

**U.S. POSTAL SERVICE**  
**OFFICE OF INSPECTOR GENERAL**

**“CREATING A BETTER POSTAL SERVICE”**

**THE POSTAL SERVICE’S FIRST AUDITOR**

During his tenure as Postmaster of Philadelphia in the Colonial postal system (before being appointed in 1775 as the Continental Congress’ first Postmaster General) Benjamin Franklin was given the additional duties of “regulating several offices and bringing the officers into account.” Franklin’s work in this area was the forerunner of postal audits that are done today by the Postal Service Office of Inspector General.

**THE NATION’S FIRST EFFECTIVE INSPECTOR GENERAL**

In 1778, at the recommendation of Benjamin Franklin, General George Washington made Baron Frederick William Augustus von Steuben, a former Prussian army captain, the Continental Army’s first Inspector General [effective]. [The actual first Inspector General resigned shortly after his appointment.] In his new role, Major General von Steuben did not have to serve as a sitting commander to have a positive impact on the Army. His usefulness and productivity flourished in the wake of a well-defined role that limited his authority but not his influence.

Von Steuben’s work helped Washington’s army defeat the most powerful military force on the face of the earth and formed the basis for the roles and responsibilities for today’s modern Inspector General.

**INSPECTOR GENERAL ACT OF 1978**

Congressional hearings highlighted deficiencies in the existing intra-agency auditing and investigating process. This prompted the enactment of the Inspector General Act in 1978, establishing Inspectors General in 12 federal agencies — but not the Postal Service.

The Act granted Inspectors General broad authority to conduct audits and investigations; access all agency records directly, use subpoenas if necessary; request assistance from other government agencies; administer oaths when taking testimony; hire staff and manage their own resources; and receive and respond to complaints from agency employees, whose confidentiality was to be protected.

Inspectors General were *not* authorized to take corrective action or make any reforms themselves under the rationale that it would be difficult — if not impossible — for Inspectors General to review programs and operations impartially and objectively if they were directly involved in carrying them out.

### **CHIEF POSTAL INSPECTOR NAMED INSPECTOR GENERAL**

By 1988, Congress amended the Act and named the Chief Postal Inspector as Inspector General. Chief Postal Inspector Charles R. Clauson assumed this additional duty while he continued to report to Postal Service management.

A GAO report, 8 years later, faulted this concept of the Postal Service Inspector General reporting to Postal Service management. This report prompted another amendment establishing the U.S. Postal Service Office of Inspector General as an independent entity.

### **INDEPENDENT OFFICE OF INSPECTOR GENERAL CREATED**

In 1996, Congress created an Office of Inspector General for the Postal Service. The Inspector General would report to the nine presidentially-appointed Governors of the Postal Service, not postal management, and serve a term of 7 years — the only statutory Inspector General office with a set term. Its mission included oversight of the Postal Inspection Service.

### **ESTABLISHING THE OFFICE 1997 through 2003**

The Governors named Karla W. Corcoran as the first independent Inspector General for the U.S. Postal Service on January 6, 1997. Her first priority was obtaining a resolution from the Governors designating which audit and investigative functions would be performed by the Office of Inspector General and which the Postal Inspection Service would retain (formally called a 'designation of functions').

To create the new office, Corcoran assembled a twelve-member transition team with diverse professional experience. Soon the fledgling office obtained the Governors' resolution designating functions (adopted on March 4, 1997); acquired law enforcement authority; and received approval of its first operating budget.

The Office of Inspector General began hiring Special Agents (federal law enforcement officers authorized to carry firearms, make arrests, and investigate federal criminal violations) and Auditors (professionals trained in government audit and accounting standards), and other staff, to perform its mission.

In one year's time, the office hired 109 employees and established a hotline number to receive allegations of waste, fraud, abuse, and misconduct.

Field offices were established across the country to facilitate the auditing and investigating of Postal Service programs and operations. Additionally, the new office invested in state-of-the-art technology and best management practices to facilitate communication and increase employee productivity.

### **CONDUCTING INVESTIGATIONS through 2003**

In 1997, Special Agents began working cases involving bribery, kickbacks, conflict of interest, or service-wide issues affecting the Postal Service. They also began investigating all cases involving Postal Service executives. Healthcare provider fraud was investigated and they supported the Postal Inspection Service in workers' compensation fraud cases.

A successful joint investigation occurred in 1999 when both agencies investigated potential bribery involving a large presort mailer conducting business in New York City. The company sorted and metered mail for a variety of corporate clients, and then submitted the "presorted" mail to the Postal Service. This case resulted in more than \$26.2 million in restitution to the Postal Service.

Another joint 1999 case also included the FBI. Investigators discovered an organized group of Cuban nationals in the Miami, Florida, area posing as medical doctors. Office of Inspector General Special Agents identified more than \$1 million in fraudulent Postal Service employee claims. By 2003, 17 individuals were arrested and convicted, resulting in over \$1 million in fines and restitution.

### **CONDUCTING AUDITS through 2003**

In December 1999 and January 2000, Office of Inspector General audit reports identified delayed mail at Postal Service facilities. Postal management immediately corrected the problems identified.

Due to the critical implications of Year 2000 (Y2K) problems with computers changing internal clock dates from 1900 to the year 2000, the Office of Inspector General began assessing the Postal Service's progress. Their Y2K audits disclosed operating systems were not always Y2K-compliant. Additionally, the Postal Service's

verification process — an independent evaluation to ensure systems applications were corrected — was not entirely efficient. Postal Service management agreed to take corrective actions to fix the problems identified.

The original designation of functions agreement called for assumption of audit functions over a 5-year period. However, in just 2 years, the Office of Inspector General took on most of the audit work identified in the designation of functions.

By FY 2001, the Office of Inspector General assumed additional responsibility for financial audits from the Postal Inspection Service by auditing revenue-generating facilities nationwide. These audits, like those described above, support the opinion on the Postal Service's annual financial statements.

### **2003: SECOND INSPECTOR GENERAL STREAMLINES, ENHANCES VALUE**

The next Inspector General, David C. Williams, was sworn in on August 20, 2003. Under his leadership, the office refocused and restructured. Inspector General Williams downsized administrative staff and functions; realigned audit issue areas with Postal Service operating units; and relocated the investigative field offices to coincide with the Postal Service's field organization. He approved a new strategic plan coordinated more closely with Postal Service goals and strategies.

After two years of restructuring and value enhancements, the Office of Inspector General achieved a state of health and maturity as an organization.

### **CONDUCTING INVESTIGATIONS FROM 2004 THROUGH 2006**

During this period, Special Agents and Postal Inspectors began jointly working financial investigations, healthcare claimant investigations, and various employee

misconduct issues. Outcomes, including administrative actions, rose from 22 actions in FY 2003 to 2,977 in FY 2006.

In March 2006, the Board of Governors Chairman and Postmaster General announced their decision to complete the investigative realignment between the Office of Inspector General and the Postal Inspection Service. This realignment transferred all investigations of employee misconduct, including theft of mail, to the Office of Inspector General by January 1, 2007.

Prior to March 10, 2006, the Office of Inspector General had investigative responsibility for kickbacks, embezzlements, contract fraud, computer crimes, and internal affairs. Now its investigative responsibility also includes employee mail theft, workers' compensation fraud, and narcotics.

To handle the new investigative responsibilities, the Office of Inspector General hired more than 260 new investigators, many of whom were Postal Inspectors with mail theft expertise.

During FY 2006 alone, the Office of Inspector General completed 6,357 investigations resulting in 293 arrests, 237 indictments, 209 convictions, and 2,977 administrative actions. Injury compensation fraud investigations saved the Postal Service \$105 million in long-term costs and \$20.9 million in fines and restitution went to the Postal Service as a result of investigative work.

In three cases, Special Agent investigations uncovered a trucking contractor defrauding the Postal Service of \$1.5 million in fuel rebates; a highway route contractor defrauding the Postal Service of \$120,468 for services not rendered; and a construction contractor charging the Postal Service \$175,630 for work never done.

Postal employees arrested by Special Agents included a station manager who embezzled \$162,000 in a money order scam, a technician who stole \$580,000 from postal vending machines, and a bulk mail entry unit clerk who deliberately shorted the

Postal Service of \$449,265. In other Office of Inspector General investigations a contractor agreed to pay the Postal Service \$5 million for contract irregularities and an equipment contractor paid the Postal Service \$630,000 to avoid a false billing suit.

#### **AUDIT WORK FROM 2004 THROUGH 2006**

During these three years, Auditors aligned their offices and work with appropriate Postal Service components. They also carried out a number of Value Propositions (contracts between audit directors and Postal Service vice presidents, agreeing to a specific body of work in a specific timeframe) that received positive feedback from Postal Service management.

A 2005 Value Proposition Agreement identified the most important delivery and retail areas where Office of Inspector General work could help reduce costs or raise revenue.

Auditors reviewed Postal Service plans to improve operations efficiency that called for reducing thousands of work hours at various postal facilities. Auditors also identified more than 1,000 potential highway contract trip eliminations, consolidations or modifications potentially resulting in savings of more than \$50 million over the life of the contracts.

After hurricanes devastated the Gulf Coast in late 2005, Auditors assessed how the Postal Service conducted its operations. The audit concluded that overall the Postal Service responded to Hurricanes Katrina and Rita rapidly and successfully under difficult and unprecedented circumstances.

Throughout the years, Office of Inspector General Auditors have identified improvements in financial accountability, financial reporting, and information system controls. Further, these audits helped the Postal Service comply with its many laws

and regulations and provided dozens of referrals for further consideration for investigations.

From its inception, the Office of Inspector General has issued 3,077 audit reports and management advisories accounting for more than \$3.8 billion in questioned costs, unrecoverable costs, funds put to better use, and revenue impact.

### **OFFICE OF INSPECTOR GENERAL HOTLINE ACTIVITIES**

Established in 1997, by its second year the Office of Inspector General's hotline was receiving more than 14,000 calls yearly. Many of the hotline callers would complain that they feared retaliation for voicing their complaints about waste, fraud, and abuse. The Office of Inspector General sought Postal Service action to address this growing concern. The Deputy Postmaster General issued a warning to all officers to avoid retaliatory action against postal employees who bring allegations to the Office of Inspector General. The Office of Inspector General worked closely with Postal Service officials to develop stronger regulations to give Postal Service employees whistleblower protections similar to those enjoyed by other federal employees, who unlike U.S. Postal Service employees, are protected by the Whistleblower Protection Act. After years of effort, in April 2005, regulations to provide Postal Service employees with greater protection from whistleblower retaliation were published at Subchapter 660 of the *Postal Service Employee and Labor Relations Manual*.

In its first 10 years, the Office of Inspector General's hotline received a total of more than a quarter million contacts resulting in numerous audits and investigations leading to more efficiency in postal programs and operations.

### **CONCLUSION**



The men and women of the Office of Inspector General work hard every day to promote the integrity and accountability of America's postal system. Through its audit and investigative work, the Office of Inspector General has paid for itself more than three times over — a great return on investment for the U.S. Postal Service and its customers.