



OFFICE OF INSPECTOR GENERAL

# Semiannual Report to Congress



# Contents

A Message from the Inspector General .....	1
Executive Summary .....	3
Overview .....	7
Goals .....	21
Voice of the Customer .....	23
Voice of the Employee .....	43
Voice of the Business .....	51
Legislative and Regulatory Review .....	67
Appendices .....	77
Exhibits .....	103

# A Message from the Inspector General



KARLA W. CORCORAN  
Inspector General

We are proud to report the Office of Inspector General (OIG) is delivering on the promises that we have made to the Governors, Postal management and the Congress. This, our fourth Semiannual Report to Congress, coincides with the twentieth anniversary of the Inspector General Act. This report continues to highlight how we have delivered on our promises to help the Postal Service improve operations and services, achieve *CustomerPerfect!* goals, and promote process improvement and employee integrity.

We are grateful to the Governors for delivering on their promise to work with us to become part of the President's Council on Integrity and Efficiency. Chairman Sam Winters wrote a letter to the President requesting that we be allowed to participate with the President's Council on Integrity and Efficiency. Currently, we are working with the Office of Management and Budget and the President's Council on Integrity and Efficiency leadership to resolve this issue. Already, the Governors' efforts have resulted in the OIG being invited to sit on the Federal Audit Executive Council, a seat that normally is reserved for members of the President's Council on Integrity and Efficiency.

Within the Postal Service, Postmaster General William J. Henderson has continued to deliver on the Postal Service's promise to work with us by meeting with us on a regular basis to discuss OIG issues, and inviting me to attend Management Committee meetings. Further, the Postal Inspection Service, our predecessor and partner in performing work for the Semiannual Report to Congress, also delivered on their promise to continue to support us during this transition period. Continuing to work collaboratively and cooperatively, we can each strive to deliver on our promises and fulfill the expectations of our customers.

The past 6 months have been another exhilarating and whirlwind period in the continuing development of a dynamic OIG. On June 10, 1998, I testified for the second time before the House Subcommittee on the Postal Service, Committee on Government Reform and Oversight. As part of that testimony, I talked about many of our accomplishments in areas such as audit and related advisory work, law enforcement, human resources, infrastructure, outreach, and legal considerations.

Throughout our existence, we have emphasized our core values — Teamwork, Leadership, Creativity, Communication, and Conceptualization. These values make us more effective as we work and review Postal Service operations as well as allowing us to become a leader in the OIG community. In less than 2 years, OIG has become a thriving, full-service organization after starting with no employees, pay and benefits system, other infrastructure, or projects. The Inspector General community recently recognized our enormous task of establishing a new OIG through its Award of Excellence, given to our transition team comprised of OIG, Postal, and other federal agency staff.

This Semiannual Report to Congress highlights significant activities and accomplishments of the OIG and the Postal Inspection Service from April 1, 1998, through September 30, 1998. This report focuses on how we both have delivered on our *CustomerPerfect!* promise to heed the Voices of the Customer, the Employee, and the Business. Submission of this report fulfills the OIG reporting requirements of the Inspector General Act and the Postal Inspection Service requirements under the Mail Order Consumer Protection Act. By presenting this information in one consolidated report, Congress, the Governors, Postal

**Inspector General Corcoran accepts  
Award of Excellence on behalf of the OIG  
Transition Team.**



management, and the other stakeholders have a complete accounting of what is being done within the entire Postal Service to combat fraud, waste, abuse, mismanagement, and Postal crimes. Within each section, however, we have specifically identified OIG and Postal Inspection Service work.

As was true in the last Semiannual Report, we were able to increase significantly our productivity because of additional staff. The 2,166 Postal Inspectors continued to perform their invaluable audit and investigative work, some of which will transition to the OIG by the year 2000. During this period, the Postal Inspection Service issued 64 contract audits that identified over \$3.8 million in questioned and unsupported costs and over \$71.4 million in funds put to better use, 215 other audits, and 185 investigative reports. The OIG issued 11 audits, 46 management advisory and other reports, and 7 investigative reports. Our combined efforts resulted in over 520 written products to strengthen and improve Postal operations. In addition, Postal Inspection Service investigations resulted in the arrests of 4,986 individuals, and 5,255 individuals were convicted on charges stemming from this and prior reporting periods.

We will continue to focus on what needs to be done to deliver on our promises. We will also continually evaluate what new promises need to be made to add value to the Postal Service, particularly to address high-risk areas and emerging issues. We also assist management by identifying issues before action has been completed; strengthening its processes; reducing costs; and preventing and detecting fraud, waste, abuse, and mismanagement.

We are eager to continue to deliver on our promises and to improve Postal Service operations. We look forward to helping address future challenges facing the Postal Service, while expanding our knowledge of and contributions to the Postal Service into the new millennium!

Karla W. Corcoran  
Inspector General

October 30, 1998

# Executive Summary

---



## **How do OIG and Postal Inspection Service responsibilities differ?**

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



**BREAST CANCER RESEARCH SEMIPOSTAL - increases public awareness of the need for breast cancer research and contributes to cancer research through purchase of these stamps.**

During the past 6 months, the Office of Inspector General (OIG) and the Postal Inspection Service continued to deliver on the promises that were made to the Governors, Postal management and the Congress. During this time, the United States Postal Service (USPS) reported the following major events:

- ◆ The Governors named William J. Henderson the 71st Postmaster General.
- ◆ The Governors approved the lowest increase in USPS history, a one-cent increase for first-class postage effective January 10, 1999.
- ◆ The Postmaster General shared with all Postal executives his vision for the future: people, performance, and public policy.
- ◆ To aid in breast cancer research, USPS issued the first semipostal stamp.
- ◆ To promote U.S. history and stamp collecting, USPS continued the Celebrate the Century Stamp Program by issuing stamps commemorating the 1920 and 1930 decades.

This, our fourth consolidated Semiannual Report to Congress, highlights how we have continued to help the Postal Service improve operations and services, promote process improvement and employee integrity, and achieve *CustomerPerfect!* goals: the Voices of the Customer, Employee, and Business.

## OIG AND POSTAL INSPECTION SERVICE ACCOMPLISHMENTS

These are the combined accomplishments of the OIG and Inspection Service; the Inspection Service continued to perform many of these services during this period of transition.

### VOICE OF THE CUSTOMER:

*Our efforts are designed to help USPS improve customer satisfaction by assessing its performance in providing customer value, meeting the public's expectations, and increasing customer confidence in the use of the mail.*

- ◆ OIG answered over 8,500 calls to our national toll-free Hotline.
- ◆ OIG met with all major USPS union and management association presidents.
- ◆ OIG conducted audit and investigative work and completed 33 Congressional inquiries.
- ◆ OIG conducted a review of managements efforts to eliminate drugs in the workplace.
- ◆ Inspection Service participated in the arrest and conviction of the infamous Unabomber.
- ◆ Inspection Service seized \$3 million in cash and other assets relating to narcotic trafficking and money laundering.
- ◆ Inspection Service arrested 4,082 individuals involved in child pornography, mail bombs, mailing harmful articles, narcotics trafficking, mail theft, and other criminal wrongdoing.

### VOICE OF THE EMPLOYEE:

*Our efforts are designed to help the USPS improve employee and organizational effectiveness, ensure employee safety, prevent and investigate threats, and enhance the workplace environment for OIG and Inspection Service employees.*

- ◆ Inspection Service investigated 689 assaults or credible threats against employees and made 241 arrests.
- ◆ Inspection Service investigated 71 robberies committed against employees at postal facilities, letter carriers, and motor vehicle service operators.
- ◆ Inspection Service investigated 92 employees for narcotics violations.
- ◆ Both the OIG and Inspection Service continued to participate in National Threat Assessment and Crisis Management Teams to assess workplace environments and solutions to employee behavioral problems.
- ◆ OIG responded to concerns about violence in the workplace by completing four reviews, including diversity training,

violence prevention policies, USPS identification of potential area hot spots, and status of previously reported conditions.

- ◆ OIG completed 14 reviews involving issues such as discrimination, harassment, retaliation, mismanagement, and workplace environment.

---

## VOICE OF THE BUSINESS:

*Our efforts are designed to improve USPS financial self-sufficiency by assessing its business strategies and performance, preventing the loss of revenue and assets, strengthening management controls, and reducing costs.*

- ◆ Inspection Service identified 370 postal employees at all levels involved in embezzling approximately \$3.3 million in Postal funds.
- ◆ Inspection Service identified over \$12 million in revenue deficiencies relating to counterfeiting and mail fraud.
- ◆ Inspection Service identified cost avoidance savings of approximately \$100 million for Fiscal Year (FY) 1998. Inspectors arrested 59 individuals as a result of workers compensation investigations.
- ◆ OIG completed reviews of USPS supplier diversity and procurement prequalification.
- ◆ OIG assessed the progress of USPS Year 2000 efforts and performed a Year 2000 Post Implementation Verification.
- ◆ A joint investigation by OIG and Inspection Service of a \$206,000 embezzlement by a USPS Headquarters accountant resulted in improved internal controls for disbursements and the individual's arrest and conviction.
- ◆ OIG recommended improvements in Stamp Services, Mail Operations, Marketing, and Facilities.
- ◆ OIG completed several reviews involving postal lessors, periodicals, and undeliverable mail.
- ◆ Inspection Service identified \$26.9 million in contracts funds from one contract

based on miscalculated pay and benefit rates.

- ◆ Inspection Service review of the city route inspection process questioned projected potential savings.
- ◆ Inspection Service found that improvements in External First-Class Mail Measurement scores were made at the expense of other mail classes.
- ◆ Inspection Service identified several electronic data processing issues during reviews at USPS service centers.
- ◆ Inspection Service completed numerous revenue investigations including counterfeit stamps and meter indicia, tampered postage meters, and employee embezzlements.

---

## LEGISLATIVE REVIEWS

The OIG reviewed approximately 225 legislative bills that had potential to affect the Postal Service and the OIG, and commented on approximately 20 bills, including H.R. 22, the Postal Modernization Act of 1998, and H.R. 4104 / S. 2312, the Postal and General Government Appropriations Act of 1999. Also, OIG reviewed approximately 100 proposed, interim, and final regulations by or affecting the Postal Service.

---

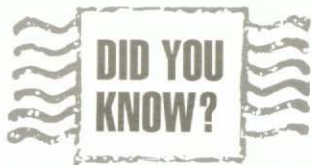
## OIG ORGANIZATIONAL INFRASTRUCTURE

Major accomplishments achieved by the OIG in building and managing its organization include:

- ◆ Hiring 84 additional staff for a total of 245, of which 64 percent are women and minorities.
- ◆ Occupying the Minneapolis and Dallas offices and completing work on the Rosslyn, Virginia office with full occupancy expected soon.
- ◆ Achieving over 85 percent of the 60 projects in the OIG annual performance plan.
- ◆ Continuing to transition Inspector General work from Inspection Service to OIG.

**To meet hiring needs, OIG has recruited around the country at professional conferences and job fairs.**





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

In a word - independence. The Inspection Service is part of and reports to Postal management. The OIG is independent from Postal management and, by law, must report findings to management and eventually, the Governors and Congress.

- ◆ Interviewing 435 applicants, conducting reference checks and background investigations on 91 potential hires, and participating in 18 recruiting events.
- ◆ Establishing and staffing a Computer Intrusion team and an Electronic Commerce team.
- ◆ Training - increasing our knowledge of Postal Service programs and operations.
- ◆ Responsiveness - responding effectively and timely to the Governors, Congress, management, and employees.
- ◆ Financial Statement Audit Responsibility - clarifying OIG audit responsibility.
- ◆ Volume of Hotline and Congressional Requests - managing the high volume of requests.
- ◆ Hiring - recruiting additional highly skilled staff.
- ◆ Managing Infrastructure - developing state-of-the-art management information, communication, and reporting infrastructure while meeting our customers expectations.

---

## TOP MANAGEMENT ISSUES FACING THE POSTAL SERVICE:

In the last Semiannual Report to Congress, the OIG and its key Postal stakeholders identified the following significant issues facing Postal Service management:

### **Labor Management**

- Violence in the Workplace
- Workers' Compensation
- Labor Management Relations

### **Core Business**

- Service Delivery
- Financial Management
- System Automation
- Rate-making
- Electronic Commerce

### **Information Technology**

- Data Integrity
- Year 2000

We continue to focus on ongoing and planned work in these areas.

---

## CHALLENGES FACING THE OIG

Congress has asked the OIG community to continue to advise it through the Semiannual Reports to Congress on the significant management challenges facing the OIGs. Our primary challenges include:

- ◆ Systems Development and Access - obtaining prompt and complete access to all USPS computer systems.
- ◆ Communications - educating our stakeholders in our role and mandate.

While OIG has made improvements in many of these challenges, they are placing additional emphasis on addressing the continuing challenges of systems access and communications. The OIG also identified two new challenges that significantly impact them:

- ◆ Continuing to refine the designation of functions with the Inspection Service.
- ◆ Ensuring that OIG conducts, supervises and coordinates all audits of USPS programs and activities.

The following sections provide additional details on the combined accomplishments of the OIG and Inspection Service during this reporting period.



# Overview



## **What is the OIG Hotline Number and website address?**

The number to call for reporting fraud, waste, abuse or mismanagement is 1-888-USPS-OIG or 1-888-877-7644.

The website address is: <http://www.uspsoig.gov>

## OIG PROVIDES OPPORTUNITIES



**"Pioneering" is the word that comes to mind when (from left to right) Irene Uampornvanich, Cindy Jackson, Lina Isom and Allison Whitten describe their work since joining the OIG team. The OIG provided each with an opportunity to build upon their previous related federal experiences by becoming evaluators. Each is eager to begin "pioneering" new fields.**

### *What is the Office of Inspector General?*

On September 30, 1996, Congress established a separate, independent entity within the USPS: the Office of Inspector General (OIG). On January 6, 1997, Karla W. Corcoran was sworn in as the first independent USPS Inspector General, reporting directly to the Presidentially-appointed USPS Governors. Previously, the Chief Postal Inspector served as the Inspector General and reported directly to the Postmaster General.

### *What is the mission of this independent OIG?*

The mission of the OIG, as described in the Inspector General Act, is to perform audits and investigations that promote economy and efficiency in the programs and operations of the USPS. In addition, the OIG is responsible for detecting and preventing fraud, waste, abuse, and mismanagement within Postal programs. The 1996 law creating the independent Postal OIG provided that the OIG would have oversight of the Inspection Service. The OIG must ensure that the Congress, Governors, and Postal management are fully and currently informed about its activities and findings.

### *How was the OIG created?*

A transition team comprised of USPS personnel and detailees from other OIGs and federal agencies:

- ◆ executed a memorandum of understanding with the Inspection Service, which allowed the Inspection Service to continue to perform required Inspector General functions until the new OIG was staffed and capable of performing the functions;
- ◆ determined what functions should be the responsibility of each office consistent with the Inspector General Act and the Inspection Service mission;
- ◆ created an organizational structure consistent with the Inspector General Act and the USPS *CustomerPerfect!* voices to implement OIG functions; and
- ◆ developed a pay and benefits system as well as an initial staffing plan and prorated budget that allowed staff to be hired.

In March 1997, the Governors approved the designation of functions. Exhibit A, in the back of the report, describes both the functions as approved and the OIG's progress in (1) transitioning approved functions from the Inspection Service and (2) assuming the additional work.

The original transition plan provided that OIG would assume Inspector General functions over the 5-year period between Fiscal Year (FY) 1997 and FY 2001. As Exhibit A indicates, most functions are in the process of being transferred. At the end of FY 1998, the OIG had taken over approximately 70 percent of the audit work programmed in the transition plan. By the end of FY 1999, OIG should complete the transition of planned audit functions from the Inspection Service.

### *What is the vision of the OIG?*

The OIG's vision is:

A constellation of talented people making a difference through teamwork, service, and innovation.

### *How does an independent OIG make a difference?*

In an organization with over 800,000 employees, \$60 billion in revenue, and mail delivery to every address in the United States, an independent OIG makes a difference by:

- ◆ concentrating on continuous improvement in Postal Service programs and operations;
- ◆ identifying and recommending corrective actions;
- ◆ assisting management through early identification of potential problems;
- ◆ preventing and detecting fraud, waste, abuse, and mismanagement;
- ◆ providing an independent, objective fact-finder to resolve issues;
- ◆ overseeing all activities of the Postal Inspection Service; and
- ◆ encouraging increased communication between all sectors of the Postal Service and its customers.

To make a difference within the organization, OIG management and employees have

clearly established the mission, instilled the agency vision, and are living the values upon which the organization is built.

### What are the OIG's values?

Each employee is given feedback by supervisors, peers, subordinates, and team members on each value at least annually. These fundamental values are:

**Teamwork** - Working cooperatively and collaboratively with diverse talents to produce timely, relevant, and quality work products and services. Our ability to understand Postal Service operational activities as well as to become a leader in the OIG community requires teamwork. We have developed a matrix organization that requires all employees, regardless of their discipline, to work together. By using these teams, we have accomplished synergy that individual disciplines alone do not provide.

**Leadership** - Coaching, mentoring, and encouraging others to be the best they can be, while maintaining high standards of personal and professional integrity. We value leadership at all levels of the organization and believe that only by encouraging such growth will we be able to effectively use the full talents of our staff.

**Communication** - Openly, positively, and honestly exchanging information and ideas with consideration for the contributions and opinions of others. This is a key to our success both within and outside of the OIG. Communicating our concerns and issues to management, employees, and all other stakeholders is important to ensure we add value to Postal operations and activities.

**Creativity** - Using fresh perspectives and new ideas and approaches to creativity, we develop new processes and techniques within the audit, law enforcement, and OIG communities to find innovative ways to improve Postal operations.

**Conceptualization** - Recognizing issue complexity and implications, and developing viable solutions that consider the customers' perspectives and needs. The OIG strives to add value to the Postal Service in everything we do.

### How else is the OIG making a difference?

The OIG is making a difference by using cutting-edge technology, innovation, and the best practices of government and private industry to create a stellar organization. Some of our initiatives include:

- ◆ project teams that intermingle different disciplines, such as investigators, evaluators, statisticians, and attorneys to provide contrasting perspectives and diverse knowledge;
- ◆ an organizational structure that is aligned with the Postal Service's *CustomerPerfect!* voices to better respond to OIG's customer needs;
- ◆ technological solutions for responding to increasing demand for immediate information and responsive OIG audit and investigative services, such as OIG's internet website, and an electronic subpoena system for expedited processing of OIG subpoenas;
- ◆ proactive reviews to provide information and technical assistance to management before decisions are made;
- ◆ a 360 degree evaluation to allow employees to obtain feedback in a non-threatening manner from their peers, managers, subordinates, and team members on their performance and adherence to the OIG values; and
- ◆ an employee recognition system that emphasizes our value of "teamwork" and provides team recognition for completion of the OIG annual performance plan.

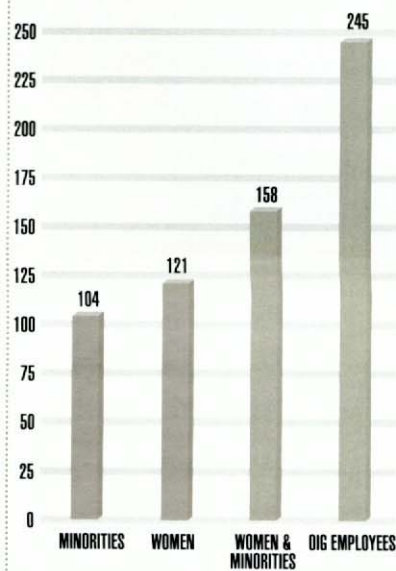
### Is OIG living the vision by creating employment and growth opportunities internally?

The OIG cultural philosophy demands that all people be treated fairly and be given the opportunity to develop their unique and diverse skills and abilities to their fullest potential. The OIG is committed to attracting and retaining a diverse and highly qualified workforce from government, private sector, USPS, colleges, and universities. Sixty-four percent of our staff are minorities and women.

OIG employees are also involved in interviewing applicants for employment.



### OIG DIVERSITY



**The Postal OIG Senior Management Team - (from left to right) Colleen McAntee, Norm Hancock, Billy Sauls, Karla Corcoran, Tom Coogan, Ronald Merryman, and Sylvia Owens.**



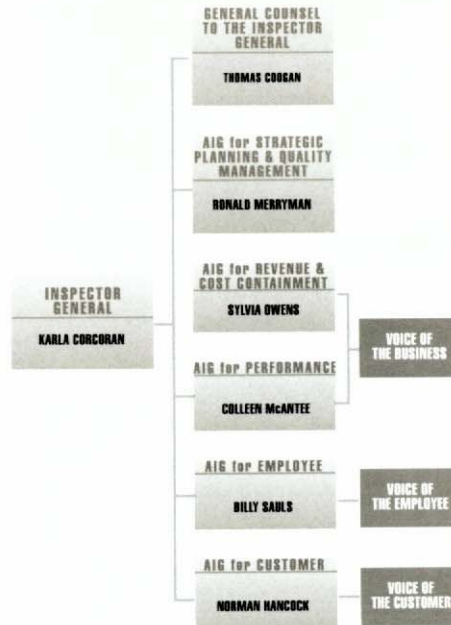
Many of the OIG staff have advanced degrees and are Certified Public Accountants, Certified Internal Auditors, or Certified Information Systems Auditors. In addition, the OIG is extremely proud of its efforts to provide all staff with meaningful opportunities for growth and career advancement. For example:

- ◆ the OIG encourages staff to compete for vacancies that will lead to advancement in the administrative, evaluator, and investigative areas.
- ◆ the OIG has provided career broadening opportunities, involving changes in jobs and promotions, for more than 30 people, including 24 women and 19 minorities.
- ◆ the OIG has encouraged staff to obtain job-related education and training to enhance their professional skills and promotion potential.

### *How is OIG organized to meet the CustomerPerfect! goals?*

*CustomerPerfect!* has three voices: Customer, Employee, and Business. The OIG is organized along those voices.

The Inspector General, Counsel, and the five Assistants Inspectors General (AIG) form the OIG Management Committee. The following depicts the areas under Counsel and each AIG.



## **COUNSEL**

**Legal Counsel Team** - provides legal advice to the Inspector General and OIG staff on criminal, civil, and administrative issues. The team researches legal issues, processes subpoenas, reviews legislation, handles Freedom of Information Act requests, provides ethics advice, and serves as liaison with USPS Law Department and Department of Justice legal staffs.

**Congressional and Public Relations Team** - provides interface between the OIG and Congressional staff and handles all media relations. The team also prepares testimony for Congressional Hearings, answers Congressional questions, and produces the Semiannual Report to Congress.

## **AIG FOR STRATEGIC PLANNING & QUALITY MANAGEMENT**

**Forensic & Technical Services Team** - provides technical support in such areas as surveillance, evidence recovery, and firearms. Maintains close liaison with technical experts in the law enforcement community.

**Quality Assurance/Internal Affairs Team** - conducts internal reviews of OIG operations and procedures to ensure that they are effective and appropriate, and provides advice on improving operations. Also, conducts reviews of allegations made against OIG employees.

**Strategic Planning Team** - anticipates and adapts to current and future changes in the Postal Service, OIG operations, and technology by identifying workload, providing research and statistical analysis, informing Postal employees and customers about the OIG mission, and ensuring that the vision of the OIG is embraced by the organization.

**Internal Quality Team** - instills continuous improvement processes and facilitates internal communications through orientation, team building, and mentoring.

**Electronic Commerce Team** - reviews the future of the Postal Service initiatives in this emerging field, including issues such as ".us" and PostOffice Online.

**Information Technology Team** - manages computer operations and telecommunications within the OIG, and operates the local and wide-area networks. Also, provides computer security, manages agency-wide information systems, and provides technical support to OIG staff.

## **AIG FOR PERFORMANCE**

**Financial Audit Team** - conducts audit work in support of the annual financial opinion and conducts other financial-related audits and investigations to identify areas for financial improvement.

**Developmental Team** - conducts audits, reviews and investigations of new or redesigned Postal Service systems, programs and operations that are under development.

**Accepting/Processing Team** - conducts audits, reviews, and investigations focusing on mail acceptance and collection operations, and mail processing and distribution processes.

**Transportation Team** - conducts audits, reviews, and investigations focusing on both inter- and intra-transportation and logistics operations, specifically addressing USPS fleet operations, and contracts for airline, highway, and rail services.

**Delivery/Support Team** - conducts audits, reviews, and investigations covering delivery service processes and operations, and enabling processes that support more than a single core business process.

---

## **AIG FOR REVENUE & COST CONTAINMENT**

**Revenue Protection Team** - investigates bribery, kickbacks, embezzlement, and other cases involving revenue losses and contract fraud, such as defective pricing, product substitution, and cost mischarging.

**Revenue Generation Team** - examines and evaluates the major sources of revenue from the marketing, advertising, stamp services, retail, and international mail business operations, as well as Postal rate cases.

**Facilities Program Team** - conducts audits, management reviews, and investigations of all aspects of facilities including repair, renovation, and new construction.

**Contract Audit Team** - assists Postal contracting by conducting audits and investigations of purchasing activities and operations.

**Health Care Fraud Team** - identifies and investigates medical providers that have falsely billed the Postal Service for work-related injury claims, and systemic issues involving the Worker's Compensation Program.

---

## **AIG FOR EMPLOYEE**

**Information Systems Review Team** - audits major automated Postal management and information systems to determine whether applications are properly established and systems are properly designed to provide accurate

data to management. Provides computer assisted audit techniques to support OIG staff.

**Labor Management Team** - audits and evaluates labor and employee relations issues within USPS to foster and maintain a healthy organizational climate for employees and to improve operational efficiency.

**Human Resources Team** - delivers full service human resources programs for the OIG in the areas of employee relations, pay and benefits, retirement, awards, performance management, counseling, diversity opportunities, and training.

**Administrative Resources Team** - provides OIG staff with facilities, procurement, financial, budget, and other services necessary to accomplish the OIG mission.

**Policy and Procedures Team** - coordinates internal policies and procedures and reviews and comments on all Postal policies and procedures.

---

## **AIG FOR CUSTOMER**

**Oversight Team** - conducts audits and evaluations of Inspection Service programs and operations. Investigates all alleged misconduct by executives of the Inspection Service as well as systemic issues involving Postal Inspectors.

**Hotline, Safety and Security Team** - operates the OIG Hotline to accept inquiries, and assists in resolution, where possible, of issues involving the Postal Service. Provides personnel security services to the OIG and assists OIG in assessing physical security processes within the Postal Service.

**Executive Investigations Team** - investigates allegations of criminal activities and serious misconduct involving USPS Postal Career Executive Service employees.

**Computer Intrusion Team** - detects and investigates "computer hacking" and other high technology crimes involving USPS computers and telecommunications systems. Assists in the identification of computer systems vulnerabilities so that appropriate counter-measures may be implemented by Postal management.

**Consulting Services Team** - assists Postal management by identifying "best practices" for

**OIG evaluators and Postal Inspectors visited the Postal Service's Air Hub in Indianapolis, Indiana.**



---

## **OIG PROVIDES OPPORTUNITIES**



**"Energizing" is how (from left to right) Frank Davenport, Gary Cherry and Barry Grzechowiak describe their work experiences since joining the OIG in 1997. Frank joined the OIG from Air Force Audit Agency, Gary came from the Small Business Administration OIG, and Barry from the Treasury OIG. All three were recently selected to become Criminal Investigators. Their new responsibilities are sure to be "energizing".**

**NASA Computer Intrusion unit  
assists Postal OIG in establishing its  
Computer Intrusion Team.**



improving the effectiveness of Postal operations. (Will be established in FY 2000.)

**Quick Response Team** - evaluates factual issues promptly when time is of the essence. (Will be established in FY 2000.)

*Has the OIG achieved its targets and performance goals?*

Yes. In February 1998, the Governors approved the OIG Annual Performance Plan which supports the OIG's 5-Year Strategic Plan. The OIG is proud of its staff efforts in achieving its goals, over 85 percent of the 60 projects in its performance plan.

*Other Notable Accomplishments:*

In addition to the projects discussed in the body of this report the OIG also achieved the following accomplishments in the last 6 months.

---

**VOICE OF THE CUSTOMER:**

- ◆ Testified before the House Committee on Government Reform and Oversight, Subcommittee on the Postal Service.
- ◆ Established working relationships with various federal law enforcement task forces investigating criminal activities affecting the Postal Service.
- ◆ Established and staffed a Computer Intrusion Team and an Electronic Commerce Team.
- ◆ Handled more than 8,500 complaints and inquiries made to the Hotline.
- ◆ Processed 18 Freedom of Information Act requests.

---

**VOICE OF THE EMPLOYEE:**

- ◆ Interviewed 435 applicants, and conducted reference checks and background investigations on 91 potential hires.
- ◆ Participated in 18 recruiting events at conferences, universities, and colleges.
- ◆ Met with all major USPS union and management association presidents.

---

**VOICE OF THE BUSINESS:**

- ◆ Transitioned financial statement Headquarters audit work to OIG and partnered with Inspection Service on the data center opinion work.
- ◆ Partnered with Inspection Service on several developmental audits.
- ◆ Completed the design, building, and furnishing that allowed us to move into permanent space in Minneapolis and Dallas.
- ◆ Obtained Governors' approval for the FY 1999 budget.

*What are the challenges facing the OIG?*

In the last Semiannual Report, the OIG reported the following eight major challenges:

- ◆ Systems Development and Access - obtaining prompt and complete access to all USPS computer systems.
- ◆ Communications - educating our stakeholders about our role and mandate.
- ◆ Training - increasing our knowledge of Postal Service programs and operations.
- ◆ Responsiveness - responding effectively and timely to the Governors, Congress, management, and employees.
- ◆ Financial Statement Audit Responsibility - clarifying our audit responsibility.
- ◆ Volume of Hotline and Congressional Requests - managing the high volume of inquiries and complaints.
- ◆ Hiring - recruiting additional highly skilled staff.
- ◆ Managing Infrastructure - developing state of the art management information, communication, and reporting infrastructure while meeting our customers' expectations.

*What is the status of these challenges?*

Improvement has been made in addressing many of the eight challenges previously reported.

**Systems Development** - the OIG has developed its own management information Status

Tracking and Reporting System, STARS, implemented in September 1998. In addition to STARS, the electronic subpoena system, which will expedite subpoena processing, has been completed.

**Systems Access** - the OIG has obtained systems access to all USPS financial systems.

**Communications** -The OIG has continued to increase Postal stakeholders' understanding and awareness of the OIG. As part of the OIG's outreach, OIG has:

- ◆ Conducted several fraud awareness briefings for various Postal audiences, including USPS facilities managers at the annual Architects and Engineers convention, and additional briefings at several Facilities Service Offices. Fraud awareness briefings will be given at additional offices and facilities conferences.
- ◆ Met with United States Attorneys and their staffs at various offices around the country. The purpose of these meetings has been to acquaint these individuals with the role of the OIG and to establish working relationships that are needed in civil and criminal cases the OIG will present for prosecution.
- ◆ Continued to reach out to the law enforcement community in an effort to educate OIG's colleagues on the OIG role in the Postal Service, to establish important relationships, to join investigative task forces, and to leverage limited resources by jointly working investigative cases in which allegations cross agency boundaries.
- ◆ Worked with Postal management to resolve issues.

For example, on one occasion, after doing initial work to confirm allegations by employees of harassment and mismanagement, OIG agreed that USPS management should conduct an organizational climate assessment of a post office. To develop a working relationship with USPS Headquarters human resources, and to ensure that employee concerns were addressed, OIG accompanied USPS management on the assessment, and reviewed and commented on the Postal report issued September 8, 1998. The report resulted in reassignments, and con-

tained recommendations that, if implemented, could improve the working environment within this post office. The OIG plans to follow up with management to assess the adequacy of the action plan and its implementation, and will conduct an independent review of an allegation of retaliation.

**Training** - The OIG continues to require every new OIG employee to participate in a week-long orientation session. This session provides a new employee with information about: Postal operations; OIG's culture, vision, and philosophy; the importance of teamwork; and interpersonal skills.

In addition, OIG employees are provided Postal-specific technical training, such as mail handling, as well as training in areas such as Baldrige Assessment and USPS contracts. Appropriate employees also receive discipline-specific training, such as firearms and defensive tactics training for investigators, Inspector General-specific auditing for evaluators and auditors, and continuing legal education for legal staff. In addition, to encourage understanding between disciplines, the OIG requires investigators to attend audit training and evaluators to attend investigative training.

**Responsiveness** - The OIG remains committed to providing timely and effective responses to the Governors, Congress, management, and employees. During this 6-month period, we have responded promptly to information and service requests, including:

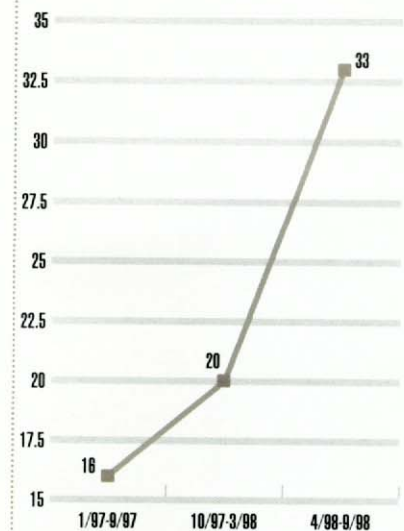
- ◆ Background investigations of Postmaster General candidates;
- ◆ Congressional requests to review the December 1997 workplace violence in the Milwaukee District; and
- ◆ Numerous investigative concerns involving USPS and Inspection Service operations throughout the country.
- ◆ Completed 33 Congressional inquiries.
- ◆ Steadily improved its responsiveness to Congressional requests (see chart)

**Financial Statement Audit Responsibility** - During this reporting period, the Governors have worked with the OIG to resolve this issue.

**OIG criminal Investigators, who have full law enforcement authority, undergo rigorous firearms training.**



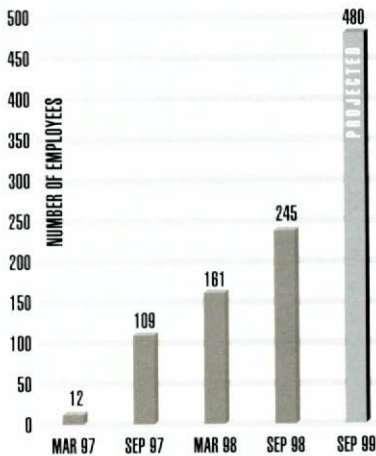
### COMPLETED CONGRESSIONAL INQUIRIES



**New conference room in Rosslyn, Virginia helps foster teamwork.**



**OIG STAFF ON-BOARD**



At the September Audit Committee meeting, the Governors discussed OIG's request to serve jointly with Finance as the contracting officer's representative on the contract with the public accounting firm. The Audit Committee agreed that OIG and Finance should share responsibilities.

The OIG is working with Finance to clarify specific areas of responsibility. When an agreement is reached, the proposal will be presented to the Audit Committee for consideration and referred to the Board of Governors.

**Hotline and Congressional Requests** - During this reporting period, the OIG continued to win the trust and confidence of employees, managers, and members of Congress who refer issues requiring independent and objective fact finding and analysis.

**Hiring** - The OIG hired an additional 84 highly qualified and experienced staff. To assure that these individuals meet high ethical and professional standards, each individual must possess either a security clearance or undergo a background investigation to obtain the clearance. The OIG has participated in numerous conferences sponsored by under-represented groups to further OIG's efforts to hire a diverse workforce.

**Managing Infrastructure** - The OIG infrastructure has continued to develop. Facilities in Minneapolis and Dallas were completed and occupied. Tremendous strides have been made in completing the Headquarters office in Rosslyn, Virginia, with full occupancy anticipated in 1999. The OIG has continued to meet its goal to fully equip all staff with state-of-the-art equipment, including communications, law enforcement, and professional tools.

*Are there areas of continuing challenges?*

There are two continuing challenges:

**Systems Access** - Access to systems and Postal data in areas other than financial continues to be a challenge on occasion. OIG employees continue to explain to Postal employees their need to have timely and unrestricted access to all information from Postal operations, regardless of its sensitivity. Occasionally, OIG staff

are met with impediments to prompt and direct access. For example, in the OIG's review of a major Postal Service contract, the contracting officer was reluctant to provide OIG with this information without OIG staff signing a non-disclosure agreement.

**Communications** - The OIG is developing a marketing and outreach program to educate over 800,000 employees as to its roles and responsibilities. Many Postal employees are still uncertain about OIG's role within the Postal Service. The OIG is continuing to emphasize that OIG, although not part of management, is part of the Postal Service. We attend all Board of Governor Audit Committee Meetings and are regularly briefing Postal officials and Congressional staff to keep them informed about our results and activities.

*Has OIG identified any additional challenges?*

Since March 1998, the OIG has identified two additional challenges. These are:

**Designation of Functions** - Continuing to refine roles and responsibilities with the Inspection Service. As the OIG matures and learns more about Postal operations, OIG has identified additional areas requiring clarification between the Inspection Service and OIG, as well as areas where the OIG and Inspection Service need to further educate management and their employees on implementation of the designation of functions.

**USPS Audit Work** - Ensuring OIG has responsibility for all audits of USPS programs and activities. Postal managers may contract for non-financial statement audit and audit-related services without OIG involvement. The OIG believes this is OIG's responsibility under the Inspector General Act. In 1983, the Department of Justice advised that an Inspector General has primary responsibility for agency audits, stating the term "audit" includes a wide range of activities. The Department of Justice further advised management exercise "extreme caution" when assigning audit responsibilities to an official other than the Inspector General. It is important that OIG maintain control over all audit work within the USPS to assure that independently recommended corrective



actions are properly implemented, tracked, and reported.

### *What are the challenges facing USPS management?*

USPS management, unions, employee/management associations, and other key stakeholders helped the OIG identify 10 challenges in January 1998. The OIG has performed reviews in many of these areas and planned reviews in others. Based on the data currently available, OIG believes these issues continue to be USPS major challenges.

## **LABOR MANAGEMENT**

### **Violence in the Workplace:**

The USPS has identified the prevention of violence in the workplace as a critical corporate strategy. In support of this, management has launched four new initiatives to identify and reduce workplace violence:

- ◆ National Security Committee - A review of national security from a physical perspective, chaired by the Postal Inspection Service;
- ◆ The Califano Commission - An external review of Postal culture with recommendations for improvement;
- ◆ Crisis Management Systems & Process Team - An internal review of systems and processes intended to reduce risk of workplace violence;
- ◆ Headquarters Threat Assessment Team - A process to identify and track sites with significant turmoil and climate problems.

These activities will be coordinated by the newly created National Workplace Environment Improvement Office which will lead the focus on the "people" issues envisioned by the Postmaster General.

In support of these initiatives, OIG staff has monitored and participated, where appropriate, in all violence in the workplace task forces. As a result of work with the Headquarters Threat Assessment Team, OIG was able to propose improvements in the criteria used to identify Postal locations, which needed atten-

tion to address conditions that could lead to violence. In addition, OIG reviewed the Threat Assessment Team activities in response to the December 1997 shooting that occurred at a Milwaukee District facility. The USPS agreed with all OIG recommendations to improve the district's response to any future threats. A special focus for the OIG during the immediate future will be the operation of the Threat Assessment Teams at other district locations, and their roles in reducing tensions within work units.

### **Workers' Compensation:**

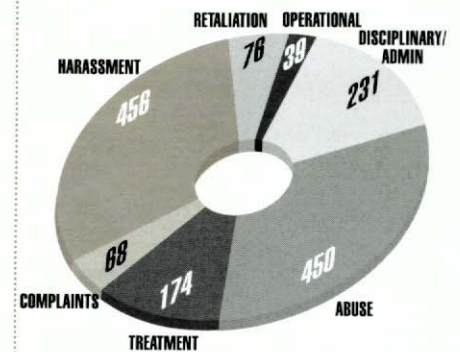
The USPS has workers' compensation future liability costs exceeding \$5.1 billion. As part of efforts to address workers' compensation issues facing the Postal Service, the OIG reviewed the USPS Pacific Area's efforts to manage workers' compensation costs. Based on this review, the OIG plans to expand the review nationally. The focus of the OIG reviews will be to provide management with systemic information to help reduce the incidence of job-related injuries, ensuring the integrity of the entire process. In addition, the OIG will perform health care provider fraud investigations and reviews. The Inspection Service will continue to concentrate on investigating fraudulent individual claims for compensation.

### **Labor Management Relations:**

Postmaster General Henderson has identified labor management relations as one of the most critical issues facing the Postal Service today. In addition, the Postal Service is currently involved in labor negotiations with Postal unions that will affect Postal operations into the next millennium. As the nation's largest civilian employer, with over 800,000 employees, Postal management is committed to improving the organization's labor management climate. The Postal Service is faced with the challenge of reducing the backlog of 112,000 grievances currently pending arbitration.

To support management's efforts, the OIG performed a review of the grievance-arbitration process in partnership with the Inspection Service. To date, this review identified several opportunities for improvement, including enhancing supervisor knowledge of union contracts, and the need to develop and distribute national contract guidance to supervisors. Fur-

**LABOR RELATIONS COMPLAINTS BY CATEGORY FOR FY 1997-1998**



ther, in a continued commitment to help USPS understand and address this and many other challenges in labor relations, the OIG 1999 workplan includes an assessment of USPS initiatives to improve the agency's organizational climate as well as a number of systemic reviews looking at the USPS implementation of other employee programs.

In addition, OIG is evaluating numerous individual allegations of abusive management including harassment, discrimination, sexual harassment, and verbal and physical abuse by managers within the Postal Service. These reviews will help familiarize OIG employees with Postal operations and the types of complaints.

---

## **CORE BUSINESS**

### ***Service Delivery:***

The OIG and Inspection Service addressed core business issues in audits of the External First Class Measurement System, Bulk Mail Volume Measurement, and Total Factor Productivity. The OIG will continue to provide independent assessments in areas such as consistent and accurate service, ease of use, and access to service. In addition, the OIG will assist USPS by providing independent validation and evaluation of customer surveys and focus groups. The Inspection Service will continue to focus on areas such as local and area service audits and mail service disruptions, security and integrity of mail in transit, risk analyses of conditions inside and outside Postal facilities, deterring mail theft, and burglary counter-measures.

### ***Financial Management:***

The USPS is developing a variety of new initiatives to expand products that have growth potential and to defend products and services threatened by competition. The OIG reviews new USPS initiatives and cost management efforts by providing independent financial analyses to validate the integrity of the data used in projections and decision-making processes. For example, OIG performed reviews of Marketing's New Product Development Process and International Business Unit's Revenue Growth Projections. In addition, OIG

will examine the adequacy of internal controls relating to financial systems and will review revenue generation initiatives such as the recently completed reviews of the Breast Cancer Awareness Stamp and Celebrate the Century Stamp Program. The Inspection Service will prepare and issue individual financial audit reports of installations and district accounting offices. OIG also has initiated an audit to evaluate the Postal Service's cash management practices.

### ***System Automation:***

Management states that upgrading facilities and automating processes with new technology are key ingredients to the Postal Service's success in cost management. The OIG and Inspection Service reviewed automation efforts such as Tray Management System and Robotic Tray Handling System. The OIG will continue to review proposals to automate systems to ensure that the projected cost savings are sound and management proposals are based on proven technology.

### ***Rate-making:***

In a competitive market, the Postal Service wants a process for changing prices, products, and service features that is timely and protects the interests of the public. The Postal Service believes its capability to respond quickly to competitive influences is crucial to its ability to operate in a break-even manner. The one-cent First-Class rate increase takes effect on January 10, 1999. The OIG reviewed information supporting the rate increase to gain an awareness of the rate process. As the Postal Service develops future rate case proposals, OIG will continue to monitor these cases and review data accuracy and documentation for planned rate changes. At the request of Congress and the Governors, the OIG is evaluating whether international Postal products and services are subsidized by domestic Postal products and services.

### ***Electronic Commerce:***

The USPS faces potential loss of revenue due to increased use of e-mail and electronic financial transactions instead of First-Class mail. As more customers move to electronic commerce, the loss of Postal Service revenues could be substantial. The OIG will review the safety and security of electronic commerce transactions. The OIG plans to perform reviews in

areas such as: Information Based Indicia Program, PostOffice Online, Post Electronic Courier Service, Electronic PostMark, Business Customer Service System and Customer Service Terminal.

## INFORMATION TECHNOLOGY

### Data Integrity:

The key to the success of the USPS decision-making process is the integrity of the data being collected, analyzed and reported. Decision-making has substantial financial and labor management implications and must be based upon sound, reliable data. Therefore, as part of the OIG ongoing independent coverage, we will assess the reliability and integrity of computer-processed data. Planned coverage includes the review of internal controls to help ensure accurate data input and the review of security to help ensure data remains accurate.

### Year 2000:

The USPS has identified 600 system applications with Year 2000 issues. Of the 600 systems applications identified, 153 are severe or critical to the Postal Service mission. The USPS expects to remediate all of the severe and critical applications well in advance of the year 2000. In addition, the USPS has identified approximately 2,000 infrastructure items with Year 2000 implications and has developed a vigorous remediation plan. The OIG will continue to support the USPS Year 2000 initiative to help ensure an effective transition into the next millennium.

### How has OIG made a difference in Postal operations?

The OIG is making a difference. Just as USPS struggles to find the appropriate measures to show that they have met their *CustomerPerfect!* goals, the OIG struggles to find meaningful measures to show they have added value to the USPS and its customers. In many ways the subjective data better shows how the OIG has made a difference. For example:

- ◆ The Deputy Postmaster General informed all officers that retaliation against an employee was not allowed for

reporting an allegation of wrongdoing to the OIG.

- ◆ The OIG assisted in identifying a Postal employee whose retirement contribution was credited to the wrong account for 29 years.
- ◆ Internally, OIG appreciates the diversity of our collective talents and life experiences, by utilizing a unique organizational structure with a decided cultural difference.
- ◆ The OIG clarified its authorities and responsibilities in the Postal Administrative Support Manual, provided to all 38,000 post offices in July 1998.

These examples are but a small measure of how the OIG is making a difference.

## POSTAL INSPECTION SERVICE

For more than two centuries, the role of the Postal Inspection Service has been to preserve the public's trust in Postal Services and products. Today, over 200 statutes related to crime against the U.S. Mail, the USPS, and Postal employees and customers are enforced by the Postal Inspection Service. The mission of the Postal Inspection Service has been refined over the years by Congress, statutes related to the U.S. Mail, creation of a separate OIG, and by the needs and requirements of the USPS and its customers.

The Postal Inspection Service meets its wide-ranging responsibilities through a nationwide complement of 4,500 employees, which includes approximately 2,166 Postal Inspectors, 1,400 uniformed Postal Police Officers, and 900 professional support associates.

Through its criminal investigations and audits, the Postal Inspection Service provides a vital service to the American public, as well as a substantial return on the investment made by the Postal Service.

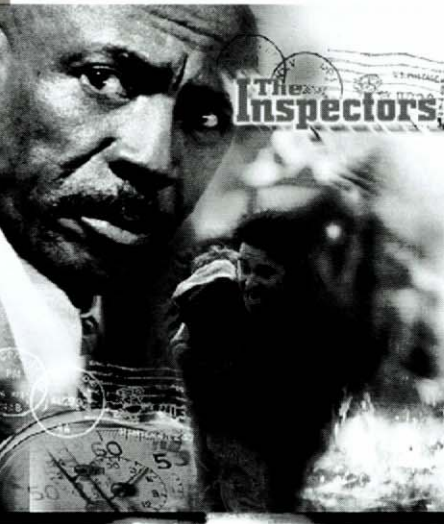
During this reporting period, the Inspection Service had the distinct honor to be chosen for a series of movies, based on cases from its files. The first movie premiered September 1998 and was called "The Inspectors". The

### OIG PROVIDES OPPORTUNITIES



**"Adventurous" is how (from left to right) Patricia Wood, Nancy Lynham, Denise Williams Sharon Calloway, and Stacey Findley describe their work since joining the OIG team. The OIG provided each person with an opportunity to grow in their careers by moving into new challenging positions, including investigative support, information technology and administrative resources. Their new positions will be challenging and "adventurous".**

**Louis Gossett, Jr., stars in a new series called "The Inspectors", based on Inspection Service cases.**



**Postal Police Officers, who are the uniformed branch of the U.S. Postal Inspection Service, provide security at postal facilities where risk, vulnerability and history has demonstrated a need for their presence.**



Inspection Service graduated its first class of new inspectors in two years, reflecting that it had reached its targeted levels of Postal Inspectors after the creation of a new, independent, and separate OIG. In addition, the Inspection Service entered into Memoranda of Understanding with the Secret Service, the Federal Bureau of Investigation, and the Department of Justice that delegated the Inspection Service the authority, under Title 18 of the U.S. Code, to investigate crimes involving USPS electronic mail ventures.

### **ORGANIZATION OF THE POSTAL INSPECTION SERVICE**

The Chief Postal Inspector, appointed by the Postmaster General in consultation with the USPS Board of Governors, reports to the Postmaster General. The National Headquarters office of the Postal Inspection Service is organized into functional groups that report to Deputy Chief Inspectors for Business Investigations, Criminal Investigations, Professional Standards and Resource Development, and Administrative Support. The Postal Inspection Service includes 23 field divisions, which report directly to two Deputy Chief Inspectors for Field Operations.

Field offices are supported by five Operations Support Groups. Postal Inspection Service Forensic Laboratories at five strategic sites that support field office investigations with state-of-the-art technology. Postal Inspection Service offices are linked nationally via electronic systems with on-line connections to the National Law Enforcement Telecommunications System and the National Crime Information Center.

Postal Inspectors throughout the United States conduct criminal investigations, perform audits, serve warrants and subpoenas, make arrests for Postal offenses, and present evidence to prosecutors for criminal and civil action. Day and night, Postal Inspectors respond to emergencies involving Postal crimes, natural disasters, or other problems affecting the USPS.

Uniformed Postal Police Officers provide security around the clock at Postal facilities where risk, vulnerability, and history demonstrate the need for their presence. Postal Police Officers at facility control centers monitor robbery and burglar alarms to provide protection for Postal employees, property, and assets. Postal Police Officers also escort high-value shipments, such as registered mail and Postal remittances.

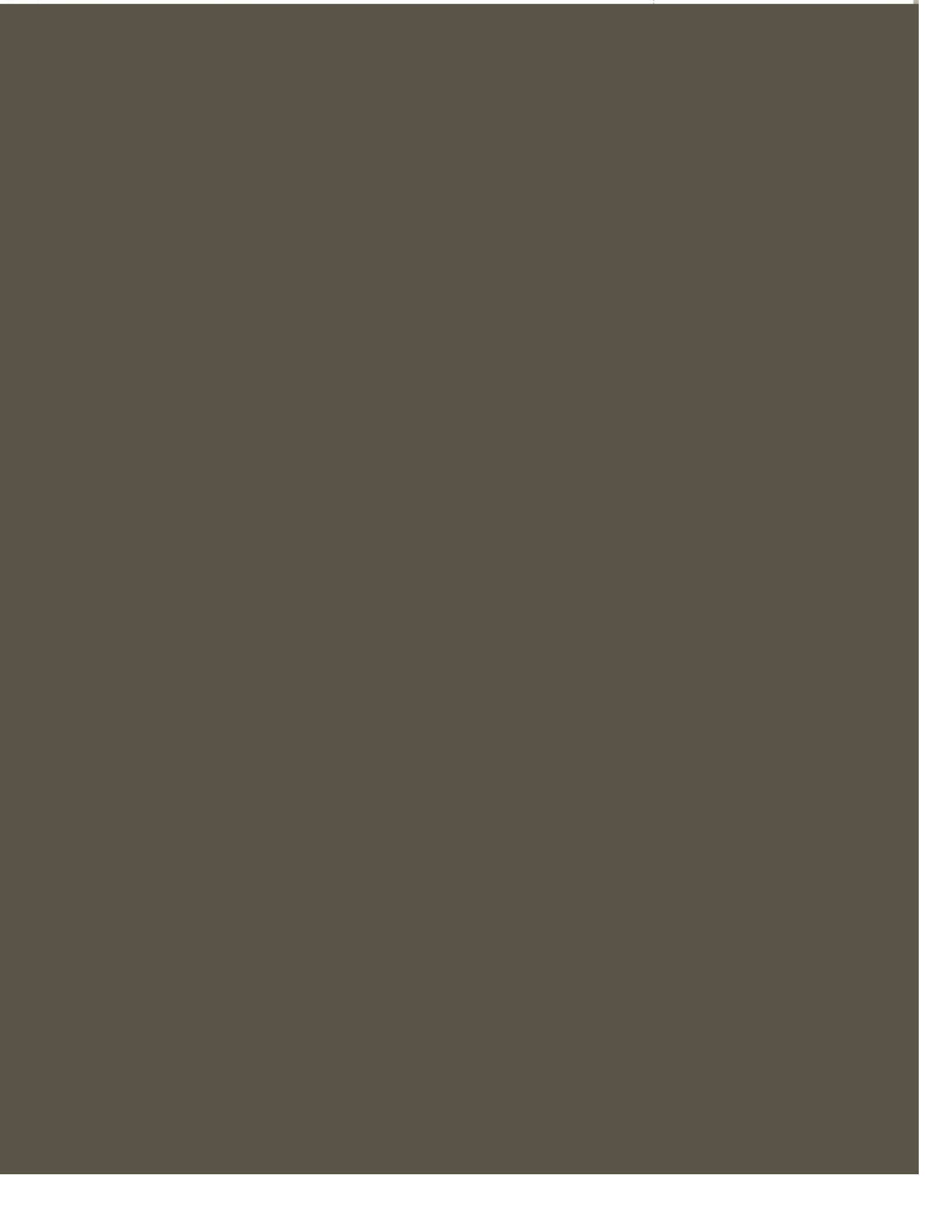
Postal Inspection Service professional, technical employees, including forensic specialists, technical financial analysts, and others, play a vital role in supporting the audit, criminal investigations, and security functions of the Postal Inspection Service. They perform a variety of tasks including:

Postal Inspection Service professional, technical employees, including forensic specialists, technical financial analysts, and others, play a vital role in supporting the audit, criminal investigations, and security functions of the Postal Inspection Service. They perform a variety of tasks including:

- ◆ Developing and maintaining management systems.
- ◆ Providing forensic examinations of evidence.
- ◆ Developing, procuring, and deploying electronic security and surveillance equipment.
- ◆ Publishing policy, reports, manuals, handbooks, and consumer publications.
- ◆ Providing photography, video, and graphics support.
- ◆ Providing direct contact with Congress and the public.
- ◆ Supplying administrative support.

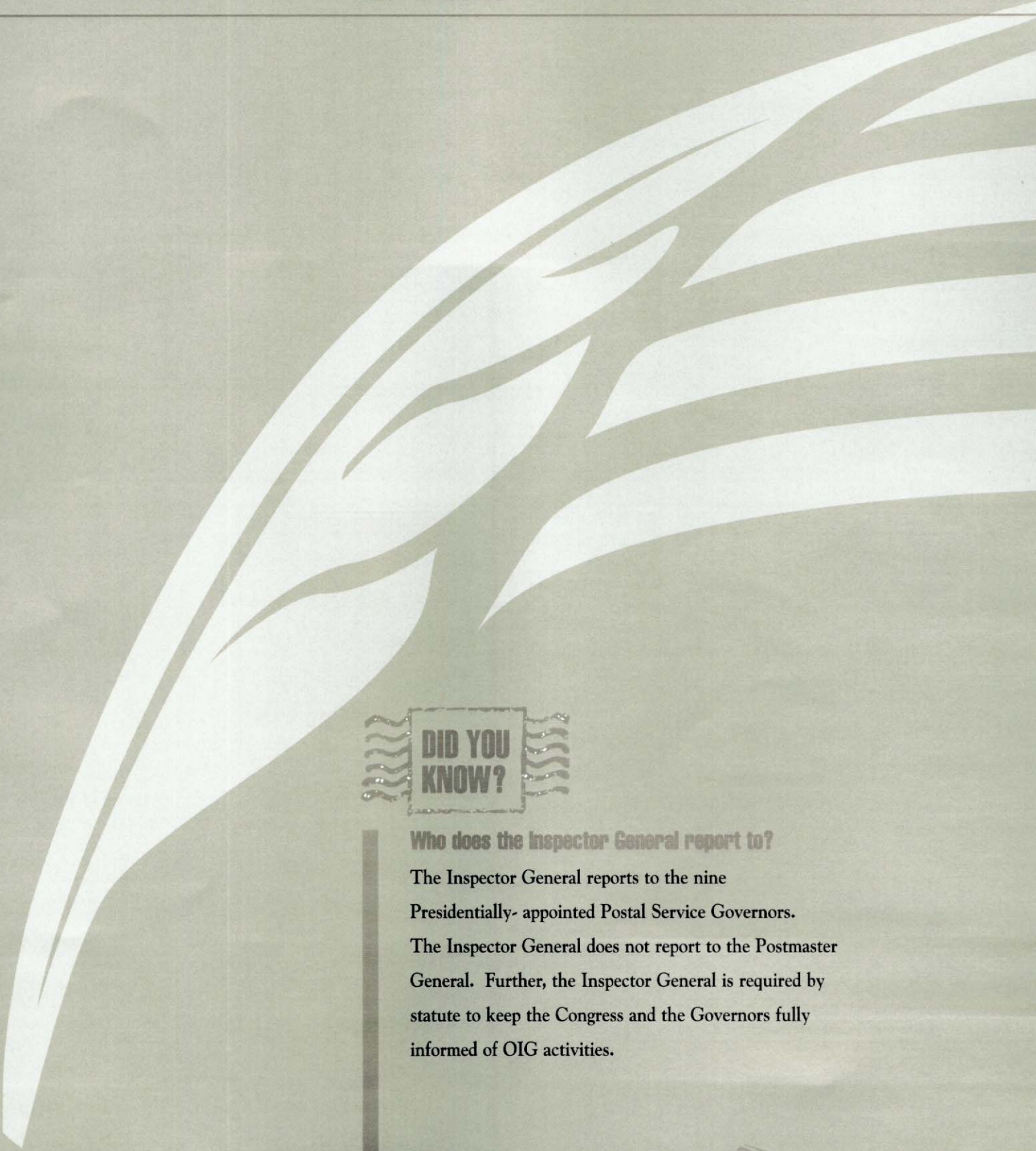
Postal Inspectors nationwide work cooperatively with the Department of Justice and other federal, state, and local law enforcement agencies on joint efforts. Postal Inspection Service expertise is recognized internationally: Inspectors are assigned to the U.S. National Central Bureau of Interpol in Washington, D.C., and to Interpol Headquarters at Lyon, France. The Chief Postal Inspector chairs the Postal Security Action Group of the Universal Postal Union. The Postal Security Action Group has established these priorities:

- ◆ Prevent customer injuries resulting from dangerous goods in the mail.
- ◆ Prevent the loss or theft of mail entrusted to world Postal administrations by customers.
- ◆ Prevent revenue and asset losses of world Postal administrations.
- ◆ Preserve customers' confidence in the mail.





# Goals



**DID YOU  
KNOW?**

**Who does the Inspector General report to?**

The Inspector General reports to the nine  
Presidentially- appointed Postal Service Governors.

The Inspector General does not report to the Postmaster  
General. Further, the Inspector General is required by  
statute to keep the Congress and the Governors fully  
informed of OIG activities.

## STRATEGIC PLANS

The OIG and the Inspection Service Strategic Plans, FY 1998-2002, parallel the USPS Strategic Plan by providing a structure to support efforts to address the needs of the Voices of the Customer, Employee, and Business. USPS, OIG, and Inspection Service goal statements are summarized in the chart below.

GOAL CATEGORY	USPS GOAL STATEMENT	OIG EXTERNAL GOAL STATEMENT	OIG INTERNAL GOAL STATEMENT	INSPECTION SERVICE GOAL STATEMENT
<b>VOICE OF THE CUSTOMER</b>	Improve customer satisfaction by offering superior customer value in each market and customer segment that we target.	Improve customer satisfaction by assessing USPS performance in providing customer value and meeting public service responsibilities.	Improve OIG customer satisfaction by providing timely, value-added services to the Governors, Postal management, Congress, employees, and customers.	Increase customer confidence in the use of the mail. Improve Postal Service performance.
<b>VOICE OF THE EMPLOYEE</b>	Improve employee and organizational effectiveness by having the right people in the right place with the right tools at the right time to consistently provide superior customer value and ensure commercial viability in a dynamic market.	Improve employee and organizational effectiveness by assessing USPS performance in having the right people in the right place with the right tools at the right time in a quality workplace environment.	Improve OIG employee and organizational effectiveness by building an organization that encourages, rewards, and fosters dedication, teamwork, excellence, and productivity.	Ensure employee safety. Enhance the Inspection Service workplace environment to improve organizational performance.
<b>VOICE OF THE BUSINESS</b>	Improve financial performance to assure commercial viability as a service provider for the worldwide movement of messages, merchandise, and money.	Improve USPS financial self-sufficiency by assessing its business strategies and performance.	Improve OIG performance by adopting the most efficient, effective, and innovative business practices.	Prevent loss of revenue and assets. Reduce costs. Improve Inspection Service technological capabilities.



# Voice of the Customer

---

**USPS, OIG and Inspection Service  
efforts are designed to:**

- ◆ Provide customer value;
- ◆ Meet the public's expectations; and
- ◆ Increase customer confidence in the use of the mail.

Significant activities during this reporting period included the following:

---

## OIG REVIEWS

---

### USPS GOVERNORS REQUEST DRUG-FREE WORKPLACE REVIEW

In response to a request from the USPS Governors, OIG conducted a review of the USPS management's efforts to eliminate drugs in the workplace, including the Inspection Service's investigations concerning use and sale of drugs on Postal premises.

The OIG found that the USPS has a strong policy statement on illicit use of drugs in the workplace, but the ability to identify the extent of drug use is limited. Management does not generally obtain or maintain data that would indicate the extent of drug-related problems. The USPS has a variety of programs designed to ensure a drug-free workplace, and management agreed with six of seven recommendations to strengthen them.

Management did not agree with OIG's recommendation to establish definitive guidelines for violations of a drug-free workplace policy, citing significant legal concerns. Management indicated that in determining an appropriate penalty for violations of USPS policies, collective bargaining agreements require management to meet standards of "just cause." Additionally, deciding officials must consider appropriate factors where a Merit System Protection Board appeal is possible. The OIG stated in response to management's comments that clearly articulated guidance with enforceable actions for violators enhances management's ability to evaluate the violations on a case-by-case basis. Further, OIG believed that establishing definitive guidance will help prevent inconsistencies in disciplinary actions that could raise legal concerns regarding unequal treatment.

The OIG also concluded that investigative efforts relating to use and sale of drugs on USPS premises have declined significantly since 1992. Management agreed with recommendations to establish the appropriate level of investigative effort required to deter the use and sale of drugs on USPS premises, and to revise the drug-free

workplace policy to reflect active pursuit of internal drug investigations by the Inspection Service. (Drug-Free Workplace Program, June 2, 1998)

---

### SUGGESTIONS OFFERED TO IMPROVE CRIME LABORATORIES' ACCREDITATION

A review of the Inspection Service's crime laboratories' accreditation process identified opportunities for improving the process of preparing for accreditation. The Forensic Division had developed a well thought-out action plan for accreditation, but had not determined whether accreditation would be pursued for all laboratories collectively, individually, or in another manner. Also, requests from other federal agencies for the services of laboratory personnel have increased their workload, which could impede progress toward accreditation. The laboratories are behind schedule on certain labor-intensive accreditation tasks and have not established due dates for all tasks. These issues may prevent them from meeting the May 1999 target completion date. Finally, management needs to ensure implementation of its *Quality Manual's* policies and procedures.

Management agreed with OIG's suggestions for improving the accreditation process. (Crime Laboratories Accreditation Process, September 30, 1998)

---

### CONFIDENTIAL INFORMANT/CONTROLLED SUBSTANCE FUNDS PROGRAM ADEQUATELY MANAGED

The USPS, through its criminal investigations programs, strives to keep the mail safe from theft, protect Postal employees and USPS assets, and perform other services. The Confidential Informant/Controlled Substance Funds Program is one method used by the Inspection Service to achieve these ends. The OIG conducted an audit to ascertain if an adequate system of controls exists to protect confidential funds and to ensure the funds were used in accordance with the objectives of the program.

The audit disclosed that management had procedures to govern the use of the funds and an adequate system of controls existed over the

funds. Because the funds were spent in accordance with management's objectives, no recommendations were made. (Confidential Informant/Controlled Substance Funds Program, August 14, 1998)

---

### **BUSINESS PUBLICATIONS COMPANY ALLEGATIONS NOT SUBSTANTIATED**

In response to a business publications company's allegations, OIG initiated a review to determine if the Inspection Service had improperly investigated the company.

The OIG found no corroboration of the company's complaint of retaliation nor any other improper motive behind the Inspection Service's decision to investigate and initiate proceedings against the company. Further, the review did not substantiate the company's claim that the Law Department failed to exercise control or judgment by deciding to pursue the administrative and civil actions. (Progressive Business Publications, September 30, 1998)

---

### **SUGGESTIONS FOR IMPROVEMENT MADE FOR INSPECTION SERVICE SYSTEMS REVIEW TRACKING NETWORK**

The Inspection Service uses the Service Systems Review Tracking Network to track findings presented in Inspection Service audit and investigative reports. This automated database is a source for statistical reports used by Inspection Service. The OIG reviewed the tracking network to determine the reliability of the data maintained in this database.

The review disclosed that data contained in the tracking network was sometimes not complete and dates did not always agree with the audit or investigative reports. Also, findings were reflected in the system as closed although all recommendations had not been fully implemented. Management agreed with OIG suggestions that the data contained in the tracking network be compared to audit and investigative reports to prevent and detect errors and that Inspection Service policies be modified. (United States Postal Inspection Service Systems Review Tracking Network, September 30, 1998)

---

### **ALLEGATIONS OF IMPROPER CONTRACT RELATIONSHIP AND WHISTLEBLOWER RETALIATION**

The OIG reviewed an employee's allegations that an improper relationship existed between a former Facilities Service Office real estate specialist and a contractor. Specifically, the employee alleged:

- ◆ USPS paid too much money to settle contractor claims; and
- ◆ He was retaliated against for being a whistleblower reporting alleged irregularities.

The OIG review found no irregularities with the settlement agreement and found no evidence to suggest that the contractor had filed a false claim. The OIG review indicated that the Postal Inspection Service's original investigation of the employee's allegations were handled properly. Based on the OIG review of this matter, a separate investigation was initiated that will address the activities of the former real estate specialist.

The OIG review also found no evidence of any retaliation against the employee by any USPS manager for reporting suspected fraud to the Postal Inspection Service or to Members of Congress. (CACR 98001, August 12, 1998)

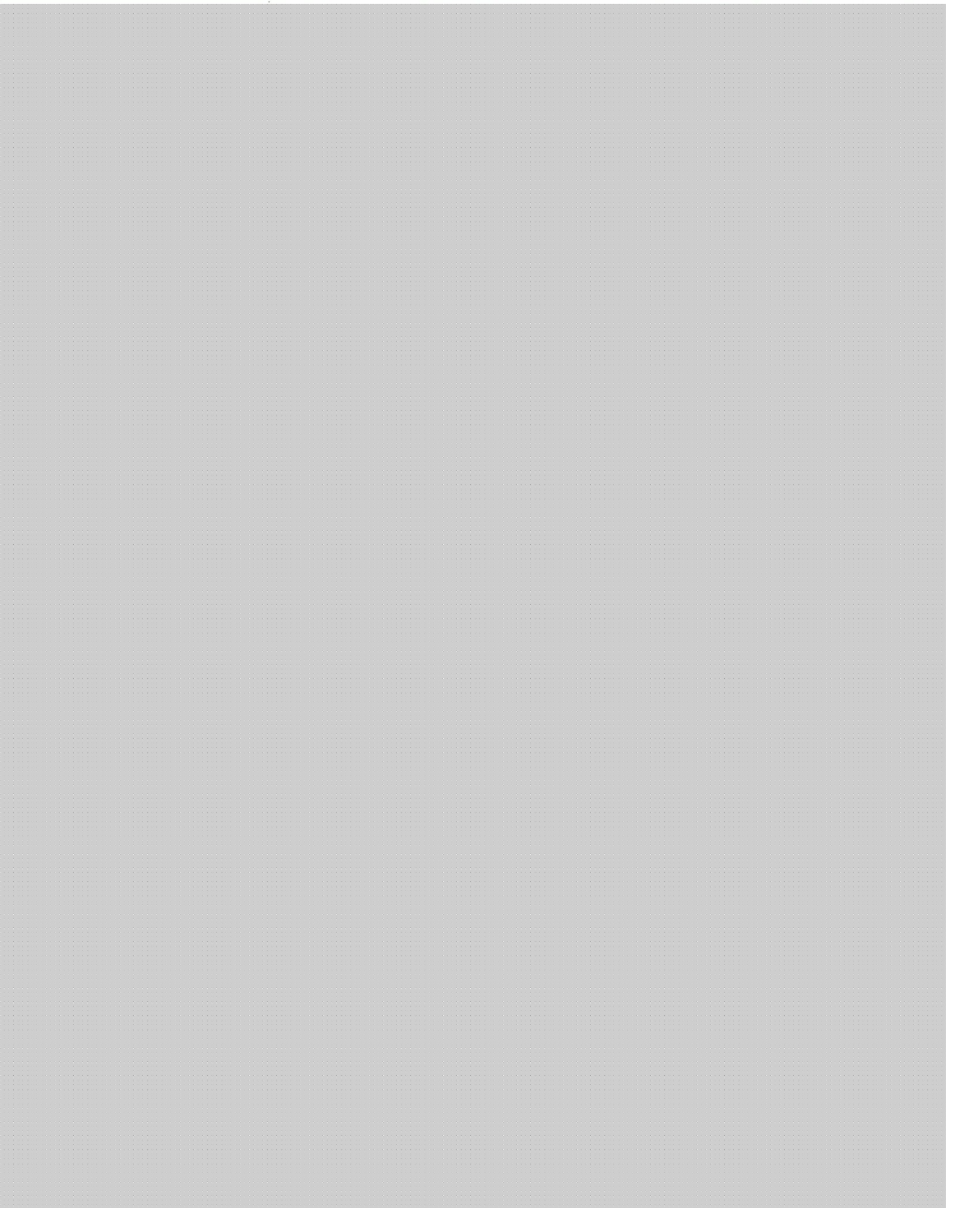
---

### **DENIAL OF REQUESTS FOR INFORMATION**

The OIG reviewed a customer's allegation that Postal employees in North Carolina improperly denied a valid request for information made by a licensed private investigator. Additionally, the customer also expressed dissatisfaction with the quality of service provided by the Postal Inspection Service.

The OIG review disclosed that the customer's request initially was not honored because of the clerk's misinterpretation of Postal rules. The request was honored after the local Postmaster reviewed the rules.

In reviewing the customer's complaint about dissatisfaction with the Postal Inspection Service, the OIG found that the customer subsequently told the agency to forget the matter and therefore the Inspection Service had nothing to review.



eradicating child sexual abuse and exploitation. Postal Inspectors are active members of the Attorney General's Federal Agency Task Force on Missing and Exploited Children and work in close cooperation with the National Center for Missing and Exploited Children.

Internationally, Postal Inspectors are active members of the Attorney General's Working Group to the World Congress Against the Commercial Sexual Exploitation of Children. The group was created following the First World Congress, when over 1,000 delegates from more than 120 countries convened in Stockholm, Sweden, in July 1996. The Postal Inspection Service has also been an important member of Interpol's Standing Working Party on Crimes Against Minors since the group's founding in 1991. As part of the delegation representing the United States, Postal Inspectors regularly make presentations and provide training to delegates from other countries on subjects related to child sexual victimization. The Postal Inspection Service chairs the Postal Security Action Group of the Universal Postal Union, and in that role is leading the effort to rid the world's mail of child pornography. A significant amount of child pornography is mailed to addresses in the United States from other countries.

As the result of investigations by Postal Inspectors, 153 convictions were obtained during Fiscal Year 1998 for child pornography offenses involving the mail. Also, during this fiscal year, Postal Inspectors identified and stopped at least 69 child molesters, and at least 64 children were rescued from sexual abuse as a result of Inspection Service investigations of child pornography.

A task force of New York Postal Inspectors, U.S. Customs Service agents, and Federal Bureau of Investigation agents executed multiple search warrants in June on properties controlled by a suspected child pornographer. The searches produced 52 videocassette recorders, 4 televisions, a computer system, hundreds of videotapes, thousands of mailing labels, customer lists and records pertaining to the purchase, importation and distribution of child and adult pornography, as well as obscene material. Postal Inspectors had previously arrested the suspect in 1989 and 1994.

After Postal Inspectors arrested a Memphis, TN, man, he was convicted of numerous violations related to child exploitation and pornography involving the mail and sentenced to 4 years in prison and 3 years probation, and ordered to pay a \$10,000 fine. Detroit Postal Inspectors arrested a former minister on an indictment charging him with multiple child pornography-related offenses. Boston Postal Inspectors arrested a Salem, MA, man on federal child pornography charges. The man was charged with the sexual assault of several minor males in the Salem area. An investigation by Houston Postal Inspectors of a registered sex offender led to a 6 year sentence in state prison. Federal prosecution is pending.

South Carolina officials asked the Postal Inspection Service for assistance in the pending trial of a twice-convicted child molester accused of molesting an 11 year-old boy. There was little corroborative testimony until an Inspection Service computer analyst delivered critical evidence found on the suspect's computer. The work of the analyst resulted in a guilty plea the morning of the trial. The molester was immediately sentenced to 30 years in prison.

Postal Inspectors arrested a man who was a former teacher and youth coach from Seattle, WA, after finding he had used the mail to lure as many as 17 boys from the Czech Republic for the purpose of criminal sexual activity. The man was sentenced to 3 years and 10 months in prison and 3 years probation.

Postal Inspectors arrested a former New Orleans police officer, who headed the New Orleans Child Abuse Unit, for receiving child pornography in the mail. The individual was previously arrested by Postal Inspectors in 1987 while he was employed with the police department, at which time he was convicted and served 5 1/2 years of a 10-year sentence for mailing child pornography. Following the most recent arrest, Inspectors identified four children whom he molested, and it is expected that more victims will be identified.

The city manager of Camilla, GA, and his wife were charged with 37 separate state counts after Postal Inspectors found evidence of sexual abuse and exploitation of their two minor sons. Federal prosecution was authorized for their use





## What is the value of a joint OIG/Inspection Service report to Congress?

A consolidated Semiannual Report to Congress provides a complete accounting to the USPS' stakeholders on the work being done to prevent and detect fraud, waste, abuse, and mismanagement within the Postal Service.

of the mail to send child pornography.

Postal Inspectors in Phoenix, AZ, arrested a minister after he was indicted by a federal grand jury on child exploitation and pornography charges. Other child pornography investigations conducted by Postal Inspectors included that of a Wilmington, DE, man, who was sentenced to 7 years and 3 months in prison and 3 years probation. The man produced a video showing him sexually abusing a minor female. In Brooklyn, NY, Postal Inspectors arrested a junior high school teacher with a documented interest in child pornography since the 1970s. In Montgomery County, PA, Postal Inspectors arrested a teacher at a school on child pornography charges. The teacher was convicted and sentenced to 6 to 23 months in prison and 5 years probation for possession and distribution of child pornography.

### Mail Bombs

Mail bombs remain a relatively rare crime. In the interest of protecting Postal employees and customers, the Postal Inspection Service considers the investigation of mail bombs among its highest priorities. During FY 1998, seven mail bombs were known to have been sent through the mail, which is well below the 10-year average of 16 mail bombs per year. Postal Inspectors across the country are responding to an increased number of calls regarding suspicious mailings of letters and parcels believed to contain bombs. During this past fiscal year, Postal Inspectors responded to and investigated 153 bomb threats directed against Postal facilities, and 1,143 reports of mailed items suspected of containing explosive devices.

May 4, 1998, marked the end of one of the longest and most extensive criminal manhunts of modern times. After an investigation by the Federal Bureau of Investigation, the Postal Inspection Service, the Bureau of Alcohol, Tobacco and Firearms, and the Department of Justice, the infamous Unabomber was sentenced in U.S. District Court to 4 consecutive life terms, plus 30 years. The judge ordered victim restitution of over \$15 million and the forfeiture of any proceeds the Unabomber may realize from books, movies, television or newspaper accounts related to his crimes. The

Unabomber's spree began in 1978 and ended in 1995. He was responsible for killing 3 people and injuring 23 others.

A Mineral Springs, TX, man was indicted after being arrested by Postal Inspectors for attempting to send his estranged wife a mail bomb. The bomb was concealed in a hollowed-out Bible. The suspect is being held without bond pending trial.

A Postal employee at the Atlanta Mail Recovery Center received minor injuries when she opened a piece of undeliverable mail which exploded. Postal Inspectors found the mailing was associated with an earlier mail bomb incident that injured a customer in Greensboro in February 1998, and they are continuing their investigation of the incident.

On June 11, a mail bombing victim died from injuries sustained as a result of a February 1998, mail bomb explosion in Santa Ana, CA. Los Angeles Postal Inspectors identified and arrested the bomber within 24 hours of the incident, and he remains in federal custody awaiting trial.

### Federal Firearms Violations

A Hanover Park, IL, man was arrested by Postal Inspectors and the Bureau of Alcohol, Tobacco and Firearms agents for selling guns via the Internet and sending the weapons illegally through the mail. He admitted he conducted no background checks on customers and did not have a firearms dealers' license. The illegal activity was discovered after the mother of a juvenile reported that her son had ordered a semiautomatic pistol and ammunition through the Internet.

### Injurious Articles

Postal Inspectors also arrest individuals for mailing harmful articles other than bombs or narcotics. For example, Postal Inspectors in Southern California arrested a woman responsible for mailing envelopes containing cyanide, disguised as diet supplements, to intended victims. The case received nationwide publicity. The Inspection Service led a multi-agency task force in the investigation, which included members of the Federal Bureau of Investigation, the Food and Drug Administration and the Los Angeles County Sheriff's Department.

## Threatening Communications and 'Murder for Hire'

Chicago Postal Inspectors and local law enforcement officers arrested a Sycamore, IL, woman following her attempt to arrange, by mail, the murder of her husband. Fortunately, the "hit man" she engaged was an undercover police officer.

An inmate in the Tennessee correctional system, serving time for armed robbery, aggravated kidnapping, and attempted murder, was convicted in August of mailing threatening communications to a judge and an assistant district attorney general. Critical to the success of the case was the testimony of an Inspection Service forensic document analyst, who was able to conclusively identify a typewriter wheel from the prison as the one used to type the letters.

After an extensive Inspection Service investigation, seven members of the "Constitutional Court of We the People" in a Tampa, FL, federal court received sentences ranging from 6 months to 15 years. They were charged with 60 crimes, including extortion, mailing threatening letters and obstruction of justice. The defendants believe they are the direct descendants of the authors of the Constitution and are exempt from the laws of the United States. The threatening letters were sent to federal judges, U.S. Attorneys, court clerks, and members of juries.

An Ohio federal judge sentenced a man to 28 months in prison and 3 years probation, to include mental health and alcohol rehabilitation counseling. Postal Inspectors found that the man mailed a videotape to his girlfriend containing at least 10 threats to kill her and her mother.

## Narcotics Trafficking

The Inspection Service interdicts drug mailings to protect Postal employees and customers from the violence associated with drug trafficking and to prevent the abuse of the mail for such illicit purposes. Postal Inspectors, working with other law enforcement agencies, arrested 1,569 individuals in FY 1998 for trafficking drugs and laundering drug money via the mail and seized 12,640 pounds of illegal narcotics. As a result of Postal Inspection Service investigations, \$8.7 million was seized in FY 1998.

During a 2-week interdiction in Southern California, Postal Inspectors seized 140 Express Mail parcels containing 1,147 pounds of marijuana, \$354,246 in cash, 13 pounds of cocaine, and 2 pounds of methamphetamine. In June, Postal Inspectors conducted a 5-day interdiction at the JFK Airport Mail Center in New York. Their efforts resulted in the seizure of 51 Express Mail parcels containing more than 350 pounds of marijuana and the arrest of eight individuals.

A task force of Postal Inspectors and over 50 federal and state law enforcement agents arrested 10 of 11 individuals who were indicted in San Diego, CA, for drug distribution. Inspectors found that the group used more than 260 Express Mail parcels to distribute drugs. On July 17, 1998, a defendant was sentenced to life in prison without the possibility of parole in the Western District of Arkansas. The U.S. Attorney pronounced it the most significant drug-related sentence known in Arkansas. The defendant was arrested as a result of the Inspection Service's controlled delivery of a parcel containing over a pound of methamphetamine, which had been seized during an interdiction by Postal Inspectors in Southern California. The defendant had imported up to 2 pounds of methamphetamine every 2 weeks over an 11-month period from California to Arkansas via Express Mail and other parcel delivery services.

In August, Postal Inspectors in Boston arrested a man, incident to the controlled delivery of an Express Mail parcel containing over 12 pounds of marijuana. Inspectors alleged the man was part of a drug ring responsible for mailing 500 pounds of marijuana a week from San Diego to Providence, RI. In a separate case, Boston Postal Inspectors conducted a controlled delivery of an Express Mail parcel containing 25 pounds of marijuana. The recipient confessed to receiving 10 prior mailings of marijuana from California. The U.S. Attorney plans to prosecute the recipient, the drug dealer who paid the recipient to receive the parcel, and a Postal supervisor who aided the drug-trafficking ring by alerting the dealers that Postal Inspectors and police were conducting a controlled delivery.

Two men were sentenced in Atlanta, GA, for money laundering and narcotics trafficking





- ◆ **Narcotics Trafficking.** The majority of these seizures by Postal Inspectors involve cash or money orders, sent through the mail in payment for illegal narcotics.
- ◆ **Child Pornography.** These often include the seizure of computers used to buy, sell or exchange pornography.
- ◆ **Financial Crimes.** Forfeiture provisions exist for violations such as money laundering, Financial Institutions Reform, Recovery and Enforcement Act, and the Racketeering Influenced Corrupt Organization Act.
- ◆ **Specific Unlawful Activities.** These include mail theft and mail fraud.

While forfeiture laws provide an effective deterrent to crime, they must be applied judiciously. To prevent the potential for abuse of forfeiture provisions, Congress continues to create legal safeguards to protect the rights of the individual. Federal forfeiture laws expressly provide protection to the innocent owner who can demonstrate that he or she had no knowledge of the specified illegal activity, did not consent to it, and took all reasonable steps to prevent it from occurring.

The Postal Inspection Service shares this concern for the protection of the individual and places a high priority on the judicious application of forfeiture statutes. Inspection Service policy is designed with a special emphasis on protecting the rights of innocent owners. Postal Inspector-Attorneys conduct a careful review of all facts and circumstances surrounding each seizure intended for administrative forfeiture to ensure due process. Moreover, careful consideration is given to ensuring that Inspection Service forfeiture policies, procedures and actions are in accordance with Department of Justice policies and procedures and are in step with recent legal decisions.

The Postal Inspection Service is an active participant of the Department of Justice's equitable sharing program. The Inspection Service shared over \$2.1 million in forfeited assets during FY 1998 to aid local and other federal law enforcement agencies. Funds and property shared through this program provide for law enforcement training, facilities and equipment which may otherwise not have been available

due to budget constraints, particularly at the local level. The Postal Inspection Service also received \$1.9 million in equitable shares from other federal and local law enforcement agencies for its contributions in joint cases.

In accordance with Department of Justice guidelines, forfeited assets, such as vehicles and electronic equipment, may be used by Postal Inspectors for official law enforcement purposes. Further, forfeited funds may be used to purchase items for law enforcement use that otherwise would not be available due to budgetary limitations. Since FY 1996, for instance, forfeited funds have been used to purchase database services for investigative use by Postal Inspectors throughout the country. Any funds remaining after such disbursements are made are turned over to the Postal forfeiture fund to supplement the Postal Service's law enforcement responsibilities. A total of \$4.9 million in net revenue was generated by the Forfeiture Program in FY 1998.

The Postal Inspection Service initiated 452 seizures and secured 442 forfeitures during FY 1998.

### **Money Laundering**

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

The Postal Inspection Service works with the Drug Enforcement Agency, the Internal Revenue Service, the Federal Bureau of Investigation, and the U.S. Customs Service to target drug-related, Postal money order laundering activities by participating in the Financial Crimes Enforcement Network (FinCEN). The Inspection Service maintains its National Postal Money Order Intelligence Center at FinCEN offices which allows Postal Inspectors to better coordinate activities with other law enforcement agencies by matching information with various databases maintained at FinCEN.



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

**Yes.** Employees who report significant wrongdoing to the OIG and who suffer retaliation can expect the OIG to investigate the retaliation and should anticipate receiving the support of senior Postal management.

In addition, the Postal Inspection Service fully participates in the Money Laundering Interagency Coordination Group, a multi-agency task force sponsored by the Department of Justice. Comprised of members from the Federal Bureau of Investigation, Drug Enforcement Agency, Internal Revenue Service, the U.S. Customs Service, and the Postal Inspection Service, the task force coordinates drug money-laundering investigations. Each agency has dedicated a law enforcement officer to serve with the task force and coordinate investigations relating to the agency. The Inspection Service is also a member of the newly formed interagency Money Laundering Working Group, chaired by the directors of FinCEN and the Asset Forfeiture Office of the Department of Justice.

---

## **MAIL THEFT**

### **Employee Mail Theft and Delay**

Although the vast majority of Postal employees are honest, employee theft of mail is a continuing problem. During FY 1998, Postal Inspectors identified 1,388 Postal employees for mail theft.

A Des Moines, IA, mail handler was indicted after Postal Inspectors accused her of stealing \$80,000 in cash from registered mail and over \$27,000 in food stamps. The employee admitted to Inspectors she had a gambling problem and was drug dependent.

New York Division Postal Inspectors arrested a Brooklyn Postal clerk for stealing credit cards from the mail. A search by Postal Inspectors incident to her arrest produced 78 stolen cards, and she admitted stealing 400 credit cards over the past year. Fraud use on just 100 of the stolen cards totaled approximately \$400,000. Inspectors found the clerk was recruited by a Nigerian, who paid her \$50 a card. This was the third employee arrested by Brooklyn Postal Inspectors since March 1998 who admitted being recruited by Nigerians to steal credit cards. Elsewhere, Postal Inspectors arrested two employees of the North Texas Mail Facility for mail theft. Postal Inspectors recovered 48 credit cards and 38 Treasury checks totaling \$183,161 from one of the employees.

Philadelphia Division Postal Inspectors

tracked down a Postal employee who offered instructions to the public over the Internet on how to obtain music computer discs by mail from a major mailer without paying for them. After an identification by Postal Inspectors, a 22-year veteran Postal clerk at Lynchburg, VA, was indicted on eight federal counts related to his theft of eight registered pouches. Inspectors found that seven of the pouches contained Postal remittances totaling \$39,594, most of which was in cash.

Postal Inspectors arrested a letter carrier for mail theft after Chicago police discovered mail in his car while they were arresting him for possession of crack cocaine. Inspectors recovered 378 pieces of First-Class mail, 84 compact discs and 12 movie videos. The carrier apparently rifled mail and sold the contents on the street to help finance his drug habit. In a similar case, Tampa Division Postal Inspectors arrested a Jacksonville, FL, clerk for mail theft. The clerk admitted to Inspectors that he stole approximately 15 pieces of mail a day to support his cocaine and marijuana habit.

Postal Inspectors identified a full-time clerk at the Fort Worth, TX, General Mail Facility, for stealing five registered remittances totaling \$21,181. He was a 29-year Postal employee and a union official. New York Division Postal Inspectors identified a former casual clerk and a nonemployee for stealing a registered Postal remittance worth \$57,527. Postal Inspectors identified a regular mail handler at the Kansas City, MO, General Mail Facility, for stealing a registered currency shipment worth over \$115,500. He had just been issued a letter of proposed removal due to his convictions for auto and residential burglary.

When Postal Inspectors arrested a custodian at the Bronx General Post Office for mail theft, he had 1,228 First-Class letters in his possession, 716 of which were addressed to a local charity. He admitted he had been stealing mail for the enclosed checks for at least the past 3 months. The charity had reported a significant drop in contributions.

### **Nonemployee Mail Theft**

Postal Inspectors are committed to reducing mail theft to maintain the public's confidence in the Postal Service and preserve the

sanctity of the mail. The Postal Inspection Service is currently working with major mailers to prevent mail theft and related problems, such as identity fraud, at an early stage. During FY 1998, Postal Inspectors arrested 4,397 non-employees for mail theft or possession of stolen mail.

An airline ramp clerk was arrested at the San Francisco Airport in August for stealing registered mail. Numerous registered items were recovered from his vehicle, and Inspectors found he is a resident alien living out of his vehicle, although he has worked for the airlines for 14 years. An airline employee at Atlanta, GA, who stole over 100,000 pieces of mail, was sentenced to 15 months in prison, 3 years probation and a \$15,000 fine. In another case, a Rahway, NJ, letter carrier discovered 571 pieces of canceled First-Class mail. Postal Inspectors traced the mail to a ramp agent at Newark International Airport. He was a former Union, NJ, Postal clerk, whom Postal Inspectors had arrested in 1995 for stealing credit cards from the mail. A review is being done to determine why the airline hired someone with a mail theft record.

Postal Inspectors and Port Authority police at Newark International Airport arrested six airline ramp agents in June. One ramp agent, while working in the belly of a plane, stole a tray of First-Class letters containing checks worth \$936,961. Postal Inspectors identified three airline contract employees at Norfolk International Airport, including a ramp agent supervisor, for stealing greeting cards from the mail. One admitted stealing cards for about a year, and the other two admitted stealing over 1,000 greeting cards each. At least three former employees of the contractor were also implicated for mail theft. An airline employee at the Dallas-Ft. Worth airport pled guilty in federal court in May to mail theft. In a sworn statement, he admitted to Postal Inspectors that he had stolen over 1,000 credit cards from the mail while loading it onto airplanes.

Southern California Postal Inspectors identified six airline employees at the Los Angeles airport who were involved in the organized theft of credit cards from the mail. The cards were sold to fences who waited for the employees outside the airport. Postal Inspectors

arrested one of the fences. On the night they apprehended the ringleader, Inspectors found 48 credit cards in his sweatpants. The cards had been stolen from mail to be loaded on planes at the airport.

Southern California Postal Inspectors arrested three individuals and recovered hundreds of sheets of counterfeit resident alien identification, Social Security cards, California drivers' licenses and Mexican chauffeur's license "stock." Inspectors also recovered numerous counterfeit identification, as well as cameras and other equipment used to make identification. The three are part of a group from Mexico who allegedly steal Internal Revenue Service checks from Postal vehicles and mailboxes and recruit others to cash the checks using the fake identification. In another Southern California case, Postal Inspectors caught six suspects in a scheme to place flyers in residential mailboxes, at which time they stole mail from the boxes. A search by Postal Inspectors produced numerous pieces of stolen outgoing mail, as well as washed and altered checks. The stolen checks totaled approximately \$215,000.

Elsewhere, an individual whom Postal Inspectors accused of stealing over 6,000 pieces of mail in volume attacks on Postal jeeps was sentenced in a Maryland federal court to 8 years and 9 months in prison and \$47,500 in restitution. Postal Inspectors arrested the defendant twice in the prior 6 years for breaking into Postal jeeps, but the prior incarceration did not seem to rehabilitate him. The man's accomplice in some of the attacks was sentenced to 30 months in prison.

A Southern California man was sentenced after an Inspection Service investigation to 27 months in prison, 5 years probation and \$57,233 restitution. Postal Inspectors found that he used 10 bank accounts in 7 different names at 4 banks to deposit \$423,000 in "washed" checks. Inspectors proved that the checks were taken from mail stolen from various collection boxes.

Postal Inspectors arrested 17 members of a Minneapolis-St. Paul gang for bank fraud, money laundering and "theft by swindle" for their roles in cashing checks stolen from the mail. Over \$300,000 in losses were attributed to them. An Inspection Service investigation



identified a letter carrier as the major source of the stolen mail. Two members of a check-cashing business who sold the gang members false identification were also arrested. The arrests culminated a 30-month task force investigation by Postal Inspectors and federal and local law enforcement agencies.

Inspectors arrested a man who was sentenced in New York City to 21 months imprisonment and \$130,000 in restitution. The man operated a scheme to deposit corporate checks stolen from the mail into mutual fund accounts opened under false names. His scheme involved \$1.25 million in stolen corporate checks and the use of commercial mail receiving agency addresses in Manhattan, Queens and Brooklyn. Elsewhere, Postal Inspectors and other Southern California law enforcement agents arrested a Nigerian national responsible for over \$1 million in losses through mail theft and bank fraud. Inspectors found he had stolen convenience checks and business checks from the mail to establish fraudulent bank accounts. Pre-approved credit card applications were also stolen from the mail, and Commercial Mail Receiving Agency addresses were used to receive the fraudulent credit cards.

Four individuals were indicted in Philadelphia on 18 federal counts related to an identity theft and account takeover scheme uncovered by Postal Inspectors. Postal Inspectors found the group used a variety of addresses, including some at commercial mail receiving agencies, to establish over 35 fictitious business accounts, into which over \$610,000 in bad checks were deposited. Elsewhere, the last member of the group identified by Postal Inspectors for operating a similar scheme in the Tampa Bay area was sentenced to 2 years in prison, 4 years probation and \$292,200 restitution.

An investigation by Chicago Postal Inspectors of a Nigerian ring involved in mail theft, check fraud, credit card fraud, insurance fraud and various other crimes led to the identification of a Social Security Administration employee who had provided information to the ring on approximately 3,000 individuals over an 18-month period. In a similar case in Washington, DC, Postal Inspectors found that a bank employee provided customer account information to an individual involved in mail theft,

credit card fraud and bank fraud. The bank's employee pled guilty in June, and the individual was found guilty on all nine counts of his indictment.

Postal Inspectors conducted an investigation in Denver of an important partner in the Postal Service parcel business, which handles bulk parcel mailings nationwide. Denver Inspectors found that one of the company's supervisors and a quality control clerk were "overlabeling" parcels to redirect them to their home. Inspectors had to use a Postal truck to haul away numerous items seized from their residence, including video cassette recorders, camcorders, computers, stereos and vacuum cleaners. More arrests of company employees are anticipated.

Postal Inspectors arrested a full-time mailroom employee of a major Chicago bank for mail theft. The bank won a contract in October 1997 to process contributions submitted by mail for a Catholic charity. When the charity began to report decreases in contributions, the bank insisted there were no problems. The Inspection Service was notified in February that rifled letters were found, but the bank was slow to respond to requests for information and continued to believe the thefts were the work of Postal employees, until the day its own employee was arrested. The charity estimated it lost over 9,600 letters valued at over \$445,000. Remarkably, Postal Inspectors found that the bank employee had three prior arrests and four charges for offenses, including drug possession, burglary, battery and criminal trespass. The bank considered firing the employee during a 1995 embezzlement investigation and following his 1997 drug conviction, but retained him in deference to his mother's position as a supervisor at the bank.

In a similar case involving a major Pennsylvania bank, Postal Inspectors identified an employee of a subcontractor of the bank for stealing approximately \$50,000 from Postal deposits. The subcontractor processed checks and money orders for the bank. In a third case, an Iowa mailroom employee was sentenced to 10 years in prison and restitution of \$33,659. Postal Inspectors discovered she stole over 135 State of Iowa warrants from the mailroom and successfully negotiated over 100 of the warrants.

Five members of a mail theft and check-washing ring were indicted in Phoenix, AZ, after an investigation by Postal Inspectors found that the group burglarized apartment complex mailboxes in three Arizona cities to steal outgoing mail, which they rifled for the enclosed checks. The checks were washed, forged and cashed. In a similar Inspection Service case in Southern California, a man was found guilty on all 11 counts of his indictment. Three co-conspirators previously pled guilty in February. Inspectors found that the four stole outgoing mail from collection boxes and washed and cashed the checks they recovered. Their scheme defrauded banks of at least \$140,000.

Finally, in a particularly gruesome case investigated by Postal Inspectors, a 58-year-old Florida woman was sentenced to 6 years in federal prison, 5 years probation and \$240,000 restitution for 45 counts related to interception of mail and identity takeover. The woman was the alleged caretaker of a neighbor across the street. The case began with the 1995 discovery of the mummified, skeletal remains of the neighbor on her living room floor. Subsequent investigation by Postal Inspectors disclosed she had been dead for at least 5 years, although due to the state of decomposition it was not possible to determine the cause of death. An air-conditioning unit had been run continually at its lowest setting to help disperse odors, and the caretaker used elaborate explanations over the years to explain the woman's absence. Postal Inspectors found that she cashed the dead woman's monthly Social Security checks and raided her financial assets. Total losses are estimated at \$300,000.

---

## MAIL FRAUD

The Postal Inspection Service investigates a variety of mail fraud schemes to preserve public confidence and trust in the U.S. Mail. With today's modern technology, the magnitude of mail fraud schemes may be much greater and impact more people than ever before. Postal Inspectors keep abreast of the latest schemes through their activities with consumer groups and other law enforcement agencies. Postal Inspectors actively work with law enforcement and regulatory groups on various fraud-related

task forces, leveraging resources and combining efforts to target operators that use the mail for fraudulent purposes.

During FY 1998, Postal Inspectors arrested 1,396 individuals on mail fraud charges, and 1,278 individuals were convicted as a result of investigations by Postal Inspectors. Fines, court-ordered restitution and voluntary restitution for fraud-related cases totaled over \$311.5 million in FY 1998.

### Fraud Against Consumers

Because of the tremendous volume and diversity of business transactions conducted daily through the U.S. Mail, it is not uncommon for such exchanges to generate complaints. To fulfill its commitment to preserve the public's confidence in the mail, the Postal Inspection Service uses a centralized database to respond to complaints: the Mail Fraud Complaint System. This database assists Postal Inspectors in identifying suspect promotions. Consumers are encouraged to report incidents of suspected mail fraud to the Inspection Service by completing Form 8165, Mail Fraud Complaint Questionnaire, which is available at post offices. The form is also available by e-mail, via the Internet, at: [Fraud@uspis.gov](mailto:Fraud@uspis.gov), or by calling the Mail Fraud Complaint Center of the Postal Inspection Service at 1-800-372-8347.

Although many complaints are merely the result of poor business practices that are easily remedied by the company, some involve misrepresentations. In determining the appropriate action to be taken, both the intent of the questionable practice and the scope and level of severity are considered. In less severe cases where evidence may not sustain criminal prosecution, the Inspection Service protects consumers through a number of civil and administrative remedies:

- ◆ Voluntary discontinuance. This action is used in minor cases and consists of an agreement by the operator to discontinue a promotion. If the agreement is violated, formal action may be initiated.
- ◆ Consent agreement. A consent agreement is obtained and filed by the Postal Service's Judicial Officer. It is used when more formal action is appropriate. Nor-

mally, the operator agrees to discontinue an illegal promotion charged in a civil complaint. If the agreement is violated, the Postal Service may file a breach petition to withhold the operator's mail, pending additional administrative proceedings.

- ◆ False Representation Orders and Cease and Desist Orders. These orders require an operator to stop engaging in specified schemes and direct that all mail be returned to the sender. Further, the orders forbid payment of Postal money orders connected to the scheme and require that money be returned to those who purchased the money orders. Violators of the orders may be subject to civil penalties.

When more immediate relief to protect the consumer is warranted, the Postal Service has a number of effective enforcement options available, including the withholding of mail until proper identification is provided and the person's right to receive the mail is established. In addition, the Postal Service may seek a Temporary Restraining Order and a Preliminary Injunction from a U.S. District Court judge to detain mail until administrative proceedings conclude. A judge may also hold a hearing on alleged fraudulent activity and issue a restraining order or injunction enjoining the operation.

By convincing the court to withhold mail while a case is argued, Postal Inspectors have been successful in limiting the extent of victimization. None of the civil actions described preclude criminal charges against the subject, nor court ordered restitution to the victims. In FY 1998, Inspection Service investigations resulted in the filing of 183 civil complaints with the judicial officer, 70 Consent Agreements, 78 Cease and Desist Orders, 7 Temporary Restraining Orders (through district courts), 137 False Representation Orders, 5 breach petitions, 6 injunctions against fraud and 191 Withholding of Mail Orders. Inspectors also obtained 1,112 Voluntary Discontinuances. Such civil intervention by Postal Inspectors protects numerous businesses and consumers from deceptive mailing promotions.

During FY 1998, 104 False Representation Orders were issued against foreign lottery promoters. These orders enable Postal Inspectors

to stop mailed-in responses to schemes (most of which contain checks) from leaving the United States and return mail to senders, thereby preventing victim losses. To further combat illegal foreign lotteries, U.S. Customs Service officials work with Postal Inspectors to stop such offerings from entering the U.S. mainstream. U.S. Customs agents now contact Postal Inspectors when they find such mail during border searches. Inspectors detain the mail and present samples to the Postal Service's Law Department to determine their legality. If mail is considered illegal, the mailer is notified that the material is subject to destruction and may appeal the notice. If the mailer fails to appeal or loses the appeal, the detained mail is destroyed. During the year, 1.7 million pieces of foreign lottery have been destroyed, and then, most of it was recycled.

In FY 1998, Postal Inspectors arrested 392 individuals for fraud against consumers, and 365 individuals were convicted as a result of investigations by Postal Inspectors.

An effective use of an administrative action is the False Representation Order issued by the USPS Judicial Officer against a Phoenix, AZ, chiropractor. The chiropractor used direct mailings to advertise an arthritis cure. Postal Inspectors obtained an expert opinion proving the product would have no effect on a person suffering from arthritis. The False Representation Order directs the postmaster to return all related mail to the sender.

Based on evidence presented by Postal Inspectors acting to protect customers from fraud, the USPS Judicial Officer issued a Withholding Mail Order in Minnesota to return all response mail to the senders. Postal Inspectors discovered that a company using an address at a commercial mail receiving agency in St. Paul had fraudulently promised credit cards, for a fee, to about 6,000 consumers with financial problems, although it had no means of issuing the credit cards.

Attention to telemarketing fraud in the United States, particularly by the Federal Bureau of Investigation and Postal Inspection Service, has caused some operators to move to Canada to target U.S. victims. For example, the Canadian operator of a huge lottery enterprise pled guilty in a Seattle, WA, federal court and

agreed to abandon claim to \$12.1 million in seized funds after an investigation by Postal Inspectors. The money will be used for partial restitution to victims.

Elsewhere, a Canadian man was sentenced in a Harrisburg, PA, court to 21 months incarceration, 3 years probation, \$294,865 restitution and a \$50,330 fine. He was part of an advance-fee scheme related to gemstone fraud. Additional charges were filed by the Royal Canadian Mounted Police against other Canadian telemarketers based on information provided by Postal Inspectors responsible for the case. Finally, a federal judge in Newark, NJ, ordered three Canadians and their companies to return \$400,000 to the victims of a sweepstakes telemarketing scheme uncovered by Postal Inspectors that preyed on elderly U.S. victims. The case included an innovative civil action that obtained court orders in Canada to freeze the Canadians' funds. The principal in the scheme used numerous aliases, moved his operations without notice, and hid the scam under a succession of corporate names. Information provided by Postal Inspectors helped convict him in a Canadian court.

Newark Postal Inspectors working with the Royal Canadian Mounted Police and police from Toronto and Ontario closed six telemarketing loan scam companies in July that victimized U.S. citizens. The Canadians used Commercial Mail Receiving Agencies in the United States and Canada to receive mailed advance-fee payments of \$100 to \$300. Postal Inspectors found that the Commercial Mail Receiving Agencies forwarded the mail to Toronto, but the companies processed no loans nor were fees returned to victims.

A Postal Inspection Service investigation in August resulted in the guilty plea of a Virginia man for operating a "Ponzi" investment scheme. Postal Inspectors found that at least 550 investors sent approximately \$20 million to invest in high-interest, short-term loans to contractors who allegedly needed the money to finance start-up costs on newly awarded government contracts. Some money was paid to early investors to keep the scheme going, but Postal Inspectors found that most of the funds were used to support the defendant's lavish lifestyle. His guilty plea includes an agreement

to pay restitution of \$8.3 million.

The operator of a toy business pled guilty in a Kansas federal court to a scheme uncovered by Postal Inspectors that offered investors phony distributorships for well-known children's products of worldwide fame. At least 890 individuals invested over \$15 million in the scam.

A federal grand jury in Newark, NJ, returned a 19-count indictment against a mail order operator and his two attorneys, charging them with mail fraud, money laundering, income tax evasion and false tax returns. Postal Inspectors alleged that the principal operated numerous mail order schemes, taking in at least \$4 million from victims. The operator of the scheme realized additional profits by selling mailing lists of his victims.

After an extensive Postal Inspection Service investigation, one of three principals in a New York scheme that manipulated stock prices of 12 initial public offerings pled guilty in July. In 2 years, thousands of investors were defrauded of over \$125 million. Four other individuals pled guilty, and criminal charges will be brought against others in the scheme.

A Newark federal grand jury indicted eight manager-stockbrokers who were employed by a New York City brokerage firm. Postal Inspectors accused the men of defrauding unsuspecting investors of \$103 million through high-pressure sales techniques that misrepresented the risks associated with highly speculative over-the-counter securities. Eight other stockbrokers were previously indicted in the scheme.

A Tampa, FL, federal judge sentenced a man to 7 years in prison, 3 years probation, \$1.2 million in restitution and \$7 million in fines. Postal Inspectors proved he defrauded the insurance company he worked for out of approximately \$8 million. The crime came to the attention of Postal Inspectors as a result of a dying declaration by a former regional Postal official, who claimed that he and the defendant devised ways to defraud the Postal Service by manipulating postage meters. In a separate case, a Northern California attorney was sentenced to 33 months in prison, \$3.2 million in restitution and a \$50,000 fine for fraud schemes against three of his clients: a hospital, an insurance company and a condominium association. The attorney has been disbarred.



## Fraud Against Businesses

Postal Inspectors devote considerable resources to protecting the business community from being victimized by fraud scams. The Postal Inspection Service leads three proactive customer groups established to reduce specific types of frauds being conducted through the mail and targeting the business community. The joint task forces, formed as part of an initiative to increase customers' confidence in the mail, have exceeded expectations. The three task forces are the Credit Card Mail Security Task Force, the Joint Industry Rebate Fraud Task Force, and the Mail Order Task Force.

During FY 1998, Postal Inspectors arrested 590 individuals for fraud against businesses and 550 individuals were convicted as a result of investigations.

A Memphis, TN, man was convicted in May of defrauding 50 mail order companies of over \$100,000. Postal Inspectors proved he used multiple aliases and addresses to order items such as books, compact discs and collectibles that he did not pay for, but sold to book stores and pawn shops. A Chicago man pled guilty to mail fraud in a similar scheme. Inspectors found he opened over 400 customer accounts with two music mail order firms to order thousands of compact disks, which he sold locally. The two firms lost approximately \$104,000. Postal Inspectors determined the perpetrator used over 150 addresses in the Chicago area to operate the scheme.

False-billing schemes victimize a number of businesses each year by sending authentic-looking invoices for products or services they never purchased. The swindler hopes the false bills will be paid along with legitimate bills. In May, six individuals were indicted in Philadelphia on 83 counts in a \$1.2 million false-billing scheme. Alert Postal Inspectors used a Withholding Order to stop an additional \$600,000 in mailed-in payments from being received by the operators. The false invoices were mailed to businesses, schools, hospitals and churches nationwide. The invoices contained charges ranging from \$485 to \$995 for bulk items such as trash bags, first-aid kits, particle filters and maintenance supplies. Three suspects were indicted in Burlington, VT, on 25 counts for a similar scheme that mailed invoices for light bulbs.

Postal Inspectors seized \$440,000 received in the scheme, although total losses are still being calculated. One of the indicted individuals has been involved in such schemes since 1971, and was the object of a previous cease and desist order. Inspectors found that the scheme used an array of addresses to receive payments, including commercial mail receiving agencies in Vermont, South Dakota, Wyoming and Nevada.

The former president of a San Jose, CA, mailing service was sentenced to 2 years in prison, 3 years probation and \$550,307 restitution. The vice president previously received a similar sentence. Postal Inspectors proved that they fabricated Postal Service mailing statements to overcharge at least 90 auto dealerships for mailings handled by their mailing service.

The mail is frequently used by Nigerian criminal elements to commit identity fraud for financial gain. A Nigerian national was sentenced in May in Florida to 15 years in prison, after which time he will be deported and will not be allowed to return to the United States. Postal Inspectors found that while the man worked as a custodian at a hospital, he stole personal information on 135 patients, which he used to fraudulently order credit cards. At the time of his arrest, Postal Inspectors recovered a notebook of personal identifying information for other people, numerous photo identification from various locations and stolen credit cards and convenience checks. In another case, Newark Division Postal Inspectors arrested seven Nigerian and Ugandan nationals who were operating a variety of fraudulent businesses that used identity theft to establish bank accounts for cashing "washed" and forged stolen traveler's checks.

A woman was sentenced in federal court at Wichita, KS, to 135 months in prison, 3 years probation, \$131,974 restitution and a \$150,000 fine. An Inspection Service investigation found that she operated a "Ponzi" scheme that targeted religious organizations and churches throughout the United States in a matching-gift investment program that promised to double their investments. She received approximately \$6 million from victims.

A 93-count federal indictment was returned in Orlando, FL, charging nine individuals and seven corporations with a series of



highly sophisticated schemes that Postal Inspectors alleged had defrauded an insurance company of over \$100 million. Seven other defendants have already pled guilty. An investigation by Chicago, IL, and Washington, DC, Postal Inspectors resulted in the conviction of an employee of an insurance company. He was sentenced to 37 months in prison and 4 years probation for his scheme to defraud the company of over \$16 million. He and an indicted co-conspirator entered false data and manipulated the company's computers, causing them to generate 416 checks worth over \$16 million, made payable to fictitious companies the two established through the mail.

Philadelphia Division Postal Inspectors arrested two men who, along with others under investigation, used numerous business names, Commercial Mail Receiving Agency addresses and bank accounts to defraud small businesses of approximately \$600,000 by mailing solicitations disguised as invoices. Postal Inspectors seized an additional \$600,000 in victim checks that were stopped en route to the defendants.

As the result of an Inspection Service investigation that concluded in August, a West Virginia man was charged in a 23-count federal indictment for mail fraud, wire fraud, witness intimidation and obstruction of justice. His wife was indicted for aiding and abetting him on 12 of the mail fraud counts. Postal Inspectors alleged that the couple was involved in a scheme to defraud insurance companies through arson and life insurance fraud after finding the two had purchased over 60 life insurance policies on the lives of at least 16 individuals, three of whom are now deceased. The principal defendant is believed to have murdered at least one of the three. He also is charged with scheming to murder a Bluefield, WV, police detective for assisting Postal Inspectors in part of the investigation. Elsewhere, an Inspection Service investigation led to the indictment of seven insurance agents doing business in California for defrauding various life insurance companies of at least \$11 million in commissions obtained through fraudulent means.

A Southern California man was sentenced in federal court to 5 years and 11 months in prison, 3 years probation and over \$72,000

restitution. Postal Inspectors found he ran a counseling service scheme for people facing evictions, and had filed over 200 bankruptcy petitions without his victims' knowledge or against their will. Ultimately, the victims were evicted, lost their homes and had their credit ruined. Financial institutions lost over \$700,000. Bankruptcy officials in the Central District of California report that involuntary petitions dropped 50 percent since the scheme was stopped.

A former partner in an office of a prominent investment firm was sentenced in a Manhattan federal court to 5 years and 3 months in jail, 5 years probation and restitution of \$6.9 million to his former firm and a bank. He was arrested by Postal Inspectors and convicted on 22 felony counts related to a fraudulent Initial Public Offering and \$24.6 million in fraudulent bank loans.

Four former hospital employees were sentenced in a New Haven, CT, federal court on charges related to a scheme to defraud a Bristol, CT, hospital. The group created five fictitious companies that billed the hospital for medical supplies, computers and computer services that were never delivered. Each defendant was ordered to pay restitution totaling over \$4.6 million to the hospital and serve terms of confinement and probation.

A 17-count federal indictment was returned in Buffalo, NY, against the owner of two toy companies who Inspectors proved had defrauded a U.S. Marine Corps charitable program. He overcharged the charity by over \$3 million for toys bought from his companies.

An investigation that began as a credit card mail fraud case has resulted in additional charges of money laundering and bank fraud. The investigation disclosed heroin-trafficking activities by Nigerian nationals and may involve the brutal murder of a Maryland woman. A joint effort with Customs Service and the Internal Revenue Service identified the laundering of several million dollars, which were obtained through illegal activities. To date, 10 individuals were convicted or pled guilty.

After an extensive Inspection Service investigation, a South Dakota man pled guilty to charges of mail fraud and using fictitious

names. He conducted a rebate fraud scheme for several years, receiving approximately 400 rebate checks a month. After being contacted by Postal Inspectors, he agreed to voluntarily discontinue this activity. When Postal Inspectors determined that, several months later, he was receiving approximately 65 rebate checks a day, prosecutive action was taken.

An Illinois man was sentenced to 13 months of incarceration, 3 years probation and restitution of \$104,000, to be paid to two major mail order companies. On completion of his incarceration, he will be deported to his native Poland. An Inspection Service investigation disclosed the defendant opened over 400 customer accounts and used more than 150 post office boxes in fictitious names to fraudulently obtain thousands of compact disks.

After a much-publicized investigation, which included Postal Inspectors, a man and his wife were sentenced in a Texas federal court for their roles in a mail fraud scheme to distribute more than \$1.8 billion in worthless checks they called "Republic of Texas Warrants." The man was sentenced to 12 years and 7 months in prison and \$426,800 in restitution. His wife, a former Postal employee, was sentenced to 2 years and 3 months in prison and restitution of \$190,938. The man was previously convicted in state court of kidnapping and participating in a week-long armed stand-off with authorities. The combined state and federal sentences will assure he is not eligible for release until he is 72 years old.

In another Inspection Service case, a federal grand jury in Pittsburgh handed down a mail fraud and conspiracy indictment against two Canadians and a U.S. citizen. The indictment charges that the defendants made 11 separate mailings from the United States of fraudulent Yellow Pages renewal invoices to U.S. businesses. One million invoices were mailed, with a total face value of \$160 million. Victim losses are not yet known, pending efforts to obtain Canadian bank records. The defendants used over 100 different "mail drop" addresses in the United States to receive payments. The commercial mail receiving agencies forwarded the mail to Toronto, allowing the Canadians to receive the fruits of their crime without setting

foot in the United States.

Two Philadelphia men were each sentenced to 366 days in prison, 3 years probation and \$25,000 restitution. Postal Inspectors found they operated telemarketing maintenance supply companies that defrauded 1,500 churches, schools, nursing homes, hotels, hospitals and companies of over \$1 million. The men charged exorbitant prices for products and paid kickbacks to purchasing agents for approving the bogus invoices for payment.

### **Fraud Against Government**

The mail is used to commit a variety of frauds against government agencies at all levels, including Medicare and Medicaid fraud, false claims for tax refunds and false claims for benefits such as education, housing and welfare. Fraud against government health care programs is the most prevalent and causes some of the largest dollar losses.

In FY 1998, Postal Inspectors arrested 414 individuals for defrauding the government, and 363 individuals were convicted as a result of investigations.

Home Pharmacy Service, Inc., of Belleville, IL, agreed to a \$5.3 million settlement after Postal Inspectors found it failed to properly credit the Illinois Department of Public Aid for medicine that had been returned. The owner, a registered pharmacist, pled guilty to a \$2 million fraud. Postal Inspectors in Toledo, OH, investigated an office manager of a medical supply company, who they proved had billed Medicare in excess of \$22 million for non-covered items, for which he received approximately \$8.4 million. The manager pled guilty in federal court to conspiracy, and charges are pending against a fellow office manager. A Southern California doctor was indicted on 41 counts after Postal Inspectors alleged he was paid over \$1 million by Medicare and Medi-Cal for claims submitted under the provider number of an unsuspecting physician. He also allegedly set up sham medical groups to receive money and divert assets and is suspected of being involved in bankruptcy and tax fraud. In another Postal Inspection Service case, one of two operators of a fraudulent network of reinsurance companies pled guilty in Philadelphia federal court to three counts of fraud. The Pennsylva-

nia Guaranty Fund eventually had to remit approximately \$5.3 million for unpaid claims.

Postal Inspectors and agents of the Federal Bureau of Investigation and Department of Health and Human Services investigated a scheme involving one of the nation's largest Medicare carriers. The company pled guilty to eight felony counts involving a scheme to defraud Medicare and agreed to pay \$144 million in restitution. The Medicare contractor for Illinois and Michigan also admitted to obstructing and conspiring to obstruct federal auditors. As part of the criminal plea, it agreed to pay \$4 million in criminal fines to the government under the federal False Claims Act, and will pay \$140 million in a civil settlement to resolve liability under the federal False Claims Act. Five current or former senior managers of the company were also indicted by a federal grand jury at Benton, IL.

An Inspection Service investigation of a multistate Medicare scam involving 28 doctors resulted in the execution of several arrest warrants. One New Jersey doctor admitted that, during a 6-month period, he was responsible for submitting claims in excess of \$300,000 to Medicare. Postal Inspectors found that elderly persons on Medicare were contacted and persuaded to submit to various diagnostic tests at their home. Physicians' assistants, foreign medical graduates, and technicians administered the tests, although none of them were licensed. Doctors were promised salaries simply for reviewing charts; they never examined patients and rarely, if ever, met the technicians who conducted the tests, but signed charts certifying to Medicare the tests were needed.

A Beverly Hills, CA, doctor pled guilty to 10 counts of mail fraud and 2 counts of making false statements after Postal Inspectors proved he submitted false claims to Medicare. The doctor claimed he treated patients at their homes when, in fact, many of the patients were deceased, in prison or living out of state. He was also charged with making false statements to gain benefits from the Small Business Administration for alleged earthquake damage to property he owned. Postal Inspectors arrested the doctor as he prepared to flee. They recovered \$2.4 million he had just withdrawn from his bank account, evidence of foreign bank

accounts, a copy of a fraudulently obtained U.S. passport and 66 grams of opium.

In Illinois, the last of 15 defendants was convicted in a scheme uncovered by Postal Inspectors that defrauded the U.S. Department of Education and over 2,800 students of more than \$1.3 million in federal education grants. Penalties included incarceration, probation, fines totaling \$125,000 and restitution of \$1.3 million.

In a particularly disturbing Postal Inspection Service case, a man pled guilty in a Trenton, NJ, federal court to masterminding a 4-year conspiracy with his wife to defraud the Departments of Defense and Veterans Administration on government contracts totaling approximately \$400,000. Postal Inspectors found that the couple bribed government officials to award them contracts for, among other things, high-quality and superior-strength nuts, bolts and screws for Poseidon and Trident submarines, M-60 tanks, military helicopter landing systems and nuclear-power reactors. The defendants instead supplied ordinary nuts, bolts and screws from commercial hardware stores and used a counterfeit Department of Defense quality inspection stamp to ensure acceptance. Fortunately, Postal Inspectors detected the scheme in time for Department of Defense to remove the substandard hardware items from inventory before they were used. The husband also pled guilty to using a fictitious passport and false Customs forms to facilitate his flight from the United States with \$30,000 in cash. He and his wife fled to New Zealand, Indonesia, Switzerland, and, finally Italy, where they were apprehended. His wife waived extradition and was deported to the United States, where she was sentenced to one year in prison. The man lost a lengthy battle in the Italian court system and was extradited to the United States. Two Department of Veterans Administration employees and one Department of Defense employee pled guilty, and more prosecutions are anticipated.

Postal Inspectors arrested 12 individuals, including a Postal employee, in a scheme that defrauded the New York City Human Resources Administration of over \$1.4 million. The defendants allegedly opened numerous fraudulent public assistance cases and used a



variety of addresses, including Commercial Mail Receiving Agencies, to receive fraudulent documents and payments through the mail. Two Southern Maryland women pled guilty to mail fraud and theft after Postal Inspectors proved they embezzled over half a million dollars from the Department of Labor. The women submitted false invoices for vocational rehabilitation counseling on behalf of allegedly injured workers.

A former New Orleans police officer was sentenced in federal court to 20 years in prison, 3 years probation, and \$313,585 restitution. Postal Inspectors found that when he screened applicants for public assistance at the Louisiana Office of Family Services, he used the information to create benefit cases in the names of deceased or fictitious people and had the payments mailed to addresses he controlled.

An investigation by Postal Inspectors in Jacksonville, FL, involving fraud against the U.S. Department of Education resulted in a settlement that required a major corporation to pay a criminal fine of \$2 million and civil restitution of \$28 million. A subsidiary of the corporation was contracted to service federal student loans, but Inspectors found it failed to exercise "due diligence," resulting in losses estimated at \$100 million.

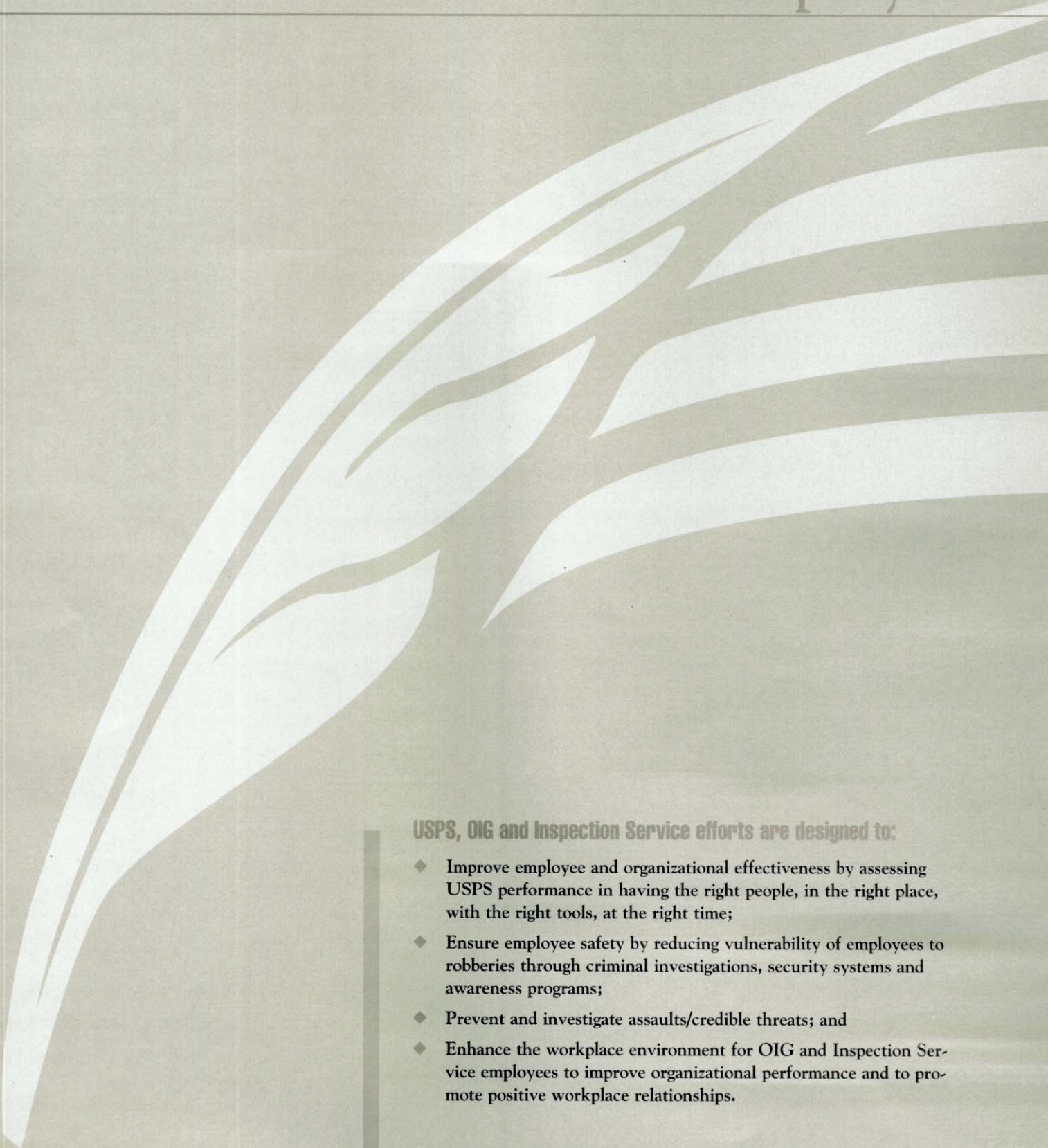
Postal Inspectors were responsible for the convictions of a man and woman in the Northern District of California on charges of filing at least 250 false tax returns, seeking refunds from the Internal Revenue Service and the state of California. The woman was sentenced to 41 months in prison, 3 years probation and restitution of \$213,629, and the man was sentenced to 33 months in prison, 3 years probation and restitution of \$150,791. Specific financial constraints were also placed on both individuals regarding future employment and opening various accounts. In a separate tax fraud case, a woman pled guilty in the Central District of California after Postal Inspectors submitted evidence that she sent over 400 false tax returns through the mail, totaling \$688,000.

A Silver Spring, MD, tax preparer pled guilty in federal court to mail fraud and making a false claim. An Inspection Service investigation found he filed 333 fraudulent tax returns that defrauded the U.S. government, District of

Columbia, and the Commonwealth of Virginia of \$824,000. His wife worked as an admissions clerk at the Washington Hospital Center and provided him with personal information on patients with incomes too low to require tax returns. Postal Inspectors proved that her husband used patients' names, along with addresses he controlled, to file returns and receive refunds.

Two residents of the U.S. Virgin Islands were found guilty on 16 counts of mail fraud, conspiracy and false statements after an Inspection Service investigation found they had defrauded the Virgin Islands Housing Authority of \$2.3 million in a variety of false claims.

# Voice of the Employee

A large, stylized graphic of the American flag, with the stripes and canton rendered in a light, monochromatic color against a darker background. The flag is positioned diagonally, with the top right corner of the canton near the top right of the page.

## **USPS, OIG and Inspection Service efforts are designed to:**

- ◆ Improve employee and organizational effectiveness by assessing USPS performance in having the right people, in the right place, with the right tools, at the right time;
- ◆ Ensure employee safety by reducing vulnerability of employees to robberies through criminal investigations, security systems and awareness programs;
- ◆ Prevent and investigate assaults/credible threats; and
- ◆ Enhance the workplace environment for OIG and Inspection Service employees to improve organizational performance and to promote positive workplace relationships.

Significant activities during the reporting period included:

---

## OIG REVIEWS

---

### **DIVERSITY AND HUMAN SKILLS TRAINING IN THE MILWAUKEE DISTRICT NEEDS IMPROVEMENT**

The OIG audited the Milwaukee District's compliance with recommendations made in an April 1997 Postal Inspection Service report. The report addressed the need for diversity and human relations training in the Milwaukee District.

Beginning in November 1995, the Milwaukee District developed a training program to include diversity, human relations, and leadership. The audit disclosed that the District did not ensure all managers and supervisors attended the training. The audit also revealed the District had not developed goals or measurements to determine the effect the training had on supervisor's and manager's relationships with their employees. Based on several workroom indicators, it appeared the workroom environment in the District had not significantly improved since the implementation of the training program.

Management agreed with the OIG's four recommendations to strengthen the District's training program. Management stated that the problems within the District are multi-faceted and complex and that training alone is insufficient to resolve those challenges. As a result of the OIG's recommendations, the District is finalizing a statement of work with an outside consulting firm that specializes in the areas of diversity and leadership behaviors to improve the workforce environment. (Diversity and Human Skills Training Program Milwaukee District Compliance, September 28, 1998)

---

### **IMPROVEMENTS RECOMMENDED FOR VIOLENCE PREVENTION POLICIES AND PROCEDURES IN THE MILWAUKEE DISTRICT**

The OIG audited the Milwaukee District's compliance with violence prevention policies and procedures. The audit disclosed that the Milwaukee District Threat Assessment Team

did not follow many of the violence prevention policies and procedures outlined in the May 1997 *Threat Assessment Team Guide* issued by USPS Headquarters. The OIG identified three deviations: (1) a healthy workroom environment had not been created and maintained, (2) management or risk abatement plans for individuals identified as potential threats to the workplace had not been created, and (3) violence prevention training for supervisors, managers, and employees was not mandatory.

While it is impossible to determine whether following the policies and procedures would have prevented the December 1997 tragedy from happening, compliance with them might have provided management with an indication of the mental state of the offender, as well as the existing work climate of the office. This information could have been used to assess actions needed to prevent the outbreak of violence. Management agreed with the OIG's recommendations to contract with human behavior experts for the purpose of improving workroom climate and to fully comply with the Threat Assessment Team policy. (Violence Prevention Policies and Procedures, Milwaukee District Compliance, September 30, 1998)

---

### **IMPROVEMENTS SUGGESTED TO IDENTIFY AREA "HOT SPOTS"**

In response to the shooting at the Milwaukee Processing and Distribution Center and the hostage situation at the Denver General Mail Facility, both of which occurred in December 1997, the Deputy Postmaster General directed that existing systems and strategies designed to prevent workplace violence be reevaluated.

The OIG reviewed USPS initiatives to prevent workplace violence. Establishing the Headquarters Threat Assessment Team and identifying potential area hot spots were critical elements of the prevention process. However, the OIG reported that USPS management did not clearly define what constituted a "hot spot" and did not provide sufficient criteria for the identification of potential hot spots. Management agreed to implement suggestions to improve the identification of potential area hot spots. (Violence in the Workplace Identification of Area Hot Spots, August 28, 1998)

---

## UNRESOLVED FINDINGS ON POTENTIAL VIOLENCE IN THE WORKPLACE REVIEWED

The OIG reviewed the status of management actions taken in response to findings and recommendations included in seven reports issued by the Inspection Service to USPS management from September 1992 to August 1997. These reports addressed weaknesses in labor management practices that could contribute to violence in the workplace.

Management took corrective action in 29 (88 percent) of the 33 findings. In two of the remaining four findings, management and workforce barriers were not sufficiently addressed by management. Management agreed to implement the OIG suggestions addressing these findings and related recommendations. Postal management disagreed with the other two findings concerning Equal Employment Opportunity issues. (Status of Management Actions Taken for USPS Inspection Service Reports on Labor Management Practices Related to Potential Violence in the Workplace, September 30, 1998).

---

## SUGGESTIONS TO ENHANCE SUPERVISOR KNOWLEDGE OF UNION CONTRACTS

At the request of USPS management, the OIG conducted a review to determine whether USPS supervisors had the necessary knowledge and information to fulfill their responsibilities in implementing the provisions of union contracts. Interviews with 169 supervisors and 15 labor relations specialists from 10 districts disclosed that supervisors needed a better understanding of union contracts.

The OIG concluded that supervisors were at a disadvantage in managing labor relations on the workroom floor and in negotiating grievance settlements with union representatives. The review concluded that a better understanding of the union contracts would help supervisors avoid actions that give rise to grievances and would facilitate resolution of more grievances at earlier stages of the process.

Management accepted the OIG's suggestions to assess the training needs of supervisors and, where necessary, develop and provide for-

mal training on union contracts. Management also developed and distributed a *Joint Contract Administration Manual* and is currently providing two ongoing labor relations training programs. (Supervisor Knowledge of Union Contracts, September 30, 1998)

---

## IMPROVEMENTS SUGGESTED TO IDENTIFY VETERANS ELIGIBLE TO MAKE RETROACTIVE CONTRIBUTIONS TO THE THRIFT SAVINGS PLAN

In response to a Hotline inquiry, the OIG performed a review to determine whether Postal employees/military reservists activated during Operations Desert Shield and Desert Storm were able to make retroactive Thrift Savings Plan contributions.

The OIG found that USPS had not implemented a comprehensive plan to allow retroactive Thrift Savings Plan contributions. Because USPS is required to pay lost earnings for agency contributions associated with the Federal Employees' Retirement System, delaying retroactive contributions may cost USPS additional funds that otherwise would have accrued from Thrift Savings Plan earnings. Management agreed to implement the OIG's suggestions to identify all eligible employees and allow them to make retroactive Thrift Savings Plan contributions. (Retroactive Contributions to the Thrift Savings Plan, September 30, 1998)

---

## QUICK TURNAROUND ON EXECUTIVE BACKGROUND INVESTIGATIONS

On May 7, 1998, the OIG received a request from the Governors that full Single Scope Background Investigations be conducted for two individuals. The investigations included complete law enforcement and financial record checks, reviews of all pertinent files, and personal interviews of the two individuals, their references, and neighbors. These investigations were completed by May 9, 1998, and a written report of the results was forwarded to the Governors on May 11, 1998. This 4-day timeframe was a noteworthy accomplishment as a background investigation this extensive usually requires a minimum of 35 days to complete.





## What is the background of OIG staff?

The OIG personnel consist of auditors, evaluators, criminal investigators, lawyers, technicians, and administrative personnel from Federal and state government agencies, private industry, non-profit organizations, and the USPS.

---

## ALLEGATIONS OF SEXUAL HARASSMENT AT POSTAL HEADQUARTERS

The OIG reviewed a complainant's allegations that she was sexually harassed while employed as a contract employee with USPS. The complainant also alleged that the Postal Inspection Service failed to properly investigate her allegations, and expressed concern about the working conditions of contract employees assigned to Postal Service Headquarters.

The OIG performed a limited review of the complainant's allegations, but could find no evidence of sexual harassment or other abuse toward contract workers as the complainant described. Regarding the complainant's dissatisfaction with the Postal Inspection Service investigation, the Inspection Service arranged for a review of the investigation previously performed. Their review did not uncover any new information requiring additional attention. The OIG will monitor any other complaints it receives to determine whether a future audit of treatment of contract workers is warranted. (OVCR98001, August 10, 1998)

---

## A USPS EMPLOYEE WORKERS' COMPENSATION CLAIM

The OIG reviewed the claim of a Postal employee who alleged that he was unfairly treated by the Postal Service during the processing of his injury compensation claim. Specifically, the employee claimed that Postal Service management took steps to controvert his claim. The OIG conducted a review of the documentation provided on behalf of the employee, and determined that Postal Service management properly forwarded the employee's claim and evidentiary documentation to the Department of Labor for a final decision. The Department of Labor denied the claim because the employee did not establish the facts of the injury. (HCCR98001, September 1, 1998)

---

## OTHER INQUIRIES INVOLVING LABOR MANAGEMENT ISSUES

The OIG also conducted inquiries relating to: (1) harassment, discrimination, retaliation, and Equal Employment Opportunity issues; (2) mismanagement issues; and (3) workplace

issues. The following contains examples of OIG work in each area.

---

## HARASSMENT, DISCRIMINATION, RETALIATION, AND EQUAL EMPLOYMENT OPPORTUNITY ISSUES

The OIG reviewed allegations by Postal Service employees in a district that Postal Service personnel did not properly investigate or timely process their Equal Employment Opportunity complaints. The OIG review confirmed that Equal Employment Opportunity complaints were not always timely processed. District officials agreed with our assessment and attributed the delays to inadequate staffing and a lack of internal controls. Management responded by conducting an on-site review of the Equal Employment Opportunity complaint process and agreed to improve the timely processing of complaints. (LMCR98002, August 28, 1998)

A husband and wife alleged that district management mishandled the wife's sexual harassment complaint, as well as other Equal Employment Opportunity complaints by them both. The OIG found no evidence to support the wife's sexual harassment complaint. Neither employee could provide evidence to support mishandling of their Equal Employment Opportunity complaints. However, the OIG identified systemic problem areas in the district Equal Employment Opportunity process that may have had an adverse effect on claims processed. The OIG issued a management advisory to Postal management suggesting corrective action, as well as, a re-evaluation of both employees' Equal Employment Opportunity complaints. (LMCR98023, July 22, 1998; and LMLA98002, August 28, 1998)

A Postal employee alleged that Postal Service management: (1) failed to expunge a disciplinary record from his personnel file consistent with the terms and conditions of a settlement to resolve an Equal Employment Opportunity complaint; (2) did not comply with the terms of his Merit Systems Protection Board agreement; and (3) improperly rejected an Equal Employment Opportunity Commission ruling on jurisdictional grounds. Our fact-finding review revealed evidence to support the



employee's allegations. Postal Service is taking action to address these issues. (LMCR98038, August 20, 1998)

The OIG reviewed an employee's allegations of sexual harassment and abuse of the Equal Employment Opportunity process in a district. During discussions with the Area Vice President, the OIG was advised that the employee had an open Equal Employment Opportunity case, as well as a pending civil suit. Postal management notified the OIG that the employee's civil suit had been settled and all outstanding issues resolved. The OIG verified the resolution with the employee who also confirmed that a confidential settlement had been signed. (LMCR98009, April 9, 1998)

The OIG evaluated allegations that Postal management mistreated injured employees in several post offices and did not post Americans with Disabilities Act notices in division post offices. The OIG determined that the complainant had an open claim with the Office of Workers' Compensation Program; two pending complaints; and an open investigation with the Equal Employment Opportunity Commission. The OIG determined that a review by this office would be inappropriate, but did request the manager of the division Human Resources Department ensure that all division Postal facilities post the required employee notices. (LMCR98007, April 1, 1998)

An employee of a Processing and Distribution Center alleged that she was suspended without cause, disputed her supervisor's authority to sign the suspension, and alleged that she was harassed. To address these allegations, OIG interviewed Postal personnel, including the complainant, and reviewed applicable Postal and Union requirements. We determined that Postal management appropriately suspended the employee and found no evidence of harassment. (LMCR98024, August 13, 1998)

Two Postal employees alleged the Postmaster: (1) discriminated against African Americans regarding leave without pay requests and selected an out-of-state applicant for Customer Service Manager, passing over more qualified African American employees; (2) retaliated against an employee for writing an elected official regarding the working environment at the post office; and (3) harassed employees contin-

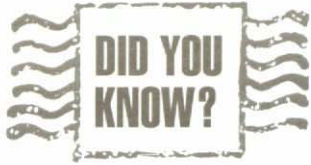
uously.

The OIG found no evidence to substantiate the allegations. Specifically, the OIG confirmed that management complied with Postal guidelines and regulations and the employee had not provided the required leave rationale. The OIG found that the individual, an African American, selected for the promotion was the only candidate with previous managerial experience in Customer Service Operations. Further, the OIG review of district Equal Employment Opportunity promotion statistics showed that three of the last five individuals promoted to Customer Service Manager positions within the Postal system were African Americans. The OIG did not address the allegation of retaliation because it is the subject of an unresolved Equal Employment Opportunity complaint filed by one of the employees against the Postmaster. (LMCR98010, April 24, 1998)

The OIG reviewed allegations of job discrimination, sexual harassment, and retaliation made by two employees of a Postal facility. The OIG interviewed both employees and they indicated they had made non-refundable payment to an attorney and believe the court system is the best way to settle their dispute with the Postal Service. The OIG took no further action in the matter. (LMCR98030, August 10, 1998)

Several employees of a post office alleged that since the arrival of the new Postmaster: (1) management harassed and retaliated against those employees who were 50 years of age or older; (2) management improperly assigned overtime to employees; (3) over 500 grievances and Equal Employment Opportunity complaints have been filed; and (4) management violated worker rights and National Agreements without being held responsible.

The employees were unable to provide specific examples or documentation to support the allegations of harassment, retaliation, or age discrimination. However, the OIG identified material issues with overtime distribution and crossing crafts, as well as support for employee concerns regarding the increase in grievances and the National Agreement violations. The OIG further determined that area and district management had been aware of the problems,



## What are the outreach efforts of OIG?

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

which were identified in two separate workplace climate surveys. Based upon the results of the OIG's review, Postal management concurred with the OIG's findings and recommendations and have initiated appropriate action. (LMCR98021, August 14, 1998)

---

## MISMANAGEMENT ISSUES

At the request of the Board of Governors and Congress, the OIG reviewed allegations made by 26 Postal employees. Specifically, these employees alleged abusive mismanagement, fraud, severe harassment, violation of law, disregard for human dignity, and contempt for regulatory and contractual requirements. When OIG interviewed the Postal employees, they either did not agree with or were unable to provide specific examples to support the allegations.

Further, district management and the Postal Inspection Service performed site visits, which disclosed no evidence to substantiate the allegations. However, the OIG found other issues regarding interpersonal and leadership styles of managers, appropriateness of disciplinary actions, need for additional personnel, and the Postmaster's involvement in addressing employee concerns. We advised Postal management of these issues and will consider them for a Postal-wide review. (LMCR98020 and LMCR98022, June 22, 1998; and LMLA98001, June 24, 1998)

The OIG reviewed allegations made by a former Postal employee that Postal management: (1) mishandled his worker's compensation paperwork; (2) mishandled his disability retirement paperwork; and (3) wrongfully terminated him. The OIG found the Postal Service appropriately handled the employee's worker's compensation claim and request for disability retirement. In addition, the OIG verified that the employee's termination was in accordance with Postal policy and was upheld during arbitration. (LMCR98011 and LMCR98012, April 24, 1998)

A Postal employee of a Processing and Distribution Center alleged that Postal management refused to accommodate her family and medical needs. The OIG found that the Postal Service had made reasonable efforts to accom-

modate the employee's needs. Specifically, the employee requested to change her work hours. The employee's supervisor, however, offered the employee the option of taking a non-competitive job as a letter carrier or working either of two other shifts. These offers were consistent with Postal policies and union agreements. However, the employee declined the letter carrier position and the shift changes. (LMCR98013, April 24, 1998)

---

## WORKPLACE ISSUES

We reviewed allegations made by 97 employees alleging that station management created a hostile and unsafe working environment. To evaluate these allegations, OIG interviewed the 97 employees, who signed the petition; two employees who did not sign the petition; and supervisors, managers, and the postmaster. The employees refused to discuss or pursue the allegations, advising that most allegations had been successfully resolved and the station manager was no longer at the facility.

During the review, OIG identified other issues that may be systemic in nature, such as delivery methods and workload management, letter carrier productivity standards, overtime policies and usage, and manager accountability for employee relations. The OIG will consider these issues for a Postal-wide review. (LMCR98014, May 8, 1998)

---

## INSPECTION SERVICE REVIEWS

---

### ASSAULTS AND THREATS

The Postal Inspection Service is dedicated to the prevention of violence in the workplace and considers early intervention and cooperation with management and employee groups essential. Assaults on postal employees are taken seriously by Postal Inspectors. Criminal charges are initiated when possible, and instances of misconduct are reported for appropriate disciplinary action.

During FY 1998, Postal Inspectors investigated 1,349 assaults or credible threats and made 499 arrests. As a result of Postal Inspection Service investigations, 381 suspects were

convicted of an assault or threat.

After an investigation by Postal Inspectors, one of two men responsible for shooting an off-duty Indianapolis, IN, letter carrier in the face during a robbery in a Postal parking lot was sentenced to 30 years in prison. His accomplice will be tried in October.

Three juveniles shot a Washington, DC, letter carrier during a robbery attempt in June 1997 as he sat in his Postal truck. Postal Inspectors and Washington Metropolitan Police identified and arrested the three juveniles only days after the shooting. Two of the suspects pled guilty, but the shooter fought against being tried as an adult. He lost and pled guilty in June. His sentencing is scheduled for October, with options ranging from 40 years to 2 life sentences.

A Massachusetts man pled guilty in federal court to conspiracy to commit bank robbery and for threatening to kill a Postal Inspector who was investigating the man's girlfriend and a friend for cashing checks stolen from the mail.

A Dallas, TX, letter carrier, who shot a fellow employee to death in the lunchroom of a local Postal station in April, was indicted by a Dallas County grand jury in May for first-degree murder.

An investigation by Postal Inspectors and detectives from the Hartford Police Department led to the indictment of a man charged with shooting to death a letter carrier as he delivered mail on his route in January 1996 in Boston, MA. The man was convicted in September after a 5-day jury trial for first-degree murder and possession of a firearm while committing a crime of violence.

## **ROBBERIES AND BURGLARIES**

The Postal Inspection Service regards robberies as one of its highest organizational priorities and affords task force attention to post office robbery investigations. In FY 1998, 161 robberies were reported, and Postal Inspectors arrested 149 suspects. During this FY, 139 individuals were convicted as a result of Inspection Service investigations.

Burglaries may result in financial and property losses or mail theft, as well as indirect losses from repairs or equipment replacements

required after forcible entries. In addition, customer service and mail processing operations may be interrupted following such crimes. Postal Inspectors employ sophisticated detection devices to make Postal facilities less vulnerable to attack. As a result of Postal Inspection Service security surveys and recommendations, and the deployment of state-of-the-art security equipment, dollar losses from burglaries have been significantly reduced. During FY 1998, the Postal Service experienced 370 burglaries, and Postal Inspectors arrested 193 suspects. Also during this period, 228 individuals were convicted as the result of robberies that occurred during this and prior reporting periods.

In August, a man identified by Postal Inspectors as responsible for two armed robberies of Postal facilities in Miami, was sentenced to 16 years and 8 months in prison.

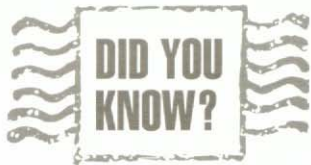
Two men were sentenced in a Louisiana court to hard labor for the armed robbery of the Ferriday, LA Post Office, as the result of an Inspection Service investigation. One man was sentenced to 40 years in prison for the Postal robbery and for two non-Postal robberies and a forcible rape. The other man was sentenced to 25 years in prison for the Postal robbery and two non-Postal robberies. Both men must serve their full sentences in prison.

In another Postal Inspection Service case, a Georgia man was sentenced in a Fulton County court to 20 years in prison for the armed robbery of a letter carrier. A member of a Southern California gang identified by Postal Inspectors was sentenced to 6 years and 5 months in federal prison and 5 years probation, and ordered to pay \$1,170 restitution for the armed robbery of a Pomona, CA Postal station.

A person identified by Postal Inspectors as responsible for three central Florida Postal robberies in 1997 was arraigned on 7 federal counts and is being held without bail. The driver of the getaway car from a 1994 robbery of a highway contract route driver in New York, which netted \$149,000, was arrested by Postal Inspectors in Baltimore, MD. Postal Inspectors also arrested the individual believed to be responsible for a June 1998 finance unit robbery in Philadelphia. He is a resident of a state halfway house as a result of a prior armed robbery conviction.

**KLONDIKE GOLD RUSH 1898**





## What is a 360-degree evaluation?

This is a system that allows employees to receive feedback in a non-threatening manner on their adherence to the OIG's values from managers, peers, and subordinates.

Northern California Division Postal Inspectors arrested four suspects in June believed to be involved in three highway contract route driver robberies at Kerman, CA, from December 1997 to May 1998. Three other suspects remain at large. The three robberies netted almost \$38,000.

On May 18, 1998, the man identified by Postal Inspectors as responsible for the 1996 burglary of the Little Rock, CA Post Office and four commercial burglaries was sentenced to 75 years in a California state prison. He must serve at least 80 percent of the sentence before he is eligible for parole consideration under the "third strike" rule.

An individual responsible for the July 1997 armed robbery of the Cashtown, PA Post Office and six additional armed robberies in the area was sentenced to a mandatory minimum of 10 years and a maximum of 30 years in prison. Prosecution is pending for his accomplice in the robbery.

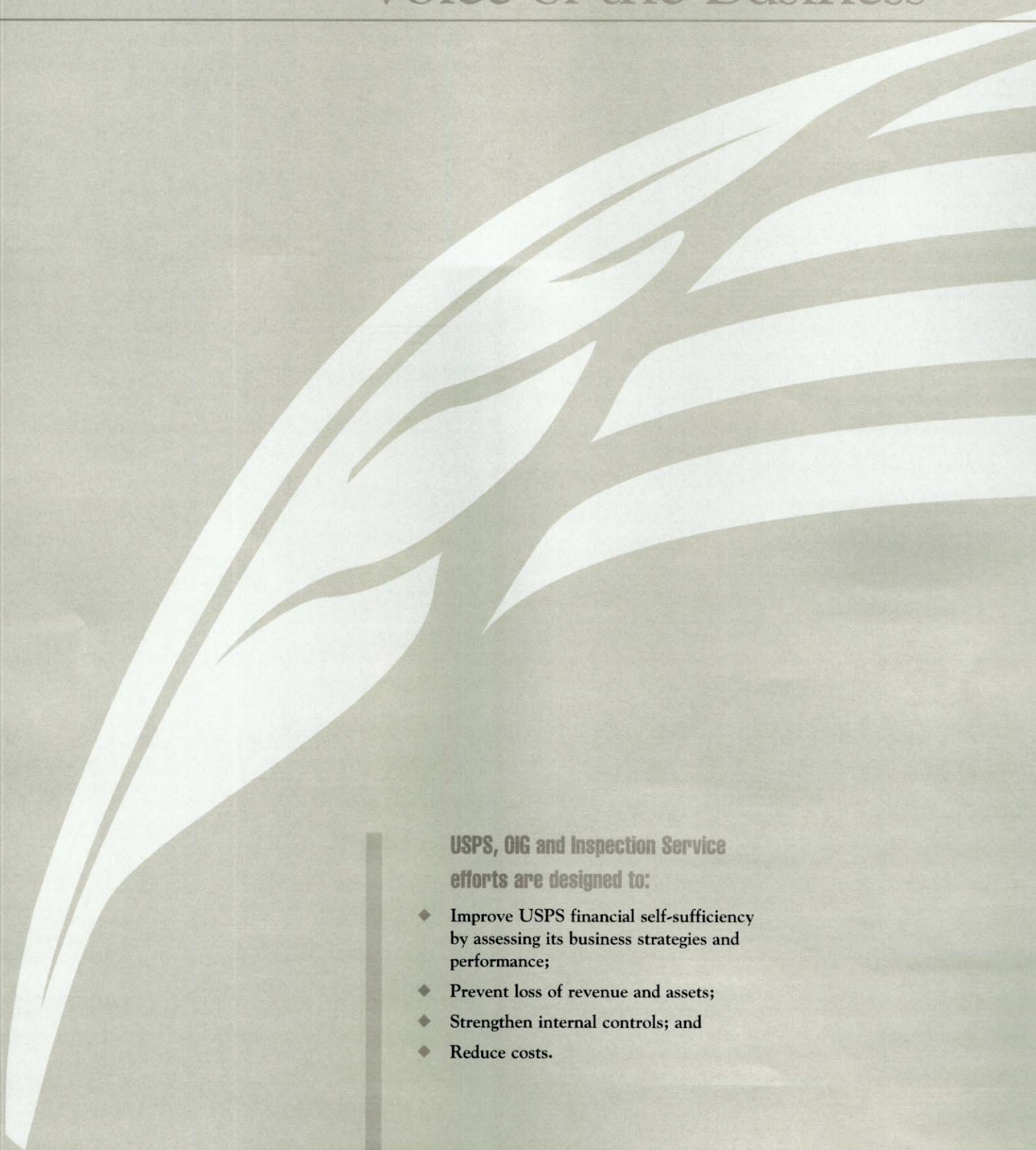
Postal Inspectors arrested two men who were indicted for masterminding a series of assaults and robberies of Los Angeles area letter carriers. The attacks occurred from December 1996 to January 1998. The men recruited others to attack carriers for their arrow keys and mail. They used the arrow keys to steal mail

from collection boxes. The mail was rifled for checks, which were washed, forged and cashed. Postal Inspectors identified approximately 50 suspects in their investigation.

In Colfax, IN, the Postmaster replacement reported she had been robbed at gunpoint. Postal Inspectors and police from the city, county, and state responded to search for the gunman, whom she described in detail. Through subsequent interviews and an investigation, Postal Inspectors determined that no robbery had occurred, and the employee admitted she had falsely reported the incident to cover up her embezzlement, which would have been discovered in an upcoming audit of her account.



# Voice of the Business



## **USPS, OIG and Inspection Service efforts are designed to:**

- ◆ Improve USPS financial self-sufficiency by assessing its business strategies and performance;
- ◆ Prevent loss of revenue and assets;
- ◆ Strengthen internal controls; and
- ◆ Reduce costs.



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

The OIG Headquarters is in Rosslyn, VA, and the Western Duty Station is in Dallas, TX. The OIG also has staff located at the three Postal Data Centers in Minneapolis, MN, St. Louis, MO, and San Mateo, CA. In 1999, an office will also be opened in Atlanta, GA.

Some significant activities during the reporting period included

---

## OIG REVIEWS

---

### SUPPLIER DIVERSITY AND MINORITY CONTRACTING REVIEWED

At the request of Congress, the OIG reviewed USPS contracts with minority businesses. The review disclosed that USPS had identified several initiatives to improve its supplier diversity program. Some of the initiatives have been implemented, but the following conditions were noted: (1) USPS needed to clarify its policy and then enforce its requirement that contractors submit subcontracting plans to encourage and include minority subcontracts; (2) USPS needed to improve minority contracts which have declined annually since FY 1994; (3) USPS is not meeting its FY 1998 Supplier Diversity Operating Plan goals for minority contract awards; and (4) only 9 of 15 supplier diversity recommendations from a recent study were addressed in the USPS action plan to improve supplier diversity.

The OIG suggested that management ensure: (1) all contracting officers be held accountable for adhering to subcontracting requirements; (2) subcontracting plans specifically encourage and include minority businesses; and (3) clarify the purchasing manual regulation to specify the period contractors will be granted to submit subcontract plans. The OIG also suggested that management document why six supplier diversity recommendations from a previous study were not addressed in the action plan and provide an explanation to the Board of Governors.

The USPS management generally agreed with OIG suggestions and was responsive to the issues raised in the report. (Supplier Diversity and Minority Contracting, September 30, 1998)

---

### STATUS OF YEAR 2000 ASSESSED

---

The Year 2000 problem results from the way in which computer systems store and process dates. In many systems, the year 2000

will be indistinguishable from 1900, thereby causing potential system failures.

Due to the critical implications of the Year 2000 issue, OIG is providing continuous assessments of the progress made by the USPS. Since the OIG's previous semiannual report, USPS officials have made progress on the Year 2000 challenge. However, OIG identified significant issues facing the USPS that warrant further attention. This audit, the second in a series, disclosed that executive operating systems were not always Year 2000 compliant. Also, applications in production were not always tested and application status was not always reported accurately.

OIG recommended that USPS:

- ◆ use a Year 2000 compliant executive operating system software release;
- ◆ develop procedures to hold USPS managers and operations personnel accountable for application testing; and
- ◆ report applications as Year 2000 compliant only if they have been thoroughly tested for compliance.

The Deputy Postmaster General concurred with all findings and recommendations in the report and has planned or initiated corrective action for the issues identified. (Year 2000 Initiative: Status of the Renovation, Validation and Implementation Phases, July 21, 1998)

---

### IMPROVEMENT NEEDED IN YEAR 2000 INITIATIVE: POST IMPLEMENTATION VERIFICATION

---

The OIG reviewed the Post Implementation Verification as part of its continuing audit coverage of the USPS Year 2000 initiative. The verification process, instituted by the Project Management Office, is an independent evaluation to ensure that USPS systems applications have been corrected. The project manager has engaged contractors to perform an independent verification.

The audit disclosed the verification process was not entirely efficient. Only four applications a month were being verified, applications were submitted without documentation or test plans, and managers were reluctant to submit applications due to the time-consuming process. USPS

management concurred with OIG suggestions and has planned or taken corrective actions to help post implementation verification contractors process severe and critical application systems more quickly, and help identify application systems problems before date-related failure occurs. (Year 2000 Initiative: Post Implementation Verification, September 29, 1998)

---

## **OVERPAYMENTS FOUND IN USPS WORKERS' COMPENSATION**

The USPS Pacific Area pays out approximately \$55 million annually in workers' compensation payments, not including medical bills. A review of Pacific Area workers' compensation cases indicated that overpayments were not identified nor recovered because the current USPS process is not comprehensive enough to identify compensation overpayments. In addition, injury compensation specialists undertake a time-consuming process to identify potential overpayments. OIG also found that the process frequently was not followed. As a result, the Pacific Area did not identify instances of compensation overpayments totaling about \$124,000 and did not ensure that Office of Workers' Compensation Programs, U.S. Department of Labor credited USPS for approximately \$107,000.

Management agreed with the OIG recommendations. (Workers' Compensation Case Management, September 30, 1998)

---

## **REVENUE PROJECTIONS OPTIMISTIC IN PUBLIC/PRIVATE PARTNERSHIP EFFORT**

The USPS initiated a project in 1995 to generate revenue from wireless paging and cellular telephone services. The project resulted in two 1996 business agreements between the USPS, UniSite, Inc. (UniSite), and UniSite Alpha, Inc., of Richardson, Texas. The first was a site management agreement for UniSite to manage the development and operation of single antennas placed on USPS facilities. The second agreement formed National Wireless Infrastructure, Limited Partnership. Under the second agreement, UniSite provides overall site management of the wireless service providers

for the USPS. USPS expects to receive approximately \$84 million in revenue over a 20-year period from the second agreement, which was the focus of the audit.

The OIG reviewed the UniSite Project to evaluate the basis and validity of the partnership's revenue projections, and the reasonableness of expenses. Based on the findings, OIG believed early revenue projections were very optimistic, although reasonably based on best-known information at the time. OIG also believed the current revenue stream will not be achieved within the established time frame. A review of the project expenses disclosed that costs allocated to the partnership were reasonable and within the guidelines of the partnership agreement.

The USPS management agreed to: (1) discuss our recommendations with UniSite to increase the number of sites available for the project; (2) improve planning of projects and support for future financial projections; and (3) provide additional project information to concerned parties. (UniSite, April 22, 1998)

---

## **INTEGRITY OF THE PROCUREMENT PREQUALIFICATION PROCESS QUESTIONED**

To enhance competition and ensure quality performance, it is USPS policy to prequalify commercial suppliers. The prequalification process includes publicizing opportunities and evaluating supplier-specific performance evaluation factors to identify suppliers for inclusion on the prequalified list. Suppliers on the prequalified list are then given the opportunity to compete for future USPS purchases. USPS contracts total approximately \$10 billion annually.

The OIG audit disclosed areas requiring improvements resulting primarily from:

- ◆ lack of methodology and documentation in support of the prequalification planning strategies and decisions;
- ◆ inability to identify prequalification procurements in the current contract data systems;
- ◆ USPS approach as it relates to supplier diversity; and

- ◆ inadequate oversight of outside contractors involved in the prequalification process.

These concerns, when taken as a whole, may jeopardize the integrity of the prequalification process and, if not addressed, may also result in suppliers not being treated fairly and objectively.

Although management had taken action to improve the prequalification process, the OIG recommended USPS:

- ◆ determine the prequalification evaluation criteria, methodology, and approach, and identify it in the initial planning documents;
- ◆ enhance computer tracking systems;
- ◆ encourage efforts to seek small, minority- and woman-owned businesses;
- ◆ establish a panel when evaluating potential suppliers;
- ◆ standardize the evaluation process;
- ◆ issue a letter to functional managers of designated officials authorized to obligate USPS to contractual agreements; and
- ◆ address outside firms' accountability for the security of sensitive information.

Management generally concurred with the recommendations and stated they will continue efforts to revise and clarify the prequalification process. (USPS Procurement Prequalification, September 30, 1998)

### **BREAKDOWN IN ACCOUNTING CONTROLS ENABLED EMBEZZLEMENT**

A joint investigation by OIG and the Inspection Service revealed that an accountant in the National Accounting Office had embezzled \$206,000. Postal Inspectors discovered that the 31-year employee had created 13 fraudulent Postal Service disbursement forms between June 1995 and October 1997. She was sentenced in September to 1 1/2 years imprisonment and 3 years probation, and ordered to pay restitution of the full amount of the embezzled funds.

Following the investigation, OIG examined the accounting process to determine what internal control weaknesses contributed to the

embezzlement. One significant weakness identified was the approval of disbursement requests without adequate review of supporting documentation and justification. Additionally, the lack of segregated duties coupled with limited supervision resulted in an environment where the accountant controlled all information concerning the funds recovery program and was in a position to circumvent or override standard internal controls.

In response to the investigation of this matter and the suggestions stemming from the review, USPS agreed to take a number of actions to strengthen internal controls, as well as to conduct periodic reviews to provide reasonable assurance that USPS employees are adhering to the established accounting policies and procedures. (National Accounting Office Request for Miscellaneous Disbursement Payments, September 30, 1998)

### **ACCURACY OF INTERNATIONAL BUSINESS UNIT REVENUE FORECASTING**

The OIG reviewed the accuracy of the International Business Unit's revenue forecasting for prior years and projections for future years. The International Business Unit has made significant progress since its inception in 1996 and has quickly developed and implemented several new revenue and infrastructure initiatives. OIG noted that the International Business Unit does not yet have several key processes in place to achieve projected revenue goals. In addition, some initiatives have fallen short of revenue projections.

The OIG offered several suggestions concerning revenue goals, short-term initiatives, and supporting information systems. Management agreed with most of our suggestions but believed that it was too soon to perform an in-depth examination of the International Business Unit's processes and performance. Since this was a management advisory report, the OIG will address the issue in future audits. (Review of Revenue Forecasting - International Business Unit, September 30, 1998)



## **IMPROVEMENTS SUGGESTED IN IMPLEMENTING THE STAMP OUT BREAST CANCER ACT**

The OIG reviewed USPS efforts to implement the Stamp Out Breast Cancer Act of 1997. The USPS has taken aggressive action to timely develop the Breast Cancer Research Semi-Postal Stamp within the legislated period and to advertise and promote the stamp. While significant progress has been made, management could strengthen controls in the areas of project budgeting, tracking, and defining incremental costs, and implementing a Memorandum of Understanding with affected federal agencies.

Management has implemented action to develop a budget plan for the coming year and to track incremental costs incurred. Management did not believe that OIG's suggestion to expedite the Memorandum of Understanding was necessary and has subsequently decided not to recover any incremental costs against revenue received as permitted by the Act. OIG is continuing to explore these issues with management and address in future reviews. (Stamp Out Breast Cancer Act and Stamp, September 30, 1998)

## **CONGRESSIONAL MAIL ACCOUNTING AND BILLING PROCEDURES REVIEWED**

Congressional mail represents a small, but important, portion of USPS operations. For the FY 1997, Congressional mail invoices totaled approximately \$19 million. Of this total, \$15 million corresponded to mailings of the U.S. House of Representatives and \$4 million from the U.S. Senate.

The Inspector General, the U.S. House of Representatives, requested an audit of USPS Congressional mail accounting and billing activity. The USPS OIG audit was designed to evaluate the efficiency and effectiveness of internal controls related to Congressional mail accounting and billing activities. In addition, OIG wanted to assess the timeliness of USPS charges to Congressional offices as well as corrective actions taken in response to prior audit recommendations. USPS OIG engaged an independent public accounting firm to conduct

the audit of USPS Congressional mail accounting and billing activities.

The audit disclosed that while some progress had been made, improvements were still needed in overall efficiency and effectiveness of USPS manual and automated process with respect to Congressional mail. Specific matters noted in the audit were as follows. The USPS needs to:

- ◆ document and update the specific policies and procedures;
- ◆ reevaluate its use of highly qualified personnel for the performance of lower level tasks;
- ◆ document its estimation methodology for non-bulk rate mailings for Senate billings during FY 1997;
- ◆ improve the processes and controls surrounding the Official Mail Accounting System;
- ◆ improve the processes and controls surrounding the database; and
- ◆ strengthen the edit and validation controls within the systems used to accumulate, record, and report Congressional billing information.

Management generally agreed with the findings, but did not agree with a number of specific corrective actions that were recommended. Management believed that ongoing migration of a number of systems functions and supporting tasks will address and resolve issues related to several of the report's findings. OIG is working with management to resolve the disagreements. (Congressional Mail Accounting and Billing, September 17, 1998)

## **BULK MAIL CENTER REVIEW FINDS PROBLEMS WITH VOLUME COUNTING**

In response to several hotline complaints alleging that Bulk Mail Center managers reported inflated manual mail volume counts to artificially boost productivity, OIG conducted an audit of manual mail counting at mail centers nationwide. The audit identified that: (1) personnel did not effectively capture and record volume data; (2) management did not provide sufficient oversight to ensure that volume was





## Is the Inspector General a member of the President's Council on Integrity and Efficiency or the Executive Council on Integrity and Efficiency?

Inspectors General who are appointed by the President, are members of the President's Council on Integrity and Efficiency. The Postal Service Inspector General is a member of the Executive Council on Integrity and Efficiency whose Inspectors General are appointed by their agency heads.

accurately captured and reported; and (3) management did not ensure sufficient safeguards were established to maintain data accuracy for volume-reporting systems.

On the basis of the audit, OIG recommended that USPS management establish standard operating procedures and provide oversight to ensure that volume data for manual operations is accurately counted and reported. The USPS concurred and agreed to take appropriate action to implement these recommendations. (Bulk Mail Center Manual Operations, September 30, 1998)

### RECOMMENDATIONS OFFERED TO IMPROVE THE TOTAL FACTOR PRODUCTIVITY MODEL

The USPS uses a Total Factor Productivity model to measure the combined effect of all resource usage over a period of time. The Total Factor Productivity model is a mathematical equation yielding a ratio of weighted output to all inputs including capital components.

An OIG audit of Total Factor Productivity disclosed that measurements were calculated consistent with the model equation using available USPS data. However, OIG observed that although input data capturing capital investments made to promote timeliness and quality of service issues were included in the model denominator, timeliness and quality of service output data were not included in the model numerator. Thus, the resulting productivity measurements may be skewed because metrics were only included in the input and not the output. The current formulation of the equation does not yield a total picture of USPS operations and, consequently, current Total Factor Productivity measurements may not accurately portray USPS productivity.

The OIG recommended that management develop a plan to introduce timeliness and quality of service-related measurements to the Total Factor Productivity model, and include funds in future budgets to allow for implementing a plan to measure timeliness and quality of service-related issues. Management officials concurred with the findings and recommendations, and stated that a longer time series of service quality data was needed to find a statistical relationship between service quality and Total Factor Pro-

ductivity. In the meantime, management will identify service issues that impact productivity performance when Total Factor Productivity results are reported. (Total Factor Productivity, September 30, 1998)

### SUGGESTIONS OFFERED FOR MARKETING NEW POSTAL PRODUCTS

The USPS Marketing Office develops new Postal products that generate additional profit and sustain revenue growth. OIG reviewed the new business development process, and noted that management has strengthened management controls and revised its developmental process to become more effective. The review disclosed several issues in the areas of marketing management, project funding, and control processes that management should consider to further strengthen its operations, including placing additional emphasis on introducing new business projects.

Management agreed with and has implemented action on 7 of 10 suggestions but did not believe that additional action was necessary at this time on the remaining suggestions. OIG plans additional work addressing the remaining issues and others in this area. (Marketing New Projects, September 30, 1998)

### IMPROVEMENTS SUGGESTED FOR SALES FORCE AUGMENTATION PILOT

At the request of USPS management, OIG reviewed the ongoing Sales Force Augmentation Pilot Project. This project is a direct-sales marketing strategy, designed to generate new revenue from small to medium-size businesses through the sale of three Postal products: Priority Mail, Express Mail, and Global Priority Packaging. The review disclosed that the staff has made significant progress in the revised pilot. OIG offered suggestions in four areas, including management controls, staffing, funding, and automation.

Management agreed with the results, and has initiated action to implement all of OIG's suggestions. Further, management, in its written response, complimented the OIG on its spirit of cooperation and welcomed assistance

for the second phase of the pilot. (Review of Sales Force Augmentation Pilot Project, Phase I, September 30, 1998)

### **FAVORITISM BY SUPERVISOR ALLEGED**

This investigation was initiated based on an anonymous letter to the OIG Hotline. The letter alleged that a special relationship existed between a supervisor and a subordinate described as close friends. The investigation revealed a common perception among members of the division that a special relationship existed and that the appearance of favoritism and special treatment negatively affected morale in the division. Based upon the OIG investigation, no impropriety was found. Even though the Deputy Postmaster General had recently issued a directive to all USPS managers that retaliation against anyone who cooperated in an investigation would not be tolerated, the interviewees stated they did not trust their management officials and feared retaliation. OIG suggested that USPS management address the perception of favoritism and evaluate several aspects of the program where the two employees were assigned.

### **SUGGESTIONS OFFERED TO IMPROVE ADMINISTRATION OF CLEANING SERVICES CONTRACTS**

As a result of an allegation of impropriety concerning cleaning services contracts within USPS facilities, OIG found that USPS personnel are not required to establish a written agreement for some cleaning service contracts under \$10,000. Therefore, unwritten agreements are permitted. However, an unwritten agreement presents the potential for abuse by USPS employees and contractors.

Management was generally responsive to OIG suggestions that a contractual document be developed that includes, at minimum, the parties contracted, scope of the cleaning service, and payment amounts and arrangements. (Local Requisition of Cleaning Services, September 30, 1998)

### **CLEANING SERVICE CONTRACTOR INDICTED**

A New Jersey cleaning service contractor was indicted on four bribery charges for making illegal cash payments to a USPS employee who was responsible for oversight and award of certain cleaning contracts for New Jersey post offices. According to the indictment, the contractor made the payments to ensure the continuation of his month-to-month cleaning contracts with the USPS. Each count in the indictment carries a maximum of 15 years incarceration and a \$250,000 fine. The investigation was conducted jointly by the OIG and the Inspection Service.

### **IMPLEMENTATION OF BANK SECRECY ACT REQUIREMENTS**

The Bank Secrecy Act contains several provisions to deter money-laundering activities. Money laundering is the attempt to conceal or disguise the nature, location, source, ownership, or control of money derived from illegal activities. Law enforcement officials have estimated that \$100-\$300 billion in United States currency is laundered each year. The Act requires certain cash purchases of financial instruments such as money orders, wire transfers, and stored value cards to be reported to the Department of the Treasury. The law applies to the USPS because it currently sells such instruments to the public. In cooperation with the Department of the Treasury, the USPS is participating in the broad federal effort to curb illegal activities through all reasonable means, including making it more difficult to launder the cash proceeds from illegal activities into otherwise legitimate financial accounts and instruments.

The OIG reviewed the USPS Bank Secrecy Act program to identify the requirements of the Act and to determine the current status. Overall, USPS has made significant progress in complying with the Act. When fully implemented, the USPS Bank Secrecy Act program should ensure that USPS is generally compliant. It will also assist management personnel in identifying instances of noncompliance and generate appropriate action to prevent recurrence.



The USPS management implemented immediate corrective action in response to OIG suggestions in three areas of concern: systems access, training, and document retention. OIG will continue to monitor USPS progress in complying with the Bank Secrecy Act, and will partner with the Inspection Service when appropriate. (Bank Secrecy Act, September 30, 1998)

---

### **IMPROVEMENTS SUGGESTED TO ENSURE ACCURATE STAMP INVENTORIES**

In June 1998, OIG reviewed the Stamp Fulfillment Services Center and the Stamp Distribution Network in Kansas City, MO. The Center supports USPS philatelic customers by maintaining a stamp inventory with a retail value of \$500 million. It generates sales of approximately \$60 million annually.

The OIG review disclosed that management took adequate actions to implement suggestions identified in an earlier OIG report. Specifically, management completed renovations of the camera monitoring station and took action to address the timely destruction of obsolete stamps.

Additionally, management officials took steps to implement a system of internal controls over stamp inventories by establishing procedures to perform statistical inventory cycle counts on a daily basis, and a complete inventory annually. Management performed quarterly and accounting period inventories to test the accuracy of stamp stock. Management agreed to implement the OIG suggestion that formal inventory discrepancy thresholds be established to ensure that discrepancies are properly researched, root causes identified, and corrective action taken. (Stamp Services, September 30, 1998)

---

### **DISTRIBUTION OF CELEBRATE THE CENTURY BALLOTS**

In response to a complaint from a letter carrier, OIG examined the USPS process for distributing ballots for the new Celebrate the Century program. This unique program allows the public to vote on the stamp subjects to be represented for each decade from 1950 through

1990. OIG found that USPS handbooks did not provide guidance on ballot distribution for the Celebrate the Century program and offered two suggestions to strengthen management controls. Management agreed with OIG's suggestions and advised that corrective action has been initiated. (Distribution of Celebrate the Century Ballots, September 24, 1998)

---

### **FUEL CONTRACTOR SUSPENDED**

The OIG conducted a review of a Postal fuel contractor who was indicted in New York on charges for grand larceny and conspiracy to commit fraud. OIG determined that the USPS had not been victimized. However, the OIG recommended that USPS place the contractor and its affiliated companies and indicted officials on the USPS listing of suspended individuals and/or contractors, and that this listing be provided to all USPS employees delegated with purchasing and buying authority. The OIG further recommended that before any contract is awarded either locally or nationally, all contracting officers should check the General Services Administration's consolidated list on suspended and debarred government contractors and the USPS listing to determine contractor eligibility.

---

### **CONTRACTOR AND EMPLOYEES INDICTED FOR MAKING FALSE STATEMENTS**

A New Jersey contractor and several of its employees were indicted for making false statements on payroll reports to U.S. Government agencies. The fraud scheme involved certifying payroll reports that the payrolls were correct and complete and that each worker had been paid a wage not less than the applicable wage rate contained in the contract. The OIG investigation revealed that the contractor had failed to pay the prevailing wage rate to its employees under the USPS contract and pocketed the difference.

The USPS had over \$2 million in contracts with the New Jersey contractor. Federal prosecution is pending.

---

## **CONTRACTOR LOWERS CONTRACT COSTS AFTER INVESTIGATION**

An investigation conducted by the OIG revealed that a contractor renovating a Chicago post office submitted a claim for \$185,714 for installing insulation that was either not installed or did not meet USPS specifications. The investigation also uncovered a violation of the Buy American provision of the contract, which requires procurement from domestic sources.

The USPS rejected the contractor's claim and withheld approximately \$500,000 in contract payments to ensure that the work was completed in accordance with the contract. In addition, the contractor agreed to lower the contract costs that represented the difference between American and foreign made products.

---

## **TENANT EVICTION BY USPS LEADS TO COMPLAINT**

The OIG Hotline received an allegation that a tenant who leased space in a northeastern area Postal Service facility was being evicted by the Postal Service based on retaliation. Information disclosed during the review revealed that the Postal Service management had decided to use the rented space for administrative offices. Review of the lease agreement indicated the lease specifically included Postal Service's ability to terminate further lease arrangements after providing such notice to the lessee. The OIG review indicated the lessee was notified of the lease termination decision and the lessee subsequently vacated.

---

## **LEGISLATIVE PROCESS FOR ASSOCIATION OF UNITED STATES POSTAL LESSORS**

The OIG conducted a fact-finding review regarding correspondence from the Association of the United States Postal Lessors. The Association requested legislative relief on five proposals. OIG's review concluded that the Association should address three of the five proposals through the appropriate legislative process. On the remaining two proposals, OIG found the USPS in compliance. (FACR 98001, August 12, 1998)

---

## **UNTIMELY DELIVERY OF NEWSPAPERS SENT THROUGH THE USPS**

The OIG reviewed an individual's allegations of untimely delivery of newspapers sent via the USPS periodical class of mail. OIG found, as indicated in the allegation, that Postal officials in conjunction with the Mailers' Technical Advisory Committee previously examined this issue and made recommendations for improvement. Recently, the Chief Operating Officer raised the untimely periodical service issue to the Area Vice Presidents and charged each with forming teams to analyze service issues with each newspaper publisher.

In addition, in FY 1999, OIG will schedule a review of management's efforts to address Periodical Class processing problems. (PACR 98002, August 6, 1998)

---

## **PROBLEMS WITH POSTAL PICTORIAL CANCELLATIONS**

The OIG performed a limited review of allegations concerning problems with Postal pictorial cancellations. The OIG review concluded that while some problems exist, including occasional delays in notification of the cancellations, OIG did not find any intentional actions on the part of USPS employees to harm anyone's business. OIG also found that although the *Postal Operations Manual* clearly establishes the policies and procedures that must be used for pictorial cancellations, some Postmasters did not adhere to them.

OIG recognizes the importance of this matter and other philatelic service issues and will include this information as OIG collects data for future systemic reviews. (PACR 98003, June 25, 1998)

---

## **ATLANTA POSTMASTER CEREMONY - FOLLOW-UP**

As a result of OIG's review of expenses related to the installation of the Atlanta Postmaster, OIG recommended the USPS establish a policy, setting spending guidelines for such events. The USPS established a new policy addressing expenses for events such as this, but the policy left many areas open to interpretation as to what is considered a reasonable



## **How does the OIG structure relate to *CustomerPerfect*?**

The OIG organizational structure was established to effectively respond to the Voices of the Customer, Employee and Business.

expense. OIG advised management that the new policy should define “reasonable expense” and that specifying acceptable dollar ranges for installation ceremonies would provide a better level of internal controls. Recently, the Chief Operating Officer established a \$500 threshold for any ceremony. Further, the policy stated any exemptions to the threshold must be approved in advance by the Chief Financial Officer.

---

## **INSPECTION SERVICE REVIEWS**

---

### **CLASSIFICATION REFORM**

Postal Inspectors reported the results of a classification reform review in July to inform Postal management of its impact on operations. The report concluded that increases in customer-applied barcoded letter and flat mail far outpaced the Postal Service’s ability to use them to their maximum potential. Delivery Point Sequence volume increased, but was 20 percent under plan. Although barcoded flats increased, the percentage processed on automation remained constant. To maximize the full potential of classification reform, the Postal Inspection Service recommended that the USPS process more barcoded mail in automated operations. Postal Inspectors found that the USPS lost the opportunity to reduce operational costs by approximately \$600 million in 1997 by not finalizing a larger volume of barcoded letter and flat mail through automation.

---

### **HIGHWAY CONTRACT ROUTE DRIVER SCREENING**

A Postal Inspection Service audit of the highway contract route driver screening process disclosed that the Driver Screening System is in serious need of greater oversight and administration. The computer database is significantly inaccurate, as approximately 65 percent of the drivers listed in the system no longer work for Postal contractors. Some individuals who failed the screening process were still driving for Postal contractors and, in other cases, drivers who had been terminated (according to the Driver Screening System) were still driving on Postal contract routes. A sampling of contractors’ active drivers revealed a high incidence of errors

and the failure to monitor system data to ensure its accuracy and reliability.

---

### **OPERATION OF MAIL TRANSPORTATION EQUIPMENT SERVICE CENTERS**

An Inspection Service audit of the \$276.5 million contract proposal by a contractor identified \$26.9 million in funds that were recommended be put to better use. The majority of the funds related to the contractor’s miscalculation of fringe benefit rates and the overestimation rate. The proposal was for the 5-year operation of three Mail Transportation Equipment Service Centers.

---

### **CITY ROUTE INSPECTION AND ROUTE ADJUSTMENT**

An Inspection Service audit of the city route inspection and route adjustment process showed that Postal management was successful in reducing carrier workhours while increasing services. However, the audit estimated a potential savings of \$179 million in FY 1996 and \$224 million in FY 1997 that was not realized. Route inspection control and monitoring functions were insufficient across management levels, and the Savings Tracking System was not universally or effectively used. Postal management generally agreed with the majority of the findings.

---

### **EXTERNAL FIRST-CLASS MAIL MEASUREMENT SYSTEM**

The Postal Inspection Service audit of the External First-Class Mail Measurement System found that processes implemented in some localities to improve External First-Class scores contributed to different levels of attention for First-Class Mail in External First-Class and non-External First-Class ZIP Code zones. Management’s response was that the “best practices” identified in External First-Class cities will be deployed nationwide to improve service. Management also advised the Inspection Service that it is working with the External First-Class contractor to expand External First-Class testing to virtually all three-digit ZIP Code areas. Postal Inspectors recommended that External First-Class testing be expanded to include mail other than collection mail. Management stated

that expansion was unsuccessful in the past, but that remittance mail testing will be piloted.

## FINANCIAL ELECTRONIC DATA PROCESSING ISSUES

A Postal Inspection Service audit of the San Mateo, CA, Information Service Center resulted in eight findings that recommended increased system controls. The most important issue involved access controls. Postal management disagreed with two of the Inspectors' findings and accepted responsibility for any risks associated with current procedures. Postal Inspectors reported that their findings from an audit in the prior year related to testing critical applications remained either untested or unsuccessful, and that off-site storage was not being provided for all critical files.

As the result of an audit of the St. Louis, MO Information Service Center, the OIG and Postal Inspectors reported the need to improve controls related to system access for contract employees and the need to perform a risk assessment of existing fire suppression equipment. Postal Inspectors also issued discussion letters regarding controls for the Integrated Database Management System, application change controls, local area network security, and the administration of capital personal property. Management agreed with Inspection Service recommendations.

The Postal Inspection Service reported an audit of the Minneapolis, MN Information Systems and Accounting Service Center that resulted in six findings related to strengthening systems controls. Postal Inspectors identified weaknesses related to software security, computer security training, system and application certification and accreditation, logon identification management, Information Security Officer responsibilities, and change control. Inspectors reported that four of the seven findings issued last year on the Information Service Center's computer operating system were not completed.

## AIRPORT MAIL CENTERS

A service review by Postal Inspectors of delayed mail at the St. Louis, Kansas City, Milwaukee and Minneapolis airport mail centers disclosed the major cause of delays was the airlines' failures to load and transfer mail as required. Postal Inspectors found that the problem was compounded when Postal ramp clerks did not document airline failures and initiate alternative actions to move the mail. Postal management agreed to better document and track airline failures and establish a goal to reduce infractions.

## REVENUE INVESTIGATIONS

During FY 1998, Postal Inspectors reported the results of 198 revenue investigations, identifying over \$29.4 million in revenue deficiencies. Postal Inspectors arrested 85 individuals, and 79 individuals were convicted as the result of Inspection Service revenue investigations. Inspectors successfully prosecuted 12 companies or individuals under the False Claims Act. Also, as a result of work by Postal Inspectors, over \$12 million in lost revenue was collected.

After an investigation by Postal Inspectors, the operator of a phony lottery scheme was sentenced in a Miami, FL, federal court to 5 1/2 years in prison and his wife was sentenced to 1 year in prison for her role in the scheme. Postal Inspectors revealed that the couple collected nearly \$1.5 million in lottery and sweepstakes fees from over 4,600 victims in 117 countries. Many of the fraudulent overseas mailings bore counterfeit postage meter impressions made by rubber hand-stamps. Revenue losses to the Postal Service are estimated at \$419,000. In another case investigated by Postal Inspectors at the Miami Division, a Postal clerk pled guilty to accepting bribes from a mailer to accept mail without full payment of postage. The clerk admitted responsibility for Postal losses of \$425,000 in approximately 2 years, and sentencing is scheduled for October. Postal Inspectors are continuing their investigation of the mailer.

A Memphis man pled guilty to counterfeiting stamps after Postal Inspectors determined that he mixed counterfeit stamps with real stamps for sale in his stamp vending-machine



business. As part of his plea, he agreed to forfeit 59,850 genuine stamps, 292 stamp vending machines, and \$6,637 in cash, all of which was seized by Postal Inspectors as part of their investigation.

The owners of a Brooklyn, NY, business were sentenced to 18 months and 12 months in prison, respectively, and 3 years each of probation after Postal Inspectors proved they used duplicating equipment to counterfeit over \$1.2 million in metered postage used for their business. The judge ordered restitution of \$350,000 and stipulated that if it is not paid by the end of their probation, they will be subject to additional jail time.

A Kansas City, MO, couple was indicted on 18 counts stemming from an extensive Inspection Service investigation that found they used a tampered postage meter to avoid paying at least \$1.15 million in postage. Their partner in the scheme, who was previously identified by Postal Inspectors and convicted in 1984 for defrauding the Postal Service, already pled guilty.

The U.S. Attorney in Boston, MA, filed suit against a mailer that Postal Inspectors attested had defrauded the USPS of approximately \$1.4 million in postage. Inspectors previously warned the company not to use nonprofit rates on for-profit mail. This is a *qui tam* case in which the "relator" is entitled to 15 to 25 percent of the proceeds of the lawsuit. The U.S. is entitled to seek three times the amount of the loss, as well as \$5,000 to \$10,000 for each false statement made by the mailer.

After Postal Inspectors and a Postal revenue assurance analyst conducted a joint review of nonprofit mailings made by a Pittsburgh, PA, telemarketing firm, they found an estimated revenue deficiency of over \$3.2 million. Their investigation is continuing.

As the result of another investigation by Postal Inspectors, a northern New Jersey business owner agreed to repay the Postal Service \$2.4 million of an estimated \$5 million he cheated it in underpaid postage. The \$2.4 million comprised a \$1.2 million False Claims Act settlement and a \$1.2 million criminal restitution order. Postal Inspectors found that the man operated the scheme by "shopping" for an entry post office that lacked equipment to properly

verify his mailings and where mail acceptance employees were lax.

The publisher and owner of a periodical was sentenced in a New York federal court to 46 to 56 months in prison, and 2 years probation, and ordered to pay \$253,527 restitution to the Postal Service. He was convicted on nine counts related to a scheme uncovered by Postal Inspectors to defraud the Postal Service and advertisers in his publication by falsifying circulation and mailing counts and for other misstatements. Three of his employees previously pled guilty.

## EMPLOYEES EMBEZZLED FUNDS

During FY 1998, Postal Inspectors initiated 552 embezzlement investigations. Inspectors identified a total of 756 employees for embezzling approximately \$6.6 million and arrested 285 individuals as a result of financial investigations.

Postal Inspectors identified a manager of a remote encoding center at Antioch, TN, for misappropriating over \$75,000 through false claims and false statements. Federal prosecution is pending.

A 25-year employee, who was a supervisor at the Chicago Vehicle Maintenance Facility, was sentenced to 366 days in prison, 2 years probation, and ordered to perform 300 hours community service and pay \$15,500 in restitution. An Inspection Service investigation determined that she had directed vehicle repair contracts to a business she and her boyfriend owned, created false and fictitious invoices, and accepted bribes and kickbacks from another contractor. Postal Inspectors at a Las Vegas, NV, contract Postal unit arrested an employee for embezzlement. He was convicted and sentenced to 1 year in prison, and 3 years probation and ordered to pay restitution of the \$261,748.

A supervisor and a window clerk at a Raleigh, NC, station were convicted on charges of embezzling \$105,842. The pair initially told Postal Inspectors that the loss was due to a burglary. The supervisor was sentenced to 2 years in prison and 3 years probation, and the clerk was sentenced to 366 days in prison and 3 years probation. They were also ordered to pay restitution of \$50,000, to be collected from their



retirement, annual leave and Thrift Savings Plan funds.

Postal Inspectors caught the owner of a commercial mail service store stealing stamps from a Postal Service retail outlet. He admitted stealing about \$125 worth of postage three or four days a week since March 1998, with losses estimated at \$10,000. Inspectors found that the store owner sliced open and removed packages of stamps that were on display in the store and used them on parcels that his customers paid him to mail. This technique allowed him to thwart the store's theft detection system.

A Flushing, NY, Postal clerk was sentenced to 366 days in prison, and 3 years probation, and ordered to pay restitution of \$139,368 after Postal Inspectors proved he had embezzled Postal money orders. Postal Inspectors also identified the owner and operator of a Gastonia, NC, contract station for embezzlement. She was indicted in May on 20 counts of embezzling public funds. Postal Inspectors alleged she embezzled 456 Postal money orders totaling \$215,779.

---

## **WORKERS' COMPENSATION FRAUD**

The payment of compensation and medical benefits to employees who sustain injuries while on duty continues to be a major expense to the Postal Service. The Postal Service is responsible for funding payments to Postal employees receiving workers' compensation benefits. The Office of Workers' Compensation Programs of the Department of Labor handles the administration of the Federal Employees' Compensation Act.

The Postal Service has a vested interest in the program because it has accrued a \$5.5 billion future liability in workers' compensation claims since Postal Service reorganization in 1971. In addition, the Postal Service paid approximately \$22.4 million in continuation-of-pay benefits during this fiscal year, nearly \$184.9 million in medical benefits, and about \$361 million in compensation benefits. The Postal Service also paid the Department of Labor \$20.7 million in administrative costs this fiscal year. Total injury-related cash outlays for FY 1998 were approximately \$589 million.

The Postal Service fully supports the

intended purpose of workers' compensation. A small percentage of Postal employees and medical providers, however, abuse the system, causing the Postal Service to incur millions of dollars each year in fraudulent claims and enforcement costs. For FY 1998, cost-avoidance savings as a result of work by Postal Inspectors totaled over \$100 million. Inspectors arrested 59 individuals as a result of workers' compensation investigations.

Postal Inspectors and other federal and state agents arrested nine suspects in El Paso, TX, on federal warrants for workers' compensation fraud. The defendants included a doctor, an attorney, a Certified Public Accountant, a physical therapist, physician assistants, office managers, and a patient. Postal Inspectors estimate that the federal government and private insurers were defrauded of over \$15 million. Several of the patients were injured Postal employees.

The Inspection Service is also reviewing workers' compensation cases from the Post Office Department, for which the Postal Service was recently assigned responsibility. One case involved an employee of the Chicago Post Office, who died at work in 1940 of a skull fracture incident due to an epileptic seizure. Benefits were paid on behalf of his wife since that time. Postal Inspectors found that the wife died in 1982, but after certifying to the Department of Labor that her mother was alive and in her care, her daughter received over \$182,000 in fraudulent payments. The daughter agreed to plead guilty and repay the money, and the U.S. Attorney initiated civil litigation to recover up to \$800,000 of her considerable assets.

A former Postal supervisor and safety manager at Youngstown, OH, was found guilty of nine felony counts related to workers' compensation fraud. He claimed to be incapacitated due to a 1993 on-the-job back injury. At his trial, Postal Inspectors presented videotapes of the manager horseback riding, bicycling, playing golf, and lifting heavy items. Discontinuation of his benefits will save the Postal Service an estimated \$1.1 million in future payments.

A former delivery supervisor at Glen Burnie, MD, was sentenced to 10 months incarceration, 2 years probation, and ordered to



## **Can Postal management audit and investigate its programs and operations?**

Audits and investigations of the USPS are the sole responsibility of the OIG and Inspection Service. If Postal management requires either audit or investigative assistance, it should request assistance from OIG or the Inspection Service based upon the designation of functions. (See Exhibit A on page 104)

pay \$115,208 in restitution. He had received benefits since 1983 due to an alleged totally disabling foot injury, and periodically submitted forms attesting he had no employment or business income. Postal Inspectors, however, found he co-owned three medical businesses, where he worked over 40 hours a week. His conviction saves an estimated \$443,664 in future benefits.

A former New York City mail handler was sentenced in Ft. Lauderdale, FL, to 3 months in a community treatment center and 5 years probation and ordered to pay \$42,000 restitution. He had not worked for the Postal Service since an alleged totally disabling injury in 1969, but an investigation by Postal Inspectors revealed that he owned and managed properties in the Bronx, NY, and in Orlando, Miami and Pembroke Pines, FL. He was prosecuted for failing to report income while receiving benefits. Postal Inspectors also discovered he was wanted on an outstanding bench warrant for a rape charge, for which he was sentenced to 9 years in prison in Bronx County, NY. Inspectors arranged for the Broward County, FL Sheriff's Department to arrest him on the warrant. The estimated savings to the Postal Service in future benefits is \$291,000.

New York Postal Inspectors and other law enforcement agents arrested a New York City letter carrier for conspiracy to import heroin. The carrier was receiving injury compensation benefits for a 1996 injury at the same time that he was recruiting others to smuggle heroin from Colombia into the United States.

A Palm Springs, CA, Postal clerk received over \$150,000 in workers' compensation and medical and psychological counseling benefits over the past 4 years as the result of a stress claim. The employee's psychologist reported she could not "communicate clearly with others by telephone or face to face; participate actively in group or team activities; cooperate with co-workers; respond appropriately to persons in authority; interact in a public situation; organize work and complete tasks with or without supervision; maintain concentration and pace at acceptable levels; or perform high-volume work and adapt to stressful work situations; e.g., meetings, deadlines, shifting priorities and changes in routine." Postal Inspectors proved the woman attended college full-time and engaged in a vari-

ety of activities that exceeded her alleged limitations. Her benefits were terminated, resulting in an estimated cost avoidance to the Postal Service of \$462,618.

Two brothers from the Harrisburg, PA, area, one of whom was a letter carrier, pled guilty to charges of workers' compensation fraud. The carrier claimed he had a totally disabling, work-related back and shoulder injury. He had received 75 percent of his Postal salary tax-free in the form of workers' compensation benefits since 1993. Postal Inspectors, however, learned the carrier was actively involved in his brother's home improvement business. Undercover Inspectors secured a contract with the brothers to perform repairs and videotaped the carrier doing heavy carpentry work. A subsequent investigation by Postal Inspectors disclosed the carrier had regularly engaged in strenuous work since 1995, and his brother paid him "under the table," and did not report the work as required by the Internal Revenue Service. Their guilty plea precluded payment of future benefits, saving the Postal Service an estimated \$949,000.

A Brainerd, MN, clerk, who had not worked since 1992 due to alleged job-related injuries, received over \$193,000 in benefits since that time. Postal Inspectors videotaped him cutting down and removing large trees, climbing several 40- to 50-foot trees with a chain saw, trimming branches, clearing debris, cutting and stacking several cords of firewood and operating a chipping machine. The Department of Labor discontinued his benefits, saving the Postal Service an estimated \$430,416 in future benefits.

An Elmira, NY, clerk received over \$292,000 in benefits since an alleged 1974 back injury. Postal Inspectors found he was engaged in a maple syrup business, model train repair and sales, and other activities, such as barn-building and operating a bulldozer. The clerk was prosecuted for failing to report his earnings to the Department of Labor, and was sentenced to 6 months in federal prison, 6 months home detention and 3 years probation, and ordered to pay \$25,000 in restitution. Discontinuance of his benefits will result in an estimated future savings to the Postal Service of \$325,301.

---

## TORT INVESTIGATIONS

The Postal Inspection Service assists the Department of Justice and the General Counsel's Office of the Postal Service in adjudicating claims filed against the Postal Service. The Inspection Service is often requested to investigate claims that are questioned for excessiveness or inconsistency with stated injuries in relation to the accident. Postal Inspectors may be required to conduct surveillance, interview associates and witnesses, obtain records, or even act in an undercover capacity to reveal potential fraud in claims against the Postal Service.

A Postal contractor filed a \$1.2 million tort claim against the Postal Service, stating that he became totally disabled after a pallet fell out of a Postal truck and hit him on the back. A USPS attorney worked with an Assistant U.S. Attorney to settle the claim, until an Inspector received information that the contractor was faking his injuries. Undercover Postal Inspectors subsequently photographed him cutting trees, repairing roofs and repairing and selling cars. The Assistant U.S. Attorney dismissed the case, resulting in a savings to the Postal Service of \$1.2 million.



USA  
32



*Antillean Euphonia*

USA  
32



*Green-throated Carib*

USA  
32



*Crested Honeycreeper*

USA  
32



*Cardinal Honeyeater*

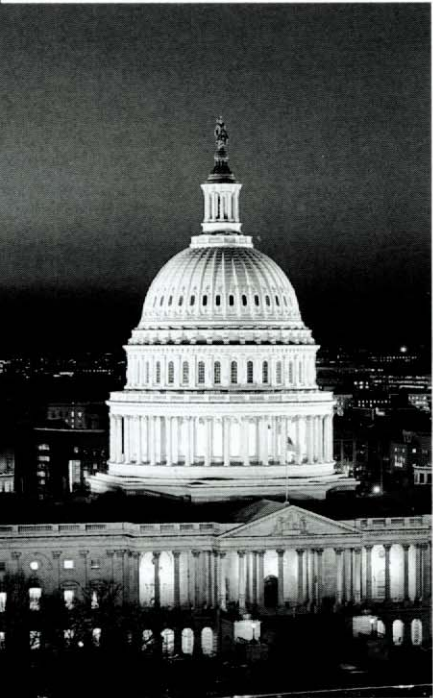
# Legislative and Regulatory Review



## **Does the USPS follow rules/laws other Federal agencies follow?**

Most federal laws of government-wide applicability do not apply to the Postal Service. This permits the Postal Service, an independent establishment of the executive branch, to operate in a more business-like manner.





The following section summarizes OIG reviews of existing and proposed legislation and regulations relating to USPS. These reviews, which are required by the Inspector General Act, are intended to inform Congress about how legislation and regulations could affect the USPS and the OIG. This portion of the report summarizes significant legislation and regulations reviewed between April 1, 1998 and September 30, 1998. During this period, OIG reviewed approximately 225 bills and 100 legislative proposals.

---

## **ENACTED LEGISLATION**

### **PUBLIC LAW 105-241 POSTAL EMPLOYEES SAFETY ENHANCEMENT ACT (S. 2112).**

This law makes the Occupational Safety and Health Act of 1970 applicable to the United States Postal Service in the same manner as any other employer. The Postal Service will be subject to fines and penalties for not complying with the Occupational Safety and Health Act of 1970. Previously, the Postal Service was not subject to these enforcement provisions.

This law could have a major effect on Postal Service finances and operations because compliance could require significant workplace changes nationwide.

---

## **PROPOSED LEGISLATION**

### **H.R. 22 POSTAL MODERNIZATION ACT OF 1998**

H.R. 22 would modernize and reform the nation's Postal laws. H.R. 22 was originally introduced on January 7, 1997, as the Postal Reform Act of 1997. On September 23, 1998, an amendment in the nature of a substitute for H.R. 22 was approved by the subcommittee. The amendment was renamed the Postal Modernization Act of 1998. The revised version of H.R. 22 is discussed below.

Title I renames the Board of Governors as the Board of Directors (Board). Chief Executive Officer is also added to the title of Postmaster General. Additionally, the Postal Rate Commission is renamed the Postal Regulatory Commission.

Title II establishes a new rate-setting process. Postal products would be divided into two categories, the noncompetitive and the competitive mail categories. The noncompetitive mail category includes first and other classes of mail for which there are few alternatives to the Postal Service. The noncompetitive mail category will have rates established using a price "cap" regimen, based upon the Consumer Price Index less a "productivity offset," which the Commission would determine every 5 years. Once the price cap is established, the Board could adjust prices annually.

The competitive mail category includes Postal products facing full competition. The Board could price these products according to market conditions, with certain limitations. Revenues and expenditures of competitive products would be tracked by way of a separate new account, "the Postal Service Competitive Products Fund." The Postal Service would have substantial freedom to manage the fund. The fund could not access federal financing sources and would not have the full faith and credit of the United States.

The Postal Service would submit an annual report about costs, revenues, and rates to the Commission. The Inspector General would audit the information in the report prior to submission. The Commission would have access to working papers and supporting documentation of the Postal Service and Inspector General. In addition, the Commission would report at least every 6 years on the operation of the rate-making system with recommendations for any changes. The Commission would receive subpoena power to require witness attendance, testimony and/or production of evidence.

The Commission and Inspector General would receive appropriations from the Postal Service Fund. The Board could establish a private law corporation for unregulated, non-Postal products. Corporation funds would be limited to funds invested from the Postal Service Competitive Products Fund and loans obtained on the credit of the corporation itself. The Postal Service would be required to include the activities of the Corporation in the annual reports to the Commission to ensure compliance with the firewall established between the Postal Service and the Corporation.

Title III authorizes the Postal Service to employ guards for all buildings. It clarifies the appeal deadline for post office closings. Federal prohibitions against fraudulent business practices and trademark infringement would apply to all Postal products.

The Secretary of State would be responsible for U.S. foreign Postal policies. The Postal Service could enter into agreements and contracts for international Postal services, but contracts with foreign governments would be solely contractual in nature and not constitute international law.

Title V contains provisions relating to transportation, carriage, or delivery of mail. A "letter" may be carried out of the mails when the amount paid for private carriage is at least six times the price of the first ounce of the single piece First-Class stamp, or when the letter weighs more than 12 1/2 ounces, or existing law permits carriage outside of the mails.

Title VI requires studies about employee-management relations, universal Postal Service, and equal application of laws to competitive products.

Title VII provides for a designated federal entity Inspector General for the Commission. In addition, the Inspector General of the Postal Service would become a presidential appointee. The current Inspector General would serve for the remainder of her term. The Inspector General would report to and, be under the general supervision of, the Postmaster General. This bill retains the provision that no officer or Board member of the Postal Service could stop the Inspector General from issuing subpoenas or initiating, carrying out, or completing any audit or investigation. The Inspector General would retain oversight responsibilities for the Inspection Service and would receive reports of its significant activities. Information from Inspection Service's reports would be included in the Inspector General's Semiannual Reports to Congress.

The Inspector General would retain hiring authority for officers, employees, consultants, and experts for the OIG. The OIG would receive appropriations from the Postal Service Fund. The Inspector General would have authority to audit the financial statements, or hire an independent external auditor to audit

the statements. Results of the audit would be included in the Postal Service Annual Report. This provision also contains technical and conforming amendments.

Title VIII contains law enforcement provisions relating to assaulting Postal contract employees, sexually-oriented advertising, forfeitures, mailing hazardous materials, and stalking federal employees.

H.R. 22 would significantly affect the OIG. Under this bill, the Inspector General would:

- ◆ Become a Presidential appointee;
- ◆ Report to and be under the general supervision of the Postmaster General; and
- ◆ Obtain authority to audit the financial statements, or hire an independent external auditor to audit the statements.

#### **H.R. 3601 AND H. R. 4151 IDENTITY THEFT AND ASSUMPTION DETERRENCE ACT OF 1998**

These bills would prohibit identity fraud. Both bills provide for sentencing enhancements based upon the number of victims.

H.R. 3601 would impose a direct reporting requirement on the Postmaster General.

#### **H.R. 3721 CAMPAIGN REFORM ACT OF 1998**

This bill would limit use of the Congressional franking privilege. A member of Congress would not be able to send any mass mailing as franked mail during an election year, unless the member made a public announcement that he or she will not be a candidate for reelection. Because the Postal Service is reimbursed for franked mail, this bill would lower postal revenues in an election year.

#### **H.R. 3726 WIRE TRANSFER FAIRNESS ACT OF 1998**

This bill would amend the Electronic Funds Transfer Act (15 U.S.C. 1693) to require businesses that initiate an international money transfer on behalf of a customer to disclose on its forms and receipts:

- ◆ the exchange rate used in the transaction;
- ◆ the exchange rate in the applicable foreign country on the day before the transaction; and
- ◆ all commissions and fees charged.

This legislation would affect the information maintained and disclosed by the USPS for wire transfers to foreign countries.

**H.R. 3839 FEDERAL LAW ENFORCEMENT OFFICERS' GOOD SAMARITAN ACT OF 1998**

This bill provides that a federal law enforcement officer who intervenes in certain crimes would be within the scope of employment. This bill provides law enforcement officers with additional protection against personal monetary losses from a lawsuit during the performance of their official duties.

**H.R. 3900 CONSUMER HEALTH AND RESEARCH TECHNOLOGY PROTECTION ACT**

This bill provides for certain restrictions on the use and disclosure of individually identifiable health information. The restrictions below, if enacted, would directly affect the Postal Service's handling of individually identifiable health information in connection with any medical fraud cases including, but not limited to, workers' compensation fraud.

In regards to individually identifiable health information, the bill prohibits:

- ◆ disclosure in absence of, or inconsistent with, authorization;
- ◆ failure to provide for reasonable protections against prohibited disclosures;
- ◆ failure to establish and enforce reasonable and appropriate administrative, technical, and physical safeguards;
- ◆ failure to establish procedures for determining a response to a subpoena, warrant, court order, or other request from a government authority for disclosure of such information;
- ◆ failure to provide for secure destruction of such information, where destruction of the information is desired;

- ◆ failure to implement written policies for compliance;
- ◆ the misuse of information from anonymous sources;
- ◆ the intentional disclosure of individually identifiable health information in civil and criminal proceedings; and
- ◆ the use of fraud, duress, deceit, or misrepresentation to obtain access to individually identifiable health information.

The bill also mentions provisions regarding use of coding systems, requirements for authorization, disclosures for archival research, inspection and copying of health information, and notification of confidentiality practices.

**H.R. 4104 TREASURY, POSTAL AND GENERAL GOVERNMENT APPROPRIATIONS ACT, 1999**  
**S. 2312 TREASURY, POSTAL AND GENERAL GOVERNMENT APPROPRIATIONS ACT, 1999)**

Both bills provide appropriations for the Departments of Treasury, the Postal Service, the Executive Office of the President, and certain Independent Agencies. Under Title II of both bills, there is a \$71,195,000 payment to the Postal Service Fund for revenue foregone on free and reduced rate mail.

H.R. 4104 also includes the annual authorization for the Postal Service to employ guards for all buildings and areas owned or occupied and controlled by the Postal Service. H.R. 4104 requires a minimum of \$50,000 of the funds for the Postal Service be made available only for the necessary expenses to carry out a work telecommuting program. Among other limitations, funds provided under this bill may not be used to fund the Postal Service participation in the Universal Postal Union or to initiate new non-Postal commercial activities or to pack and send services.

The bill provides that the Secretary of State would have primary responsibility for Postal policy with respect to United States participation in the Universal Postal Union. The Secretary of State could, with the consent of the President, negotiate and conclude treaties, conventions and amendments thereto. In addition, under the bill, the Postal Service may, with the



consent of the President, negotiate and conclude Postal treaties and conventions. Furthermore, the Postal Service may, with the consent of the President, establish rates of postage or other charges on mail matter conveyed between the United States and other countries.

H.R. 4104 requires that the Postal Rate Commission transmit to Congress an annual, comprehensive report of the cost, revenues, and volumes accrued by the Postal Service in connection with mail matter conveyed between the United States and other countries for the previous fiscal year. The Postal Service would provide the Postal Rate Commission with data to prepare the report. Data would be provided in sufficient detail to enable the Commission to analyze the costs, revenues, and volumes for each international mail product or service, under the methods determined by the Commission for the analysis of rates for domestic mail.

Currently, the Postal Service, with Presidential consent, has sole responsibility for Postal treaties. H.R. 4104 would authorize the Secretary of State to negotiate and conclude Postal treaties.

#### **H.R. 4242 COMBINED SEWER OVERFLOW CONTROL AND PARTNERSHIP ACT OF 1998**

This bill would amend the Federal Water Pollution Control Act requiring that discharges from combined storm and sanitary sewers conform to the Environmental Protection Agency's Combined Sewer Control Overflow Policy. Each permit, order, or decree issued pursuant to this Act shall include a schedule of compliance not to exceed 15 years. This environmental bill would subject the Postal Service to severe penalties for violations of the Act.

#### **H.R. 4243 GOVERNMENT WASTE, FRAUD, AND ERROR REDUCTION ACT OF 1998**

This is a bill to reduce waste, fraud, and error in Government programs by making improvements with respect to Federal management and debt collection practices, Federal payment systems, Federal benefit programs, and for other purposes. Under the proposed amendment to the Debt Collection Act, the Inspector

General would review and report to Congress and the Postmaster General on each compromise, default, or final resolution in bankruptcy of a high value non-tax debt arising out of agency activities or activities referred to the agency. In each report, the Inspector General would be required to rate the agency heads' performance in debt collection. The Inspector General would recommend appropriate changes in the debt collection practices in order to reduce the aggregate amount of high value debts that are finally resolved in whole or in part by compromise, default or bankruptcy to less than 1 percent of the aggregate amount of all high value debts. This bill could increase the Inspector General's duties and responsibilities for reporting agency debt collection activities and for recommending improvements to debt collection practices.

#### **S. 1923 FEDERAL FACILITIES CLEAN WATER COMPLIANCE ACT OF 1998**

This bill amends the Federal Water Pollution Control Act to ensure compliance by Federal facilities with pollution control requirements. It defines the term "reasonable service charge" that is placed upon Federal activities when not complying with this Federal law.

#### **S. 1972 POSTAL FINANCING REFORM ACT OF 1998**

This bill would reform laws relating to USPS finances by permitting the USPS to operate outside of the federal financing system. Among other things, it would allow the Postal Service to borrow or invest outside of the Department of the Treasury. This bill would substantially alter USPS financing. (Note: This bill was initially introduced as S. 1296, Postal Financing Reform Act of 1997.)

#### **S. 2035 COMMUNITY AND POSTAL PARTICIPATION ACT OF 1998**

This bill would amend Title 39, United States Code, to establish guidelines for the relocation, closing, or consolidation of post offices, and for other purposes. This bill sets the parameters that the Postal Service must have in place before determining the necessity for relocation, closing, or consolidation of post offices,



#### **Does the OIG follow USPS procedures?**

To the extent practical, the OIG follows USPS procedures. However, when necessary, the OIG develops and publishes its own operational and administrative procedures.



defines requirements for notifying personnel involved, and sets milestones and dates that must be followed. This bill could affect the Postal Service's relocation, closing, or consolidation of post offices.

#### **S. 2062 AND S. 2180 SUPERFUND RECYCLING EQUITY ACT OF 1998**

This bill would amend the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 to clarify liability under the Act for certain recycling transactions. This bill further defines the terms of recycling and the requirements promoting the use of and encouraging recycling. The Postal Service's recycling program may require updates to reflect these changes.

#### **S. 2067 ENCRYPTION PROTECTS THE RIGHT OF INDIVIDUALS FROM VIOLATION AND ABUSE IN CYBERSPACE ACT**

This bill would allow the maximum possible choices in encryption methods to protect the security, confidentiality, and privacy of wire and electronic communications and stored electronic information. The bill promotes privacy for network computer systems and other digital environments. In addition, the bill would establish privacy standards and procedures by which investigative or law enforcement officers may obtain decryption assistance for encrypted communications and stored electronic information.

This bill could affect USPS computer specifications and software. The bill could aid in USPS international electronic commerce efforts. Furthermore, the bill would cause changes to OIG and Inspection Service investigative procedures, and may affect electronic subpoena processing.

#### **S. 2082 INTERNATIONAL POSTAL SERVICES ACT OF 1998**

This bill would place international rates under the jurisdiction of the Postal Rate Commission. The effect of the legislation appears significant, because international rates had not been subject to review by the Postal Rate Commission. Due to the competitive nature of the

international marketplace, the process of requesting and approving international rates through the Postal Rate Commission would potentially handicap the USPS. Rate making cases currently take about 9 months to be reviewed by the Postal Rate Commission and returned to the USPS. If USPS competitors decided to have a price war and prices fluctuated greatly, the USPS might not be able to react quickly to the market pressures and could potentially lose customers.

#### **S. 2167 INSPECTOR GENERAL ACT AMENDMENTS OF 1998**

This bill would amend the Inspector General Act of 1978 (5 U.S.C. App. 3) to increase the efficiency and accountability of OIG's within Federal departments. Provisions of the bill applicable to USPS OIG include the following:

- ◆ Each OIG would undergo an external review not less than every 3 years. The General Accounting Office, a disinterested Inspector General of another establishment or designated Federal entity, or an appropriate private entity would perform the review. The review would encompass contracting, funding, and personnel practices.
- ◆ Inspectors General would prepare annual reports to Congress, instead of the currently required semiannual reports. Reporting requirements would be revised.
- ◆ The Inspector General of the United States Postal Service would change to a Level III Executive Schedule position, from its current Level IV position.

Under this bill, the OIG would undergo an external review encompassing contracting, funding, and personnel practices, not less than every 3 years. The OIG audit work currently is subject to periodic peer review. In addition, the Inspector General would prepare annual reports to Congress, instead of the currently required semiannual reports.

#### **S. 2303 INTERNATIONAL CRIME CONTROL ACT OF 1998**

Section 4002 of the bill would potentially produce a fundamental change in the law with respect to sanctity of the seal. It would provide

for search of mail under certain circumstances by U.S. Customs Service agents, in conjunction with USPS officials. Searches could affect Postal Service mail processing operations.

### **S. 2521 OFFICES OF INSPECTORS GENERAL TO BE TREATED AS INDEPENDENT AGENCIES**

Under this bill, all OIG's for each establishment, Federal entity, and designated Federal entity would be treated as a separate agency (independent of the applicable establishment, Federal entity, or designated Federal entity), for purpose of preparation of the U.S. budget. Each Inspector General, in consultation with its parent establishment or entity, would decide the budget for the OIG. The purpose of the bill is to eliminate the conflict of interest where an agency head determines the budget for an office that investigates the agency.

## **REGULATIONS**

### **FINAL RULES**

During this reporting period, the USPS published final rules on the following topics:

### **AMENDMENTS TO BYLAWS OF THE BOARD OF GOVERNORS CONCERNING ESTABLISHMENT OF SPECIAL RATE OF POSTAGE UNDER THE STAMP OUT BREAST CANCER ACT**

The Board of Governors of the Postal Service approved an amendment to its bylaws, giving the Governors responsibility to set the postage rates for special postage stamps pursuant to the Stamp Out Breast Cancer Act, 39 U.S.C. Sec. 414. *Federal Register*: May 26, 1998 (Volume 63, Number 100, Page 28485)

### **USE AND DETERMINATION OF POSTAGE VALUE OF BREAST CANCER RESEARCH SEMI-POSTAL STAMP**

This rule amended the *Domestic Mail Manual* to establish the terms and conditions for use and determination of value of the Breast Cancer Research Semi-Postal Stamp. *Federal Register*: July 16, 1998 (Volume 63, Number 136, Page 38309-38311)

### **FORWARDING OF FIRST-CLASS MAIL DESTINED FOR AN ADDRESS WITH A TEMPORARY CHANGE-OF-ADDRESS ON FILE**

This rule provides an additional option to allow for the forwarding of First-Class mail destined for an address with a temporary change-of-address on file. This change will improve customer satisfaction by forwarding the piece to the temporary address instead of returning it to the mailer with the reason for nondelivery. *Federal Register*: July 22, 1998 (Volume 63, Number 140, Pages 39238-39239)

### **DOMESTIC MAIL MANUAL CHANGES TO IMPLEMENT THE RATE, FEE, AND CLASSIFICATION CHANGES IN DOCKET NO. R97-1**

This rule set forth the *Domestic Mail Manual* standards adopted by the Postal Service to implement the rate, fee, and classification changes for all classes of mail included in the Decision of the Governors of the Postal Service in Postal Rate Commission Docket No. R97-1. *Federal Register*: July 14, 1998 (Volume 63, Number 134, Pages 37945-38033)

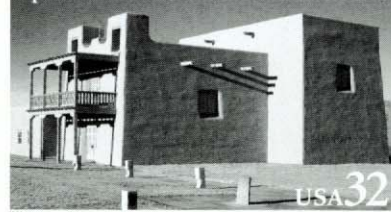
### **CHANGES IN INTERNATIONAL SPECIAL SERVICE FEES**

Pursuant to its authority under 39 U.S.C. 407, the Postal Service changed fees for international special mail services to become effective simultaneously with changes to domestic rates and fees. *Federal Register*: July 28, 1998 (Volume 63, Number 144, Pages 40180-40182)

### **CHANGES IN PREFERRED POSTAGE RATES-PERIODICALS AND STANDARD MAIL**

Public Law No. 103-123 authorizes annual changes in the reduced rates for preferred periodicals and non-profit standard mail formerly financed by appropriations for revenue foregone. This rule implemented these changes for FY 1999, effective as of Sunday, October 4, 1998. Rates resulting from these adjustments will be superseded by the rates resulting from the Postal rate case Docket Number R97-1, which will take effect Sunday, January 10, 1999. *Federal Register*: July 15, 1998 (Volume 63, Number 135, Pages 38083-38087)

Spanish Settlement of the Southwest 1598



## **CONDUCT ON POSTAL SERVICE PROPERTY**

This rule prohibits the following:

- ◆ smoking in Postal buildings;
- ◆ unauthorized soliciting of signatures on petitions, polls, or surveys on Postal property;
- ◆ impeding ingress to or egress from post offices;
- ◆ unauthorized leafleting, picketing, demonstrating, public assembly, and public address in lobbies and other public, interior areas of Postal buildings;
- ◆ placing freestanding signs or posters, structures, or furniture on Postal property except as part of Postal activities or as otherwise permitted by these regulations; and
- ◆ storing of weapons and explosives on Postal property except for official purposes.

The rule permits persons with disabilities to use other animals, in addition to guide dogs, for assistance on Postal property. The rule authorizes OIG Criminal Investigators, Postal Inspectors, and other persons designated by the Chief Postal Inspector to enforce Postal Service property regulations. *Federal Register*: June 25, 1998 (Volume 63, Number 122, Pages 34599-34600)

## **NATIONAL ENVIRONMENTAL POLICY ACT IMPLEMENTING PROCEDURES**

This rule changes the procedures and categorical exclusions governing the Postal Service's compliance with the National Environmental Policy Act. These amendments are based upon experience with existing regulations and new policies and infrastructure that have been implemented since the restructuring of the Postal Service in 1992. The changes are intended to comply with the requirements of the National Environmental Policy Act while improving quality and reducing administrative processes and preparation. *Federal Register*: August 27, 1998 (Volume 63, Number 166, Pages 45719-45722)

## **INTERIM RULES**

During this reporting period, the USPS published the following interim rules:

### **GLOBAL DIRECT-CANADA AD-MAIL SERVICE**

The Postal Service in cooperation with Canada Post Corporation is introducing Global Direct Canada Ad-mail. This international mail service is primarily intended for major printing firms, direct marketers, mail order companies, and other high-volume mailers seeking easier access to the Canadian domestic Postal system. It is intended to provide mail delivery in an average of 5-10 business days in major urban areas throughout Canada. Ancillary services for local business reply and the return of undeliverable mail are also introduced for use with Global Direct Canada Ad-mail. *Federal Register*: August 21, 1998 (Volume 63, Number 162, Pages 44789-44792)

### **GLOBAL PACKAGE LINK TO GERMANY AND FRANCE**

The Postal Service amended the rule in the International Mail Manual on Global Package Link to add a merchandise return service for customers utilizing the Global Package Link service to Germany and France. *Federal Register*: July 10, 1998 (Volume 63, Number 132, Page 37251-37254)

### **EXPANSION, RELOCATION, CONSTRUCTION OF NEW POST OFFICES**

The rule established procedures by which the Postal Service notifies local citizens and public officials of facility projects, and solicits and considers the community's input before making a final decision to expand an existing facility, relocate to a new building, or start new construction. The purpose of the rule is to build into the facility project planning process specific opportunities and adequate time for the community to be a partner in the decision-making process and to have its views considered. *Federal Register*: September 2, 1998 (Volume 63, Number 170, Pages 46654-46658)

## PROPOSED RULES

During this reporting period the USPS proposed rules on the following topics:

### MANUFACTURE, DISTRIBUTION, AND USE OF POSTAL SECURITY DEVICES AND INFORMATION-BASED INDICIA

This proposal would add new sections to the *Domestic Mail Manual* and Title 39, Code of Federal Regulations, for the Information-Based Indicia Program. The Information Based Indicia Program involves the development of new computer technology to produce forms of postage through the use of two-dimensional barcodes, human-readable information, and cryptographic services. This technology will support Postal Service efforts to reduce fraud, provide a convenient access to postage, and provide an opportunity for customer defined "value-added" services. *Federal Register*: September 2, 1998 (Volume 63, Number 170, Pages 46719-46728)

### METERING PRODUCT SUBMISSION PROCEDURES

This proposed rule revises submission procedures proposed in the January 7, 1997 *Federal Register* for the Information-Based Indicia Program. Under this proposal, submission procedures apply to all postage metering products, applications, and systems. *Federal Register*: September 2, 1998 (Volume 63, Number 170, Pages 46719)

### NEW SPECIFICATIONS FOR AUTOMATED FLATS

On October 4, 1998, the Postal Service plans to extend the automation flats rates to pieces prepared as automated flats that meet the physical requirements for the FSM 1000 Flat sorting machine. Pieces that currently do not qualify for automation flat rates will be eligible for the automation flat rates if they meet the size and other criteria for processing on the FSM 1000, are prepared with correct ZIP + 4 or delivery point barcodes, and meet other preparation requirements. *Federal Register*: August 26, 1998 (Volume 63, Number 165, Pages 45440-45443)

### REQUIREMENTS FOR MANUFACTURER, DEMONSTRATION AND LOANER POSTAGE METERS

The proposal would clarify and strengthen requirements for manufacturers of postage meters to control meters that they use for demonstration and loaner purposes. The intended effect of this proposal is to reduce potential for misuse and fraud. *Federal Register*: April 3, 1998 (Volume 63, Number 64, Pages 16464-16465)

---

## NOTICES

During this reporting period, the USPS published the following notices:

### NOTICE OF NEW SYSTEM OF RECORDS

The USPS established a new Privacy Act system of records, USPS 040.050, Customer Programs-Customer Electronic Document Preparation and Delivery Service Records. The new system contains information provided by customers who use the Postal Service's electronic-to-paper document printing and mailing service. Customers using this service electronically send a master document and mailing list to a Postal control center, which electronically routes the documents to print sites for printing and mailing for Postal Service delivery. *Federal Register*: May 21, 1998 (Volume 63, Number 98, Pages 28016-28018)

### PROPOSED CHANGES TO CURRENT DELIVERY RECORD FILING SYSTEM

In the fall of 1998, the Postal Service will begin testing a new process that eliminates hardcopy filing of delivery records. If the test is successful, subsequent changes are planned in the portions of the *Domestic Mail Manual* and Domestic Mail Classification Schedule concerning delivery record information to reflect that hardcopy records will no longer be retained at the office of address. *Federal Register*: June 10, 1998 (Volume 63, Number 111, Page 31815)

**CHANGES IN DOMESTIC RATES, FEES,  
AND MAIL CLASSIFICATIONS**

The USPS published changes to the Domestic Mail Classification Schedule and the accompanying rate and fee changes, as a result of the Decision of the Governors of the Postal Service on the Recommended Decision of the Postal Rate Commission on Postal rate case Docket No. R97-1 (June 29,1998). *Federal Register*: July 21, 1998 (Volume 63, Number 139, Page 39123-39166)

**INFORMATION-BASED INDICIA  
PROGRAM PERFORMANCE CRITERIA  
FOR INFORMATION-BASED INDICIA  
AND SECURITY ARCHITECTURE FOR  
INFORMATION-BASED INDICIA  
POSTAGE METERING SYSTEMS**

The Postal Service published a set of draft specifications for the Information-Based Indicia Program, which supersedes published specifications. The Postal Service compiled a set of Indicia Program functional performance criteria. *Federal Register*: August 26, 1998 (Volume 63, Number 165, Page 45535)



# Appendices



## DID YOU KNOW?

**Why must OIG report all of its findings and issues to the Governors and Congress, and will reporting them affect relationships between USPS management and OIG?**

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

---

**APPENDIX A**

# Reports Issued to Postal Management

---

## OIG REPORTS

---

April 1 - September 30, 1998

---

**VOICE OF THE CUSTOMER****Audits**

Date	Case/Report Number	Subject/Location
8/14/98	OV-AR-98-002	Confidential Informant/Control Substance Funds Program

**Management Reports and Other Reviews**

Date	Case/Report Number	Subject/Location	Type of Review
7/8/98	QRCR 98001	Review of Denial of Requests for Information	Congressional
8/12/98	CACR 98001	Allegations of an Improper Contract Relationship	Congressional
9/30/98	CA-MA-98-003	Supplier Diversity and Minority Contracting	Management Advisory
9/30/98	EX-MA-98-001	Review of Cincinnati Division	Management Advisory
9/30/98	LLCR 98001	Review of Postal Service Denial of Non-profit Standard Mail	Congressional
9/30/98	OV-EV-98-002	Progressive Business Publications	Evaluation
9/30/98	OV-MA-98-002	Crime Laboratories' Accreditation Progress	Management Advisory
9/30/98	OV-MA-98-003	Postal Inspection Service Tracking Network System	Management Advisory
9/30/98	RG-MA-98-002	Marketing New Products	Management Advisory
9/30/98	RG-MA-98-004	Review of Sales Force Augmentation Pilot Project- Phase 1	Management Advisory

---

**VOICE OF THE EMPLOYEE****Audits**

Date	Case/Report Number	Subject/Location
9/30/98	LM-AR-98-001	Diversity and Human Skills Training Program Milwaukee District Compliance
9/30/98	LM-AR-98-002	Violence Prevention Policies and Procedures Milwaukee District Compliance

**Management Reports and Other Reviews**

Date	Case/Report Number	Subject/Location	Type of Review
4/1/98	LMCR 98007	Review of Allegations at Ponca City, OK	Congressional
4/9/98	LMCR 98009	Review of Allegations at Schenectady, NY	Congressional
4/24/98	LMCR 98010	Review of Allegations at Mobile, AL	Congressional
4/24/98	LMCR 98012	Review of Allegations at Mobile, AL	Congressional
4/24/98	LMCR 98013	Review of Allegations at Mobile, AL	Congressional
5/8/98	LMCR 98014	Review of Allegations at Phoenix, AZ	Congressional
6/2/98	QR-MA-98-001	Drug-Free Workplace Program	Management Advisory
6/22/98	LMCR 98020	Review of Allegations at Surfside Beach, SC	Congressional
6/22/98	LMCR 98022	Review of Allegations at Surfside Beach, SC	Congressional
6/24/98	LMLA 98001	Review of Allegations at Surfside Beach, SC	Congressional
7/22/98	LMCR 98023	Review of Allegations at Brevard, NC	Congressional
8/7/98	LMLA 98033	Review of Allegations at New York	Congressional
8/7/98	OVCR 98001	Review of Allegations of Sexual Harassment at Headquarters	Congressional
8/10/98	LMCR 98030	Review of Allegations at Washington, DC	Congressional
8/13/98	LMCR 98024	Review of Allegations at Mobile, AL	Congressional



Date	Case/Report Number	Subject/Location	
8/14/98	LMCR 98021	Review of Allegations at Hot Springs, AK	Congressional
8/20/98	LMCR 98038	Review of Allegations at New York	Congressional
8/28/98	LMLA 98002	Review of Allegations at Mid-Carolinas' District, NC	Congressional
8/28/98	PA-MA-98-002	Violence in the Workplace - Identification of Area Hot Spots	Management Advisory
9/4/98	HCCR 98001	Review of Postal Service's South Carolina Workers' Compensation Div.	Congressional
9/30/98	LM-MA-98-001	Supervisor Knowledge of Union Contracts	Management Advisory
9/30/98	PA-MA-98-003	Retroactive Contributions to the Thrift Savings Plan	Management Advisory
9/30/98	PA-MA-98-004	Status of Management Actions Taken for Inspection Service Reports on Labor Management	Management Advisory

## VOICE OF THE BUSINESS

### Audits

Date	Case/Report Number	Subject/Location
4/22/98	CA-AR-98-001	Unisite
7/21/98	IS-AR-98-002	Year 2000 Initiative - Status of the Renovation, Validation and Implementation Phases
9/29/98	IS-AR-98-003	Year 2000 Initiative - Post Implementation Verification
9/30/98	CA-AR-98-002	Congressional Mail Accounting and Billing
9/30/98	CA-AR-98-003	Procurement Prequalification Process
9/30/98	HC-AR-98-002	Workers' Compensation Case Management
9/30/98	PA-AR-98-001	Bulk Mail Center Manual Operations
9/30/98	PA-AR-98-002	Total Factor Productivity

### Management Reports and Other Reviews

Date	Case/Report Number	Subject/Location	Type of Review
6/25/98	PACR 98003	Review of Problems with Postal Pictorial Cancellations	Congressional
6/11/98	RP-LA-98-001	Administrative Settlement - Sugar House	Management Advisory
7/7/98	CA-LA-98-001	Y2K Contract Indemnification Advisory Letter	Management Advisory
8/6/98	PACR 98002	Review of Delivery of Newspapers Sent Through USPS	Congressional
8/10/98	PACR 98001	Review of Proposal to Reduce Undeliverable as Addressed Mail	Congressional
8/12/98	FACR 98001	Review of Association of US Postal Lessors	Congressional
9/24/98	RG-MA-98-006	Distribution of Celebrate the Century Ballots	Management Advisory
9/30/98	FA-MA-98-001	Stamp Services	Management Advisory
9/30/98	FR-LA-98-001	Bank Secrecy Act	Management Advisory
9/30/98	RG-MA-98-005	Review of Revenue Forecasting - International Business Unit	Management Advisory
9/30/98	RG-MA-98-007	Stamp Out Breast Cancer Act and Stamp	Management Advisory
9/30/98	RP-MA-98-001	National Accounting Office Request for Miscellaneous Disbursement Payments	Management Advisory
9/30/98	RP-MA-98-002	Local Requisition of Cleaning Services	Management Advisory

# INSPECTION SERVICE

April 1 - September 30, 1998

**CONTRACT AUDITS (AC)** are conducted to ensure efficiency, effectiveness, and economy in the procurement process. Postal Inspectors independently appraise costs related to transportation, services, equipment, facilities, and consulting contracts and provide timely responses to requests for audits of proposals, claims, and accounting systems on a pre- and post-award basis. Postal Inspectors also perform defective pricing, procedural compliance, and self-initiated reviews related to procurement activities.

Report Date	Case Number	Contractor or Facility	Questioned Costs	Unsupported Costs	Recommendations That Funds Be Put to Better Use
06/10/98	181-1226701-AC(1)	New Breed Leasing Corporation	\$ 0	\$ 0	\$26,910,584
04/17/98	181-1231066-AC(1)	Auth Florence Manufacturing Company	0	0	0
04/15/98	181-1231813-AC(1)	Motion Systems, L.C.	0	0	696,113
04/23/98	181-1231819-AC(1)	Motion Systems, L.C.	0	0	82,384
04/21/98	181-1231825-AC(1)	Motion Systems, L.C.	0	0	871,745
08/27/98	181-1233815-AC(1)	Siemens ElectroCom, L.P.	0	0	1,975,850
04/10/98	181-1233899-AC(1)	Evergreen International Airlines, Inc.	0	0	0
04/08/98	181-1235479-AC(1)	Castro-Blanco Piscioneri & Associates	0	0	29,636
04/06/98	181-1235716-AC(1)	Tri-Tech Services, Inc.	0	0	444,455
04/14/98	181-1237199-AC(1)	Siemens ElectroCom, L.P.	0	0	14,156,740
04/07/98	181-1237309-AC(1)	Rogers Corporation	0	0	8,288
08/26/98	181-1238483-AC(1)	New Breed Leasing Corporation	0	0	6,764,521
04/17/98	181-1238604-AC(1)	Siemens ElectroCom, L.P.	0	0	505,224
06/04/98	181-1241136-AC(1)	Advanced Information Systems	0	0	0
07/29/98	181-1242530-AC(1)	HK Systems	0	0	0
06/05/98	181-1242545-AC(1)	Mannesmann Dematic Rapistan Corporation	0	0	118,882
08/10/98	181-1243546-AC(1)	PhotoAssist, Inc.	242,025	0	0
06/30/98	181-1243790-AC(1)	S/D Engineers, Inc.	0	0	0
07/15/98	181-1244136-AC(1)	Motion Systems, L.C.	0	0	756,910
06/30/98	181-1244539-AC(1)	Vahle, Inc.	0	0	0
09/25/98	181-1246015-AC(1)	MOS International	0	0	773,938
08/28/98	181-1246017-AC(1)	MOS International	0	0	280,277
07/20/98	181-1246987-AC(1)	Siemens ElectroCom, L.P.	0	0	583,787
08/14/98	181-1248027-AC(1)	Siemens ElectroCom, L.P.	0	0	5,541,722
08/17/98	181-1248178-AC(1)	Siemens ElectroCom, L.P.	0	0	10,687,390
08/20/98	181-1249368-AC(1)	Key Handling Systems, Inc.	0	0	189,668
09/21/98	181-1249372-AC(1)	Key Handling Systems, Inc.	0	0	13,851
09/18/98	181-1249374-AC(1)	Key Handling Systems, Inc.	0	0	14,895
09/18/98	181-1249375-AC(1)	Key Handling Systems, Inc.	0	0	8,768
09/18/98	181-1249376-AC(1)	Key Handling Systems, Inc.	0	0	6,680
09/17/98	181-1251688-AC(1)	Independent Postal Financial Consultants, Inc.	0	0	0
06/19/98	182-1237955-AC(1)	Smithsonian Institution	844,288	0	0
09/08/98	182-1243465-AC(1)	Viking Enterprise, Inc.	0	0	0
07/20/98	182-1245941-AC(1)	Texas Commission for the Blind	0	0	0
08/27/98	182-1251205-AC(1)	Testimonial Dinner (Union Station)	0	0	0
04/14/98	183-1235694-AC(1)	Fremont Die Cut Products, Inc.	1,015,996	0	0
04/13/98	183-1238416-AC(1)	Carlisle Realty Holding	13,310	2,941	0
04/22/98	183-1238447-AC(1)	Palmer Chicago Investment Company	0	0	0
06/16/98	183-1241933-AC(1)	Tryck Nyman Hayes, Inc.	83,727	0	0

Report Date	Case Number	Contractor or Facility	Questioned Costs	Unsupported Costs	Recommendations That Funds Be Put to Better Use
08/04/98	183-1242799-AC(1)	Long Mechanical, Inc.	215,465	0	0
08/17/98	183-1246298-AC(1)	Xeno Technix, Inc.	78,208	236,559	0
08/07/98	183-1246324-AC(1)	Xeno Technix, Inc.	24,048	217,599	0
07/16/98	183-1246375-AC(1)	Amplex Corporation	0	0	0
05/19/98	184-1195826-AC(1)	Manpower International, Inc.	0	0	0
06/16/98	184-1218249-AC(1)	First Data Merchant Services Corporation	116,846	398,675	0
09/15/98	184-1226764-AC(1)	Manpower International, Inc.	0	0	0
06/10/98	184-1235718-AC(1)	Sandvik Sorting Systems, Inc.	139,163	0	0
09/04/98	184-1239900-AC(1)	University of Oklahoma	0	0	0
09/18/98	184-1244332-AC(1)	King-Casey, Inc.	57,213	0	0
09/18/98	184-1244333-AC(1)	King-Casey, Inc.	70,668	0	0
09/18/98	184-1244335-AC(1)	King-Casey, Inc.	31,805	0	0
07/23/98	184-1248512-AC(1)	Economics America, Inc.	0	0	0
07/23/98	184-1248513-AC(1)	Economics America, Inc.	0	0	0
08/14/98	184-1248703-AC(1)	Christensen Associates, Inc.	4,940	0	0
10/15/97*	186-1220792-AC(1)	ABB Flexible Automation, Inc.	0	0	0
08/20/98	186-1224311-AC(1)	Siemens ElectroCom, L.P.	0	0	0
08/25/98	186-1249608-AC(1)	Sunbelt Enterprises	2,839	694	0
08/26/98	187-1247233-AC(1)	Purchasing & Materials Service Center	0	0	0
05/19/98	190-1221376-AC(2)	Kobane, Inc.	0	0	0
09/11/98	192-1222191-AC(1)	ARAMARK Services, Inc.	0	0	0
07/13/98	192-1237963-AC(2)	Foster Associates, Inc.	79,981	0	0
09/01/98	192-1237966-AC(2)	Independent Postal Financial Consultants, Inc.	0	0	0
09/11/98	192-1238574-AC(1)	PhotoAssist, Inc.	0	1,997	0
07/29/98	194-1197860-AC(2)	Austin Construction	0	0	0
<b>TOTAL</b>			<b>\$3,020,522</b>	<b>\$858,465</b>	<b>\$71,422,308</b>

**FINANCIAL OPINION AUDITS (AD)** are annual reviews of financial transactions, assets, and controls at the three information service centers and selected field installations. Postal Inspectors review physical, personnel, and data security controls to determine whether they are effective and comply with postal policies.

Report Date	Case Number	Location	Subject
06/18/98	001-1243112-AD(1)	Trenton, NJ 09650	Vehicle Maintenance Facility Audit
04/17/98	004-1220456-AD(1)	New York, NY 10116	Imprest Fund Audit
09/29/98	004-1220458-AD(1)	New York, NY 10116	Imprest Fund Audit
04/22/98	004-1228512-AD(1)	Washington, DC 20260	Imprest Fund Audit
09/30/98	007-1225145-AD(1)	San Mateo, CA 94497	EDP Controls
09/30/98	007-1225935-AD(1)	St. Paul, MN 55164	EDP Controls
09/30/98	007-1231082-AD(1)	St. Louis, MO 63177	EDP Controls
05/05/98	010-1169074-AD(1)	Jersey City, NJ 07096	Inbound International Statistical Systems

**FINANCIAL INSTALLATION AUDITS (AF1)** are performed at offices chosen through a random selection process. Offices are randomly selected from a list of all offices and stratified by projected revenue. During the reviews, internal controls are evaluated and assets are verified to determine the reliability of the Postal Service's financial system.

Report Date	Case Number	Location
04/30/98	011-1222618-AF(1)	Columbia, SC 29201
04/17/98	011-1222649-AF(1)	Tampa, FL 33630
09/03/98	011-1222661-AF(1)	Greenville, SC 29602
04/16/98	011-1223039-AF(1)	Jersey City, NJ 07303
06/18/98	011-1223041-AF(1)	Charlotte, NC 28228
06/11/98	011-1223104-AF(1)	Wheeling, IL 60090
08/14/98	011-1223107-AF(1)	Milwaukee, WI 53202
06/30/98	011-1223267-AF(1)	Boston, MA 02205
08/13/98	011-1223405-AF(1)	Washington, DC 20066
05/05/98	011-1223412-AF(1)	Greensboro, NC 27420
07/01/98	011-1223482-AF(1)	Cincinnati, OH 45234
09/09/98	011-1223728-AF(1)	Santa Ana, CA 92711
07/20/98	011-1223738-AF(1)	Long Beach, CA 90809
05/08/98	011-1224162-AF(1)	Omaha, NE 68108
07/17/98	011-1224163-AF(1)	Des Moines, IA 50318
06/04/98	011-1225186-AF(1)	Atlanta, GA 30304
06/10/98	011-1225187-AF(1)	Columbus, GA 31908
09/04/98	011-1225189-AF(1)	Norcross, GA 30071
05/11/98	011-1228742-AF(1)	Terre Haute, IN 47808
05/09/98	011-1228743-AF(1)	Warsaw, IN 46580
08/03/98	011-1228746-AF(1)	Indianapolis, IN 46206
08/13/98	011-1228747-AF(1)	Winston-Salem, NC 27102
06/19/98	011-1229343-AF(1)	Harrisburg, PA 17107
07/08/98	011-1229345-AF(1)	Wilmington, DE 19850
09/10/98	011-1229346-AF(1)	Wilkes-Barre, PA 18701
07/10/98	012-1222626-AF(1)	Mount Vernon, NY 10551
05/11/98	012-1222628-AF(1)	Mineola, NY 11501
05/26/98	012-1222654-AF(1)	Lake Worth, FL 33461
07/24/98	012-1222655-AF(1)	Boca Raton, FL 33431
04/29/98	012-1223062-AF(1)	Glen Ellyn, IL 60137
05/27/98	012-1223102-AF(1)	Alexandria, MN 56308
04/10/98	012-1223103-AF(1)	Grand Forks, ND 58201
04/24/98	012-1223106-AF(1)	St. Charles, IL 60174
08/19/98	012-1223262-AF(1)	New London, CT 06320
06/12/98	012-1223339-AF(1)	Lafayette, LA 70501
08/28/98	012-1223423-AF(1)	McLean, VA 22101
08/07/98	012-1223424-AF(1)	Dumfries, VA 22026
08/11/98	012-1223485-AF(1)	Liberty, MO 64068
06/01/98	012-1223708-AF(1)	Lancaster, CA 93534
04/14/98	012-1223709-AF(1)	Corona, CA 91720
07/28/98	012-1223718-AF(1)	Thousand Oaks, CA 91359
09/02/98	012-1223975-AF(1)	Orange, CT 06477
04/22/98	012-1224030-AF(1)	Morgan Hill, CA 95037

Report Date	Case Number	Location
05/26/98	012-1224031-AF(1)	Kirkland, WA 98033
05/15/98	012-1224032-AF(1)	Lynnwood, WA 98036
08/19/98	012-1224036-AF(1)	Fairbanks, AK 99709
08/17/98	012-1224167-AF(1)	Iowa City, IA 52240
04/03/98	012-1228737-AF(1)	Farmington, MI 48335
05/26/98	012-1228744-AF(1)	Holland, MI 49423
06/15/98	012-1228745-AF(1)	Mesa, AZ 85201
08/21/98	012-1228751-AF(1)	Warren, MI 48090
04/07/98	012-1229348-AF(1)	Conshohocken, PA 19428
08/03/98	012-1240585-AF(1)	Sioux City, IA 51101
07/31/98	013-1222621-AF(1)	Ridge, NY 11961
08/28/98	013-1222623-AF(1)	Greenlawn, NY 11740
09/03/98	013-1222662-AF(1)	Easley, SC 29640
09/02/98	013-1222998-AF(1)	South Elgin, IL 60177
07/06/98	013-1223043-AF(1)	Olean, NY 14760
07/01/98	013-1223044-AF(1)	Park Ridge, NJ 07656
07/22/98	013-1223046-AF(1)	Bath, NY 14810
08/27/98	013-1223047-AF(1)	Penn Yan, NY 14527
07/23/98	013-1223049-AF(1)	Keyport, NJ 07735
08/26/98	013-1223050-AF(1)	Monmouth Junction, NJ 08852
05/27/98	013-1223065-AF(1)	Two Harbors, MN 55616
04/10/98	013-1223263-AF(1)	Grapevine, TX 76051
05/14/98	013-1223319-AF(1)	Church Hill, TN 37642
05/14/98	013-1223321-AF(1)	St. Bethlehem, TN 37155
09/01/98	013-1223325-AF(1)	Granite Quarry, NC 28072
04/24/98	013-1223327-AF(1)	Manchester, TN 37355
09/01/98	013-1223333-AF(1)	Brevard, NC 28712
06/19/98	013-1223337-AF(1)	Poplar Bluff, MO 63901
05/04/98	013-1223338-AF(1)	LaVergne, TN 37086
07/01/98	013-1223393-AF(1)	St. Johnsbury, VT 05819
04/08/98	013-1223394-AF(1)	Chester, CT 06412
04/27/98	013-1223429-AF(1)	Severna Park, MD 21146
04/29/98	013-1223480-AF(1)	Canfield, OH 44406
07/16/98	013-1223484-AF(1)	Swanton, OH 43558
04/27/98	013-1223705-AF(1)	Altadena, CA 91001
04/27/98	013-1223707-AF(1)	LaVerne, CA 91750
08/10/98	013-1223972-AF(1)	Lenox, MA 01240
07/02/98	013-1224025-AF(1)	Clearlake, CA 95422
06/15/98	013-1224034-AF(1)	Turlock, CA 95380
08/07/98	013-1224068-AF(1)	Franklin, PA 16323
06/02/98	013-1224169-AF(1)	El Dorado, KS 67042
08/26/98	013-1224170-AF(1)	York, NE 68467
08/21/98	013-1224175-AF(1)	Eldridge, IA 52748
08/07/98	013-1224293-AF(1)	Stafford, TX 77477
06/26/98	013-1224296-AF(1)	Sulphur, LA 70663
05/19/98	013-1224298-AF(1)	Bay City, TX 77414
04/13/98	013-1224302-AF(1)	Wimberley, TX 78676

Report Date	Case Number	Location
09/03/98	013-1225190-AF(1)	Phoenix City, AL 36867
05/05/98	013-1229351-AF(1)	Temple, PA 19560
07/17/98	013-1229352-AF(1)	Colmar, PA 18915
06/03/98	014-1223051-AF(1)	Monmouth Beach, NJ 07750
06/08/98	014-1223056-AF(1)	Crivitz, WI 54114
09/03/98	014-1223067-AF(1)	Lake Andes, SD 57356
08/18/98	014-1223108-AF(1)	Lennox, SD 57039
04/10/98	014-1223395-AF(1)	Hoosick Falls, NY 12090
04/13/98	014-1223477-AF(1)	Gilbertsville, KY 42044
05/01/98	014-1223481-AF(1)	Johnstown, OH 43031
04/24/98	014-1223973-AF(1)	Fitzwilliam, NH 03447
08/25/98	014-1224037-AF(1)	Haines, AK 99827
08/25/98	014-1224038-AF(1)	Glennallen, AK 99588
06/05/98	014-1224062-AF(1)	Whitesville, WV 25209
08/07/98	014-1224066-AF(1)	Ceredo, WV 25507
08/21/98	014-1224176-AF(1)	Holyoke, CO 80734
07/27/98	014-1224178-AF(1)	Pocahontas, IA 50574
08/21/98	014-1224179-AF(1)	Fillmore, UT 84631
08/25/98	014-1224304-AF(1)	Needville, TX 77461
06/12/98	014-1224305-AF(1)	Caddo Mills, TX 75135
08/21/98	014-1225193-AF(1)	Crossville, AL 35962
04/23/98	014-1225868-AF(1)	Erath, LA 70533
07/17/98	014-1226958-AF(1)	Parshall, ND 58770
04/09/98	014-1228754-AF(1)	Mentone, IN 46539
09/08/98	014-1229354-AF(1)	Drums, PA 18222
07/02/98	014-1229355-AF(1)	Dauphin, PA 17018
07/30/98	015-1223195-AF(1)	Wadsworth, NV 89442
07/20/98	015-1223911-AF(1)	McCoy, VA 24111
08/11/98	015-1223912-AF(1)	Critz, VA 24082
07/20/98	015-1223913-AF(1)	Jewell Ridge, VA 24622
06/19/98	015-1224033-AF(1)	Clarksburg, CA 95612
07/08/98	015-1224053-AF(1)	Nineveh, PA 15353
05/28/98	015-1224078-AF(1)	Rippon, WV 25441
08/25/98	015-1224306-AF(1)	Turkey, TX 79261
07/08/98	015-1224475-AF(1)	Dows, IA 50071
06/03/98	015-1224477-AF(1)	Spickard, MO 64679
06/11/98	015-1225866-AF(1)	Runge, TX 78151
04/03/98	015-1225869-AF(1)	Stonewall, LA 71078
08/05/98	015-1225871-AF(1)	Salt Flat, TX 79847
08/31/98	015-1226957-AF(1)	Hunter, ND 58048
04/03/98	015-1228753-AF(1)	Milltown, IN 47145

**DISTRICT ACCOUNTING OFFICE AUDITS (AF2)** are conducted to evaluate district accounting office controls and the security provided for computers. The audits supplement financial installation audits.

Report Date	Case Number	Location
05/04/98	016-1220997-AF(2)	Charlotte, NC 28228
04/17/98	016-1222617-AF(2)	Columbia, SC 29292
07/24/98	016-1222996-AF(2)	Milwaukee, WI 53202

Report Date	Case Number	Location
07/23/98	016-1223265-AF(2)	North Reading, MA 01899
07/06/98	016-1223483-AF(2)	Cincinnati, OH 45234
09/09/98	016-1223729-AF(2)	Santa Ana, CA 92711
07/20/98	016-1223731-AF(2)	Long Beach, CA 90809
07/23/98	016-1224035-AF(2)	Anchorage, AK 99599
04/16/98	016-1224158-AF(2)	Omaha, NE 68124
06/02/98	016-1224160-AF(2)	Kansas City, MO 64108
07/14/98	016-1224161-AF(2)	Des Moines, IA 50318
05/27/98	016-1225198-AF(2)	North Metro, GA 30159
08/13/98	016-1235951-AF(2)	Washington, DC 20066
05/05/98	016-1235953-AF(2)	Greensboro, NC 27420
04/16/98	016-1239499-AF(2)	Charlotte, NC 28228
06/19/98	016-1241450-AF(2)	Harrisburg, PA 17106
08/31/98	016-1242952-AF(2)	Seattle, WA 98109
06/30/98	016-1242953-AF(2)	White Plains, NY 10610
08/14/98	016-1242954-AF(2)	Salt Lake City, UT 84199
07/20/98	016-1242959-AF(2)	Las Vegas, NV 89199
09/25/98	178-1254110-AF(2)	Las Vegas, NV 89199

**DEVELOPMENTAL AUDITS (AX)** provide an independent evaluation of new or redesigned Postal Service systems under development. They provide a constructive and protective service to the Board of Governors, Postmaster General, and other senior postal management. Developmental audits are independent methods for identifying issues relating to a system's security, controls, and audit trails.

Report Date	Case Number	Location	Subject
05/07/98	019-1216919-AX(1)	Washington, DC 20066	Tray Management System
07/13/98	019-1217081-AX(1)	Washington, DC 20066	Robotic Tray Handling System

**EXPENDITURES INVESTIGATIONS (EI)** are performed to identify fraud, waste, and abuse in procurement activities and improve the integrity of procurement processes. The investigations are conducted based on requests from management, customer complaints, and judgmental selections.

Report Date	Case Number	Location	Subject
06/17/98	565-1186172-EI(1)	Portland, OR 97208	IQC Contracts/Project Files Review
04/08/98	566-1233117-EI(1)	Philadelphia, PA 19153	IMPAC Credit Card Review
05/21/98	566-1239288-EI(1)	St. Louis, MO 63155	Postal Service Purchasing Contracts
08/18/98	566-1248396-EI(1)	Bellmawr, NJ 08099	Procurement Activity Review

**FINANCIAL INVESTIGATIONS (FI)** are designed to protect postal financial assets from internal theft or misuse. The investigations also assess risks and evaluate internal controls to prevent financial loss.

Report Date	Case Number	Location
05/13/97*	017-1170967-FI(2)	Charleston, WV 25301
04/14/98	017-1203884-FI(2)	Harmony, CA 93435
07/30/97*	017-1216920-FI(2)	Burns Flat, OK 73109
09/25/97*	017-1219475-FI(2)	Serena, IL 60549
10/23/97*	017-1219604-FI(2)	Dunbar, WV 25064
08/12/98	017-1230164-FI(2)	Savage, MN 55378
04/01/98	017-1234780-FI(2)	Yuma, TN 38390

Report Date	Case Number	Location
04/13/98	017-1239083-FI(2)	Harrisburg, PA 17106
04/15/98	017-1239255-FI(2)	Jefferson, OH 44047
06/02/98	017-1240586-FI(2)	Starkville, MS 89759
06/15/98	017-1245191-FI(2)	Brooksville, MS 39739
07/17/98	017-1246265-FI(2)	Raquette Lake, NY 13436
03/24/98*	017-1246972-FI(2)	Waterworks, NJ 08089
08/11/98	017-1248182-FI(2)	Oneonta, NY 13820
07/27/98	017-1248533-FI(2)	Edwards, MO 65326
07/27/98	017-1249138-FI(2)	St. Thomas, MO 65076
08/21/98	017-1249307-FI(2)	Jamaica, NY 11430
08/12/98	017-1250627-FI(2)	Mantachie, MS 38855
08/17/98	017-1251218-FI(2)	Toccopola, MS 38874
08/24/98	017-1251219-FI(2)	New Johnsonville, TN 37134
08/24/98	017-1251220-FI(2)	Stewart, TN 37175
09/04/98	017-1252113-FI(2)	Friendship, TN 38034
09/30/98	017-1253179-FI(2)	Friars Point, MS 38631
06/08/98	820-1104464-FI(1)	Charlotte, NC 28228
06/15/98	820-1131706-FI(1)	Chicago, IL 60669
08/13/98	827-1248232-FI(1)	Everett, WA 98201
04/03/98	828-1239078-FI(1)	Vancouver, WA 98661
08/17/98	833-1242649-FI(1)	Brooklyn, NY 11214
04/15/98	840-1238453-FI(2)	Redmond, WA 98052

**FACILITY PROGRAM AUDITS (FPA)** provide independent appraisals of facility-related functions to assist postal management in minimizing financial and operational risk.

Report Date	Case Number	Location	Subject
05/05/98	098-1201625-FPA(1)	Tulsa, OK 74103	P&DC New Construction-Owned Project
07/08/98	098-1224445-FPA(1)	Kansas City, MO 66106	P&DC New Construction-Owned Project
07/08/98	098-1227584-FPA(1)	Spokane, WA 99202	P&DC New Construction-Owned Project
08/25/98	098-1249584-FPA(1)	Boise, ID 83708	P&DC New Construction-Owned Project
06/19/98	237-1229502-FPA(1)	Columbia, MD 21044	Facility Service Office Review
04/28/98	237-1229506-FPA(1)	Columbia, MD 21044	Facility Service Office Review
08/03/98	238-1217862-FPA(1)	Bronx, NY 10451	P&DC Repair and Alteration Project
05/20/98	239-1226824-FPA(1)	Washington, DC 20066	Mid-Atlantic Area Lease Review
05/13/98	268-1224130-FPA(2)	Nashville, TN 37230	Southeast Area Lease Review
04/01/98	268-1224535-FPA(2)	New York, NY 10116	New York Metro Area Lease Review

**PERFORMANCE AUDITS (PA)** focus on national systems and procedures and field operations. The audits provide independent evaluations of major activities, identify and capture operational savings, and alert management to areas where service and efficiency can be improved.

Report Date	Case Number	Subject
09/15/98	020-1220283-PA(1)	National Audit on Postal Retail Stores
05/12/98	023-1209811-PA(1)	National Audit on Air Transportation Networks
06/05/98	024-1214098-PA(1)	National Audit on City Route Inspection and Adjustment Process
05/11/98	027-1204380-PA(1)	National Audit on Effectiveness of Employee Reassignment
05/04/98	028-1216486-PA(1)	National Audit on Executive Training and Development Program
09/08/98	028-1223635-PA(1)	National Audit on Security



Report Date	Case Number	Subject
04/30/98	029-1217904-PA(1)	National Audit on External First-Class Collections
04/14/98	036-1232562-PA(2)	International Sales and Marketing, Atlanta, GA 30321
04/22/98	037-1212722-PA(2)	Classification Reform, Chicago, IL 60669
06/04/98	038-1234520-PA(2)	Flats Automation, Denver, CO 80299
06/09/98	038-1239496-PA(2)	Non-Plant Unit Distribution, New York, NY 10001
07/20/98	039-1207945-PA(2)	Hwy Contract Rte Driver Screening Process, San Francisco, CA 94188
05/06/98	039-1224497-PA(2)	Highway Contract Route System, Pittsburgh, PA 15290
01/12/98*	040-1217382-PA(2)	Carrier Safety, Miramar, FL 33027
05/29/98	040-1237212-PA(2)	Advance Notification/Monitoring System, New York, NY 10001
08/20/98	040-1241721-PA(2)	Carrier Transportation, St. Louis, MO 63199
08/10/98	044-1224398-PA(2)	Management of OWCP and Related Programs, New York, NY 10116
07/16/98	044-1231531-PA(2)	Safety Policies and Procedures, Ft. Worth, TX 76161
08/11/98	044-1233190-PA(2)	Injury Compensation and Safety Programs, Kansas City, MO 64111
09/16/98	044-1238815-PA(2)	Limited and Light Duty Program, Dallas, TX 75222
05/21/98	050-1220550-PA(2)	Bulk Mail Center Operations, Capitol Heights, MD 20791
04/22/98	050-1231562-PA(2)	Two-Three Day Service, St. Louis, MO 63199
08/10/98	050-1231591-PA(2)	Two-Three Day Mail and Priority Mail, Washington, DC 20066
09/02/98	050-1244314-PA(2)	Bulk Mail Entry Units, Charlotte, NC 28228
04/10/98	051-1218053-PA(3)	Mail Service Between EXFC and Non-EXFC Cities, Orlando, FL 32862
06/19/98	052-1233315-PA(3)	Two-Three Day Origin Mail, Newark, NJ 07102
04/27/98	052-1237138-PA(3)	Two-Three Day Service, Edison, NJ 08899
09/02/98	052-1241806-PA(3)	Priority Mail Operations, Denver, CO 80266
05/14/98	052-1242213-PA(3)	Mail Preparation, Distribution and Flow, Pasadena, CA 91102
07/10/98	052-1244116-PA(3)	Serv. and Efficiency Mail Condition Rpt System, Anchorage, AK 99501
09/04/98	052-1244899-PA(3)	Priority Mail Operations, Phoenix, AZ 85026
07/30/98	052-1245441-PA(3)	Internal Controls Regulating Overtime, Allen Park, MI 48101
10/02/97*	312-1197517-PA(3)	Observation of Mail Conditions, New York, NY 10116
04/27/98	312-1237765-PA(3)	Manual Secondary Operations, St. Louis, MO 63199
09/02/98	312-1249692-PA(3)	Priority Mail Operations, St. Louis, MO 63199
09/11/98	313-1243831-PA(3)	Hwy Contract Rte Driver Screening Process, New Brunswick, NJ 08906
08/06/98	313-1247831-PA(3)	Air Carrier Screening Procedures, Newark, NJ 07114
04/15/98	314-1239841-PA(3)	Commercial Mail Receiving Agencies, Los Angeles District
07/01/98	314-1245454-PA(3)	Commercial Mail Receiving Agencies, Van Nuys District
07/28/98	314-1245455-PA(3)	Commercial Mail Receiving Agencies, San Diego District
06/30/98	314-1245456-PA(3)	Commercial Mail Receiving Agencies, Long Beach District
05/21/98	314-1245457-PA(3)	Commercial Mail Receiving Agencies, Santa Ana District
09/02/98	314-1247505-PA(3)	Fuelman Program, St. Louis, MO 63199

**REVENUE INVESTIGATIONS (RI)** ensure that Postal revenue is properly assessed and collected. Priority is given to investigating alleged schemes to avoid payment of postage and to identify, pursue, and seek actions against violators through civil, administrative, and criminal remedies. Postal Inspectors also investigate operations at postage meter manufacturers' home and branch offices.

Report Date	Case Number	Location	Subject
05/29/98	061-1244182-RI(1)	Salem, NH 03079	Postage Meters
05/20/98	062-1157334-RI(1)	Chicago, IL 60611	Nonprofit Mail
03/17/98*	062-1206078-RI(1)	Quincy, FL 32351	Standard Mail
04/07/98	062-1213693-RI(1)	Houston, TX 77315	Standard Mail
05/22/98	062-1231387-RI(1)	Greendale, WI 53219	Nonprofit Mail
04/24/98	062-1235332-RI(1)	Marshall, MI 49068	Nonprofit Mail
04/24/98	062-1235334-RI(1)	Royal Oak, MI 48068	Nonprofit Mail
05/22/98	062-1235336-RI(1)	Bay City, MI 48707	Standard Mail
06/12/98	062-1236781-RI(1)	Mill Creek, WA 98012	Standard Mail
04/29/98	062-1237839-RI(1)	St. Augustine, FL 32086	Standard Mail
04/14/98	062-1239452-RI(1)	Atlanta, GA 30309	Nonprofit Mail
05/06/98	062-1240158-RI(1)	Detroit, MI 48233	Standard Mail
04/29/98	062-1241577-RI(1)	Augusta, GA 30912	Standard Mail
05/04/98	062-1242097-RI(1)	Waterloo, IA 50701	Standard Mail
05/08/98	062-1242099-RI(1)	East Lansing, MI 48826	Standard Mail
11/07/97*	062-1242487-RI(1)	Ft. Myers, FL 33908	Standard Mail
11/07/97*	062-1242491-RI(1)	Cape Coral, FL 33910	Standard Mail
11/07/97*	062-1242492-RI(1)	Ft. Myers, FL 33902	Standard Mail
11/07/97*	062-1242494-RI(1)	Ft. Myers, FL 33908	Standard Mail
02/26/98*	062-1242497-RI(1)	Bay Pines, FL 33744	Standard Mail
06/09/98	062-1243279-RI(1)	Greenfield, OH 45123	Nonprofit Mail
05/27/98	062-1243295-RI(1)	Dothan, AL 36303	Standard Mail
05/28/98	062-1244023-RI(1)	Arlington, TX 76011	Standard Mail
05/28/98	062-1244380-RI(1)	Pittsburgh, PA 15290	Standard Mail
09/09/98	062-1244601-RI(1)	Walled Lake, MI 48390	Nonprofit Mail
06/19/98	062-1245694-RI(1)	St. Petersburg, FL 33712	Standard Mail
08/26/98	062-1247285-RI(1)	Boston, MA 02210	Standard Mail
07/22/98	062-1247381-RI(1)	Bridgeville, PA 15017	Standard Mail
07/22/98	062-1247382-RI(1)	Bridgeville, PA 15017	Standard Mail
08/25/98	062-1248069-RI(1)	Eau Claire, WI 54701	Nonprofit Mail
07/20/98	062-1248252-RI(1)	Baraboo, WI 53913	Nonprofit Mail
06/12/98	062-1248481-RI(1)	Kalamazoo, MI 49001	Standard Mail
06/12/98	062-1248484-RI(1)	Jackson, MI 49201	Standard Mail
06/12/98	062-1248486-RI(1)	Grand Rapids, MI 49599	Standard Mail
06/12/98	062-1248497-RI(1)	Flushing, MI 48433	Standard Mail
05/27/98	062-1248501-RI(1)	Mt. Pleasant, MI 48858	Standard Mail
09/25/98	062-1249946-RI(1)	Sausalito, CA 94965	Standard Mail
08/18/98	062-1250378-RI(1)	Memphis, TN 38173	Nonprofit Mail
08/07/98	062-1250701-RI(1)	Missoula, MT 59812	Nonprofit Mail
08/07/98	062-1250702-RI(1)	Missoula, MT 59812	Nonprofit Mail
08/07/98	062-1250703-RI(1)	Missoula, MT 59812	Nonprofit Mail
09/04/98	062-1251489-RI(1)	Detroit, MI 48233	Standard Mail
09/10/98	063-1213692-RI(2)	Houston, TX 77315	Nonprofit Mail
07/07/98	063-1218493-RI(2)	Shepherdsville, KY 40165	Periodical Mail

Report Date	Case Number	Location	Subject
07/07/98	063-1218494-RI(2)	Shepherdsville, KY 40165	Periodical Mail
07/07/98	063-1218495-RI(2)	Shepherdsville, KY 40165	Periodical Mail
07/07/98	063-1218499-RI(2)	Shepherdsville, KY 40165	Periodical Mail
06/10/98	063-1226191-RI(2)	Franklin, KY 42134	Periodical Mail
05/14/98	063-1226192-RI(2)	Glasgow, KY 42141	Periodical Mail
08/27/98	063-1233023-RI(2)	Valley Forge, PA 19481	Nonprofit Mail
08/19/98	063-1237985-RI(2)	Baton Rouge, LA 70826	Standard Mail
05/11/98	063-1238690-RI(2)	Cleveland, OH 44101	Standard Mail
04/20/98	063-1239138-RI(2)	Shawnee Mission, KS 66202	Periodical Mail
06/09/98	063-1244528-RI(2)	Sioux Falls, SD 57101	Standard Mail
06/18/98	063-1244805-RI(2)	La Junta, CO 81050	Periodical Mail
06/18/98	063-1246282-RI(2)	Moultrie, GA 31768	Standard Mail
07/22/98	063-1248631-RI(2)	Troy, AL 36081	Standard Mail
09/24/98	063-1254237-RI(2)	Augusta, GA 30909	Standard Mail
09/14/98	063-1254860-RI(2)	Southfield, MI 48037	Periodical Mail
08/27/98	064-1222197-RI(1)	Philadelphia, PA 19147	Standard Mail
04/13/98	064-1240181-RI(1)	Hopkins, MN 55369	Manifest Mailings
05/12/98	064-1242717-RI(1)	West Roxbury, MA 02132	Permit Imprint
07/30/98	064-1242757-RI(1)	Philadelphia, PA 19137	First-Class Mail
05/14/98	064-1242939-RI(1)	Atlanta, GA 30331	First-Class Mail
05/14/98	064-1243246-RI(1)	Ft. Worth, TX 76161	First-Class Mail
07/30/98	064-1248827-RI(1)	Orlando, FL 32810	Business Reply Mail
08/05/98	064-1250155-RI(1)	Wilkes-Barre, PA 18701	First-Class Mail
05/11/98	065-1186894-RI(1)	New York, NY 10001	Periodical Mail
07/10/98	065-1201967-RI(1)	Brooklyn, NY 11209	Periodical Mail
06/01/98	065-1209326-RI(1)	Shepherdsville, KY 40165	Periodical Mail
06/01/98	065-1218348-RI(1)	Shepherdsville, KY 40165	Periodical Mail
04/03/98	065-1218382-RI(1)	Columbus, OH 43215	Periodical Mail
07/09/98	065-1218490-RI(1)	Shepherdsville, KY 40165	Periodical Mail
07/16/98	065-1238703-RI(1)	Buffalo, NY 14240	Periodical Mail
04/09/98	065-1238714-RI(1)	Pasadena, CA 91102	Periodical Mail
08/19/98	065-1239650-RI(1)	Baton Rouge, LA 70826	Periodical Mail
05/21/98	065-1240275-RI(1)	New Orleans, LA 70113	Periodical Mail
04/16/98	065-1240438-RI(1)	Las Vegas, NV 89199	Periodical Mail
04/24/98	065-1240861-RI(1)	St. Louis, MO 63155	Periodical Mail
06/05/98	065-1240865-RI(1)	Englewood, CO 80111	Periodical Mail
05/11/98	065-1240873-RI(1)	Windsor, CO 80550	Periodical Mail
06/26/98	065-1241414-RI(1)	San Francisco, CA 94120	Periodical Mail
06/08/98	065-1241548-RI(1)	San Jose, CA 95101	Periodical Mail
07/24/98	065-1244146-RI(1)	Pewaukee, WI 53072	Periodical Mail
07/28/98	065-1244516-RI(1)	La Junta, CO 81050	Periodical Mail
06/26/98	065-1244517-RI(1)	Pueblo, CO 81001	Periodical Mail
08/25/98	065-1245617-RI(1)	Eau Claire, WI 54703	Periodical Mail
07/20/98	065-1246653-RI(1)	Grand Rapids, MN 55744	Periodical Mail
09/30/98	065-1249496-RI(1)	Austin, TX 78714	Periodical Mail
08/10/98	065-1250467-RI(1)	Daphne, AL 36526	Periodical Mail
08/28/98	065-1252080-RI(1)	Providence, RI 02908	Periodical Mail
07/28/98	066-1201774-RI(1)	Bokchito, OK 74726	Standard Mail
04/30/98	066-1237264-RI(1)	Baraboo, WI 53913	Standard Mail
03/24/98*	066-1237975-RI(1)	Baton Rouge, LA 70826	Standard Mail
03/30/98*	066-1238461-RI(1)	Houston, TX 77202	Nonprofit Mail

Report Date	Case Number	Location	Subject
07/29/98	066-1239118-RI(1)	New York, NY 10001	First-Class Mail
06/11/98	066-1241790-RI(1)	Monroeville, AL 36461	Nonprofit Mail
06/16/98	066-1246303-RI(1)	Mundelein, IL 60060	Standard Mail
07/09/98	066-1247345-RI(1)	Seattle, WA 98111	Standard Mail
07/02/98	066-1247359-RI(1)	New Providence, IA 50206	Standard Mail
08/20/98	066-1247496-RI(1)	Aberdeen, SD 57401	Standard Mail
08/20/98	066-1247498-RI(1)	Aberdeen, SD 57401	Standard Mail
08/20/98	066-1252666-RI(1)	Aberdeen, SD 57401	Standard Mail
08/31/98	067-1247722-RI(1)	Boston, MA 02210	Standard Mail
07/15/98	068-1216256-RI(1)	Houston, TX 77315	Business Mail Entry Unit
04/22/98	068-1239481-RI(1)	Memphis, TN 38173	Postage Meters
07/23/98	068-1248468-RI(1)	Washington, DC 20006	Postage Meters
07/23/98	069-1105767-RI(2)	Philadelphia, PA 19135	Standard Mail
07/21/98	069-1209746-RI(2)	Boston, MA 02210	Business Reply Mail
04/07/98	069-1212869-RI(2)	Tampa, FL 33622	Standard Mail
09/15/97*	069-1220240-RI(2)	Boca Raton, FL 33428	Postalia Meter Manipulation
04/14/98	069-1238293-RI(2)	St. Cloud, MN 56301	Manifest Mailings
04/15/98	069-1240695-RI(2)	Chicago, IL 60669	Postage Meters
08/07/98	069-1242511-RI(2)	Bedford Park, IL 60499	Returned Check Policy
05/15/98	069-1243064-RI(2)	Lake Worth, FL 33461	Postage Meters
08/31/98	069-1245188-RI(2)	Boston, MA 02210	Nonprofit Mail
05/12/98	069-1249412-RI(2)	Ft. Pierce, FL 34946	Postage Meters
09/08/98	090-1215665-RI(1)	Pittsburgh, PA 15290	Official Mail Accounting System
08/19/98	090-1237986-RI(1)	Baton Rouge, LA 70826	Official Mail Accounting System
09/09/98	090-1240961-RI(1)	Austin, TX 78772	Official Mail Accounting System
09/09/98	090-1240964-RI(1)	Austin, TX 78767	Official Mail Accounting System
09/09/98	090-1240965-RI(1)	Austin, TX 78778	Official Mail Accounting System
07/22/98	090-1241889-RI(1)	Buffalo, NY 14201	Official Mail Accounting System
08/14/98	090-1243333-RI(1)	Norfolk, VA 23501	Official Mail Accounting System
07/14/98	090-1243334-RI(1)	Chesapeake, VA 23320	Official Mail Accounting System
07/14/98	090-1243335-RI(1)	Hampton, VA 23670	Official Mail Accounting System
07/14/98	090-1243336-RI(1)	Portsmouth, VA 23707	Official Mail Accounting System
07/14/98	090-1243337-RI(1)	Virginia Beach, VA 23450	Official Mail Accounting System
07/10/98	090-1243338-RI(1)	Richmond, VA 23232	Official Mail Accounting System
08/20/98	090-1250590-RI(1)	Lafayette, LA 70501	Official Mail Accounting System
08/19/98	090-1250591-RI(1)	Alexandria, LA 71301	Official Mail Accounting System
09/04/98	090-1252138-RI(1)	Columbia, MD 21045	Official Mail Accounting System
04/01/98	384-1231954-RI(1)	Troy, MI 48083	Address Correction Service
05/12/98	388-1159756-RI(1)	Ft. Pierce, FL 34946	Postage Meters
05/26/98	388-1235088-RI(1)	Palatine, IL 60074	Postage Meters
04/08/98	388-1239181-RI(1)	Washington, DC 20037	Postage Meters
05/11/98	920-1233489-RI(1)	Fairfield, NJ 07004	Plant Loads
05/04/98	923-1230267-RI(1)	Bellmawr, NJ 08099	Business Mail Entry Unit
03/10/98*	923-1236019-RI(1)	Lakehurst, NJ 08733	Business Mail Entry Unit
04/03/98	923-1247964-RI(1)	Bala Cynwyd, PA 19004	Business Mail Entry
08/28/98	924-1235036-RI(1)	Wausau, WI 54401	First-Class Mail

**SERVICE INVESTIGATIONS (SI)** involve the evaluation of service performance. The investigations also protect Postal customers and respond to Congressional inquiries.

<b>Report Date</b>	<b>Case Number</b>	<b>Location</b>	<b>Subject</b>
07/20/98	070-1225508-SI(1)	Tampa, FL 32000	Classification Reform Review
01/12/98*	071-1230751-SI(2)	Warrendale, PA 15095	Delay of Machineable Parcels
04/29/98	071-1240498-SI(2)	Springfield, VA 22153	Follow-Up Review Waterhouse
10/08/97*	072-1213852-SI(2)	Chicago, IL 60669	Mail Diversion at AMC
04/20/98	072-1228564-SI(2)	Miramar, FL 33027	Vehicle Maintenance Expenses
09/17/98	091-1253873-SI(2)	Pembroke Pines, FL 33082	Observe Conditions
10/07/97*	096-1223355-SI(3)	Montgomery, AL 36119	Mail Conditions Review
02/17/98*	096-1234118-SI(3)	Mobile, AL 36601	Mail Conditions Review
07/22/98	096-1240809-SI(3)	Fayetteville, NC 28301	Observations of Mail
09/10/98	096-1242469-SI(3)	Frederick, MD 21704	Observations of Mail

\*Reports with an asterisk (\*) were issued in a prior semiannual reporting period; however, they were not entered into the Inspection Service Database Information System until the current reporting period. To ensure all reports issued to management are reported to Congress, they are being included during this reporting period.

**APPENDIX B**

# Contract Audit Findings and Settlements

For Period Ending September 30, 1998

Description	Number of Reports	Questioned Costs	Unsupported Costs Included in Questioned
Reports for which no management decision was made at the beginning of the reporting period	26	\$159,636,409	\$6,303,727
Reports requiring a management decision that were issued during the reporting period	16	\$3,878,987	\$858,465
<b>TOTAL</b>	<b>42</b>	<b>\$163,515,396</b>	<b>\$7,162,192</b>
Reports for which a management decision was made during the reporting period (i + ii)	15	\$1,525,740	\$19,569
(i) Dollar value of disallowed costs		\$1,370,794	
(ii) Dollar value of costs not disallowed		\$154,946	
Reports for which no management decision was made by the end of the reporting period. Negotiations are ongoing.	27	\$161,989,656	\$7,142,623
Reports for which no management decision was made within 6 months of issuance (Note 1)	3	\$156,339,832	\$6,241,716
Reports for which no management decision was made within 1 year of issuance (Note 2)	11	\$2,806,616	\$46,077

Note 1 - Reports for which no management decision was made within 6 months of issuance:

Case Number		Questioned Costs	Unsupported Costs Included in Questioned
182-1224877-AC(1)	MidCon Gas Services Corporation	\$14,920	
183-1180270-AC(1)	Pi Electronic Corporation	\$156,241,716	\$6,241,716
184-1217987-AC(1)	The Austin Company	\$83,196	
<b>TOTAL</b>		<b>\$156,339,832</b>	<b>\$6,241,716</b>

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

Case Number		Questioned Costs	Unsupported Costs Included in Questioned
182-1187366-AC(1)	Smithsonian-National Postal Museum	\$549,720	\$ 42,813
182-1209355-AC(1)	Smithsonian Institution	1,020,438	
182-1213081-AC(1)	The Roybal Corporation	47,084	3,264
183-1214057-AC(1)	UNARCO Material Handling	39,897	
184-1171743-AC(1)	Greenleaf Steel Rule & Die Corp.	67,399	
184-1183079-AC(1)	King Casey, Inc.	353,962	
184-1203149-AC(1)	King Casey, Inc.	14,542	
184-1203150-AC(1)	King Casey, Inc.	247,133	
184-1203153-AC(1)	King Casey, Inc.	42,946	
190-1182814-AC(2)	Hines Square 678, Inc.	404,418	
190-1212424-AC(2)	Kyla, Inc.	19,077	
<b>TOTAL</b>		<b>\$2,806,616</b>	<b>\$46,077</b>

## APPENDIX C

# Recommendations That Funds Be Put to Better Use

For Period Ending September 30, 1998

Description	Reports	Number of Dollar Value
Reports for which no management decision was made at the beginning of the reporting period	66	\$103,105,072
Reports requiring a management decision that were issued during the reporting period	23	\$71,422,308
<b>TOTAL</b>	<b>89</b>	<b>\$174,527,380</b>
Reports for which a management decision was made during the reporting period	4	\$1,780,542
(i) Value of recommendations implemented by management		\$1,772,254
(ii) Value of recommendations that management did not recover		\$8,288
(iii) Value of recommendations that management did not agree to implement		\$0
Reports for which no management decision was made by the end of the reporting period	85	\$172,746,838
Reports for which no management decision was made within 6 months of issuance (Note 1)	19	\$56,322,967
Reports for which no management decision was made within 1 year of issuance (Note 2)	44	\$45,009,851

Note 1 - Reports for which no management decision was made within 6 months of issuance:

Report Date	Case Number	Subject	Recommendations That Funds Be Put to Better Use
12/03/97	022-1209810-PA(1)	Automation Impact on Flat Distribution	\$ 39,662,067
01/23/98	181-1214298-AC(1)	Midwest Conveyor Company, Inc.	135,198
01/23/98	181-1214305-AC(1)	Midwest Conveyor Company, Inc.	167,714
12/03/97	181-1215690-AC(1)	K&T Electrical Contractors	481,301
03/06/98	181-1216419-AC(1)	Siemens ElectroCom L.P.	66,317
11/26/97	181-1216446-AC(1)	North American Conveyor Inc.	517,017
01/06/98	181-1225136-AC(1)	Ashton-Potter, Ltd.	104,757
03/06/98	181-1229831-AC(1)	Siemens ElectroCom L.P.	3,215,867
01/28/98	181-1229961-AC(1)	Siemens ElectroCom L.P.	264,138
03/06/98	181-1231556-AC(1)	Siemens ElectroCom L.P.	24,179
03/27/98	181-1231807-AC(1)	Motion Systems, L.C.	892,256
01/09/98	181-1213112-AC(1)	Sandvik Sorting Systems, Inc.	1,183,830
01/09/98	181-1213122-AC(1)	Sandvik Sorting Systems, Inc.	846,145
01/09/98	181-1213123-AC(1)	Sandvik Sorting Systems, Inc.	1,844,457
01/09/98	181-1213124-AC(1)	Sandvik Sorting Systems, Inc.	901,153
01/09/98	181-1213126-AC(1)	Sandvik Sorting Systems, Inc.	855,166
01/09/98	181-1213127-AC(1)	Sandvik Sorting Systems, Inc.	828,956
01/09/98	181-1213128-AC(1)	Sandvik Sorting Systems, Inc.	931,027
01/28/98	181-1214299-AC(1)	Siemens Energy & Automation, Inc.	3,401,422
<b>TOTAL</b>			<b>\$56,322,967</b>

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

Report Date	Case Number	Subject	Recommendations That Funds Be Put to Better Use
01/03/97	181-1200819-AC(1)	Midwest Conveyor Company, Inc.	\$ 564,583
01/15/97	181-1201891-AC(1)	ElectroCom Automation, L.P.	338,760
03/21/97	181-1205609-AC(1)	Fanuc Robotics North America, Inc.	280,966
05/30/95	181-1165940-AC(1)	ElectroCom Automation, L.P.	8,370,460
05/31/96	181-1171732-AC(1)	King-Casey, Inc.	174,475
11/01/95	181-1174199-AC(1)	Price-Waterhouse	1,554,077
01/31/96	181-1181291-AC(1)	Cortron, Inc.	355,978
05/23/96	181-1187389-AC(1)	ElectroCom Automation, L.P.	2,799,714
07/25/96	181-1192269-AC(1)	ElectroCom Automation, L.P.	89,068
09/25/96	181-1194800-AC(1)	ElectroCom Automation, L.P.	9,178,587
09/20/96	181-1195161-AC(1)	ElectroCom Automation, L.P.	34,876
06/13/97	181-1191292-AC(1)	Accu-Sort Systems, Inc.	10,312,313
07/03/97	181-1204341-AC(1)	Key Handling Systems, Inc.	129,326
07/03/97	181-1204343-AC(1)	Key Handling Systems, Inc.	134,283
07/03/97	181-1204348-AC(1)	Key Handling Systems, Inc.	336,308
05/20/97	181-1204350-AC(1)	Key Handling Systems, Inc.	722,503
04/22/97	181-1208530-AC(1)	ElectroCom Automation, L.P.	283,626
06/20/97	181-1211002-AC(1)	SELCO Steel Erectors Company, Inc.	185,371
08/12/97	181-1211016-AC(1)	SELCO Steel Erectors Company, Inc.	182,818
08/20/97	181-1211026-AC(1)	SELCO Steel Erectors Company, Inc.	258,122
08/05/97	181-1211033-AC(1)	SELCO Steel Erectors Company, Inc.	280,106
07/30/97	181-1211038-AC(1)	SELCO Steel Erectors Company, Inc.	833,456
06/09/97	181-1211514-AC(1)	Siemens ElectroCom L.P.	20,151
07/31/97	181-1212404-AC(1)	Carter Control Systems, Inc.	118,058
07/22/97	181-1212407-AC(1)	Carter Control Systems, Inc.	21,578
07/22/97	181-1212414-AC(1)	Carter Control Systems, Inc.	11,071
07/22/97	181-1212417-AC(1)	Carter Control Systems, Inc.	10,595
06/17/97	181-1212586-AC(1)	Siemens ElectroCom L.P.	3,496,865
09/10/97	181-1213327-AC(1)	Motion Systems, L.C.	491,132
09/10/97	181-1213328-AC(1)	Motion Systems, L.C.	545,692
09/10/97	181-1213329-AC(1)	Motion Systems, L.C.	561,088
08/22/97	181-1213330-AC(1)	Motion Systems, L.C.	132,622
09/08/97	181-1213332-AC(1)	Motion Systems, L.C.	569,652
09/08/97	181-1213335-AC(1)	Motion Systems, L.C.	518,265
08/22/97	181-1214294-AC(1)	Midwest Conveyor Company, Inc.	62,330
08/22/97	181-1214303-AC(1)	Midwest Conveyor Company, Inc.	44,112
07/25/97	181-1214767-AC(1)	R.G. Research, Inc.	11,970
07/23/97	181-1215301-AC(1)	Siemens ElectroCom L.P.	39,308
08/14/97	181-1215545-AC(1)	Carter Control Systems, Inc.	52,347
09/10/97	181-1216979-AC(1)	Motion Systems, L.C.	468,177
08/08/97	181-1217444-AC(1)	RCF Economic and Financial Consulting, Inc.	62,317
09/12/97	181-1217791-AC(1)	Mailcode, Inc.	105,827
09/12/97	181-1218347-AC(1)	Siemens ElectroCom L.P.	196,086
09/22/97	181-1219737-AC(1)	Siemens ElectroCom L.P.	70,832
<b>TOTAL</b>			<b>\$45,009,851</b>



**APPENDIX D**

# Unresolved Inspection Service Reports and Resolution of Findings

For Period Ending September 30, 1998

Description	Number of Reports	Number of Findings
Reports Unresolved at Beginning of Period		
—Reports Issued Before 10-1-97	13	22
—Reports Issued Prior Period 3-31-98	55	114
<b>TOTAL</b>	<b>68</b>	<b>136</b>
Reports Issued This Period 9-30-98	193	492
<b>TOTAL REPORTS (Note 1)</b>	<b>261</b>	<b>628</b>
Reports Resolved		
—Issued Before 10-1-97	5	9
—Issued Prior Period 3-31-98	25	57
—Issued This Period 9-30-98	113	273
<b>TOTAL RESOLVED</b>	<b>143</b>	<b>339</b>
Reports Unresolved As of 9-30-98		
—More Than 1 Year 10-1-97 (Note 2)	8	13
—More Than 6 Months 3-31-98 (Note 3)	30	57
—Less Than 6 Months	80	219
<b>TOTAL UNRESOLVED</b>	<b>118</b>	<b>289</b>
—Reports Resolved With Significant Revised Management Decisions	0	0
—Reports Resolved Where Management Did Not Agree to Implement All Findings	3	3

**Note 1: Contract Audit (AC) activity is included in Appendices A&B.**

**Note 2 - List of reports pending more than 1 year:**

**INSPECTION SERVICE REPORTS**

<b>Report Date</b>	<b>Case Number</b>	<b>Condition</b>
11/21/94	1130250-AD(1)	FY 1994 Financial Opinion Audit, San Mateo, CA - Management is preparing instructions on FOB origin payments that will place more accountability at local offices for reconciliation procedures.
01/22/97	1174880-AD(1)	FY 1996 Financial Opinion Audit, San Mateo, CA - A management decision regarding fleet cards, available through a General Services Administration contract, will be made in FY 1999.
02/28/97	1200818-AC(1)	BMC Social and Recreational Fund - Management began implementing recommendations on accountability recordkeeping and annual audits.
10/24/96	1168350-AC(1)	Internal Control Audit of USPS Licensing - The Stamp Group is developing a new licensing agreement that clearly states that guaranteed minimums are cumulative throughout the life of the contract and is resolving issues on paying royalties for products sold to the Postal Service.
08/12/97	1199652-AD(1)	EDP Controls, San Mateo, CA - Management is in the process of developing procedures to test critical applications and provide off-site storage for critical files.
08/15/97	1197359-AF(1)	Office Accountability, Lancaster, WI - Management is in the process of developing procedures related to the administration of employee accountabilities and the unit reserve.
07/31/97	1217968-PA(1)	Excessive Overtime Usage, Washington, DC - Management has not implemented all recommendations regarding contractual constraints, leave control, and employee scheduling.
06/16/97	1156014-PA(1)	International Surface Airlift Mail, Jersey City, NJ - Management has not implemented recommendations to develop formal acceptance and payment procedures, initiate a process to identify acceptance cities, and ensure guidelines are established for the Electronic Marketing and Reporting System.

**Note 3 - List of reports pending more than 6 months:**

<b>Report Date</b>	<b>Case Number</b>	<b>Condition</b>
12/12/97	1222994-AF(1)	Financial Installation Audit, Buffalo, NY - Management is developing procedures to ensure proper financial management of the business mail entry unit.
01/29/98	1222999-AF(1)	Financial Installation Audit, Arlington Heights, IL - Management has stated that training has been provided but documentation has not yet been submitted.
01/16/98	1223105-AF(1)	Financial Installation Audit, Worth, IL - Management is developing guidelines and conducting training on BMEU operations.
02/18/98	1223340-AF(1)	Financial Installation Audit, Corinth, MS - Management stated that training will be provided on BMEU operations and a comprehensive Revenue Protection Program will be implemented.
02/23/98	1223475-AF(1)	Financial Installation Audit, Toledo, OH - Management is developing procedures for the postage due/business reply mail unit.
11/28/97	1223660-AF(1)	Financial Installation Audit, Pittsburgh, PA - Management is developing procedures on fleet management and action is being taken to acquire a security container.
12/23/97	1223722-AF(1)	Financial Installation Audit, Phoenix, AZ - Management is developing procedures for BMEU operations and stamp accountability.
02/02/98	1223726-AF(1)	Financial Installation Audit, Fullerton, CA - Management is providing additional training to ensure proper administration of the BMEU.
03/27/98	1223737-AF(1)	Financial Installation Audit, San Diego, CA - Management is taking action to strengthen internal controls for the stamp stock storage area.

Report Date	Case Number	Condition
02/02/98	1224026-AF(1)	Financial Installation Audit, Rancho Cordova, CA - Management indicated that all corrective actions have been implemented. Instructions, procedures and/or training documentation still needs to be submitted.
12/19/97	1224285-AF(1)	Financial Installation Audit, Houston, TX - Management is taking the necessary actions to implement recommendations for station operations and P.O. Box and caller services.
02/26/98	1224291-AF(1)	Financial Installation Audit, Austin, TX - Management has developed an action plan to implement recommendations regarding postage due/business reply mail and stamp stock destruction.
03/19/98	1223101-AF(1)	Financial Installation Audit, Oak Lawn, IL - Management is in the process of providing guidance and conducting training to supervisors and acceptance clerks for BMEU operations.
01/13/98	1223717-AF(1)	Financial Installation Audit, Orange, CA - Management is in the process of resolving periodical rate eligibility discrepancies.
02/23/98	1224174-AF(1)	Financial Installation Audit, Mount Vernon, MO - Management is developing procedures regarding consignment collection.
01/09/98	1226658-AF(1)	Financial Installation Audit, Maple Shade, NJ - Management is developing procedures and conducting training on business mail acceptance.
01/23/98	1223704-AF(1)	Financial Installation Audit, Overton, NV - Management is in the process of conducting training on business mail acceptance.
03/27/98	1223734-AF(1)	Financial Installation Audit, San Diego, CA - Management is implementing numerous business mail acceptance and collection procedures.
10/10/97	1204520-PA(1)	National Audit on Marketing and Customer Research - Management is developing plans to strengthen marketing communications and increase district revenue contributions.
12/03/97	1209810-PA(1)	National Audit on Automation Impact on Flat Distribution Management is in the process of developing and disseminating procedures for automated distribution of flat mail.
01/20/98	1200043-PA(1)	National Audit on Facility Planning, Improvement and Approval Process - Management is developing procedures to prioritize facility projects, reviewing leasing activity, and revising the <i>Investment Policies and Procedures Handbook</i> .
02/03/98	1198313-PA(1)	National Audit on Office of Workers' Compensation Program Medical Payments - Management is in the process of benchmarking the Injury Compensation Program against industry best practices.
11/25/97	1210308-PA(3)	Express Mail Operations Review, Washington, DC - Management is developing accountability and scanning procedures for Express Mail packages and delivery receipts.
11/21/97	1211013-PA(3)	Registered Mail Operations Review, San Francisco, CA - Management is developing procedures for handling remittances and improving registry case security.
11/28/97	1196577-AD(1)	FY 1997 Financial Opinion Audit, San Mateo, CA - Management is in the process of developing procedures for the inventory contract payment/reconciliation process.
01/22/98	1200198-AD(1)	FY 1997 Financial Opinion Audit, St. Louis, MO - Management has not implemented recommendations on processing aviation service payments and accurately reporting U.S. passport applications.
12/09/97	1200362-AD(1)	FY 1997 Financial Opinion Audit, Minneapolis, MN - Management has not implemented all recommendations regarding reconciling general ledger accounts.
10/14/97	1197449-AD(1)	Imprest Fund Audit, Washington, DC - Management has not implemented recommendations on administering the imprest fund and ensuring that proper receipt and authorizations are obtained for expenditures.
12/31/97	1188871-RI(1)	Inbound Verification Procedures, Jersey City, NJ - Management is developing action plans on verifying inbound foreign and Canadian mail.
02/13/98	1155587-RI(1)	Nonprofit Mailing, Boston, MA - Management has not implemented findings regarding the Nonprofit Permit System.

**APPENDIX E**

# Summary of Action Under 39 USC 3005 and 3007

(Report required under Mail Order Act)

April 1 - September 30, 1998

Type of Scheme	Complaints Filed	Consent Agreement	False Representation Orders	Cease and Desist Orders
Advance fee	3	0	0	1
Boiler Rooms/Telemarketing	0	0	0	0
Contest/Sweepstakes	3	2	1	2
Rebate Fraud	5	5	0	5
Directory Solicitations	1	1	1	1
Distributorships	0	0	0	0
Employment	0	3	0	3
False Billings	5	1	4	1
Fraud against Government agencies	0	0	0	0
Fraud against USPS	0	0	0	0
Insurance	0	0	0	0
Investments	0	0	0	0
Loans	0	0	1	0
Lotteries	60	0	60	0
Medical	1	2	1	2
Memberships	0	0	0	0
Merchandise:				
Failure to furnish	1	3	1	3
Failure to pay	2	2	1	2
Misrepresentation	1	1	0	1
Miscellaneous	4	4	4	4
Solicitations	0	0	0	0
Travel	0	0	0	0
Work at Home	3	4	5	5
<b>TOTAL</b>	<b>89</b>	<b>28</b>	<b>79</b>	<b>30</b>

### Other Administrative Actions

Administrative Action Requests	124
Temporary Restraining Orders Requested	1
Temporary Restraining Orders Issued	1
Preliminary Injunctions Requested	3
Preliminary Injunctions Issued	3
Cases Using Direct Purchase Authority	0
Refusals of Direct Purchase Authority	0
Civil Penalties (Section 3012) Imposed	0
Expenditures Incurred for:	
Test Purchases	0
Expert Testimony	0
Witness Travel	0
Withholding Mail Orders Issued	83

---

## SCHEME DEFINITIONS

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

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

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

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

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

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

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

**False billings:** Mailing solicitations in the guise of billings.

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

**Fraud against the U.S. Postal Service:** Any scheme that attempts to defraud the U.S. Postal Service.

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

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

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

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

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

**Memberships:** Failure to provide service advertised in connection with organization memberships.

**Merchandise failure to furnish:** A mail order operator who does not provide ordered merchandise.

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

**Merchandise misrepresentation:** Mail order merchandise or service that is materially misrepresented in advertising.

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

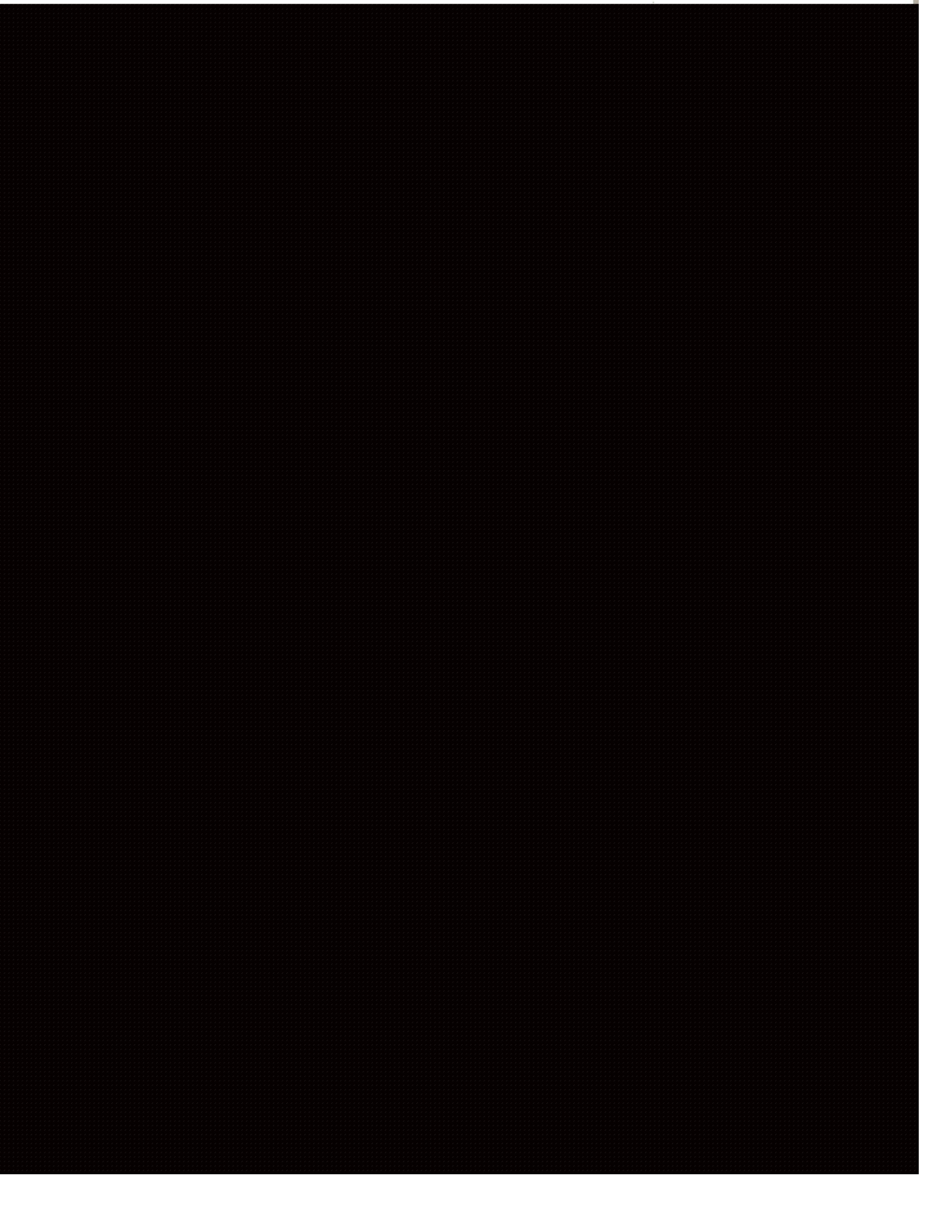
**Solicitations:** Fraudulent solicitation of funds through the mail for alleged charitable, religious, minority-oriented groups, and similar causes or organizations.

**Travel:** Fraudulent vacation or travel opportunities.

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

**APPENDIX F****Criminal Statistics FY 1998****Inspection Service****SUMMARY OF ARRESTS**

<b>TYPE OF CRIME</b>	<b>OCT-MAR</b>	<b>APR-SEPT</b>	<b>TOTAL</b>
<b>Revenue and Asset Protection Program</b>			
Expenditure Investigations	12	9	21
Financial Investigations	147	138	285
Workers' Compensation Fraud	33	26	59
Revenue Investigations	51	34	85
<b>Robbery</b>	<b>81</b>	<b>68</b>	<b>149</b>
<b>Burglary</b>	<b>109</b>	<b>84</b>	<b>193</b>
<b>Miscellaneous External Crimes</b> (including counterfeit and contraband postage, money order offenses, vandalism, and arson)	<b>215</b>	<b>286</b>	<b>501</b>
<b>Assaults Against Employees</b> (includes threats and assaults against on-duty Postal employees)	<b>258</b>	<b>241</b>	<b>499</b>
<b>Employee Narcotics Cases</b> (includes employees and non-employees selling narcotics on Postal property)	<b>7</b>	<b>8</b>	<b>15</b>
<b>Mail Theft by Employees</b> (includes theft and possession of stolen mail)	<b>275</b>	<b>267</b>	<b>542</b>
<b>Mail Theft by Non-Employees or Contractors</b> (includes theft and possession of stolen mail)	<b>2,219</b>	<b>2,178</b>	<b>4,397</b>
<b>Miscellaneous Employee Crimes</b> (includes theft of Postal property and sabotage of equipment)	<b>39</b>	<b>29</b>	<b>68</b>
<b>Bombs/Explosive Devices</b>	<b>30</b>	<b>22</b>	<b>52</b>
<b>Mailing of Controlled Substances</b> (includes narcotics, steroids, drug-related proceeds and drug paraphernalia)	<b>834</b>	<b>735</b>	<b>1,569</b>
<b>Mailing of Child Pornography, Obscenity or Sexually Oriented Advertisements</b>	<b>80</b>	<b>93</b>	<b>173</b>
<b>Mailing of Miscellaneous Nonmailables</b> (includes hazardous material, firearms and weapons, intoxicants, explosives other than bombs, extortion and false documents)	<b>37</b>	<b>54</b>	<b>91</b>
<b>Mail Fraud</b>	<b>682</b>	<b>714</b>	<b>1396</b>
<b>TOTAL</b>	<b>5, 109</b>	<b>4,986</b>	<b>10,095</b>









# Exhibit A

## OFFICE OF INSPECTOR GENERAL

### \* REVENUE

- \* Bribery, Kickback, and Conflict of Interest
- \* Systemic Review

### \* HEALTH CARE FRAUD

- \* Provider Fraud
- \* Workers' Compensation Program Oversight

### \* EMBEZZLEMENTS

- \* Conduct/Partner on cases of \$100K or More

### EXPENDITURES

- \* Bribery, Kickback and Conflict of Interest
- \* Systemic Reviews

### ● CONDUCT/PARTNER ON CASES INVOLVING EXECUTIVES

### ❖ TORT CLAIMS: SERIOUS INCIDENTS

### ● IS INTERNAL AFFAIRS

- Executives

### ❖ COMPUTER FORENSICS

### ● HOTLINE

## OFFICE OF INSPECTOR GENERAL

### ● FACILITIES

- New Facilities Construction of \$10M or More
- New Facilities Right of First Choice Between \$5 - \$10 M
- Leases of \$1M or More
- Repair and Alterations of \$1M or More

### REVENUE FOCUSED

- \* (International Mail)

### ● FINANCIAL STATEMENT - OVERALL OPINION

### ● POSTAL-WIDE PERFORMANCE

### ● CONTRACTS, EXCEPT PRE-AWARD AND POST AWARD

### \* ALL DEVELOPMENTAL

## OFFICE OF INSPECTOR GENERAL

### ● REVENUE GENERATION

### \* OVERSIGHT OF INSPECTION SERVICE

### \* RATE-MAKING REVIEWS

### \* SELF-INITIATED AND PRO-ACTIVE WORK (EG. CONTRACTING PERFORMANCE)

### \* LABOR-MANAGEMENT

### ❖ ELECTRONIC COMMERCE

### ❖ COMPUTER INTRUSION

## INSPECTION SERVICE

### REVENUE

- Revenue Loss Detection

### WORKERS' COMPENSATION

- Recipient Cases

### EMBEZZLEMENTS

- Under \$100 K

### EXPENDITURES

- As Referred by IG
- IMPAC Cards
- Local Purchases/Procurements

### EMERGENCY RESPONSE ON CASES INVOLVING EXECUTIVES

### INTERNAL/EXTERNAL CRIMES

### PROTECTION OF EMPLOYEES

### SECURITIES FRAUD AND PROHIBITED MAILINGS

### TORT CLAIMS

### IS INTERNAL AFFAIRS

- Non-Executives

### FORENSICS AND TECHNICAL SERVICE

## INSPECTION SERVICE

### FACILITIES

- New Facilities Construction of \$5M or Less
- New Facilities Between \$5 - \$10 M if not chosen by IG
- Leases under \$1M
- Repair and Alterations under \$1M

### FINANCIAL STATEMENT - INSTALLATION AND DISTRICT

### AREA DISTRICT AND LOCAL PERFORMANCE

### SERVICE INVESTIGATION

### CONTRACTS PRE-AWARD AND POST-AWARD

## TRANSITION OF INVESTIGATIVE FUNCTIONS

## TRANSITION OF AUDIT FUNCTIONS

## ADDITIONAL/EXPANDED OIG FUNCTIONS



# Exhibit B

## INSPECTOR GENERAL

**KARLA CORCORAN**  
703-248-2100

Special Assistant  
**LAURA WHITAKER**

Executive Assistant  
**CINDY MONAHAN**

## GENERAL COUNSEL TO THE INSPECTOR GENERAL

**THOMAS COOGAN**

Legal Counsel  
**RONNIE WAINWRIGHT**  
**KIRT WEST**

Congressional  
& Public Relations  
**BETH POISSON**

## AIG STRATEGIC PLANNING & QUALITY MANAGEMENT

**RONALD MERRYMAN**

Acting Deputy  
**JIM NUGENT**

Electronic Commerce  
Strategic Planning  
Forensic & Technical Services  
Information Technology  
Quality Assurance/Int. Affairs  
Internal Quality

## AIG(A) PERFORMANCE

**COLLEEN McANTEE**

DEPUTY **RICHARD CHAMBERS**

Transportation  
**DEBRA RITT**

Accepting/Processing  
(VACANT)

Delivery/Support  
**DEBBIE PETTITT**

Financial Audit  
**JOHN SEEBA**

Developmental  
**TRACY LaPOINT**

## AIG(I) REVENUE & COST CONTAINMENT

**SYLVIA OWENS**

DEPUTY **RICHARD TRINIDAD**

Revenue Generation  
**WAYNE GOLESKI**

Revenue Protection  
**MIKE SHIONAMA**  
**DAN O'ROURKE**

Contract Audit  
**KIM STROUD**

Facilities Program  
**BOB BUETTGENS**

Health Care Fraud  
**KATHY JOHNSON**

## AIG EMPLOYEE

**BILLY SAULS**

Administrative Resources

**ALAN LAMOREAUX**

Human Resources  
**CONNIE AMBUSH**

Information Systems  
**DAVE BERRAN**

Policy & Procedures  
**KAREN SHAFFER**

Labor Management  
(VACANT)

## AIG CUSTOMER

**NORM HANCOCK**

DEPUTY **AL LAMDEN**

Computer Intrusion  
**HOWARD COX**

Executive Investigations  
**TOMMY HAMPTON**

Oversight

**BOB PEMBERTON**

Hotline, Safety & Security  
**JOE OLIVA**

Consulting Services  
(VACANT)

Quick Response  
(VACANT)

# Exhibit B

---

## COUNSEL

**Legal Counsel Team** - provides legal advice to the Inspector General and OIG staff on criminal, civil, and administrative issues. The team researches legal issues, processes subpoenas, reviews legislation, handles Freedom of Information Act requests, provides ethics advice, and serves as liaison with USPS Law Department and Department of Justice legal staffs.

**Congressional and Public Relations Team** - provides interface between the OIG and Congressional staff and handles all media relations. The team also prepares testimony for Congressional Hearings, answers Congressional questions, and produces the Semiannual Report to Congress.

---

## AIG FOR STRATEGIC PLANNING & QUALITY MANAGEMENT

**Forensic & Technical Services Team** - provides technical support in such areas as surveillance, evidence recovery, and firearms. Maintains close liaison with technical experts in the law enforcement community.

**Quality Assurance/Internal Affairs Team** - conducts internal reviews of OIG operations and procedures to ensure that they are effective and appropriate, and provides advice on improving operations. Also, conducts reviews of allegations made against OIG employees.

**Strategic Planning Team** - anticipates and adapts to current and future changes in the Postal Service, OIG operations, and technology by identifying workload, providing research and statistical analysis, informing Postal employees and customers about the OIG mission, and ensuring that the vision of the OIG is embraced by the organization.

**Internal Quality Team** - instills continuous improvement processes and facilitates internal communications through orientation, team building, and mentoring.

**Electronic Commerce Team** - reviews the future of the Postal Service initiatives in this emerging field.

**Information Technology Team** - manages computer operations and telecommunications within the OIG, and operates the local and wide area networks. Also, provides computer security, manages agency-wide information systems, and provides technical support to OIG staff.

---

## AIG FOR PERFORMANCE

**Financial Audit Team** - conducts audit work in support of the annual financial opinion and conducts other financial-related audits and investigations to identify areas for financial improvement.

**Developmental Team** - conducts audits, reviews and investigations of new or redesigned Postal Service systems, programs and operations that are under development.

**Accepting/Processing Team** - conducts audits, reviews, and investigations focusing on mail acceptance and collection operations and mail processing and distribution processes.

**Transportation Team** - conducts audits, reviews, and investigations focusing on both "inter" and "intra" transportation and logistics operations, specifically addressing USPS fleet operations and contracts for airline, highway, and rail services.

**Delivery/Support Team** - conducts audits, reviews, and investigations covering delivery service processes and operations, and enabling processes that support more than a single core business process.

---

## AIG FOR REVENUE & COST CONTAINMENT

**Revenue Protection Team** - investigates bribery, kickbacks, embezzlement and other cases involving revenue losses and contract fraud, such as defective pricing, product substitution, and cost mischarging.

**Revenue Generation Team** - examines and evaluates the major sources of revenue from the marketing, advertising, stamp services, retail, and international mail business operations as well as Postal rate cases.

**Facilities Program Team** - conducts audits, management reviews, and investigations of all aspects of facilities including repair, renovation and new construction.

**Contract Audit Team** - assists Postal contracting officials in purchasing quality products and services at reasonable prices by conducting audits and investigations of purchasing activities and operations.

**Health Care Fraud Team** - identifies and investigates medical providers that have falsely billed the Postal Service for work-related injury claims and systemic issues involving the Workers' Compensation Program.

---

## AIG FOR EMPLOYEE

**Information Systems Review Team** - audits major automated Postal management and information systems to determine whether applications are properly established and systems are properly designed to provide accurate data to management. Provides computer assisted audit techniques to support OIG staff.

**Labor Management Team** - audits and evaluates labor and employee relations issues within USPS to foster and maintain a healthy organizational climate for employees and to improve operational efficiency.

**Human Resources Team** - delivers full service human resources programs for the OIG in the areas of employee relations, pay and benefits, retirement, awards, performance management, counseling, diversity opportunities, and training.

**Administrative Resources Team** - provides OIG staff with facilities, procurement, financial, budget, and other services necessary to accomplish the OIG mission.

**Policy and Procedures Team** - coordinates internal policies and procedures and reviews and comments on all Postal policies and procedures.

---

## AIG FOR CUSTOMER

**Oversight** - conducts audits and evaluations of Inspection Service programs and operations. Investigates all alleged misconduct by Inspection Service staff as well as systemic issues involving Postal Inspectors.

**Hotline, Safety, and Security** - operates the OIG Hotline to accept inquiries, and assists in resolution where possible of issues involving the Postal Service. Provides personnel security services to the OIG and assists OIG in assessing physical security processes within the Postal Service.

**Executive Investigations** - investigates allegations of criminal activities and serious misconduct involving USPS Postal Career Executive Service employees.

**Computer Intrusion** - detects and investigates "computer hacking" and other high technology crimes involving USPS computers and telecommunications systems. Assists in the identification of computer system vulnerabilities so that appropriate counter-measures may be implemented.

**Consulting Services** - assists Postal management by identifying "best practices" for improving the effectiveness of Postal operations. (Will be established in FY 2000.)

**Quick Response** - evaluates factual issues promptly when time is of the essence. (Will be established in FY 2000.)

# US Postage Stamps

ISSUED FROM APRIL 1, 1998 - SEPTEMBER 30, 1998

## PAGE

- 4 BREAST CANCER RESEARCH SEMIPOSTAL - increases public awareness of the need for breast cancer research and contributes to cancer research through purchase of these stamps.
- 20 GOSPEL SINGERS - honors four prominent female performers: Mahalia Jackson, Roberta Martin, Clara Ward and Sister Rosetta Tharpe.
- 27 AMERICAN BALLET - pays tribute to both gifted stage performers and aspiring students who dream of becoming professional dancers.
- 33 CINCO DE MAYO - celebrates the May 5th fiesta of Latin-American food, music, costume and dance.
- 37 ORGAN & TISSUE DONATION - increases public awareness of the need for organ and tissue donors who enable thousands of people to live longer and better lives.
- 41 SYLVESTER AND TWEETY - recognizes the Academy Award-winning team that amused Americans for several decades.
- 45 BERLIN AIRLIFT - recognizes that 50 years ago, the U.S. and Britain began supplying much of Berlin with food, coal and other supplies.
- 49 KLONDIKE GOLD RUSH - honors the 100th anniversary of tens of thousands of Americans who made this arduous journey in hopes of striking it rich.
- 50 FOLK MUSICIANS - salutes the memorable talents of four artists: Huddie "Leadbelly" Ledbetter, Woody Guthrie, Sonny Terry and Josh White.
- 55 TRANS-MISSISSIPPI - illustrates America's westward expansion in stamps that were originally released in monochrome 100 years ago.
- 57 WISCONSIN STATEHOOD - uses a rural Wisconsin setting to celebrate the 150th birthday of our 30th state.
- 61 ALFRED HITCHCOCK - produced more than 50 films that earned him the title "Master of Suspense."
- 65 STEPHEN VINCENT BENÉT - marks the 100th anniversary of the birth of this award-winning poet.
- 66 TROPICAL BIRDS - depicts the colorful, island birds found in the regions of Hawaii, the Virgin Islands, U.S. Samoa and Puerto Rico.
- 73 SPANISH SETTLEMENT OF THE SOUTHWEST - commemorates the 400th anniversary of the founding of the Spanish settlement at San Gabriel.
- 76 SPACE DISCOVERY - pays tribute to the bright future of space discovery with a panorama of a world where no one has gone before.

## ACKNOWLEDGEMENT:

*The OIG Senior Management Team would like to thank the OIG and Inspection Service staff who contributed to the successes and achievements summarized in this Semiannual Report. The OIG Senior Management Team would especially like to thank Wayne Goleski, Karen King and Dana Rooney-Fisher of the OIG and Debbie Baer of the Inspection Service for their tremendous efforts in producing this report.*

