



October 1, 2002 – March 31, 2003



OFFICE OF INSPECTOR GENERAL

Semiannual Report to Congress

Including Significant Activities of the Inspection Service



U.S. Postage Stamps

PAGE

- 3 PELICAN ISLAND NATIONAL WILDLIFE REFUGE - this stamp commemorates the centennial of the creation of Pelican Island National Wildlife Refuge. Pelican Island is located in the Indian River Lagoon on the east coast of central Florida.
- 10 HONORING HEROES OF SEPTEMBER 11 – this fundraising stamp features a detail photograph of three fire fighters as they raised the U.S. flag at “ground zero.”
- 13 OHIO STATEHOOD - this stamp commemorates the bicentennial of Ohio’s statehood. Ohio became the first state carved from the Northwest Territory and the 17th admitted to the Union.
- 15 LITERARY ARTS: ZORA NEALE HURSTON - this 19th stamp in the Literary Arts series honors novelist, folklorist and anthropologist Zora Neale Hurston for her artistry and her celebration of black culture.
- 16 LUNAR NEW YEAR - a new 37-cent stamp was issued celebrating the Chinese Lunar Calendar Year, the Year of the Ram beginning Feb 1, 2003 and ending on January 21, 2004.
- 18 AMERICAN FILMMAKING: BEHIND THE SCENES - coinciding with the 75th anniversary celebration of the Academy of Motion Picture Arts and Sciences, the issuance of these stamps honors American filmmakers.
- 48 FOUR SNOWMEN - the charming images of four snowmen are captured on a new 37-cent First Class snowmen commemorative stamp.
- 56 THE WHITE HOUSE - the White House stamp brings together two great, enduring symbols of the U.S. government and the American people.
- 60 U.S. CAPITOL - commemorates the U.S. Capitol, which houses the chambers of the Senate and House of Representatives.
- 62 SPACE ACHIEVEMENT AND EXPLORATION - represents the nation’s first hologram, circular, and pentagonal postage stamps in a set of 15 related stamps that celebrate space exploration.
- 65 WASHINGTON MONUMENT EXPRESS MAIL - honors the Washington Monument as a great tribute to the first American President, George Washington.
- 73 HONORING VETERANS - the Postal Service issued a commemorative postage stamp saluting the nation’s veterans and those who continue to serve in veteran’s service organizations and other veterans groups.
- 75 U.S. MILITARY ACADEMY - commemorates the academy’s inception at West Point 200 years ago and its alumni’s accomplishment.
- 79 STATUE OF LIBERTY - features a photograph of the Statue of Liberty, which was dedicated on October 28, 1886.
- 85 MADONNA AND CHILD - the spirit of the holiday season is captured on this stamp featuring artist Jan Gossaert’s “Madonna and Child.”
- 88 HONORING THOSE WHO SERVED - pays tribute to the patriotism and valor of the thousands of dedicated U.S. military veterans who have served their country both here and abroad.

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, Sandra Hackworth and Jtm Nugent of the OIG; and James J. Rowan of the Inspection Service.



KARLA W. CORCORAN
Inspector General

A Message from the Inspector General

A Challenge Realized

As I approach the end of my 7-year term, I can look back and appreciate the challenge given to us by Congress in January 1996, when we were directed to create an independent Office of Inspector General for the U.S. Postal Service. Never before had such an independent office existed within the Postal Service, but we challenged ourselves to be the first and the best. We learned that being the first at something brings with it inherent difficulties, the need for total commitment, a spirit for risk taking, and exciting opportunities for growth.

To recognize opportunity is the difference between success and failure. We embraced the challenges, remained steadfast, took calculated risks, and worked tirelessly to build an innovative, results-oriented organization based on our values of teamwork, leadership, communication, creativity, and conceptualization. We wanted to build an organization that could stand on its own to ensure its independence, but that also would meet the needs of the Postal Service and its stakeholders, not our own. It would have been much less challenging – and some would say more to their liking – to do things the traditional, bureaucratic way. But we thought the easy way out was not in the best interest of our stakeholders, so we tried something a little different in the hopes of developing an organization that was a lot more effective. And I think, in just six years since our inception, we have established an organization that we all can be proud of. What we tried was not supposed to be weird or controversial.

Our ideas were based on sound, modern principles of organizational management. These ideas were not widely used in the federal government: pay banding, pay for performance, and values, to name a few. We held true to our belief that new ideas and progressive thinking were necessary for us to keep pace with the Postal Service as it faced challenges posed by the current business climate. As Franklin D. Roosevelt said, “It is common sense to take a method and try it. If it fails admit it frankly and try another. But above all, try something.” Some things worked and they are still working; some things didn’t work, and we tried something different. But we tried, and we keep on trying to do what Congress asked us to do only a few years ago. What we were able to accomplish in six short years transcends our expectations and will stand as a legacy in years to come.

We knew that the Postal Service was different — it needed to generate revenues and produce results every day. So we set out to create an office to fit the needs of the Postal Service and its stakeholders. We performed strategic audits and investigations that added value to its bottom line and identified needed improvements in Postal Service operations. We believe our results prove our worth many times over. We are convinced that our audit and investigative productivity were due in part to our values-based organization that recognizes and rewards the performance and accomplishments of our entire audit, investigative, and support staff.

This reporting period, two major events occurred affecting the Postal Service – the establishment of the President’s Commission on the United States Postal Service and the legislation that lowers Civil Service Retirement Fund payments for the Postal Service. We have worked with the Commission, which is tasked with examining the state of the Postal Service and recommending legislative and administrative steps to help ensure its future viability. We submitted written comments and have offered any assistance we can. The recent windfall the Postal Service received with the lowering of its payments to the Civil

Service Retirement Fund by about \$6 billion in FY 2003 and FY 2004 has certainly had the short-term benefit of relieving its current financial pressure and forestalling a rate increase. However, many long-term challenges still remain and need to be addressed.

We were also pleased to see the establishment of the U.S. House of Representatives Special Panel on Postal Reform and Oversight, which is chaired by Representative John McHugh. The eight-member bipartisan panel was created in part to work with the President's Commission but also to address reform and oversight issues. We, of course, stand ready to assist the panel.

This, our thirteenth Semiannual Report, sets forth the significant activities and accomplishments of this office and the Inspection Service from October 1, 2002, through March 31, 2003. 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 210 audit reports, 65 management advisory reports and other products, and closed 191 investigations. This last six months' work clearly illustrates our productivity as well as the diversity and value of our accomplishments. As we move into the next six months, we recommit ourselves to carrying on this tradition and surpassing our goals.

We would like to welcome Governor Albert V. Casey, who recently became a member of the Board of Governors and replaces Governor Ernesta Ballard as Chair of the Audit Committee. We bid farewell to Governor Ballard and wish her well in her future endeavors. Governor James C. Miller, III is the most recent addition to the Board, and we welcome the opportunity to work with him.


We also want to thank several members of our senior management, who are pursuing new opportunities, for their outstanding contributions to the OIG: Bob Emmons, Assistant Inspector General for Audit, who is now Inspector General at the Pension Benefit Guaranty Corporation; and Donna Edsall, Deputy Assistant Inspector General for Technology, who joined the Air Force Audit Agency in California. We would also like to thank all our staff who have been called to military duty. We look forward to their safe return.

In closing, I would like to share with you some words from poet Inez Clark Thorson, which remind us of our obligation to stand firm in our convictions regardless of the consequences:

The man who cannot settle in his mind
Where he should stand, but merely stays astride
The fence, is certain in the end to prove
Himself of little worth to either side.
But he alone will be of value who,
Though sometimes pressure may be brought to bear,
Knows in his heart where he should stand and then,
Despite the consequences, stands firmly there.

We look forward to continuing to work with Congress, the Governors, the Postmaster General, and Postal Service management and staff to improve postal operations.

Sincerely,



Karla W. Corcoran
April 30, 2003

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Executive Summary



**DID YOU
KNOW?**

Are copies of previous Semiannual Reports to Congress available?

Yes, electronic copies of previous Semiannual Reports to Congress can be accessed at website www.uspsoig.gov and printed copies can be obtained by contacting the OIG.

This Executive Summary highlights the Office of Inspector General (OIG) and Inspection Service accomplishments from October 1, 2002, through March 31, 2003, that are contained in this Semiannual Report to Congress.

EXECUTIVE SUMMARY

This Executive Summary provides a synopsis of the work reported during this 6-month period. This Semiannual Report addresses the major issues facing the Postal Service and the work performed by the OIG that helps 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 in order 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 thirteenth Semiannual Report, the work has been categorized into eight subject areas: performance, financial management, technology, labor management, oversight of the Inspection Service and other significant reviews, customer service, organizational dynamics, and organizational structure. These eight areas include OIG work addressing the following 10 major management issues facing the Postal Service:

- ◆ physical security and safeguarding the mail;
- ◆ maintaining customer confidence;
- ◆ improving financial performance and accountability;
- ◆ resolving workforce and workplace issues;
- ◆ controlling workers' compensation costs;
- ◆ managing acquisitions and contracts;
- ◆ leveraging technology;
- ◆ improving the quality of information for making decisions;
- ◆ safeguarding the integrity, confidentiality,



The OIG management committee: (Standing, left to right): Kirt West, Colleen McAntee, Ronald Merryman, Gladis Griffith, Wayne Goleski, Ronald Stith, Mary Demory and Daniel O'Rourke. (Sitting, left to right): Thomas Coogan, Karla Corcoran and John Seeba.

and availability of information; and

- ◆ balancing public service and commercial enterprise.

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

(1) **Performance** focuses on the critical core business processes needed to succeed in a competitive environment. The OIG conducted 22 reviews in this area, including projects that will help save the Postal Service nearly \$38 million in current and future years. Some examples include:

- ◆ Concluding that the Postal Service overstated demand for mail processing equipment, resulting in approximately \$9 million in excess equipment parts.
- ◆ Identifying that eliminating mishandling of Address Change Service mail could potentially save \$14 million.
- ◆ Discovering a Postal Service contractor abandoned a trailer full of mail, delaying delivery for over 60 days. The contractor paid damages totaling \$51,000, which included the cost of the investigation.
- ◆ Disclosing a former Postal Service mechanic was removed from duty after improperly receiving nearly \$65,000 in payments from a Postal Service contractor. The Postal Service has debarred the contractor involved in the vehicle parts scheme for a period of 3 years.

The Inspection Service conducted numerous investigations in the area of mail theft, resulting in arrests of over 348 employees and almost 3,043 non-employees or contractors.

(2) **Financial Management** incorporates financial opinion work, financial-related reviews, and contracting and facilities reviews. The OIG completed 183 audits and reviews that identified over \$13.4 million in questioned and unsupported costs. In addition, the OIG completed 153 investigations, which resulted in 14 convictions, 7 indictments, and \$4 million in fines, recoveries, and restitutions, of which \$1.5 million was directed to the Postal Service. Some examples of OIG work in this area included:

- ◆ Determining the Postal Service over-

funded the Postal Museum by \$1.75 million over a 4-year period.

- ◆ Identifying improvements needed in the Postal Service's architectural and engineering design services process to track and monitor fees and provide better oversight of design work.
- ◆ Investigating a tort claim for over \$1 million filed against the Postal Service for alleged injuries resulting from an accident involving a postal vehicle. The OIG investigation revealed the police report documented no apparent injuries to the individual. Subsequently, the claim was denied by the Postal Service.
- ◆ Investigating a \$1.4 million tort claim filed against the Postal Service for alleged injuries resulting from a trip-and-fall accident at a postal facility. The OIG investigation disclosed the individual ignored warnings from a Postal Service employee concerning a potential hazard.
- ◆ Investigating a former postal employee for defrauding the Postal Service. The employee created fictitious invoices and forged postal documentation as part of an embezzlement scheme. The former Postal Service employee was sentenced to 18 months in prison and ordered to pay over \$220,000 in restitution.
- ◆ Investigating six Postal Service employees for misuse of government credit cards. One individual pled guilty to criminal charges, and administrative action was taken against five others, which included two removals, a demotion, a 30-day suspension, and a letter of warning.
- ◆ Participating in a joint investigation with the Department of Justice task force to uncover a fraudulent testing scheme involving Postal Service and other government agency underground storage tanks. The investigation resulted in a company being placed on probation and ordered to pay \$1 million in criminal fines and nearly \$1.3 million in restitution, of which \$245,000 will be returned to the Postal Service.
- ◆ Investigating a contractor that received an erroneous payment of nearly



Who determines what the OIG audits or investigates?

The OIG receives requests to conduct audits and investigations from many sources. However, the OIG independently determines what it audits or investigates.

\$680,000. The contractor pled guilty to one count of theft of government property and four counts of money laundering. The contractor was sentenced to 78 months imprisonment and 36 months probation, and ordered to pay \$593,000 in restitution.

- ◆ Revealing that an individual filed a false claim against the Postal Service for a broken ankle sustained at a post office. The OIG's investigation revealed a witness for the injured individual made false statements to federal investigators about the alleged injury. The untruthful witness was indicted on two counts of making false statements.

In addition to other work, the Inspection Service reported:

- ◆ Revenue investigations that resulted in 30 arrests and 30 successful criminal convictions.
- ◆ Initiating 233 employee embezzlement investigations, which documented losses of over \$3.2 million.

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

- ◆ Establishing that unless *PostalOne!* program management tracks its performance in accordance with Postal Service policies and ensures compliance, the project may not meet projected savings.
- ◆ Concluding the Postal Automated Redirection System Phase One may not yield anticipated returns on investment because the study used to support the project was statistically unsound.
- ◆ Revealing potential vulnerabilities on selected servers at Postal Service Headquarters that could result in a loss of confidentiality, integrity, and availability of vital operational systems.

In addition to other work, the Inspection Service reported it:

- ◆ Participated in two international groups that focus on security. The International Affairs Group develops initiatives to

improve the safety, security, and reliability of international mail products. The Postal Security Action Group focuses on problems and issues affecting safety, security and integrity of international communication products.

(4) **Labor Management** focuses on issues related to workplace environment, human resources, and health care. During this reporting period, the OIG conducted 12 reviews and 102 inquiries in this area, which included:

- ◆ Disclosing that some Postal Service employees on the workers' compensation periodic rolls are at the age at which some federal employees are eligible for voluntary retirement. Legislative reform may allow eligible postal employees to retire under an applicable retirement program, which may give financial relief to the Postal Service.
- ◆ Disclosing that 2 of 18 district offices reviewed had not appropriately disciplined or taken action against employees responsible for sexual harassment or inappropriate actions or comments.
- ◆ Finding that contracting procedures were not always followed with a health care provider.
- ◆ Determining that the Postal Service's Injury Compensation Control Office did not effectively monitor death benefit claim files, which may have resulted in an estimated \$1.3 million in questionable benefits being paid to survivors.
- ◆ Disclosing that a hostile work environment may have existed in one district, resulting in a Postal Service supervisor being placed on a performance improvement plan.
- ◆ Determining that some managers responsible for sexual harassment or inappropriate actions or comments were not considered for exclusion from the Pay for Performance Program.
- ◆ Concluding that all 18 district offices reviewed had adequate policies and procedures in place to prevent sexual harassment.
- ◆ Discovering that four individuals committed insurance fraud by filing fraudulent medical claims to a federal employ-

ees' health benefit program. The OIG participated in a joint task force to investigate false medical claims. As a result of the joint investigation, three of the four were ordered to pay restitution totaling approximately \$990,000 to the victims' health care plans. Two of the four individuals were sentenced to serve a combined prison term of 66 months.

- ◆ Disclosing that two individuals were convicted in a health care fraud scheme involving filing false claims on behalf of Postal Service employees. The defendants were sentenced to 9 months and 21 months in prison, respectively, 3 years supervised release, and were ordered to pay over \$78,000 in restitution to the victims.

During this period, significant Inspection Service work included the following in the area of workers' compensation fraud:

- ◆ Sentencing of a former Postal Service clerk to 1-year probation and restitution of over \$5,000 for mail fraud. As a result of the investigation, over \$21,000 in workers' compensation funds was recovered for the Postal Service.
- ◆ Convicting a former Postal Service letter carrier on 11 counts of mail fraud and 2 counts of workers' compensation fraud.
- ◆ Sentencing a former letter carrier in Oregon to 3 months incarceration, 3 months home detention, 5 years probation, and court ordered restitution of over \$29,000 for workers' compensation fraud.
- ◆ Revealing a Postal Service employee receiving workers' compensation was refueling company vehicles, transporting drivers, and driving a contract route. The employee resigned from the Postal Service, was ordered to pay over \$42,000 in restitution, sentenced to 4 months home confinement, 2 years probation, 50 hours community service, and a special assessment of \$100. In addition, the individual has been permanently debarred from receiving future workers' compensation benefits.

(5) Oversight of the Inspection Service and Other Significant Activities. During this reporting period, the OIG completed one review of the Inspection Service and one other

review related to Postal Service operations as highlighted below:

- ◆ Finding the Postal Inspection Service has expended over \$2.7 million on a fraud complaint system that will become redundant.
- ◆ Determining the Postal Service Transformation Plan is helpful in identifying and addressing the challenges facing the Postal Service, but a comprehensive implementation plan had not been finalized at the time of the audit.

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.

(6) 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.

(7) Organizational Dynamics focuses on the OIG and the Inspection Service vision, values, culture, and diversity.

(8) Organizational Structure focuses on the OIG and the Inspection Service headquarters and field structure.



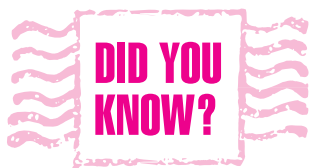
Major Management Issues Facing the Postal Service



DID YOU KNOW?

What is a 7-day letter?

The Inspector General Act provides that whenever the Inspector General becomes aware of particularly serious or flagrant problems, abuses, or deficiencies relating to the administration of programs and operations of the agency, the Inspector General should immediately notify the head of the agency. The head of the agency then has seven calendar days to transmit the Inspector General report, including comments, to the appropriate committees or subcommittees of Congress.



How does the OIG promote open communication throughout the organization?

In addition to e-mail and voice mail, the OIG uses video teleconferencing, all-hands meetings, teambuilding, and field office visits to foster communication throughout the organization.



The President has established a Commission to examine the state of the Postal Service, articulate a vision for its future, and recommend legislative and administrative reforms needed to ensure the viability of postal services, as reported in the *Federal Times* and *The Washington Post*.

MAJOR MANAGEMENT ISSUES FACING THE POSTAL SERVICE

The Postal Service needs to identify specific long-term strategies to better balance its statutory mandate of providing universal service with its need to remain a viable commercial enterprise. At stake, according to the Postal Service, is every American's right to send and receive mail. The Postal Service's April 2002 Transformation Plan began that process. As it proceeds with transformation, the Postal Service continues to face significant challenges, including financial concerns, security threats, and labor management issues. The Postmaster General testified before Congress that the Postal Service's current financial situation is improving and would improve further with the passage of the Postal Civil Service Retirement System Funding Reform Act of 2003. This Act was signed into law. However, the OIG believes that the current and long-term financial prospects facing the Postal Service are a critical issue that must be addressed.

Congress is placing increased emphasis on the Postal Service due to the significant challenges it is facing. Postal Service oversight in the current Congress has been raised to the full committee level in the House and the Senate. In the House, a bipartisan Special Panel on Postal Reform and Oversight has been established. The Postal Service and its stakeholders should be encouraged by the support of the President and Congress in addressing the future of the mail.

The President has established a Commission to examine the state of the Postal Service, articulate a vision for its future, and recommend legislative and administrative reforms needed to ensure the viability of postal services. The OIG has submitted comments to the Commission. The Commission plans to complete its work in July 2003. The Postal Service is presenting its specific long-term strategies to better balance its statutory mandate of providing universal service with its need to remain a viable commercial enterprise.

To assist Congress, the Governors, and postal management as they address these

challenges, the OIG has independently identified the following major management issues:

- ◆ physical security and safeguarding the mail;
- ◆ maintaining customer confidence;
- ◆ improving financial performance and accountability;
- ◆ resolving workforce and workplace issues;
- ◆ controlling workers' compensation costs;
- ◆ managing acquisitions and contracts;
- ◆ leveraging technology;
- ◆ improving the quality of information for making decisions;
- ◆ safeguarding the integrity, confidentiality, and availability of information; and
- ◆ balancing public service and commercial enterprise.

These issues generally reflect the issues the OIG has identified in past years. These major issues, their significance, and the key OIG projects addressing them are included in this section.

PHYSICAL SECURITY AND SAFEGUARDING THE MAIL

With nearly 38,000 facilities and approximately 203 billion pieces of mail delivered each year, the Postal Service faces the enormous challenge of moving the mail efficiently and economically while effectively safeguarding postal employees, customers, and the mail. Historically, the Postal Service has dealt with numerous disasters, both natural and man-made, which have interfered with mail delivery. However, the October 2001 anthrax attacks through the mail exposed a new danger, and led to a renewed emphasis on the security of the nation's postal system. The OIG has reviewed the Postal Service's response to bioterrorist attacks on the mail and plans to conduct future audits of the Postal Service's response to the biohazard attacks.

The Postal Service has acted to ensure the continued physical security and safety of the mail and sought new methods to detect biohazardous materials and sanitize the mail. The technological solutions include procuring new equipment and changing processes that could impact the efficiency of mail processing and

staffing requirements. Regardless of technology or any other improvement or expenditures, the threat of terrorists using the mail to carry out an attack can be reduced, but not eliminated. To better protect its employees and customers, the OIG believes the Postal Service must also reassess its facility designs, especially the ventilation systems, maintenance practices, and emergency response and evacuation procedures. Additionally, it must continually monitor its spending criteria to ensure that funding is available for critical life/safety projects. To assist the Postal Service in addressing this issue, among others, the OIG:

- ◆ Reviewed safety issues related to the capital freeze and the effect of the capital freeze on the Postal Service's ability to maintain, preserve, and expand facilities as needed in an economical and effective manner.
- ◆ Reviewed the Postal Service's disposal plans for irradiation equipment.
- ◆ Is participating in Postal Service Mail Security Task Force meetings.

MAINTAINING CUSTOMER CONFIDENCE

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

To effectively transition to a changing customer base, the Postal Service must continue to develop and provide products and services that retain relevance and value for customers with changing needs, identify efficient transportation and delivery modes, effectively schedule staff, and maximize technological options. To assist the Postal Service in addressing this issue, among others, the OIG:

- ◆ Assessed the efficiency, effectiveness, and impact of delayed and Address Change Service mail.
- ◆ Assessed the effectiveness of scheduled highway contract routes.
- ◆ Is assessing the efficiency and effectiveness of carrier scheduling and collection operations.

IMPROVING FINANCIAL PERFORMANCE AND ACCOUNTABILITY

Unlike most federal agencies, the Postal Service relies essentially 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 meet the challenge of increasing its revenue each year to cover increasing costs.

Recent financial data indicate that the Postal Service's current financial situation is improving compared to the prior year. For FY 2003, the Postal Service projects a net income of \$1 billion, compared to a net loss of \$676 million in FY 2002. The Postal Service attributes its projected positive net income to its cost reduction efforts; sustained productivity increases, particularly labor productivity; and postal rate increases that took effect in June 2002. In addition, the Postal Service was able to reduce its outstanding debt by \$200 million at the end of FY 2002, to approximately \$11.1 billion. The Postal Service projects it will continue to reduce its debt in FY 2003 because of its projected net income. These are encouraging trends.

Increasing productivity and controlling costs have helped the Postal Service's financial position. However, Postal Service operations were compromised in some sections of the country because of the terrorist and anthrax attacks. The administration and Congress responded by providing the Postal Service over \$760 million in appropriations to secure mail and protect the health and safety of employees and customers. In addition, the Postal Service recently requested \$350 million more in FY 2004 appropriations to pay for additional costs related to those events.

Similarly, additional support has come





What protection exists for those who report wrongdoing to the OIG?

The OIG may investigate allegations of retaliation and abuse of authority. In addition, the OIG helps enforce regulations which prohibit taking or threatening to take any action against any employee because the employee has made a complaint or disclosed information to the OIG, unless the disclosure was made with a willful disregard for its truth.

from Congress to assist in controlling costs. In November 2002, the Office of Personnel Management advised the Postal Service that, if current funding provisions remained in place, it would pay substantially more than would be needed to fund its share of future benefits to employees and retirees participating in the Civil Service Retirement System. It was estimated that, unless adjusted, the Postal Service would pay over \$70 billion more than what is needed to pay retirement benefits. In April 2003, a bill was signed into law that reduced Postal Service payments to the Civil Service Retirement System by about \$6 billion over the next 2 years. The legislation requires the Postal Service to use the savings to pay down its \$11 billion debt and hold postage rates steady until FY 2006.

It is crucial, however, that the Postal Service's efforts to increase productivity and control costs continue, and, more importantly, prove sustainable in the long term. The Postal Service must also continue to improve its financial operations to ensure it is accountable to the public and is providing the best possible service at the lowest cost. To address this issue, the Postal Service continues with projects to replace the current general ledger, implement a monthly reporting cycle, realign its fiscal year with the government fiscal year, and consolidate common accounting services. However, these efforts must go hand-in-hand with other efforts, such as cost reduction, revenue generation, and productivity gains.

In addition to improving financial performance and accountability and reducing costs, growing revenues is important to assure long-term financial viability. To assist the Postal Service in addressing this issue, among others, the OIG:

- ◆ Identified and continues evaluating opportunities for the Postal Service to recover funds from overpayments.
- ◆ Assessed sponsorship programs and their contribution to increasing revenues.
- ◆ Reviewed the security of the Retail Data Mart system.
- ◆ Is monitoring the Postal Service's initiatives related to financial system and process redesign.

RESOLVING WORKFORCE AND WORKPLACE ISSUES

The Postal Service has more than 850,000 full and part-time employees with personnel compensation and benefits costs totaling over \$53 billion for FY 2002. This accounts for more than three-quarters of the Postal Service's total operating expenses. Consequently, improving the work environment and labor relations is key to maximizing the Postal Service's operational and financial performance. In an increasingly competitive environment, improving labor relations is essential if the Postal Service is to provide universal service at reasonable rates. However, past attempts to improve labor relations have not been as successful as planned.

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 any confrontational environment on the workroom floor and giving 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 link employees' pay to their performance. To assist the Postal Service in addressing this issue, among others, the OIG:

- ◆ Reviewed sexual harassment prevention programs.
- ◆ Investigated alleged reprisals against employees for reporting fraud, waste, abuse, or mismanagement.
- ◆ Is reviewing efforts to reduce the number of grievances and the applicability of best practices to the grievance-arbitration process.

CONTROLLING WORKERS' COMPENSATION COSTS

The Postal Service was the largest participant in the Federal Workers' Compensation Program and accounted for approximately \$760 million, or over one-third, of the \$2.2 billion in total federal workers' compensation cash outlays from claims for reporting year 2002. The

Postal Service's workers' compensation cash outlays from claims have risen dramatically, increasing by approximately 35 percent over the last 3 years. This is a considerable cost for an agency that pays this out of operating revenues. Many factors have contributed to these increased costs, including the rising age of the Postal Service workforce; higher costs for medical equipment, medications, and medical treatments; overpayments, including duplicate payments by the program administrator; and increased incidents of fraud by doctors and hospitals. To assist the Postal Service in addressing this issue, among others, the OIG:

- ◆ Identified factors that are contributing to the continued increase in workers' compensation costs.
- ◆ Is partnering with the Department of Labor Office of Inspector General to review why workers' compensation costs have increased.
- ◆ Assumed responsibility for investigating all new allegations of employee workers' compensation fraud within the Capital Metro Area as part of a pilot program.

MANAGING ACQUISITIONS AND CONTRACTS

The Postal Service manages contracts with commitment values totaling over \$18 billion annually for its goods, non-transportation services and facilities related reviews. 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 toward adopting purchasing practices consistent with best commercial practices. Recently, it has implemented the supply chain management philosophy to further its business and competitive objectives in the purchasing process by consolidating procurements. While this practice allows for certain efficiencies and cost savings, adequate controls must be established and enforced to decrease the risk of loss in the procurement area. The Postal Service must ensure that its supply chain management contracting practices are consistent with applicable laws and regulations, and increase its efforts to ensure that postal contracts contain sufficient language to pursue action against contrac-

tors as necessary.

Over the last year, the OIG has proposed numerous revisions to the Postal Service purchasing manual, including strengthening the examination of records clause, requiring contractors to have approved accounting systems, incorporating standard computer security provisions, and increasing the use of suspension and debarment authority. In September 2002, the Postmaster General indicated that the Postal Service should continue to make improvements to its purchasing system and will consider the OIG's findings and recommendations, but stressed that the Postal Service needed to maintain its flexibility and business discretion in this area. To continue to assist the Postal Service in addressing this issue, among others, the OIG:

- ◆ Conducted audits of contractor claims, proposals, and incurred cost submissions.
- ◆ Conducted investigations that led to an increase in the number of debarments and suspensions of postal contractors.
- ◆ Is continuing to conduct fraud awareness briefings throughout the Postal Service to give attention to potential fraud indicators.

LEVERAGING TECHNOLOGY

The Postal Service depends greatly on technology to help process the mail in the most productive manner. Further, as the Postal Service addresses biohazard threats, it is identifying and deploying technology that best fits its operational requirements, is compatible with existing systems, and improves the security and safety of its processing operations.

The Postal Service is working to leverage technology to improve its service, productivity, and profitability. While it depends on technology to deliver more than 660 million pieces of mail daily to over 139 million addresses, the Postal Service must continue to adapt to each new wave of technology quickly to maintain its competitive position in the market. To address changing customer needs, the Postal Service has committed resources to help ensure better data management, track mail piece information, and improve communication between the Postal Service and its customers.

The large size and diversity of the Postal Service's customer base presents technological



The Postal Service uses automation such as the Postal Automated Redirection System as part of its efforts to leverage technology.

challenges and demands that solutions be simple, easy to use, and competitive. To be successful, the Postal Service should also ensure that the corresponding cost savings projected from technology investments are realized by efficiently redeploying the resources replaced by the new technology. Decisions on technology investments should 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, among others, the OIG:



- ◆ Reviewed the performance and costs of the Postal Automated Redirection System for forwarding of customers' mail.
- ◆ Reviewed the Postal Service's testing of the Human Transporter for delivery operations.
- ◆ Is reviewing several initiatives to modify existing automation equipment to take advantage of new technology to improve performance.

IMPROVING THE QUALITY OF INFORMATION FOR MAKING DECISIONS

Accurate measurement of mail delivery is key to improving and sustaining service performance. Reliable data are also keys to effective decision making. Data justifying the need for major capital expenditures must be reliable so that postal management can decide whether to invest in the project. Furthermore, reliable data are needed to assess whether the project's estimated and actual return on investment is reasonable and has been realized. The OIG has found that the Postal Service does not adequately capture or track the data necessary to support effective decision making. For example, postal managers do not always track data to determine whether they are achieving expected return on investment.

Changes in technology and the business environment emphasize the need for providing timely, accessible, relevant, and accurate data to Postal Service decision makers. Similarly, an effective system of accounting, financial, and information controls is necessary for measuring financial performance. In the Postal Service, the general ledger system is the core of financial reporting systems. The Postal Service has recog-

nized limitations in its current general ledger system and is moving to a commercial off-the-shelf system that will improve support capabilities, adapt to changing business processes, and support financial reporting.

Also, given the importance of data quality in setting postal rates and requests to Congress for appropriations for ongoing costs related to the October 2001 anthrax attacks, 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, among others, the OIG:

- ◆ Reviewed efforts to convert financial reporting from a 28-day accounting period to monthly reporting.
- ◆ Is evaluating the Retail Data system to ensure sales data captured is accurate and used for management decision making.
- ◆ Is evaluating Postal Service's design, development, and implementation of a new general ledger system.

SAFEGUARDING THE INTEGRITY, CONFIDENTIALITY, AND AVAILABILITY OF INFORMATION

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 interfere with or eavesdrop on operations, possibly for purposes of fraud or sabotage. For example, terrorist organizations could use computer networks to attack the federal infrastructure. Attacks that have already occurred on both government and private industry websites reveal the damage a computer security breach can inflict on brand integrity and an organization's revenue stream.

The OIG's work on telecommunications security continues to identify vulnerabilities in the security of computer equipment that are being addressed by postal management. There remains a continuing need to emphasize computer security throughout the Postal Service. Furthermore, the Postal Service's Internet initiatives reinforced the need for increased security awareness and compliance. Success in this

area will depend on the level of protection afforded sites such as the Postal Service's website and the programs operating on it. In addition, the Postal Service needs to continually protect customer information and guarantee customer privacy. To assist the Postal Service in addressing this issue, among others, the OIG:

- ◆ Continues to work with the Postal Service Computer Incident Response Team to detect, report, and respond to attacks on the Postal Service's information infrastructure.
- ◆ Performed network vulnerability assessments at several critical Postal Service installations and reviewed security of servers at the Headquarters data center.

BALANCING PUBLIC SERVICE AND COMMERCIAL ENTERPRISE

The 1970 Postal Reorganization Act requires the Postal Service to operate in a business-like manner supported by its own revenues. As a public agency, it is charged with binding the nation together with universal mail service at affordable rates. Its government status carries certain advantages, such as a monopoly on letter mail, exclusive access to customers' mailboxes, and a tax-free status. The universal service obligation requires a significant, costly infrastructure to deliver postal services, but unlike private corporations, the Postal Service is bound by statutory constraints that limit its ability to quickly adjust rates to respond to changing costs, negotiate with customers and employees, develop and price new products, close unprofitable outlets, and generate and invest profits. The Postal Service performs a wide range of significant law enforcement duties for the protection of the public, even in cases that have no direct impact on the Postal Service. To survive, it needs to articulate how it will balance providing public service with its goal of operating like a commercial/private enterprise in implementing strategies to meet future service and delivery challenges.

The dual role of the Postal Service has become more challenging in the face of increased competition in the delivery and communication industries, especially with electronic communication steadily eroding First-Class Mail volume. The postal community

has been aware of and debated these challenges for years, but no consensus has emerged on how the challenges should be addressed. To date, efforts at comprehensive legislative reform have been unsuccessful.

In its Transformation Plan published last year, the Postal Service presented its strategy to address concerns raised by Congress, the General Accounting Office, and others. The Plan is a good starting point, and provides information about challenges the Postal Service faces, identifies short-term actions to take under its existing authority, and outlines long-term strategies that require congressional action. How the Plan will be implemented remains to be seen.

The Postal Service must act decisively to balance its public service obligation with its need to remain commercially viable. Until its statutory framework is changed, it must work within existing law to increase its accountability in contracting and other major expenditures to achieve profitability in the near future. The Postal Service must identify its core businesses and ensure that new products and services are self-sustaining. In short, the Postal Service must continue to refine its operations under the existing statutory model, while developing and re-defining its role under the Transformation Plan. The Postal Service cannot successfully transform itself without congressional oversight and attention, as well as a public debate about the continued relevance of the Postal Service.

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

- ◆ Reviewed the Postal Service's Transformation Plan.
- ◆ Has submitted a written statement and a rebuttal comment and is supporting and monitoring the work of the President's Commission on the Postal Service.
- ◆ Is examining the ratemaking process and mailer discounts.



An OIG review found the Postal Service had not finalized a comprehensive transformation implementation plan.



AMERICAN **FILM MAKING:** BEHIND *the* SCENES

"Thousands and thousands of details go into the making of a film. It is the sum total of all these things that either makes a great picture or destroys it."

DAVID O. SELZNICK, *Producer*



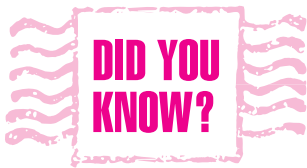
Performance Reviews



OFFICE OF INSPECTOR GENERAL

Accepting and Processing Reviews
Transportation and Delivery Reviews
Marketing Reviews
Legislative, Regulatory & Policy Reviews

INSPECTION SERVICE



Among the earliest legislative protections for the public was the Mail Fraud Statute of 1872.

This section highlights audits, reviews, and investigations performed by the OIG and 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. The OIG has audit teams specializing in these areas and has conducted expedited reviews of Postal Service business practices. During the past 6 months, the OIG completed 22 reviews of the Postal Service's performance of core business processes. The reviews identified opportunities to save nearly \$38 million during current and future years.

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 mail collected 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 centers, while Standard Mail is generally handled at 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 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, the OIG conducted work in the areas of accepting and processing, which is highlighted below:

MAIL PROCESSING INVENTORY EQUIPMENT OVERSTOCKED

An OIG audit of inventory management of mail processing equipment parts and maintenance repair operations identified approximately \$9 million in excess spare parts and approximately 47,000 individual parts valued at about \$13 million that were awaiting final disposition. The excess inventory resulted from managers maintaining stock levels above demand because estimates for initial provisioning of spare parts were sometimes overstated. The Postal Service estimated that \$1.25 million should be characterized as excess spare parts.

In addition, the shipping and receiving department at a material distribution center duplicated receiving operations of the central repair facility. The Postal Service could potentially save \$1.15 million over a 10-year period by reassigning staff and eliminating the duplicate receiving department. Postal Service management estimated that the savings would only range from \$152,000 to \$381,000. Their estimate did not consider fringe benefits and service wide costs. Postal Service management agreed with all OIG recommendations, which included reevaluating authorized stock levels, developing a systematic process for estimating spare parts, and disposing of excess spare parts for end-of-life equipment. Also, the Postal Service agreed to perform a cost benefit analysis of consolidating the receiving functions. (AC-AR-03-004)

REVENUE LOST WHEN INELIGIBLE AND NONAUTHORIZED ORGANIZATIONS MAIL AT NONPROFIT RATES

An OIG audit of authorizations to mail at nonprofit rates found the Postal Service did not review the continued eligibility of nonprofit mailers whose tax exempt status had been revoked by the Internal Revenue Service. In many instances, the eligibility requirements for authorization to mail at Nonprofit Standard Mail rates are similar to those to obtain tax exempt status under IRS law. Indeed, in many instances, organizations seeking eligibility to



An OIG audit of inventory management identified approximately \$9 million in excess spare parts.

mail at nonprofit rates submit evidence of tax exempt status to support their application. However, other evidence of nonprofit status may accompany an application, such as a financial statement prepared by a responsible person such as an independent certified public accountant, that demonstrates the applicant is organized and operated on a nonprofit basis. For organizations that qualify and obtain proper authorization, a reduced bulk-mailing rate is available. However, the authorization to mail at nonprofit rates may be revoked when it is determined an organization is no longer qualified; and, a revenue deficiency may be assessed in the amount of unpaid postage for the ineligible matter mailed at the Nonprofit Standard Mail rates.

From January 2000 to September 2002, the Internal Revenue Service revoked the tax exempt status of 70 organizations. The OIG identified three organizations that maintained active authorizations to mail at nonprofit rates even though their qualified status had been revoked. The OIG found that one of the organizations continued to mail at nonprofit rates for which it no longer qualified. For over 3 years, the organization had 339 mailings totaling over \$480,000, all mailed at nonprofit rates for which it was not eligible. If the organization mailed the same amount of mailings at the Standard Mail regular rates, the Postal Service would have received over \$784,700 for the mailings, a difference of approximately \$304,000. Postal management agreed, and if appropriate, action will be initiated to revoke the authorization. Postal Service management also agreed to establish policies and procedures for reviewing the continued eligibility for nonprofit authorizations based on the loss of tax-exempt status and has already begun reviewing IRS bulletins. (AC-AR-03-003)

MAIL SUPPLY COSTS REDUCED BY USING EXCESS SUPPLIES ON-HAND

An OIG review of 33 postal districts revealed that mail product supply requirements were sometimes overstated. The Postal Service offers standard, specialized, and customized Priority Mail and Express Mail packaging products to its customers. These products include envelopes, boxes, mailing labels, and tape. These packaging products are purchased by the

Postal Service and are available at no cost to the customer. In FY 2001, the Postal Service spent over \$138 million on mail product supplies. The OIG found budget requests for mail product supplies did not consider on-hand balances of specialized and standard packing supplies at district postal facilities. As a result, the audit projected that approximately \$1.2 million in excess standard packaging supplies and about \$430,000 in excess specialized packaging supplies could be used to reduce FY 2003 mail product supply expenses.

In addition, the OIG found that personnel in 12 of 33 districts established local product fulfillment operations to manage mail product supplies. District employees believed that by locally managing the mail supplies, they provided faster service to their customers. Customers were also allowed to store and pick up orders at district facilities or receive deliveries from district supply inventories via Postal Service transportation. According to Postal Service directives, customer orders for standard mail supplies should be ordered through the Express Mail and Priority Mail supply center, and orders for specialized supplies should be fulfilled by postal headquarters. Also, personnel in 7 of the 12 districts sampled estimated spending over \$102,000 to manage product fulfillment locally in FY 2002. However, the Postal Service was already paying a contractor to manage mail product supplies at the national Express and Priority Mail supply fulfillment centers.

Postal Service management agreed to ensure that excess supplies in district offices are used before purchasing additional mail product supplies. Postal management reduced the FY 2003 budget for standard and specialized mail supplies to reflect the presence of field inventory. Postal management agreed to the OIG's recommendation to discontinue district product fulfillment and enforce the requirement for facilities to order mail product supplies. In addition, district offices will be directed to exhaust excess inventory and enforce standard operating procedures, which outline procedures for customer orders and maintaining supplies. (AC-AR-03-002)



An OIG review revealed that mail product supply requirements were sometimes overstated.

POSTAL SERVICE FACES CHALLENGES IN MANAGING TOTAL FACTOR PRODUCTIVITY

An OIG review of data used in the Postal Service's total factor productivity model found it was appropriate and consistent with published data. Specifically, the data used in the model was consistent with financial information reported in the Postal Service's financial statements and economic indices used were appropriate. However, despite significant capital investments, the Postal Service's productivity gains fluctuated and were less than that realized by the private sector. Factors contributing to the fluctuation and lower productivity gains included the Postal Service's focus on service instead of cost management, limits on its ability to adjust labor resources, and failure to fully realize expected returns on some capital investments.

The OIG noted that for fiscal years 2000 and 2001, the Postal Service increased its focus on cost management and reduced labor hours, capital investments, and material expenditures. These efforts contributed to a combined 3.7 percent gain in productivity. Subsequent to the OIG review, the Postal Service also achieved an approximately 1 percent gain in productivity in FY 2002. The OIG recommended the Postal Service proactively manage costs to increase total factor productivity within current laws and regulations. In addition, the OIG recommended the Postal Service educate its stakeholders on the need for additional flexibility to provide universal and public service at a reasonable cost. Postal management agreed with the recommendations and concluded the OIG review recognized the challenges faced in maintaining productivity gains in the future. (AC-AR-03-001)

EXPRESS MAIL TRACKING SYSTEM SCANNING PROCESS NEEDS IMPROVEMENT

An OIG review of the Express Mail product tracking system revealed that the process used to measure and report delivery performance data was adequate. However, the OIG noted that an excessive amount of Express Mail delivery data for the New York metro district was entered manually and was not included in the performance data reported in the system.

Because carriers, clerks, and drivers feared disciplinary action for late delivery of Express Mail, they used the manual function to avoid scanning and reporting late deliveries. As a result, delivery times for Express Mail were sometimes incorrect. Also, employees used manual entries to save time and avoid potentially late delivery of Express Mail. District management was not aware of the excessive use of manual entries or the entry of inaccurate delivery data. District managers stated they neither possessed a "no-failure policy" nor encouraged the recording of inaccurate delivery data. To address these issues, Postal Service management informed all personnel of the appropriate use of manual entries. Postal managers also distribute weekly ranking reports that are reviewed to compare performance to other districts. (AC-AR-03-005)

REDUCING WORKHOURS COULD SAVE OVER \$588,000

An OIG audit revealed a reduction of work hours in three bulk mail centers could save over \$588,000. Inefficiencies in accepting business mailings at the three sites existed because managers did not periodically reevaluate staffing levels to improve productivity, and business mail entry technicians performed duties that should have been accomplished by dock personnel. The OIG recommended and Postal Service management agreed to reduce work hours, reevaluate staffing needs periodically to determine whether further reductions are necessary, and ensure appropriately trained personnel perform acceptance functions. (CQ-AR-03-001)

COST SAVINGS FROM CONSOLIDATION OF RECOVERY CENTERS

In response to a congressional request, the OIG reviewed the procedures for closing, obtaining real savings, and honoring obligations for employee placement related to the closure of a mail recovery center located in the Pacific Area. The review revealed there is potential for savings by consolidating operations, and the Postal Service honored its obligations to reassign employees to new positions. However, the OIG found the Postal Service needed to develop policies and procedures to ensure the proper analysis and notifications are performed



An OIG review found some employees used manual entries on Express Mail scanners to avoid reporting late deliveries.

to document, verify, and support a consolidation and/or closure decision. Postal management did not agree to develop policies and procedures, stating it has no plans to consolidate the remaining two mail recovery centers. However, the Postal Service agreed to develop a standard operating procedure that could be used should further consolidation of mail recovery centers take place. (OE-MA-03-002)

COMMERCIAL CHANGE-OF-ADDRESS SERVICES OFFER NUMEROUS ADVANTAGES

In response to a request from the Postal Service, the OIG reviewed commercial Internet companies offering change-of-address services. This review explored three options under consideration by the Postal Service. Regarding Option 1, the OIG found using the commercial change-of-address services offered the Postal Service numerous advantages, including avoiding costs, increasing revenue, and improving customer service. However, the review found potential drawbacks in the areas of privacy, security, and risks to the Postal Service's business reputation. Regarding Option 2, the review disclosed that by not accepting change-of-address information from commercial sources, the Postal Service could reduce its risk of processing inaccurate address change information. Regarding Option 3, the review disclosed that informing the commercial companies they were violating Postal Service policy was not viable because the companies were operating within postal policy. Recognizing it is ultimately a Postal Service management decision, the OIG concluded the Postal Service should consider utilizing commercial Internet companies' change-of-address services as they provide the greatest advantages with the fewest drawbacks. Furthermore, it offered the opportunities to cut costs, increase revenue, and improve customer service. (OE-MA-03-003)

TRANSPORTATION AND DELIVERY REVIEWS

Transportation and delivery of mail are 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 spent over \$30 billion in FY 2002 to transport and deliver

mail to 38,000 post offices and to 139 million addresses. To transport and deliver the mail, the Postal Service utilizes contractors and a fleet of over 200,000 owned vehicles and employs a combination of air, surface, rail, and water modes. In addition, the Postal Service has an agreement with Federal Express to transport Express, Priority, and First-Class Mail. Over 350,000 carriers delivered approximately 203 billion pieces of mail in FY 2002—an average of about 1,400 pieces of mail for every household and business. The Postal Service is challenged to increase efficiency in the transportation and delivery area because mail volume has not grown sufficiently in recent years to support the extension of the delivery network needed to cover the growth in the number of delivery points, which grew by 1.8 million in FY 2002. As part of its work in this area, the OIG reviewed and raised issues on a transportation agreement; discussions are ongoing with postal management. During the past 6 months, the OIG issued 13 transportation and delivery-related products, which are highlighted below:

WEAKNESSES IN THE VOYAGER CARD PROGRAM

An OIG review of the Postal Service Voyager card program at a District in the Southwest Area revealed these cards, used for fuel purchases and vehicle maintenance, were not adequately protected from improper, fraudulent, and questionable use. Specifically, cards were left in open areas, unattended vehicles, and safes without restricted access, and were also shared among vehicles. Master personal identification number lists were open to unauthorized review. Personal identification numbers were written on receipts. The numbers were also written on receipts. The OIG review also identified categories of questionable transactions and found site managers did not properly file or reconcile receipts. Consequently, the Postal Service potentially paid unauthorized or erroneous charges, and its Voyager card program was vulnerable to fraud. Postal management agreed with the OIG's recommendations and has taken steps to review questionable transactions and provide a uniform process for ensuring that personnel follow the physical, administrative, and accounting controls specified for the Voyager card program. (TD-AR-03-003)



An OIG review of the Postal Service's Voyager card program found that cards were left in open areas, unattended vehicles, and safes without restricted access.

MORE TRAILERS LEASED THAN NEEDED

An OIG audit, conducted in response to a congressional request, determined the Postal Service leased more trailers than needed to transport mail and equipment, resulting in at least \$2.2 million in unnecessary annual transportation costs. The audit found that the Postal Service used the leased trailers to store on-site equipment instead of using them to transport mail and equipment. Over each of the past 4 years, the Postal Service sold its own trailers for \$500, instead of using them for the storage of equipment. Further, the OIG identified opportunities for the return of excess mail transportation equipment to service centers instead of storing it in leased trailers. The OIG recommended and postal management agreed to reassess all mail transport equipment and trailer requirements; explore alternatives for storing equipment and make better use of Postal Service-owned warehouse facilities. The Postal Service stated they were returning 300 unneeded trailers to the suppliers, which will save \$1.1 million annually. Postal Service management stated that any further reduction would impact operations. However, they are taking additional actions that may result in a further reduction in the number of trailers.

(TD-MA-03-001)

SAFETY AND MAINTENANCE CONCERNS FOR 40-FOOT TRAILERS

An OIG review found that the existing 40-foot trailer fleet is not maintained in accordance with federal or contract safety standards. These 40-foot trailers average more than 25 years in age. The audit found that service was not performed on the trailers and, consequently, preventative maintenance was not accomplished. In addition, maintenance and repair documents were not recorded or retained. These deficiencies occurred because the Postal Service did not enforce contract maintenance requirements. Since maintenance and repair activities were not performed as required, many trailers had deficiencies, which made them unsafe or unfit for service. For example, these trailers, representing only 55 percent of the total trailer fleet, accounted for more than 77 percent of the trailers that were out of service. The OIG recom-

mended and postal management agreed to take corrective actions to enforce compliance with federal and lease contract safety requirements, and ensure that contract noncompliance would result in administrative action against its contractors. (TD-AR-03-001 and TD-VR-03-001)

INCREASED EFFICIENCIES IN ADDRESS CHANGE SERVICE MAIL COULD POTENTIALLY SAVE \$14 MILLION

An OIG audit concluded that from September 2000 through July 2002, 80 percent of Address Change Service mail was processed properly. However, the audit found that the Postal Service unnecessarily spent more than \$20 million because employees manually returned 20 percent of mail instead of notifying mailers electronically. The mail was returned manually because Postal Service policies were outdated, performance data was not fully analyzed, and employees were not fully trained. The audit also forecast that the Postal Service could save about \$14 million over the next 2 years if these issues were corrected.

Postal management questioned the estimated monetary impact and the validity of the findings based on how the program works. However, the OIG's findings were based on an analysis of how the program operates and the monetary impact was based on reported Postal Service performance data, error rates identified in official Postal Service documents, and cost factors published by the Postal Rate Commission. Postal management has identified actions planned or taken that will address all OIG recommendations which included developing training materials for supervisors and employees to ensure that Address Change Service mail is properly handled, and ensure that Postal Service managers at all levels routinely analyze available Address Change Service performance data and use that information to provide feedback to local post offices on Address Change Service performance.

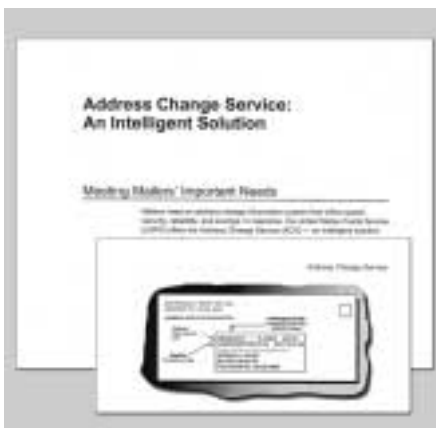
(TD-AR-03-004)

TRAILER LOADED WITH MAIL ABANDONED BY CONTRACTOR

A trailer of mail en route from Oregon to Montana was not delivered for over 60 days because the driver abandoned the trailer with



An OIG review found safety and maintenance concerns with the Postal Service's fleet of 40-foot trailers.



An OIG audit found the Postal Service manually returned 20 percent of mail with Address Change Service instead of notifying mailers electronically.

the mail still inside. The Postal Inspection Service referred this case to the OIG because the contractor was paid for delivery services that were not provided. The OIG investigation identified numerous violations of the contracted services to deliver the mail. The contractor paid damages totaling \$51,000 which included the cost of the investigation.

CONTRACTOR DEBARRED IN VEHICLE PARTS SCHEME

A Postal Service mechanic was removed from duty after receiving over \$65,000 in payments from a company under contract to provide parts for Postal Service vehicles. The mechanic advised the Postal Service to purchase parts from a company in which the employee and spouse had a financial interest. The postal mechanic took vehicle parts that belonged to the Postal Service, cleaned them, and then resold them to the Postal Service as new parts. The contractor was debarred for 3 years.

VEHICLE INVENTORY CONTROL WEAKNESSES IDENTIFIED

An OIG review of the vehicle maintenance facility in a Postal Service district revealed that officials did not properly account for its fleet of delivery vehicles and could not validate the need to supplement postal-owned vehicles with a fleet of leased vehicles. Officials were not properly using the Vehicle Management Accounting System or maintaining accurate, timely, or complete information, and, therefore, could not always identify or take appropriate action in accounting for vehicles. In addition, officials did not have adequate or complete information to determine requirements for leased vehicles. The OIG recommended and postal management agreed to take corrective actions to inventory its fleet of vehicles, properly use the vehicle management accounting system, and properly analyze the requirements for leased vehicles. (TD-AR-03-005)

DELAYED MAIL OBSERVED AT SOUTHWEST AREA OFFICE

An OIG review of a Southwest Area office disclosed approximately 20,000 pieces of delayed mail. The OIG observed accumulated

mail that was 5 to 6 weeks old. The review revealed the mail was not deliverable as addressed and consisted of First-Class return-to-sender mail and Address Change Service mail. The undeliverable mail was not processed on a daily basis and was delayed and accumulated to unacceptable levels. An OIG follow-up review, performed two months later, found that conditions had improved, but more than 9,000 pieces of mail remained backlogged. Postal Service management agreed with OIG recommendations to take necessary actions to reduce the mail backlog and prevent reoccurrence. (TD-MA-03-002)

CANCELLING UNNECESSARY HIGHWAY CONTRACT TRIPS COULD RESULT IN SAVINGS

Three OIG audits revealed the Postal Service could save about \$2.4 million by canceling unnecessary trips between mail processing facilities. The trips could be terminated because trip volume was low and mail could be consolidated on other trips without negatively affecting service. Specifically, processing facilities in the Northeast, Capital Metro, and New York Metro Areas could terminate 84 unnecessary trips, and mail could be consolidated on other trips without negatively affecting service. Postal Service managers agreed to eliminate 46 trips, but disagreed with eliminating the remaining 38 trips, stating this would reduce operational flexibility. However, postal management agreed to reassess the remaining 38 trips and will cancel trips as necessary and document reasons for retaining other trips. (TD-AR-03-002, TD-AR-03-007, and TD-AR-03-008)

PURCHASING TRAILERS COULD POTENTIALLY SAVE MILLIONS

An OIG audit found that the Postal Service could save \$4 million by purchasing 1,500 trailers instead of leasing them, and concluded management was planning to lease the trailers because they did not follow the analytical and approval procedures required by Postal Service policy. Consequently, the OIG recommended that postal management prepare a decision analysis report, which included a required lease versus buy analysis, and submit it to the Board of Governors for approval. Postal



An OIG audit found inefficiencies existed because the Postal Service underutilized trucks, and drivers performed overlapping work.

management did not agree that a decision analysis report and Governors' approval were required. Also, they stated their analysis concluded the benefit of contracting instead of purchasing would be over \$10 million, but this analysis was not performed in accordance with existing policy. Postal management acknowledged that this acquisition was part of a national trailer lease and is conducting additional analyses that will address these issues. When completed, the OIG will review the results. The OIG is pursuing the disagreements through the audit resolution process. (TD-AR-03-009)

MAIL TRANSPORTATION INEFFICIENCIES FOUND IN PACIFIC AREA

An OIG audit determined that inefficiencies existed in a network for transporting mail between stations in the Pacific Area. Specifically, the audit found letter carriers and postal vehicle service drivers performed overlapping work, underutilized truck capacities, and failed to consolidate routes. For example, of 13 trucks observed departing the facility over a 2-day period, 7 trucks were filled to one-half capacity and 3 trucks were filled to three-quarter's capacity. In response to OIG's recommendation to determine available options to reduce unnecessary costs for bulk mail transportation, postal management agreed to conduct further comprehensive cost analysis, ensure cost comparisons follow labor agreement guidelines and address employee reassignment issues. (CQ-MA-03-001)

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 marketing products and services to build customer awareness and loyalty. The Postal Service also wants to ensure its services are available at places where customers choose to do business. During this reporting period, the OIG conducted work in the area of marketing, which is highlighted below:

POSTAL SERVICE'S INVOLVEMENT IN SPONSORSHIPS NEEDS IMPROVEMENTS

An OIG audit of the Postal Service's involvement in sponsorships found no significant exceptions with sponsorship expenditures, but disclosed it has not managed them effectively. Specifically, the Postal Service was unable to track or verify revenue directly back to a particular event or sponsorship. The OIG also found the Postal Service lacked goals and objectives for some sponsorships and did not manage tickets and invitations appropriately. As a result, the Postal Service could not determine its return on sponsorship investments, measure the effectiveness of its sponsorships, and take advantage of networking opportunities to generate revenue.

The OIG found no laws or policies precluding the Postal Service from being involved in sponsorships. However, in response to media coverage and public policy debate on sponsorships, the OIG believes it is critical for the Postal Service to justify use of sponsorships. Furthermore, the Postal Service needs to weigh its involvement in sponsorships in light of its monopoly status, financial condition, investment returns, and core mission.

Postal management agreed with the OIG's recommendations to identify and track all costs associated with each sponsorship initiative; ensure data is captured to track sales, leads, and monetary benefits directly related to sponsorships; and ensure sponsorships have specific and measurable goals and objectives and update the policy to include this requirement. In response to OIG's recommendation to formally appoint one executive with responsibility for the overall management of the sponsorships program, the Postal Service, while disagreeing, stated that this would be accomplished by the Headquarters marketing department. (OE-AR-03-003)

LEGISLATIVE, REGULATORY & POLICY REVIEWS

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

ENACTED LEGISLATION

Executive Order No. 13278 — President's Commission on the United States Postal Service

This executive order established a presidential commission to examine the state of the United States Postal Service. The Commission will prepare and submit a report to the President articulating a proposed vision for the future of the Postal Service and recommending legislative and administrative reforms needed to ensure the Postal Service's viability. In fulfilling its mission, the Commission was asked to consider the following: (1) the role of the Postal Service in the 21st century and beyond; (2) the flexibility the Postal Service should have to change prices, control costs, and adjust service in response to financial, competitive, or market pressures; (3) the rigidities in cost or service that limit the efficiency of the postal system; (4) the ability of the Postal Service, over the long term, to maintain universal mail delivery at affordable rates and cover its unfunded liabilities with minimum exposure to taxpayers; (5) the extent to which postal monopoly restrictions continue to advance the public interest under evolving market conditions, and the extent to which the Postal Service competes with private sector services; and (6) the most appropriate governance and oversight structure for the Postal Service.

The OIG believes the Commission will generate debate on ways to transform the Postal Service and ensure its continued viability and relevance into the 21st century. The OIG submitted a formal written comment to the Commission highlighting the 10 major management issues the OIG believes must be addressed if the Postal Service is to remain a viable commercial enterprise. The OIG emphasized that as the Postal Service works to transform itself for the future, it must rely on performance management principles to measure progress and inject accountability into programs and operations. The OIG continues to monitor Commission activities and review public comments and testimony and has offered technical assistance to the Commission.



An OIG audit disclosed the Postal Service's management of sponsorships needs improvement.

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. 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.

TYPE OF INVESTIGATION	ARRESTS	CONVICTIONS
Non-Employee Mail Theft	3,043	2,465
Employee Mail Theft	348	307

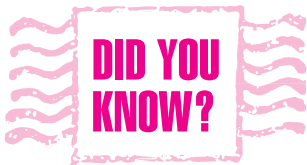
Financial Management Reviews



OFFICE OF INSPECTOR GENERAL

Financial Opinion Audits
Financial-Related Reviews
Contracting and Facilities Reviews
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 may take appropriate action to further improve the efficiency and effectiveness of Postal Service programs and operations.

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 continues to face one of the most challenging financial periods in its history. The year began with a focused plan to reduce costs, increase efficiency and improve service. As a result, and despite the effects of the recession and the terrorist attacks, the Postal Service closed the year with a loss that was almost \$700 million below original projections. The actions taken by the Postal Service in FY 2002 have laid a foundation for savings in 2003 and beyond, setting the stage for achievement of the Transformation Plan goal to take \$5 billion in costs out of the system by the end of 2006. As evidence, the Postal Service is projecting a net income of about \$1 billion in FY 2003. In addition, in the near term the Postal Service will seek moderate legislative reform that will support the Postal Service's ability to provide affordable universal mail service. Legislation has already been passed that would permit the Postal Service to reduce its payments to the Civil Service Retirement System. A recent analysis conducted by the Office of Personnel Management found that, at present funding rates, the Postal Service could overfund its liability by \$71 billion. The legislation will permit the Postal Service to substantially reduce its debt and hold postage rates steady until at least 2006, while protecting the benefits of current and future retirees covered by this retirement system.

The Postal Service relies on strong financial management controls to maximize revenue and minimize costs. In the past 6 months, the

OIG has completed 183 financial management reviews and 153 investigations. These efforts identified over \$13.4 million in questioned and unsupported costs. 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 over \$66 billion in revenue and the recording and disbursement of a similar amount each year. Since its inception, the OIG has served as co-contracting officer's representative with Postal Service Finance for the work performed by the independent public accounting firm. However, beginning in FY 2003, the OIG is the sole contracting officer's representative. 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:
- ◆ independently tracking and accounting for consigned vehicle parts;
- ◆ maintaining documentation confirming receipt of goods ordered electronically;
- ◆ processing compensation payments in accordance with established internal controls; and
- ◆ entering data for and extending the record retention period of inbound international mail.

Postal Service management generally agreed with OIG recommendations to improve all of these areas. (FT-AR-03-006, FT-AR-03-007, and FT-AR-03-008)

- ◆ The OIG reviewed travel and representation miscellaneous expenses for Postal Service officers, as well as, travel and miscellaneous expenses for the Office of the Board of Governors for the year ending September 30, 2002. The reviews determined expenses were properly supported and complied with postal policies and procedures and Board of Governors' guidelines. (FT-AR-03-002 and FT-AR-03-003)

FY 2003 FINANCIAL INSTALLATION AUDITS

The OIG conducted audits at 61 postal facilities and found financial information was reasonably and fairly represented in the accounting records, and internal controls were generally in place and effective. However, at one facility, the OIG found financial transactions were not reasonably and fairly represented, and internal controls for vending accountability were not in place and effective, resulting in a shortage of over \$15,000. In addition, at 51 facilities, the OIG identified non-compliance with Postal Service instructions and minor internal control 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, pages 102-103)

BULK FUEL INVENTORIES NOT ACCOUNTED FOR AT A WESTERN AREA VEHICLE MAINTENANCE FACILITY

During the FY 2002 financial statement audits, the OIG performed testing at four vehicle maintenance facilities that contained bulk fuel inventories. Of the four facilities tested, the OIG found that one facility did not properly account for inventories of bulk fuel because it did not conduct reconciliations every accounting period as required. This occurred because only one employee performed fuel inventory reconciliations. When the employee was not

available, the reconciliations were not performed. As a result, there was no assurance that bulk fuel managed by the facility was properly used or that the inventory accounting system properly reflected the available fuel on hand. Postal management agreed to reconcile bulk fuel inventories each accounting period and train another individual as a backup for performing reconciliations. (FT-AR-03-005)

FINAL WRAP-UP OF FY 2002 FINANCIAL INSTALLATION AUDITS

The OIG wrapped-up its FY 2002 financial installation audits at 76 facilities and found financial information was reasonably and fairly represented in the accounting records, and internal controls were generally in place and effective. However, at two facilities, the OIG found accounting records were not reasonably and fairly represented and internal controls were not in place and effective. Specifically, the OIG found an overage in the accountability of over \$7,000 and an unauthorized cash reserve of over \$22,000. Also, the OIG was unable to obtain documentation to support transactions totaling over \$300,000 posted in FY 2002 at a philatelic station. In addition, at 72 facilities, the OIG identified non-compliance with Postal Service instructions and minor internal control weaknesses. Postal management agreed to improve all of the areas. (For specific reports see Appendix A, pages 100-102)

In addition, the OIG issued five capping reports to summarize systemic issues identified during the FY 2002 financial installation audits. The reports contained issues related to stock destruction committee composition; contract postal units; inactive accounts; suspense items; stamp and cash accountability procedures; and mail acceptance, verification, and clearance procedures. Postal Service management agreed with OIG recommendations to improve all of the areas. (FF-AR-03-141, FF-AR-03-142, FF-AR-03-146, FF-AR-03-155 and FF-AR-03-156)

FACILITY PROTECTIVE REVIEWS

The OIG has instituted a Facility Protective Review program to provide critical coverage to small Postal Service facilities. The benefits of the program include:



Pictured above and below: The OIG conducted audits at 137 postal facilities and found financial information was reasonably and fairly represented in the accounting records.



- ◆ Providing a systematic method for identifying and reviewing problems at local offices;
- ◆ Providing valuable and timely feedback to local and headquarters-level management; and
- ◆ Identifying nationwide audits by developing trends of problems at local facilities.

Areas of coverage during the protective audits include asset accountability, employee/customer service, information systems security, and compliance with laws and regulations.

FINANCIAL-RELATED REVIEWS

Financial-related reviews 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 20 financial-related audits. Some significant reviews are highlighted below:

POSTAL MUSEUM OVERFUNDED BY \$1.75 MILLION

An OIG audit, conducted at the request of the Board of Governors, revealed the Postal Service overfunded the Postal Museum by \$1.75 million over a 4-year period. The audit found the mechanism for establishing the museum's budget as specified in the agreement was not followed and the Postal Service had no recourse in the event of Smithsonian's nonperformance other than to withhold funding. The OIG recommended and postal management agreed to examine the possibility of recovering the \$1.75 million overpayment. In addition, postal management agreed that the current system for calculating financial contributions to the museum is unclear and needs to be corrected. Further, postal management agreed the current arrangement is outdated and needs to be revised to better protect the interests of the Postal Service. (FT-MA-03-001)

OIG VERIFIES POSTAL SERVICE EMPLOYEE WITHHOLDINGS AND EMPLOYER CONTRIBUTIONS

An OIG review, conducted in response to a request by the Office of Personnel Management, verified Postal Service employee

withholdings, employer contributions, and enrollment information for health benefits, life insurance, and retirement. In a review of three randomly selected pay periods, the OIG found two employees properly elected life insurance coverage, but Postal Service personnel did not update the life insurance codes to reflect the proper election. As a result, the premiums for optional coverage were never withheld from the employees' paychecks and the optional insurance coverage, totaling almost \$130,000, was not provided for the past 7 and 17 years, respectively. Human resource office representatives agreed to research the records and make appropriate corrections.

Further, the OIG found a miscommunication between the Office of Personnel Management and the Postal Service resulted in an overpayment of approximately \$325,000 in funds transferred for inactive health plans. This information was provided to the Office of Personnel Management and required no management action. However, the Office of Personnel Management agreed to provide guidance for clarification on adjustments for the inactive health plans. The OIG intends to follow-up on these issues during its FY 2003 review. (FT-AR-03-001)

CORPORATE CONTACT MANAGEMENT PROGRAM OVERFUNDED

An OIG follow-up audit of the Corporate Contact Management Program found the Postal Service does not need the level of funding approved and program managers did not always involve external stakeholders or define key requirements in the development of the program's strategy. In addition, the audit disclosed the Postal Service did not always initiate or update security reviews for the Corporate Contact Management systems. The OIG recommended management determine how to accurately reflect and report the current Corporate Contact Management program to the Board of Governors; immediately include information security officials and contact center managers in the integration and consolidation strategy; and obtain written input regarding any issues raised concerning contract proposals before awarding any contracts. Postal management should also complete and update



An OIG audit determined the Postal Service overfunded the Postal Museum by \$1.75 million over a 4-year period.

applicable external contact centers' information security assurance reviews. While postal management disagreed with the OIG's four recommendations, actions taken or planned are responsive to the intent of the recommendations and should correct the issues identified in the audit. (OE-AR-03-001)

OIG INVESTIGATIVE EFFORTS ASSIST CIVIL CLAIMS AGAINST THE POSTAL SERVICE

The OIG assists the Postal Service in reducing civil claims by working with the Postal Service Law Department and United States Attorney Offices to conduct investigations into tort claims filed against the Postal Service. These investigations often result in significant reductions in the initial claim amount. During the past 6 months, the OIG has closed 24 tort claim investigations and reported significant activity on the following cases:

- ◆ An OIG investigation resulted in a \$1.2 million cost avoidance in a lawsuit against the Postal Service. The individual claimed serious personal injuries to self and a family member when the individual's vehicle struck an embankment and a utility pole while attempting to avoid a head-on collision with a rural postal carrier. The OIG's investigation cast considerable doubt on the credibility of the claimant. The investigation revealed the individual had previously filed numerous insurance claims for the same injuries claimed in this accident. It was also discovered that the claimant had been arrested and was facing several criminal charges, including insurance fraud. In addition, the OIG arranged for an independent expert analysis of the claimant's vehicle. This analysis determined that the claimant was not wearing a seatbelt at the time of the accident.
- ◆ As a result of an OIG investigation, the Postal Service Law Department denied an Idaho individual's claim for over \$1 million for injuries allegedly suffered during an accident with a Postal Service vehicle. The OIG investigation revealed the police report completed at the scene determined there were no apparent injuries at the time of the accident. In addition, the individual had not sought

medical attention for alleged injuries until nearly a year after the accident and the claimant had already been paid by an insurance company for the damages.

- ◆ An OIG investigation resulted in a \$1.4 million cost avoidance in a lawsuit against the Postal Service involving an individual who allegedly tripped and fell over a steel mat at a postal facility. The individual claimed numerous injuries and requested reimbursement for medical expenses and pain and suffering resulting from the alleged injuries. The OIG investigation, which included a comprehensive review of the documents filed in the case and interviews of the witnesses to the accident, revealed the medical report did not substantiate the claim that all of the individual's injuries were caused by the fall. In addition, the investigation disclosed the individual ignored the warnings of a maintenance person at the facility, and certain events took place after the fall that contradicted the documentation filed by the individual.
- ◆ An OIG investigation resulted in the indictment of a witness for making false statements in connection with a friend's lawsuit against the Postal Service for a broken ankle sustained at a Nebraska post office. The individual sought \$100,000 in damages.

FY 2003 OBSERVATIONS OF STATISTICAL TESTS FOR THE COST AND REVENUE ANALYSIS

The OIG performed cost and revenue analysis audits in nine districts and found that, generally, the tests were conducted in accordance with Postal Service procedures. However, employees did not always adhere to instructions for data collection, equipment use, and telephone readings in five districts. 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 104)



The OIG assists the Postal Service Law Department and United States Attorney Offices by conducting investigations into tort claims filed against the Postal Service. For example, OIG investigations have saved the Postal Service money by uncovering false claims resulting from accidents with postal vehicles.



The OIG conducted investigations of allegedly fraudulent indemnity claims.

FORMER POSTAL SERVICE EMPLOYEE SENTENCED FOR FRAUD

A former Postal Service employee was sentenced to 18 months in prison and ordered to pay over \$220,000 in restitution for defrauding the Postal Service. The OIG investigation disclosed that from July 1997 to May 2000, the former postal employee created fictitious orders and forged signatures of Postal Service officials to create the appearance that goods and services had been delivered as invoiced. To accomplish the scheme, the former Postal Service employee rented a post office box under a false name and received funds from fictitious invoices, and deposited the funds into personal bank accounts.

INDIVIDUAL INDICTED FOR MAIL FRAUD ON INDEMNITY CLAIM

As a result of an OIG investigation, an individual was indicted and charged with one count of mail fraud. The OIG's investigation began after a Postal Service clerk in the Northeast Area provided information about an individual who filed an indemnity claim for coins worth approximately \$5,000 not received.

OKLAHOMA INDIVIDUAL INDICTED FOR NINE COUNTS OF MAIL FRAUD

An OIG investigation revealed that an Oklahoma individual defrauded the Postal Service by submitting false indemnity claims for approximately \$5,400 and supporting them with altered sales receipts. The individual was indicted by a federal grand jury for 6 counts of false statements and 9 counts of mail fraud. The false indemnity claims were submitted for international mail that was reported as damaged, missing contents, or undelivered.

OIG WORKS WITH POSTAL SERVICE TO ADDRESS ABUSES OF GOVERNMENT-ISSUED CREDIT CARDS

The OIG is partnering with the Postal Service to identify employees and former employees who abused their government credit cards. During this reporting period, the OIG investigated six individuals for misuse of their government credit cards. The unauthorized purchases on the credit cards were for personal use,

such as automated teller machine withdrawals and a car rental. The amounts involved ranged from \$1,600 to \$3,000. One individual pled guilty in federal court to misappropriation of over \$3,000 in postal funds; sentencing is pending. The Postal Service took administrative actions against the other five, including two removals, a demotion, a 30-day suspension, and a letter of warning.

CONTRACTING AND FACILITIES REVIEWS

The Postal Service manages contracts with commitment values totaling over \$18 billion annually for its goods, non-transportation services, and facilities related reviews. Consequently, this makes the Postal Service one of the largest civilian contracting agencies in government. During the first half of FY 2003, Postal Service purchases included over \$189 million in noncompetitive contracts and more than \$170 million in purchase credit card transactions. The Postal Service is also one of America's largest owners, developers, and managers of real estate, committing over \$135 million for repair, renovation, and construction of new facilities, and paying over \$414 million in rent for the first half of FY 2003.

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 21 reviews of contracting and facilities-related issues with the assistance of a contract audit agency. Also, the OIG has many open criminal investigations targeting fraud and corruption in these areas. Highlights of some contracting and facilities reviews follow:

CONTRACT AUDITS IDENTIFY OVER \$11.7 MILLION IN QUESTIONED COSTS

In the past 6 months, the OIG worked with the Defense Contract Audit Agency and completed 13 audits of contracts valued at over \$150 million. These audits resulted in over \$11.7 million in questioned and unsupported costs. The contract audits primarily include: incurred cost audits that evaluated the reasonableness of costs incurred by contractors; pro-

posal audits that evaluated the reasonableness of contractor cost estimates; and defective pricing audits performed to determine whether contract prices significantly increased because of contractor pricing data that was not accurate or complete. These audits are summarized in the graph in the margin and focus on whether contractors’:

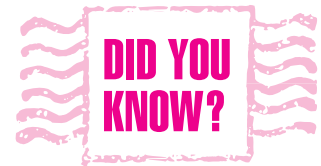
- ◆ Proposed and incurred costs were allowable and reasonable; and
- ◆ Pricing data were accurate, complete, and current.

The following is a summary of seven significant contract audits completed in the last 6 months:

- ◆ An audit of a contractor’s \$34 million fixed price incentive firm-target type contract disclosed the contractor overstated purchased parts per unit cost because it was not using data that were accurate, complete, and current as of the date of the agreement price. The contractor contended that a reduction in the per unit price for material costs occurred at negotiations. However, the contractor did not use the lower material per unit price in its final priced bill of materials. There was no evidence available of the contractor making the Postal Service aware of the lower price either at or before the date of agreement on price. As a result, the audit recommended a price adjustment of about \$344,000 including associated burdens and profits. (CA-CAR-03-002)
- ◆ An audit of a contractor’s \$10.5 million firm fixed price proposal resulted in questioned costs of nearly \$249,000. The audit disclosed issues regarding rates and allocation factors that could yield additional questioned costs. Therefore, the OIG recommended the conclusion of negotiations be postponed until these issues are considered, or a downward adjustment clause be inserted into the contract. (CA-CAR-03-004)
- ◆ An audit of a contractor’s \$1.6 million claim for delay disclosed questioned costs of about \$1.1 million. The majority of the questioned costs represent a lack of supporting documentation for claimed costs from two subcontractors. Remain-

ing questioned costs represented labor hours that could not be supported or were within the scope of the contract, tasks that were separately negotiated or already paid, indirect rates not based on actual costs, and warranty costs improperly claimed as delay costs. The contractor may also have included costs for tasks within the scope of contract, and overtime hours were included in the claim. Due to these significant inadequacies, the OIG did not consider the claim to be acceptable as a basis for the settlement of a fair and reasonable price. (CA-CAR-03-006)

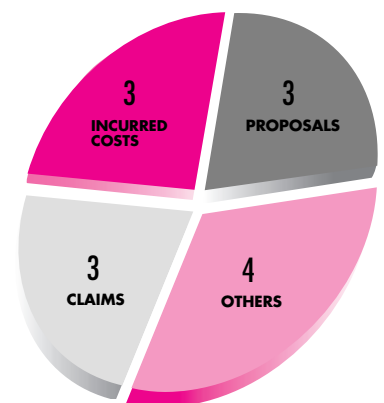
- ◆ A review of a contractor’s \$82 million firm fixed price proposal revealed questioned costs of nearly \$4.5 million, including unsupported costs of about \$765,000. Questioned costs were primarily due to application of a decrement factor to proposed direct material costs and warranty costs proposed separately from the warranty rate. Unsupported costs were the result of the contractor not providing auditable documentation to support certain proposed transportation costs. The audit also disclosed certain activities that may achieve future savings. Therefore, the OIG recommended a downward only savings clause be included in the contract. Furthermore, the contractor’s forward pricing overhead rates are subject to certification by the Department of Defense. If certification is not obtained, then a price adjustment will be executed. (CA-CAR-03-010)
- ◆ A review of a contractor’s equitable adjustment claim for contracts for post office buildings questioned costs on nearly the entire claim amount of \$5 million. The majority of questioned costs represented lost profits because the contractor incorrectly based its computations on gross profits. In addition, unabsorbed overhead was questioned in its entirety because the contractor did not experience it in total for the period of performance in the contracts. Furthermore, the contractor did not provide sufficient documentation to support labor costs. (CA-CAR-03-011)



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 U.S. Mail or the services of any private or commercial carrier to carry out a fraudulent scheme.

Types and Number of Contract Audits Completed



The OIG completed 13 audits of contracts valued at over \$150 million.



The OIG reviewed the Postal Service's disposition plans for irradiation equipment.

- ◆ An audit of a contractor's \$15.5 million firm fixed price proposal for the preproduction and field test phase of a biohazard detection system program disclosed questioned costs of nearly \$1.5 million and unsupported costs of over \$470,000. Questioned costs were primarily due to the application of a decrement factor to proposed purchased parts and subcontract costs based on vendor quotes. In addition, direct material costs based on engineering estimates were questioned because the contractor was unable to provide sufficient documentation. The audit also disclosed certain activities that may achieve future savings. Therefore, the OIG recommended a downward only savings clause be included in the contract. The contractor's forward pricing overhead rates are subject to certification by the Department of Defense. If certification is not obtained, then a price adjustment will be executed. (CA-CAR-03-012)

- ◆ A review of a contractor's labor practices revealed they required corrective action to improve reliability of the contractor's labor accounting system. Specifically, the OIG found numerous instances in which employee time charges could not be verified. In addition, the audit raised concerns regarding sufficiency of documentation to ensure time was charged to the proper cost objective. The contractor concurred with the recommendations for corrective action. (CA-CAR-03-009)

ARCHITECTURAL AND ENGINEERING DESIGN SERVICES PROCESS CAN BE IMPROVED

An OIG audit of architectural and engineering design fees disclosed that the Postal Service had no system or criteria to track and monitor these fees, and that deficiencies existed in the architectural and engineering design services. Overall, postal management has limited visibility or control over architectural and engineering design work, which increases the risk that the Postal Service may pay additional, unnecessary, or duplicate costs, or that the product may not satisfy Postal Service requirements. In addition, a review of project files at a Pacific Area air mail center revealed that replacement

of the heating, ventilation, and air conditioning system was not included as part of the overall expansion project. Instead, it was funded as a separate project.

The OIG recommended postal management establish and implement a policy to track design fees and to monitor them on a regular basis for reasonableness. The OIG also recommended management strengthen internal process controls over design services, and revise policies and procedures to require cost or pricing data audits when negotiating architectural and engineering contract services. Finally, the OIG suggested postal management complete a modification to the Decision Analysis Report for replacement of the heating, ventilation, and air conditioning system and present it to the Board of Governors for approval. The Postal Service generally agreed with the OIG's recommendations and initiated or planned appropriate actions to address them. (CA-AR-03-001)

DISPOSITION PLANS FOR ACQUIRED IRRADIATION EQUIPMENT NEED TO BE DEVELOPED

In response to the anthrax attacks, Congress passed legislation to assist the Postal Service in protecting its employees and customers from exposure to hazardous material. The Postal Service entered into a contract in October 2001 and purchased eight electron beam systems for \$30 million to sanitize the mail. However, Postal Service engineering officials later determined the systems would not meet requirements and decided not to use the eight irradiation systems. Senior Postal Service officials approved a plan to transfer two electron beam systems to the National Institute of Standards and Technology; however, they had not developed plans for disposing of or transferring the remaining six electron beam systems. Postal Service management agreed with the OIG's recommendations to transfer or dispose of the remaining six systems. (CA-MA-03-006)

POSTAL SERVICE HAS GENERALLY MANAGED RESTRAINTS IMPOSED BY THE CAPITAL FREEZE

An OIG audit determined the Postal Service has generally managed the restraints imposed by the capital freeze by implementing several major initiatives to maintain, preserve, and expand facilities in the short-term. These initiatives included: implementing a nationwide process to allow exceptions for projects that met criteria for life/safety emergencies and legal requirements; monitoring the expenditures of capital construction funds by requesting area officials determine their highest priority construction projects; and using modular trailers and consolidating or moving routes to alleviate overcrowding in the Western Area. However, the OIG is concerned that long-term continuation of the capital freeze will contribute to deteriorating Postal Service facilities, difficulty in providing needed space for high growth areas, safety issues, rising construction costs, and delaying the upgrading of facilities for accessibility for individuals with disabilities.

The OIG recommended Postal Service management continue to resolve the specific issues identified in the report and, as funding becomes available, reprioritize projects according to life/safety, emergencies, and legal requirements. Postal Service management agreed to continue to emphasize the need to maintain assets and address life and safety issues, emergencies, and legal requirements. They have also expanded the criteria for facilities-related spending to include asset maintenance, areas of high growth, and significant space deficiencies. Postal management already had been addressing and will continue to address specific safety issues identified in this report, and the OIG will continue to actively pursue resolution of these items. (CA-MA-03-007)

OIG CONTRACTOR INVESTIGATIONS TARGET FRAUD AND CORRUPTION

The OIG conducts investigations relating to the Postal Service's contracting and facilities areas. These investigations target contractors who have attempted to defraud the Postal Service by submitting false invoices, performing poor work, or using substandard construction

material. These investigations help ensure that the financial interests of the Postal Service are protected. In some instances, these investigations result in significant recoveries and improve the safety of employees and customers. During the past 6 months, the OIG has reported significant activities in this area, some of which are highlighted below:

- ◆ As part of a Department of Justice national task force, the OIG investigated a contractor concerning alleged fraudulent testing of underground storage tanks. The investigation involved analyzing millions of company records and conducting surveillance at 89 sites, 33 of which were postal facilities. The OIG investigation disclosed the company charged the Postal Service and other government agencies for storage tank testing that was inadequate or never performed. The investigation resulted in 10 criminal convictions. The company was placed on probation and ordered to pay a \$1 million criminal fine and restitution of nearly \$1.3 million, of which over \$245,000 will be returned to the Postal Service.
- ◆ An OIG investigation discovered a waste disposal contractor did not reimburse the Postal Service for rebates on services provided to the contractor by local recycling companies. A Postal Service manager provided rebate documentation to the OIG investigator. As a result, the waste disposal contractor reimbursed over \$229,000 to the Postal Service.
- ◆ As the result of an OIG investigation, the Postal Service and a construction contractor agreed to settle disputes and mutually release all claims under the Contract Dispute Act. According to the mutual agreement, an insurance company will release over \$107,000 to the Postal Service from a performance bond issued to the construction company. The contractor has been debarred for a 3-year period.
- ◆ An OIG investigation of a trucking contractor, a husband and wife team in Delaware, who presented false claims for payments, resulted in the contractor agreeing to pay over \$54,000 to the Postal Service. The trucking contractor



The OIG reviewed the impact of the capital freeze on construction projects.

DID YOU KNOW?

The money order system was developed primarily to provide a safe means for Union soldiers and their families to exchange money through the mail during the Civil War.



OIG special agents worked with the Department of Justice and New Zealand authorities to apprehend and extradite to the United States a postal contractor who received an erroneous payment of \$680,000. The contractor used the funds to purchase the above items.

defrauded the Postal Service by submitting false claims for extra service miles, which had not been driven.

- ◆ The OIG conducted an investigation after receiving information from the Postal Service about a \$680,000 erroneous payment to a contractor. The investigation disclosed the contractor was mistakenly paid for services that were performed by another contractor. The contractor was contacted to repay the amount but fled to New Zealand. The OIG coordinated with the Department of Justice and New Zealand authorities to apprehend and extradite the contractor to the United States. The contractor pled guilty to one count of theft of government property and 4 counts of money laundering. The contractor was sentenced to 78 months imprisonment and 36 months probation, and ordered to pay fines and restitution totaling over \$593,000.
- ◆ The OIG participated on a joint investigation involving two subcontractors providing photocopying and printing services to a prime Postal Service contractor. The subcontractors were providing kickbacks to employees of the prime contractor for favorable treatment and paid the employees of the prime contractor more than \$1.3 million in kickbacks. As a result of the investigation, both subcontractors were indicted for conspiracy to defraud the United States and for filing false individual tax returns.

LEGISLATIVE, REGULATORY & POLICY REVIEWS

During this reporting period, the OIG identified legislation, regulations, and policies affecting Postal Service financial management. Legislation reviewed is listed below:

PROPOSED LEGISLATION

S. 631 – A Bill to Amend Title 39, United States Code, with respect to Cooperative Mailings

This legislation is intended to clarify ambiguities in the Postal Reorganization Act of 1970, which established a nonprofit mail rate for charitable and benevolent organizations. The legislation would allow these organizations

to share ownership of their mailing with commercial printing and mailing businesses and still qualify for the nonprofit mailing rate. In effect, it would permit these organizations to mail at nonprofit rates whether they prepare the mailing themselves or hire someone else to do it for them, since the purpose of the mailing remains a nonprofit one. The bill maintains existing federal law that prohibits unauthorized parties from using the nonprofit rate to sell goods or services by mail. Moreover, the legislation does not limit the Postal Service's authority to enforce any other section of federal postal law.

The bill is similar to legislation introduced in the last Congress. The current bill adds a section defining when a contractual relationship between a nonprofit organization and a commercial entity will be deemed a conflict of interest, which creates a presumption against eligibility for reduced rates. There is also a provision in the new legislation that would protect the Postal Service from legal action to recover the cost of postage paid on mail matter sent before the date of enactment.

The OIG has examined the Postal Service's cooperative mailing rules and the financial impact of such legislation. The OIG contends there will be minimal financial impact from this legislation.

H.R. 5702 – Privatization of the U.S. Postal Service

This bill would convert the operations of the Postal Service into a private corporation. The legislation would direct the President to submit to Congress: (1) a comprehensive plan providing for the transfer of property subject to this Act; and (2) recommendations for legislation as necessary. The bill would establish the Postal Privatization Commission to carry out functions relating to the transformation of the Postal Service into a private corporation.

Similar measures have been introduced in previous sessions of Congress, but have not reached a floor vote. The OIG believes the Postal Service is a vital and sustainable organization that can evolve to meet changing times, given prudent, adaptable management practices and continued independent oversight.

ENACTED LEGISLATION

Public Law 108-18 – Postal Civil Service Retirement System Funding Reform Act of 2003

This act lowers the Postal Service's payments to the Civil Service Retirement Fund by about \$6 billion over FY 2003 and FY 2004. It requires the Postal Service to use the bulk of the savings from the reduction to pay down its debt, but also encourages it to use a portion of the savings to fund retiree health care costs.

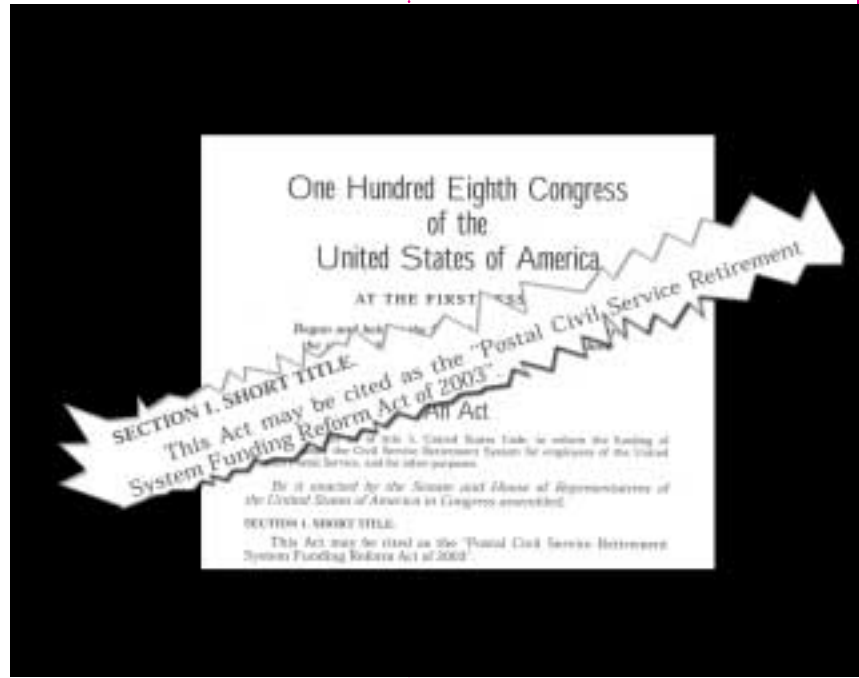
The law alters the formula used to determine the size of annual payments to the Civil Service Retirement Fund. The fund has earned higher than expected yields on pension investments in government securities, and as a result, the Postal Service has been overfunding the retirement program. However, the Postal Service's contributions to the fund could not have been scaled back without the passage of this legislation. Even with passage of this bill, there still remains other long-term costs the Postal Service will have to address, such as increasing workers' compensation costs, retiree health care costs, reducing long-term debt, and the potential cost associated with removing the freeze on capital expenditures.

H.R. 1360 – A Bill to Amend Certain Provisions of Title 39, United States Code, Relating to Transportation of Mail

This bill would amend statutes pertaining to the transportation of mail to prohibit the Postal Service from directly or indirectly dictating how, when, or where its contractors purchase services, supplies, fuel, and equipment. The bill also eliminates the annual limit on mail transportation contracts.

The OIG believes this legislation would inhibit the Postal Service's ability to obtain the best rate for goods and services. If the Postal Service is able to negotiate a favorable price on certain services and supplies, it should have the power to direct its contractors to use these vendors in order to minimize costs to the Postal Service. Eliminating the annual expiration on mail transportation contracts could also be detrimental, because the annual expiration forces the Postal Service to reconsider its contractor selection process and costs incurred.

This periodic examination could lead to better services that could save costs for the Postal Service.



The Postal Civil Retirement System Funding Reform Act of 2003 lowers the Postal Service's payments to the Civil Service Retirement Fund.

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 intent by a customer to defraud the Postal Service. In the last 6 months, there were 30 arrests and 30 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 233 investigations of employee embezzlements this reporting period, which documented losses of over \$3.2 million. Examples of investigations in this area are summarized below:

- ◆ A former Florida sales and service associate was sentenced to 5 years probation and over \$29,000 in restitution for stealing postal funds. Postal Inspectors discovered the individual failed to input Express Mail and Priority Mail transactions into the POS One terminal and converted the funds for personal use.
- ◆ As the result of an investigation, a former South Carolina postmaster was sentenced to 10 months in prison, 3 years probation and ordered to pay over \$39,000 in restitution for stealing postal funds. Postal Inspectors discovered the individual had been kiting money orders, and under-reporting money order sales as well as failing to report sales.
- ◆ A former Philadelphia postal clerk pled guilty to misappropriating postal funds. The investigation disclosed a failure of separation of duties. The clerk consolidated financial records and prepared bank statements with minimal supervision that enabled the individual to embezzle \$129,000.
- ◆ A former postmaster from West Virginia was sentenced to 6 months in prison; 2 years supervised release and ordered to pay over \$67,000 in restitution for embezzling postal funds. The Inspection Service investigation discovered unaccounted postage sales and post office box rentals over \$166,000. The court ordered restitution was equal to the amount of the postmaster's retirement contributions.
- ◆ As a result of an Inspection Service investigation, a former sales and service associate in Texas was sentenced to 9 months in prison, 2 years supervised release and ordered to pay over \$28,000 in restitution for embezzling postal funds. Legitimate postage sales were voided and more than \$41,000 in stamp stock shortages were found. In addition, retail transactions were not entered in the terminal and excess funds were converted for personal use. The amount of restitution was based on the retail data presented as part of the prosecution's report.
- ◆ A postal manager from the U.S. House of Representatives Post Office pled guilty to mishandling treasury checks. The congressional staff used the treasury checks to reimburse the House Post Office for vouchers they used to purchase postage stamps and services. Money orders were issued in the manager's name using the treasury checks and postal funds were converted to personal use. The failure to properly account for cash transactions was disclosed in the Inspection Service investigation. The investigation revealed the manager embezzled more than \$200,000 over a period of 5 years. The manager pled guilty and repaid \$150,000.



The Postal Inspection Service provides assurance to postal customers for the "sanctity of the seal" in transmitting correspondence and messages.

Technology Reviews



OFFICE OF INSPECTOR GENERAL

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

INSPECTION SERVICE

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.

OIG reviews have covered developmental systems, information systems, electronic commerce, and computer intrusion detection activities. In the past 6 months, the OIG performed 9 reviews in the technology area, some of which are highlighted below:

DEVELOPMENTAL REVIEWS

The Postal Service develops 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 and first article tests and final deployment. The OIG understands the importance of reviewing these systems as they are developed and has completed three audits of major projects currently under development during the reporting period. These reviews are highlighted below:

POSTALONE! BUSINESS PROCESS IMPROVEMENTS NEEDED

At the request of postal management, the OIG reviewed the *PostalOne!* Phase Two Business Customer Support System and Transportation Management. The *PostalOne!* Phase Two Business Customer Support System provides electronic capabilities between large business mailers and the Postal Service for induction of mail. As part of Phase Two, Transportation Management was approved and added. This system scans mail tray labels, captures weight information, and assigns mail via air or surface at the business mailers' facilities while interfacing with Surface-Air Management System for mail transportation assignments.

The review identified that Postal Management took appropriate actions on the Phase One audit. However, there were additional opportunities for the Postal Service to align systems to corporate goals, objectives, and policies; mitigate risks; and to measure and evaluate performance and customer satisfaction. Specifically, the OIG reviewed the initial Decision Analysis Reports for the Business Customer Support System and found that overall performance measures were not established, sensitivity analysis was not performed, and investment



An OIG audit established that unless *PostalOne!* program management tracks its performance in accordance with Postal Service policies and ensures compliance, the project may not meet projected savings.

OFFICE OF INSPECTOR GENERAL

The Postal Service recognizes that technology 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 nearly 38,000 post offices and facilities. Its technology strategy is to provide convenient and secure 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 USPS.com, Signature Confirmation™, MoversGuide Online.com, and eBillPay™. These initiatives will improve and build on its existing services and relationships with customers and continue meeting traditional customer demands.

The September 11, 2001, terrorist attacks demonstrated how the nation's infrastructure may be vulnerable to attacks. Computer systems are also 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 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 detect and prevent biohazards.

progress was not properly tracked. The OIG established that unless *PostalOne!* program management tracks its performance in accordance with Postal Service policies and ensures compliance, the project may not meet projected savings presented in the Decision Analysis Report. The OIG made nine recommendations to address these issues, including improving customer satisfaction with business mailers, achieving corporate goals, and mitigating risks. Postal Service management agreed with all of the recommendations and was working to resolve the issues. (DA-AR-03-001)

POSTAL AUTOMATED REDIRECTION SYSTEM PHASE ONE MAY NOT YIELD ANTICIPATED RETURNS ON INVESTMENT

An OIG audit of the Postal Automated Redirection System Phase One revealed the return on investment presented in the Decision Analysis Report was based on a contractor's study that did not apply sound statistical principles. For example, the contractor did not follow its original sample design. As a result, the return on investment may not be correct. The Postal Service and the contractor entered into a sole source contract to provide a comprehensive automated solution for First-Class Mail forwarding. This included the identification, verification, processing, and labeling of each piece of mail to be redirected within the automated mailstream. Postal management agreed with the recommendations to ensure quality assurance groups compile a test report for first article testing and all future testing. Postal management disagreed with the OIG's recommendation to recalculate the return on investment because it disagreed that the study was relied upon in the Decision Analysis Report development. The Postal Service said it had no plans to use the study for future programs but disagreed that the study was statistically unsound. However, Postal Service engineering officials indicated during the audit they knew the study was not statistically valid but used it to establish a baseline for the Decision Analysis Report cost model. The OIG is pursuing these disagreements through the formal audit resolution process. (DA-AR-03-002)

HUMAN TRANSPORTER BATTERY LIFE NOT ACHIEVED AND POTENTIAL SAVINGS ARE QUESTIONABLE

The OIG conducted an audit of applicability of the human transporter for Postal Service operations. The audit revealed that the expected battery life was not achieved as required by the statement of work. In addition, the statement of work stated one of the purposes of testing the human transporter was to identify potential cost savings in mail delivery. Cost savings could have potentially resulted from reducing delivery time for mail carrier routes. Delivery time savings ranged from 10 minutes to one hour per day delivery. The OIG considers the inconsistent savings in delivery time to be inadequate when compared to the cost of purchasing a human transporter unit. The OIG recommended delaying any further testing of the human transporter until the Postal Service validates a battery life of six to seven hours. Also, a projected return on investment should be calculated to determine whether a financial incentive exists for considering any further testing. Postal management agreed with the OIG's recommendations and has initiatives planned addressing the issues in the report. (DA-AR-03-003)

INFORMATION SYSTEMS REVIEWS

The Postal Service relies on a complex 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. The Postal Service must continue to ensure computer security is maintained and improved to reduce the risk of fraud, inappropriate disclosure of sensitive data, unauthorized disclosure of customer information, and disruption of critical operations and services. The most significant reviews are highlighted below:



The OIG found that the battery life of the human transporter was not achieved and its potential savings are questionable.

GENERAL CONTROL WEAKNESSES IDENTIFIED AT A MAINTENANCE SUPPORT CENTER

While conducting an audit of general and management controls at a maintenance support center, the OIG identified vulnerabilities in the overall security at the facility and in each of the six management and general controls areas tested. The OIG considered the lack of a security structure and risk assessment as the underlying cause for many of the control weaknesses identified in the audit. Included in the review was a vulnerability assessment of network and computer systems at the maintenance support center. These vulnerabilities, if left uncorrected, could result in unauthorized access to Postal Service information. The Postal Service agreed with OIG's recommendations and has initiatives completed or in progress to address the weaknesses. (IS AR-03-001)

WEAKNESSES FOUND IN e-TRAVEL SYSTEM

An OIG audit of the e-Travel voucher system revealed weaknesses in the system development process required for system implementation and maintenance. The audit also identified weaknesses in several critical general control areas. For example, the e-Travel voucher system was moved from pilot to full production status even though the hardware could not support the estimated number of users. Regardless, new users continued to be added to the e-Travel system without full consideration of the identified vulnerabilities or Postal Service requirements. In addition, e-Travel management did not ensure that Postal Service policies and procedures were followed or adequate general controls were in place to protect the integrity of the e-Travel system and its sensitive data.

Postal Service management agreed to the majority of OIG recommendations and has initiatives in progress, planned, or completed to address the issues. Postal management did not agree with five recommendations and stated their beliefs that the report misrepresents the effectiveness of the systems development process and many of the controls implemented by management to successfully deploy the e-Travel system to over 40,000 users. However, at

an exit conference Postal Service management confirmed the accuracy of the report information and suggested that only minimal changes be made. Also, postal management did not agree that all past expenditures be captured and all future expenditures for the e-Travel project be formally approved and tracked in accordance with Postal Service requirements. The OIG does not plan to pursue the unresolved recommendations through the formal audit resolution process. However, follow-up on these recommendations will be included in a subsequent review of the e-Travel system.

(IS-AR-03-002)

NETWORK SECURITY WEAKNESSES IDENTIFIED AT ENGINEERING RESEARCH AND DEVELOPMENT CENTER

The OIG conducted a network vulnerability assessment on each of the network and computer systems at an engineering research and development center. Using a variety of tools and tests, the OIG identified potential network vulnerabilities that, if left uncorrected, 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. For example, the tests revealed instances of password vulnerabilities. The OIG provided system administrators with the assessment results to use as a tool for establishing priorities for corrective actions and implementing immediate repairs to the network components.

(IS-CS-03-001)

VULNERABILITIES IDENTIFIED ON HEADQUARTERS SERVERS

OIG vulnerability tests on selected servers at Postal Service Headquarters revealed vulnerabilities that, if left uncorrected, could result in a loss of confidentiality, integrity, and availability of vital operational systems. Further, the OIG audit found that postal directives to strengthen server security had not been fully implemented. Postal Service management agreed with all of the OIG's recommendations and indicated corrective actions were planned or taken. (IS-AR-03-003)



An OIG audit of the e-Travel voucher system revealed weaknesses in the system development process required for system implementation and maintenance.

INFORMATION SYSTEMS CONVERSION TO MONTHLY REPORTING

At the request of the Board of Governors, the OIG reviewed the information systems impacted by the Postal Service's change from a 28-day accounting period reporting to monthly reporting. The OIG identified that the process to monitor the effort to convert all systems to monthly reporting produced misleading results. Specifically, the conversion status for each system does not represent the actual status of the modification effort. If left uncorrected, this process would provide little value to the Postal Service to meet its goal, and could produce a negative impact on the overall success of the project.

The OIG found the Postal Service had developed an adequate process to identify systems requiring modification and processes were in place to ensure the work was completed by required deadlines. Further, the OIG found that Postal Service managers had developed ways to mitigate risks as systems were identified. Postal management agreed with OIG's recommendations to develop an accurate measure for the status of the systems being modified for monthly reporting and updating the monthly reporting status worksheet to reflect the correct status for all systems undergoing modification. (IS-AR-03-004)

RETAIL DATA MART SYSTEM SECURITY ISSUES

The audit found the business continuity and contingency plans were incomplete, the system's configuration was not in conformance with Postal Service security policies, and significant security weaknesses existed in related systems. These weaknesses included excessive account access privileges, lack of intrusion detection and anti-virus software, and untimely and outdated personnel security clearances. If these weaknesses remain uncorrected, day-to-day operations and revenues may be impacted. The OIG provided 13 recommendations, including that Postal Service management develop business continuity and contingency plans and install intrusion detection software and anti-virus software as necessary. In addition, the Postal Service needs to perform a complete system review of the Retail Data Mart system,

correct any identified vulnerabilities, and recertify the system. Postal management's actions taken or planned should correct the issues identified in the report. (OE-AR-03-002)

eCOMMERCE REVIEWS

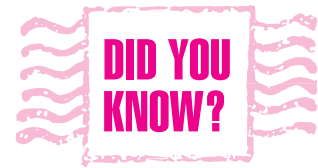
The Postal Service continues to provide customers with new online products and services to enhance their personal and professional lives. In addition, the Postal Service continues to improve the performance and usability of its web presence to ensure secure access and protect customer privacy. The Postal Service has also eliminated or consolidated initiatives that do not fully support the core products and contribute to revenue. Ongoing OIG efforts during this period focused on mailing online services, online change of address and alternatives to using Internet auctions for mail recovery purposes.

COMPUTER INTRUSION INVESTIGATION ACTIVITIES

The OIG investigates criminal violations of state and federal laws enacted to protect the authenticity, privacy, integrity, and availability of electronically stored and transmitted information. 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 OIG conducts investigations of attacks on the security of those systems in order to maintain the integrity of eCommerce information. The OIG 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.

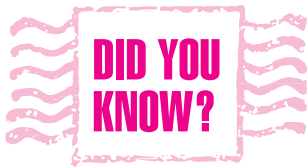
During this reporting period, the OIG completed a number of investigations and activities, some of which are highlighted below:

- ◆ The OIG analyzed incidents related to a Postal Service computer system, including thousands of dollars in fictitious sales transactions (money order and stamp sales), unauthorized software tools initiat-



What is computer hacking?

Computer hacking occurs when someone attempts to gain access to a computer file or network illegally or without authorization. The OIG detects and investigates hacking attempts on the Postal Service's computer systems.



Is the OIG a diverse organization?

Yes. In comparing the OIG's diversity to others, the OIG would be number one on *Fortune* magazine's 2002 annual list of "America's 50 Best Companies for Minorities." This is the result of OIG's commitment to hire, promote, and retain the best diverse talent available.

ed unexpectedly, unauthorized users appearing to log on during routine clerk activities, unexplained continuous rebooting of systems, and repeated threats to Postal Service personnel. A series of critical computer system vulnerabilities were identified through the technical analysis performed by the OIG and the Postal Service's Computer Incident Response Team. The Postal Service corrected these vulnerabilities, resulting in a more secure system.

- ◆ In the wake of terrorist activities in the United States, the OIG provided Internet-based research support to the Federal Bureau of Investigation's Joint Terrorism Task Force. The OIG has developed unique methodology to conduct Internet-based analysis that is essential to terrorism investigations as well as fraud investigations. Online reconnaissance of network infrastructures is essential in the preparation for significant search warrants for target companies. This analysis is one of the unit's specialty products that can provide invaluable insight so that forensic personnel executing a search warrant are knowledgeable about the target company's computer infrastructure.

LEGISLATIVE, REGULATORY & POLICY REVIEWS

During this reporting period, the OIG did not identify legislation, regulations, and policies affecting Postal Service technology.

INSPECTION SERVICE

The Inspection Service plays an important role in the support of Postal Service Internet products and services. The Inspection Service evaluates the need for and processes security clearances of employees and contractors accessing postal systems or sensitive information. In addition, the Inspection Service monitors the development of new postal products and services and provides consultation to postal managers on security, loss prevention, revenue protection, and evidence retention capabilities. The Inspection Service also monitors and reviews the physical security of individual systems before and after implementation.



Labor Management Reviews



OFFICE OF INSPECTOR GENERAL

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

INSPECTION SERVICE

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.

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, the OIG has conducted 102 inquiries into complaints of alleged hostile work environment or other health and safety issues, some of which are highlighted below:

- ◆ A confidential reporting process was created for employees at a Postal Service International Service Center when allegations surfaced regarding employee mistreatment from management. The process, called *Direct Line*, gives employees an opportunity to raise issues regarding their work environment.
- ◆ As a result of an OIG review, a Postal Service supervisor was placed on a performance improvement plan after employees alleged the supervisor had created a hostile working environment.
- ◆ Postal Service district management conducted a conflict management workshop for maintenance shop employees to improve workplace communications after an OIG review determined that a hostile work environment may have existed for some employees.

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 audit to assess controls over these processes:

OFFICE OF INSPECTOR GENERAL

The Postal Service has characterized improving labor management relations as one of the most important challenges in achieving its mission in the 21st century. A key Postal Service strategy 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 850,000 full and part-time employees working at nearly 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 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 appropriate precautions to ensure the safety and well being of its employees.

The OIG supports the Postal Service in its overall goal to develop a motivated and productive workforce. 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 areas of concern, reviewing labor management areas continues to be one of the OIG's greatest challenges. In this regard, the OIG has received 4,052 individual labor management complaints since 1997. During this reporting period, the OIG completed 12 reviews and 102 inquiries in the labor management area.



The OIG conducted audits to determine whether the Postal Service had adequate policies and procedures in place to prevent sexual harassment.

REVIEWS OF SEXUAL HARASSMENT PREVENTION MEASURES

The OIG conducted audits of 18 districts to determine whether adequate policies and procedures were in place to prevent sexual harassment, and to see if sexual harassment complaints were effectively addressed. Sixteen of the eighteen districts had appropriately disciplined or taken action against employees responsible for sexual harassment or inappropriate actions/comments. The review found that all of the districts covered in the evaluation had adequate policies and procedures. However, some areas needed improvements, as noted below.

- ◆ Some managers responsible for sexual harassment or inappropriate actions/comments were not considered for exclusion from the Pay for Performance Program. Postal management generally agreed with the recommendation that managers and supervisors engaging in these activities should be considered for exclusion from pay for performance and bonus programs.
- ◆ In some districts, the Equal Employment Opportunity Office received complaints of sexual harassment or inappropriate actions/comments and did not notify district management of the complaints. Postal management generally agreed that the Equal Employment Opportunity office notify district management when a report of this nature has been received.
- ◆ Sexual harassment complaints at some districts reviewed were not effectively addressed. Postal management agreed that all sexual harassment complaints should be effectively addressed. However, postal management disagreed that all sexual harassment complaint investigations be documented. The Postal Service stated this would require management to depart from Postal Service policy for those complaints that could be resolved simply and directly between parties without a formal written record. The OIG plans to address this issue in a capping report.
- ◆ Two districts did not discipline or take appropriate corrective action against all employees involved in sexual harassment

or inappropriate actions/comments. Postal management agreed with the OIG's recommendation to establish controls to ensure the appropriate disciplinary or corrective action is taken for sexual harassment or inappropriate actions/comments.

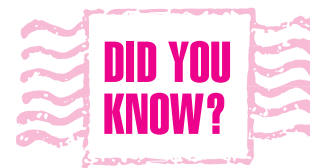
HEALTH CARE REVIEWS

Controlling workers' compensation costs continues to be key to the Postal Service's financial well being because the Postal Service is self-insured and makes payments out of operating funds, which directly affect the Postal Service's net income. In FY 2002, the Postal Service paid over \$760 million in workers' compensation costs, a \$66 million increase over the \$694 million paid in FY 2001.

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. Involvement in health care fraud investigations is vital to controlling costs related to Postal Service health care premiums. To enhance these efforts, the OIG has partnered with the Department of Labor Office of Inspector General to conduct joint investigations of workers' compensation programs. On December 7, 2002, the OIG assumed responsibility for all new allegations of employee workers' compensation fraud within the Capital Metro Area as part of a pilot program. This new area of responsibility is in addition to OIG's jurisdiction over investigations of fraud committed by health care providers. In addition, the OIG was asked to participate in a Postal Service task force on workers' compensation costs chaired by the Deputy Postmaster General.

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 physi-



Are OIG Hotline complaints confidential?

The OIG will not disclose the identity of an employee without the consent of the employee, unless the OIG determines such a disclosure is unavoidable during the course of the investigation.

cians 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 80 percent of over 850,000 employees' insurance premiums.

In the past 6 months, the OIG completed 7 projects and 25 investigations in this area, which resulted in 6 convictions. The investigations identified federal and state violations of money laundering, conspiracy, racketeering, grand theft, and mail fraud by licensed or unlicensed health care providers. In addition, the OIG conducted 3 reviews of health care-related issues. Some of the OIG's more significant investigations and reviews are highlighted below:

- ◆ The OIG joined with the Postal Inspection Service, the Defense Criminal Investigative Service, the Department of Labor OIG, and the Florida Department of Insurance Fraud to investigate fraudulent medical claims submitted by fictitious medical providers to the Federal Employees Health Benefits Program, TRICARE, and private medical insurance companies. During this reporting period, four individuals were convicted of violating Florida State laws ranging from conspiracy and money laundering to racketeering and grand theft in a fraudulent health care billing scheme. Three of the four individuals were ordered to make restitution totaling approximately \$990,000 to the victims' health care plans. Two of the four individuals were sentenced to serve a combined prison term of 66 months.
- ◆ During this reporting period, two siblings were convicted for their involvement in a health care fraud scheme involving durable medical equipment. The defendants, who owned and operated a telemarketing company, contacted disabled people and offered to provide them free medical equipment if the equipment was covered under their insurance policy and their doctor submitted a prescription. The defendants then used customers' information to file insurance claims, including claims on behalf of Postal Ser-

vice employees. The defendants were sentenced to 9 months and 21 months in prison, respectively, 3 years supervised release, and both were ordered to pay restitution to the victims in an amount exceeding \$78,000.

- ◆ An OIG investigation was initiated based on a Hotline allegation received from an Injury Compensation Manager in a district office. The OIG partnered with the Department of Labor and identified a significant number of questionable billing transactions in the Office of Workers' Compensation Program. Further investigation by the OIG disclosed four overpayments totaling over \$105,000, which has since been repaid. Additional administrative recoveries are pending.

OIG HEALTH CARE FRAUD DATABASE ASSISTS PROACTIVE INITIATIVES

The Postal Injury Compensation System is the OIG database that contains over 7 years of billing history for medical services provided to Postal Service employees with workers' compensation claims for job-related injuries. The system provides data to support health care fraud criminal investigations and for complex trend analysis to identify potential proactive initiatives. The OIG is taking this system to the next level in creating a new, more comprehensive and flexible system, that will provide users the ability to analyze a large volume of data and reduce or eliminate the need for manual review and data analysis. The OIG is constructing the Healthcare Internal Data Analysis System, a detailed data analysis tool and automated reporting system to identify potentially fraudulent billing schemes. This database system will be valuable in developing proactive initiatives and assisting investigations.

ARRANGEMENT WITH A PREFERRED PROVIDER NEEDS ENHANCEMENT

An OIG audit revealed the Postal Service did not use appropriate contracting practices in its establishing an agreement for a pilot program with a preferred health care provider. The OIG found inadequate contract documentation, unfavorable provisions, and a lack of standard



OIG involvement in health care fraud investigations helps to control the Postal Service's health care costs.

Postal Service clauses and provisions. As a result, the contract exposed the Postal Service to unnecessary risks from legal claims, protests, adjustments, and contract termination. The OIG recommended postal management instruct the contracting officer to continue efforts developing contract documentation, including documenting negotiations, providing justifications for non-competitive purchase and analyses, and renegotiating contracts to increase its percentage of medical cost savings. Postal management generally disagreed with the report's findings. However, they generally agreed with all of the OIG's recommendations and the current contracting officer is working to revise the contract to ensure maximum benefits and protections for the Postal Service. (HK-AR-03-001)

WORKERS' COMPENSATION PROGRAM NEEDS LEGISLATIVE REFORM

An OIG audit of the Postal Service employees on the workers' compensation periodic rolls disclosed 49 percent, or over 6,500, of the Postal Service employees on the periodic rolls are at the age at which some federal employees are eligible for voluntary retirement. In addition, 70 percent, or over 9,300, of the Postal Service's employees on the workers' compensation periodic rolls are totally disabled with little or no future reemployment potential, or whose reemployment has not been determined. In the past, concerns have been raised that the Federal Employees' Compensation Act has become, in effect, a retirement system for some workers' compensation employees. For example, the OIG's review found one employee has been on the workers' compensation rolls for 45 years. This employee and others may be eligible for voluntary retirement under existing federal retirement programs.

The OIG found Postal Service's workers' compensation costs account for 35 percent of the total program costs. The Postal Service pays workers' compensation costs out of its operating revenue and these costs have been increasing each year. Therefore, legislative reform that will allow eligible employees to retire under an applicable retirement program may give the Postal Service financial relief. In addition, the Postal Service's administrative fees have

increased 137 percent from \$19 million in FY 1997 to \$45 million in FY 2002. The OIG recommended the Postal Service pursue whether congressional assistance should be sought to pay administrative fees to the Office of Workers' Compensation Programs. Postal Service management was responsive to the OIG's recommendation and has actions planned to address the concerns. (HK-MA-03-001)

MONITORING OF DEATH BENEFIT PAYMENTS CAN BE IMPROVED

An OIG review determined the Postal Service's Injury Compensation Control Office staff did not effectively monitor or review death benefit claims. The OIG reviewed death claim files at the Office of Workers' Compensation Programs and found that claim files did not always contain documentation required by law and overpayments were made to deceased and remarried survivors. The review also found that the Postal Service injury compensation control office did not provide adequate training and procedures for monitoring and reviewing death benefit claims after approval by the Office of Workers' Compensation. As a result, the Office of Workers' Compensation Program paid an estimated \$1.3 million to survivors for benefits that were questionable. Postal management stated that the actual amount of questionable payments need to be determined through individual case reviews.

The OIG recommended the Postal Service coordinate with the Office of Workers' Compensation to review all death benefit claims. Postal Service management did not agree, stating that monitoring of survivors' benefits is not the primary responsibility of the control office staff and the office does not have the legal authority or staffing to conduct monitoring. However, the Postal Service stated that they will request the Office of Workers' Compensation follow up and enforce the requirements.

The OIG also believes monitoring would minimize payments made to survivors who were not entitled to receive benefits, thus saving money. The OIG is pursuing this disagreement through the formal resolution process. Postal Service management also did not agree to provide control office staff with training and



The OIG found that the Postal Service may save money by monitoring death benefit claims.

guidance, since monitoring is not considered the office's primary responsibility. In response to the OIG's recommendation to review chargeback reports to ensure timely credits for third-party awards, postal management stated that they took steps in December 2002 to reinvigorate the third-party program and implement a tracking system.
(HK-MA-03-002)

LEGISLATIVE, REGULATORY, & POLICY REVIEWS

During this reporting period, the OIG identified and reviewed legislation, regulations, and policies affecting Postal Service labor management. One policy is highlighted below:

ENACTED POLICY

Employee and Labor Relations Manual, Section 650, Nonbargaining Disciplinary, Grievance, and Appeal Procedures

Effective March 20, 2003, the internal disciplinary appeal process for Postal Service employees was modified to include mediation and neutral hearing officers in the process. The Postal Service designated two former Postal Service managers to function as hearing officers. The OIG believes that overall, the new procedures will result in a strengthened process for employees.



The appeal process for Postal Service employees was modified to include mediation and neutral hearing officers in the process.

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 199 arrests and 144 convictions for assaults and threats, and 27 arrests and 37 convictions related to robberies. In addition, 16 individuals were arrested and 16 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, 17 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 New Jersey clerk was sentenced to 1-year probation and ordered to pay over \$5,000 restitution for mail fraud. The employee claimed total disability as a result from a fall while on the job. The investigation disclosed the individual was self-employed as a massage therapist while alleging total disability and failed to report the job or ability to work to the Department of Labor. As a result of the Inspection Service investigation, over \$21,000 in workers' compensation funds

was recovered and the Postal Service received a future cost savings of over \$1 million.

- ◆ A former Postal Service employee in Rhode Island was sentenced for making false statements to obtain federal workers' compensation. The former employee was the operations manager for a postal highway contract trucking company, managing the business from a home office. The Postal Service manager was responsible for the \$3 million contract and coordinated other non-postal contracts. The investigation revealed the manager was driving a contract route, refueling company vehicles, and transporting drivers. The employee resigned from the Postal Service and was sentenced to 4 months of home confinement with electronic monitoring, 2 years probation, 50 hours of community service, a \$100 special assessment and restitution over \$42,000. The former Postal Service employee is permanently debarred from receiving future workers' compensation benefits. As a result, future cost savings to the Postal Service are over \$517,000.
- ◆ A former letter carrier from Oregon was sentenced to 3 months incarceration, 3 months home detention, 5 years probation, court ordered restitution of over \$29,000 and a special assessment of \$1,300 for workers' compensation fraud. The individual claimed total disability after falling from his postal vehicle. The investigation revealed the individual participated in activities inconsistent with the alleged physical limitations. As a result, future cost savings to the Postal Service are over \$915,000.



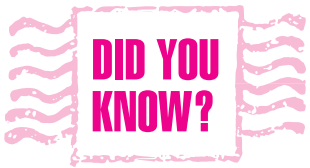
Oversight of the Inspection Service and Other Significant Activities



OFFICE OF INSPECTOR GENERAL

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

INSPECTION SERVICE



How long has the Inspection Service protected the U.S. mails?

For over 200 years, Postal Inspectors have protected the mail and U.S. citizens to ensure that the public's confidence in the mail is not undermined.

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 audits and investigations relating to the programs and operations of the Postal Service, including the Inspection Service, and to recommend policy direction to promote economy and efficiency in the administration of those programs and operations. The Inspector General Act provides to the OIG 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.

The OIG provides independent and objective information and analyses to the Governors, Congress, and postal management regarding Inspection Service operations. It is essential that the Inspection Service, as a law enforcement agency, be held to the highest standards of conduct to maintain the public's trust and the Postal Service's reputation of reliability. In addition, 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 one oversight review, as well as numerous monitoring activities, which are highlighted below:

EFFECTIVENESS OF POSTAL INSPECTION SERVICE FRAUD PREVENTION ACTIVITIES

An OIG audit of the effectiveness of the Postal Inspection Service's fraud prevention activities, fraud program goals, fraud complaint system, case selection and jacking procedures, and the customer initiative group found:

- ◆ Case selection procedures had inadequate management oversight of fraud allegations selected for investigation. This resulted in 29 of 153 Postal Inspection Service case files being closed or declined with no action taken. The projected cost of resources expended on these 29 cases was \$727,000. The OIG recommended that the Postal Inspection Service increase oversight and adhere to the Inspection Service Manual on the selection of cases.
- ◆ To date, the Postal Inspection Service has expended over \$2.7 million on maintenance and development costs on a fraud complaint system that will ultimately become redundant with the Federal Trade Commission's Consumer Sentinel. The OIG recommended the Postal Inspection Service devise and implement a plan to ensure completion of a Memorandum of Understanding between the Inspection Service and the Federal Trade Commission to use the Consumer Sentinel.
- ◆ The Postal Inspection Service did not have a process in place to measure the effectiveness of the Business Mailing Industry Task Force. The Postal Inspection Service should devise a process to be implemented by 2004 to measure and report the effectiveness of the task force.

Postal Inspection Service management disagreed with the recommendations. The OIG



The Inspection Service communicates its law enforcement and crime prevention achievements to the American public, Congress, the Postal Service, and the law enforcement community in its annual report.

does not plan to pursue these issues through the formal audit resolution process, but will conduct follow-up audit work. (SA-AR-03-001)

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. During this reporting period, the OIG closed several 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 the adequacy and selection of investigations.

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 charts in the margin on the right summarize the internal investigations conducted by the Inspection Service, the types of allegations reviewed, and the types of actions taken during this reporting period.

OTHER SIGNIFICANT REVIEWS

During this reporting period, the OIG reviewed the Postal Service Transformation Plan. This review is highlighted below:

COMPREHENSIVE IMPLEMENTATION PLAN FOR POSTAL SERVICE TRANSFORMATION PLAN NEEDS TO BE FINALIZED

An OIG review of the Postal Service Transformation Plan found the Plan is a good first step toward identifying the challenges facing the Postal Service and helpful in developing plans to address these challenges. However, the Postal Service needs to determine the impact of unsuccessful reform legislation and address universal service, organizational issues, and human capital fixed costs. In addition, the Postal Service had not finalized a comprehensive transformation implementation plan, which should include prioritizing strategies, allocating resources, completing project plans, and ensuring transformation issues are effectively communicated. Postal management agreed with the intent of five of the six OIG recommendations and had planned or taken actions to address the issues. The OIG does not plan to pursue the remaining recommendation through the formal audit resolution process; however, it does plan additional work in this area. (OE-MA-03-001)

OTHER SIGNIFICANT ACTIVITIES

The OIG is responsible for reviewing allegations involving 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, and mismanagement. During this period, the OIG investigated 22 allegations of reprisal. The allegations were not substantiated, thus clearing the postal managers of any wrongdoing.

LEGISLATIVE, REGULATORY & POLICY REVIEWS

During this reporting period, the OIG identified legislation, regulations, and policies affecting Postal Service law enforcement. One regulation reviewed during this period is highlighted below:

ENACTED REGULATION

Rules of Practice Before the Judicial Officer, 67 Fed. Reg. 62178 (Oct. 4, 2002)

The Postal Service amended the rules of

INTERNAL INVESTIGATIONS CONDUCTED

	NUMBER OF INVESTIGATIONS
Active Investigations at Beginning of Period	55
Investigations Opened	31
Investigations Closed	32
Active Investigations at End of Period	54

SUMMARY OF CLOSED INTERNAL INVESTIGATION ALLEGATIONS

TYPES OF ALLEGATIONS	NUMBER OF CASES CLOSED
Code of Conduct (violations involving evidence, funds, firearms)	
Inspectors	8
Postal Police	3
Support Personnel	1
Code of Conduct (violations involving integrity, property, conduct, behavior)	
Inspectors	9
Postal Police	4
Support Personnel	1
Other	6

ACTIONS TAKEN ON CLOSED INTERNAL INVESTIGATIONS

DISCIPLINARY ACTIONS	FREQUENCY
Non-bargaining – adverse	
Removal/Resignation	2
Suspensions >14 days	0
Non-bargaining – non-adverse	
Letter of Warning	1
Letter of Warning in lieu of time-off suspensions	2
Official Counseling	7
Bargaining (per collective bargaining agreements) – adverse	
Removal/Resignation	3
Suspensions >14 days	0
Bargaining (per collective bargaining agreements) – non-adverse	
Letter of Warning	0
Letter of Warning in lieu of time-off suspensions	0
Official Counseling	0

practice for proceedings relative to the Program Fraud Civil Remedies Act to reflect the change in primary responsibility to investigate violations of the Act from the Inspection Service to the OIG. The Act is very effective in combating fraud perpetrated on the Postal Service. The statute is particularly useful in imposing civil fines and penalties up to twice the amount of any fraudulent claim that was paid in connection with workers' compensation claims. The OIG has assumed responsibility for investigating workers' compensation fraud in the Postal Service's Capital Metro Area as part of a pilot program and is working with the Postal Service Law Department to establish a program to pursue Act actions in this area.



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, fraud against businesses, and fraud against 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.

Investigations, Arrests and Convictions

TYPE OF INVESTIGATION	ARRESTS	CONVICTIONS*
Mailing of Controlled Substances Includes narcotics, steroids, drug-related proceeds, and drug paraphernalia	759	658
Bombs, Threats, Hoaxes, and Explosive Devices	45	48
Child Exploitation, Mailing of Obscene Matter, and Sexually Oriented Advertisement	149	129
Prohibited Mailings Includes hazardous material, firearms, and weapons, intoxicants, explosives other than bombs, extortion, and false documents	81	73
Postal Burglaries	51	48
Mail Fraud Includes fraud against consumers, businesses, and government	738	693
Miscellaneous External Crimes Includes counterfeit and contraband postage, money order offenses, vandalism, and arson	244	195
Miscellaneous Employee Crimes Includes theft of postal property and sabotage of equipment	42	28

*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

Computer-Assisted Assessment Techniques

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.



In February 2003, the OIG submitted written comments to the President's Commission on the Postal Service highlighting the ten major management issues that the OIG believes must be addressed if the Postal Service is to remain a viable commercial enterprise.

OFFICE OF INSPECTOR GENERAL

EXTERNAL COMMUNICATIONS

The OIG is responsible for keeping members of Congress and the Postal Service Board of 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. Additionally, 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.

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>.

In addition, in February, the OIG submitted a statement to the Presidential Commission on the Postal Service highlighting the ten major management issues that the OIG believes must

be addressed if the Postal Service is to remain a viable commercial enterprise. The OIG will continue to monitor Commission activities with great interest and review public comments and testimony, and has offered technical assistance to the Commission as it prepares its report to the President.

RESPONDING TO REQUESTS FROM CONGRESS AND THE POSTAL SERVICE GOVERNORS

The OIG provides accurate and timely responses to requests from Congress and the Postal Service Governors. The OIG responds to many of these requests by conducting audits or investigations. However, the OIG does not generally perform audits or investigations when an inquiry involves a non-systemic issue that may be resolved through existing administrative or judicial processes, such as the equal employment opportunity complaint process, contractual grievance-arbitration procedures, or the Merit System Protection Board. Instead, the OIG incorporates individual concerns into a database to identify systemic issues for review. When systemic issues have been identified, the OIG may conduct independent audits or investigations of Postal Service programs and operations to help ensure their economy, efficiency, and integrity.

During this 6-month reporting period, the OIG responded to 47 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:

- ◆ A review was conducted in response to a congressional inquiry relating to Postal Service management's treatment of employees at a New York mail service center. The OIG found that a hostile work environment might have existed at this postal facility. In an effort to combat some of the alleged problems, postal management developed several initiatives to resolve labor relations problems at the facility. Specifically, Postal Service management created the *Direct Line* for employees to voice their concerns and provide confidential information regarding workplace environment. The OIG

plans to monitor the situation at this facility.

- ◆ In response to a constituent's complaint of harassment and retaliation in a Virginia post office, the OIG conducted a review that addressed the issues contained in the complaint. The OIG's review determined a hostile workplace environment might have existed for some employees at the postal facility. However, the OIG found district Postal Service management had taken action to resolve the issues and has continued to monitor the situation.
- ◆ The OIG received an inquiry from the President's office regarding possible workers' compensation fraud. The OIG's health care team conducted a review, which included examining health care provider billings. The OIG review found no fraudulent activity; however, the OIG plans to continue conducting reviews relating to health care fraud.
- ◆ The United States Equal Employment Opportunity Commission contacted the OIG about a postal employee's concerns regarding a Postal Service supervisor who allegedly had an inappropriate relationship with another postal employee. The complainant stated the inappropriate relationship created a hostile working environment at a Montana post office. The OIG review revealed that a hostile workplace environment might have existed during the specified time period. District management has initiated several actions to resolve the situation. For example, a conflict management workshop was held at the postal facility to improve workplace communications and the Postal Service supervisor will receive leadership training.
- ◆ In responding to a congressional inquiry regarding the process for choosing a location for a Pennsylvania post office, a constituent alleged the site was inappropriately chosen because of insufficient space for a pedestrian walkway, the constant threat of flooding by an adjacent stream, and other factors, including the issue of leasing versus owning. The OIG review confirmed that the Postal Service followed

policies and procedures when purchasing the site. An independent environmental assessment concluded the site would support the construction of the planned facility. While the design did not include city sidewalks, it included pedestrian walkways from the parking lot to the post office. A facilities design and construction manager assured the OIG that the design and construction of the postal facility would avoid flood plain areas. The Postal Service appropriately considered a number of factors such as economic conditions and overall costs in determining to lease rather than purchase the property.

- ◆ The President's office contacted the OIG regarding a letter received from a constituent who voiced concerns about a Virginia mail processing center. Specifically, the constituent had concerns regarding mail processing and workplace environment. The constituent alleged there was delayed mail in the processing center and that Postal Service management improperly responded to an anthrax scare. The constituent alleged a number of factors created a hostile working environment. The OIG visited the processing center and found some delayed mail in the facility. Steps were taken by Postal Service management to resolve the delayed mail; however, the OIG did not address the anthrax issue, which was previously identified through other congressional channels and examined by the Postal Service. The OIG's review concluded the Postal Service followed standard procedures, such as evacuating infected areas and assigning employees to other duty stations. The hostile workplace environment issue was also previously examined. The OIG determined that local, district, and area officials were taking effective steps to improve the workplace environment.

In addition to the above requests, the OIG has implemented a process to rapidly respond to requests made by the Governors and senior postal management. This is driven by the need to quickly communicate information to assist with decision making or to clarify issues, policies, and procedures. During this reporting



An OIG review disclosed the Postal Service did not know whether Jeeps sold to salvage yards were destroyed.

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 OIG Hotline: ATTN: OIG Hotline
1735 North Lynn Street
Arlington, VA 22209-2020
- ◆ To e-mail the OIG Hotline: hotline@uspsoig.gov
- ◆ To fax information toll-free: 1-866-756-6741



The OIG Hotline team handled almost 9,700 contacts this reporting period.

period, the OIG provided information on the following matter:

- ◆ An OIG review, performed in response to a request from the Board of Governors, examined disposal issues associated with Postal Service quarter-ton delivery Jeeps. The review disclosed the Postal Service did not know whether Jeeps sold to salvage yards were destroyed. The OIG found that the majority of the Jeeps were destroyed according to signed agreements. However, the actual number destroyed could not be substantiated because retention of the agreement varied by vehicle maintenance facility and observations of Jeep destruction were not always documented. (TD-OT-03-001)

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 are referred for appropriate action. The OIG also considers Hotline contacts when planning audits and projects.

During this reporting period the Hotline received almost 9,700 contacts, some of which were addressed by the OIG in audits and investigations on issues such as waste, fraud, abuse, mismanagement, deficient postal operations, personnel matters, and other concerns. In addition:

- ◆ Twenty-nine percent were addressed by the Inspection Service and involved criminal issues such as mail theft, assaults and threats, and workers' compensation fraud;
- ◆ Twenty-four percent were addressed by the Postal Service's Office of Consumer

Advocate involving complaints related to customer service issues, particularly mail delivery;

- ◆ Forty-four percent were related to miscellaneous requests for information such as ZIP Codes, postage meters, and other Postal Service-related matters; and
- ◆ Nearly 3 percent of Hotline contacts were assigned to OIG staff for further review for fraud, waste, abuse, and mismanagement.

Some examples of OIG Hotline work are highlighted below:

- ◆ Received complaints from five customers who alleged they were defrauded by moving companies referred to them by a link from the Postal Service website the postal customers used to electronically process a change of address. The matter was brought to the attention of Postal Service Headquarters officials who discontinued the "Movers Source" program and severed the link from the Postal Service website.
- ◆ Received a complaint that alleged Postal Service funds were being wasted because both letter carriers and postal vehicle service drivers were being used to transport mail in the same areas. The Hotline tip resulted in an OIG audit, which determined postal employees were performing overlapping work and routinely crossing paths while transporting mail.

The OIG Hotline is staffed from 7 a.m. to 5 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 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 51 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.uspsaig.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 web page.

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's right to access federal agency records with individual privacy rights as well as the Postal Service's need to safeguard certain protected information. 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. As of July 15, 2002, the OIG began deciding all OIG-related Freedom of Information Act appeals to more efficiently safeguard individual privacy and sensitive OIG information while ensuring maximum access. Freedom of Information Act appeals are handled by the OIG Legal Services Team and such authority is outlined under Title 39 Code of Federal Regulations § 230.5(e).

In this reporting period, the OIG processed 62 Freedom of Information Act requests and reviewed 3 Freedom of Information Act appeals, as indicated in the charts located in the right margin.

INSPECTOR GENERAL SUBPOENAS

Pursuant to the Inspector General Act, the Inspector General is authorized to issue subpoe-

nas for audits and investigations for which the OIG has jurisdiction. This includes authority to issue subpoenas in support of certain investigations of the Inspection Service. An Inspector General subpoena is a valuable audit and investigative tool. It enables the 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 attorneys and special agents, and Postal Inspectors, first attempt to negotiate with the subpoena recipient to obtain the requested documents. If this is not successful, the OIG seeks 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. This success is due to the subpoena review process. The review is comprehensive in terms of scope of review, level of supervisory review, and signature authority. All subpoenas undergo thorough, progressive investigative and legal reviews. The subpoena process requires OIG special agents and Postal Inspectors to submit a written 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.

During this reporting period the OIG successfully defended a contractor's challenge to an OIG subpoena for financial records. The contractor challenged the OIG's right to subpoena bank records, which is controlled by the Right to Financial Privacy Act. On January 16, 2003, a United States Magistrate Judge ordered a bank to provide the records because the OIG demonstrated that the records were relevant to an OIG investigation.

FREEDOM OF INFORMATION ACT REQUESTS

For the period October 1, 2002, through March 31, 2003

OIG Activity	Number of Requests
Carryover from prior period	5
Received during the period	65
Total on hand during the period	70
Processed during the period	
Released	25
Withheld	9
Referred to Postal Service or other agency	20
Otherwise closed*	8
Total processed during the period	62
Balance at end of the period (Pending)	8

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

FREEDOM OF INFORMATION ACT APPEALS

For the period October 1, 2002, through March 31, 2003

OIG Actions	Number of Appeals
Total appealed	3
Total upheld	3
Appeals pending	0

SPECIALIZED SERVICES

COMPUTER FORENSICS

The OIG has an investigative team of technology specialists who conduct forensic examinations and computer investigations and provide other technology support to OIG investigations. The OIG's forensics support component is critical in supporting the data-intensive investigative efforts of the OIG. Few OIG investigations are initiated that do not involve some form of analysis of computer data seized from the subjects, companies, and victims of crimes. Such data can be in the form of malicious software, e-mail, databases, documents, and images from a wide variety of technologies.

The falling cost of data storage devices is having a significant impact on the amount of data seized during the OIG's investigations, as well as for investigations conducted by the rest of the law enforcement community. The low cost of such storage devices is generating a revolution in the world of forensics. The OIG is meeting these challenges by gathering and employing technologies that support decentralized analysis of very large amounts of data.

In addition, the OIG has provided support to other agencies such as the Federal Housing Finance Board Office of Inspector General. The team seized and conducted forensic analysis on 14 computer hard drives comprising 380 gigabytes of data. The OIG's analysis of the data on the hard drives identified a series of critical e-mails and data.

The OIG also conducts forensic examinations of computer media seized during investigations. These examination techniques are used to image computer media for later examination. During this reporting period, the OIG imaged over 29 hard disk drives in support of 6 OIG investigations.

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. An example of the effective use of polygraph examinations follows:

- ◆ The OIG administered polygraph examinations to two postal employees who worked at a post office in New Mexico. The examinations were requested to help identify the person responsible for hacking into the Postal Service's computer system and using the system to communicate threats of violence. However, the OIG's examinations of both postal employees indicated no deception to the relevant issues.

COMPUTER-ASSISTED ASSESSMENT TECHNIQUES

The OIG uses automated methods and tools to extract and analyze electronic data located in over 900 postal systems in support of its audit and investigative efforts. The OIG has achieved success by developing programming techniques to independently access the large database systems in San Mateo, California, and Minneapolis, Minnesota, as well as numerous remote Oracle database systems throughout the postal network. The OIG has used these techniques when performing the following work this reporting period, including:

- ◆ Developing computer programs to extract data from the Voyager eFleet card system within the Southwest Area. See write-up page 23.
- ◆ Using original and creative methods to extract data from the Facilities Management System, the OIG identified and completed "New Construction Owned" facility projects and performed additional calculations of the authorized paid amount for construction and design. See write-up page 36.
- ◆ Developing complex computer programs to extract data from the Facilities Management System. The review's objective was to determine the effect of the capital freeze on the Postal Service's ability to maintain, preserve, and expand buildings as needed in an economical and effective manner. See write-up page 37.



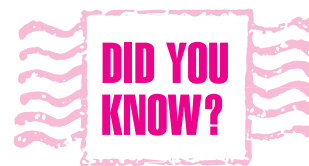
A subpoena is a crucial investigative tool that allows the OIG to secure documentary information and evidence.

SUBPOENAS ISSUED

*For the period October 1, 2002,
through March 31, 2003*

<u>Types of Subpoenas</u>	<u>Number Issued</u>
OIG	
Inspector General Act	63
Right to Financial Privacy Act	2
Inspection Service	
Inspector General Act	120
Right to Financial Privacy Act	2
Total	187

- ◆ Applying data-mining techniques to the Retail Data Mart to keep abreast of new data technologies being used by the Postal Service. The Retail Data Mart tracks all retail transactions at postal facilities. It is the first part of the Postal Service's Enterprise Data Warehouse to enhance business decisions and to create a demand chain solution. The OIG has expanded its current programming proficiency to tackle the analysis of the Retail Data Mart and various parts of the Electronic Data Warehouse as it comes on-line. See write-up page 45.
- ◆ Extracting data from the Postal Injury Compensation System and the Postal Service Payroll System, assisting auditors to identify detailed employees on the workers' compensation periodic rolls. See write-up page 53.



What outreach efforts does the OIG use for recruitment of staff?

The OIG advertises its vacancies in numerous newspapers and periodicals as well as the Internet; recruits at colleges, universities, and professional organizations, including those with large minority representation; and attends professional conferences throughout the United States.



Today's storage devices hold more data. For example, a one-gigabyte device can store the equivalent of a stack of paper 100 feet tall, or 75 boxes of paper.

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.



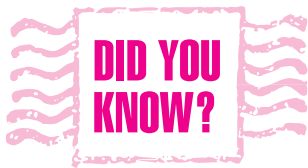
Inspection Service crime laboratories analyze evidence to assist with solving crimes.

Goals and Strategies

DID YOU KNOW?

How does the OIG differ from the Inspection Service?

OIG employees are postal employees, but the OIG is an independent, separate part of the Postal Service. OIG's criminal investigators are Special Agents, not Postal Inspectors. The OIG utilizes auditors and evaluators in addition to Special Agents. Postal Inspectors are primarily responsible for the sanctity of the mail, and the safety and security of postal employees and facilities. The OIG has oversight of the Postal Inspection Service's operations.



What are OIG's values?

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

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 FYs 2001-2005. Each aspect of this plan is in accordance with the President'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 Postal Service programs and

operations, while eliminating and preventing fraud, waste, abuse, and mismanagement. This plan was designed to address the Postal Service's strategic direction and objectives outlined in the Postal Service's 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 working on updating its strategic plan that will be released in FY 2004.

The OIG's strategic planning process has four distinct steps. First, the OIG determines the major management issues 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 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.

Office of Inspector General FY 2003 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 issues and independently develop work priorities that assist the Postal Service in addressing major management issues.
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 values-based organization that attracts, develops, and retains a talented and diverse workforce.
Independently manage and optimize OIG resources, including leveraging cutting-edge technology.

The OIG's strategic plan identified two overarching goals. Under each goal, 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 to determine how well the OIG is achieving its goals. These measures provide a baseline and give the OIG 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 to identify appropriate performance measures that lead to the OIG's achievement of its strategic goals. To that end, the OIG continually reviews stakeholder input, data from tracking systems, and cumulative management experience to ensure the OIG's stated objectives are on target. As the OIG obtains new information, it evaluates and updates OIG goals, strategies, and performance measures.

The annual performance measures 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 OIG's strategic 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 toward strengthening the OIG's capability to fulfill its mission.

The OIG 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 and value-added services that contribute to the success of the Postal Service.

The FY 2002 performance results were validated by an independent federal agency, which

found the OIG accomplished over 84 percent of its performance measures. Based upon information gained from FY 2002, the OIG updated its performance measures for FY 2003 and increased its challenges.

OIG PLANNING PROCESS

To ensure long-term success, it is necessary for the Postal Service and the OIG to plan reviews, audits, and investigations appropriately. As part of its planning process, the OIG seeks input from key stakeholders, including Congress, the Governors, Postal Service managers, the Postal Rate Commission, 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 analysis 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.

OIG AUDIT WORKLOAD PLAN

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



Planning System Interrelationship





The Postal Service Annual Report highlights the Postal Service's accomplishments for the year.

- ◆ improving safety and security of the mail for employees and customers;
- ◆ reducing workers' compensations costs;
- ◆ improving financial performance and accountability;
- ◆ enhancing productivity through technology and improving the quality of electronic information; and
- ◆ overseeing the Inspection Service.

The following presents each of these five areas and the focus of the OIG's audit efforts.

Improving Safety and Security of the Mail for Employees and Customers

The anthrax mail contamination has threatened customer confidence in the Postal Service's ability to continue to provide safe and secure mail services. A decline in customer confidence could cause customers to seek services other than traditional mail, which will reduce volume and revenue. The Postal Service must restore and maintain customer confidence in its ability to keep secure and safely deliver the nation's mail. The OIG has focused on the following:

- ◆ Biohazard detection and filtration
 - ◆ Anthrax irradiation
- ◆ Collection boxes
- ◆ Mail processes
 - ◆ Air mail
 - ◆ International mail
- ◆ Crime prevention
 - ◆ Security cameras

Reducing Workers' Compensation Costs

Workers' compensation costs have increased 35 percent in the last 3 years. As the largest participant in the Federal Workers' Compensation Program, the Postal Service accounted for \$760 million of the total \$2.2 billion in federal workers' compensation outlays for claims in FY 2002. Controlling workers' compensation costs is a priority issue for the Postal Service and is critical to improving its financial condition. The OIG will focus on the following:

- ◆ Costs
 - ◆ Injury compensation costs
 - ◆ Medical costs
 - ◆ Return to work
- ◆ Outplacement Efforts
- ◆ Programs
 - ◆ Administration
 - ◆ Rehabilitation program
 - ◆ Pre-injury safety program

Improving Financial Performance and Accountability

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. Recent financial trends are encouraging; however, the Postal Service needs to sustain the progress made and continue to improve financial performance and accountability. The OIG will focus on the following:

- ◆ Financial system integrity
- ◆ Financial statements
 - ◆ Field installations
 - ◆ Cost and revenue analysis
 - ◆ Treasury-related issues
 - ◆ Protective reviews
- ◆ Budget
 - ◆ Planning
 - ◆ Execution
 - ◆ Systems
- ◆ Contracting activities
 - ◆ Fair and reasonable contract pricing
 - ◆ Reasonableness and allowability of incurred costs
 - ◆ Adequacy of contractor systems
 - ◆ Contract administration
 - ◆ Identification of potential corruption in the Postal Service's contracting and procurement process

- ◆ Facilities and real estate
 - ◆ Justification, approval, and budgeting
 - ◆ Construction management
- ◆ Logistics
 - ◆ Transportation systems and operations
 - ◆ Material management
 - ◆ Staffing
 - ◆ Highway network scheduling
- ◆ New postal initiatives
 - ◆ Shared services
 - ◆ General ledger redesign
 - ◆ Monthly reporting

Enhancing Productivity Through Technology and Improving the Quality of Electronic Information

Enhancing productivity through the use of technology is key to the Postal Service's ability 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 also depends on high quality information in order to improve and sustain service performance. In addition, changes in technology make timely and accurate data critical for effective decision making. OIG efforts will focus on the following:

- ◆ Information systems
 - ◆ Information infrastructure and architecture
 - ◆ System performance and integrity
 - ◆ Systems development and implementation
 - ◆ Disaster recovery and business continuity plans
- ◆ Computer security
 - ◆ Access
 - ◆ Data protection
 - ◆ Data integrity
- ◆ Accepting and Processing
 - ◆ Mail tracking (scanning)
 - ◆ Breakthrough productivity initiatives
 - ◆ Network integration and alignment
- ◆ Transportation/Delivery

- ◆ City carrier productivity
- ◆ Vehicle maintenance facilities

Overseeing the Inspection Service

The Inspector General Act 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



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 FY2003 Goals and Objectives

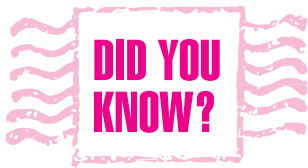
	GOALS	OBJECTIVES
Safety	Ensure a safe and secure drug-free work environment	<ul style="list-style-type: none">• Ensure employee screening is effective• Enhance security of postal facilities
Security	Reduce and deter criminal attack of postal products, services, and assets	<ul style="list-style-type: none">• Reduce theft of mail• Reduce and deter criminal misuse of the Postal Service's workers' compensation program and reduce costs due to fraudulent schemes
Integrity	Reduce the use of the postal system to defraud consumers, businesses, and government agencies and prevent its use to transport prohibited, illegal, and dangerous mailings and their proceeds	<ul style="list-style-type: none">• Protect consumers and business from fraud schemes• Reduce the use of postal money orders and the postal system to launder money• Reduce and deter the use of the U.S. Mail for the procurement or delivery of materials that promote the sexual exploitation of children

Organizational Dynamics



**DID YOU
KNOW?**

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



What is the OIG's Workplace Enhancement Team?

The OIG's Workplace Enhancement Team provides support and services to the OIG in internal work life, organizational climate, diversity, equal employment opportunity, and other workplace related issues.



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

This section describes the OIG and the Inspection Service organizational vision, values, culture, and diversity that assist with providing value-added service 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 on 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, developmental, information systems, computer intrusion, electronic commerce, and marketing.
- ◆ Maintains oversight of Inspection Service operations and performs independent reviews of complaints against its employees.
- ◆ 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.
- ◆ Participates in audit resolution, a mechanism for resolving findings and recommendations when the OIG and Postal Service management disagree.

The OIG 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. 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 information 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

Embracing Best Workplace Practices for OIG Employees

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 Systems Security Professionals, Certified Government Audit Professionals, Certified Government Financial Managers, and Certified Acquisition Auditors. 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. These employees have diverse backgrounds and experiences from federal and state government agencies, private industry, non-profit organizations, and the Postal Service.

The OIG’s office boasts a workforce of 720 employees consisting of 51 percent women and 49 percent minorities. This is highly atypical for

similar organizations that traditionally have more men than women and more non-minorities than minorities. The Postal Service Inspector General Office’s 51 percent female ratio is also higher than the 45.7 percent for the civilian labor workforce and 45 percent for other federal government offices, as computed by the Census Bureau. In addition, the 33 percent women in the Office of Inspector General’s executive service is higher than the 24 percent women executives at other federal government offices. In fact, comparing the OIG’s diversity to others, the OIG would be number one on *Fortune* magazine’s 2002 annual list of “America’s 50 Best Companies for Minorities.” This is as a result of the OIG’s commitment to hire, promote, and retain the best diverse talent available.

The OIG continues to be proactive in ensuring a productive, inclusive, and quality work culture and environment for its employees. The OIG’s employees are the organization’s most valuable resource. Therefore, it is essential the best workplace practices and programs are incorporated into business operations to support employees in doing their best work.

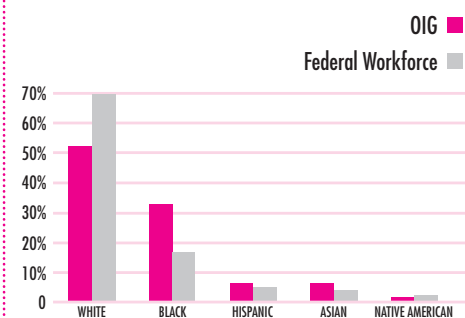
As part of its efforts to build and maintain an organizational culture that is supportive of its employees, in 2003, the OIG launched an employee resource service called *LifeWorks*, which is designed to help employees manage their work and personal lives. *LifeWorks* is a fast, confidential, and easy-to-use resource that provides services on a wide range of work and life matters through a company that is a leader in workplace effectiveness. Access to *LifeWorks* is available to every employee as well as their immediate family members at no charge to either.

Moreover, the OIG has a wide array of progressive workplace practices and programs in place such as those listed below that reflect the OIG’s leadership role in acknowledging and appreciating its employees and helping them achieve a quality work/life. These include:

- ◆ Senior management commitment to employees
- ◆ Employee Advisory Council
- ◆ Administrative Advisory Council
- ◆ Alternate work schedules



Comparison of OIG Diversity Statistics to Federal Civilian Workforce



OIG exceeds minority representation in nearly every category.



On July 20, 1969, Astronaut Neil A. Armstrong cancelled the first piece of mail carried to the moon with a postmark, which read “Moon Landing, USA.”



- ◆ Telework option
- ◆ Workplace enhancement seminars
- ◆ Work-Life Resource Library
- ◆ Sexual harassment prevention training
- ◆ Alternative Dispute Resolution (mediation)
- ◆ Commitment to workforce diversity
- ◆ Workplace Enhancement Team
- ◆ Professional training and development
- ◆ Supervisory training
- ◆ Recognition and awards program
- ◆ All-Hands and Town-Hall Meetings
- ◆ Business casual dress option
- ◆ State-of-the-art technology
- ◆ Competitive pay scale
- ◆ Promotional and career advancement opportunities
- ◆ Employee assistance program
- ◆ Modern facilities

Another example of the OIG’s commitment to a quality work environment is its continuance of an organizational performance measure in FY 2003 that focuses on workplace enhancement. This measure is designed to engage all employees in sharing responsibility for enhancing their work environment and work relationships. This measure required all employees to complete at least 20 credits of activities intended to enhance their skills in areas such as effective communication, resolving differences, teamwork, and managing stress. This goal for FY 2003 was increased to achieving a 95 percent employee participation rate.

OIG employees have responded favorably to the organization’s concerted actions to assume a leadership role in embracing comprehensive best workplace practices and programs. By building and maintaining a supportive culture, the OIG has successfully provided the tools and resources necessary to maximize employee’s performance and morale; contributed toward enhanced mission accomplishment and productivity; promoted an employee-focused and healthy work environment; and created a competitive edge in the recruitment and retention of a quality workforce.

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 the 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, Postal Service management, 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 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.

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 evaluated 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 3 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 an 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

For the first half of the fiscal year, the Public Relations team educated Postal Service stakeholders by issuing news releases that highlighted OIG work, writing stories targeted for outside publications, and developing, designing, and publishing brochures that clearly and simply explain the function of the OIG. In addition, the team provided the Postal Service Governors and key executives with a monthly report of OIG activities and achievements.

To keep OIG employees informed of critical news affecting the Postal Service, its competitors, and the OIG, the Public Relations team publishes daily a compilation of news clippings called *Keeping in the Know Daily*, which is posted on the OIG Intranet. This publication assists OIG auditors and investigators in their work and sometimes inspires future audits and investigations.

For the second half of the fiscal year, the Public Relations team will focus on obtaining and coordinating speaking engagements for the OIG Leadership Team. This outreach effort is geared at delivering key messages to organizations within the Postal Service and the Inspector General communities. Groups desiring an OIG speaker are invited to contact the OIG's Director of Public Relations at (703) 248-2100.

NOTABLE OIG ACHIEVEMENTS

OIG SUBMITS STATEMENT TO PRESIDENT'S COMMISSION ON THE POSTAL SERVICE

In February 2003, the OIG submitted written comments to the President's Commission on the Postal Service highlighting the 10 major

management issues that the OIG believes must be addressed if the Postal Service is to remain a viable commercial enterprise. The comments are based on the results of audits and investigations that examine these major management issues. They summarize OIG work in these key areas to help the Commission as it prepares its report to the President.

Based on its work, the OIG believes that regardless of the organizational model, the Postal Service may be sustainable if it is accountable for results. As the Postal Service works to transform itself for the future, it must rely on performance management principles to measure progress and inject accountability into all programs and operations.

The OIG will continue to monitor Commission activities with great interest and review public comments and testimony, and has offered technical assistance to the Commission as it prepares its report to the President.

OIG SUPPORTS NATIONAL SECURITY EFFORTS AND PROTECTS AMERICAN PUBLIC

The OIG continues to be called upon often to assist and lend staff to other government agencies in times of national crisis. For example, the OIG has provided the following support:

- ◆ An OIG special agent possessing Arabic language skills was detailed to an FBI Joint Terrorism Task Force. The agent participated in the arrests of four members of the Palestinian Jihad and related searches. A computer specialist from the OIG's Technical Crimes Unit also provided significant assistance to the Task Force.
- ◆ In an espionage trial in Alexandria, Virginia, an OIG investigator and former military computer expert demonstrated to jurors how the defendant obtained classified satellite photos of missile sites in China and Iraq from a top-secret network.
- ◆ Technical crimes experts from the OIG have actively supported federal law enforcement agencies in investigating terrorist activity.



The OIG conducts outreach activities throughout the year for recruiting and educational purposes.



Inspector General Karla Corcoran conducts outreach activities to educate stakeholders about the OIG.

- ◆ Criminal investigators from the OIG assisted law enforcement during the search for snipers who murdered citizens in the Washington, DC, area.

In addition, 12 OIG reservists and National Guard members have been called to active military duty since September 11, 2001. Four of the 12 have had their orders extended, and two returned to their OIG duties after being deployed for one year. The OIG is proud of its employees as they serve and protect the nation.

INSPECTOR GENERAL ADDRESSES MAILCOM CONFERENCE

Inspector General Karla W. Corcoran addressed the fall MAILCOM convention in October 2002. Her speech addressed how the OIG's work assists postal stakeholders. The speech also discussed the OIG's purpose, how it decides what to audit and investigate, and how the OIG's work is in the mailers' best interest. The Inspector General also spoke about recent OIG testimonies before Congress and discussed the OIG's present and future work that affects mailers' bottom line financially. In addition, she explained how the OIG's role differs from that of the Postal Inspection Service.

This was a great opportunity to inform mailers more about the OIG. The Inspector General was invited back to address MAILCOM's spring convention in May, where she will discuss how the OIG is an asset to mailers and how it helps to improve postal operations.

ANNUAL EMPLOYEE RECOGNITION EVENT

The OIG's annual employee training and recognition conference was held in Washington, DC, on December 17 and 18, 2002. The theme of the event was "TLC3 Equals Productivity." It featured presentations by Governor John Walsh of the Postal Service Board of Governors; Jack Canfield, an internationally recognized author and motivational speaker and author of the "Chicken Soup for the Soul" series; and Patricia McGuire, President of Trinity College.

The OIG presented awards to two Postal Service managers: Michele Denny, Manager, Marketing Technology and Channel Management, and Bill Gilligan, Deputy

General Counsel, for their tremendous support to the OIG throughout the year. The OIG also acknowledged four National Aeronautics and Space Administration Inspector General employees for helping the OIG develop its new investigative management tracking system. In addition, numerous OIG teams and individuals were recognized for their exceptional work.

OFFICE OF PERSONNEL MANAGEMENT EXTENDS SENIOR EXECUTIVE SERVICE AGREEMENT

The Office of Personnel Management recently reviewed the OIG's executive personnel system to determine its compliance with a 2001 agreement that allows executives to move between the OIG and other federal agencies without the loss of their Senior Executive Service status. The Office of Personnel Management found that the OIG's system fully complied and extended the agreement. This agreement allows the OIG to continue to attract top-level executives.

OIG COMPUTER FORENSICS TEAM WORKS WITH CYBER INTERAGENCY WORKING GROUP

The OIG represented the Postal Service's information infrastructure concerns by working on the Cyber Interagency Working Group, chartered by the President's Critical Infrastructure Protection Board. As a result of the OIG's representation on this working group, the White House designated a new Postal/Shipping sector within the nation's critical infrastructure in the President's new National Strategy to Secure Cyberspace. The OIG Technical Crimes Unit was designated as the representative for the Executive Council on Integrity and Efficiency to the newly designated Interagency Cyber Team, which will be the vehicle for initially communicating future national cyber emergencies. The OIG's contributions to the Cyber Interagency Working Group have become the blueprint for development of a long-term Cyber Information Assurance Implementation Plan, which will be a principal function of the new Department of Homeland Security.

OIG EXECUTIVE BECOMES AN INSPECTOR GENERAL

The OIG's Acting Assistant Inspector General for Audit, Robert Emmons, was named Inspector General for the Pension Benefit Guaranty Corporation. In his new position, he will be responsible for reviews and investigations of how the agency manages, handles, and protects retirement incomes for about 44 million workers in more than 35,000 benefit pension plans. Mr. Emmons served in a variety of positions at the OIG, including Deputy Assistant Inspector General for Performance and Assistant Inspector General for eBusiness. This is the second OIG executive selected to serve as Inspector General for another federal agency.

OIG PARTICIPATES IN INVESTIGATIVE DIRECTORS CONFERENCE

The OIG actively participated in the annual Association of Directors of Investigations conference, which was held March 18-20 in Knoxville, Tennessee. This conference brings together all Assistant Inspectors General for Investigations within the OIG community to discuss significant investigative issues. The theme of this year's conference was "Working Together to Assure Accountability, Security, and Justice." Inspector General Karla Corcoran participated in a panel discussion with other Inspectors General to discuss issues such as identifying risk assessments within agencies, the impact of September 11, 2001, and future challenges faced by Offices of Inspector General. In addition, the OIG provided a briefing on its new case management system, POSTIT. This system has been reviewed by many other Offices of Inspector General and could possibly be used as a standard format in the community to input, track, and report investigative information.

OIG SHARES EXPERTISE WITH LAW ENFORCEMENT COMMUNITY

An OIG evaluator and a special agent have been detailed to the Federal Housing Finance Board Office of Inspector General to assist with a high-level investigation regarding conflict of interest allegations relating to politi-

cal fund raising activities. The OIG is also providing computer forensic support.

OIG RECRUITS AT HARVARD UNIVERSITY FEDERAL JOB FAIR

During October 2002, Harvard University's John F. Kennedy School of Government sponsored a federal job fair. Among the agencies present were the Department of Defense's Office of Inspector General, the Central Intelligence Agency, the General Services Administration, the General Accounting Office, the Office of Personnel Management, and many others. The OIG maintained a booth and provided literature and recruiting items to an estimated 300 current and former students of the Kennedy School. Specific information about the Inspector General Act and Postal Service careers in law enforcement, audit, accounting, law, and other areas of expertise, was provided by special agents and evaluators assigned to the OIG's Boston field office.

DEPUTY INSPECTOR GENERAL REPRESENTS OIG AT INSPECTOR GENERAL CONFERENCE

In March 2003, the Deputy Inspector General participated in the Inspectors General Conference, along with other inspectors general and executives in the inspector general community. The conference looked at current trends, accomplishments, and best practices in the community. Key topics discussed included the possible establishment of a new Inspector General Oversight Agency, criminal indictments and investigations, engagement meetings, Federal Executive Leadership training, law enforcement training, peer reviews, the Fugitive Felony Program, information technology security, and ways of measuring return on investment. The conference also included discussions of several legislative proposals, personnel flexibility, 9-year terms for inspectors general, changes in semiannual reporting, and statutes for Executive orders.

OIG COMPLETES PEER REVIEW OF NATIONAL SCIENCE FOUNDATION

Every 3 years, federal offices of inspector general are required to undergo a review of their quality control system to determine whether



In October, the OIG staffed a recruiting booth at a Harvard University career fair.

they are conducting audits in accordance with government auditing standards. The OIG was selected to review the National Science Foundation's Office of Inspector General and found it had an adequate quality control system and met government auditing standards.

NATIONAL SAFETY AND HEALTH MEETING

The OIG participated in the Postal Service's National Safety and Health meeting. Postal Service personnel and contractors from headquarters, area offices, injury compensation, and medical programs met to discuss the status, goals, and new initiatives of these programs. The health care fraud investigation team discussed a number of proactive initiatives to identify various fraudulent provider schemes, ways that the Injury Compensation Specialists, Medical Directors, and the OIG could partner to combat fraud within the program. In addition, a new referral process and form utilized for tracking and follow-up on investigative leads sent from Postal Service personnel were introduced. This initiative served to foster a partnership to uncover, report, and address safety, injury compensation and medical issues that will add value to the Postal Service.

CHALLENGES FACING THE OIG

As the OIG moves forward in its efforts to help the United States 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 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 responds to the 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 issues, 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



The OIG's Administrative Advisory Council serves as a liaison between administrative staff and management.

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 Inspection Service and senior postal management to resolve these challenges.

◆ **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. At times, the OIG encounters individuals who do not clearly understand this independence and authority. The OIG addresses these instances when they occur and is continuing its outreach and education efforts to ensure that management understands the OIG's independence and authority and that it is inappropriate to influence OIG work.

◆ **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 aggressive hiring initiatives to maintain staffing levels needed to provide quality audit and investigative services to stakeholders.

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 utilize 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 uses an informational CD to educate 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 1 year. The Governors will need to identify a successor, and the OIG is preparing 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. Also, careful consideration should be given to the impact a candidate will have 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 has embarked on a communication program designed to prepare its employees for the organization's first change in leadership using a wide variety of communication tools, including all-hands meetings, video teleconferencing, and the employee newsletter.



◆ ***Dealing with Negative Press Coverage.***

The OIG has been challenged recently by negative media coverage that questions how it is managed. These stories refer to allegations against the OIG, which are currently being investigated by the Integrity Committee of the President's Council on Integrity and Efficiency. The OIG is cooperating fully with the ongoing investigation. Unfortunately, these stories tend to be sensationalized, unbalanced, and taken out of context. When given the opportunity, the OIG has provided detailed information to the press. Responding to media inquires has required the OIG to devote staff time and resources to gathering the information necessary to respond fully and accurately. Unfortunately, the press has underutilized this information, presenting a skewed impression of the OIG.

This negative media coverage has challenged the OIG to maintain high staff morale. However, OIG employees have enthusiastically continued working to improve postal processes and find ways in which the Postal Service can save money, eliminate fraud, and stop waste, abuse, and mismanagement.

The OIG understands the need for oversight and has its own Internal Affairs and Quality Assurance team. In addition, Congress, the General Accounting Office, and the President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency communities watch the OIG. The OIG respects the role of each of these groups, including the media, and continues to cooperate as fully and appropriately as possible under the circumstances. The OIG appreciates those who reciprocate that respect and cooperation.

INSPECTION 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 court. 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 four 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 800 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 Internal Affairs Division operates a staff of 10 Postal Inspectors, an Inspector in Charge and Assistant Inspector in Charge, 5 support employees, and 33 Postal Police Officers, and has a two-fold mission. First, it ensures integrity and excellence within the Inspection Service by conducting independent internal investigations of its employees. Second, 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 180 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



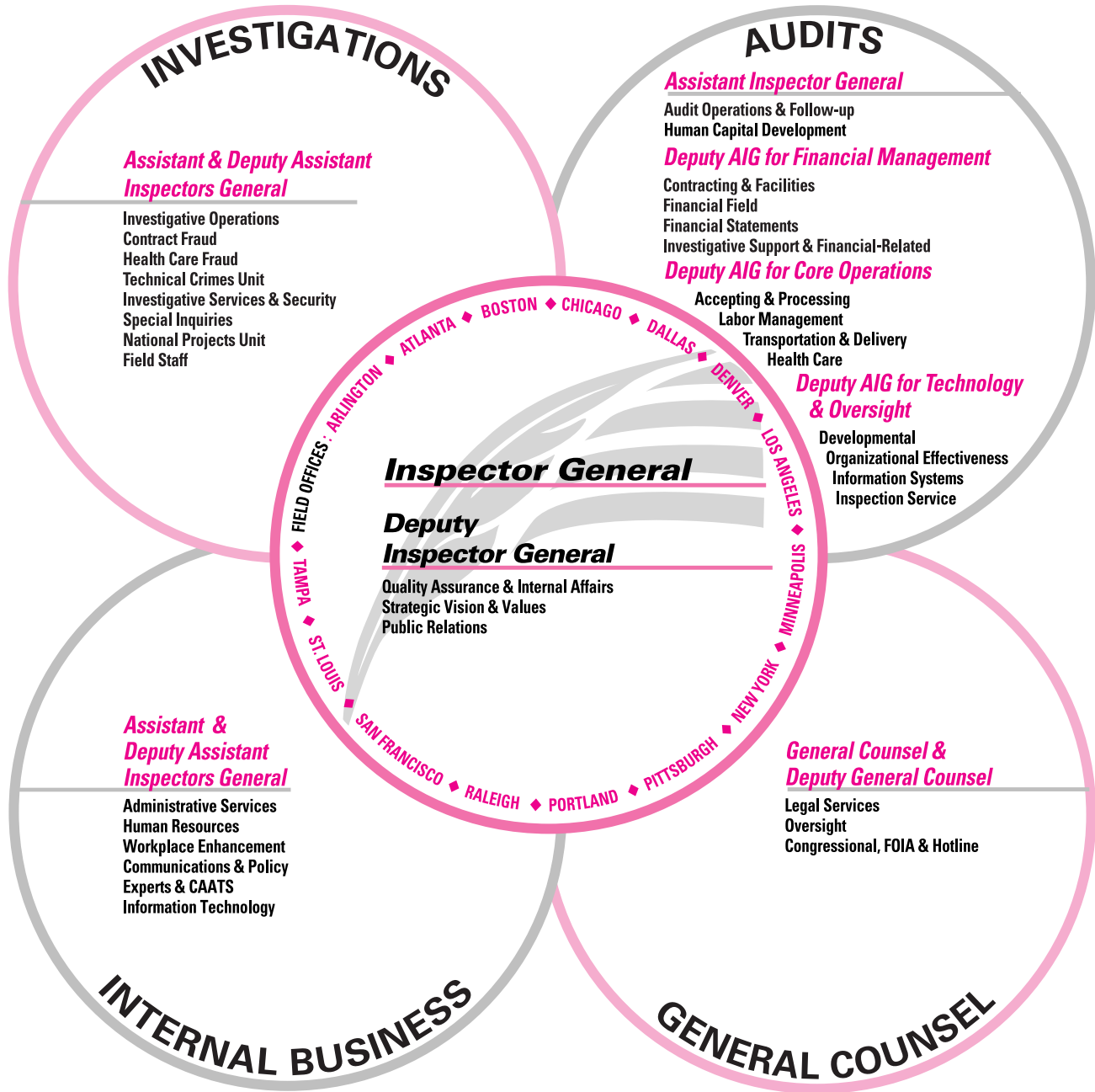
Organizational Structure



**DID YOU
KNOW?**

The OIG is committed to excellence through a vision of “A Constellation of Talented People Making a Difference Through Teamwork, Leadership, Communication, Creativity, and Conceptualization (TLC3).”

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. It is a matrix organization with a non-hierarchical structure organized into five core business functions.

The OIG works in teams to maximize the abilities of its employees and uses cutting-edge technology and the most advanced management principles available to add value to postal programs and operations. 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.

This reporting period, the OIG reorganized both its audit and investigative functions. The investigative reorganization aligns field investigative operations with postal area offices and allows the OIG to work more effectively with Postal Service workers' compensation and contracting officials. The new organizational structure also reflects the fact that as of December 7, 2002, the OIG assumed responsibility for investigating workers' compensation fraud cases in the Capitol Metro Area. The OIG reorganized its audit function to eliminate separate headquarters and field structures. Staff and projects will now be aligned under a single supervisory structure. The following section describes the OIG organizational structure as of March 31, 2003.

DEPUTY INSPECTOR GENERAL

Thomas Coogan

QUALITY ASSURANCE AND INTERNAL AFFAIRS TEAM

Director, George Davis - conducts internal reviews of OIG operations and procedures to

ensure they are effective and appropriate, and reviews allegations against OIG employees.

STRATEGIC VISION AND VALUES TEAM

Director, Linda Libician (Acting) - leads and facilitates programs and activities to promote and encourage strategic thinking and to integrate OIG's mission, vision, and values in daily work; identifies and incorporates Postal Service changes into OIG operations; prepares and updates the OIG strategic plan; develops and monitors OIG annual performance measures and conducts special studies, teambuilding, and outreach to ensure accountability and excellence in individual and organizational performance.

PUBLIC RELATIONS TEAM

Director, Thomas Sharkey (Acting) - plans and directs public relations activities; serves as liaison and responds to requests from media; plans and directs all OIG outreach activities; and keeps OIG staff informed of news articles of interest.

GENERAL COUNSEL

Thomas Coogan (Acting)

DEPUTY GENERAL COUNSEL

Gladis Griffith

LEGAL SERVICES TEAM

Director, Marta Erceg - provides legal advice to the Inspector General and OIG staff in all areas of criminal, civil, and administrative law; processes subpoenas; manages ethics and FOIA appeals programs; and reviews existing and proposed legislation, regulations, and policies affecting the economy and efficiency of the Postal Service.

OVERSIGHT TEAM

Director, Patrick McKenna (Acting) - provides oversight of all Inspection Service activities, conducts investigations of misconduct by senior Inspection Service personnel, and monitors the conduct of internal investigations of other Inspection Service personnel.

CONGRESSIONAL, FOIA, AND HOTLINE TEAM

Director, Carrie Fox - serves as liaison and responds to requests from Congress and the



The OIG works in diverse teams to conduct audits and investigations.



The dog sled was used to carry mail in Alaska until 1963, when it was replaced by the airplane.



Board of Governors; coordinates Congressional testimony and presentations; responds to all Freedom of Information Act requests; and operates the OIG Hotline, providing a vital link for reporting fraud, waste, abuse and mismanagement.

ASSISTANT INSPECTOR GENERAL FOR AUDIT

John Seeba

AUDIT OPERATIONS AND FOLLOW-UP TEAM

Director, Kim Stroud - 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.

HUMAN CAPITAL DEVELOPMENT TEAM

Director, Debra Pettitt - responsible for assessment, formulation, and implementation of human capital strategies to ensure full development of professional auditing staff. This includes: professional development programs, classroom and on the job training programs, and curriculum development. Also responsible for applying the human capital asset and accountability framework as developed by the Office of Personnel Management.

DEPUTY ASSISTANT INSPECTOR GENERAL FOR FINANCIAL MANAGEMENT

Colleen McAntee

CONTRACTING AND 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.

FINANCIAL TEAMS

Director, Financial Statements, John Cihota, 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.

INVESTIGATIVE SUPPORT AND FINANCIAL-RELATED TEAM

Director, Darrell Benjamin - provides audit support to investigations, oversees the Defense Contract Audit Agency audits, and conducts financial-related performance reviews.

DEPUTY ASSISTANT INSPECTOR GENERAL FOR CORE OPERATIONS

Wayne Goleski

ACCEPTING AND PROCESSING TEAM

Director, Bob Batta - 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.

LABOR MANAGEMENT TEAM

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

TRANSPORTATION AND 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.

HEALTH CARE TEAM

Director, Erica Blackman - plans and directs audits and reviews focusing on health care issues within the Postal Service to assist in improving operational economy, efficiency, and effectiveness.

DEPUTY ASSISTANT INSPECTOR GENERAL FOR TECHNOLOGY AND OVERSIGHT

Ronald Merryman

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.

ORGANIZATIONAL EFFECTIVENESS TEAM

Director, Linda Libician - plans and directs audits and reviews that examine how the Postal Service's activities, organization and policies relate to its strategic vision and mission. Reviews focus on a variety of areas, including the Transformation Plan, marketing, eCommerce, legal operations, stamp operations, retail operations, and international business.

INFORMATION SYSTEMS TEAM

Director, Gary Rippie - 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.

INSPECTION SERVICE TEAM

Director, Michael Thompson - plans and directs audits and reviews of Inspection Service functions and operations.

ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS

Kirt West (Acting)

DEPUTY ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS

Daniel O'Rourke

INVESTIGATIVE OPERATIONS TEAM

Director, Howard Cox - supervises all field and headquarters investigative programs, and the development of investigative policy and procedures, to accomplish the OIG's investigative mission.

CONTRACT FRAUD TEAM

Director, Michael Everitt (Acting) - monitors all ongoing contract fraud investigations, as well as supervises civil, criminal, and administrative remedies for contract fraud cases.

HEALTH CARE FRAUD TEAM

Director, Aaron Jordan - monitors all

ongoing health care cases, as well as supervises civil, criminal, and administrative remedies for health care fraud; responsible for the OIG's assumption of workers' compensation fraud investigations.

TECHNICAL CRIMES UNIT

Director, Ovie Carroll - 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, online reconnaissance, technical interviews, and computer forensics.

INVESTIGATIVE SERVICES AND SECURITY TEAM

Director, Russ Barbee - provides overall administrative support to all investigative activities, including training, firearms, investigative databases, policy, and other infrastructure matters, as well as OIG personnel and physical security.

SPECIAL INQUIRIES TEAM

Director, Mimi Band - conducts investigations of allegations of reprisal by Postal Service employees and other investigations concerning Postal Service executives.

NATIONAL PROJECTS UNIT

Director, Dennis Riley - coordinates and conducts investigations of major projects that have significant impact on the Postal Service, which involve multiple postal areas or judicial districts. The unit utilizes Postal Service/OIG field resources, which are temporarily assigned to the unit to expeditiously conduct the identified investigations or projects.

Investigative Directors, Rosa Howard (Eastern and Capital Metro), Anthony Cannarella (New York Metro and Northeast), William Hencken (Southeast and Great Lakes), Robert Schultz (Acting) (Southwest and Western), and Torri Piper (Pacific) - plan and direct investigations in coordination with Headquarters staff and responsible for overall investigative field staff development.



OIG teams utilize communication and creativity to achieve results.

ASSISTANT INSPECTOR GENERAL FOR INTERNAL BUSINESS

Ronald Stith

DEPUTY ASSISTANT INSPECTOR GENERAL FOR INTERNAL BUSINESS

Mary Demory

ADMINISTRATIVE SERVICES TEAM

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

HUMAN RESOURCES TEAM

Director, Karen Bickle - provides full-service human resources support to the OIG in the areas of employee relations, pay and benefits, hiring and recruitment, retirement, awards, performance management, counseling, and training.

WORKPLACE ENHANCEMENT TEAM

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

DEPUTY ASSISTANT INSPECTOR GENERAL FOR TECHNOLOGY

Vacant

COMMUNICATIONS & POLICY TEAM

Director, Jim Nugent - provides report

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.

EXPERTS AND COMPUTER-ASSISTED ASSESSMENT TECHNIQUES TEAM

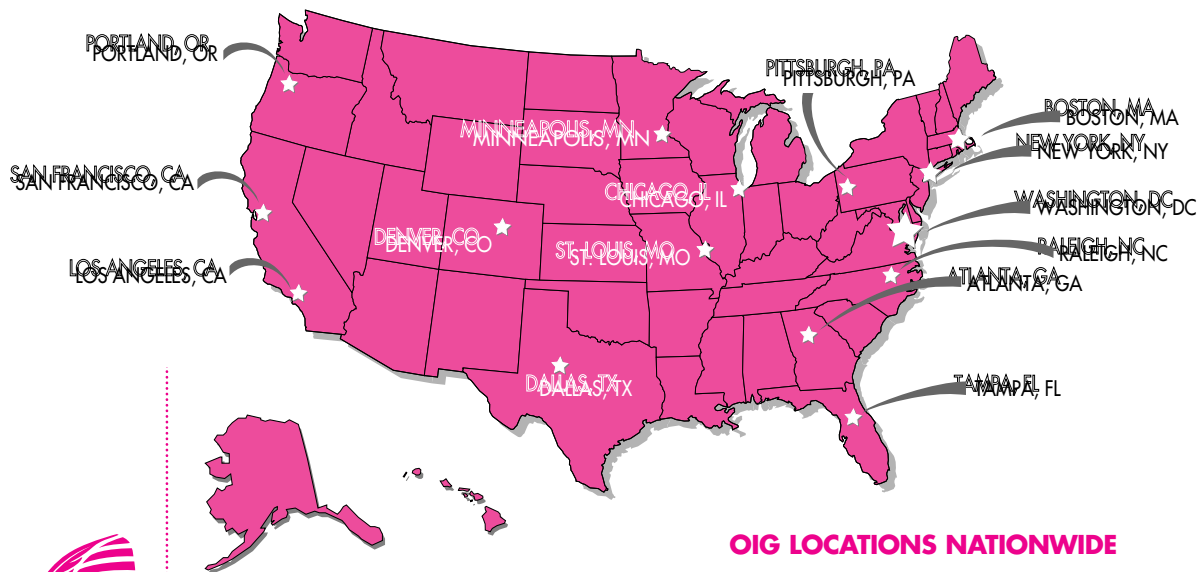
This self-directed team provides support to OIG in the areas of statistical sampling; quantitative and statistical methods; computer-assisted assessment techniques for data retrieval and analysis; economic forecasting; cost/benefit analysis; estimation of monetary benefits; architectural and engineering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

INFORMATION TECHNOLOGY TEAM

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

OIG FIELD LOCATIONS

The OIG Headquarters is located in Washington, DC. In addition, the OIG has 15 field offices located in San Francisco 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 Washington, DC. OIG locations are depicted in the chart below.

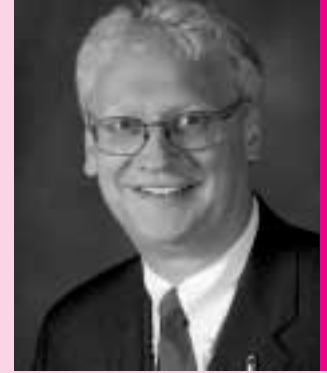


INSPECTION SERVICE

The national headquarters offices of the Inspection Service underwent a realignment to ensure the headquarters functional roles and responsibilities continue to be reflective of the Inspection Service's business imperatives in the areas of safety, security, and integrity, based on the changing needs of our Postal Service customers and employees. This realignment was effective September 7, 2002.

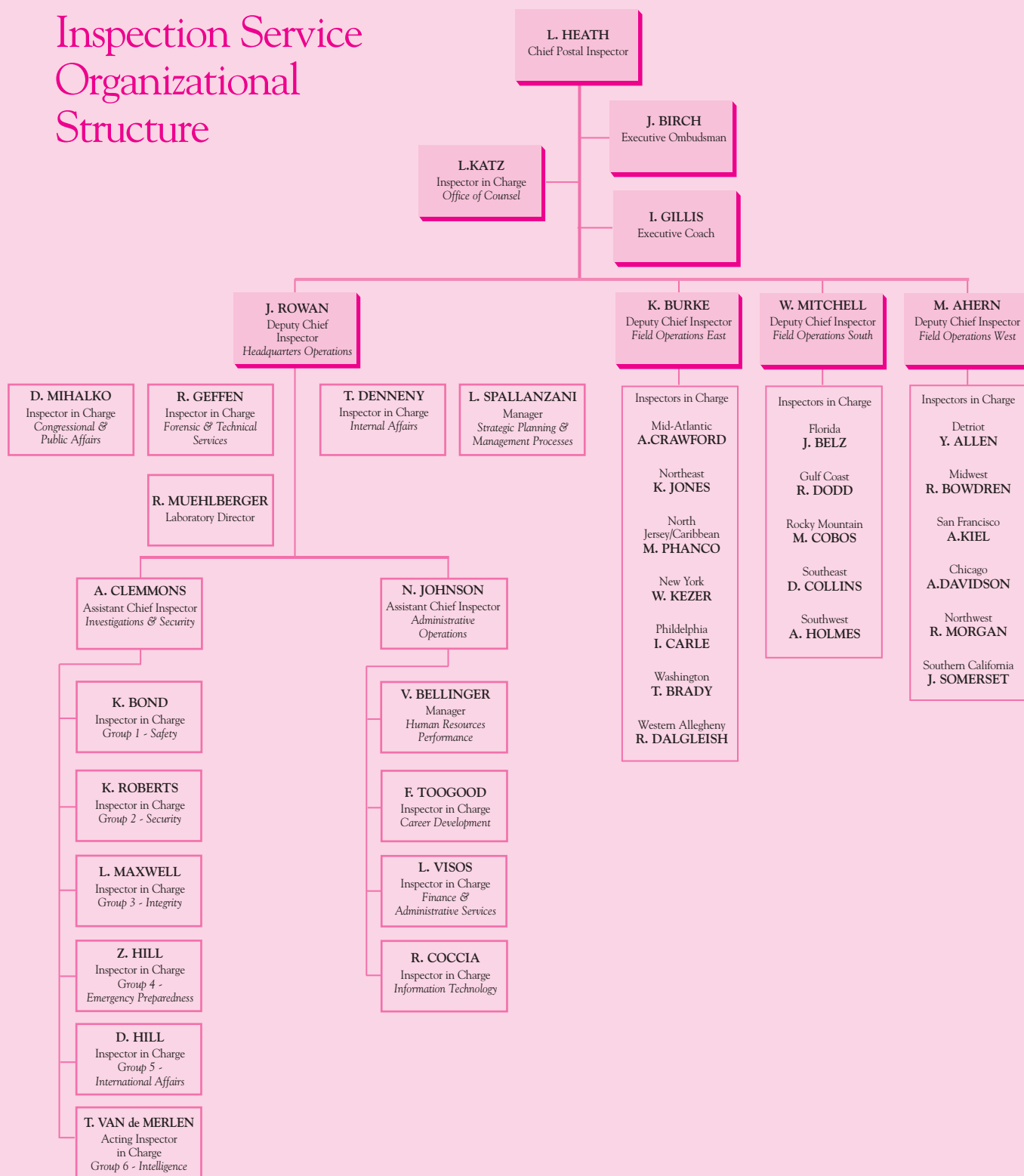
The new structure established the position of Deputy Chief Inspector, Headquarters Operations, to which all headquarters functional groups report through the positions of Assistant Chief Inspector, Investigations and Security (ISES), and Assistant Chief Inspector, Administrative Operations. Exceptions to this are the Inspectors in Charge for Internal Affairs Division, Congressional and Public Affairs, and Forensic & Technical Services, and the manager, Strategic Planning and Management Process, who report directly to the Deputy Chief Inspector, Headquarters Operations. The Office of Counsel reports directly to the Chief Postal Inspector as does the newly created position of Ombudsman. The Inspection Service retained its field structure, which includes 18 field divisions that report directly to three Deputy Chief Inspectors for field operations. There are five Inspection Service Operations Support groups that support field offices.

The Inspection Service's executive Advisory Committee serves in an advisory capacity to the Chief Postal Inspector on strategic issues that impact the direction of the organization. The National Leadership Team consists of the Deputy Chief Inspectors, all Inspectors in Charge, and Postal Career Executive Service employees.



**Chief Postal Inspector
Lee R. Heath**

Inspection Service Organizational Structure



Appendices



**DID YOU
KNOW?**

Are mailboxes considered federal property?

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

APPENDIX A

Reports Issued to Postal Service Management

For the period October 1, 2002, through March 31, 2003

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. The following pages list each issued report.

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	Additional Potential Revenue
Performance	22	\$0	\$0	\$37,599,052	\$20,806,751	\$304,664
Financial Management	183	\$13,498,366	\$2,000,614	\$0	\$0	\$0
Technology	9	\$0	\$0	\$0	\$0	\$0
Labor Management	12	\$1,265,294	\$1,265,294	\$75,000	\$0	\$0
Oversight	1	\$0	\$0	\$0	\$0	\$0
Other Significant Reviews	1	\$0	\$0	\$0	\$0	\$0
Grand Total	228	\$14,763,660	\$3,265,908	\$37,674,052	\$20,806,751	\$304,664

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

² Represents potential additional revenue.

³ Represents unrecoverable costs.

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	Unsupported Costs	Recommend Funds Put to Better Use	Other	Issue Date
ACCEPTING AND PROCESSING						
AC-AR-03-001	Postal Service's Total Factor Productivity	\$0	\$0	\$0	\$0	1/28/03
AC-AR-03-002	Mail Product Supplies	\$0	\$0	\$1,595,702	\$0	2/14/03
AC-AR-03-003	Review of Nonprofit Authorizations	\$0	\$0	\$0	\$304,664 ²	2/14/03
AC-AR-03-004	Inventory Management and Maintenance Repair Operations	\$0	\$0	\$9,956,359	\$0	3/28/03
AC-AR-03-005	Express Mail Product Tracking System	\$0	\$0	\$0	\$0	3/31/03
CQ-AR-03-001	Work Performed by Business Mail Entry Employees in the Seattle, Minneapolis, and Des Moines Bulk Mail Centers	\$0	\$0	\$588,730	\$0	3/28/03
OE-MA-03-002	Consolidation of the San Francisco Mail Recovery Center	\$0	\$0	\$0	\$0	1/23/03
OE-MA-03-003	Commercial Internet Companies Offering Change-of-Address Services	\$0	\$0	\$0	\$0	2/25/03
MARKETING						
OE-AR-03-003	Postal Service's Involvement in Sponsorships	\$0	\$0	\$0	\$0	3/31/03
TRANSPORTATION AND DELIVERY						
CQ-MA-03-001	Reno, Nevada Mail Transportation	\$0	\$0	\$0	\$0	3/5/03
TD-AR-03-001	New York Metro Area Trailer Acquisition - Safety and Length	\$0	\$0	\$0	\$0	10/28/02
TD-AR-03-002	Highway Network Scheduling - Northeast Area	\$0	\$0	\$776,992	\$0	11/25/02
TD-AR-03-003	Voyager Card Control Weaknesses - San Antonio District	\$0	\$0	\$0	\$0	12/2/02
TD-AR-03-004	Address Change Service	\$0	\$0	\$14,620,960	\$20,806,751 ³	3/12/03
TD-AR-03-005	Vehicle Maintenance Facilities - Vehicle Inventory Control Weaknesses in the Chicago District	\$0	\$0	\$0	\$0	3/19/03
TD-AR-03-006	Transportation Agreement Capping Report	\$0	\$0	\$0	\$0	3/27/03
TD-AR-03-007	Highway Network Scheduling - Capital Metro Area	\$0	\$0	\$1,144,218	\$0	3/28/03
TD-AR-03-008	Highway Network Scheduling - New York Metro Area	\$0	\$0	\$470,123	\$0	3/31/03
TD-AR-03-009	New York Metro Area Trailer Acquisition - Lease versus Buy	\$0	\$0	\$4,021,234	\$0	3/31/03
TD-MA-03-001	New York Metro Area Operational Use of Trailers	\$0	\$0	\$4,424,734	\$0	1/29/03
TD-MA-03-002	Delayed Mail - Bridgecreek Station, Wichita Falls, Texas	\$0	\$0	\$0	\$0	3/19/03
TD-VR-03-001	New York Metro Area Trailer Acquisition - Safety and Length - Video	\$0	\$0	\$0	\$0	10/28/02
PERFORMANCE TOTALS		\$0	\$0	\$37,599,052	\$21,111,415	

Report Number	Subject Title/ Project Type	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Other	Issue Date
FINANCIAL MANAGEMENT						
FINANCIAL OPINION						
FT-AR-03-002	Postal Service Officers' Travel and Representation Expenses for Fiscal Year 2002	\$0	\$0	\$0	\$0	1/9/03
FT-AR-03-003	Postal Service Board of Governors' Travel and Miscellaneous Expenses for Fiscal Year 2002	\$0	\$0	\$0	\$0	1/9/03
FT-AR-03-004	Fiscal Year 2002 Postal Service Financial Statements Audit - Washington, D.C., Headquarters	\$0	\$0	\$0	\$0	1/22/03
FT-AR-03-005	Accounting for Bulk Fuel Inventories at the San Bernardino Vehicle Maintenance Facility	\$0	\$0	\$0	\$0	1/23/03
FT-AR-03-006	Fiscal Year 2002 Postal Service Financial Statements Audit - San Mateo Information Technology and Accounting Service Center	\$0	\$0	\$0	\$0	1/23/03
FT-AR-03-007	Fiscal Year 2002 Postal Service Financial Statements Audit - Eagan Information Technology and Accounting Service Center	\$0	\$0	\$0	\$0	1/24/03
FT-AR-03-008	Fiscal Year 2002 Postal Service Financial Statements Audit - St. Louis Information Technology and Accounting Service Center	\$0	\$0	\$0	\$0	1/30/03
FISCAL YEAR 2002 FINANCIAL INSTALLATION AUDITS						
FF-AR-03-003	Las Vegas Self-Service Postal Center	\$0	\$0	\$0	\$0	10/16/02
FF-AR-03-005	Southern Maryland Business Mail Entry Unit	\$0	\$0	\$0	\$0	10/16/02
FF-AR-03-006	Rex Post Office	\$0	\$0	\$0	\$0	10/16/02
FF-AR-03-009	Anchorage Business Mail Entry Unit	\$0	\$0	\$0	\$0	10/16/02
FF-AR-03-013	Philadelphia Business Mail Entry Unit	\$0	\$0	\$0	\$0	10/16/02
FF-AR-03-015	Anchorage Stamp Distribution Office and Alaska District Accounting Office	\$0	\$0	\$0	\$0	10/16/02
FF-AR-03-026	Dallas Business Mail Entry Unit	\$0	\$0	\$0	\$0	10/16/02
FF-AR-03-001	Skagway Contract Postal Unit	\$0	\$0	\$0	\$0	10/17/02
FF-AR-03-030	Patten Post Office	\$0	\$0	\$0	\$0	10/17/02
FF-AR-03-002	Oxford Post Office	\$0	\$0	\$0	\$0	10/18/02
FF-AR-03-016	Texhoma Main Office	\$0	\$0	\$0	\$0	10/18/02
FF-AR-03-017	Huntertown Main Office	\$0	\$0	\$0	\$0	10/18/02
FF-AR-03-025	Fresno Business Mail Entry Unit	\$0	\$0	\$0	\$0	10/18/02
FF-AR-03-027	Killingworth Contract Postal Unit	\$0	\$0	\$0	\$0	10/18/02
FF-AR-03-029	Park Hills Post Office	\$0	\$0	\$0	\$0	10/18/02
FF-AR-03-022	Central Valley Main Office	\$0	\$0	\$0	\$0	10/21/02
FF-AR-03-023	Selma Post Office	\$0	\$0	\$0	\$0	10/22/02
FF-AR-03-040	Wells Business Mail Entry Unit	\$0	\$0	\$0	\$0	10/22/02
FF-AR-03-041	Farmingdale Post Office	\$0	\$0	\$0	\$0	10/22/02
FF-AR-03-043	Bajadero Main Post Office	\$0	\$0	\$0	\$0	10/22/02
FF-AR-03-044	Dallas Main Post Office	\$0	\$0	\$0	\$0	10/22/02
FF-AR-03-007	Cadillac Business Mail Entry Unit	\$0	\$0	\$0	\$0	10/23/02
FF-AR-03-008	Charlotte Stamp Distribution Office and Mid-Carolinas District Accounting Office	\$0	\$0	\$0	\$0	10/23/02
FF-AR-03-010	Little Five Points Post Office	\$0	\$0	\$0	\$0	10/23/02

Report Number	Subject Title/ Project Type	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Other	Issue Date
FF-AR-03-011	Freedom Post Office	\$0	\$0	\$0	\$0	10/23/02
FF-AR-03-012	Dulles Business Mail Entry Unit	\$0	\$0	\$0	\$0	10/23/02
FF-AR-03-014	Spokane Stamp Distribution and District Accounting Office	\$0	\$0	\$0	\$0	10/23/02
FF-AR-03-020	Summerville Business Mail Entry Unit	\$0	\$0	\$0	\$0	10/23/02
FF-AR-03-021	Tampa Stamp Distribution Office and Suncoast District Accounting Office	\$0	\$0	\$0	\$0	10/23/02
FF-AR-03-024	Jefferson City Business Mail Entry Unit	\$0	\$0	\$0	\$0	10/23/02
FF-AR-03-028	Portland Stamp Distribution Office and Maine District Accounting Office	\$0	\$0	\$0	\$0	10/23/02
FF-AR-03-032	Dallas Stamp Distribution Office and District Accounting Office	\$0	\$0	\$0	\$0	10/23/02
FF-AR-03-033	Louisville Stamp Distribution Office and Kentuckiana District Accounting Office	\$0	\$0	\$0	\$0	10/23/02
FF-AR-03-034	Collins and Parker Pharmacy Contract Postal Unit	\$0	\$0	\$0	\$0	10/23/02
FF-AR-03-035	Nebraska City Business Mail Entry Unit	\$0	\$0	\$0	\$0	10/23/02
FF-AR-03-037	Macon Stamp Distribution Office and South Georgia District Accounting Office	\$0	\$0	\$0	\$0	10/23/02
FF-AR-03-047	Enfield Post Office	\$0	\$0	\$0	\$0	10/24/02
FF-AR-03-031	Staatsburg Main Office	\$0	\$0	\$0	\$0	10/29/02
FF-AR-03-036	Blythebourne Station	\$0	\$0	\$0	\$0	10/29/02
FF-AR-03-038	Grantville Post Office	\$0	\$0	\$0	\$0	10/29/02
FF-AR-03-042	Bixby Post Office	\$0	\$0	\$0	\$0	10/29/02
FF-AR-03-045	Middlesex-Essex and Shrewsbury Stamp Distribution Offices and Middlesex-Central District Accounting Office	\$0	\$0	\$0	\$0	10/29/02
FF-AR-03-046	Fort Wayne, Indianapolis, and Terre Haute Stamp Distribution Offices and Greater Indiana District Accounting Office	\$0	\$0	\$0	\$0	10/29/02
FF-AR-03-050	Los Angeles Contract Postal Unit # 4	\$0	\$0	\$0	\$0	10/29/02
FF-AR-03-051	West Sacramento Business Mail Entry Unit	\$0	\$0	\$0	\$0	10/29/02
FF-AR-03-053	Martinsville Main Post Office	\$0	\$0	\$0	\$0	10/29/02
FF-AR-03-055	Ilwaco Main Office	\$0	\$0	\$0	\$0	10/29/02
FF-AR-03-004	Wanek Pharmacy Contract Postal Unit	\$0	\$0	\$0	\$0	10/30/02
FF-AR-03-018	Onyx Main Office	\$0	\$0	\$0	\$0	10/30/02
FF-AR-03-019	Corinth Post Office	\$0	\$0	\$0	\$0	10/30/02
FF-AR-03-039	Prescott Main Office	\$0	\$0	\$0	\$0	10/30/02
FF-AR-03-049	White Plains Stamp Distribution Office and Westchester District Accounting Office	\$0	\$0	\$0	\$0	10/30/02
FF-AR-03-052	Marietta Self-Service Postal Center	\$0	\$0	\$0	\$0	10/30/02
FF-AR-03-054	Plano Post Office	\$0	\$0	\$0	\$0	10/30/02
FF-AR-03-057	Rancho Cordova Business Mail Entry Unit	\$0	\$0	\$0	\$0	10/30/02
FF-AR-03-048	Little Rock Stamp Distribution Office and Arkansas District Accounting Office	\$0	\$0	\$0	\$0	10/31/02

Report Number	Subject Title/ Project Type	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Other	Issue Date
FF-AR-03-056	Ravenna Main Office	\$0	\$0	\$0	\$0	10/31/02
FF-AR-03-058	Duck Contract Postal Unit	\$0	\$0	\$0	\$0	10/31/02
FF-AR-03-059	Lewiston Business Mail Entry Unit	\$0	\$0	\$0	\$0	10/31/02
FF-AR-03-060	Cascade Post Office	\$0	\$0	\$0	\$0	10/31/02
FF-AR-03-061	Houston Stamp Distribution Office and District Accounting Office	\$0	\$0	\$0	\$0	10/31/02
FF-AR-03-062	O'Fallon Post Office	\$0	\$0	\$0	\$0	10/31/02
FF-AR-03-063	Parkway Drugs Contract Postal Unit	\$0	\$0	\$0	\$0	10/31/02
FF-AR-03-064	Romie Lane Contract Postal Unit	\$0	\$0	\$0	\$0	10/31/02
FF-AR-03-065	Danville Main Post Office	\$0	\$0	\$0	\$0	10/31/02
FF-AR-03-066	Grand Island Business Mail Entry Unit	\$0	\$0	\$0	\$0	10/31/02
FF-AR-03-067	Norwood Business Mail Entry Unit	\$0	\$0	\$0	\$0	10/31/02
FF-AR-03-068	West Liberty Post Office	\$0	\$0	\$0	\$0	10/31/02
FF-AR-03-069	K & S Decorah Contract Postal Unit	\$0	\$0	\$0	\$0	10/31/02
FF-AR-03-070	Chicago Main Philatelic Station	\$0	\$0	\$0	\$0	10/31/02
FF-AR-03-073	Green Bay Business Mail Entry Unit	\$0	\$0	\$0	\$0	11/7/02
FF-AR-03-071	Dublin Main Office	\$0	\$0	\$0	\$0	11/13/02
FF-AR-03-072	Port Washington Business Mail Entry Unit	\$0	\$0	\$0	\$0	11/13/02
FF-AR-03-074	Indianapolis Business Mail Entry Unit	\$0	\$0	\$0	\$0	11/19/02
FF-AR-03-075	Peoria Stamp Distribution Office and Central Illinois District Accounting Office	\$0	\$0	\$0	\$0	11/20/02
FF-AR-03-076	Chicago Business Mail Entry Unit	\$0	\$0	\$0	\$0	11/20/02
FF-AR-03-141	Self-Service Postal Centers Capping Report	\$0	\$0	\$0	\$0	3/21/03
FF-AR-03-142	Contract Postal Units Capping Report	\$0	\$0	\$0	\$0	3/21/03
FF-AR-03-146	Post Offices, Branches, and Stations Capping Report	\$0	\$0	\$0	\$0	3/21/03
FF-AR-03-155	Stamp Distribution and District Accounting Offices Capping Report	\$0	\$0	\$0	\$0	3/28/03
FF-AR-03-156	Business Mail Entry Units Capping Report	\$0	\$0	\$0	\$0	3/28/03
FISCAL YEAR 2003 FINANCIAL INSTALLATION AUDITS						
FF-AR-03-093	Philnor Pharmacy Contract Postal Unit	\$0	\$0	\$0	\$0	1/8/03
FF-AR-03-094	Howell Mill Self-Service Postal Center	\$0	\$0	\$0	\$0	1/8/03
FF-AR-03-084	University of Rochester Contract Postal Unit	\$0	\$0	\$0	\$0	1/10/03
FF-AR-03-078	Chesapeake Self-Service Postal Center	\$0	\$0	\$0	\$0	1/17/03
FF-AR-03-081	Laconia Business Mail Entry Unit	\$0	\$0	\$0	\$0	1/17/03
FF-AR-03-082	Hudson Business Mail Entry Unit	\$0	\$0	\$0	\$0	1/17/03
FF-AR-03-086	Chadds Ford Post Office	\$0	\$0	\$0	\$0	1/21/03
FF-AR-03-089	Ritter's Contract Postal Unit	\$0	\$0	\$0	\$0	1/21/03
FF-AR-03-083	Rockville Post Office	\$0	\$0	\$0	\$0	1/23/03
FF-AR-03-085	McCoy Post Office	\$0	\$0	\$0	\$0	1/23/03
FF-AR-03-087	Waco Self-Service Postal Center #2	\$0	\$0	\$0	\$0	1/23/03
FF-AR-03-088	Albany Stamp Distribution Office and District Accounting Office	\$0	\$0	\$0	\$0	1/23/03
FF-AR-03-090	Lowell Self-Service Postal Unit	\$0	\$0	\$0	\$0	1/23/03
FF-AR-03-092	Syosset Post Office	\$0	\$0	\$0	\$0	1/23/03
FF-AR-03-096	Kent Business Mail Entry Unit	\$0	\$0	\$0	\$0	1/31/03
FF-AR-03-095	LaGrange Post Office	\$0	\$0	\$0	\$0	2/6/03

Report Number	Subject Title/ Project Type	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Other	Issue Date
FF-AR-03-091	Villa Park Contract Postal Unit	\$0	\$0	\$0	\$0	2/12/03
FF-AR-03-099	Lebanon Junction Business Mail Entry Unit	\$0	\$0	\$0	\$0	2/12/03
FF-AR-03-098	North Reading Business Mail Entry Unit	\$0	\$0	\$0	\$0	2/14/03
FF-AR-03-104	Fort Collins Contract Postal Unit #5	\$0	\$0	\$0	\$0	2/14/03
FF-AR-03-107	Lake Zurich Business Mail Entry Unit	\$0	\$0	\$0	\$0	2/20/03
FF-AR-03-109	Quakertown Business Mail Entry Unit	\$0	\$0	\$0	\$0	2/24/03
FF-AR-03-110	Weston Branch	\$0	\$0	\$0	\$0	2/24/03
FF-AR-03-101	Rochester Business Mail Entry Unit	\$0	\$0	\$0	\$0	2/26/03
FF-AR-03-100	Aurora Business Mail Entry Unit	\$0	\$0	\$0	\$0	2/28/03
FF-AR-03-103	Culpeper Business Mail Entry Unit	\$0	\$0	\$0	\$0	2/28/03
FF-AR-03-111	Sidney Business Mail Entry Unit	\$0	\$0	\$0	\$0	2/28/03
FF-AR-03-117	First National Center Contract Postal Unit	\$0	\$0	\$0	\$0	2/28/03
FF-AR-03-115	Suburban Business Mail Entry Unit	\$0	\$0	\$0	\$0	3/4/03
FF-AR-03-116	Carol Stream Business Mail Entry Unit	\$0	\$0	\$0	\$0	3/4/03
FF-AR-03-124	Baltimore Business Mail Entry Unit	\$0	\$0	\$0	\$0	3/6/03
FF-AR-03-108	Rimpau Station	\$0	\$0	\$0	\$0	3/11/03
FF-AR-03-118	Tustin Business Mail Entry Unit	\$0	\$0	\$0	\$0	3/11/03
FF-AR-03-127	Colorado Springs Self-Service Postal Center	\$0	\$0	\$0	\$0	3/11/03
FF-AR-03-132	Fort Lauderdale Post Office	\$0	\$0	\$0	\$0	3/12/03
FF-AR-03-133	Santa Ana Window Section	\$0	\$0	\$0	\$0	3/12/03
FF-AR-03-122	Post Haste Contract Postal Unit	\$0	\$0	\$0	\$0	3/13/03
FF-AR-03-126	Murfreesboro Business Mail Entry Unit	\$0	\$0	\$0	\$0	3/13/03
FF-AR-03-125	West Cornwall Post Office	\$0	\$0	\$0	\$0	3/17/03
FF-AR-03-128	Mahwah Business Mail Entry Unit	\$0	\$0	\$0	\$0	3/17/03
FF-AR-03-135	Hartford Business Mail Entry Unit	\$0	\$0	\$0	\$0	3/17/03
FF-AR-03-134	Gary Business Mail Entry Unit	\$0	\$0	\$0	\$0	3/19/03
FF-AR-03-145	Jersey City Business Mail Entry Unit	\$0	\$0	\$0	\$0	3/19/03
FF-AR-03-136	Addison Business Mail Entry Unit	\$0	\$0	\$0	\$0	3/20/03
FF-AR-03-149	Irving Self-Service Postal Center	\$0	\$0	\$0	\$0	3/20/03
FF-AR-03-138	Nashville Business Mail Entry Unit	\$0	\$0	\$0	\$0	3/21/03
FF-AR-03-139	Okeechobee Post Office	\$0	\$0	\$0	\$0	3/21/03
FF-AR-03-143	Megaron Contract Postal Unit	\$0	\$0	\$0	\$0	3/21/03
FF-AR-03-113	Austin Post Office	\$0	\$0	\$0	\$0	3/25/03
FF-AR-03-114	Versailles Business Mail Entry Unit	\$0	\$0	\$0	\$0	3/25/03
FF-AR-03-120	Memphis Self-Service Postal Center #71	\$0	\$0	\$0	\$0	3/25/03
FF-AR-03-123	Rock Hill Business Mail Entry Unit	\$0	\$0	\$0	\$0	3/25/03
FF-AR-03-137	Miami Stamp Distribution Office and South Florida District Accounting Office	\$0	\$0	\$0	\$0	3/25/03
FF-AR-03-140	Waterloo Business Mail Entry Unit	\$0	\$0	\$0	\$0	3/25/03
FF-AR-03-144	Lancaster Business Mail Entry Unit	\$0	\$0	\$0	\$0	3/25/03
FF-AR-03-147	Lisbon Business Mail Entry Unit	\$0	\$0	\$0	\$0	3/25/03
FF-AR-03-129	Dodgeville Business Mail Entry Unit	\$0	\$0	\$0	\$0	3/26/03
FF-AR-03-131	Bensenville Business Mail Entry Unit	\$0	\$0	\$0	\$0	3/26/03
FF-AR-03-148	Rutland Business Mail Entry Unit	\$0	\$0	\$0	\$0	3/27/03
FF-AR-03-159	Bellmawr Business Mail Entry Unit	\$0	\$0	\$0	\$0	3/28/03
FF-AR-03-162	Brooklyn Business Mail Entry Unit	\$0	\$0	\$0	\$0	3/28/03

Report Number	Subject Title/ Project Type	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Other	Issue Date
FINANCIAL RELATED						
FF-AR-03-077	Audit of Statistical Tests for Fiscal Year 2002 - Cost and Revenue Analysis Capping Report	\$0	\$0	\$0	\$0	12/2/02
FF-AR-03-079	Audit of Statistical Tests for Fiscal Year 2003 Cost and Revenue Analysis - Atlanta District	\$0	\$0	\$0	\$0	1/6/03
FF-AR-03-080	Audit of Statistical Tests for Fiscal Year 2003 Cost and Revenue Analysis - Northern Virginia District	\$0	\$0	\$0	\$0	1/6/03
FF-AR-03-102	Audit of Statistical Tests for Fiscal Year 2003 Cost and Revenue Analysis - Long Beach District	\$0	\$0	\$0	\$0	2/13/03
FF-AR-03-105	Audit of Statistical Tests for Fiscal Year 2003 Cost and Revenue Analysis - Baltimore District	\$0	\$0	\$0	\$0	2/13/03
FF-AR-03-106	Audit of Statistical Tests for Fiscal Year 2003 Cost and Revenue Analysis - Houston District	\$0	\$0	\$0	\$0	2/13/03
FF-AR-03-112	Audit of Statistical Testing for Fiscal Year 2003 Cost and Revenue Analysis - Central Illinois District	\$0	\$0	\$0	\$0	2/21/03
FF-AR-03-119	Audit of Statistical Tests for Fiscal Year 2003 Cost and Revenue Analysis - San Francisco District	\$0	\$0	\$0	\$0	2/26/03
FF-AR-03-121	Audit of Statistical Tests for Fiscal Year 2003 Cost and Revenue Analysis - South Jersey District	\$0	\$0	\$0	\$0	2/27/03
FF-AR-03-151	Audit of Statistical Tests for Fiscal Year 2003 Cost and Revenue Analysis - Cleveland District	\$0	\$0	\$0	\$0	3/24/03
FT-AR-03-001	Withholdings and Contributions for Health Benefits, Life Insurance, Retirement, and Employee Headcount Data	\$0	\$0	\$0	\$0	11/18/02
FT-MA-03-001	Postal Service Payments to the Smithsonian Institution	\$1,750,157	\$0	\$0	\$0	11/19/02
OE-AR-03-001	Corporate Contact Management Follow up	\$0	\$0	\$0	\$0	12/26/02
CONTRACTING AND FACILITIES						
CA-AR-03-001	Architectural and Engineering Design Fees	\$0	\$0	\$0	\$0	3/7/03
CA-CAR-03-001	Evaluation of Incurred Costs	\$0	\$0	\$0	\$0	10/16/02
CA-CAR-03-002	Post Award Evaluation	\$343,759	\$0	\$0	\$0	10/16/02
CA-CAR-03-003	Evaluation of Incurred Costs	\$0	\$0	\$0	\$0	10/16/02
CA-CAR-03-004	Evaluation of Proposal	\$248,680	\$0	\$0	\$0	11/18/02
CA-CAR-03-005	Evaluation of Incurred Costs	\$0	\$0	\$0	\$0	11/18/02
CA-CAR-03-006	Evaluation of Claimed Costs	\$1,143,069	\$755,763	\$0	\$0	12/9/02
CA-CAR-03-007	Evaluation of Final Voucher	\$0	\$0	\$0	\$0	12/9/02
CA-CAR-03-008	Evaluation of Incurred Costs	\$0	\$0	\$0	\$0	1/9/03
CA-CAR-03-009	Evaluation of Labor Practices	\$0	\$0	\$0	\$0	1/9/03
CA-CAR-03-010	Evaluation of Proposal	\$4,469,333	\$765,400	\$0	\$0	1/9/03
CA-CAR-03-011	Evaluation of Equitable Adjustment	\$4,028,935	\$0	\$0	\$0	2/11/03
CA-CAR-03-012	Evaluation of Proposal	\$1,478,596	\$479,451	\$0	\$0	2/26/03
CA-CAR-03-013	Evaluation of Proposal	\$0	\$0	\$0	\$0	3/12/03

Report Number	Subject Title/ Project Type	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Other	Issue Date
CA-MA-03-001	Review of Common Area Maintenance Costs	\$0	\$0	\$0	\$0	1/27/03
CA-MA-03-002	Review of Prorated Common Area Maintenance Costs	\$26,707	\$0	\$0	\$0	2/11/03
CA-MA-03-003	Review of Prorated Common Area Maintenance Costs	\$0	\$0	\$0	\$0	2/11/03
CA-MA-03-004	Review of Interim Invoice	\$9,130	\$0	\$0	\$0	2/11/03
CA-MA-03-005	Review of Incurred Architectural Design Expenses	\$0	\$0	\$0	\$0	2/21/03
CA-MA-03-006	Deployment Plans for Acquired Irradiation Equipment	\$0	\$0	\$0	\$0	3/20/03
CA-MA-03-007	Impact of Freezing Capital Construction Projects	\$0	\$0	\$0	\$0	3/31/03
FINANCIAL MANAGEMENT TOTALS		\$ 13,498,366	\$2,000,614	\$0	\$0	

TECHNOLOGY

INFORMATION SYSTEMS						
IS-AR-03-001	Network General Controls	\$0	\$0	\$0	\$0	10/24/02
IS-AR-03-002	Review of Controls Over the Electronic Travel Voucher System	\$0	\$0	\$0	\$0	1/21/03
IS-AR-03-003	Server Security Testing	\$0	\$0	\$0	\$0	3/10/03
IS-AR-03-004	Information Systems Impacted by the Postal Service Change to Monthly Reporting	\$0	\$0	\$0	\$0	3/17/03
IS-CS-03-001	Network General Controls	\$0	\$0	\$0	\$0	11/22/02
OE-AR-03-002	Retail Data Mart System - Security Issues	\$0	\$0	\$0	\$0	3/31/03
DEVELOPMENTAL						
DA-AR-03-001	PostalOne! Phase Two	\$0	\$0	\$0	\$0	10/24/02
DA-AR-03-002	Postal Automated Redirection System, Phase 1	\$0	\$0	\$0	\$0	2/25/03
DA-AR-03-003	Human Transporter Alpha Test	\$0	\$0	\$0	\$0	3/28/03
TECHNOLOGY TOTALS		\$0	\$0	\$0	\$0	

LABOR MANAGEMENT

HUMAN RESOURCE PROCESS REVIEWS						
LH-AR-03-001	Sexual Harassment Prevention Measures in the Chicago and Detroit Districts - Great Lakes Area	\$0	\$0	\$0	\$0	1/15/03
LH-AR-03-002	Sexual Harassment Prevention Measures in the Long Island and Northern New Jersey Districts - New York Metro Area	\$0	\$0	\$0	\$0	1/16/03
LH-AR-03-003	Sexual Harassment Prevention Measures in the Northern Virginia and Richmond Districts - Capital Metro Operations	\$0	\$0	\$0	\$0	1/30/03
LH-AR-03-004	Sexual Harassment Prevention Measures in the Albany and Southeast New England Districts - Northeast Area	\$0	\$0	\$0	\$0	2/25/03
LH-AR-03-005	Sexual Harassment Prevention Measures in the Central Florida and South Georgia Districts - Southeast Area	\$0	\$0	\$0	\$0	3/5/03

Report Number	Subject Title/ Project Type	Questioned Costs	Un-supported Costs	Recommend Funds Put to Better Use	Other	Issue Date
LH-AR-03-006	Sexual Harassment Prevention Measures in the Greensboro and Harrisburg Districts - Eastern Area	\$0	\$0	\$0	\$0	3/5/03
LH-AR-03-007	Sexual Harassment Prevention Measures in the Dakotas and Portland Districts - Western Area	\$0	\$0	\$0	\$0	3/5/03
LH-AR-03-008	Sexual Harassment Prevention Measures in the Oakland and Santa Ana Districts - Pacific Area	\$0	\$0	\$0	\$0	3/18/03
LH-AR-03-009	Sexual Harassment Prevention Measures in the Arkansas and Rio Grande Districts - Southwest Area	\$0	\$0	\$0	\$0	3/25/03
HK-AR-03-001	Postal Service's Arrangement With a Preferred Provider Organization	\$0	\$0	\$75,000	\$0	3/31/03
HK-MA-03-001	Retirement Eligible Postal Service Employees on the Workers' Compensation Periodic Rolls	\$0	\$0	\$0	\$0	3/21/03
HK-MA-03-002	Postal Service's Death Benefit Payments to the Decedent's Survivor(s)	\$1,265,294	\$1,265,294	\$0	\$0	3/31/03
LABOR MANAGEMENT TOTALS		\$1,265,294	\$1,265,294	\$75,000	\$0	

OVERSIGHT

SA-AR-03-001	Postal Inspection Service Fraud Against Business and Consumer Programs and the Customer Initiative Group	\$0	\$0	\$0	\$0	03/31/03
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OTHER SIGNIFICANT REVIEWS

OE-MA-03-001	Postal Service Transformation Plan	\$0	\$0	\$0	\$0	10/29/02
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OVERSIGHT AND OTHER REVIEWS TOTALS		\$0	\$0	\$0	\$0	
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OIG TOTALS		\$14,763,660	\$3,265,908	\$37,674,052	\$21,111,415	
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APPENDIX B

Findings of Questioned Costs

For the period October 1, 2002 through March 31, 2003

OFFICE OF INSPECTOR GENERAL AND INSPECTION SERVICE

Description	Number of Reports	Total Questioned Costs	Unsupported Costs Included in Questioned Costs
Reports for which no management decision was made at the beginning of the reporting period	30	\$219,617,994	\$119,881,658
Reports requiring management decision that were issued during the reporting period	10	\$14,763,660	\$3,265,908
TOTALS	40	\$234,381,654	\$123,147,566
Reports for which a management decision was made during the reporting period (i+ii)*	17	\$67,726,065	\$554,878
(i) Dollar value of disallowed cost		\$35,500,328	\$203,843
(ii) Dollar value of cost not disallowed		\$32,225,737	\$351,035
Reports for which no management decision was made by the end of the reporting period. Negotiations are ongoing.	23	\$166,655,589	\$122,592,688
Reports for which no management decision was made within six months of issuance (See Note 1 for a list of individual reports)	6	\$121,346,968	\$117,650,903
Reports for which no management decision was made within one year of issuance (See Note 2 for a list of individual reports)	9	\$30,820,348	\$1,675,877

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
5/9/02	CA-CAR-02-041	Contract Audit	\$96,324	\$20,202
5/9/02	CA-CAR-02-042	Contract Audit	1,689,663	
6/28/02	CA-CAR-02-045	Contract Audit	1,053,263	134,340
8/2/02	FT-MA-02-004	Terminated Station Contract	58,248	58,248
9/6/02	CA-CAR-02-050	Contract Audit	117,828,789	117,250,842
9/13/02	CA-CAR-02-051	Contract Audit	620,681	187,271
OIG TOTAL			\$121,346,968	\$117,650,903

* The reported amounts include \$30,630,000 in “disallowed costs” and \$7,776,029 in “costs not disallowed” resulting from a negotiated settlement of current and future contract claims. The amounts reported were based on OIG calculated allocation percentages that reflected the relationship of an audit report’s results to the negotiation results.

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

Report Date	Report/ Case Number	Project	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	
5/17/00	CA-AR-00-001	United States Postal Service Warranty Repair of Tractors	977,598	
10/12/01	CA-CAR-02-004	Contract Audit	17,359,760	
2/28/02	CA-CAR-02-026	Contract Audit	491,590	
3/6/02	CA-CAR-02-027	Contract Audit	2,217,874	
3/25/02	CA-CAR-02-032	Contract Audit	772,214	
OIG TOTAL			\$22,667,036	\$0
Report Date	Report/ Case Number	Project Type	Total Questioned Costs	Unsupported Costs Included in Questioned Costs
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	
8/30/00	184-1210121-AC(1)	Contract Audit	574,869	
INSPECTION SERVICE TOTAL			\$8,153,312	\$1,675,877
TOTAL			\$30,820,348	\$1,675,877

APPENDIX C

Recommendations That Funds Be Put to Better Use

For the period October 1, 2002, through March 31, 2003

OFFICE OF INSPECTOR GENERAL

Description	Number of Reports	Dollar Value
Reports for which no management decision was made at the beginning of the reporting period*	3	\$128,121,000
Reports requiring management decision that were issued during the reporting period	10	\$37,674,052
TOTALS	13	\$165,795,052

Reports for which a management decision was made during the report period	5	\$29,355,786
(i)Value of recommendations agreed to by management		\$5,971,267
(ii)Value of recommendations that management did not agree		\$23,384,519
Reports for which no management decision was made by the end of the reporting period.*	8	\$136,439,266
Reports for which no management decision was made within six months of issuance (See Note 1 for a list of individual reports)	0	\$0
Reports for which no management decision was made within one year of issuance (See Note 2 for a list of individual reports)	3	\$126,725,169

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

Report Date	Report/ Case Number	Subject	Recommend Funds Put to Better Use
None			\$0
TOTAL			\$0

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

Report Date	Report/ Case Number	Subject	Recommend Funds Put to Better Use
3/29/2002	TD-AR-02-002	Trailer Lease Justification	\$82,349,739
9/29/2000	MK-AR-00-001	Review of Stamp Fulfillment Services Performance	28,457,395
7/27/2001	TR-AR-01-004	Bulk Fuel Purchase Plan	15,918,035
TOTALS			\$126,725,169

*Included are amounts from two reports where management agreed to take the recommended corrective action in a prior reporting period but could not comment on some of the potential savings until analyses were completed. The majority of identified savings were agreed to and decisions for two reports were reflected in a prior reporting period.

APPENDIX D

Reports with Significant Recommendations Pending Corrective Actions

For the period October 1, 2002, through March 31, 2003

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
OV-MA-99-001	Review of USPS Personnel Security Program - Process for Updating Sensitive Clearances	1	3/31/99
TR-AR-99-003	Emergency and Extra Trip Expenditures on Highway Routes	6	9/29/99
CA-AR-99-002	Removal of Underground Storage Tanks	1	9/30/99
CA-AR-99-003	Responsibilities of Contracting Officers' Representatives	2	9/30/99
RP-MA-00-001	Indefinite Quantity Contracts	1	11/8/99
TR-AR-00-005	Southwest Area Expenditures for Extra Highway Trips Using Leased Equipment	3	2/29/00
TR-AR-00-006	Commercial Air Carrier Performance: Payment for Ground Handling Services	2	3/27/00
CA-MA-00-001	Contract Audit Practices	6	3/31/00
DA-AR-00-002	Tray Management System	5	3/31/00
TR-AR-00-009	Extra Trips Expenditures within the Mid-Atlantic Area	2	7/27/00
AC-AR-00-004	Use of Robotic Tray Handling System	2	9/29/00
DA-AR-00-006	Point of Service ONE Phase II	2	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
MK-AR-00-002(R)	Management Controls over the Sales Force Augmentation Program - Revised	3	10/31/00
DA-AR-01-004	Postal One! Business Customer Support Systems Phase One	5	4/9/01
IS-AR-01-001	Network Security	1	4/18/01
OV-AR-01-002	Inspection Service Support to Postal Service Threat Assessment Teams	2	4/30/01
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
IS-AR-01-003	Review of Security Access Controls	3	8/29/01
CA-AR-01-005	Supplier Diversity Program for Supplies, Services, and Equipment Purchases	8	9/6/01
DA-AR-01-006	Singulate, Scan, Induction Unit	5	9/27/01
TR-MA-01-003	Security Risks Associated with a Transportation Agreement	1	9/27/01
OV-AR-01-004	Postal Inspection Service Fraud Against Government Program	1	9/28/01
FT-AR-02-001	Shared Real Estate Appreciation Loan Program	5	10/17/01

Report Number	Report Title	Number of Recommendations	Issue Date
EM-AR-02-001	Protection of Internet Users' Information - PostmarkAmerica.com Technical Issues	3	10/18/01
IS-AR-02-001	Fiscal Year 2001 Information System Controls	3	11/8/01
CQ-MA-02-001	Review of Letter Contract	1	12/28/01
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
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
DA-AR-02-004	Postal Service Test, Evaluation, and Quality	3	3/27/02
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	4	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	1	3/29/02
IS-AR-02-007	Network General Controls	2	4/3/02
DA-AR-02-005	Surface-Air Management System	1	4/19/02
LH-AR-02-003	Southwest Area's Efforts in Obtaining Appropriate Chargeback Credits for Identified Wage Compensation Overpayment and Refundable Disbursements	2	5/8/02
FT-AR-02-012	Relocation Compilation Report	1	5/31/02
OV-AR-02-003(R)	Postal Inspection Service Health Examination Program	3	7/30/02
EM-AR-02-012	Review of eBusiness Agreements	7	7/9/02
TD-MA-02-003	New York Metro Area Trailer Acquisition Requirements	2	7/10/02
LH-AR-02-004	Postal Service's Corporate Succession Planning Process	7	9/3/02
DA-AR-02-008	Postal Service's Efforts to Implement Prevention and Detection Technology	1	9/4/02
DA-AR-02-010	Automated Seamless Dispatch Program	1	9/18/02
DA-MA-02-001	Biohazard Detection System	6	9/24/02
DA-MA-02-002	Biohazard Filtration System	3	9/24/02
TD-AR-02-003	Highway Network Scheduling - Pacific Area	3	9/24/02
CQ-AR-02-001	Work Performed by Business Mail Entry Employees in the Colorado Wyoming Performance Cluster	1	9/26/02
FT-AR-02-015	Payments to a Utility Company	1	9/26/02
FT-AR-02-016	Advanced Annual Leave	1	9/26/02
TD-AR-02-004	Voyager Card Control Weaknesses - Chicago	1	9/26/02
CA-AR-02-004	Undefinitized Contract Actions	1	9/30/02
FT-AR-02-017	Effectiveness of the Postal Service's Asset Locator Program	3	9/27/02
IS-AR-02-015	Fiscal Year 2002 Information System Controls	2	9/27/02
AC-MA-02-002	Review of Nonprofit Standard Mail	1	9/30/02
CA-AR-02-005	Use of Noncompetitive Contracting Process for Tabbing Systems Purchases	3	9/30/02
LH-AR-02-005	Associate Supervisor Program in the Great Lakes Area	6	9/30/02
TD-AR-02-005	Delivery Vehicle Gasoline	4	9/30/02
DA-AR-03-001	PostalOne! Phase Two	4	10/24/02
IS-AR-03-001	Network General Controls	6	10/24/02
TD-AR-03-001	New York Metro Area Trailer Acquisition - Safety and Length	2	10/28/02
FT-MA-03-001	Postal Service Payments to the Smithsonian Institution	3	11/19/02
TD-AR-03-002	Highway Network Scheduling - Northeast Area	2	11/25/02
TD-AR-03-003	Voyager Card Control Weaknesses - San Antonio District	2	12/2/02
LH-AR-03-001	Sexual Harassment Prevention Measures in the Chicago and Detroit Districts - Great Lakes Area	1	1/15/03
IS-AR-03-002	Review of Controls Over the Electronic Travel Voucher System	2	1/21/03
FT-AR-03-006	Fiscal Year 2002 Postal Service Financial Statements Audit - San Mateo Information Technology and Accounting Service Center	2	1/23/03
TD-MA-03-001	New York Metro Area Operational Use of Trailers	2	1/29/03

Report Number	Report Title	Number of Recommendations	Issue Date
FT-AR-03-008	Fiscal Year 2002 Postal Service Financial Statements Audit - St. Louis Information Technology and Accounting Service Center	2	1/30/03
LH-AR-03-003	Sexual Harassment Prevention Measures in the Northern Virginia and Richmond Districts – Capital Metro Operations	2	1/30/03
AC-AR-03-003	Review of Nonprofit Authorizations	1	2/14/03
DA-AR-03-002	Postal Automated Redirection System, Phase 1	2	2/25/03
LH-AR-03-004	Sexual Harassment Prevention Measures in the Albany and Southeast New England Districts - Northeast Area	2	2/25/03
CQ-MA-03-001	Reno, Nevada Mail Transportation	1	3/5/03
LH-AR-03-005	Sexual Harassment Prevention Measures in the Central Florida and South Georgia Districts - Southeast Area	1	3/5/03
LH-AR-03-006	Sexual Harassment Prevention Measures in the Greensboro and Harrisburg Districts – Eastern Area	2	3/5/03
LH-AR-03-007	Sexual Harassment Prevention Measures in the Dakotas and Portland Districts - Western Area	1	3/5/03
CA-AR-03-001	Architectural and Engineering Design Fees	2	3/7/03
TD-AR-03-004	Address Change Service	5	3/12/03
LH-AR-03-008	Sexual Harassment Prevention Measures in the Oakland and Santa Ana Districts - Pacific Area	3	3/18/03
TD-AR-03-005	Vehicle Maintenance Facilities - Vehicle Inventory Control Weaknesses in the Chicago District	4	3/19/03
LH-AR-03-009	Sexual Harassment Prevention Measures in the Arkansas and Rio Grande Districts - Southwest Area	3	3/25/03
TD-AR-03-006	Transportation Agreement Capping Report	4	3/27/03
CQ-AR-03-001	Work Performed by Business Mail Entry Employees in the Seattle, Minneapolis, and Des Moines Bulk Mail Centers	2	3/28/03
TD-AR-03-007	Highway Network Scheduling - Capital Metro Area	2	3/28/03
HK-MA-03-002	Postal Service's Death Benefit Payments to Decedent's Survivor(s)	1	3/31/03
OE-AR-03-002	Retail Data Mart System - Security Issues	4	3/31/03
OE-AR-03-003	Postal Service's Involvement in Sponsorships	3	3/31/03
TD-AR-03-008	Highway Network Scheduling - New York Metro Area	2	3/31/03
TD-AR-03-009	New York Metro Area Trailer Acquisition - Lease versus Buy	2	3/31/03

INSPECTION SERVICE

CONTRACT AUDITS

Report Number	Contractor	Report Date
0184-1126310-AC(1)	Contract Audit	4/3/00
0184-1210121-AC(1)	Contract Audit	8/30/00

APPENDIX E

Investigative Statistics¹

For the period October 1, 2002, through March 31, 2003

OFFICE OF INSPECTOR GENERAL

Statistics

Arrests	6
Information/Indictments	7
Convictions ³ /Pretrial Diversions	20
Suspension/Debarments	
Individuals	2
Firms	0
Administrative Actions	
Postal Service Employee	8
Contractor	0
Fines, Restitution, and Recoveries ²	\$1,593,857
Cost Avoidances ²	\$6,989,190

INSPECTION SERVICE⁴

Statistics

Arrests	213
Convictions ³	193
Administrative Actions	
Employees	438
Contractors	51
Fines, Restitution, and Recoveries	\$16,174,864
Collections	\$0
Civil Actions	7

¹ Statistics include joint investigations with other federal law enforcement agencies.

² Some of these occurred in the prior semiannual reporting period, however, they were not reported until the current reporting period.

³ Convictions reported in this time frame may be related to arrests made in prior reporting periods.

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, 2002, through March 31, 2003

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
Contest/Sweepstakes	0	2	1	3
False billings	3	3	1	3
Fraud – Internet Schemes	2	2	0	2
Lotteries (Foreign and Domestic)	30	1	26	1
Medical	1	0	0	0
Miscellaneous	5	4	1	4
Work at home	5	6	2	5
TOTAL	46	18	31	18

OTHER ADMINISTRATIVE ACTIONS

Administrative Action Requests	50
Temporary Restraining Orders Requested	0
Temporary Restraining Orders Issued	0
Civil Injunctions (1345) Requested	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:	0
Test Purchases	0
Expert Testimony	0
Witness Travel	0
Withholding Mail Orders Issued	22
Voluntary Discontinuances	91

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 Issued	Scheme
USPS-02-014	09/13/02	Identity Takeover
USPS-03-001	02/24/03	Work-at-Home
USPS-03-002	03/28/03	Telemarketing
USPS-03-003	03/28/03	Telemarketing
USPS-03-004	03/28/03	Telemarketing
USPS-03-005	03/28/03	Telemarketing
USPS-03-006	03/28/03	Telemarketing

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	\$160,643,500
Nonpersonnel	\$35,325,500
Total Expenditures	\$195,969,000
Capital Obligations	\$8,932,719

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 Task Forces and the Deceptive Mail Enforcement Team. Inspection Service and Office of Inspector General criminal statistical information is summarized in Appendix E

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 Mail Center 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.

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 on international communications products. This group is chaired by the Chief Postal Inspector.

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 team, as well as those received as consumer complaints, are examined for compliance. During the reporting period 83 promotions were reviewed for possible violations, and 12 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

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.

False billings. Mailing solicitations in the guise of billings.

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

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

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

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

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, 2002, through March 31, 2003

This appendix lists the 47 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
White House	Allegation of mismanagement which has resulted in mail delays	06-Nov-02
Senator, Kentucky	Allegation of mail processing mismanagement	14-Nov-02
Senators, Virginia	Allegation of mishandled mail and mismanagement	26-Nov-02
Senator, Kentucky	Allegation of mail processing mismanagement	16-Dec-02
Senator, California	Allegation of delayed and missing mail	08-Jan-03
Representative, Texas	Allegation of mishandled mail	17-Jan-03
Senator, California	Allegation of poor customer service	28-Jan-03
Representative, Texas	Allegation of delayed delivery and destruction of mail	31-Jan-03
Senator, North Carolina	Allegation of mail tampering	31-Jan-03
Senator, California	Allegation of mail delivery problems experienced by disabled customer	11-Feb-03

FINANCIAL MANAGEMENT

Requestor	Allegations/Concern	Response Date
Representative, Colorado	Allegation of improper pay adjustments	29-Oct-02
Representative, Illinois	Allegation of improper garnishment of retirement annuity	12-Nov-02
Senator, Arkansas	Allegation of failure to comply with arbitration settlement	14-Nov-02
Representative, Pennsylvania	Request for review of facility site selection	16-Dec-02
Senators, South Dakota	Allegation of improper collection of stamp shortage	31-Mar-03

LABOR MANAGEMENT

Requestor	Allegations/Concern	Response Date
Representative, California	Allegation of a hostile work environment	09-Oct-02
Senator and Representative, Kentucky	Allegation of managerial harassment	23-Oct-02
Senator and Representative, Virginia	Allegation of retaliation and hostile work environment	14-Nov-02
Representative, New Jersey	Allegation of managerial harassment	26-Nov-02
Representative, New York	Allegation of unfair and improper treatment of employees	27-Nov-02
White House	Allegation of managerial harassment and hostile work environment	09-Dec-02
Senator, California	Allegation of hostile work environment	16-Dec-02
White House	Allegation of worker's compensation fraud and abuse	24-Jan-03
Senator, California	Allegation of managerial harassment and discrimination	28-Jan-03
Senator, California	Allegation of various employment issues	11-Feb-03
Senator, Oklahoma	Allegation of worker's compensation claim problems	20-Feb-03
Senator, Montana	Allegation of hostile work environment, managerial harassment and intimidation	14-Mar-03
Senator, Michigan	Allegation of managerial harassment and retaliation	24-Mar-03

OVERSIGHT OF INSPECTION SERVICE

Requestor	Allegations/Concern	Response Date
Senators, New York	Allegation of misconduct by Postal Inspectors	04-Oct-02
Representative, Florida	Concerns regarding an investigation	05-Nov-02
Senator, Michigan	Allegation of improper investigation	10-Dec-02
Representative, Ohio	Allegation of improper forgery investigation	30-Dec-02
Representative, Florida	Allegation of improper investigation	29-Jan-03

OTHER SIGNIFICANT ISSUES

Requestor	Allegations/Concern	Response Date
Representative, Connecticut	Request for investigation on reported contamination levels	10-Oct-02
Senator, Maryland	Information concerning OIG employment	21-Oct-02
Representative, California	Request for assistance in resolving damage claim	23-Oct-02
Senator, Maryland	Allegation of incorrect information submitted to Office of Personnel Management	19-Nov-02
Representative, California	Request for investigation regarding closure of a facility	19-Nov-02
Representative, Alabama	Request for investigation of misuse of government vehicles	14-Nov-02
Senator, Illinois	Request for assistance on status of an employment application	17-Jan-03
Representative, Virginia	Concerns over OIG personnel decisions	14-Jan-03

GOVERNORS

LABOR MANAGEMENT

Requestor	Allegations/Concern	Response Date
Governor	Allegation of hostile work environment	27-Nov-02



REPORT FRAUD WASTE, ABUSE, & MISMANAGEMENT

HOTLINE
1-888-USPS-OIG

(1-888-877-7644)

ALL CALLS ARE CONFIDENTIAL



Notes



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