costs of over \$3 million. Significant questioned costs include purchased parts, subcontracts, direct labor, travel, and associated indirect costs. Questioned costs were the result of the contractor failing to provide supporting documentation for proposed purchased parts, subcontracts, and other direct costs. (OIG CA-CAR-02-012)
- ◆ An audit of a contractor's approximately \$39.7 million firm-fixed-price subcontract proposal for Automated Flat Sorting Machine-100 phase II replenished and emergency spare parts support disclosed questioned costs of over \$11 million. Additionally, the audit disclosed contractor restructuring and acquisition activities that could result in additional savings. The audit did not consider the proposal acceptable as a basis to negotiate a fair and reasonable contract price because the contractor did not submit adequate cost or pricing data. (OIG CA-CAR-02-005)
- ◆ An audit of a \$5.4 million Partial Termination of Convenience settlement proposal disclosed questioned costs of \$2.2 million. Significant questioned costs included purchased parts, direct labor, overhead, and profit. (OIG CA-CAR-02-027)
- ◆ A review of a contractor's purchasing system disclosed several deficiencies, including incomplete purchase order file documentation; supplier quotes and procurement support information that were not in a usable format; and procedures that did not clearly require buyers to perform and document sole source justification, price and cost analyzes, and negotiations. The audit provided seven recommendations to address these issues. (OIG-CA-CAR-02-018)
- ◆ An audit disclosed that a contractor's efficient and effective use of video teleconferencing as an alternative to travel could result in approximately \$1.3 million in potential savings in travel costs allocable to the Postal Service. The OIG recommended that the Postal Service contracting officer require the contractor to implement procedures to ensure that its employees use video teleconferencing and incorporate the associated savings into future, forward-pricing rates and contract price proposals. (OIG CA-CAR-02-019)
- ◆ An audit disclosed that a contractor's billing system and new accounting system were partially inadequate. Regarding the billing system, written policies and procedures did not exist, contract or task order briefs were not routinely prepared and updated, and no evidence of management review of invoices existed. Regarding the new accounting system, certain time and expense reporting controls were weak or nonexistent, and the contractor did not have a job cost accounting system. In addition, the contractor occasionally billed overtime hours, but did not pay its salaried employees for overtime worked. The OIG recommended that the Postal Service contracting officer ensure the contractor implement the corrective actions outlined in the audit report and consider the suggestion to negotiate overtime rates to be used for pricing overtime hours. (OIG CA CAR-02-021)

\$45 MILLION WORTH OF PROPERTY NOT DEVELOPED OR USED

An OIG audit revealed that 30 properties purchased for \$45 million were never developed, utilized, or referred for disposal. One of the properties was purchased over 18 years ago. The Postal Service did not use these properties

because operational requirements changed and budget constraints prevented their development. During the audit, one property that had been donated to the Postal Service was subsequently returned to the original owner, and 12 properties were referred for disposal. Disposal of these properties could provide up to \$4.1 million. Postal management agreed to require a review of all undeveloped and unused real property and refer those properties that are no longer needed to Realty Asset Management to begin the disposal process. (OIG CA-AR-02-002)

SUPPLIER DIVERSITY PROGRAM NEEDS IMPROVEMENT

An OIG review requested by the Board of Governors showed the Postal Service was generally consistent with national business demographics regarding the total percentage of dollars awarded to minority-owned and women-owned suppliers. However, the Postal Service was not consistent with national business demographics regarding the percentage of minority-owned and woman-owned suppliers awarded contracts. The Postal Service agreed to require contracting officers to input ethnic codes for minority-owned suppliers in procurement databases and use national business demographics data as a tool when assessing diversity of its suppliers and identifying market opportunities. (OIG CA-MA-02-001)

REVIEW OF WINTER OLYMPICS PLAN DISCLOSED PROJECTS WERE COMPLETED ON TIME

An OIG follow-up review of its June 2000 audit of the Salt Lake City District Winter Olympics Plan determined that a prior report's recommendations had been implemented, and the Salt Lake City District was on track to complete the 23 Olympic projects before the Olympics began on February 8, 2002. Documentation provided subsequent to the issuance of the report disclosed that all Olympic lobby projects were completed prior to the start of the games. (OIG CA-AR-02-001)

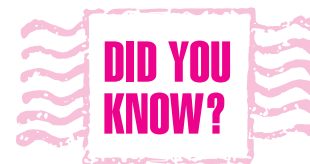
OVER \$8.4 MILLION ORDERED IN RESTITUTION

As a result of a joint investigation by the OIG and the Inspection Service, a former Postal Service supervisor at a Bulk Mail Entry Unit was sentenced to 1 year probation and ordered to make joint restitution, along with 11 other previously convicted defendants, to the Postal Service of over \$8.4 million. The former supervisor previously pled guilty to bribery charges relating to a 4-year scheme in which the owners and managers of a bulk mail company under-reported 250 million pieces of First-Class mail, resulting in a loss of more than \$25 million to the Postal Service. The former supervisor accepted bribes from an employee of the company to allow the scheme to continue.

OIG INVESTIGATION LEADS TO MULTIPLE CONVICTIONS

An OIG investigation led to spin-off investigations resulting in multiple convictions of individuals involved in paying bribes in exchange for being awarded postal contracts. Specifically, the initial investigation involved two former postal managers, a married couple, who were sentenced for embezzling over \$3.2 million from the Postal Service by conspiring to submit fraudulent invoices for computers and supplies not received. As a result of that investigation, it was alleged that four postal contractors made payments in exchange for receiving contracts. In addition, it was later revealed that a third postal employee accepted gratuities in exchange for ensuring that work was not delayed on projects under his supervision and for approving work in advance on contracts having pending modifications.

All five subjects have pled guilty to charges relating to the scheme. Three of the four contractors have been sentenced and ordered to pay restitution and fines totaling over \$200,000. Sentencing of the fourth contractor is pending. Additionally, two of the four contractors have agreed to reimburse the OIG a total of \$100,000 for the cost of the investigation. Furthermore, the postal employee who accepted gratuities was ordered to make restitution of \$20,000 and retired prior to any administrative action being taken. Debarment actions are being pursued against the contractors.



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

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



As a result of an OIG investigation, a Postal Service vendor pled guilty to fraud and related activity in connection with Postal Service credit card numbers.

CONTRACTOR INDICTED ON TWO COUNTS OF WIRE FRAUD

As a result of a joint investigation by the OIG and the Inspection Service, a transportation contractor was indicted on two counts of wire fraud. The indictment alleged that the contractor submitted, via facsimile, false invoices to two Western Area Distribution Network Offices. The indictment further alleged that the contractor altered a price quote to make it appear as if a lift gate was purchased.

DUPLICATE CLAIMS AND ERRONEOUS BILLING RESULTS IN CLAIM REDUCTION OF ALMOST \$150,000

An OIG investigation revealed that a Louisiana construction contractor submitted duplicate claims and billed the Postal Service for services not rendered. The Postal Service settled all claims with the contractor for approximately \$19,000, resulting in a total claim reduction of almost \$150,000.

SUBCONTRACTORS PLEAD GUILTY TO CONSPIRACY

As a result of two related OIG investigations, six employees of various Postal Service subcontractors pled guilty to conspiracy and various other charges pertaining to their roles in a kickback scheme. In addition, an associate of one of the subcontractors pled guilty to the same violation. The scheme involved seven individuals paying kickbacks to three employees of a Postal Service contractor. Kickbacks of almost \$1.2 million were paid to the three contractor employees in return for over \$6.7 million worth of subcontract work.

POSTAL SERVICE VENDOR EMPLOYEE SENTENCED FOR CREDIT CARD FRAUD

As a result of an OIG investigation, a Postal Service vendor employee was sentenced in Central California for fraud and related activity in connection with Postal Service credit card numbers. The employee stole the credit card numbers and used them to buy items over the telephone and Internet. The credit card numbers were obtained from the individual's employer, an auto parts dealer who supplied repair parts to the Postal Service. The employee was sentenced to 6 months home confinement

and 5 years probation, and required to pay almost \$4,000 in restitution to the Postal Service.

STOLEN POSTAL SERVICE CREDIT CARD USED TO PURCHASE COMPUTER EQUIPMENT

As a result of an OIG investigation, a Florida individual was convicted of felony theft. The crime involved the illegal use of a Postal Service credit card number to purchase almost \$900 in computer equipment from a computer company. The defendant was sentenced to serve 2 days in jail, placed on 3 years supervised probation, and ordered to serve 50 hours of community service. In addition, the defendant was ordered to pay restitution commensurate to the amount stolen, pay the cost of conducting the investigation, and pay fines and court costs.

POSTAL MECHANIC INDICTED ON CONFLICT OF INTEREST CHARGES

As a result of an OIG investigation, a postal mechanic assigned to a Vehicle Maintenance Facility was indicted on conflict of interest charges. Specifically, the mechanic allegedly recommended and approved the Postal Service purchase of vehicle parts from an electronics company in which the mechanic and spouse had a financial interest. The mechanic also allegedly presented claims to the Postal Service for payment, knowing they were fraudulent. As a result, the mechanic was removed from the position without pay pending the outcome of the criminal trial.

CONSTRUCTION CONTRACTOR DEBARRED

As a result of an OIG investigation, a construction company and two of its officers were debarred from contracting with the Postal Service for 31 months. The OIG found the contractor falsely inflated the quantity of work performed on contracts involving construction projects in Oregon.

CONTRACTOR LOSES RETAINER FOR SUBSTANDARD WORK

An OIG investigation of a contractor resulted in an administrative recovery of almost \$158,000. The investigation determined that the Postal Service paid for incomplete, defective, or substandard work relating to electrical,



Surveillance is one technique OIG special agents use when conducting investigations.

heating and air conditioning, security, drainage, and fire alarm systems. As a result of the administrative settlement with the Postal Service Legal Department, the contractor agreed to allow the Postal Service to keep a retainer fee of almost \$156,000 and to pay an additional \$2,000 to settle this matter.

CONTRACT TERMINATED FOR FRAUDULENT CLAIMS

Based on an OIG investigation, Postal Service management terminated a contractor's services to wash tractors, trailers, and trucks. The investigation revealed the contractor submitted multiple fraudulent claims requesting payment for services not rendered. The Postal Service paid no more than \$7,000 of the original contract amount of \$94,000 before the contract was terminated.

LEGISLATIVE, REGULATORY & POLICY REVIEWS

During this reporting period, the OIG identified legislation, regulations, and policies affecting Postal Service financial management. Some of the legislation, regulations, and policies reviewed are below.

ENACTED LEGISLATION

Public Law No. 107-67 — Treasury, Postal Service Appropriations Act, FY 2002

This bill authorizes over \$76.6 million for revenue foregone provided that mail for overseas voting and mail for the blind shall continue to be free; that 6-day delivery and rural delivery of mail shall continue at not less than the 1983 level; that none of the funds made available to the Postal Service by this Act shall be used to implement any rule, regulation, or policy of charging any officer or employee of any state or local child support enforcement agency, or any individual participating in a state or local program of child support enforcement, a fee for information requested or provided concerning an address of a postal customer; and that none of the funds provided in this Act shall be used to consolidate or close small rural and other small post offices in FY 2002.

The measure also contains three semi-postal stamp measures raising money for the following causes: an extension for Breast Cancer

Research; 9/11 Heroes; and Domestic Violence. There are also provisions providing for guards at postal facilities, Federal Law Enforcement Training Center, and training of Postal Police. An additional provision enables the Postal Service to require that private carriers transport day-old poultry and other live animals as mail.

In previous reports, the OIG expressed concern with the semipostal stamp program, recommending that better cost accounting be employed and enforced. Another concern is with the language prohibiting the use of the appropriate funds to consolidate or close post offices during FY 2002. The OIG understands the importance of small post offices, particularly in rural communities. However, limiting the Postal Service's latitude to close or consolidate retail facilities can hinder its ability to effectively manage its financial situation.

Public Law No. 107-117 — Emergency Supplemental Acts, Department of Defense Appropriations Act, 2002

On November 8, 2001, the Postal Service requested \$1.1 billion in emergency appropriations to protect postal employees and customers from exposure to biohazardous material; to sanitize and screen the mail; and to replace or repair Postal Service facilities destroyed or damaged in New York City as a result of the September 11, 2001, terrorist attacks. To help meet this need, Congress provided a \$500 million appropriation to the Postal Service in the Defense Appropriations Act. The law also enables the Sergeant at Arms of the House of Representatives to destroy or otherwise dispose of any anthrax-contaminated mail delivered by the Postal Service to the House of Representatives and that no action taken under this section may serve as a basis for civil or criminal liability of any individual or entity.

The law specifies that no funds shall be obligated for the purpose of sanitizing and screening the mail until the Postal Service submits to the Committees on Appropriations, the House Committee on Government Reform, and the Senate Committee on Governmental Affairs an emergency preparedness plan to combat the threat of biological and chemical substances in the mail. The plan must also include a proposal for expenditure of funds in support of the emergency preparedness plan. The Postal



What is the Mail Fraud Statute?

The Mail Fraud Statute contained in Title 18 of the United States Code, Section 1341, makes it a criminal violation to use the US mail or the services of any private or commercial carrier to carry out a fraudulent scheme.

Service presented its Emergency Preparedness Plan to Congress on March 6, 2002.

As detailed in the Responding to Terrorism section of this report, the OIG has reviewed and reported on many aspects of the Postal Service's anthrax response and emergency plans. In the Review of the Accuracy of the Terrorist Attack Damages and the Anthrax Threat, the OIG found that cost estimates used to base the Postal Service's request were reasonable, particularly in light of the great pressure, short timeframes, and concerns for public safety, employee welfare, and business impact. In addition, because the events were unprecedented, the Postal Service had no baseline financial information to assist in developing their estimates.

PROPOSED LEGISLATION

H.R. 3832 — Services Acquisition Reform Act of 2002

This bill is designed to make improvements with respect to the procurement of services for the federal government. It specifically includes the Postal Service. The legislation establishes a funding mechanism to pay for training of acquisition personnel who are engaged in Postal Service contracting.

Because the Postal Service is exempt from standard federal contracting rules, it is afforded the opportunity to realize greater efficiencies and operate in a more business-like manner than other federal agencies. However, past results of the OIG's audits and reviews suggest that while the Postal Service has realized some efficiencies, there is a clear need to utilize best practices. Indeed, the OIG recently made several recommendations for revisions to the Postal Service's Purchasing Manual. However, the Postal Service has not adopted many of these recommendations. The acquisition training encouraged by this legislation could assist the Postal Service with employing best practices.

S. 565 — Voting Procedures Commission and Modernization Bill

This bill would establish the Commission on Voting Rights and Procedures to study and make recommendations regarding election technology, voting, and election administration. It would also establish a grant program under which the Office of Justice Programs and the Civil Rights Division of the Department of

Justice shall provide assistance to states and localities in improving election technology and the administration of federal elections. Finally, it would require states to meet uniform and nondiscriminatory election technology and administration requirements for the 2004 federal elections.

The legislation has been subject to negotiations over, among other things, a provision that would provide for postage free, election-related mail. The Postal Service has expressed its reservations about this provision. The OIG has concerns about whether revenue-depressing measures are appropriate at this time in light of the financial challenges facing the Postal Service.

S. 1801 — Educational Matter Postal Rate Act of 2001

This bill would amend Chapter 36 of Title 39, United States Code, to enable the Postal Rate Commission to provide for a separate postal rate for certain educational bound printed matter. The bill defines "educational matter" as bound printed matter as defined under regulations promulgated by the Postal Service that is principally intended to educate, inform, develop, or support the education of students. This includes books and related materials; catalogues of books; software and related materials; and materials that enable schools, colleges, universities, public libraries, teachers, or students to obtain books, software, or related materials; and is mailed to or from a school, college, university, or public library.

While the OIG recognizes the value of such educational material, we would recommend that Congress consider the financial impact this legislation may have on the Postal Service, particularly in a time of declining revenue.

S. 1811 — Presidential Appointment Improvements Act of 2001

This bill would amend the Ethics in Government Act of 1978 (5 U.S.C. App.) to streamline the financial disclosure process for executive branch employees, including the Postmaster General, the Deputy Postmaster General, and each Governor of the Board of Governors of the Postal Service and other officers of the Postal Service and the Postal Rate Commission.



The bill would raise the minimum threshold for reporting assets from \$1,000 to \$5,000 and for liabilities from \$10,000 to \$20,000, reduce the number of valuation categories, shorten certain reporting time periods, limit the scope of reporting by raising certain dollar thresholds, and eliminate many descriptive details. These changes will make it easier for persons who annually file ethics reports subject to public disclosure.

H.R. 3175 — Late Fee Emergency Relief Act of 2001
(Similar: H.R. 3251 – Payment as Postmarked)

This legislation would amend the Truth in Lending Act to limit the late fee and annual percentage rate increase imposed upon a consumer credit obligation in the case of a consumer whose principal residence is located in a postal ZIP Code designated by the Postmaster General as a biological, chemical, or radiological attack-related mail disruption area.

The bill would prohibit creditors from imposing late fees, increasing interest rates, or submitting adverse credit information with regard to the account of a consumer whose mail service has been disrupted due to a biological, chemical, or radiological attack.

This bill would likely have little impact on Postal Service operations; however, the OIG believes it is a powerful reminder of the confidence that Congress and the public have in the integrity of the postmark.

H.R. 3778 — Federal Government Water and Sanitary Sewer Billing and Collection Improvement Act of 2002

This bill would provide for direct billing for water and sanitary sewer furnished to federal agencies by the District of Columbia, and direct payment by those agencies to the District of Columbia. When Congress addressed this issue last session, the OIG determined that the Postal Service did not use the special water and sewer account that other agencies used to pay the District for water and sewer services. The Postal Service is billed directly and in turn promptly pays for its water and sewer services from its own account. The OIG reported the Postal Service's situation to the Congressional appropriations committees as required by similar legislation last year.

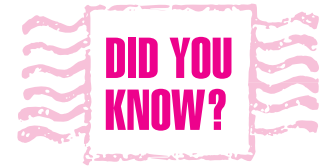
This year's legislation attempts to give the District the authority to bill federal agencies directly. The bill phases out use by the agencies of the special Treasury water and sewer account to pay for these charges. Agencies would have to budget for water and sewer bills in their annual budget proposals based on estimates supplied by the District. The bill emphasizes prompt payment of these bills when directly billed and OIG's reporting on compliance.

If this legislation passes, it will impose a continuous reporting burden on the OIG. A provision of the bill (Section 2(b)(5)) requires Inspector General offices to report to the Congressional appropriations committees by the 15th of the month following the close of each quarter, how promptly its agencies paid their District water bills. The OIG would have to commit resources to comply with this quarterly requirement. In accordance with the Prompt Payment Act, the OIG routinely reviews the timeliness of the Postal Service's payment on accounts. The OIG believes that an annual reporting requirement for the Postal Service would be sufficient.

GOVERNMENT AUDIT STANDARDS, AMENDMENT NO. 3

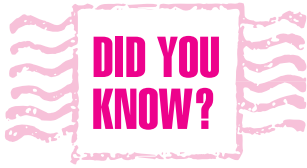
In January, the General Accounting Office published the third amendment to its Government Auditing Standards (1994 revision), commonly known as the "Yellow Book." Amendment No. 3, Independence, addresses many issues of independence in audit, non-audit, and consulting services.

The OIG has always strived to maintain the highest level of professional standards, including those set forth by the General Accounting Office. As described in previous semiannual reports, the OIG expressed concern over provisions in the "Independence Preliminary Views" document circulated for comment by the General Accounting Office in February 2000. The changes proposed at that time stated that Inspectors General who were appointed by an agency head would not be considered to be organizationally independent. The OIG believed that this would have created a misperception that management influenced work performed by such Inspectors General.



Does the Inspector General report to the Postmaster General?

No. The Inspector General is independent of Postal Management and reports directly to the Governors and Congress.



Who can request that the OIG conduct an audit or investigation?

Anyone can request the OIG conduct an audit or investigation. However, the Inspector General ultimately determines what work will be performed.

The OIG is pleased to report that the final amendments recognize the independence of Inspectors General who are not presidentially appointed. In particular, section 3.30.2 of Amendment No. 3 sets forth the criteria by which Inspectors General such as the Postal Service OIG may be presumed to be free of organizational impairments. These changes address the concerns raised by the Postal Service OIG and many other Inspectors General and will promote an understanding of both our independence and the objectivity of our work.

POLICY REVIEW

PURCHASING MANUAL

The OIG prepared a series of proposed revisions to the Postal Service Purchasing Manual requesting that they be addressed as part of its re-issuance. The OIG's major concerns are summarized as follows:

- ◆ After comparing the Postal Service suspension and debarment system with those of other federal agencies, it was apparent that the Postal Service's suspension and debarment system must be tightened to protect its business operations, and provide the Postal Service with the level of protection and flexibility enjoyed by other federal agencies. The OIG recommended that the Postal Service follow the practice used in most federal agencies and lower the burden of proof standard in debarment actions from "clear and convincing" to "preponderance of the evidence." The OIG also suggested that business decision makers and not the postal judicial officer make the debarment decisions. In addition, the OIG suggested that once a supplier was proposed for debarment, the supplier should be ineligible for a contract award. Finally, the OIG suggested that Postal Service contracts contain a certification clause requiring that the contractor not have been debarred within the previous three years. The Postal Service has not yet adopted these recommendations.
- ◆ While the examinations of records clause is a required clause in Postal Service contracts, it is not as encompassing as the OIG suggested. The examination

of records clause should include specific language that permits the Postal Service to have access to the contractor's facilities, as well as language that extends access obligations to subcontractors. The Postal Service has not yet adopted this recommendation.

- ◆ The Purchasing Manual should require all contractors who receive over \$500,000 in cost-type postal contracts annually to have an approved accounting system, including an estimating and billing system that can properly allocate costs to postal contracts. The Postal Service has not yet adopted this suggestion.
- ◆ A computer security standard provision should be in contracts requiring the computer security architecture to maintain incident handling procedures. The contractor would also be required to notify the Postal Service of incidents that may impact upon postal computer security, and provide access to contractor computer systems by postal information technology and OIG officials. While the Postal Service did take steps to enhance their own computer security and policies, it did not require contractor's computer systems, whose computers might interface with the OIG, be subject to OIG review and inspection.
- ◆ Because the OIG assumed many of the functions, such as contract audits, which were previously performed by the Inspection Service, the Purchasing Manual should be updated to properly reflect the current role of the OIG. References to the "Inspection Service" must be changed to "Office of Inspector General." These changes were made.
- ◆ The OIG will continue to work with the Postal Service in the months ahead to secure the recommended reforms.

SUSPENSION AND DEBARMENT OF CONTRACTORS

Under its current purchasing rules, the Postal Service is not bound to General Services Administration suspensions and debarments. The OIG has recommended for three years to postal management that this policy be changed. If the Postal Service used

General Services Administration's suspension and debarment list, Arthur Andersen would have been suspended sooner. Before suspending or debaring a company, the Postal Service uses its own standards for debarment, which is a concern.

For example, almost immediately after its indictment, the General Services Administration suspended Arthur Andersen from federal government contracting, which prevented almost every agency in the executive branch of the federal government from making new contract awards to the firm. The Postal Service did not suspend Arthur Andersen until nearly one month after the General Services Administration's suspension became effective. In order to fully protect itself from unscrupulous contractors, the OIG believes the Postal Service should reconsider its position on suspension and debarment.



INSPECTION SERVICE

Within the financial management area, the Inspection Service performs revenue investigations to help ensure that Postal Service revenue is properly assessed and collected. Priority is given to investigations of 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 on revenue investigations where there is customer intent to defraud the Postal Service. In the last 6 months, there were 23 arrests and 29 successful criminal convictions resulting from revenue investigations.

Further, the Inspection Service investigates embezzlements involving employee theft from cash drawers and schemes involving postal money orders. Postal Inspectors initiated 210 investigations of employee embezzlements this reporting period, which documented losses of over \$2.2 million. Examples of investigations in this area are summarized below.

- ◆ A supervisor in charge of a large New York area presort bureau was found guilty of defrauding the Postal Service and its customers of over \$20 million through a combination of postage fraud schemes. Testimony at trial disclosed that the supervisor was responsible for operating and directing others to use two postage meters, which the company knew were either defective or had been altered. The conviction of the supervisor brings the total number of defendants convicted to 14, while another suspect is still at large. Sentencing for the supervisor is scheduled for May 2002.
- ◆ The supervisor of a Washington, DC, area letter shop was arrested for defrauding a mailing customer, the Democratic National Committee. The letter shop contracted with the Committee to mail approximately 550,000 solicitations during the 2000 presidential campaign. An Inspection Service investigation revealed that the letter shop only prepared and mailed about 4 percent of the contracted amount.
- ◆ A former Tennessee postal manager was sentenced to 10 months federal imprisonment followed by 2 years supervised release, and ordered to pay restitution of over \$94,700 for submitting falsified travel vouchers. The vouchers were for the manager and the manager's relatives and included non-existent travel and relocation expenses, and duplicate claims of various expenses. In addition, the individual forged the signature of a non-existent manager as the approving official.
- ◆ A former Missouri postmaster was sentenced to 6 months community confinement, 5 years probation, and ordered to pay over \$88,600 in restitution for mail fraud and embezzling money order funds. While serving as postmaster or officer-in-charge at five Missouri post offices, the employee issued money orders for personal expenses and for their child's tuition at a local beauty college. The money orders were claimed in postal financial records as official disbursements. The restitution amount includes more than \$34,000 to the Missouri Chapter of the National Association of Postmasters of the United States. As the elected secretary treasurer, the individual also wrote and mailed Association checks to pay personal expenses.
- ◆ A former Illinois postal supervisor was sentenced to 5 years probation and ordered to pay restitution of over \$34,700 for embezzling postal funds. The investigation revealed that one hundred postal money orders were reported stolen by the supervisor; 54 of which had been negotiated without payment made to the Postal Service.
- ◆ A former Ohio post office branch manager was sentenced to 3 years probation, 6 months of which will be on home detention for embezzling postal funds. The manager removed stamps from the unit reserve and sold them to local merchants to acquire cash to pay a gambling debt. The former employee was ordered to pay restitution of over \$13,000, which was paid at the time of sentencing.



Inspection Service assists with protecting the Postal Service's revenues.

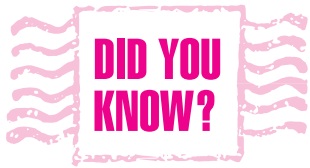
Technology Reviews



OFFICE OF INSPECTOR GENERAL

Developmental Reviews
Information Systems Reviews
Systems Development Reviews
eCommerce Reviews
Computer Intrusion Investigation Activities
Legislative, Regulatory & Policy Reviews

INSPECTION SERVICE



Why does 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 Service management so that they can take appropriate action to further improve the efficiency and effectiveness of Postal Service programs and operations.



The OIG reviewed the deployment of the Automated Flat Sorting Machine 100, which automates processing of mail larger than a letter by incorporating on-site barcode technology.

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

OFFICE OF INSPECTOR GENERAL

The Postal Service recognizes that technology, including electronic commerce, is key to productivity and affordability. Through technology, the Postal Service handles more than 660 million pieces of mail every day and maintains its network of over 38,000 post offices and facilities. Its technology strategy is to provide convenient access to all customers on a daily basis through increasingly sophisticated retail systems, expansion in new electronic access channels, and electronic linkages that integrate customer and postal processes. In addition, the Postal Service is using modern technology, such as NetPost™ Mailing Online, NetPost™ Cardstore, and eBillPay™. These initiatives will improve and build on its existing services and relationships with customers and continue meeting traditional customer demands.

The recent terrorist attacks have demonstrated how the postal infrastructure, including information systems, is vulnerable to attacks. Computer systems are a critical component of every aspect of postal operations that must be protected from potential cyber-terrorism to prevent disruption in service. Technology investments not only need to be scrutinized to minimize the risk of disclosure or compromise, but also to ensure that sound business decisions are made. This is particularly important as the Postal Service reviews several technologies to identify an efficient, effective, and safe method to sanitize mail.

OIG reviews have covered developmental systems, information systems, eCommerce, and computer intrusion detection activities. In the past 6 months, the OIG performed 25 reviews in the technology area, some of which are highlighted below:

DEVELOPMENTAL REVIEWS

The Postal Service is developing business systems and mail processing equipment to improve performance, enhance service, and reduce operating costs. The typical development process begins with the identification of a business need. After the business need has been identified, a solution is developed, followed by the proof of concept or first article test and final deployment. The OIG understands the importance of reviewing these systems as they are developed and has completed four audits of major projects currently under development during the reporting period. One anthrax related review is highlighted in the Responding to Terrorism section and the other reviews are highlighted below:

TEST, EVALUATION, AND QUALITY GROUP PRACTICES CAN BE IMPROVED

An OIG initiated audit of the Test, Evaluation, and Quality group revealed that its practices could be improved. For example, the group did not provide an independent assessment of programs. Additionally, the group lacked formal written policies and procedures for performing and documenting tests and inspections of capital equipment. The OIG recommended and Postal Service management agreed to provide routine testing and quality information directly to the vice president of engineering. Additionally, postal management agreed to establish formal policies and procedures, as well as, define roles and responsibilities. However, postal management disagreed with the recommendation to provide the Quality Group with an independent budget. The OIG does not consider this recommendation significant and does not plan to pursue it through the audit resolution process. (OIG DA-AR-02-004)

UTILIZATION OF AUTOMATED FLAT SORTING MACHINE 100 SHOULD BE ASSESSED PRIOR TO ADDITIONAL PURCHASES

An audit of the Automated Flat Sorting Machine 100 revealed that although key deployment activities for the flat sorting machines were reasonable, the machines would be underutilized at the end of the second phase of deployment due to changes in initial assumptions. Postal Service management disagreed with the OIG's recommendation to recalculate the impact of lower processing rates on expected return on investment, stating that it was too early in the program to effectively evaluate it because deployment has yet to be completed. However, management did agree to perform a utilization analysis after all of the machines are deployed and have been operational for at least four months. Additionally, management agreed to address flat sorting machine underutilization before considering additional machine purchases. (OIG DA-AR-02-001)

PROCESSING OPERATIONS INFORMATION SYSTEM MAY NOT HAVE BEEN AN EFFECTIVE DECISION-MAKING TOOL

An OIG audit disclosed that certain conditions existed where the Processing Operations Information System was not an effective decision-making tool for managing processing operations. The system was designed to allow plant managers to monitor and assess work hour distribution and mail processing operations to easily identify and diagnose problems or inefficiencies. The system, which was initiated prior to the Information Platform, did not fully address emerging corporate-wide business goals, such as the Information Platform. In addition, OIG found weaknesses in measuring and tracking costs, benefits, risks, and contract administration. While there were limited productivity benefits that resulted from the Processing Operations Information System pilot, management suspended the program and did not fund national deployment. Because of this sequence of events, management believed there was no value in addressing the recommendations contained in the report. In the event the project is restarted, the OIG will follow up on the

recommendations to validate that they are being addressed. Management agreed to address the recommendations if the project is restarted. (OIG DA-AR-02-002)

INFORMATION SYSTEMS REVIEWS

The Postal Service relies on a massive computer infrastructure to accomplish and streamline operations, manage one of the largest civilian workforces in the world, and move billions of pieces of mail each year. The Postal Service has initiated several information technology projects to enhance efficiency and increase revenue. To ensure the success of these projects, the Postal Service needs to improve computer security to reduce the risk of fraud, inappropriate disclosure of sensitive data, unauthorized disclosure of customer information, and disruption of critical operations and services. The OIG has initiated reviews of Postal Service information systems under development, a major telecommunications review, and an annual assessment of general controls at major processing centers. The most significant reviews are highlighted below:

SERVER WEAKNESSES IDENTIFIED IN NETWORK VULNERABILITY TESTS

The OIG issued technical reports on the results of vulnerability tests of selected servers in Postal Service Headquarters, and at three other localities nationwide. The OIG noted various security weaknesses in the server systems that required remedial action to reduce risks to the Postal Service's telecommunications infrastructure and information systems. If left uncorrected, the vulnerabilities could result in loss of confidentiality, integrity, and availability of vital financial and operational systems. Additionally, uncorrected vulnerabilities could result in unauthorized access to Postal Service information and/or allow an unauthorized user to leverage the compromised system to gain access to additional information and systems. Postal Service management agreed with the OIG's recommendations and indicated corrective actions would be taken. (OIG IS-CS-02-001, OIG IS-CS-02-003, OIG IS-AR-02-002, and OIG IS-AR-02-004)



The OIG conducted vulnerability tests of servers at Postal Service Headquarters and three other locations nationwide.

VULNERABILITY TESTING REVEALED POTENTIAL NETWORK EXPOSURES

OIG vulnerability tests revealed a variety of weaknesses related to critical communication devices that control the flow of data that if left uncorrected could impact the confidentiality, integrity, availability, and efficient performance of the Postal Service's wide-area network. The deficiencies occurred because the Postal Service did not have complete and definitive guidance for managing and securing these devices. Postal Service management agreed with the OIG's recommendations and indicated that guidelines, to strengthen security, configuration checklists, corrective action plans for identified vulnerabilities, management plans for updating technology, and periodic verifications of security configurations would be developed or completed. (OIG IS-CS-02-002, OIG IS-AR-02-005, and OIG IS-AR-02-006)

FY 2001 INFORMATION SYSTEMS CONTROLS AT THE INFORMATION TECHNOLOGY AND ACCOUNTING SERVICE CENTERS ARE GENERALLY ADEQUATE

The OIG conducts an audit of information systems controls each year in support of the annual financial statement audit. The objective of the FY 2001 audit was to determine whether general controls over information systems at three service centers provided reasonable assurance that data was accurate, complete, and secure. Each of these sites provide computer processing and accounting services for the Postal Service and house multiple service centers. The review included an evaluation of controls over software, data, personnel, and physical security that affect computer systems.

Generally, the audit revealed that controls over software and data security at the Information Technology and Accounting Service Centers were adequate and that management had taken aggressive actions to resolve recommendations made in previous reports. However, additional enhancements were needed to improve user access controls for Oracle databases and controls over security clearance processing. In the area of business continuity planning, action was necessary to create and test disaster recovery plans for certain critical systems. Additionally, improved

controls were needed to strengthen the configuration, control, and security of UNIX operating systems. Postal Service management agreed with the findings and recommendations and corrective actions have been taken or planned. (OIG IS-AR-02-001)

INTERNAL CONTROL WEAKNESSES FOUND IN A FACILITIES MANAGEMENT SYSTEM

An OIG audit of a facilities management system revealed weaknesses that could affect the data integrity of the system. Specifically, the OIG identified weaknesses in the systems development life cycle practices, access controls, segregation of duties over financial transactions, systems security, and contingency planning. This system is used to manage Postal Service leased and owned facilities. Many of the systems deficiencies were a result of not consistently applying good systems development life cycle practices or a structured approach to properly developing a system, including not integrating basic security controls in the original design. Postal Service management agreed with OIG's recommendations with the exception of segregating duties at small postal facilities where they do not have enough experienced personnel familiar with the system to allow the segregation and still handle the workload. (OIG IS-AR-02-003)

SYSTEMS DEVELOPMENT REVIEWS

Reviewing systems during the development process provides an opportunity to identify potential development cost and time savings, and a greater assurance that appropriate internal controls will be included in the completed system. Best practices show that it is 50 to 100 times more costly to make changes after a system is placed into production. During system development, OIG reviewed the eServices Registration, Delivery Unit Notification System, Facilities Database, and Vehicle Operation Information System. The OIG determined that there was insufficient planning and documentation; inadequate requirements definition; lack of end-user involvement throughout the process; incomplete test plans; inherent risks in the systems being overlooked or compromised; and a lack of validation testing.



The OIG conducts audits of information systems controls at Information Technology Accounting and Service Centers each year in support of the annual financial statement audit.

The OIG provided preliminary results on these systems to Postal Service management. As a result, postal management immediately suspended implementation of the eServices Registration and Delivery Unit Notification System until corrective actions could be made. Subsequently, Postal Service management terminated eServices Registration. Due to budget constraints, the Postal Service cancelled the Vehicle Operations Information System. Should the project be restarted, corrective actions will be taken to address the recommendations in the report. Management agreed with all recommendations in the Facilities Database and Delivery Unit Notification System reports and either has already or soon will take corrective actions to address those recommendations. (OIG-EM-AR-02-003, EM-AR-02-006, EM-AR-02-005, EM-AR-02-004)

OIG AUDITS RESULT IN POSTAL MANAGEMENT ISSUING MEMORANDUM TO ENSURE COMPLIANCE WITH INFORMATION TECHNOLOGY POLICIES

The OIG's systems development life cycle audits have identified instances of noncompliance with information technology policies and procedures. In particular, these audits focused on the lack of use of a standard systems development methodology. As a result of the OIG's work in this area, the Postal Service's Chief Operating Officer and Chief Financial Officer addressed a memorandum to all Postal Service officers encouraging compliance with postal information technology policy and procedures. The memorandum noted that in order to address the OIG's concerns, the Postal Service created an integrated solutions methodology and portal that provide a standard methodology and access to extensive information technology resources and services that support the systems development process. The memorandum also noted that each postal program manager is responsible for adhering to, monitoring, and enforcing all information technology policies.

eCOMMERCE REVIEWS

The Postal Service continues to provide customers with new online products and services to enhance customers' personal and busi-

ness lives. Some of the newer services available through the website USPS.com™ include MoversGuide™, new features under USPS eBillPay™, and NetPost™ Cardstore. In addition, the Postal Service continues to improve the performance and usability of its web presence to ensure secure access and the protection of customer privacy. eCommerce initiatives have been consolidated under the Products Development group, reporting to the Chief Marketing Officer. The reorganization will help the Postal Service focus on those initiatives supporting the core products and contribute to revenue.

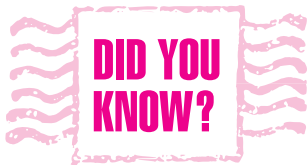
The OIG is committed to helping the Postal Service meet the eCommerce challenge. OIG efforts during this period focused on overlap of initiatives, return on investment, and privacy issues. Three of these efforts are highlighted below:

OVERLAP OF INITIATIVES RESULTS IN INEFFICIENT USE OF FUNDS

At the request of the Postmaster General, the OIG conducted a review to determine whether overlap existed between the Postal Service's five public key infrastructure initiatives. Public-key infrastructure is a system of hardware, software, policies, and people that protects electronic communications and transactions. The audit revealed that the Postal Service spent \$22 million on five independent public-key infrastructure initiatives that either overlapped in some areas or could significantly overlap as they proceeded. As a result, initiatives competed for scarce resources, funds were used inefficiently, and customers would potentially be confused. In addition, these initiatives did not have a single executive sponsor and were not well coordinated throughout the Postal Service. The OIG also reviewed legal matters such as fair play, control, ownership rights, and subcontracting, since several alliance agreements with private firms were pending at the time. The Postal Service agreed with five of the six recommendations and has initiatives in progress, completed, or planned addressing the issues. Postal management initially disagreed with the recommendation to develop a policy on investing in a private enterprise because they concluded it would be better



The OIG's systems development life cycle audits resulted in the Postal Service's Chief Operating Officer and Chief Financial Officer issuing a memorandum to all Postal Service officers encouraging compliance with postal information technology policy and procedures.



What is the Postal Service's Transformation Plan?

The Transformation Plan was created to explore ways that the Postal Service can change its business model to be successful in the 21st century and promote an efficient, reliable, and innovative delivery services sector that meets the diverse economic and social needs of the nation and all its citizens.



The Postal Service uses technology to handle more than 660 million pieces of mail every day. Pictured here is the Tray Management System, which is designed to automate the moving and staging of mail in processing and distribution centers.

to handle this on a case-by-case basis. However, further communication between the OIG and postal management resolved the issue. (OIG EM-AR-02-009)

SYSTEM NOT ECONOMICALLY JUSTIFIED OR EFFECTIVELY MANAGED

PostmarkAmerica.com was a website capable of accepting and processing Postal Service merchandise sales orders online. The OIG found that the system: was not economically justified; developed and maintained without adequate contract provisions; developed and operated without requiring the contractor to adhere to Postal Service policies; and did not have a migration plan to USPS.com. As a result, a positive investment may not be achieved, additional costs were incurred, work was performed outside the contract scope and with unauthorized contract commitments, and the risk of database compromise was increased. Management agreed with six of the eight recommendations in the report. However, management disagreed that the creation of PostmarkAmerica.com was outside the contract scope and developed with unauthorized contract commitments. The OIG met with Postal Service management, which agreed to issue a contract modification, and has updated policy and improved its contracting officer representative training program. Based on these actions, the OIG considers these issues resolved. (OIG EM-AR-02-008)

QUESTIONABLE METHODS USED TO GATHER USER INFORMATION

An OIG report, the second such report, disclosed that the Postal Service used questionable methods to gather website visitor information and that online data collected by third parties was not clearly identified as Postal Service property. As a result, the public could perceive that the Postal Service is trying to profile its website visitors even though this is not the intent and third parties may try to claim that the online data gathered through these methods belongs to them and not the Postal Service. Also, the Postal Service lacked assurance that a third party is not profiling Postal Service online data with other user data or selling Postal Service visitor information for marketing purposes.

Postal Service management generally agreed with the OIG's recommendations. As a result of these recommendations, and the OIG's prior audit, postal management undertook efforts to review all websites in addition to PostmarkAmerica.com. These efforts include removing the tracking device from PostmarkAmerica.com, updating policy and procurement clauses on privacy, agreeing to perform periodic reviews to identify improper tracking devices, and requesting the return of data gathered via the web from the third party. The Postal Service disagreed that the then-existing contracts put customers data at risk. Postal management did, however, implement OIG recommendations by adding additional security clauses to contracts to further protect the Postal Service interest. (OIG EM-AR-02-001)

COMPUTER INTRUSION INVESTIGATION ACTIVITIES

The OIG Computer Intrusion Team investigates criminal violations of state and federal laws enacted to protect the authenticity, privacy, integrity, and availability of electronically stored and transmitted information. Rapidly expanding eCommerce ventures make the protection of postal information systems critical to the financial viability of the Postal Service. Because such ventures involve connectivity between postal systems and eCommerce partners, the Computer Intrusion Team conducts investigations of attacks upon the security of those systems in order to maintain the integrity of eCommerce information. The team informs Postal Service management and eCommerce partners regarding emerging threats to information systems, and assists them in identifying and eliminating potential vulnerabilities. These efforts include assisting the Postal Service in developing security policies, information systems, and eCommerce procedures that conform to the best practices in industry and government. During this reporting period, the OIG has completed a number of investigations and provided technical assistance to the Postal Service. Some of these efforts are highlighted below.

POSTAL CONTRACTOR ENGAGED IN COMPUTER HACKING

After receiving information from Postal

Service management, an OIG investigation established that a postal contractor engaged in computer hacking from postal computers. The misuse was directed at sensitive postal computer systems and at commercial computer systems outside the Postal Service. The exploits had the potential to compromise the authenticity, privacy, integrity, and availability of electronically stored and transmitted information within sensitive postal systems and targeted non-postal systems. These actions could have undermined public confidence in the security of postal information systems and could have subjected the Postal Service to civil liability for damage to the targeted non-postal systems. As soon as the OIG notified Postal Service management, the contractor resigned in lieu of termination.

OIG COMPUTER SECURITY AWARENESS BRIEFINGS

During this reporting period, the Computer Intrusion Unit conducted 23 briefings attended by 568 individuals at postal and law enforcement facilities throughout the United States. These briefings provide an overview of the Computer Intrusion Unit's investigative program, capabilities, and services. They also provide a platform to exchange common security information facing the Postal Service network.

4,000 PORNOGRAPHIC IMAGES DISCOVERED ON A POSTAL SERVICE COMPUTER

As a result of an OIG investigation of computer misuse, identified by postal management, a Postal Service employee resigned in lieu of termination after 4,000 pornographic images were found on the employee's postal computer. The employee, who was assigned to an Information Technology Service Center, was identified as a result of the OIG's periodic review of postal computer network firewall logs.

OIG PARTICIPATES IN CYBER INTERAGENCY WORKING GROUP

An employee of the OIG Computer Intrusion Unit is working on the Cyber Interagency Working Group chartered by the President's Critical Infrastructure Protection Board. The working group was formed to coordinate government and industry efforts to prevent potential cyber threats to America's

critical infrastructure. OIG participation provides access to the best available information regarding cyber threats that could potentially degrade postal operations. Further, OIG involvement fosters a close working relationship among other organizations with similar missions.

LEGISLATIVE, REGULATORY & POLICY REVIEWS

During this reporting period, the OIG identified legislation, regulations, and policies affecting Postal Service technology. Some of the legislation and regulations reviewed are below.

PROPOSED LEGISLATION

H.R. 3482 — Cyber Security Enhancement Act of 2001

This bill would require the United States Sentencing Commission to amend federal sentencing guidelines and to reflect the serious impact computer-related fraud has on individuals and the general public. The legislation aims to toughen the sentencing guidelines to provide greater deterrence for those who commit computer-related fraud. The legislation also provides electronic communication providers with authorization to divulge the content of electronic information and records associated with it to a governmental entity if the provider in good faith believes an emergency involving possible death or serious physical injury exists.

The OIG is continually involved with efforts to detect and prevent computer intrusion and computer-related fraud involving Postal Service computer systems. The law needs to reflect the serious consequences that can result from the activities of unauthorized and criminal computer system users.



The OIG's Computer Intrusion Unit detects and investigates computer hacking and other high-technology crimes involving Postal Service computers and telecommunications systems.

This legislation will help focus the U.S. Sentencing Commission on the need to strengthen the government's authority in prosecuting computer fraud and seriously punishing those who engage in it.



INSPECTION SERVICE

The Inspection Service plays an important role in the support of Postal Service eCommerce initiatives and technical applications. The Inspection Service evaluates the need for and processes security clearances of employees and contractors accessing postal systems or sensitive information. The Inspection Service also evaluates all Postal Service new electronic products, including: eBillPay™, NetPost™ Mailing Online, and NetPost™ Certified, and enterprise public key infrastructure. The Inspection Service also monitors and reviews the physical security of individual systems before and after implementation.



Postal Inspectors collect evidence during an investigation.



Labor Management Reviews



OFFICE OF INSPECTOR GENERAL

- Workplace Environment Reviews
- Human Resource Process Reviews
- Health Care Reviews
- Legislative, Regulatory & Policy Reviews

INSPECTION SERVICE



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

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

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

OFFICE OF INSPECTOR GENERAL

The Postal Service has characterized labor management as one of the most important challenges in achieving its mission in the 21st century. A key Postal Service goal in the labor management area is to foster an inclusive, welcoming, and productive workplace consistent with its values of fairness, opportunity, safety, and security. With more than 860,000 full and part-time employees working at more than 38,000 facilities nationwide, the Postal Service realizes that to operate effectively in a rapidly changing environment, it needs to give employee issues a higher priority and to enhance each employee's contribution to organizational performance. Additionally, in light of terrorist attacks, including attacks involving the transport of anthrax through the mail, the Postal Service must take precautions to ensure the safety and well being of its employees.

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 includes workplace environment, human resources, and health care. While the OIG has worked diligently with the Postal Service and Congress to address these concerns, reviewing labor management areas continues to be one of the OIG's greatest challenges. In this regard, the OIG has received over 3,680 individual labor management complaints since 1997. During this reporting period, the OIG completed 46

reviews and seven investigations identifying opportunities to save \$3 million during current and future years in the labor management area.

WORKPLACE ENVIRONMENT REVIEWS

The Postal Service has identified signs of workplace stress in many of its facilities and is developing comprehensive steps to improve the workplace environment, including improving relations between managers and employees, and aligning human resources with business requirements. During this reporting period, Postal Service efforts focused primarily on safeguarding the public, postal employees, facilities, and the mail from the anthrax biohazard threat. The OIG completed reviews to assist the Postal Service with these efforts, which are highlighted in the Responding To Terrorism section of this report. While reviews indicate problems at individual locations, they are not necessarily indicative of the nationwide Postal Service work environment.

HUMAN RESOURCE PROCESS REVIEWS

Postal Service managers are responsible for preserving and protecting official records and privacy information. In addition, managers must avoid conflicts of interest, which could affect both the public's trust and confidence in Postal Service human resource processes. Postal Service managers are also responsible for complying with existing policies and procedures regarding sexual harassment, overtime, leave, compensation and benefits, and training. The OIG conducted the following audits and investigation to assess controls over these processes:

ALTERNATE FUNDING METHOD NEEDED FOR PAY FOR PERFORMANCE PROGRAM

An OIG review revealed that the use of the economic value-added concept was not an appropriate methodology to fund the Postal Service's Pay for Performance program. Specifically, the concept was created for profit-making entities and did not fit the Postal Service's break-even operating environment. An inflation adjustment increased revenue by over \$4 billion, which caused program participants to earn \$805 million in incentive awards for FYs 1998 through 2000. Without this adjust-

ment, the profits were not sufficient to generate funding for incentive awards. The audit received national attention and was covered on the ABC World News television program. Postal management disagreed with the OIG's analysis, but agreed to establish an alternative method for funding the Pay for Performance Program. (OIG LH-AR-02-001)

SEXUAL HARASSMENT PREVENTION EFFORTS IN THE DISTRICT OF MAINE NEEDED IMPROVEMENT

An OIG audit of the District of Maine found that its managers did not always comply with sexual harassment prevention policies and procedures, even though they were adequate. Specifically, sexual harassment training and investigations were not always properly documented and preventive measures were not enforced when findings were inconclusive regarding responsible officials in sexual harassment cases. Also, some managers involved in sexual harassment cases received incentive pay under the Postal Service's Pay for Performance program. The OIG audit concluded that full compliance with policies and procedures might have allowed resolution of more sexual harassment complaints before they became formal. Postal Service management agreed to ensure that sexual harassment awareness training is provided and documented for all employees; conduct prompt investigations that are documented; and consider excluding employees disciplined for sexual harassment from the Pay for Performance Program. (OIG LH-AR-02-002)

ADMINISTRATIVE LEAVE COSTS REDUCED BY ABOUT \$3 MILLION

An OIG follow-up report commended the Postal Service for taking quick and responsive actions to advise all postal area vice presidents of findings in a prior report that presented results of one area's management of administrative leave. The vice presidents were directed to implement recommendations as appropriate in their own areas. These actions led to an estimated \$3 million reduction in administrative leave costs for calendar year 2001. (OIG LH-MA-02-001)

HEALTH CARE REVIEWS

In FY 2001, the Postal Service paid over

\$730 million for employee injury claims, a \$60 million increase over the \$670 million paid in FY 2000. Controlling injury claim costs continues to be key to the Postal Service's financial well being because the Postal Service pays for workers' compensation costs out of operating funds, which directly affect the Postal Service's net income.

The OIG assists in protecting the health and welfare of the Postal Service's workforce by conducting audits and investigations to prevent and detect fraud, waste, abuse, and mismanagement related to Postal Service health care program costs. In addition, involvement in health care fraud investigations is vital to controlling costs related to Postal Service health care premiums. Furthermore, to enhance investigative efforts, the OIG will be partnering with the Department of Labor Office of Inspector General to conduct joint reviews of the workers' compensation program.

The OIG investigates allegations of fraud involving health care providers who are paid by, or on behalf of, the Postal Service for medical services rendered to Postal Service employees related to:

- ◆ **Federal Employees' Compensation Act.** This act is administered by the Department of Labor with costs charged back to the Postal Service.
- ◆ **Postal Service-Contracted Doctors and Facilities.** Approximately 1,500 physicians and facilities are contracted and paid directly by the Postal Service to provide medical services to its employees.
- ◆ **Federal Employees Health Benefits Program.** The Postal Service pays a portion of approximately 860,000 employees' insurance premiums, which is a direct expenditure for the Postal Service. Under the program, the Postal Service pays 80 percent of all employee health care premiums.

In the past 6 months the OIG completed seven investigations in this area. These investigations identified improper billing practices, such as false claims and false statements by health care providers. The OIG's health care fraud investigations have resulted in 14 arrests, 13 indictments, and 12 convictions. These activities are highlighted below:



In response to an OIG audit, the Postal Service took prompt action to improve its injury compensation program.



Agents from the OIG and other law enforcement agencies conduct an arrest during a health care fraud investigation.



An OIG press release highlights a successful health care fraud investigation.

- ◆ The OIG assisted in identifying almost \$60,000 in Postal Service duplicate billings and payments for approximately 18 Postal Service employees who were treated at medical clinics operated by physicians. Specifically, a multi-agency undercover operation, headed by the Federal Bureau of Investigation, led to the Department of Labor debaring six physicians from providing services under the Office of Workers' Compensation Program. The physicians were previously convicted in U.S. District Court on charges relating to health care fraud. The health care fraud scheme also involved billings for non-existent, or "ghost" workers.
- ◆ An OIG investigation led to the Department of Labor removing two doctors from the list of physicians available to provide second opinions for injured Postal Service employees. These physicians were suspected of possible fraudulent billing practices under the Office of Workers' Compensation Program. The investigation disclosed the physicians were almost exclusively used when second opinions were required in workers' compensation cases, and the cases they handled generally resulted in permanent restrictions for the injured workers. The physicians tended to give evaluations that were contrary to the evaluations provided by the doctors who originally evaluated the injured employees.
- ◆ Five physicians and one office manager were charged with various crimes relating to a conspiracy to bill over \$5 million in fraudulent medical claims to various health insurance companies and patients. Three of the physicians pled guilty; one was sentenced to 60 months imprisonment, 3 years supervised release, and was ordered to pay restitution of more than \$2.7 million and an assessment fee to the U.S. District Court. Another physician was sentenced to 18 months imprisonment and ordered to pay a fine of \$250,000.
- ◆ A joint investigation resulted in an administrative recovery of more than \$800,000 from a medical clinic in Utah. The recovery resulted from an investigation conducted by the OIG, Health and Human Services, Defense Criminal Investigative Service, and the State of Utah Bureau of Insurance. This joint investigation was initiated based on a self-initiated effort to identify medical providers suspected of defrauding Postal Service employees and the insurance programs offered under the Federal Employee Health Benefits Program.
- ◆ As a result of a joint OIG investigation with the Defense Criminal Investigative Service and the Florida Department of Insurance Fraud, an individual was found guilty of 39 counts of grand theft, 39 counts of insurance fraud, one count of organized scheme to defraud, and one count of violation of probation. This individual was sentenced to 13 years in a Florida state prison for using a network of shell corporations to fraudulently bill more than \$400,000 to a health insurance company participating in the Federal Employees Health Benefits Program.
- ◆ A joint OIG investigation with the Federal Bureau of Investigation and the Defense Criminal Investigative Service led to a federal criminal jury finding a Kansas physician guilty of 33 counts of health care fraud, 7 counts of mail fraud, and 3 counts of perjury. The physician submitted false medical claims to government-funded insurance programs, which included billing a Postal Service employee's insurance provider for two unnecessary surgeries.
- ◆ A joint investigation conducted by the OIG, the Defense Criminal Investigative Service, and the Florida Department of Insurance Fraud led to six individuals being indicted for involvement in a fraudulent health care billing scheme. The scheme involved submitting fraudulent health insurance claims by fictitious medical providers to health insurance companies nationwide. All of the individuals entered into pre-trial diversion agreements and were given probation. Three of the six were also ordered to pay restitution to the Federal Employees Health Benefits Program and other insurance companies.
- ◆ An OIG investigation led to an individual receiving 8 years probation and pay-

ing \$24,000 in restitution to Federal Employees Health Benefits Program and other insurance companies for involvement in a health care fraud scheme. The individual was found to have cashed checks made out to a shell company used to bill insurance companies for services not rendered. The investigation was initiated based on fraudulent postal medical claims submitted by fictitious medical providers.

LEGISLATIVE, REGULATORY & POLICY REVIEWS

During this reporting period, the OIG identified and reviewed legislation, regulations, and policies affecting Postal Service labor management. Two legislative proposals reviewed during this period are highlighted below.

PROPOSED LEGISLATION

Whistleblower Legislation

H.R. 169 — Notification and Federal Employee Anti-discrimination and Retaliation Act of 2001; and H.R. 3806 — Paul Revere Freedom to Warn Act

H.R. 169 would require federal agencies to be held accountable for violations of anti-discrimination and whistleblower protection laws and post quarterly, on their public websites, certain statistical data relating to federal sector Equal Employment Opportunity complaints filed with their agencies. The legislation specifically mentions the Postal Service in its definition of applicable federal agencies.

Federal agencies would have to pay for any discrimination or whistleblower judgments, awards, and settlements out of funds otherwise appropriated to them. Federal agencies would be required to provide notification of and training in employee rights under the Whistleblower Protection Act and the anti-discrimination statutes. The agency's semiannual reports to Congress, the Equal Employment Opportunity Commission, and the Attorney General will be required to cite the number of anti-discrimination and whistleblower cases filed, their status, the amount of money spent on the case, the number of employees disciplined for discrimination, harassment, or retaliation. The report

must also state the policies implemented to discipline employees who run afoul of anti-discrimination and whistleblower policies and the number of employees who are disciplined in accordance with these policies. Agencies would have to post on their websites certain summary data about the anti-discrimination and whistleblower cases filed against them, including the number of complaints filed, processing time, and those resulting in findings of violations.

H.R. 3806 provides for a cause of action against the United States government for federal employees who are retaliated against for whistleblowing activities. It states that any person who is aggrieved by a violation of the Whistleblower Act could bring a civil action, and would be entitled to a jury trial, in federal district court within three years from the date of such violation, against any person, organization, or employer responsible for the violation. The person would also be entitled to lost wages and benefits, reinstatement, costs and attorney fees, compensatory or punitive damages, and equitable, injunctive, or any other relief that the court considers appropriate.

While the OIG strongly supports statutes to protect employees from discrimination and retaliation for reporting misconduct, fraud, waste, and abuse, the OIG does have some concerns with these bills.

The OIG believes the extensive reporting requirements of H.R. 169 could result in a costly regulatory burden. Requiring federal agencies to incur the costs imposed by the outcome of discrimination and whistleblower lawsuits would seem incentive enough for agencies to take steps to comply with the applicable statutes.

In addition, the Postal Service is currently exempted from the Whistleblower Protection Act. After discussions with the Inspector General, the former Postmaster General directed the Postal Service in May 2001 to immediately strengthen existing whistleblower protection to ensure postal employees have protection similar to other federal employees under the Whistleblower Protection Act. The OIG is concerned that a Postal Service working group has not yet implemented the May 2001 directions but have been assured by the Postal Service that it will develop draft procedures by early May 2002. To this end, the working



The OIG seized this vehicle during a health care fraud investigation.

group is developing procedures that will provide for the investigation of reprisal complaints and use of an independent hearing officer if the parties cannot resolve the complaint. In the absence of statutory applicability, the OIG will continue to push the Postal Service to extend to its employees similar protections afforded other federal employees under the Whistleblower Protection Act.



INSPECTION SERVICE

Postal Inspectors investigate a number of labor management areas, including workplace safety, workers' compensation, postal robberies, and drugs in the workplace.

The Inspection Service regards the prevention of robberies as one of its highest organizational priorities and affords task force attention to facility, letter carrier, and other postal robberies to deter these attacks on employees. Letter 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. Postal Inspectors investigate the possession, personal use, and sale of narcotics by Postal Service employees or others while on postal property. Postal Inspectors also partner with Postal Service management and employee groups in early interventions and other efforts to prevent violence in the workplace. During this period, there were 146 arrests and 121 convictions for assaults and threats, and 44 arrests and 37 convictions related to robberies. In addition, 12 individuals were arrested and 8 convicted for the sale of drugs on postal property.

The Inspection Service investigates fraudulent claims and receipt of workers' compensation benefits by individual employees. Prosecution of workers' compensation fraud serves as a deterrent and prevents future benefit payments from being made to violators. During this period, 19 individuals were arrested and 20 were convicted for workers' compensation fraud. Examples of workers' compensation fraud cases worked by the Inspection Service are highlighted below:

◆ A former California mail handler was sentenced after pleading guilty to mail fraud for claiming a disability was caused by hernias suffered during a 90-day casual appointment with the Postal Service. The investigation revealed that the employee actively had a real estate business, worked construction, and was a piano teacher, while claiming to be totally disabled. The employee failed to report these employment activities or the ability to work to the Department of Labor, as required. As a result, the employee was sentenced to 5 years

probation, ordered to pay over \$15,000 in restitution. Additionally, an overpayment of over \$24,000 was declared by the Department of Labor.

◆ A former Ohio letter carrier was sentenced to 8 months incarceration, ordered to pay over \$72,500 in restitution for making false statements to obtain federal employees workers' compensation benefits. In 1995, the former carrier claimed a traumatic injury to the right elbow, shoulder, and hip. The carrier supposedly had been totally disabled since 1996 suffering from frozen shoulder syndrome. The Inspection Service investigation revealed that the claimant was employed at various department stores, graduated from modeling school, and was extremely active in modeling competitions. The carrier also performed vigorous gardening and lawn care activities and was observed pulling a lawn mower starter cord 76 times in an attempt to get it to work. Additional observations following a doctor's visit, during which the carrier claimed constant pain, revealed that the claimant immediately left and spent the day at an amusement park. The claimant's physician subsequently advised that the claimant's true physical abilities were fraudulently misrepresented.

◆ A former Illinois clerk was sentenced to 1 year imprisonment and 3 years supervised release for making false statements to obtain federal employees workers' compensation benefits. In 1978, the former clerk claimed a neck and shoulder injury, and was subsequently placed on the long-term rolls by the Department of Labor. The clerk claimed total disability for the past 23 years. The Inspection Service investigation, which was conducted over a period of several years, revealed that the claimant was able to easily perform many of the activities that were reported as physically impossible under the claim. In addition to incarceration, the former clerk was ordered to pay over \$82,700 in restitution. The investigation resulted in future cost savings to the Postal Service of more than \$682,000.



The Inspection Service regards workplace safety as one of its highest priorities.

C H R I S T M A S



L. Costa Philadelphia Museum of Art
2001

Oversight of the Inspection Service and Other Significant Activities



OFFICE OF INSPECTOR GENERAL

- Oversight Reviews
- Other Significant Activities
- Legislative, Regulatory & Policy Reviews

INSPECTION SERVICE



Did You Know?

One of the primary reasons the OIG was established was to provide oversight of all Inspection Service activities. The 1996 amendment to the Inspector General Act provided specific “oversight responsibility for all activities, including any internal investigations, performed by the Inspection Service.” This means that any and all activities of the Inspection Service are subject to the OIG’s scrutiny and review.

This section highlights audits, reviews, and investigations performed by the OIG in conducting its oversight of the Inspection Service. This section also highlights reviews and investigations performed by the OIG and summarizes Inspection Service activities in other significant areas. Report numbers are shown in parentheses after the narrative, as appropriate. In order to differentiate the work reported by the OIG and Inspection Service, the page containing the activities reported by the Inspection Service has been color-screened. The OIG legislative, regulatory, and policy reviews are included at the end of this section.

OFFICE OF INSPECTOR GENERAL

OVERSIGHT REVIEWS

One of the primary reasons the OIG was established within the Postal Service was to provide oversight of all Inspection Service activities. The Inspector General Act, as amended, provides for the OIG to conduct, supervise, coordinate, and provide policy direction for audits and investigations relating to the programs and operations of the Postal Service, including the Inspection Service. In addition, the 1996 amendment to the Inspector General Act provided specific “oversight responsibility for all activities of the Inspection Service, including any internal investigations performed by the Inspection Service.” This additional authority means that any and all activities of the Inspection Service are subject to the OIG’s scrutiny and review, except as it may be limited by the Governors, for specific reasons and with notification to Congress.

The OIG provides independent and objective information and analyses to the Governors, Congress, and postal management regarding Inspection Service operations. As a law enforcement agency, it is essential that the Inspection Service be held to the highest standards of conduct to maintain the public’s trust and the Postal Service’s reputation of reliability. In addi-

tion, the OIG keeps the Governors, Congress, and postal stakeholders fully informed of Postal Service law enforcement efforts to detect and prevent fraud, waste, abuse, and mismanagement by reporting the activities of the OIG and the Inspection Service in these areas.

During the last 6 months, the OIG completed several oversight reviews, as well as numerous monitoring activities, some of which are highlighted below.

INSPECTION SERVICE EXECUTIVE AWARDS NOT IMPLEMENTED AS APPROVED

In 1998, the Board of Governors approved an executive awards program for the Inspection Service based on a 1996 law that required Inspection Service pay and benefits to be comparable with other federal law enforcement agencies. The Governors approved a program in which the awards pool was capped at 3 percent of total executive salaries and awards were to be based on individual achievements.

An audit of the Inspection Service’s executive awards program found that the Inspection Service gave awards, ranging up to \$20,000, to 100 percent of its eligible executives during FYs 1999 and 2000, compared to only 38 percent of executives given awards at other federal law enforcement agencies. Awards were also given to individuals who had retired before the end of the evaluation period. The Inspection Service supported each award with identical justifications that did not identify individual accomplishments, as required by the Board of Governors. In addition, the Inspection Service did not establish a performance review board to ensure that awards were based on superior achievements.

The OIG recommended that management modify its executive awards program to make it comparable with the programs of other federal law enforcement agencies. Management disagreed with the recommendation, stating that Title 39 of the United States Code grants the Inspection Service latitude in the design and implementation of its program. Management also stated that implementing the recommendation would reduce the program’s effectiveness by limiting their ability to drive organizational performance. The OIG believes that the current program could subject the Postal Service and

Inspection Service to potential criticism and the appearance of fiscal irresponsibility. The OIG is pursuing this disagreement through the audit resolution process. (OIG OV-AR-02-001)

INSPECTION SERVICE EVIDENCE HANDLING GENERALLY EFFECTIVE

An OIG audit revealed that the Inspection Service effectively safeguarded collected evidence, but could improve its practices for maintaining, controlling, and disposing of evidence. Although areas for improvements were noted, the OIG did not find any instances in which the integrity of evidence reviewed was jeopardized. The review found weaknesses in the transfer of evidence; tagging and sealing of evidence; documentation of evidence in inventory logs and reports, and on attached tags and labels; and lack of documentation regarding currency verification forms. Additionally, the OIG could not determine whether all high-value evidence was properly disposed of because supporting documentation in case files was sometimes missing, inaccurate, or incomplete. Inspection Service management agreed to provide periodic refresher training on evidence procedures, and to strengthen management oversight related to evidence handling and disposal. (OIG OV-AR-02-002)

INSPECTION SERVICE ISSUES CRITICAL NETWORK SECURITY CLEARANCE TO CONTRACTOR PREVIOUSLY CONVICTED OF A FELONY

After receiving information from Postal Service management, an OIG investigation revealed that the Inspection Service granted a sensitive security clearance to a contractor, despite having learned from the Office of Personnel Management that the contractor had a prior federal felony conviction for unlawful receipt of pornographic images of children. Further, the Inspection Service granted an interim clearance that allowed the contractor to begin working for the Postal Service even though the contractor admitted to having been fired from two previous jobs.

Postal policy generally prohibits the issuance of sensitive security clearances to individuals convicted of felonies. Therefore, the

contractor should not have been hired for a sensitive network security position. The Inspection Service did not provide a sufficient explanation of how this incident occurred. As a result, the OIG will be conducting a review of Inspection Service security clearances.

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 complaints regarding the Inspection Service. 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 and reduce the public's confidence in the Postal Service. Over the past 6 months, the OIG closed 16 Congressional and 19 Hotline inquiries related to the Inspection Service. The inquiries resulted from complaints made by Postal Service and Inspection Service employees, and the general public concerning a variety of issues, including adequacy and selection of investigations. Examples of Congressional and Hotline inquiries are highlighted below.

- ◆ The OIG reviewed an allegation that an Inspection Service investigation into mail and paycheck tampering, forgery, and obstruction of justice was inadequate. The OIG reviewed the previous investigation conducted by the Inspection Service, as well as additional information provided by the complainant. The investigation found no evidence to substantiate the allegation, and the Inspection Service's previous investigation was deemed appropriate.
- ◆ An OIG review found no basis for a Hotline allegation that a postal manager conducted inappropriate private business ventures during duty hours at a Postal Service facility. The complainant alleged that a postal manager was operating a personal business venture within a federal agency and employees were being solicited to participate in this private business while on the clock. Documentation provided by the com-



and mismanagement. During this reporting period, the OIG completed 19 investigative efforts and reviews of other significant issues related to Postal Service operations, some of which are highlighted in the margin to the left.

POSTAL EXECUTIVE ACCEPTS CONSULTING FEE FROM A POSTAL SERVICE CONTRACTOR

An OIG investigation revealed that, prior to contract bidding, a postal executive received consulting fees of \$1,200 per day from a Postal Service contractor. The investigation determined that some of the information provided by the executive pertained to a contract yet to be awarded. Further, during the same time frame, the executive conducted discussions with the contractor concerning potential full-time employment after the issuance of the contract. The executive was placed on administrative leave pending possible removal from the Postal Service.

POSTAL EXECUTIVE RECEIVED OVER \$15,000 IN RELOCATION BENEFITS FOR A MOVE HE DID NOT MAKE

An OIG investigation determined that the Postal Service authorized relocation benefits to a postal executive concerning his official change in duty station to another city. The executive subsequently did not relocate, despite executing a Postal Service relocation agreement and receiving reimbursement for relocation expenses of over \$15,000. The postal executive admitted to OIG investigators that there were irregularities in the failure to relocate, but that several personal and professional events caused the executive to remain in the area. The Postal Service reduced the executive's pay grade and salary.

EXECUTIVE REASSIGNED FOR SEXUAL HARASSMENT

As previously reported in the September 30, 2001, Semiannual Report to Congress, the OIG completed an investigation into allegations of misconduct by a senior Postal Service executive. It was alleged that the executive made comments containing sexual overtones and innuendoes towards several subordinate employees. As last reported, the OIG was awaiting Postal Service management's

plainant was reviewed, and Inspection Service officials were interviewed regarding the allegations. The OIG investigation revealed that the Inspection Service actively investigated this matter on three separate occasions, but was unable to substantiate the claims.

- ◆ An OIG review did not substantiate a Hotline allegation that the Inspection Service did not properly investigate a mail fraud complaint. The complainant reportedly provided a postal money order in the amount of \$225, via U.S. mail, to a company for a product seen on the Internet. The complainant allegedly never received the product or money order back. The OIG investigation determined that the Inspection Service's action to refer the matter to the Consumer Protection Office was appropriate.

INSPECTION SERVICE INTERNAL INVESTIGATIONS

The OIG conducts investigations of misconduct by senior Inspection Service personnel, and monitors the conduct of internal investigations of other Inspection Service employees. These investigations are conducted when allegations of employee misconduct affect the performance of duties or when managers have information of employee misconduct.

The OIG receives information regarding Inspection Service internal investigations, including conclusions reached and recommended actions. Inspection Service internal investigations for this period included allegations of sexual misconduct, physical assault, and obstructing an internal investigation. The chart on the left summarizes the internal investigations conducted by the Inspection Service, the types of allegations reviewed, and the types of actions taken on closed investigations during this reporting period.

OTHER SIGNIFICANT ACTIVITIES

The OIG is responsible for reviewing allegations involving senior-level Postal Service executives for criminal violations and misconduct, including retaliation against individuals who have previously provided the OIG with information about possible fraud, waste, abuse,

INTERNAL INVESTIGATIONS CONDUCTED

	NUMBER OF INVESTIGATIONS
Active Investigations at Beginning of Period	51
Investigations Opened	22
Investigations Closed	14
Active Investigations at End of Period	59

SUMMARY OF CLOSED INTERNAL INVESTIGATION ALLEGATIONS

TYPES OF ALLEGATIONS	NUMBER OF CASES CLOSED
Code of Conduct (violations involving evidence, funds, firearms)	
Inspectors	3
Postal Police	1
Support Personnel	0
Code of Conduct (violations involving integrity, property, conduct, behavior)	
Inspectors	5
Postal Police	1
Support Personnel	2
Other	2

ACTIONS TAKEN ON CLOSED INTERNAL INVESTIGATIONS

DISCIPLINARY ACTIONS	FREQUENCY
Non-bargaining – adverse	
Removal/Resignation	3
Suspensions >14 days	1
Non-bargaining – non-adverse	
Letter of Warning	0
Letter of Warning in lieu of time-off suspensions	0
Official Counseling	2
Bargaining (per collective bargaining agreements) – adverse	
Removal/Resignation	1
Suspensions >14 days	0
Bargaining (per collective bargaining agreements) – non-adverse	
Letter of Warning	1
Letter of Warning in lieu of time-off suspensions	0
Official Counseling	0

response. During the current reporting period, postal management took corrective actions. Specifically, the Postal Service executive was reassigned to a district office and received a significant reduction in pay grade level.

LEGISLATIVE, REGULATORY & POLICY REVIEWS

In order to fulfill the OIG's obligations under Section 4 of the Inspector General Act, in addition to statutory oversight responsibility, the OIG is required to review existing and proposed legislation, regulations, and policies, and make associated recommendations to improve the economy and efficiency of both the Postal Service and the Inspection Service.

Accordingly, the OIG has requested that the Inspection Service immediately begin referring all legislative initiatives, regulatory proposals, new policies, and policy changes to the OIG for review and comment prior to their publication or transmittal to Congress or other external organizations. The OIG has pledged to work with the Inspection Service to ensure the referral and review process operates in a timely and efficient manner, without impeding the OIG's statutory mandate.

The OIG has addressed this issue with the Inspection Service on several occasions, but to date, no progress has been made in establishing a referral and review process. The OIG believes that the authority granted under the Inspector General Act provides an unequivocal mandate from Congress to oversee all activities of the Inspection Service. This specific oversight authority is in addition to the general oversight authority provided to all Inspectors General under other provisions of the Inspector General Act. The OIG will continue to work with the Inspection Service during the next reporting period to resolve this issue.

During this reporting period, the OIG identified legislation, regulations, and policies affecting Postal Service law enforcement. Legislative, regulatory and policy reviewed during this period are highlighted below.

ENACTED LEGISLATION

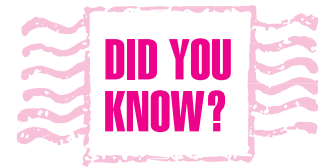
Public Law No: 107-56 — Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001

(USA Patriot Act)

Among other matters, this law amends the federal criminal code to expand search and seizure authority for federal law enforcement officers, particularly with regard to the interception of many forms of electronic communication. Among other changes, the law will:

- ◆ Authorize the interception of wire, oral, and electronic communications for the production of evidence of specified chemical weapons or terrorism offenses and computer fraud and abuse;
- ◆ Permit the seizure of voice-mail messages with a warrant;
- ◆ Expand the scope of subpoenas for records of electronic communications to include the length and types of service utilized, temporarily assigned network addresses, and the means and source of payment (including any credit card or bank account numbers);
- ◆ Permit electronic communication and remote computing service providers to make emergency disclosures to a governmental entity of customer electronic communications to protect life and limb;
- ◆ Require legal and procedural safeguards for the use of certain electronic monitoring devices to protect public privacy;
- ◆ Make it lawful to intercept the wire or electronic communication of a computer trespasser in certain circumstances;
- ◆ Permit federal magistrate judges in any district in which terrorism-related activities may have occurred to issue search warrants for searches within or outside the district; and,
- ◆ Provide for nationwide service of search warrants for electronic evidence.

The law also provides for administrative discipline of federal officers or employees who violate prohibitions against unauthorized disclosures of protected information in addition to civil actions against the United States for damages by any person aggrieved by such violations. This provision requires the agency to make prompt inquiry as to whether a disciplinary action is warranted in circumstances that raise serious questions about whether an officer or employee willfully or intentionally violated the



Who controls the Office of Inspector General's documents and information?

The Office of Inspector General is independent of postal management and maintains its own records. Requests for information under the Freedom of Information Act (FOIA) or the Privacy Act are directed to the OIG FOIA Officer, who independently assesses whether any documents will be released.

Act. If the agency determines that discipline is not warranted, it must notify the Attorney General and provide justification for its decision.

The OIG believes that the USA Patriot Act will greatly assist law enforcement efforts of the OIG and Inspection Service. However, the OIG will also ensure that both it and the Inspection Service exercise this expanded authority appropriately and with due consideration to the rights of suspects and third parties.

Code of Federal Regulations Revision

Working in close cooperation with the Postal Service Law Department, the OIG amended the Code of Federal Regulations to reflect the role the Inspector General plays in the audit, investigative, and oversight activity of the Postal Service. This is the first comprehensive revision of the Postal Service Inspector General regulations since the independent postal Inspector General came into existence in 1997.

Outdated references in Title 39 of the Code of Federal Regulations citing the Inspection Service as the party responsible for a variety of audit and oversight duties were updated to show the OIG as the responsible party. Incorrect references to the Inspection Service and the Chief Postal Inspector, which should cite the Inspector General, have been revised. A new part has been added regarding the creation of OIG and the ensuing roles and responsibilities of the OIG and the Postal Service.

The changes reflect the results of meetings held over the past few years with the Inspection Service that led to a mutually agreed-upon Designation of Functions. It was the intent of these revisions to reflect the current working relationship the OIG has with the Inspection Service and that both organizations have with the Postal Service.

PROPOSED LEGISLATION

S. 1666 — Antiterrorist Hoax and False Report Act of 2001

This bill would make it a crime to knowingly and maliciously impart, convey, or communicate false or fraudulent information concerning the use of biological or chemical

weapons, nuclear materials, or weapons of mass destruction that would likely cause a response by a federal, state, or local government agency. This legislation would deal with circumstances such as individuals who mail otherwise benign powder for the purpose of perpetrating an anthrax scare.

The legislation also directs the court to order restitution to all victims of such an offense, including for any losses suffered as a proximate result; and the defendant to reimburse all federal, state, and local government entities for any expenses incurred in response to protect public health or safety.

The Postal Service has spent a considerable amount of resources investigating and arresting perpetrators of hoaxes who use the mail. The OIG believes this legislation could be a strong deterrent to those who would perpetrate such hoaxes and believes that it will assist the Inspection Service in dealing with such offenders.

H.R. 3129 — Customs Border Security Act of 2001

This bill contains similar measures as in H.R. 3004, the Financial Anti-Terrorism Act of 2001, and S. 1209, the Trade Adjustment Assistance for Workers, Farmers, Communities, and Firms Act of 2001. It contains provisions that would authorize the U.S. Customs Service and other appropriate agencies to apply the customs laws of the United States to the importation and exportation of mail shipments by the Postal Service and private companies. This legislation would allow U.S. Customs Service officers to search and seize U.S. international mail at the border.

The OIG is concerned about the impact legislation may have on the privacy rights of U.S. citizens, and on the operation and marketability of Postal Service's international delivery services.

H.R. 365 — Enhanced Border Security and Visa Entry Reform Act of 2002

This legislation calls upon federal law enforcement agencies (the Postal Inspection Service is listed as one) to share information with the Immigration and Naturalization Service and the State Department that would be of assistance in determining whether to issue



visas to aliens. Federal law enforcement agencies and the intelligence community will be required, to the maximum extent practicable, to share any information with the Department of State and the Immigration and Naturalization Service relevant to the admissibility and deportability of aliens.

This provision of the bill will be useful in dealing with people who may seek to enter the United States for illicit purposes. The OIG and the Inspection Service have cooperated with other federal law enforcement authorities in rooting out those engaged in antiterrorist activities. This legislation, if passed, will help law enforcement authorities identify and deny visa status to those who do not have a legitimate purpose for coming to the United States.



INSPECTION SERVICE

The Inspection Service conducts investigations and reviews of significant issues related to: physical security; narcotics offenses and trafficking; child exploitation; prohibited mailings; postal burglaries; mail fraud including fraud against consumers, businesses, and government; and money laundering. The

Inspection Service considers investigations of biohazardous material sent through the U.S. mail among its highest priorities. The Inspection Service also devotes significant resources to prevent crimes by conducting employee and customer awareness training programs and implementing security measures. The following chart provides the activity during this reporting period.

TYPE OF INVESTIGATION	ARRESTS	CONVICTIONS*
Mailing of Controlled Substances Includes narcotics, steroids, drug-related proceeds, and drug paraphernalia	615	624
Bombs, Threats, Hoaxes, and Explosive Devices	18	22
Child Exploitation, Mailing of Obscene Matter, and Sexually Oriented Advisement	112	136
Prohibited Mailings Includes hazardous material, firearms, and weapons, intoxicants, explosives other than bombs, extortion, and false documents	123	78
Postal Burglaries	73	67
Mail Fraud Includes fraud against consumers, businesses, and government	699	715
Miscellaneous External Crimes Includes counterfeit and contraband postage, money order offenses, vandalism, and arson	222	199
Miscellaneous Employee Crimes Includes theft of postal property and sabotage of equipment	35	24

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

Customer Service



OFFICE OF INSPECTOR GENERAL

External Communications
Specialized Services

INSPECTION SERVICE

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 Inspection Service, pages concerning the Inspection Service have been color-screened.



The OIG's Congressional and Public Relations Team serves as liaison and responds to requests from Congress, the Board of Governors, and the media; coordinates congressional testimony and presentations; and responds to all Freedom of Information Act requests.

OFFICE OF INSPECTOR GENERAL

EXTERNAL COMMUNICATIONS

The OIG is responsible for keeping members of Congress and the Governors fully and currently informed. The OIG keeps Congress informed by issuing Semiannual Reports to Congress, testifying at oversight and other hearings, and briefing members and their staff on issues related to the Postal Service. The OIG also regularly provides synopses of its audit and management advisory reports to Congressional committees and subcommittees with oversight interest in the Postal Service. The OIG keeps the Governors informed through regular briefings at monthly Board meetings, activity reports from the Inspector General, and responses to requests for information. The OIG also provides the Governors with copies of audit and management advisory reports.

CONGRESSIONAL TESTIMONY

Each year, since its inception, the Inspector General has testified before Congress on various matters. While the OIG did not provide written statements to Congress during this reporting period, in the past the OIG has provided testimony and statements highlighting significant work and identifying opportunities for the Postal Service to improve accountability and public trust. These testimonies and statements can be found in their entirety on the OIG's website at <http://www.uspsoig.gov>.

RESPONDING TO REQUESTS FROM CONGRESS AND THE POSTAL SERVICE GOVERNORS

One of the OIG's highest priorities is to provide accurate and timely responses to Congress and the Postal Service Governors. The OIG responds to many of these requests by conducting audits and investigations. However, the OIG does not normally perform an audit or investigation when an inquiry involves an individual employee issue that can be resolved through contractual grievance-arbitration procedures or the Equal Employment Opportunity process. Instead, the OIG incorporates individual concerns into a database to identify systemic issues for review. When systemic issues have been identified, the OIG conducts independent audits or investigations of Postal Service programs and operations to help ensure their economy, efficiency, effectiveness, and integrity.

During this 6-month reporting period, the OIG completed 85 Congressional and Governors' inquiries. Appendix G of this report lists the OIG responses to these inquiries by subject area. Some examples of OIG work in response to Congressional and Governors' requests are highlighted below:

- ◆ An OIG investigation disclosed evidence that Postal Service officials received gratuities from contractors during the contract award process. As a result of the investigation, the contractor signed an "Agreement in Lieu of Debarment" and repaid approximately \$126,000 to the Postal Service for the cost of the OIG's investigation. In addition, a Postal Service manager resigned in lieu of removal; another Postal Service manager was removed; and two other employees received Letters of Warning.
- ◆ Reviews of allegations from Florida letter carriers regarding unsafe working conditions and delayed standard mail were partially substantiated. The review revealed that the mail arrived late to the delivery unit, resulting in letter carriers delivering mail in 100-degree temperatures. District management stated that they were concerned about employees working outside in the summer heat and humidity and therefore furnished cold bottled water. Postal management also stated they were

committed to providing safe working conditions for employees and had no reported incidents of heat exhaustion at these facilities. The OIG plans to conduct a review regarding the delay of standard mail delivery.

- ◆ At the request of the Senate Committee on Governmental Affairs, the OIG provided information on whether the OIG was in compliance with the National Energy Conservation Policy Act, Section 8262f (c). This Act encourages Inspectors General to conduct periodic reviews of agency compliance. This section of the Act does not apply to the Postal Service, however, its goals are consistent with current postal energy conservation efforts. Therefore, the OIG plans to review measures taken by the Postal Service to reduce energy use and improve energy efficiencies.
- ◆ A postal customer alleged that personal property mailed through the Postal Service was damaged and sought full replacement value. The OIG contacted the Postal Service Claims and Inquiry Section and was informed that the individual's insurance claim would be paid.

OIG HOTLINE PROVIDES A VITAL AND CONFIDENTIAL COMMUNICATIONS LINK

The OIG Hotline provides a vital and confidential communications link between the OIG and individuals who contact the Hotline to report allegations of fraud, waste, abuse, and mismanagement.

Responding to Hotline Inquiries

The Hotline receives complaints from employees, customers, and the general public concerning alleged violations of laws, rules, or regulations; mismanagement; waste of funds; abuse of authority; and danger to public health and safety. Complaints and allegations received by the Hotline are analyzed to identify systemic issues affecting the Postal Service, and referred for appropriate action. The OIG also considers Hotline contacts when planning audits and projects.

During this reporting period the Hotline received over 9,900 contacts, some of which were addressed by the OIG on issues such as

waste, fraud, abuse, mismanagement, deficient postal operations, personnel matters, and other concerns. In addition:

- ◆ Twenty-seven percent were addressed by the Inspection Service and involved criminal issues such as mail theft, assaults and threats, and workers' compensation fraud;
- ◆ Thirteen percent were addressed by the Postal Service's Office of Consumer Advocate involving complaints related to customer service issues, particularly mail delivery;
- ◆ Forty-nine percent were related to miscellaneous requests for information such as ZIP Codes, postage meters, and other Postal Service-related matters; and
- ◆ Eleven percent were related to operational and human resource issues that were referred to Postal Service management.

Some examples of OIG Hotline work are highlighted below:

- ◆ This reporting period, the OIG transformed its Hotline into a "paperless environment," by scanning 685,000 paper documents for storage on 18 compact discs. In addition, the OIG scanned all Hotline data collected since its inception and stored the data on a shared network, allowing employees to access the information instantly.
- ◆ An OIG Hotline analyst took a complaint from an anonymous source that resulted in an indictment of a California postal employee. The analyst was instrumental in assisting an OIG investigator by obtaining information from the source that resulted in an indictment against the employee for stealing nearly \$60,000 in vehicle parts from the Postal Service and then reselling them back to the Postal Service.

The OIG Hotline is staffed from 7 a.m. to 7 p.m., Eastern Standard Time, Monday through Friday (except federal holidays). Calls can be made 24 hours a day, 7 days a week. 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



The OIG's Hotline Team processes complaints of fraud, waste, abuse, and mismanagement.

OIG HOTLINE

- ◆ Toll-Free, 1-888-USPS-OIG (1-888-877-7644)
- ◆ TTY (Hearing Impaired) 1-866-OIG-TEXT (1-866-644-8398)
- ◆ To write to the United States Postal Service, OIG:
ATTN: Hotline
1735 North Lynn Street
Arlington, VA 22209-2020
- ◆ To e-mail the OIG:
hotline@uspsoig.gov
- ◆ To fax information toll-free:
1-866-756-6741

caller-directed menu system. OIG Hotline contact information is provided in the margin to the left.

PROPOSED LEGISLATION, REGULATIONS AND POLICY

As required by the Inspector General Act, the OIG monitors existing and proposed legislation and regulations to advise Congress and the Governors of the impact of such legislation and regulations on Postal Service programs and operations. During the 6-month reporting period, the OIG evaluated 25 legislative proposals and 19 regulatory initiatives. Highlights of the legislative and regulatory proposals are included at the end of the appropriate section that describes the OIG and Inspection Service reviews performed in the last 6 months.

FREEDOM OF INFORMATION ACT REQUESTS

The OIG is committed to making all final audit and management advisory reports available to the public, unless the law prohibits disclosure. The OIG website, <http://www.uspsoig.gov>, contains all releasable final audit and management reports. A list of all reports, including those that are not releasable, is also included on the website.

Before posting a report on the website, the OIG reviews each report in accordance with the Freedom of Information Act, the Privacy Act, and the Postal Reorganization Act. The OIG may coordinate its review with Postal Service management and attorneys. In deciding what information to release, the OIG balances the public right to access federal agency records with individual privacy rights, as well as the Postal Service's need to safeguard certain protected information, such as those affecting business needs and employee privacy. As a result, OIG reports may be withheld in whole or in part to protect privacy as well as proprietary or confidential information. The OIG responds to many written requests for reports and other information under the Freedom of Information Act. In this reporting period, the OIG received 78 Freedom of Information Act requests, as depicted in the chart that follows.

FREEDOM OF INFORMATION ACT REQUESTS

OIG Actions	Number of Requests
Carryover from prior period	11
Received during the period	67
Total on hand during the period	78
Processed during the period	
Released	35
Withheld	10
Referred to Postal Service or other agency	10
Otherwise closed*	18
Total processed during the period	73
Balance at end of the period (Pending)	5

**Otherwise closed includes no responsive documents, improper requests, requests withdrawn, etc.*

FREEDOM OF INFORMATION ACT APPEALS

OIG Actions	Number of Appeals
Total appealed	4
Upheld by Postal Service	3
Appeal pending	1

INSPECTOR GENERAL SUBPOENAS

Pursuant to the Inspector General Act, the Inspector General is authorized to issue subpoenas for audits and investigations for which the OIG has investigative jurisdiction. This includes authority to issue subpoenas in support of selected investigations of the Inspection Service. An Inspector General subpoena is a valuable audit and investigative tool. It enables OIG to secure documentary information and evidence that, unlike grand jury subpoenas, can be readily used in civil and administrative proceedings, as well as criminal cases.

Inspector General subpoenas are not self-enforcing. If a subpoena is not complied with, OIG legal staff, OIG agents, and Postal Inspectors first attempt to negotiate with the subpoena recipient to obtain the requested documents. If this is not successful, we seek enforcement in United States district court. The courts generally enforce the subpoena as long as the inquiry is within the authority of the agency, the information sought is reasonably relevant to the

agency's inquiry, and the demand is not unduly burdensome.

Since its inception, the OIG has been successful in enforcing every subpoena that has been challenged in court because the subpoena review process is thorough in terms of scope of review, level of supervisory review, and signature authority. All subpoenas are processed at OIG headquarters and they undergo thorough, progressive investigative and legal reviews. The subpoena process requires OIG special agents and Postal Inspectors to submit a justification with their subpoena request. After supervisory review, the OIG legal staff evaluates each subpoena to ensure the subpoena can withstand a legal challenge. The Inspector General, the Deputy Inspector General, the Assistant Inspector General for Investigations, and the Deputy Assistant Inspector General for Investigations are the only individuals authorized to sign Inspector General subpoenas.

SPECIALIZED SERVICES

COMPUTER FORENSICS

Specialists trained and certified in the seizure of computers and the recovery of electronic evidence staff the OIG Computer Forensics Team. The team's mission is to provide technical support to extract data to help 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 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. Third, computers are sometimes incidental to the offense but significant to law enforcement because they contain evidence of a crime.

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.

COMPUTER-ASSISTED ASSESSMENT TECHNIQUES

The OIG's Computer-Assisted Assessment Techniques Team uses automated methods and tools to extract and analyze electronic data located in over 900 postal systems in support of OIG audit and investigative efforts. The team has achieved success by developing programming techniques to independently access the large database systems in both San Mateo and Minneapolis, as well as numerous remote Oracle database systems throughout the postal network. This team has supported several significant OIG efforts during this reporting period, including:

- ◆ Working in concert with an audit team, conducted an analysis of the Inspection Service's executive awards program. This review was conducted to determine whether the program was comparable with other federal law enforcement agencies and was implemented in an effective manner. The audit revealed that the Inspection Service's executive awards program was neither comparable with the programs of other federal law enforcement agencies in many respects nor implemented as approved by the Board of Governors.
- ◆ Using creative methods, identified and extracted data from the Facilities Management System during the review of excess Postal Service real estate (land). This effort revealed 30 properties purchased for \$45 million that were not developed and utilized by the Postal Service and had not been referred for disposal. As a result of this work, the Postal Service referred 12 properties for disposal and returned one property to the original owner.
- ◆ Working with an audit team, analyzed two Postal Service databases to identify sexual harassment complaints and grievances filed and their disposition within the Northeast Area. This effort found that postal management could improve its administration of the sexual harassment prevention program. Further, some managers involved in sexual harassment cases received incentive pay under the Postal Service's Pay for Performance Program.

SUBPOENAS ISSUED

For the period October 1, 2001, through March 31, 2002

Types of Subpoenas	Number Issued
OIG	
Related to:	
Investigations	38
Right to Financial Privacy Act	0
Inspection Service	
Related to:	
Investigations	90
Right to Financial Privacy Act	4
Total	132



The OIG's Computer Forensics Team is staffed by specialists trained and certified in the seizure of computers and the recovery of electronic evidence.

INSPECTION SERVICE

The Inspection Service has adopted numerous initiatives to improve customer service. The Inspection Service alerts 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. The Inspection Service is responsible for communicating its law enforcement and crime prevention achievements to the American public, Congress, the Postal Service, and the law enforcement community.

In an effort to maintain the integrity of the mail and ensure the confidence and trust that government agencies, businesses, and customers place in the Postal Service, the Inspection Service conducts mail fraud investigations that focus on a variety of complex schemes. To promote consumer protection, the Inspection Service utilizes specialized investigative tools and techniques such as criminal forensic laboratories, technical surveillance and communications, polygraph examiners, and digital evidence recovery units to solve crimes committed against the public.



The Inspection Service produces an annual report which highlights their numerous accomplishments.

Goals and Strategies



**DID YOU
KNOW?**

What is the value of jointly reporting OIG and Inspection Service results in a unified Semiannual Report to Congress?

A unified Semiannual Report to Congress provides a complete accounting to the Postal Service stakeholders on joint efforts to prevent and detect fraud, waste, abuse, and mismanagement in Postal Service programs and operations.



Did You Know?

The Postal Service has over 776,000 career employees, which include 270,000 clerks, 240,000 city delivery carriers, 60,000 mail handlers, and 60,000 rural delivery carriers.

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 Inspection Service, the page concerning the Inspection Service has been color-screened.

OFFICE OF INSPECTOR GENERAL

STRATEGIC GOALS

In March 2001, the OIG published a revised Five Year Strategic Plan for FY 2001-2005. Each aspect of this plan is in accordance with President Bush's management agenda and the principles of the Government Performance and Results Act. The OIG's strategic plan is outcome-oriented and focuses on the fundamental mission to increase the efficiency and effectiveness of the Postal Service's programs and operations, while eliminating and prevent-

ing fraud, waste, abuse, and mismanagement. This plan was designed to address the Postal Service's strategic direction and objectives outlined in its Strategic Plan for FYs 2001-2005, which reflected a growing uncertainty about the future implications of emerging technologies, changing customer requirements, and competitors' actions on mail volume and postal revenues. The OIG is currently working on updating its strategic plan that will be released in September 2003.

The OIG's strategic planning process has four distinct steps. First, the OIG determines the major management challenges facing the Postal Service. Second, the OIG assesses Postal Service operations and activities, broadly defines realistic goals, sets priorities in line with the Postal Service's business vision, and develops effective strategies and action plans that align the OIG's activities to best help the Postal Service improve its effectiveness and efficiency. Third, the OIG measures progress in meeting those goals. And fourth, the OIG updates and revises goals, strategies, and performance measures to continually align its efforts with the changing business needs of the Postal Service.

The OIG's strategic plan identified two overarching goals for the organization. Under

Office of Inspector General FY2002 Goals and Strategies

GOALS

The OIG will be the independent voice that provides its stakeholders with timely, accurate, and relevant information that contributes to the success of the Postal Service.

STRATEGIES

Annually identify major management challenges and independently develop work priorities that assist the Postal Service in addressing major management challenges.

Independently provide the right information to the right people at the right time.

GOALS

The OIG is an independent entity that maximizes resources, leverages cutting-edge technology, and provides a healthy organizational culture and environment.

STRATEGIES

Maintain a TLC3 values-based organization that attracts, develops, and retains a talented and diverse workforce.

Independently manage and optimize OIG resources, including leveraging cutting-edge technology.



each goal, the OIG identified two strategies designed to achieve each goal.

PERFORMANCE MEASURES AND RESULTS

As a part of the planning process, it is necessary to establish performance measures in order to determine how well the OIG is achieving its goals. These measures provide a baseline measure of achievement towards goals, and also allow the organization the ability to monitor and track trends over time. It is imperative to ascertain a benchmark of current performance, resources used, products produced, and results achieved in order to identify appropriate performance measures that lead to the achievement of OIG strategic goals. To that end, the OIG continually reviews stakeholder input, data from tracking systems, and cumulative management experience to ensure that the OIG's stated objectives are on target. OIG goals, strategies, and performance measures will continue to be evaluated and updated as information is gained.

Each of the performance measures identified for FY 2002 are not intended to measure the work of the OIG in its totality. Rather, they are a means of focusing on select areas so efforts can be concentrated and substantive improvement made. The strategies contained in the plan provide guidance and an overarching structure, while allowing for flexibility in achieving the goals. OIG managers use this plan to identify and communicate general work product milestones, and to monitor efforts towards strengthening the OIG's capability to fulfill our mission.

The OIG continuously monitors its performance and seeks ways to improve. By maintaining objective data on key performance areas, the OIG is able to periodically measure and assess its progress in achieving goals. Annually, the OIG establishes performance measures to emphasize program objectives, promote teamwork, and encourage innovation throughout the OIG. These measures are linked to a team award that is structured to reward commitment to the strategic priorities of the OIG and to reinforce the importance of providing high-quality, value-added services that contribute to the success of the Postal Service.

The FY 2001 performance results were validated by an independent federal agency, which found that the OIG accomplished over 86 percent of its performance measures. Based upon information gained from FY 2001, the OIG updated its performance measures for FY 2002 and increased its challenges. The OIG is also beginning to test some new performance measures in FY 2002 for FY 2003. The OIG will report FY 2002 results in the next Semiannual Report to Congress.

OIG PLANNING PROCESS

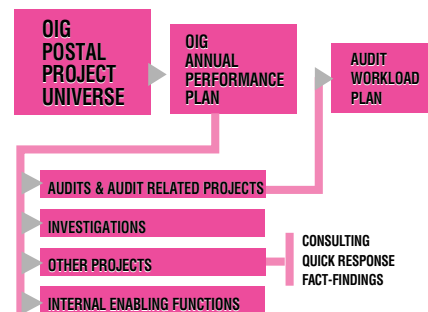
To ensure long-term success, it is necessary for the Postal Service and the OIG to plan appropriately. As part of its planning process, the OIG asks key stakeholders, including Postal Service managers, the Postal Rate Commission, Congress, Board of Governors, employee unions, management associations, and major mailers to identify risk areas and emerging challenges that would benefit from the OIG's review. Suggestions received are considered during the annual OIG planning process, and become part of the universe of projects for consideration. This creates a unique opportunity for the OIG to provide independent analyses and information to assist Postal Service management officials in fulfilling their responsibilities.

Projects from the universe are selected on the basis of risk and OIG resources available for the year. The OIG selects the highest priority projects for inclusion in the annual performance plan and the annual audit workload plan. As part of the selection process, the OIG considers the project's potential impact on:

- ◆ Postal Service labor and capital resources
- ◆ Postal-wide operations and goals
- ◆ Public trust

This audit workload plan is presented to the Postal Service Governors each year. The plan is adjusted throughout the year as the OIG's work reveals new issues or the Postal Service encounters new challenges. The OIG workload planning process is depicted in the chart to the right.

Planning System Interrelationship



OIG FY 2002 AUDIT WORKLOAD PLAN

In a previous section of this Semiannual Report, the ten major management issues facing the Postal Service were discussed. In preparing the FY 2002 Audit Workload Plan, the OIG consolidated these issues into four major areas along with the oversight of the Inspection Service. In FY 2002, the OIG will continue to focus its audit attention on these major areas to help address critical issues facing the Postal Service:

- ◆ maintaining customer confidence and ensuring the viability of the postal system;
- ◆ improving the workplace climate and labor relations;
- ◆ maintaining affordability by controlling costs;
- ◆ leveraging technology to enhance productivity; and
- ◆ overseeing the Inspection Service.

The following presents each of the five areas and the focus of our audit efforts.

Maintaining Customer Confidence and Ensuring the Viability of the Postal System

The anthrax contamination of the mail last fall has threatened customer confidence in the Postal Service's ability to continue to provide safe and secure mail services. A decline in customer confidence has made it difficult for the Postal Service to provide universal service at reasonable rates. Customers may seek services other than traditional mail, which would reduce volume and revenue. The Postal Service must maintain customer confidence, develop new products and services, and improve customer service. The OIG will focus on the following:

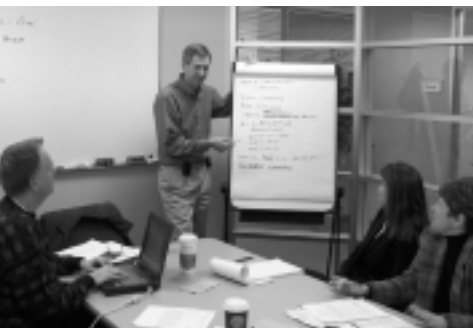
- ◆ Safety and security of the mail
- ◆ Service performance and customer satisfaction
 - ◆ Timeliness and reliability of service
 - ◆ Measurement systems
 - ◆ Postal rates
 - ◆ Re-engineering
- ◆ Core business processes

- ◆ Strategic alliances
- ◆ Marketing
- ◆ Financial initiatives
- ◆ International mail
- ◆ New products and services
 - ◆ Justification and approval
 - ◆ Marketing and sales
 - ◆ Return on investment
- ◆ Public trust
 - ◆ Brand integrity
 - ◆ Employee integrity

Improving the Workplace Climate and Labor Relations

Improving the work environment and labor relations is key to maximizing Postal Service operational and financial performance. The effectiveness of the Postal Service's efforts to communicate with and safeguard employees against the threats of bioterrorism could have a major impact on worker morale, productivity, and the Postal Service's ability to deliver the mail effectively. Further, the Postal Service has historically had significant labor relations issues that impeded its ability to manage its operations efficiently. It is important that the OIG's involvement in this area be meaningful and positive. The OIG focuses primarily on systemic issues and conducts postal-wide reviews. These reviews are designed to identify and prevent potential problems that can detract from a healthy and productive work environment. The OIG will focus on the following:

- ◆ Workplace climate
 - ◆ Occupational safety and health
 - ◆ Conflict prevention and resolution
 - ◆ Threat assessment programs
- ◆ Employee management
 - ◆ Training and development
 - ◆ Succession planning
 - ◆ Workforce planning
 - ◆ Performance and compensation
 - ◆ Diversity



The OIG conducts internal planning meetings. Featured above is a strategic planning team meeting.

Maintaining Affordability by Controlling Costs

Increasing productivity while controlling costs is crucial for the Postal Service to reduce anticipated losses. The cost of maintaining and servicing a growing universal delivery network has escalated while mail volumes have decreased. The Postal Service needs strong controls and aggressive efforts to ensure that contracts and programs are managed effectively. Furthermore, the terrorist attacks have also resulted in cost and business impacts that the Postal Service had not anticipated. The OIG will focus on the following:

- ◆ Financial system integrity
 - ◆ Financial statements
 - ◆ Field installations
 - ◆ Cost and revenue analysis
 - ◆ Treasury-related issues
- ◆ Budget
 - ◆ Planning
 - ◆ Execution
 - ◆ Systems
- ◆ Contracting activities
 - ◆ Fair and reasonable contract pricing
 - ◆ Reasonableness and allowability of incurred costs
 - ◆ Adequacy of contractor systems
 - ◆ Contract administration
- ◆ Facilities and real estate
 - ◆ Justification, approval, and budgeting
 - ◆ Construction management
- ◆ Logistics
 - ◆ Transportation systems and operations
 - ◆ Material management
- ◆ Health care
 - ◆ Workers' compensation program administration
 - ◆ Provider billing

Leveraging Technology to Enhance Productivity

The Postal Service is seeking ways to leverage technology to improve its service, productivity, and profitability. While it depends on

technology to handle more than 660 million pieces of mail every day, the Postal Service must continue to maintain its competitive position in the market. OIG efforts will focus on the following:

- ◆ Information systems
 - ◆ Information infrastructure and architecture
 - ◆ System performance and integrity
 - ◆ Systems development and implementation
- ◆ Computer security
 - ◆ Access
 - ◆ Data protection
 - ◆ Data integrity
- ◆ Developmental
 - ◆ Automation of core functions
 - ◆ Process re-engineering
- ◆ eCommerce
 - ◆ Business partnerships and joint ventures
 - ◆ Brand integrity
 - ◆ Justification, cost, budgeting, and risk

Overseeing the Inspection Service

Legislation requires the OIG to conduct oversight reviews of the Inspection Service in addition to OIG's audit and investigative responsibilities over postal operations. OIG efforts in this area will focus on the following:

- ◆ Public trust
 - ◆ Function and role
 - ◆ Operational effectiveness
 - ◆ Management controls
 - ◆ Internal Affairs



The OIG's mission statement, goals, and strategies set forth in the Five-Year Strategic Plan are the foundation for measuring, reporting, and improving the OIG's performance.

INSPECTION SERVICE

The Inspection Service must supplement its reactive capability with proactive strategies to deter and prevent criminal activity. To accomplish this, the Inspection Service has developed five long-term strategic goals and related objectives. The new strategic plan begins with three critical imperatives: safety, security, and integrity.

Inspection Service FY2002 Goals and Objectives

	GOALS	OBJECTIVES
Safety	Ensure a Safe and Secure Drug-Free Work Environment	<ul style="list-style-type: none"> • Reduce and deter employee on employee assaults and credible threats • Reduce and deter robberies of postal employees and facilities • Reduce and deter illegal drugs in the postal environment
	Reduce Theft of the Mail	<ul style="list-style-type: none"> • Reduce and deter attacks on postal vehicles, apartment panels, collection boxes, NDCBU's and CBU's in Arizona and California¹ • Identify and resolve domestic and international in-transit mail theft • Reduce and deter mail theft related identity theft and identity takeover crimes
Security	Reduce and Deter Criminal Attacks of Postal Products, Services, and Assets	<ul style="list-style-type: none"> • Reduce and deter embezzlements • Reduce and deter criminal misuse of the Postal Service's workers' compensation program and reduce long-term compensation costs • Reduce and deter postage fraud schemes • Assure sanctity and security of U.S. Mail
	Reduce the Use of the Mail to Defraud Consumers, Businesses, and Government Agencies	<ul style="list-style-type: none"> • Reduce and deter multi-state domestic and international fraudulent telemarketing operations and direct mail operations • Reduce and deter deceptive mailing operations
Integrity	Reduce and Prevent the Use of the Postal System for Prohibited, Illegal, and Dangerous Mailings	<ul style="list-style-type: none"> • Reduce and deter the use of the nation's mail system by organized groups to transport illegal narcotics • Reduce and deter the use of U.S. Postal Money Orders to launder money by disrupting money laundering operations • Reduce and deter the use of the U.S. mails for the procurement or delivery of materials that promote the sexual exploitation of children

¹ NDCBU is Neighborhood Delivery and Collection Box Unit; and CBU is Cluster Box Unit

Organizational Dynamics



**DID YOU
KNOW?**

What are the OIG's values?

The OIG's core values are teamwork, leadership, creativity, communication, and conceptualization (TLC3).

This section describes the OIG and the Inspection Service organizational vision, values, culture, and diversity that assist with providing value-added services to the Postal Service. In order to differentiate the work reported by the OIG and the Inspection Service, the pages containing the work reported by the Inspection Service have been color-screened.

OFFICE OF INSPECTOR GENERAL

AN INDEPENDENT VOICE

The OIG is an independent agency within the Postal Service and is under the general supervision of the nine presidentially-appointed Postal Service Governors. From 1988 until the establishment of the OIG in 1996, the Chief Postal Inspector performed dual roles as the Inspector General and Chief Postal Inspector and reported to the Postmaster General. In January 1997, Karla W. Corcoran was sworn in as the first independent Inspector General of the Postal Service. In carrying out its responsibilities under the Inspector General Act, the OIG:

- ◆ Provides Congress, the Governors, and Postal Service management with timely, objective, and complete information and analysis of Postal Service operations.
- ◆ Conducts audits and investigations of all Postal Service operations and activities, including ratemaking, contract administration, labor management, accepting and processing, transportation, delivery, financial management, development, information systems, computer intrusion, electronic commerce, and marketing.
- ◆ Maintains oversight of Inspection Service operations and performs independent reviews of complaints against its employees.
- ◆ Adds value to Postal Service operations, contributes to a more efficient, economical, and effective organization, and helps the Postal Service maintain its integrity through independent investigations, audits, and reviews.

- ◆ Reviews computer security and conducts computer intrusion activities to identify vulnerabilities in postal systems.
- ◆ Serves as an objective venue for all Postal Service employees and other stakeholders to report fraud, waste, abuse, mismanagement, and other improprieties and concerns, with protection from management retaliation.
- ◆ Identifies cost savings and recommends improvements for contract and program administration, employee integrity, and program efficiency.
- ◆ Facilitates audit resolution, which provides a mechanism for resolving findings and recommendations when the OIG and Postal Service management disagree.

To improve Postal Service programs and operations, the OIG provides independent and objective information, analysis, and recommendations. The OIG is continuing to work with Postal Service management to inform them of the duties and responsibilities of the OIG and to 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 Postal Service challenges and identify opportunities for improvement by emphasizing five fundamental values:

- ◆ **Teamwork**—Diverse talents and levels working cooperatively and collaboratively toward producing timely, relevant, and quality work products and services that add value to the Postal Service and the OIG.
- ◆ **Leadership**—Encouraging each employee to be the best they can be regardless of position or grade, understanding that all levels of employees are expected to play a role in developing and directing every effort performed.
- ◆ **Creativity**—Cultivating fresh perspectives in the development of new processes and techniques that will improve Postal Service and OIG operations.
- ◆ **Communication**—Ensuring cross level and cross functional sharing of all infor-



The values make up the core of the OIG’s culture and define how it does its work.

mation as well as facilitating honesty, openness, respect, and consideration of the contributions and opinions of others.

- ◆ **Conceptualization**—Keeping one’s “eye on the ball” and recognizing interrelationships to accomplish desired results.

OIG CULTURE AND EMPLOYEES

Enhancing the Work Environment

The OIG’s culture is defined by the diversity of its employees, who share the organization’s core values of teamwork, leadership, creativity, communication, and conceptualization. The OIG is committed to creating and maintaining a workplace that is enriched by the talents, contributions, and full participation of all of its employees and reflects the tremendous diversity of the postal community. Diversity is a tool for achieving the OIG’s mission and enhancing its organizational effectiveness by using the creative energies of employees who contribute different approaches, solutions, and innovations.

The OIG workforce is diverse in age, race, ethnicity, gender, and background, as well as education, professional accomplishments, work experience, and work style. The OIG workforce includes Certified Public Accountants, Certified Internal Auditors, Certified Fraud Examiners, Certified Information Systems Auditors, Certified Information Security Systems Professionals, Certified Government Audit Professionals, Certified Government Financial Managers, and Certified Acquisition Auditors. Some OIG employees also hold law enforcement specialty certifications in areas such as polygraph examinations. In addition, many OIG employees have undergraduate or advanced degrees, while other employees are continuing to work toward professional and academic achievements. OIG employees work in teams of auditors, evaluators, criminal investigators, lawyers, technicians, and administrative personnel formerly from federal and state government agencies, private industry, non-profit organizations, and the Postal Service.

The OIG continues to carry out an aggressive hiring initiative to staff the organization with highly-skilled employees. As of March 31, 2002, the OIG had 702 employees, of whom 51 percent were women and 48 percent were

minorities. The senior management staff is composed of approximately 35 percent women and 27 percent minorities. Based on September 1999 U.S. Office of Personnel Management Federal Civilian Workforce estimates, the OIG workforce has exceeded the percentage of minority representation in the federal civilian workforce for all groups, except Native Americans. The federal civilian workforce is comprised of the executive branch and non-Postal Service employees.

In the past 6 months, the OIG increased its hiring outreach and recruitment efforts, which contributed toward the OIG reaching and exceeding the Federal Civilian Workforce estimates for Hispanics. The OIG is committed to achieving the same success with Native Americans, and as a result their representation in the OIG’s workforce has increased. Because Bureau of Labor Statistics census data is now over 10 years old, and new census civilian labor force data is not expected to be released until 2003, the OIG is using the more up-to-date Federal Civilian Workforce data as a comparison.

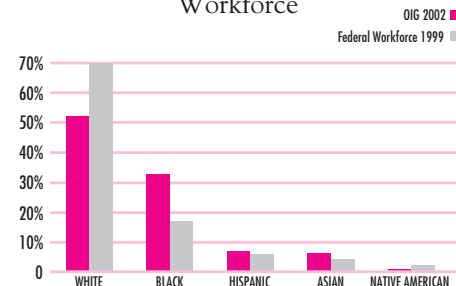
ADHERING TO THE HIGHEST PROFESSIONAL STANDARDS

The OIG reports to Congress and the nine presidentially-appointed Governors. The Inspector General is under the “general supervision” of these Governors and is not supervised by the Postmaster General. This independence from postal management is crucial to the OIG’s credibility and allows the OIG to objectively conduct audits and investigations of program operations and to report its findings to the Governors, Postmaster General, and Congress. To help respond to the challenges the Postal Service faces, the OIG annually identifies major management issues and independently develops work priorities that assist the Postal Service in addressing these issues.

OIG work is performed in accordance with a variety of professional standards, such as:

- ◆ The General Accounting Office’s Government Auditing Standards; and
- ◆ The President’s Council on Integrity and Efficiency’s Quality Standards for Inspections and Quality Standards for Investigations.

Comparison of OIG/Federal Civilian Workforce



OIG exceeds minority representation in every category, except Native Americans.



The OIG's audit report on trailer damage was released in written, video, and CD-ROM formats.

Each audit is subject to supervisory review at each stage of the audit process and must meet established standards for due professional care, quality, and independence. Each report is subject to review by the OIG's statisticians, attorneys, editors, and other experts, and is independently referenced by individuals not associated with the project. Draft reports are submitted to Postal Service management, who has the opportunity to provide written comments in response to the report's findings and recommendations. These comments are analyzed and incorporated in the final report.

In addition, the OIG ensures the highest ethical standards by performing full security background investigations of its employees. Nearly all OIG employees are required to provide annual financial disclosure statements for review to determine potential conflicts of interest. All employees are required to complete ethics training each year and meet the OIG's established standards for continuing professional education.

Further, the OIG ensures its own compliance with professional, legal, and ethical standards through established processes. Every three years, the OIG is selected for a peer review of its audit processes by another Inspector General organization. The OIG also has an effective quality assurance function that evaluates internal processes, programs, and work performed. Complaints against senior OIG management officials are handled pursuant to Executive Order and are investigated by the Integrity Committee of the President's Council on Integrity and Efficiency, headed by a high-ranking official of the Federal Bureau of Investigation.

PUBLIC RELATIONS AND OUTREACH

OIG work to independently investigate and evaluate programs and operations helps maintain America's confidence in the Postal Service while improving its bottom line. Public reporting of the OIG's work informs the American public and Congress that its findings are truly independent; puts on notice those who would defraud the Postal Service that they will face consequences for their actions; reminds the public of the OIG's existence; and encourages stakeholders to use the OIG Hotline to report

potential problems, so that the OIG may assist the Postal Service in devising effective solutions. The public can access audit reports, press releases, and other information regarding the OIG on its website at <http://www.uspsaig.gov>.

NOTABLE OIG ACHIEVEMENTS

OIG JOINS COUNTERTERRORISM TASK FORCE

As a result of the September 11, 2001, terrorist attacks on the World Trade Center and the Pentagon, evaluators and special agents of the OIG Computer Intrusion and Technical Services Team joined the Federal Bureau of Investigation National Infrastructure Protection Center to assist in the investigation of terrorist activities and attempt to identify any future terrorist activity. The National Infrastructure Protection Center provides timely warnings of international threats, comprehensive analyses, and law enforcement investigation and response. The unit assisted the multi-agency task force in the migration of information to a mass medium necessary for conducting cross-relational analysis. The data analysis resulted in the identification of Internet research conducted by the terrorists pertaining to potential targets and various means to carry out terrorist attacks.

OIG EMPLOYEE PARTICIPATES IN INQUIRY INTO ACTIONS OF MAJOR ACCOUNTING FIRM AND ENERGY CONTRACTOR

At the request of a White House agency, the OIG's Director, Computer Intrusion and Technical Services Team, was detailed to the General Services Administration to participate in the inquiry into the suspension and possible debarment of a major accounting firm and an energy contractor. The Office of Management and Budget directed the General Services Administration to review federal contracts awarded to these companies to determine whether acts of misconduct were conducted that would make them ineligible for future federal contracts. As a result, on April 15, 2002, six businesses and seven individuals were debarred and suspended from conducting business with the Postal Service.

OIG INSPECTOR GENERAL ELECTED AS AT-LARGE MEMBER OF PCIE

Inspector General Karla Corcoran was recently elected by the Executive Council on Integrity and Efficiency to be its at-large member to the President's Council on Integrity and Efficiency. Members from both councils form an Executive Council that provides leadership to the entire federal inspector general community. The Executive Council consists of chairpersons from six standing President's Council on Integrity and Efficiency committees and the Executive Council on Integrity and Efficiency Vice Chair. Along with the Vice Chair, the Inspector General will provide representation for Executive Council on Integrity and Efficiency issues.

ASSISTANT INSPECTOR GENERAL SELECTED AS CHAIRMAN OF FEDERAL AUDIT EXECUTIVE COUNCIL

John M. Seeba, Assistant Inspector General for Financial Management, was appointed Chairman of the Federal Audit Executive Council in February 2002. The Council, which consists of Assistant Inspectors General for audit or similar positions in federal agencies, discusses and coordinates matters affecting audit policy and operations of common interest in the federal audit community. Council activities include bimonthly meetings, training sessions, working groups, and an annual conference.

INVESTIGATOR DETAILED TO WEBSTER COMMISSION

An OIG investigator was detailed to the Webster Commission for the review of Federal Bureau of Investigation security programs and its relation to counter-espionage. The goal was to recommend changes that would limit the time from "defection to detection." The Commission reviewed the security structures at the Central Intelligence Agency, National Security Agency, Department of State, National Reconnaissance Office, Air Force Office of Special Investigations, Drug Enforcement Administration, Customs Service, and Defense Security Service to develop recommendations based on "best practices."

Based on the review of Federal Bureau of

Investigation security programs and similar programs at other agencies, the Commission was able to make recommendations that will hopefully lead to the consolidation of security functions within a single office at the Federal Bureau of Investigation, and safeguard sensitive information contained on the Federal Bureau of Investigation computer systems. Additionally, recommendations were made to strengthen computer and document security within the Bureau.

OIG PROVIDES TRAINING AND SUPPORT TO LAW ENFORCEMENT, INSPECTOR GENERAL COMMUNITIES

This reporting period, the OIG continued to play a leadership role in the Inspector General and federal law enforcement communities by providing training and assistance. OIG staff provided the following training:

- ◆ In November, the OIG's acting Deputy General Counsel and Assistant Inspector General for Congressional, Oversight, and Legal Services made a presentation on "Fraud in Electronic Commerce" to the Annual Conference on Control and Audit of Information Technology, sponsored by the Institute of Internal Auditors and the MIS Training Institute. The conference, which was held in Boston, is one of the largest annual audit conferences relating to information technology.
- ◆ In January, the OIG's General Counsel and Assistant Inspector General for Congressional, Oversight, and Legal Services, spoke at a conference of Postal Service Managing Legal Counsels as part of a continuing dialogue on how OIG and Postal Service Legal Counsels can better coordinate legal issues of mutual interest.

SPECIAL AGENTS RECEIVE AWARD FROM U.S. ATTORNEY'S OFFICE

Two OIG special agents received the Award for Public Service from the United States Attorney's Office, Eastern District of New York, for their work on an investigation that resulted in the firing of the former manager of a New York Vehicle Maintenance Facility. The manager, a 26-year postal employee, pled guilty on June 4, 2001, to felony charges of



Vice Chairman S. David Fineman (above right) and Governor John Walsh (above left) of the Board of Governors spoke to employees at the OIG's Fifth Annual Employee Recognition Conference.



The National Capital Area Combined Federal Campaign presented the OIG with two awards: the President's Award for having over 75 percent employee participation and the Pacesetter Award, which is given to campaigns that exceed the previous year's results by at least 3.4 percent.

embezzlement and conspiracy to defraud the Postal Service and was sentenced to serve 3 years probation, 6 months home detention, and 300 hours of community service, along with paying restitution of \$20,000.

The OIG investigation found that the manager knowingly approved \$87,000 in fraudulent and inflated invoices from an automobile repair contractor between 1996 and 1999. In exchange for approving the fraudulent invoices, the manager received free automobile services from the contractor for the manager's personal vehicles. The costs for the repair to the personal vehicles were fraudulently included in the cost of repairing Postal Service vehicles.

OIG EXCEEDS GOAL – RAISES OVER \$120,000 FOR COMBINED FEDERAL CAMPAIGN

The OIG's Combined Federal Campaign for 2001 was a tremendous demonstration of the agency's core values and employees' generosity. Headquarters staff exceeded its goal and raised over \$90,000. Field office contributions were equally impressive, totaling over \$30,000 and increasing the OIG's total amount raised to over \$120,000. The Headquarters campaign garnered two awards from the National Capital Area Combined Federal Campaign: the President's Award, for the third straight year, for having over 75 percent employee participation and for the fourth straight year, the Pacesetter Award. The Pacesetter Award is given to campaigns that exceed the previous year's results by at least 3.4 percent. Both awards were presented at the OIG Fifth Annual Employee Recognition Conference by a loaned executive from the Combined Federal Campaign.

LEGAL SERVICES SPONSORS FREEDOM OF INFORMATION ACT AND PRIVACY ACT TRAINING

The Legal Services team sponsored Freedom of Information Act and Privacy Act training in January 2002 at OIG Headquarters. Attorneys from the Department of Justice Freedom of Information Act office provided the training to members of the Legal Services and Congressional and Public Relations teams and other OIG personnel. The goal of the training was to provide an overview of the acts and strengthen the OIG's responsiveness to requests

for OIG documents under the Freedom of Information Act.

OIG HOLDS FIFTH ANNUAL EMPLOYEE RECOGNITION CONFERENCE

The OIG held a three-day employee training and recognition conference in Washington, DC, during the week of January 8, 2002. The event emphasized the OIG's core values through training and featured presentations from Vice Chairman S. David Fineman and Governor John Walsh from the Board of Governors; Representative Danny K. Davis, a member of the House Government Reform Committee and Chairman of the Postal Caucus; and Postmaster General John E. Potter.

Three Postal Service employees, George Butler, Chief Counsel, Employment Law; Azeezaly Jaffer, Vice President, Public Affairs and Communications; and Robert Otto, Vice President, Information Technology, were presented with awards for their tremendous support to the OIG throughout the year. In addition, numerous OIG teams and individuals were recognized for their exceptional support and dedication. A special ceremony honored OIG employees who assisted in the aftermath of the September 11, 2001, terrorist attacks and OIG employees who were called to active military duty in the wake of the attacks.

CHALLENGES FACING THE OIG

As the OIG moves forward in its efforts to help the Postal Service enhance its position as the world's leading postal service, it must address the following challenges, some of which have an impact on OIG internal operations, and others on OIG oversight of the Postal Service. These include:

- ◆ *Balancing the OIG's Responsibility to Report Information with the Postal Service's Concern About Withholding Proprietary Data.* The OIG carefully weighs the public's right of access to information under the Freedom of Information Act against the Postal Service's commercial and security needs when considering whether to release audit reports and other information. To accurately assess the sensitivity of information, the OIG works closely with postal management



Vice Chairman S. David Fineman (left) and Governor John Walsh (right) joined Inspector General Karla Corcoran at the Fifth Annual Employee Recognition Conference.



At its annual employee recognition conference, the OIG recognized postal employees for their tremendous support they provided to the OIG. Pictured are Deborah Willhite, Senior Vice President for Government Relations and Public Policy; Azeezaly Jaffer, Vice President of Public Affairs and Communication; Vice Chairman S. David Fineman and Governor John Walsh of the Board of Governors, and Inspector General Karla Corcoran.

and its Law Department. The challenge of balancing the OIG's responsibility to keep the public informed against the Postal Service's interest in non-disclosure becomes particularly critical as the Postal Service enters into new business ventures that might involve commercially sensitive information and prepares to respond to the increased threat of terrorism.

- ◆ **Educating Stakeholders About the OIG's Role.** A continuous challenge for the OIG is to inform stakeholders about the OIG's mission, responsibilities, and audit and investigative efforts. The OIG has proactively reached out to stakeholders regarding how it prevents and detects fraud, waste, abuse, and mismanagement and otherwise adds value to the Postal Service. The OIG will continue its outreach efforts until all stakeholders become familiar with the OIG's roles and responsibilities. As part of those efforts, the OIG is conducting outreach by delivering presentations at postal management association and postal union state and national conventions.
- ◆ **Managing OIG Resources to Accommodate Changing Postal Service Priorities.** The current environment of the Postal Service challenges the OIG to manage its resources to accommodate and rapidly respond to changing priorities. In addition, the urgency of the anthrax threat, escalating workers' compensation costs, labor management, and other challenges facing the Postal Service require the OIG to use innovative methods to assist in addressing these challenges in a timely manner. These methods include using the latest technology, reallocating staff and financial resources, and maintaining a workforce with diverse talents, backgrounds, and experiences.
- ◆ **Overseeing Postal Inspection Service Activities.** One of the primary reasons an independent OIG was established within the Postal Service was to provide oversight of Inspection Service activities. The OIG's statutory mandate for providing oversight is comprehensive, and requires that it oversee all Inspection Service activities, including the conduct of internal investigations.

Despite this clear mandate, the OIG continues to face challenges in exercising its oversight responsibility. Among the most pressing challenges the OIG has faced in fulfilling this responsibility has been the Inspection Service questioning the OIG's oversight authority and not providing unrestricted access to Inspection Service personnel and information. The OIG continues to work with the Inspection Service and senior postal management to resolve these challenges, and looks forward to establishing an environment of cooperation when a new Chief Postal Inspector is designated.

- ◆ **Protecting OIG Organizational Independence and Authority.** The Inspector General Act clearly establishes the OIG's independence from postal management and its unrestricted right of access to personnel and records. However, postal management has at times had difficulty understanding this independence and authority. Postal management has sometimes attempted to direct the efforts of OIG and control OIG access to individuals and records. The OIG will continue its outreach and education efforts to assist management in understanding its independence and authority.
- ◆ **Recruiting and Retaining Talented Staff.** The OIG is committed to attracting and retaining the best and brightest staff, and continues to promote a diverse workforce. After the attacks of September 11, 2001, other agencies, such as the Transportation Security Administration, have recruited many OIG employees because of their experience and expertise. The OIG is challenged to continue to attract and retain talented staff at a time when these agencies and others are offering thousands of job opportunities to people with the same qualifications the OIG is seeking.

To respond to the loss of experienced staff, the OIG has continued to carry out an aggressive hiring initiative to maintain staffing levels needed to provide quality audit and investigative services to stakeholders. This has required innovative approaches to recruitment and workforce management. Some of the initia-



OIG employees received awards for their outstanding contributions and dedication at the Fifth Annual Employee Recognition Conference.

tives undertaken by the OIG include specialized training and development, access to the latest investigative and audit management technology, as well as greater deployment of staff to field locations.

Part of the OIG's recruiting and retention efforts include maintaining a healthy organizational culture and environment through methods such as employee advisory councils, workplace enhancement training, teambuilding, and career change opportunities.

- ◆ ***Providing User-Friendly Results to Stakeholders.*** Keeping stakeholders fully and currently informed is the foundation of providing value-added audit and investigative services. One of the biggest challenges the OIG faces is providing timely, understandable, and useful information to its stakeholders. To meet this challenge, the OIG will continue to explore and use new avenues of communicating user-friendly information. One such avenue is technology. The OIG's innovative use of video reports provides a visual illustration of audit results that transcends the limitations of text reports. In addition, the OIG website provides comprehensive information about the OIG's mission, culture, and work. The OIG also created a CD-Rom to inform stakeholders and prospective employees about the OIG.

- ◆ ***Preparing for a New Inspector General.*** The Postal Service is the only federal agency where the Inspector General serves a statutory term. In January 1997, the Inspector General was appointed by the Postal Service Governors to a 7-year term that expires in less than 2 years. The Governors will need to identify a successor, and the OIG will need to prepare for a change in leadership to ensure a seamless transition.

In addition, because the Inspector General's position is for a 7-year term, some highly-qualified candidates, particularly senior executives from other agencies, may be deterred from seeking the position if they are not eligible to retire at the end of the term. This may also increase the possibility of postal management being appointed to the position,

which could have an adverse impact on the actual or perceived independence of the OIG. Because the Inspector General is not appointed by the President and confirmed by the Senate, Congressional oversight of the hiring of the next Inspector General may be limited.

The OIG will embark on a communication program designed to prepare its employees for the organization's first change in leadership using a wide variety of communications tools, including all-hands meetings, videoteleconferencing, and the employee newsletter.



In March, OIG's managers received unique leadership training in Gettysburg, Pennsylvania, where they studied how different leadership styles determined the outcome of the Battle of Gettysburg, and ultimately, the outcome of the Civil War.

INSPECTION SERVICE

The primary law enforcement arm of the United States Postal Service, The Inspection Service, the traditional law enforcement arm of the Postal Service, is a highly specialized, professional organization that performs investigative and security functions essential to a stable and sound postal system. Through its security and enforcement functions, the Inspection Service provides assurance to businesses for the safe exchange of funds and securities through the U.S. mail; to postal customers of the “sanctity of the seal” in transmitting correspondence and messages; and to postal employees of a safe work environment.

Postal Inspectors are federal law enforcement officers who carry firearms, make arrests, execute federal search warrants, and serve subpoenas. Postal Inspectors work closely with U.S. Attorneys, other law enforcement agencies, and local prosecutors to investigate postal cases and prepare them for citst. There are approximately 1,900 Postal Inspectors stationed throughout the United States who enforce over 200 federal laws covering investigations of crimes that adversely affect or fraudulently use the U.S. mail and postal system.

To assist in carrying out its responsibilities, the Inspection Service maintains a security force staffed by over 1,400 uniformed Postal Police Officers, who are assigned to critical postal facilities throughout the country. The officers provide perimeter security, escort high-value mail shipments, and perform other essential protective functions.

The Inspection Service operates five forensic crime laboratories, strategically located in cities across the country. The laboratories are staffed with forensic scientists and technical specialists who assist Postal Inspectors in analyzing evidentiary material needed for identifying and tracking criminal suspects and in providing expert testimony for cases brought to trial.

The Inspection Service’s 900 professional and technical employees also include program analysts, financial analysts, information technology experts, and others who play a vital role in supporting the criminal investigation and security functions of the Inspection Service. They perform a wide variety of tasks, including developing, maintaining and continually

upgrading management systems; developing, procuring and deploying electronic security and surveillance equipment; publishing policy handbooks and consumer awareness guides and brochures; supplying photography and video services; and facilitating direct communications with Congress and the public.

The Office of Inspections operates with a staff of 12 Postal Inspectors, an Inspector in Charge, 4 support employees and 33 Postal Police Officers, and has a three-fold mission. First, it ensures integrity and excellence within the Inspection Service by conducting independent internal investigations of its employees. Second, the office also oversees the quality and thoroughness of Inspection Service operations by conducting reviews at field divisions and headquarters units. Finally, it protects the safety of postal employees and customers by providing security and preventive services at national Headquarters.

The Office of Counsel provides legal advice and services in support of Inspection Service investigations, programs and goals, and processes requests for access to Inspection Service records. The Counsel’s office is composed of 20 inspector-attorneys and a support staff of paralegal specialists, information disclosure specialists, a labor relations specialist, a program specialist, and an administrative support specialist.

The Inspection Service’s national information technology infrastructure supports over 4,300 users at more than 220 sites nationwide. Inspection Service offices are linked nationally via a dedicated frame-relay network, with online connections to the Postal Service, the National Crime Information Center, the National Law Enforcement Telecommunications System, and the Internet.

The Inspection Service extends full cooperation to all federal, state, and local investigative and prosecutorial authorities in law enforcement matters to ensure greater protection to the public. Working with other agencies, Postal Inspectors regularly participate in joint task force cases aimed at curtailing widespread criminal acts of an organized nature.

More information on the Inspection Service can be found at <http://www.usps.com/postalinspectors>.



Inspection Service seal and badges

Organizational Structure



DID YOU KNOW?

What is the background of the OIG's staff?

The OIG staff consists of auditors, criminal investigators, evaluators, lawyers, experts, technicians, and administrative personnel from federal and state government agencies, private industry, nonprofit organizations, and the Postal Service.

Office of Inspector General Organizational Structure



This section describes the organization of the OIG and the Inspection Service. In order to differentiate between the OIG and the Inspection Service, the page concerning the Inspection Service has been color-screened.

OFFICE OF INSPECTOR GENERAL

The OIG is a unique, nontraditional, diverse organization that conducts audits, evaluations, investigations, and other core functions identified by the Inspector General Act of 1978, as amended.

Teams that focus on improving Postal Service business processes and overall organizational achievement demonstrate the OIG's values of teamwork, leadership, communication, creativity, and conceptualization. The OIG implemented a reorganization of its headquarters structure in September 2001 to better reflect the Postal Service's recent reorganization, more clearly define audit and investigative functional areas and responsibilities, and clarify lines of communication, resulting in a more efficient and effective organization. The following section describes the OIG organizational structure as of March 31, 2002.

DEPUTY INSPECTOR GENERAL

Thomas Coogan

QUALITY ASSURANCE & INTERNAL AFFAIRS TEAM

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

STRATEGIC PLANNING

Director, Steve Spratt - incorporates current and future Postal Service changes into OIG operations, prepares and updates the OIG strategic plan, develops and monitors the OIG's annual performance measures, and completes strategic studies as needed.

EXECUTIVE REPRESENTATIVE FOR FIELD LIAISON

Colleen McAntee - provides senior-level communication links between the OIG Head-

quarters and its 15 field offices, and all Postal Service field operations.

- ◆ East Offices: Arlington, New York, Atlanta, Pittsburgh, Boston, Raleigh, Tampa
- ◆ West Offices: Chicago, Los Angeles, Dallas, Minneapolis, St. Louis, Denver, Portland, San Mateo

Audit Directors, Darrell Benjamin (West) and Debbie Pettitt (East) - plan and coordinate staffing for audits and reviews as initiated by Headquarters and responsible for overall audit field staff development.

Investigative Directors, William Hencken and Carl Puricelli (West) and Gwen Johnson and Dennis Riley (East) - plan and direct investigations in coordination with Headquarters staff and responsible for overall investigative field staff development.

GENERAL COUNSEL & ASSISTANT INSPECTOR GENERAL FOR CONGRESSIONAL, OVERSIGHT AND LEGAL SERVICES

Kirt West

DEPUTY ASSISTANT INSPECTOR GENERAL FOR CONGRESSIONAL, OVERSIGHT AND LEGAL SERVICES

Gladis Griffith

LEGAL SERVICES TEAM

Director, Andrea Bernardo (Acting) - provides legal advice to the Inspector General and OIG staff in all areas of criminal, civil, and administrative law; processes subpoenas; manages ethics program; and reviews existing and proposed legislation, regulations, and policies affecting the economy and efficiency of the Postal Service.

CONGRESSIONAL & PUBLIC RELATIONS TEAM

Director, Laura Whitaker - serves as liaison and responds to requests from Congress, the Board of Governors, and the media; coordinates Congressional testimony and presentations; and responds to all Freedom of Information Act requests.



Did You Know?

In FY 2001, the Postal Service was the 11th largest domestic enterprise and the 33rd largest worldwide. The Postal Service is also the second largest employer in America.



Inspector General Karla Corcoran (center) visits the OIG's Eagan, Minnesota field office.



OIG's Raleigh, North Carolina field office.

OVERSIGHT TEAM

Director, Cathleen Berrick - provides oversight of Inspection Service functions and operations through audits, inspections, reviews, monitoring, and coordination, including assessing criminal investigative programs and operations.

ASSISTANT INSPECTOR GENERAL FOR AUDIT

Robert Emmons, Acting

AUDIT OPERATIONS AND FOLLOW-UP TEAM

Director, Joyce Hansen - provides support, services, and coordination of audit activities; facilitates the development of audit reporting policy and procedures; develops and oversees implementation of the audit workload plan; manages the closure of significant audit recommendations and the audit resolution process; and analyzes statistical audit data to accomplish the OIG's audit mission.

ASSISTANT INSPECTOR GENERAL FOR FINANCIAL MANAGEMENT

John Seeba

FINANCIAL TEAMS

Director, Financial Statements, Bennie Cruz and Director, Financial Field, Sheila Bruck - plan and direct work in support of the independent public accounting firm's annual financial audit opinion and conduct other financial-related audits to identify areas for improvement.

CONTRACTS & FACILITIES TEAM

Director, Lorie Siewert - plans and directs audits and reviews of purchasing and contracting activities, as well as all aspects of postal facility repair, renovation, and new construction.

ASSISTANT INSPECTOR GENERAL FOR CORE OPERATIONS

Ronald Stith

ACCEPTING & PROCESSING TEAM

Director, Larry Chisley - plans and directs audits and reviews focusing on the economy, efficiency, and effectiveness of mail acceptance, collection, and processing operations, as well as logistics activities supporting these operations.

TRANSPORTATION & DELIVERY TEAM

Director, Joe Oliva - plans and directs audits and reviews focusing on delivery, and domestic and international transportation operations, specifically addressing economy, efficiency, and effectiveness of Postal Service fleet operations and contracts for air, highway, and rail services.

LABOR MANAGEMENT & HEALTH CARE TEAM

Director, Chris Nicoloff - plans and directs audits and reviews focusing on labor relations, management, and health care issues within the Postal Service to assist in maintaining a healthy and safe organizational climate for employees and improving operational economy, efficiency, and effectiveness.

ASSISTANT INSPECTOR GENERAL FOR eBUSINESS

Ronald Merryman, Acting

DEVELOPMENTAL TEAM

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

eCOMMERCE & MARKETING TEAM

Director, Robert Batta - plans and directs audits and reviews of electronic commerce, marketing programs, stamp services, retail operations, international business, and support operations.

INFORMATION SYSTEMS TEAM

Director, Dave Berran - plans and directs audits and reviews of major Postal Service information systems to determine whether general and application controls are properly established and systems are designed to be secure and provide accurate data to management.

CONSULTING AND QUICK RESPONSE TEAM

Director, Kim Stroud - assists Postal Service management by identifying best practices for improving Postal Service operations and advises on critical, time sensitive issues.

ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS

Sam Maxey

INVESTIGATIVE OPERATIONS TEAM

Director, Russ Barbee - provides support and coordination to field and headquarters investigative programs, facilitates the development of investigative policy and procedures, compiles and analyzes statistical investigative data and results to accomplish the OIG's investigative mission.

DEPUTY ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS

Daniel O'Rourke

FINANCIAL CRIMES, CONTRACTING & FACILITIES TEAM

Director, Anthony Cannarella - identifies and coordinates investigations related to the expenditure of Postal Service funds, supports investigations of purchasing activities and operations as well as all aspects of postal facility repair, renovation, and new construction.

HEALTH CARE FRAUD TEAM

Director, Mimi Band - identifies and coordinates investigations of wrongdoing by medical providers under contract with the Postal Service and medical providers that have falsely billed the Postal Service for work-related injury claims.

NON-FINANCIAL CRIMES & CORRUPTION TEAM

Director, Michael Shiohama - identifies and coordinates investigations of bribery, kickbacks, conflict of interest, fraudulent tort claims, impact card fraud, indemnity claims fraud, and cases involving expenditures and contract fraud dealing with product substitution.

COMPUTER INTRUSION AND FORENSIC & TECHNICAL SERVICES TEAM

Director, Howard Cox - detects and investigates computer hacking and other high-technology crimes involving Postal Service computers and telecommunications systems, and provides technical support in such areas as surveillance, evidence recovery and computer forensics.

HOTLINE AND SECURITY TEAM

Director, Tommy Hampton - operates the OIG Hotline, providing a vital link for reporting fraud, waste, abuse and mismanagement; and provides physical and personnel security services within the OIG.

ASSISTANT INSPECTOR GENERAL FOR INTERNAL BUSINESS

Wayne Goleski

DEPUTY ASSISTANT INSPECTOR GENERAL FOR RESOURCES

Mary Demory

HUMAN RESOURCES TEAM

Director, Eufemia Lucero - provides full-service human resource support to the OIG in the areas of employee relations, pay and benefits, recruitment, retirement, awards, performance management, counseling, and training.

ADMINISTRATIVE SERVICES TEAM

Director, Stew Dorris - provides facility, procurement, financial, budget, and other internal services necessary to accomplish the OIG's mission.

WORKPLACE ENHANCEMENT TEAM

Director, Sharon Solomon - provides work life, organizational climate, diversity, Equal Employment Opportunity, and other workplace-related services.

INTERNAL QUALITY TEAM

Director, Bob Pemberton - develops programs and activities that promote the vision and core values of the OIG—teamwork, leadership, communication, creativity, and conceptualization.

DEPUTY ASSISTANT INSPECTOR GENERAL FOR TECHNOLOGY

Donna Edsall

INFORMATION TECHNOLOGY TEAM

Director, David Sidransky - provides computer operations, telecommunications, agency-wide information systems, computer security, and technical support.



EXPERTS AND COMPUTER-ASSISTED ASSESSMENT TECHNIQUES TEAM

This self-directed team provides support to OIG in the areas of statistical sampling; quantitative and statistical methods; computer-assisted assessment techniques for data retrieval and analysis; economic forecasting; cost/benefit analysis; estimation of monetary benefits; and activity-based costing.

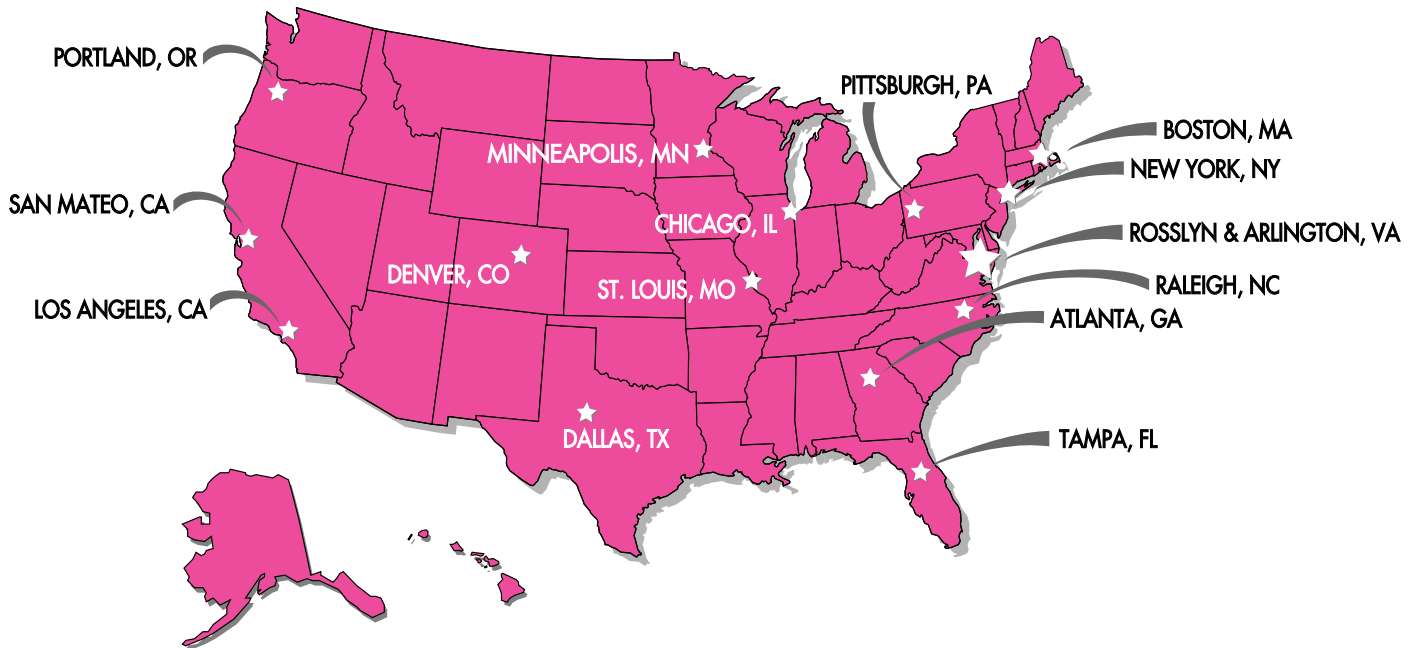
COMMUNICATIONS & POLICY TEAM

Director, Jim Nugent - provides writing, editorial, video, and graphic services; coordinates and publishes OIG reports as well as other documents for Congress, the Governors, and Postal Service management; and manages development of internal policies and procedures.

OIG FIELD LOCATIONS

The OIG Headquarters is located in Rosslyn, Virginia. In addition, the OIG has 15 field offices located in San Mateo and Los Angeles, California; Denver, Colorado; Tampa, Florida; Atlanta, Georgia; Chicago, Illinois; Boston, Massachusetts; Minneapolis, Minnesota; St. Louis, Missouri; New York, New York; Portland, Oregon; Pittsburgh, Pennsylvania; Raleigh, North Carolina; Dallas, Texas; and Arlington, Virginia. OIG locations are depicted in the chart below.

OIG Locations Nationwide



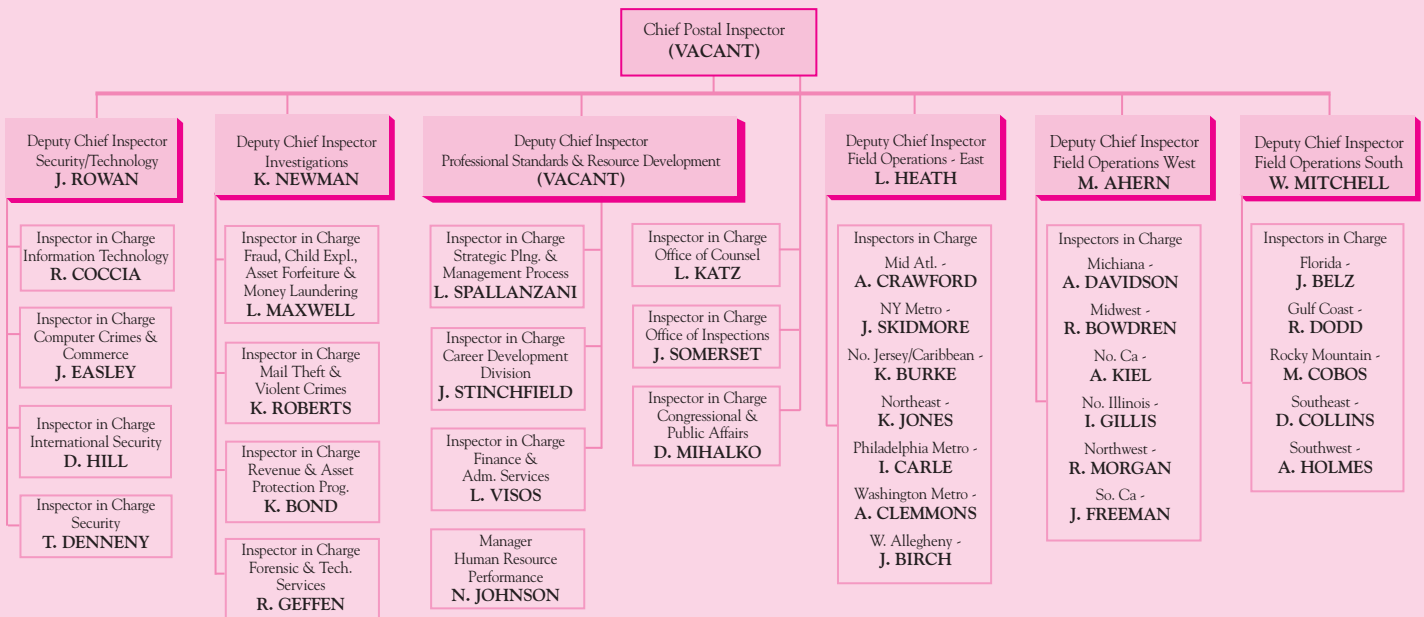
INSPECTION SERVICE

The national headquarters offices of the Inspection Service are organized into functional groups that report to Deputy Chief Inspectors for Investigations, Security & Technology, and Professional Standards & Resource Development. The Inspection Service has 18 field divisions, which report directly to three Deputy Chief Inspectors for field operations. Five Inspection Service Operations

Support Groups support field offices. The Inspection Service's Executive Committee, which consists of the six Deputy Chief Inspectors and the three Inspectors in Charge who report directly to the Chief Postal Inspector, establishes the direction of the organization. The National Leadership Team consists of the Deputy Chief Inspectors and all Inspectors in Charge.



Inspection Service Organizational Structure





Appendices



DID YOU KNOW?

Did You Know?

Every year the Postal Service adds about 1.7 million new addresses, the equivalent of over 3,000 new carrier routes.

APPENDIX A

Reports Issued to Postal Management

For the period October 1, 2001, through March 31, 2002

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) or management advisory reports (MA) in accordance with the identified needs of the project.

Inspection Service

The Inspection Service provided Postal-wide attention in selected areas until September 30, 2000, when all audit functions were transitioned to the OIG.

SUMMARY

The following is a summary by principal area of reports issued to Postal Service management by the OIG. The following pages list the reports.

Definitions

Questioned Costs - 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.

Unrecoverable Costs - A cost that perhaps should not have been incurred and is not recoverable.

Potential Additional Revenue - Amounts from revenue generating functions such as retail sales, rent, leases, or fees that were underpaid or not realized.

Principal Area	Number of Reports Issued	Questioned Costs	Unsupported Costs ¹	Recommend Funds Put to Better Use	Unrecoverable Costs	Potential Additional Revenue
Performance	13	\$0	\$0	\$87,349,739	\$0	\$0
Financial Management	258	\$52,471,979	\$3,345,405	\$5,414,128	\$0	\$65,517
Technology	21	\$0		\$0	\$0	\$0
Labor Management	6	\$0		\$3,000,000	\$0	\$0
Oversight	2	\$0		\$0	\$0	\$0
Other Significant Review	0	\$0		\$0	\$0	\$65,517
GRAND TOTAL	300	\$52,471,979	\$3,345,405	\$95,763,867	\$0	\$65,517

¹ Unsupported Costs are included with the amounts shown as Questioned Costs.

² Represents potential additional revenue.

REPORT LISTING

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

PERFORMANCE

Report Number	Subject Title/ Project Type	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Other	Issue Date
ACCEPTING AND PROCESSING						
AC-AR-02-001	Mail Processing Operations at New Haven Metropolitan Area Post Offices	\$0	\$0	\$0	\$0	10/17/01
AC-AR-02-002	Certified Mail Processing Operations	\$0	\$0	\$0	\$0	3/21/02
AC-AR-02-003	Postal Service Strategy for Processing At-Risk Mail and Deployment of Irradiation Equipment	\$0	\$0	\$0	\$0	3/29/02
AC-AR-02-004	Anthrax Capping Report	\$0	\$0	\$0	\$0	3/29/02
CONSULTING AND QUICK RESPONSE						
CQ-MA-02-001	Review of Letter Contract	\$0	\$0	\$0	\$0	12/28/01
CQ-MA-02-002	Review of Contracts Associated With Biohazard Threat	\$0	\$0	\$0	\$0	3/29/02
MARKETING						
EM-AR-02-002	Postal Retail Store Operations	\$0	\$0	\$0	\$0	2/28/02
EM-AR-02-007	The Role of Marketing in the Postal Service	\$0	\$0	\$0	\$0	3/29/02
TRANSPORTATION						
TD-AR-02-001	Critical Factors and Best Practices for Managing External First-Class Mail Measurement System Scores	\$0	\$0	\$0	\$0	2/28/02
TD-AR-02-002	Trailer Lease Justification	\$0	\$0	\$82,349,739	\$0	3/29/02
TD-MA-02-001	Transportation of Anthrax Contaminated Mail	\$0	\$0	\$0	\$0	2/14/02
TD-MA-02-002	Trailer Damage	\$0	\$0	\$5,000,000	\$0	3/22/02
TD-VR-02-001	Trailer Damage Video Report	\$0	\$0	\$0	\$0	3/29/02
PERFORMANCE TOTALS		\$0	\$0	\$ 87,349,739	\$0	

FINANCIAL MANAGEMENT

FINANCIAL OPINION						
FT-AR-02-005	Postal Service Board of Governors' Travel and Miscellaneous Expenses for Fiscal Year 2001	\$0	\$0	\$0	\$0	1/24/02
FT-AR-02-006	Postal Service Officers' Travel and Representation Expenses for Fiscal Year 2001	\$0	\$0	\$0	\$0	1/24/02
FT-AR-02-007	Fiscal Year 2001 Postal Service Financial Statement Audit - Washington, D.C., Headquarters	\$0	\$0	\$0	\$0	1/29/02
FT-AR-02-008	Fiscal Year 2001 Postal Service Financial Statement Audit - Eagan Information Technology and Accounting Service Center	\$0	\$0	\$0	\$0	2/12/02
FT-AR-02-009	Fiscal Year 2001 Postal Service Financial Statement Audit - San Mateo Information Technology and Accounting Service Center	\$0	\$0	\$0	\$0	2/12/02

Report Number	Subject Title/ Project Type	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Other	Issue Date
FT-AR-02-010	Fiscal Year 2001 Postal Service Financial Statement Audit - St. Louis Information Technology and Accounting Service Center	\$0	\$0	\$0	\$0	2/12/02
FT-AR-02-011	Payments to Contract Stations and Vendors Providing Goods and Services	\$1,350,236	\$0	\$0	\$0	3/6/02
FT-MA-02-001	Fiscal Year 2001 Financial Statement Audit - San Francisco International Records Unit	\$0	\$0	\$0	\$0	10/9/01
FT-MA-02-002	Mississippi State Tax Computation	\$0	\$0	\$0	\$0	12/10/01
FISCAL YEAR 2001 FINANCIAL INSTALLATION AUDITS						
FF-AR-02-001	Lynchburg Business Mail Entry Unit	\$0	\$0	\$0	\$0	10/24/01
FF-AR-02-002	Augusta Business Mail Entry Unit	\$0	\$0	\$0	\$0	10/24/01
FF-AR-02-003	Auburn Business Mail Entry Unit	\$0	\$0	\$0	\$0	10/24/01
FF-AR-02-004	Glen Rock Post Office	\$0	\$0	\$0	\$0	11/15/01
FF-AR-02-005	Lakehurst Post Office	\$0	\$0	\$0	\$0	11/15/01
FF-AR-02-006	Amelia Post Office	\$0	\$0	\$0	\$0	11/13/01
FF-AR-02-007	Altoona Business Mail Entry Unit	\$0	\$0	\$0	\$0	10/24/01
FF-AR-02-008	Hartford Business Mail Entry Unit	\$0	\$0	\$0	\$0	10/24/01
FF-AR-02-009	Mount Prospect Business Mail Entry Unit	\$0	\$0	\$0	\$0	11/23/01
FF-AR-02-010	City of Industry Business Mail Entry Unit	\$0	\$0	\$0	\$0	10/24/01
FF-AR-02-011	Refugio Post Office	\$0	\$0	\$0	\$0	11/28/01
FF-AR-02-012	Mattoon Main Post Office	\$0	\$0	\$0	\$0	10/24/01
FF-AR-02-013	Santa Rosa Main Post Office	\$0	\$0	\$0	\$0	10/24/01
FF-AR-02-014	Long Beach District Accounting Office	\$0	\$0	\$0	\$0	10/5/01
FF-AR-02-015	Montebello Post Office	\$0	\$0	\$0	\$0	10/5/01
FF-AR-02-016	South Hackensack Business Mail Entry Unit	\$0	\$0	\$0	\$0	11/23/01
FF-AR-02-017	Houston Stamp Distribution Office	\$0	\$0	\$0	\$0	10/17/01
FF-AR-02-018	Newark Stamp Distribution Office	\$0	\$0	\$0	\$0	11/15/01
FF-AR-02-019	South Florida Business Mail Entry Unit	\$0	\$0	\$0	\$0	10/17/01
FF-AR-02-020	Columbus Business Mail Entry Unit	\$0	\$0	\$0	\$0	10/26/01
FF-AR-02-021	Baton Rouge Stamp Distribution Office	\$0	\$0	\$0	\$0	10/31/01
FF-AR-02-022	Phelps Post Office	\$0	\$0	\$0	\$0	11/15/01
FF-AR-02-023	Highland Post Office	\$0	\$0	\$0	\$0	11/15/01
FF-AR-02-024	Rutland Post Office	\$0	\$0	\$0	\$0	10/17/01
FF-AR-02-025	Woodstock Business Mail Entry Unit	\$0	\$0	\$0	\$0	11/15/01
FF-AR-02-026	Lilburn Post Office	\$0	\$0	\$0	\$0	10/23/01
FF-AR-02-027	Torrington Post Office	\$0	\$0	\$0	\$0	11/15/01
FF-AR-02-028	Worthington Post Office	\$0	\$0	\$0	\$0	11/13/01
FF-AR-02-029	Torrance Business Mail Entry Unit	\$0	\$0	\$0	\$0	10/26/01
FF-AR-02-030	El Paso Stamp Distribution Office	\$0	\$0	\$0	\$0	10/31/01
FF-AR-02-031	Corona Main Post Office	\$0	\$0	\$0	\$0	11/21/01
FF-AR-02-032	Mendocino Post Office	\$0	\$0	\$0	\$0	10/26/01
FF-AR-02-033	Mercersburg Post Office	\$0	\$0	\$0	\$0	11/13/01
FF-AR-02-034	Montgomery Business Mail Entry Unit	\$0	\$0	\$0	\$0	11/8/01
FF-AR-02-035	Portland Business Mail Entry Unit	\$0	\$0	\$0	\$0	10/26/01
FF-AR-02-036	Lawrenceville Post Office	\$0	\$0	\$0	\$0	10/31/01



Report Number	Subject Title/ Project Type	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Other	Issue Date
FF-AR-02-037	Seattle Stamp Distribution Office	\$0	\$0	\$0	\$0	10/26/01
FF-AR-02-038	Cedartown Post Office	\$0	\$0	\$0	\$0	11/20/01
FF-AR-02-039	Clearfield Post Office	\$0	\$0	\$0	\$0	11/20/01
FF-AR-02-040	Columbus, Georgia Business Mail Entry Unit	\$0	\$0	\$0	\$0	11/20/01
FF-AR-02-041	Fairburn Post Office	\$0	\$0	\$0	\$0	11/20/01
FF-AR-02-042	Hot Springs Post Office	\$0	\$0	\$0	\$0	11/20/01
FF-AR-02-043	Flintstone Post Office	\$0	\$0	\$0	\$0	11/20/01
FF-AR-02-044	Alabama District Accounting Office	\$0	\$0	\$0	\$0	10/26/01
FF-AR-02-045	Honolulu Business Mail Entry Unit	\$0	\$0	\$0	\$0	10/26/01
FF-AR-02-046	Portland District Accounting Office	\$0	\$0	\$0	\$0	10/26/01
FF-AR-02-047	Las Vegas District Accounting Office	\$0	\$0	\$0	\$0	10/26/01
FF-AR-02-048	Hegins Post Office	\$0	\$0	\$0	\$0	11/9/01
FF-AR-02-049	Forest Post Office	\$0	\$0	\$0	\$0	11/20/01
FF-AR-02-050	Garden City Post Office	\$0	\$0	\$0	\$0	11/9/01
FF-AR-02-051	Shamrock Post Office	\$0	\$0	\$0	\$0	11/29/01
FF-AR-02-052	Main Street Station	\$0	\$0	\$0	\$0	11/2/01
FF-AR-02-053	Bay St. Louis Downtown Contract Postal Unit	\$0	\$0	\$0	\$0	11/8/01
FF-AR-02-054	Jamaica Business Mail Entry Unit	\$0	\$0	\$0	\$0	11/21/01
FF-AR-02-055	Long Pond Post Office	\$0	\$0	\$0	\$0	11/20/01
FF-AR-02-056	Mohawk Post Office	\$0	\$0	\$0	\$0	11/20/01
FF-AR-02-057	Saginaw Post Office	\$0	\$0	\$0	\$0	11/20/01
FF-AR-02-058	Frederick Post Office	\$0	\$0	\$0	\$0	11/20/01
FF-AR-02-059	Hayward Main Office	\$0	\$0	\$0	\$0	11/20/01
FF-AR-02-060	Helen Post Office	\$0	\$0	\$0	\$0	11/20/01
FF-AR-02-061	Lancaster Business Mail Entry Unit	\$0	\$0	\$0	\$0	11/8/01
FF-AR-02-062	Toledo Business Mail Entry Unit	\$0	\$0	\$0	\$0	11/20/01
FF-AR-02-063	Versailles Business Mail Entry Unit	\$0	\$0	\$0	\$0	11/20/01
FF-AR-02-064	Baltimore Business Mail Entry Unit	\$0	\$0	\$0	\$0	11/16/01
FF-AR-02-065	Pewaukee Business Mail Entry Unit	\$0	\$0	\$0	\$0	11/29/01
FF-AR-02-067	Rockford Post Office	\$0	\$0	\$0	\$0	12/4/01
FF-AR-02-068	Bloomfield Post Office	\$0	\$0	\$0	\$0	11/29/01
FF-AR-02-069	Portland Stamp Distribution Office	\$0	\$0	\$0	\$0	12/4/01
FF-AR-02-070	Temple Post Office	\$0	\$0	\$0	\$0	11/29/01
FF-AR-02-071	Land Park Post Office	\$0	\$0	\$0	\$0	12/28/01
FF-AR-02-072	Plymouth Post Office	\$0	\$0	\$0	\$0	11/30/01
FF-AR-02-073	Central New Jersey District Accounting Office	\$0	\$0	\$0	\$0	11/28/01
FF-AR-02-074	Sioux City Post Office	\$0	\$0	\$0	\$0	11/30/01
FF-AR-02-075	Dakotas District Accounting Office	\$0	\$0	\$0	\$0	11/28/01
FF-AR-02-076	Alexandria Post Office	\$0	\$0	\$0	\$0	11/28/01
FF-AR-02-077	Witch Duck Station	\$0	\$0	\$0	\$0	11/28/01
FF-AR-02-078	Phoenix District Accounting Office	\$0	\$0	\$0	\$0	11/28/01
FF-AR-02-079	Flushing Stamp Distribution Office	\$0	\$0	\$0	\$0	12/13/01
FF-AR-02-080	Boston Business Mail Entry Unit	\$0	\$0	\$0	\$0	12/20/01
FF-AR-02-081	Northside Station	\$0	\$0	\$0	\$0	12/19/01
FF-AR-02-082	Lutherville Business Mail Entry Unit	\$0	\$0	\$0	\$0	12/13/01
FF-AR-02-083	Buffalo Business Mail Entry Unit	\$0	\$0	\$0	\$0	12/13/01
FF-AR-02-084	Atlanta Business Mail Entry Unit	\$0	\$0	\$0	\$0	12/4/01
FF-AR-02-085	Bartlett Station	\$0	\$0	\$0	\$0	12/18/01

Report Number	Subject Title/ Project Type	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Other	Issue Date
FF-AR-02-086	Hamburg Business Mail Entry Unit	\$0	\$0	\$0	\$0	12/19/01
FF-AR-02-087	Des Plaines Business Mail Entry Unit	\$0	\$0	\$0	\$0	12/7/01
FF-AR-02-088	Richmond Business Mail Entry Unit	\$0	\$0	\$0	\$0	12/6/01
FF-AR-02-089	Baltimore District Accounting Office	\$0	\$0	\$0	\$0	12/7/01
FF-AR-02-090	New York District Accounting Office	\$0	\$0	\$0	\$0	12/11/01
FF-AR-02-091	Bend Post Office	\$0	\$0	\$0	\$0	12/19/01
FF-AR-02-092	Jacksonville Business Mail Entry Unit	\$0	\$0	\$0	\$0	12/18/01
FF-AR-02-093	Jonesboro Post Office	\$0	\$0	\$0	\$0	12/18/01
FF-AR-02-094	St. Paul Main Window Unit	\$0	\$0	\$0	\$0	12/18/01
FF-AR-02-095	Onalaska Post Office	\$0	\$0	\$0	\$0	12/26/01
FF-AR-02-096	Austin Downtown Station	\$0	\$0	\$0	\$0	12/18/01
FF-AR-02-097	Loveland Post Office	\$0	\$0	\$0	\$0	12/19/01
FF-AR-02-098	Detroit Business Mail Entry Unit	\$0	\$0	\$0	\$0	12/26/01
FF-AR-02-099	Salem Post Office	\$0	\$0	\$0	\$0	12/18/01
FF-AR-02-100	Las Vegas Business Mail Entry Unit	\$0	\$0	\$0	\$0	12/14/01
FF-AR-02-101	Compton Business Mail Entry Unit	\$0	\$0	\$0	\$0	12/19/01
FF-AR-02-102	Alameda Station	\$0	\$0	\$0	\$0	12/19/01
FF-AR-02-103	Waldorf Post Office	\$0	\$0	\$0	\$0	12/14/01
FF-AR-02-104	Keene Post Office	\$0	\$0	\$0	\$0	12/20/01
FF-AR-02-105	Farmingdale Business Mail Entry Unit	\$0	\$0	\$0	\$0	12/19/01
FF-AR-02-106	Cleveland Business Mail Entry Unit	\$0	\$0	\$0	\$0	12/21/01
FF-AR-02-107	Camden Business Mail Entry Unit	\$0	\$0	\$0	\$0	12/19/01
FF-AR-02-108	Gateway District Accounting Office	\$0	\$0	\$0	\$0	12/17/01
FF-AR-02-109	Rhinehart Post Office	\$0	\$0	\$0	\$0	12/19/01
FF-AR-02-110	Brooklyn Business Mail Entry Unit	\$0	\$0	\$0	\$0	12/19/01
FF-AR-02-111	Mt. Pleasant Business Mail Entry Unit	\$0	\$0	\$0	\$0	12/20/01
FF-AR-02-112	Farley Station	\$0	\$0	\$0	\$0	12/26/01
FF-AR-02-113	Santa Monica Main Post Office	\$0	\$0	\$0	\$0	12/21/01
FF-AR-02-114	Bellmawr Business Mail Entry Unit	\$0	\$0	\$0	\$0	12/19/01
FF-AR-02-115	Franklin Park Business Mail Entry Unit	\$0	\$0	\$0	\$0	12/19/01
FF-AR-02-116	Hazelwood Business Mail Entry Unit	\$0	\$0	\$0	\$0	12/19/01
FF-AR-02-117	Clinton Post Office	\$0	\$0	\$0	\$0	12/19/01
FF-AR-02-118	Kent Business Mail Entry Unit	\$0	\$0	\$0	\$0	12/26/01
FF-AR-02-119	Wilkes Barre Business Mail Entry Unit	\$0	\$0	\$0	\$0	12/21/01
FF-AR-02-120	Philadelphia Business Mail Entry Unit	\$0	\$0	\$0	\$0	12/19/01
FF-AR-02-121	Shawnee Mission Business Mail Entry Unit	\$0	\$0	\$0	\$0	12/26/01
FF-AR-02-122	Van Nuys Post Office	\$0	\$0	\$0	\$0	12/21/01
FF-AR-02-123	University Station	\$0	\$0	\$0	\$0	12/21/01
FF-AR-02-124	Indianapolis Business Mail Entry Unit	\$0	\$0	\$0	\$0	12/21/01
FF-AR-02-125	Millbury Post Office	\$0	\$0	\$0	\$0	12/21/01
FF-AR-02-126	Harrisburg Business Mail Entry Unit	\$0	\$0	\$0	\$0	1/7/02
FF-AR-02-127	Newark Business Mail Entry Unit	\$0	\$0	\$0	\$0	12/21/01
FF-AR-02-128	Merrifield Business Mail Entry Unit	\$0	\$0	\$0	\$0	12/26/01
FF-AR-02-129	Vacaville-Cernon Station	\$0	\$0	\$0	\$0	12/21/01
FF-AR-02-130	Detroit Stamp Distribution Office	\$0	\$0	\$0	\$0	12/26/01
FF-AR-02-131	Austin Capitol Station	\$0	\$0	\$0	\$0	12/26/01
FF-AR-02-132	Eaton Rapids Post Office	\$0	\$0	\$0	\$0	12/26/01
FF-AR-02-133	Fayetteville Main Post Office	\$0	\$0	\$0	\$0	12/26/01
FF-AR-02-134	Dallas Main Post Office	\$0	\$0	\$0	\$0	12/26/01



Report Number	Subject Title/ Project Type	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Other	Issue Date
FF-AR-02-135	New London Business Mail Entry Unit	\$0	\$0	\$0	\$0	12/31/01
FF-AR-02-136	Terre Haute Business Mail Entry Unit	\$0	\$0	\$0	\$0	12/26/01
FF-AR-02-137	Victory Center Post Office	\$0	\$0	\$0	\$0	12/21/01
FF-AR-02-138	Brookfield Business Mail Entry Unit	\$0	\$0	\$0	\$0	12/26/01
FF-AR-02-139	Grand Prairie Business Mail Entry Unit	\$0	\$0	\$0	\$0	12/26/01
FF-AR-02-140	Telluride Post Office	\$0	\$0	\$0	\$0	1/3/02
FF-AR-02-141	Salt Lake City Business Mail Entry Unit	\$0	\$0	\$0	\$0	12/26/01
FF-AR-02-142	Dubuque Post Office	\$0	\$0	\$0	\$0	12/28/01
FF-AR-02-143	Norwich Business Mail Entry Unit	\$0	\$0	\$0	\$0	12/28/01
FF-AR-02-144	Phoenix Business Mail Entry Unit	\$0	\$0	\$0	\$0	12/26/01
FF-AR-02-145	Reading Business Mail Entry Unit	\$0	\$0	\$0	\$0	12/26/01
FF-AR-02-146	Worth Post Office	\$0	\$0	\$0	\$0	12/26/01
FF-AR-02-147	Rancho Cordova Business Mail Entry Unit	\$0	\$0	\$0	\$0	12/26/01
FF-AR-02-148	Baraboo Business Mail Entry Unit	\$0	\$0	\$0	\$0	12/31/01
FF-AR-02-149	Market Square Station	\$0	\$0	\$0	\$0	12/31/01
FF-AR-02-150	Maryland Heights Branch Post Office	\$0	\$0	\$0	\$0	1/4/02
FF-AR-02-151	Milwaukee Business Mail Entry Unit	\$0	\$0	\$0	\$0	1/3/02
FF-AR-02-152	Stevensville Business Mail Entry Unit	\$0	\$0	\$0	\$0	12/28/01
FF-AR-02-153	Woburn Main Post Office	\$0	\$0	\$0	\$0	12/31/01
FF-AR-02-154	Cincinnati Business Mail Entry Unit	\$0	\$0	\$0	\$0	12/28/01
FF-AR-02-155	Kenosha Business Mail Entry Unit	\$0	\$0	\$0	\$0	12/28/01
FF-AR-02-156	Kalamazoo Post Office	\$0	\$0	\$0	\$0	12/28/01
FF-AR-02-157	Warsaw Business Mail Entry Unit	\$0	\$0	\$0	\$0	12/28/01
FF-AR-02-158	Pioneer Post Office	\$0	\$0	\$0	\$0	12/28/01
FF-AR-02-159	San Juan Stamp Distribution Office	\$0	\$0	\$0	\$0	12/31/01
FF-AR-02-160	Katy Post Office	\$0	\$0	\$0	\$0	12/31/01
FF-AR-02-161	Austin General Mail Facility Window Service	\$0	\$0	\$0	\$0	12/31/01
FF-AR-02-162	Springfield Post Office	\$0	\$0	\$0	\$0	12/31/01
FF-AR-02-163	Tucson Downtown Station	\$0	\$0	\$0	\$0	12/31/01
FF-AR-02-164	Northland District Accounting Office	\$0	\$0	\$0	\$0	12/31/01
FF-AR-02-165	Little Ferry Post Office	\$0	\$0	\$0	\$0	12/31/01
FF-AR-02-166	Los Angeles Main Office Station	\$0	\$0	\$0	\$0	12/31/01
FF-AR-02-167	Maple Grove Business Mail Entry Unit	\$0	\$0	\$0	\$0	1/3/02
FF-AR-02-168	Liberty Post Office	\$0	\$0	\$0	\$0	1/3/02
FF-AR-02-169	Springfield District Accounting Office	\$0	\$0	\$0	\$0	12/31/01
FF-AR-02-170	Charleston Business Mail Entry Unit	\$0	\$0	\$0	\$0	12/31/01
FF-AR-02-171	Western New York District Accounting Office	\$0	\$0	\$0	\$0	1/4/02
FF-AR-02-172	Minneapolis Main Post Office	\$0	\$0	\$0	\$0	1/7/02
FF-AR-02-173	Eastern Heights Station	\$0	\$0	\$0	\$0	1/7/02
FF-AR-02-174	Scottsdale Air Park Station	\$0	\$0	\$0	\$0	1/4/02
FF-AR-02-175	Effingham Business Mail Entry Unit	\$0	\$0	\$0	\$0	1/7/02
FF-AR-02-176	Van Nuys Business Mail Entry Unit	\$0	\$0	\$0	\$0	1/7/02
FF-AR-02-177	Spartanburg Business Mail Entry Unit	\$0	\$0	\$0	\$0	1/7/02
FF-AR-02-178	Indianapolis Airport Mail Center	\$0	\$0	\$0	\$0	1/7/02

Report Number	Subject Title/ Project Type	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Other	Issue Date
FF-AR-02-179	Folsom Business Mail Entry Unit	\$0	\$0	\$0	\$0	1/7/02
FF-AR-02-180	Kansas City Business Mail Entry Unit	\$0	\$0	\$0	\$0	1/22/02
FF-AR-02-181	Union City Business Mail Entry Unit	\$0	\$0	\$0	\$0	1/7/02
FF-AR-02-182	Cleveland District Accounting Office	\$0	\$0	\$0	\$0	1/4/02
FF-AR-02-183	San Antonio Air Mail Facility	\$0	\$0	\$0	\$0	1/4/02
FF-AR-02-184	Seeley Lake Post Office	\$0	\$0	\$0	\$0	1/11/02
FF-AR-02-185	Collingswood Post Office	\$0	\$0	\$0	\$0	1/11/02
FF-AR-02-186	Mora Business Mail Entry Unit	\$0	\$0	\$0	\$0	1/23/02
FF-AR-02-187	Saddle Creek Station	\$0	\$0	\$0	\$0	1/23/02
FF-AR-02-188	Southport Branch	\$0	\$0	\$0	\$0	1/22/02
FF-AR-02-189	Lincoln Post Office	\$0	\$0	\$0	\$0	1/25/02
FF-AR-02-190	South Hackensack Post Office	\$0	\$0	\$0	\$0	1/28/02
FF-AR-02-191	Ellisburg Station	\$0	\$0	\$0	\$0	1/28/02
FF-AR-02-192	Julius Melcher Station	\$0	\$0	\$0	\$0	1/24/02
FF-AR-02-193	Miami Business Mail Entry Unit	\$0	\$0	\$0	\$0	1/25/02
FF-AR-02-194	Allen Post Office	\$0	\$0	\$0	\$0	1/25/02
FF-AR-02-195	Dallas Business Mail Entry Unit	\$0	\$0	\$0	\$0	1/28/02
FF-AR-02-196	Wilmington Post Office	\$0	\$0	\$0	\$0	1/31/02
FF-AR-02-197	Chicago Stockyard Station	\$0	\$0	\$0	\$0	1/28/02
FF-AR-02-198	JA Farley Business Mail Entry Unit	\$0	\$0	\$0	\$0	1/29/02
FF-AR-02-199	Houston Business Mail Entry Unit	\$0	\$0	\$0	\$0	1/29/02
FF-AR-02-200	Houston District Accounting Office	\$0	\$0	\$0	\$0	1/29/02
FF-AR-02-201	Skokie Post Office	\$0	\$0	\$0	\$0	1/30/02
FF-AR-02-202	Dallas District Accounting Office	\$0	\$0	\$0	\$65,517 ²	1/30/02
FF-AR-02-203	Suburban Business Mail Entry Unit	\$0	\$0	\$0	\$0	1/31/02
FF-AR-02-204	Durham Business Mail Entry Unit	\$0	\$0	\$0	\$0	1/31/02
FISCAL YEAR 2002 FINANCIAL INSTALLATION AUDITS						
FF-AR-02-205	Bellmawr Business Mail Entry Unit	\$0	\$0	\$0	\$0	3/8/02
FF-AR-02-207	Lynchburg Business Mail Entry Unit	\$0	\$0	\$0	\$0	3/28/02
FINANCIAL RELATED						
FF-AR-02-206	Audit of Statistical Tests for the Fiscal Year 2001 Cost and Revenue Analysis	\$0	\$0	\$0	\$0	3/27/02
FT-AR-02-001	Shared Real Estate Appreciation Loan Program	\$0	\$0	\$0	\$0	10/17/01
FT-AR-02-002	Internal Controls Over International Merchant Purchase Authorization Card Purchases	\$0	\$0	\$0	\$0	11/6/01
FT-AR-02-003	Withholdings and Contributions for Health Benefits, Life Insurance, Retirement, and Employee Headcount Data	\$0	\$0	\$0	\$0	11/6/01
FT-AR-02-004	Postal Service Efforts to Address Data Quality Study Recommendations	\$0	\$0	\$0	\$0	12/19/01
FT-MA-02-003	Review of the Accuracy of the Estimated Costs to Address Terrorist Attack Damages and the Anthrax Threat	\$0	\$0	\$0	\$0	3/29/02
CONTRACTING						
CA-AR-02-001	Follow-up Audit of Salt Lake City District 2002 Winter Olympic Plan	\$0	\$0	\$0	\$0	1/11/02
CA-AR-02-002	Disposal of Excess Real Property	\$0	\$0	\$4,100,000	\$0	1/28/02
CA-CAR-02-001	Pre-Award Accounting System Survey	\$0	\$0	\$0	\$0	10/5/01

Report Number	Subject Title/ Project Type	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Other	Issue Date
CA-CAR-02-002	Evaluation of Proposal	\$0	\$0	\$0	\$0	10/5/01
CA-CAR-02-003	Audit of Common Area Maintenance Costs	\$0	\$0	\$0	\$0	10/5/01
CA-CAR-02-004	Evaluation of Termination for Convenience Proposal	\$17,359,760	\$0	\$0	\$0	10/12/01
CA-CAR-02-005	Evaluation of Firm Fixed Price Proposal	\$11,314,673	\$0	\$0	\$0	10/23/01
CA-CAR-02-006	Evaluation of Firm Fixed Price Proposal	\$405,052	\$0	\$0	\$0	10/23/01
CA-CAR-02-007	Evaluation of Proposal	\$0	\$0	\$0	\$0	11/15/01
CA-CAR-02-008	Evaluation of Proposal	\$0	\$0	\$0	\$0	11/21/01
CA-CAR-02-009	Evaluation of Proposal	\$4,681,606	\$0	\$0	\$0	12/14/01
CA-CAR-02-010	Evaluation of Proposal	\$0	\$0	\$0	\$0	12/14/01
CA-CAR-02-011	Pre-award Accounting System Survey	\$0	\$0	\$0	\$0	12/17/01
CA-CAR-02-012	Evaluation of Proposal	\$13,573,494	\$3,040,998	\$0	\$0	1/7/02
CA-CAR-02-013	Evaluation of Incurred Costs	\$0	\$0	\$0	\$0	1/11/02
CA-CAR-02-014	Evaluation of Purchases Existence and Consumption of Materials	\$0	\$0	\$0	\$0	1/23/02
CA-CAR-02-015	Pre-award Accounting System Survey	\$0	\$0	\$0	\$0	1/30/02
CA-CAR-02-016	Evaluation of Final Voucher and Cumulative Claimed Costs	\$0	\$0	\$0	\$0	2/5/02
CA-CAR-02-017	Evaluation of Final Voucher and Cumulative Claimed Costs	\$0	\$0	\$0	\$0	2/5/02
CA-CAR-02-018	Review of Purchasing System	\$0	\$0	\$0	\$0	2/6/02
CA-CAR-02-019	Evaluation of Video Teleconferencing Utilization	\$0	\$0	\$1,314,128	\$0	2/6/02
CA-CAR-02-020	Evaluation of Final Voucher and Cumulative Claimed Costs	\$0	\$0	\$0	\$0	2/8/02
CA-CAR-02-021	Evaluation of Accounting and Billing Systems	\$0	\$0	\$0	\$0	2/8/02
CA-CAR-02-022	Evaluation of Final Voucher and Cumulative Claimed Costs	\$0	\$0	\$0	\$0	2/13/02
CA-CAR-02-023	Evaluation of Incurred Costs	\$0	\$0	\$0	\$0	2/14/02
CA-CAR-02-024	Evaluation of Final Voucher and Cumulative Claimed Costs	\$0	\$0	\$0	\$0	2/14/02
CA-CAR-02-025	Evaluation of Final Voucher and Claimed Costs	\$0	\$0	\$0	\$0	2/14/02
CA-CAR-02-026	Evaluation of Incurred Costs	\$491,590	\$0	\$0	\$0	2/28/02
CA-CAR-02-027	Evaluation of Partial Termination for Convenience Proposal	\$2,217,874	\$0	\$0	\$0	3/6/02
CA-CAR-02-028	Evaluation of Incurred Costs	\$0	\$0	\$0	\$0	3/8/02
CA-CAR-02-029	Evaluation of Equitable Price Adjustment Claim	\$0	\$0	\$0	\$0	3/8/02
CA-CAR-02-030	Post Award Audit of Cost or Pricing Data	\$0	\$0	\$0	\$0	3/8/02
CA-CAR-02-031	Evaluation of Proposals	\$305,480	\$304,407	\$0	\$0	3/19/02
CA-CAR-02-032	Evaluation of Equitable Price Adjustment Claim	\$772,214	\$0	\$0	\$0	3/25/02

Report Number	Subject Title/ Project Type	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Other	Issue Date
CA-CAR-02-033	Evaluation of Incurred Costs	\$0	\$0	\$0	\$0	3/25/02
CA-CAR-02-034	Evaluation of Incurred Costs	\$0	\$0	\$0	\$0	3/26/02
CA-CAR-02-035	Evaluation of Firm Fixed Price Proposal	\$0	\$0	\$0	\$0	3/26/02
CA-MA-02-001	Postal Service Supplier Demographics	\$0	\$0	\$0	\$0	3/28/02
FINANCIAL MANAGEMENT TOTALS		\$52,471,979	\$3,345,405	\$5,414,128	\$ 65,517	

TECHNOLOGY

INFORMATION SYSTEMS

IS-AR-02-001	System Controls	\$0	\$0	\$0	\$0	11/8/01
IS-AR-02-002	Network Security	\$0	\$0	\$0	\$0	12/19/01
IS-AR-02-003	Review of the Facilities Management System for Windows	\$0	\$0	\$0	\$0	2/22/02
IS-AR-02-004	Server Security Testing	\$0	\$0	\$0	\$0	3/22/02
IS-AR-02-005	Security Testing of Routers and Switches	\$0	\$0	\$0	\$0	3/22/02
IS-AR-02-006	Security Testing of Load Balancers	\$0	\$0	\$0	\$0	3/28/02
IS-CS-02-001	Server Security Testing	\$0	\$0	\$0	\$0	11/15/01
IS-CS-02-002	Security Testing of Switches	\$0	\$0	\$0	\$0	1/11/02
IS-CS-02-003	Network Security	\$0	\$0	\$0	\$0	2/4/02

DEVELOPMENTAL

DA-AR-02-001	Performance of Automated Flat Sorting Machine 100	\$0	\$0	\$0	\$0	2/22/02
DA-AR-02-002	Processing Operations Information System	\$0	\$0	\$0	\$0	3/22/02
DA-AR-02-003	Assessment of Anthrax Sterilization Solution	\$0	\$0	\$0	\$0	3/22/02
DA-AR-02-004	Postal Service Test, Evaluation, and Quality	\$0	\$0	\$0	\$0	3/27/02

ELECTRONIC COMMERCE

EM-AR-02-001	Protection of Internet Users' Information - PostmarkAmerica.com Technical Issues	\$0	\$0	\$0	\$0	10/18/01
EM-AR-02-003	Facilities Database Application Development Review	\$0	\$0	\$0	\$0	3/26/02
EM-AR-02-004	eServices Registration Application Development Review	\$0	\$0	\$0	\$0	3/26/02
EM-AR-02-005	Vehicle Operations Information System	\$0	\$0	\$0	\$0	3/26/02
EM-AR-02-006	Delivery Unit Notification System Application Development Review	\$0	\$0	\$0	\$0	3/27/02
EM-AR-02-008	PostmarkAmerica.Com Financial and Management Issues	\$0	\$0	\$0	\$0	3/29/02
EM-AR-02-009	Public-Key Infrastructure Initiatives by the Postal Service	\$0	\$0	\$0	\$0	3/29/02
EM-MA-02-001	Postal Service's Biohazard Command Center Efforts and Contingency Planning	\$0	\$0	\$0	\$0	3/29/02
TECHNOLOGY TOTALS		\$ 0	\$ 0	\$ 0	\$ 0	

LABOR MANAGEMENT

Report Number	Subject Title/ Project Type	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Other	Issue Date
WORKPLACE ENVIRONMENT REVIEWS						
LH-MA-02-002	Review of the Postal Service's Communication of Employee Safety and Health Issues at Selected Locations	\$0	\$0	\$0	\$0	2/28/02
LH-MA-02-003	Review of Decontamination Activities at the Pentagon Station	\$0	\$0	\$0	\$0	3/12/02
LH-MA-02-004	Fact-Finding Review of Actions and Decisions by Postal Service Management at the South Jersey Processing and Distribution Center	\$0	\$0	\$0	\$0	3/22/02
HUMAN RESOURCE PROCESSES						
LH-AR-02-001	Use of the Economic Value Added Concept in the Pay for Performance Program (second report)	\$0	\$0	\$0	\$0	12/5/01
LH-AR-02-002	Sexual Harassment Prevention Measures in the Maine District	\$0	\$0	\$0	\$0	3/22/02
LH-MA-02-001	Follow-up Report on Postal Service's Oversight of Other Paid Administrative Leave Use	\$0	\$0	\$3,000,000	\$0	11/29/01
LABOR MANAGEMENT TOTALS		\$ 0	\$ 0	\$ 3,000,000	\$ 0	
OVERSIGHT						
OV-AR-02-001	Postal Inspection Service Executive Awards Program	\$0	\$0	\$0	\$0	12/20/01
OV-AR-02-002	Postal Inspection Service Evidence Handling Program	\$0	\$0	\$0	\$0	3/25/02
OVERSIGHT TOTALS		\$ 0	\$ 0	\$ 0	\$ 0	
OIG TOTALS		\$52,471,979	\$3,345,405	\$95,763,867	\$65,517	

APPENDIX B

Findings of Questioned Costs

For the period October 1, 2001, through March 31, 2002

OFFICE OF INSPECTOR GENERAL

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	43	\$267,297,217	\$13,753,137
Reports requiring management decision that were issued during the reporting period	10	\$52,471,979	\$3,345,405
TOTALS	53	\$319,769,196	\$17,098,542
Reports for which a management decision was made during the reporting period (i+ii)*	24	\$214,499,363	\$8,664,227
(i) Dollar Value of disallowed cost		\$195,029,709	\$379,646
(ii) Dollar value of cost not disallowed		\$19,469,654	\$8,284,581
Reports for which no management decision was made by the end of the reporting period. Negotiations are ongoing.	29	\$105,269,833	\$8,434,315
Reports for which no management decision was made within six months of issuance (See Note 1 for a list of individual reports)	9	\$1,339,917	\$250,471
Reports for which no management decision was made within one year of issuance (See Note 2 for a list of individual reports)	12	\$66,131,228	\$7,879,437

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

Report Date	Report/Case Number	Project Type	Total Questioned Costs	Unsupported Costs Included in Questioned Costs
4/19/01	CA-CAR-01-038	Contract Audit	\$17,554	\$17,554
6/7/01	CA-CAR-01-046	Contract Audit	2,505	
7/17/01	CA-AR-01-003	Price Adjustment for Year-A-Round Corp.	5,891	
7/18/01	CA-CAR-01-057	Contract Audit	136,651	
7/19/01	CA-CAR-01-059	Contract Audit	198,450	198,450
7/27/01	CA-CAR-01-060	Contract Audit	46,931	
9/14/01	CA-CAR-01-066	Contract Audit	1,131	
9/14/01	CA-CAR-01-068	Contract Audit	222,509	34,467
9/14/01	CA-CAR-01-069	Contract Audit	708,295	
TOTAL			\$1,339,917	\$250,471

* The reported amounts disallowed reflect the results of a negotiated settlement, signed on September 26, 2001, between the Postal Service and a contractor. The settlement resolved \$543.2 million of amounts in dispute and all other potential claims. Included herein is \$163.1 million disallowed related to this action.

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

Report Date	Report/ Case Number	Project Type	Total Questioned Costs	Unsupported Costs Included in Questioned Costs
2/29/00	TR-AR-00-005	Southwest Area Expenditures for Extra Highway Trips Using Leased Equipment	\$848,000	\$0
3/31/00	CA-MA-00-001	Contract Audit Practices	92,214	0
5/17/00	CA-AR-00-001	United States Postal Service Warranty Repair of Tractors	977,598	0
8/25/00	CA-CAR-00-047	Contract Audit	917,345	0
9/20/00	CA-CAR-00-055	Contract Audit	10,565,117	0
9/29/00	CA-CAR-00-064	Contract Audit	17,726,329	0
12/14/00	CA-CAR-01-013	Contract Audit	7,264,275	361,997
2/27/01	CA-AR-01-001	Contracting Practices for the Services Procurement of Mail Transport Equipment	12,500,000	0
OIG TOTALS			\$50,890,878	\$361,997

Report Date	Report/ Case Number	Project Type	Total Questioned Costs	Unsupported Costs Included in Questioned Costs
12/7/98	184-1243166-AC(1)	Contract Audit	\$7,087,038	\$5,841,563
11/17/99	181-1294644-AC(1)	Contract Audit	7,063,747	1,675,877
4/3/00	184-1126310-AC(1)	Contract Audit	514,696	0
8/30/00	184-1210121-AC(1)	Contract Audit	574,869	0
INSPECTION SERVICE TOTALS			\$15,240,350	\$7,517,440
TOTAL			\$66,131,228	\$7,879,437

APPENDIX C

Recommendations That Funds Be Put to Better Use

For the period October 1, 2001, through March 31, 2002

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	7	\$48,541,290
Reports requiring management decision that were issued during the reporting period	5	\$95,763,867
TOTALS	12	\$144,305,157
Reports for which a management decision was made during the report period	4	\$13,414,128
(i) Value of recommendations agreed to by management		\$12,477,640
(ii) Value of recommendations that were not agreed to by management		\$936,488
Reports for which no management decision was made by the end of the reporting period	8	\$130,891,029
Reports for which no management decision was made within six months of issuance (See Note 1 for a list of individual reports)	2	\$17,967,342
Reports for which no management decision was made within one year of issuance (See Note 2 for a list of individual reports)	5	\$30,573,948

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

Report Date	Report/Case Number	Project Type	Recommend Funds Put to Better Use
07/27/01	TR-AR-01-004	Bulk Fuel Purchase Plan	\$15,918,035
08/22/01	OV-AR-01-003	Service Investigations Conducted by the Inspection Service	2,049,307
TOTAL			\$17,967,342

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

Report Date	Report/Case Number	Project Type	Recommend Funds Put to Better Use
10/30/98	181-1252372-AC(1)	Contract Audit	\$1,710,680
11/24/98	181-1254410-AC(1)	Contract Audit	137,480
12/18/98	181-1253441-AC(1)	Contract Audit	145,532
8/27/99	181-1294162-AC(1)	Contract Audit	122,861
9/29/00	MK-AR-00-001	Review of Stamp Fulfillment Services Performance	28,457,395
TOTAL			\$30,573,948

APPENDIX D

Reports with Significant Recommendations Pending Corrective Actions

For the period October 1, 2001, through March 31, 2002

This appendix lists reports containing significant recommendations pending final action by management. On October 1, 2000, the OIG assumed complete responsibility for tracking corrective actions for all significant recommendations. As a result, the OIG performed an extensive analysis to identify reports with significant recommendations requiring confirmation that appropriate corrective actions have been taken. This appendix identifies those reports. The OIG is working with Postal Service management to validate whether appropriate corrective actions have been taken, and if so, remove them from this appendix.

OFFICE OF INSPECTOR GENERAL

Report Number	Report Title	Number of Recommendations	Issue Date
LM-MA-99-002	Effectiveness of USPS Grievance Arbitration Procedures	2	3/26/99
LR-MA-99-001	Grievance Arbitration Management Information	2	3/26/99
QR-MA-99-001	USPS Management of Personal Services Contract	1	3/29/99
FA-AR-99-001	Review of Atlanta Olympics Facility Improvement Plan	2	3/31/99
OV-MA-99-001	Review of USPS Personnel Security Program - Process for Updating Sensitive Clearances	1	3/31/99
DA-AR-99-002	Point of Service ONE	1	9/20/99
TR-AR-99-001	Compliance Opportunities for Savings in Rail Detention Costs	3	9/23/99
FR-AR-99-010	Fiscal Year 1999 Information Systems Controls, St. Louis Information Service Center	2	9/28/99
FR-AR-99-008	Fiscal Year 1999 Information Systems Controls, San Mateo Information Service Center	1	9/29/99
TR-AR-99-003	Emergency and Extra Trip Expenditures on Highway Routes	6	9/29/99
CA-AR-99-001	Opportunities to Increase Savings Through the Use of Natural Gas Vehicles	2	9/30/99
CA-AR-99-002	Removal of Underground Storage Tanks	1	9/30/99
CA-AR-99-003	Responsibilities of Contracting Officers' Representatives	9	9/30/99
FR-LA-00-001	Sure Money Electronic Funds Transfer Service Expansion to Dominican Republic	2	11/23/99
RG-MA-00-001	Cost and Benefit of the International Collection Program	1	12/3/99
FR-MA-00-001	Budget Cost Containment Measures	1	12/22/99
TR-AR-00-003	Commercial Air Carrier: Performance Measurement System	2	1/31/00
TR-AR-00-004	Commercial Air Carrier Performance: Effectiveness of Pay for Performance	2	1/31/00
TR-AR-00-005	Southwest Area Expenditures for Extra Highway Trips Using Leased Equipment	3	2/29/00
DS-AR-00-001	External First-Class Mail Measurement System	2	3/27/00
TR-AR-00-006	Commercial Air Carrier Performance: Payment for Ground Handling Services	2	3/27/00
CA-MA-00-001	Contract Audit Practices	7	3/31/00
DA-AR-00-002	Tray Management System	5	3/31/00
RG-AR-00-002	Breast Cancer Research Stamp Program Review-Phase II	1	3/31/00
FR-FA-00-010(R)	Relocation Benefits for Postal Service Officers - Revised	1	5/2/00
FA-AR-00-002	Salt Lake City District 2002 Winter Olympic Plans	2	6/30/00
TR-AR-00-008	Extra Trip Expenditures at the Dallas Bulk Mail Center	1	6/30/00
OV-MA-00-002	Review of Postal Inspection Service Forensic Scientist Salaries	1	7/17/00
TR-AR-00-009	Extra Trips Expenditures within the Mid-Atlantic Area	4	7/27/00



Report Number	Report Title	Number of Recommendations	Issue Date
FA-MA-00-007	Review of the Managed Network Services Contract & Billing Process of the Contractor	1	7/28/00
FT-FA-00-001	Money Order Blank Stock and Imprinters	6	8/25/00
FT-AR-00-002	International List Service Transmittal of Funds Bank Secrecy Act Compliance	1	8/29/00
EC-AR-00-001	USPS eBillPay Security and Privacy Issues	1	9/5/00
DA-AR-00-004	Information Platform Planning	1	9/28/00
AC-AR-00-004	Use of Robotic Tray Handling System	2	9/29/00
AC-AR-00-005	International Mail Processing	2	9/29/00
DA-AR-00-006	Point of Service ONE Phase II	2	9/29/00
IS-AR-00-004	State of Computer Security in the Postal Service	4	9/29/00
LB-AR-00-003	Evaluation of Postal Service Criteria for Workplace Violence Prevention and Response Program	3	9/29/00
MK-AR-00-001	Review of Stamp Fulfillment Services Performance Measures	1	9/29/00
OV-AR-00-005	Review of the United States Postal Inspection Service Budget Process	2	9/29/00
TR-AR-00-011	Dedicated Christmas Air Network - Phase 1	3	9/29/00
MK-AR-00-002(R)	Management Controls over the Sales Force Augmentation Program - Revised	3	10/31/00
TR-AR-01-001	Adequacy of Mail Transport Equipment Service Center Network Internal Controls	4	10/31/00
CA-MA-01-001	Privacy Data Contained in Contract Files	2	12/24/00
DE-AR-01-002	Review of the Revised Rules Governing Commercial Mail Receiving Agencies	3	4/9/01
DA-AR-01-004	Postal One! Business Customer Support Systems Phase One	5	4/9/01
IS-AR-01-001	Network Security	5	4/18/01
CA-AR-01-002	Responsibilities of Contracting Officers' Representatives	9	4/30/01
OV-AR-01-002	Inspection Service Support to Postal Service Threat Assessment Teams	2	4/30/01
TR-AR-01-003	Mail Transport Equipment Service Center-Decision Analysis Report Performance and Financial Benefits	1	5/4/01
LC-AR-01-007	Alleged Nepotism in the Arkansas District	5	6/4/01
LB-AR-01-019	Management Practices in the Alaska District	2	6/7/01
TR-LA-01-001	Review of a Transportation Agreement	2	6/26/01
TR-AR-01-004	Bulk Fuel Purchase Plan	5	7/27/01
TR-MA-01-002	Excise Taxes and Third Party Ground Handling Costs under a Transportation Agreement	1	8/8/01
CA-AR-01-004	Consulting and Audit Services Contracts	1	8/14/01
OV-AR-01-003	Service Investigations Conducted by the Inspection Service	2	8/22/01
IS-AR-01-002	Fiscal Year 2001 Information System Controls	5	8/23/01
IS-AR-01-003	Review of Security Access Controls	8	8/29/01
CA-AR-01-005	Supplier Diversity Program for Supplies, Services, and Equipment Purchases	9	9/6/01
DA-AR-01-005	Decision Analysis Report Process	10	9/27/01
DA-AR-01-006	Singulate, Scan, Induction Unit	5	9/27/01
FA-AR-01-002	National Refrigerant Management Plan	3	9/27/01
TR-MA-01-003	Security Risks Associated with a Transportation Agreement	1	9/27/01
EC-AR-01-003	USPS.com Management and Security Issues	3	9/28/01
MK-AR-01-002	Stamp Printing Quantities	4	9/28/01
OV-AR-01-004	Postal Inspection Service Fraud Against Government Program	1	9/28/01
TR-AR-01-006	Manual Payments on Rail Transportation Contracts	3	9/28/01
FT-AR-02-001	Shared Real Estate Appreciation Loan Program	5	10/17/01
EM-AR-02-001	Protection of Internet Users' Information - PostmarkAmerica.com Technical Issues	4	10/18/01
IS-AR-02-001	Fiscal Year 2001 Information System Controls	8	11/8/01
LH-AR-02-001	Use of the Economic Value Added Concept in the Pay for Performance Program	1	12/5/01
IS-AR-02-002	Network Security Vulnerabilities	3	12/19/01

Report Number	Report Title	Number of Recommendations	Issue Date
OV-AR-02-001	Postal Inspection Service Executive Awards Program	1	12/20/01
CQ-MA-02-001	Review of Letter Contract	1	12/28/01
IS-CS-02-002	Security Testing of Switches	2	1/11/02
FT-AR-02-008	Fiscal Year 2001 Postal Service Financial Statement Audit - Eagan Information Technology and Accounting Service Center	2	2/12/02
FT-AR-02-009	Fiscal Year 2001 Postal Service Financial Statement Audit - San Mateo Information Technology and Accounting Service Center	4	2/12/02
FT-AR-02-010	Fiscal Year 2001 Postal Service Financial Statement Audit - St. Louis Information Technology and Accounting Service Center	3	2/12/02
IS-AR-02-003	Review of the Facilities Management System for Windows	4	2/22/02
EM-AR-02-002	Postal Retail Store Operations	2	2/28/02
FT-AR-02-011	Payments to Contract Stations and Vendors Providing Goods and Services	6	3/6/02
LH-MA-02-003	Review of Decontamination Activities at the Pentagon Station	2	3/12/02
AC-AR-02-002	Certified Mail Processing Operations	3	3/21/02
IS-AR-02-005	Security Testing of Routers and Switches	2	3/22/02
LH-AR-02-002	Sexual Harassment Prevention Measures in the Maine District	4	3/22/02
DA-AR-02-004	Postal Service Test, Evaluation, and Quality	3	3/27/02
CA-MA-02-001	Postal Service Supplier Demographics	1	3/28/02
TD-AR-02-002	Trailer Lease Justification	2	3/29/02
EM-AR-02-007	The Role of Marketing in the Postal Service	3	3/29/02
EM-AR-02-008	PostmarkAmerica.com Financial and Management Issues	6	3/29/02
EM-AR-02-009	Public-Key Infrastructure Initiatives by the Postal Service	2	3/29/02
CQ-MA-02-002	Review of Contracts Associated with Biohazard Threat	5	3/29/02
AC-AR-02-003	Postal Service Strategy for Processing At-Risk Mail and Deployment of Irradiation Equipment	2	3/29/02

INSPECTION SERVICE

Report Number	Report Title	Number of Recommendations	Issue Date
0061-1263973-RI(1)	Meter Security Review, Pitney Bowes, Inc., Lanham, Maryland	1	5/21/99
0188-1300042-AF(2)	Financial Audit, Stamp Distribution Office, Seattle District, Seattle, Washington	1	8/24/00
0061-1305144-RI(1)	Meter Security Review, Ascom Hasler Mailing Systems, Inc., Houston, Texas	2	3/16/00
0038-1292495-PA(2)	Delivery Automation	1	2/8/00
0044-1248530-PA(2)	Small Post Office Cost Study	2	8/1/00
0022-1244541-PA(1)	Priority Mail	1	3/17/99
0052-1290664-PA(3)	City Carrier and Flat Sorting Machine (FSM) Operations Cost Savings, San Antonio, Texas	2	10/5/99
0061-1296645-RI(1)	Meter Security Review, Postage Technology Management, Lisle, Illinois	6	7/5/00
0016-1298651-AF(2)	Financial Audit, Westchester District Accounting Unit, White Plains, New York	1	11/23/99
0016-1298678-AF(2)	Financial Audit, San Francisco District Accounting Office, San Francisco, California	2	8/29/00

CONTRACT AUDITS

Report Number	Contractor	Report Date
0181-1165940-AC(1)	Contract Audit	5/20/95
0181-1237199-AC(1)	Contract Audit	4/14/98
0181-1252372-AC(1)	Contract Audit	10/30/98
0181-1253441-AC(1)	Contract Audit	12/18/98
0181-1254410-AC(1)	Contract Audit	11/24/98
0181-1294162-AC(1)	Contract Audit	8/27/99
0181-1294644-AC(1)	Contract Audit	11/17/99
0184-1126310-AC(1)	Contract Audit	4/3/00
0184-1210121-AC(1)	Contract Audit	8/30/00
0184-1243166-AC(1)	Contract Audit	12/7/98

APPENDIX E

Investigative Statistics¹

For the period October 1, 2001, through March 31, 2002

OFFICE OF INSPECTOR GENERAL**Statistics**

Arrests	28
Information/Indictments	27
Convictions ² /Pretrial Diversions	22
Suspension/Debarments	
Individuals	6
Firms	3
Administrative Actions	
Postal Service Employee	4
Contractor	9
Fines, Restitution, and Recoveries	\$9,049,812 ³
Cost Avoidance, Savings and Fund Put To Better Use	\$12,683,478

INSPECTION SERVICE⁴**Statistics**

Arrests	223
Convictions ² /Pretrial Diversions	217
Administrative Actions	
Postal Service Employee	460
Contractor	18
Fines, Restitution, and Recoveries	\$566,540
Collections	\$25,749
Civil Actions	5

- 1 Statistics include joint investigations with other federal law enforcement agencies.
- 2 Convictions reported in this time frame may be related to arrests made in prior reporting periods.
- 3 Total amount includes \$8,461,044 in restitution from a joint OIG and Inspection Service investigation. This amount is not reported by the Inspection Service.
- 4 Statistics for investigations related to fraud, waste, abuse, and mismanagement of Postal Service operations.



APPENDIX F

Summary of Postal Service Investigative Activities Under 39 USC § 3013

For the period October 1, 2001, through March 31, 2002

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.

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 subpoena power; and any additional information the OIG may require.

ABUSE OF MAILS

The Postal Service reports to the Office of Inspector General information related to investigative activities designed to protect the public against unscrupulous mailers perpetrating fraudulent schemes. The following information summarizes the administrative and judicial actions initiated and resolved during the reporting period. These actions include the issuance of cease and desist orders directed to mailers, actions to intercept payments fraudulently induced, and orders seeking to intercept fraudulent mailings.

INSPECTION SERVICE

Type of Scheme	Complaints Filed	Consent Agreements	False Representation Orders	Cease & Desist Orders
Advance fee	1	1		1
Boiler rooms/Telemarketing	5	1	1	
Contest/Sweepstakes	1			
Employment		4	2	4
Fraud - Internet Schemes	2	2		2
Medical	1	1	1	1
Merchandise:				
Failure to pay	1	1		1
Misrepresentation	1			
Solicitations	1	1		1
Work at home	2			
TOTAL	15	11	4	10

ADMINISTRATIVE ACTIONS

Administrative Action requests	21
Temporary Restraining Order requests	0
Temporary Restraining Orders issued	0
Civil Injunction (1345) requests	1
Civil Injunctions (1345) issued	1
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	42
Voluntary Discontinuances	239

POSTAL SERVICE ADMINISTRATIVE SUBPOENA AUTHORITY

The Postal Service reports to the Office of Inspector General information on the number of cases in which the Postal Service issued administrative subpoenas in connection with deceptive mailing. The following section identifies the number and nature of cases in which the Postal Service exercised this authority to request relevant business and associated records.

Case Number	Date Requested	Scheme
USPS-02-001	01/08/02	False Representations
USPS-02-002	01/29/02	False Representations
USPS-02-004	02/21/02	False Representations – Merchandise
USPS-02-005	03/04/02	Sweepstakes

FINANCIAL REPORTING ON INVESTIGATIVE ACTIVITIES

The Postal Service reports to the Office of Inspector General information related to the amount of financial expenditures and obligations incurred pursuing the investigative activities of the Postal Service. Information related to these activities is summarized below.

Type	Semi Annual Report
Personnel	\$205,494,560
Nonpersonnel	\$34,668,272
Total Expenditures	\$240,162,832
Capital Obligations	\$7,533,617

OTHER INVESTIGATIVE ACTIVITIES

The Postal Service also reports to the Office of Inspector General additional information related to significant investigative activities and other investigative matters. This section outlines a number of significant investigative activities the Postal Service has initiated and is pursuing, to include the Mail Security Task Force and the Deceptive Mail Enforcement Team. Inspection Service and Office of Inspector General criminal statistical information is summarized in Appendix E.

BIOTERRORISM THREATS

During the reporting period, Postal Inspectors arrested 71 suspects for possible anthrax hoax or threat activity. The Postal Inspection Service received over 17,000 reports of anthrax threats, hoaxes, or suspicious letters or packages in the mail.

MAIL SECURITY TASK FORCE

The Postmaster General established the Mail Security Task Force in October 2001, and appointed the Chief Postal Inspector to lead the team. The task force is committed to reducing the risks to the safety and security of postal employees and customers. The Steering Committee, comprising Postal Inspectors, senior level postal executives, and presidents of the labor unions and management associations, meets on a regular basis. Seven working groups are contained within the task force including Mailroom Security, Contingency Planning System-Wide, Mail Preparation, Mail Screening, Communicating/Messaging, Safety and Security in the Workplace Environment, and Mail Transportation Security. All of the working groups have presented findings to the Steering Committee, which is in the process of issuing an interim status report.

TRUSTED MAIL PROVIDER INITIATIVE

The Trusted Mail Provider (TRUMP) concept was introduced during this reporting period. This initiative proposes the independent review of the mail security practices of private mailers by Postal Inspectors. It is designed to decrease the risk of a biohazard attack against the American public via the U.S. Mail. Private mailers account for approximately 85% of total mail. Several visits were made to mailers to gauge their acceptance of these reviews, and a risk assessment worksheet was created based on best mail security practices specifically adopted by the mailing industry and employee, cargo, and transportation security practices as identified by members of the American Society for Industrial Security. The goal is to encourage all private mailers to take adequate measures to protect the mail, deter or detect possible attacks, and fully support investigations. No special treatment is accorded Trusted Mail Provider mail, and no certification is given by the Postal Service or the Postal Inspection Service.

INTERNATIONAL SECURITY GROUPS

The Inspection Service is an active participant in two international groups focused on security. The International Security Group targets initiatives to improve the safety, security, and reliability of international mail products for the U.S. Postal Service. The group also develops strategies and initiatives to improve quality of service and security of mail for the 189 member countries of the Universal Postal Union. The Postal Security Action Group of the Universal Postal Union focuses on problems and issues affecting the safety, security, and integrity of international communications products. This group is chaired by the Chief Postal Inspector.

2002 WINTER OLYMPICS SECURITY

The Postal Inspection Service was responsible for the safety and security of postal employees, Postal Service assets, and Olympic mail during the 2002 Winter Olympic Games in Salt Lake City, Utah, which ended February 24, 2002. Postal Inspectors screened mail before delivery to Olympic venues and disseminated daily risk assessment reports. By the end of February, Inspectors had screened, cleared, and delivered 51,091 pieces of mail. Postal Inspectors also worked with Utah Olympic Public Safety Command, comprising 60 law enforcement agencies and representing the largest domestic security operation in U.S. history. Inspectors were key members of the Joint Terrorism Task Force and were instrumental in maintaining the security of Olympic visitors, participants, and officials, as well as security for 4,000 postal employees and 200 post offices in Utah.

DECEPTIVE MAIL PREVENTION

The Deceptive Mail Prevention and Enforcement Act, which became effective April 12, 2000, subjects violators to civil penalties in addition to Cease and Desist Orders and False Representation Orders. To support this new law, the Postal Inspection Service created the Deceptive Mail Enforcement Team to identify violators and ensure swift, appropriate, investigative attention. Questionable promotions identified by the team, as well as those received as consumer complaints, are examined for compliance. During the reporting period, 90 promotions were reviewed for possible violations, and 16 have been referred for preliminary investigative attention.

INTERNET FRAUD PREVENTION

The Internet is teeming with schemes, and swindlers have learned how easy it is to exploit innocent victims. Fraud on the Internet often results in mail fraud, as cyber scammers use the mail to receive payments or ship items. As a result of the growing trend among fraudsters to use the Internet, the Postal Inspection Service participates in a multi-federal project known as the Internet Fraud Complaint Center, which was established by the Federal Bureau of Investigation and National White Collar Crime Center. The project is aimed at stemming Internet fraud by gathering, analyzing, and referring Internet complaints. The Internet Fraud Complaint Center offers a central repository for complaints related to Internet fraud.

DEFINITIONS OF SCHEME

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

Boiler room/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 either never shipped or are inferior to what was promised.

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

Fraud - Internet Schemes. Fraudulent schemes using the Internet with a nexus to the mail.

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

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

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

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

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

APPENDIX G

Closed Congressional and Board of Governors Inquiries

For the period October 1, 2001, through March 31, 2002

This appendix lists the 85 Congressional and Governors inquiries the OIG closed during this reporting period. The OIG reviewed these inquiries to help identify systemic issues and to determine the need for future Postal-wide audits.

CONGRESSIONAL

PERFORMANCE

Requestor	Allegations/Concern	Response Date
Senator, Mississippi	Allegations of improper delivery of political post cards	03-Oct-01
Representative, California	Allegation of mail fraud	18-Oct-01
Senator, California	Allegation of failure to deliver mail	18-Oct-01
Representative, Connecticut	Request for investigation of a facility relocation	08-Nov-01
Senator, Tennessee	Allegation that fuel policy is negatively impacting mail contractors	28-Nov-01
Senator, Nevada	Request for status of complaint on mail delivery problems	11-Feb-02
Representative, North Carolina	Allegations of mismanagement and intentional mail delays	01-Mar-02

FINANCIAL MANAGEMENT

Requestor	Allegations/Concern	Response Date
Senator, Florida	Allegations of misappropriations of funds, theft, and fraud	23-Oct-01
Senator, Iowa	Concerns over government charge card programs	02-Nov-01
Senator, Louisiana	Request for investigation of misconduct by a contractor	13-Nov-01
Representative, Illinois	Request for investigation of a contract selection process	19-Nov-01
Representative, Illinois	Request for investigation of a procurement	03-Jan-02
Representative, New York	Request for investigation of contract award	03-Jan-02
Senator, Virginia	Allegation of improper contracting	14-Mar-02
Representative, Maryland	Allegation of fuel embezzlement and fraud	28-Mar-02
Senator, Texas	Allegations of bribery	28-Mar-02
Senator, Indiana	Allegation of improper contract award	29-Mar-02

LABOR MANAGEMENT

Requestor	Allegations/Concern	Response Date
Representative, Missouri	Allegations of continuing discrimination and retaliation	03-Oct-01
Senator, Tennessee	Allegation of a hostile workplace environment	03-Oct-01
Representative, Alabama	Allegations of harassment and retaliation for filing EEO complaints	04-Oct-01
Senator, Tennessee	Allegations of employment favoritism	10-Oct-01
Representative, Indiana	Allegation of improper termination	10-Oct-01
Senator, North Carolina	Allegation of improper termination	10-Oct-01
Representative, Texas	Request for information	12-Oct-01
Senator, Tennessee	Allegations of management delaying mail delivery and unsafe working conditions	17-Oct-01
Representative, Massachusetts	Allegation of employee assault	19-Oct-01
Representative, Ohio	Allegation of retaliation	30-Oct-01

Requestor	Allegations/Concern	Response Date
Senator, California	Allegation of racial discrimination	30-Oct-01
Senator, California	Allegation of discrimination	30-Oct-01
Senator, Florida; and Representatives, Florida and New York	Allegations of retaliation	02-Nov-01
Representative, Georgia	Allegation of improper wage rate paid to employee	08-Nov-01
Representative, Indiana	Allegations of unsafe work environment and waste	13-Nov-01
Representative, Indiana	Allegation of harassment by a supervisor	23-Nov-01
Representative, Ohio	Allegations of harassment by supervisors and failure to honor Equal Employment Opportunity agreement	26-Nov-01
White House	Allegations of harassment by supervisors	10-Dec-01
Senator, California	Allegation of improper personnel demotions	19-Dec-01
Representative, Illinois	Request for investigation of pay for performance program	27-Dec-01
Representative, Indiana	Allegation of management falsification of safety records	31-Dec-01
Senator, California	Allegations of discriminatory and arbitrary abolishment of positions and delays in mail delivery	16-Jan-02
Senators, Mississippi and North Carolina	Allegations of wrongful termination	17-Jan-02
Representative, Indiana	Allegation of abuse to disabled, injured, and female workers	05-Feb-02
Representative, Pennsylvania	Allegations of improper conduct by a supervisor	11-Feb-02
Representative, New York	Allegations of harassment and reprisal	25-Feb-02
Senator, Tennessee	Improper use of temporary and rural carriers and denial of overtime	01-Mar-02
Representative, California	Allegation of denial of veteran's preference	06-Mar-02
Representative, Louisiana	Allegation of improper use of light duty workers	06-Mar-02
Representative, Indiana	Request for assistance in seeking relocation	14-Mar-02
Representative, Texas	Allegations of managerial harassment	14-Mar-02
Senator, Tennessee	Allegation that the Disabled Veterans Affirmative Action Program has not been implemented	21-Mar-02
Senator, Tennessee	Allegation of reprisal	21-Mar-02
Senator, Maine	Request for review of sexual harassment	22-Mar-02
Representative, New Jersey	Request for report on actions taken at a Postal Service facility	26-Mar-02
Representative, California	Allegations of employee violence by contractors	28-Mar-02
Representative, New Jersey	Allegations of harassment by managers	28-Mar-02
Senator, California	Allegations of retaliation and worker's compensation fraud	28-Mar-02
Representative and Senator, Illinois	Allegations of racial discrimination and a hostile work environment	29-Mar-02
Representative, New York	Allegations of improper behavior, intimidation, violence and financial mismanagement	29-Mar-02

OVERSIGHT OF INSPECTION SERVICE

Requestor	Allegations/Concern	Response Date
Senator, Tennessee	Allegation of improper investigation of mail and paycheck tampering, and forgery	16-Oct-01
Representative, New York	Allegation of inspector receiving preferential treatment	23-Oct-01
Senator, Michigan	Allegation of improper investigation	06-Dec-01
Senator, Pennsylvania	Allegations of abuse and misconduct by a Postal Inspector	19-Dec-01
Representative, Florida	Two allegations that Postal Inspectors revealed the identity of whistleblowers and reprisals were taken against the whistleblowers	31-Dec-01
Senator, Indiana	Allegation of harassment by a Postal Inspector	29-Jan-02

OTHER SIGNIFICANT ISSUES

Requestor	Allegations/Concern	Response Date
Representative, California	Request for a review of a damage claim	03-Oct-01
Representatives, Pennsylvania and New York; Senator, Alabama	Requests for copy of OIG investigative report	04-Oct-01
Senator, Indiana	Concerns about an OIG closeout letter	12-Oct-01
Representative, Alaska	Allegation of OIG neglecting Freedom of Information Act requests	15-Oct-01
Senator, Massachusetts	Request for status of an OIG investigation	13-Nov-01
Representative, Maryland	Concerns over OIG personnel decision	28-Nov-01
Senator, Connecticut	Request for information on whether the OIG is in compliance with the National Energy Conservation Policy Act	14-Dec-01
Senator, California	Allegation of identity theft through stolen mail	27-Dec-01
Representative, Connecticut	Request for assistance on status of damage claims	07-Feb-02
Senator, Michigan	Request for assistance in obtaining documentation	22-Feb-02
Senator, Tennessee	Request for status of an OIG investigation	01-Mar-02
Representative, New York	Allegation of retaliation for assisting OIG	01-Mar-02
Representative, New York	Inquiry regarding the status of a reward application	21-Mar-02
Representative, North Carolina	Request for review of a software package	29-Mar-02

GOVERNORS

OTHER SIGNIFICANT ISSUES

Requestor	Allegations/Concern	Response Date
Governor	Request for copy of OIG investigative report	04-Oct-01

Notes



REPORT FRAUD, WASTE, ABUSE, & MISMANAGEMENT

HOTLINE
1-888-USPS-OIG

(1-888-877-7644)

ALL CALLS ARE CONFIDENTIAL



Notes

U.S. Postage Stamps

ISSUED FROM OCTOBER 1, 2001 THROUGH MARCH 31, 2002

PAGE

- 11 U.S. MILITARY ACADEMY - commemorates the academy's inception at West Point 200 years ago and its alumni's accomplishments.
- 15 WINTER SPORTS - features athletes depicting four popular sports of the 2002 Winter Olympic games.
- 22 HONORING HEROES OF SEPTEMBER 11 - new fundraising stamp features a detail photograph of three firefighters as they raised the U.S. flag at "ground zero".
- 27 SANTAS - features four colorful chromolithographs of Santa Claus.
- 38 MOUNT MCKINLEY - features a photograph of Mount McKinley, located in Alaska's Denali National Park and Preserve.
- 41 MENTORING A CHILD - conveys the benefits of mentoring.
- 50 LUNAR NEW YEAR - honors the Chinese New Year celebrated on February 12th.
- 52 JAMES MADISON - commemorative stamp marks the 250th anniversary of President James Madison's birth.
- 60 HOLIDAY VIRGIN AND CHILD - features Madonna and child.
- 63 LEONARD BERNSTEIN - honors Leonard Bernstein for his contributions to the American music tradition.
- 66 WE GIVE THANKS - celebrates Thanksgiving.
- 67 NEUTER OR SPAY - features a neutered puppy ("Kirby") and a spayed kitten ("Samantha").
- 95 LANGSTON HUGHES - features writer/poet Langston Hughes, the stamp commemorates the 25th anniversary of the Postal Service's Black Heritage series.
- 97 ENRICO FERMI - commemorates the centenary of Enrico Fermi's birth on September 29, 1901.
- 98 THAT'S ALL FOLKS - Porky Pig poses as a diligent U.S. mail carrier—mailbag and all—delivering a letter.

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 staff who contributed to this effort, particularly, Felicia Hawthorne and Jim Nugent of the OIG; and Kenneth Newman of the Inspection Service.



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