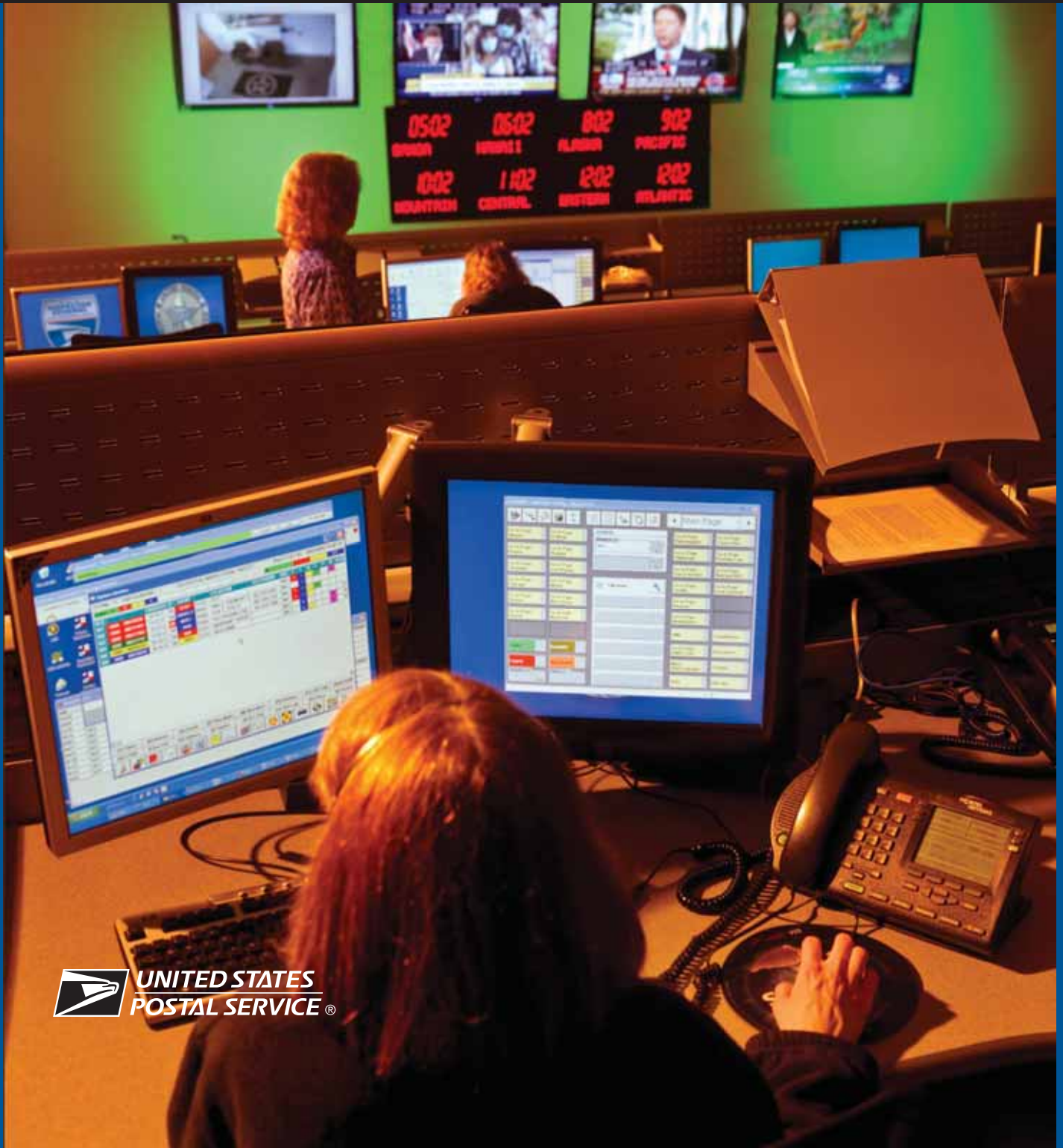




# Semiannual Report on the Audit, Investigative, and Security Activities of the United States Postal Service

October 1, 2008 – March 31, 2009



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## MESSAGE FROM THE INSPECTOR GENERAL AND THE CHIEF POSTAL INSPECTOR

In this report, the U.S. Postal Service Office of Inspector General (OIG) and the U.S. Postal Inspection Service provide statistics and activities for the 6-month period of October 1, 2008, through March 31, 2009.

In the first of three sections, the OIG's Office of Audit discusses the Postal Service's progress towards its strategic goals to focus on what matters most to customers, leverage its strengths, and embrace change, as outlined in *Vision 2013: Five-Year Strategic Plan for 2009 – 2013*, published in October 2008. They also report on regulatory studies and reporting obligations as well as preserving integrity. In the second section, the OIG's Office of Investigations and the Postal Inspection Service highlight investigations conducted to preserve the sanctity of the mail, protect the integrity of postal personnel, and safeguard employees and customers. In the last section, the Postal Inspection Service describes its work in providing for the protection of all postal facilities, employees, customers, and assets, as well as the Postal Service's information security network.

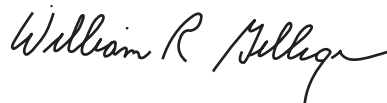
These efforts, outlined in detail in the appendices section, resulted in a total monetary impact of more than \$640 million (savings may be for a single year, the life of a contract, or other multiyear calculations). The Postal Service accepted 108 of our significant audit recommendations.

In addition, during this period 6,742 investigations were closed and management took administrative action on 1,398 cases. Investigations by Special Agents and Postal Inspectors led to 4,133 arrests and more than \$5.8 billion in fines, restitutions, and recoveries, of which more than \$17.1 million went to the Postal Service.

In these tough economic times — and with the support of the Governors, Congress, and Postal Service management — the OIG and the Postal Inspection Service will continue to help maintain confidence in the postal system and improve the Postal Service's bottom line.



David C. Williams  
Inspector General



William R. Gilligan  
Acting Chief Postal Inspector

# SUMMARY OF PERFORMANCE

October 31, 2008 – March 31, 2009

## AUDIT

Reports issued	216
Significant recommendations issued	123
Total reports with financial impact	93
Funds put to better use	\$240,028,710
Questioned costs <sup>1</sup>	\$157,980,085
Revenue Impact	\$244,058,728
<b>TOTAL FINANCIAL IMPACT<sup>2</sup></b>	<b>\$642,067,523</b>

## INVESTIGATIONS (OIG & POSTAL INSPECTION SERVICE COMBINED)<sup>3</sup>

Investigations completed	6,742
Arrests	4,133
Indictments/informations	1,967
Convictions/pretrial diversions <sup>4</sup>	3,645
Administrative actions	1,461
Cost avoidance	\$93,012,179
Fines, restitutions, and recoveries	\$5,813,909,158
Amount to Postal Service <sup>5</sup>	\$17,122,019

## OIG HOTLINE CONTACTS

Telephone calls	55,381
E-mail	15,375
Virtual Front Office calls	6,088
Standard Mail	1,169
Voice mail messages	728
Facsimile	327
<b>TOTAL CONTACTS</b>	<b>79,068</b>

<sup>1</sup> Includes unsupported costs of \$125,011,539.

<sup>2</sup> The Postal Service agreed to recommendations or proposed alternative corrective actions that, if implemented, could result in more than \$642 million in savings.

<sup>3</sup> Statistics include joint investigations with other law enforcement agencies.

<sup>4</sup> Convictions reported in this frame may be related to arrests made in prior reporting periods.

<sup>5</sup> Amount included in fines, restitution, and recoveries.

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## ASSESSING PROGRESS TOWARD STRATEGIC GOALS

In this section, the Office of Audit (OA) assesses the Postal Service's progress toward its strategic goals articulated in its Vision 2013: Five-Year Strategic Plan for 2009 – 2013, published in October 2008. The plan emphasizes that the Postal Service's universal service obligation remains unchanged despite the challenging economic climate. Further, the Postal Service notes that it intends to improve the value of mail services and sustain a financially stable enterprise that best serves the nation's mailing needs while providing affordable and reliable service.

The Postal Service's strategic goals are to focus on what matters most to customers, leverage its strengths, and embrace change. OA reports on the Postal Service's progress towards these goals, and on the issues of regulatory studies and reporting obligations, and preserving integrity. Each of these strategic goals and issues present significant challenges to the Postal Service. This section discusses audits and reviews completed during the reporting period in these areas.

### GOAL 1: FOCUSING ON WHAT MATTERS MOST TO CUSTOMERS

This Postal Service strategic goal concentrates on starting with customer needs, providing excellent customer experiences, building on trusted relationships, and communicating effectively. The Postal Service's strategy to improve service is to provide timely, reliable delivery and improved customer service across all access points. Specifically, it is focusing on the quality and consistency of service provided at all customer contact points as well as the speed and reliability of end-to-end mail delivery across product lines. Improving service is challenging to do while simultaneously working to significantly cut costs. OA's work in this area is aimed at helping the Postal Service to improve operational efficiencies related to customer service and to decrease the risk of revenue loss.

#### Mail Processing, Transportation and Delivery Operations

The Postal Service's business environment is challenging due to an uncertain economy, decreased mail volumes, and an expanding delivery network. In addressing these challenges, the Postal Service continues to seek out automation and technology solutions, and reduce excess capacity in the plant network and the redundancy inherent in maintaining separate transportation networks for different mail classes. With less mail coming in, the mail processing infrastructure must be flexible and resources must be adjusted to match volume. Key components of network streamlining include mail processing plant consolidations, plant closings, and outsourcing some mail processing operations to eliminate excess capacity, increase efficiency, and better use resources.

**U.S. Virgin Islands.** Approximately 59 million pieces of U.S. Virgin Islands (USVI) mail are processed at the P&DC, the Air Mail Facility, and the Annex in San Juan, PR, annually. In response to a congressional request, Auditors reviewed mail service to the USVI due to complaints of delayed mail, non-delivery of packages, communication issues between the Postal Service and federal law enforcement agencies, inadequate staffing levels, and inadequate delivery service standards for the USVI as compared to the mainland. To address these concerns, OA conducted three concurrent audits of processing, transportation, and delivery issues affecting service, and confirmed that processing and transportation issues had caused substantial delays.

#### Management Response to Audit Work

OA adheres to professional audit standards and presents its audit work to management for comments prior to issuing a final report. Unless otherwise noted in the audit work discussed in this report, management has agreed or partially agreed with OA's recommendations and is taking or has already taken corrective action to address the issues.



The Postal Service has a strategic goal of focusing on what matters most to customers.

## PERFORMANCE ANALYSES AND RISK INDICATOR SCANS (PARIS)

OA uses a risk-based planning approach to identify audit work. In this way, it can identify the most important work that needs to be done, and then position itself to do it. (The PARIS Model Matrix can be found on page 76 in the Supplemental Section.) One aspect of this approach has been to build PARIS models that examine selected risk indicators for each Postal Service district, provide a drill down capability into the detailed data, and provide assessments of Postal Service facilities and operations. The following highlights two of these PARIS models: Operations and Financial.

### *PARIS Operations Model*

OA's PARIS Operations Model uses 11 performance indicators to rank Postal Service districts by overall performance. In fiscal year (FY) 2008, the model identified the Philadelphia Customer Service District as one of the most at-risk districts. Auditors initiated fieldwork to review performance of the Philadelphia Processing and Distribution Center (P&DC); news articles began to report damaged, delayed, and destroyed mail, as well as numerous employee complaints. As part of its work in Philadelphia, OA assessed 18 allegations about mail processing, transportation, and delivery operations; and worked jointly with OIG Special Agents on those allegations that suggested the possibility of criminal intent. Of the allegations, one was substantiated, seven were partially substantiated, and 10 were not substantiated.

The substantiated allegation of delayed mail report found that the daily Mail Condition Reports in 2008 had been falsified by lowering the actual on-hand numbers, which ultimately resulted in an inaccurate summary to the Postal Service. The partially substantiated allegations involved:

- Inadequate processes to ensure that mail was not being destroyed.
- More delayed mail than the national average.
- Unprocessed mail based on a miscommunication.
- Inadequate processes, equipment problems, and insufficient labeling resulting in untimely delivery.

The Philadelphia Customer Service District experienced periods of increased on-hand volumes and delayed mail from October 2007 through December 2008. These concerns negatively affected service scores, caused customer complaints, and resulted in negative media reports. While many allegations were not substantiated,

the negative exposure was detrimental to the Postal Service's brand and reputation. Many of the concerns raised in the allegations reviewed could have been resolved through better processes, checks and balances, and communications and outreach with customers, supervisors, and labor organizations. Auditors made 13 recommendations to improve the timely processing of mail.

Further, based on FY 2008 data in OA's PARIS Maintenance Model, the Philadelphia Customer Service District was among the districts most at-risk for having low equipment effectiveness. During the 1-year period ending June 30, 2008, this district's overall equipment effectiveness (OEE) averaged 52.4 percent compared to the national average of 65.5 percent for all processing modes. The district did not meet targets for daily and weekly preventive maintenance of mail processing equipment. In addition, excessive pieces at risk and reject rates lowered the quality element of OEE and indicated opportunities for both maintenance and operational functions to increase equipment performance. Addressing these issues at the district's two mail processing sites could decrease costs by \$5 million and would be expected to decrease mail processing costs by \$10 million over the next 2 years.

### *PARIS Financial Model*

During this reporting period, OA produced its first PARIS Financial Model based on Quarter 4 FY 2008 data. Prior to the establishment of this model, the Postal Service did not assess district financial risks at a national level. This model provides an opportunity to see trends in high-risk financial factors on a nationwide basis, as well as the ability to drill down into the data to see the components of each factor at the finance number or unit level.

Using the results of the model, Auditors conducted work in five districts. Overall, the Auditors noted significant internal control and compliance issues in stamp stock, cash management, and expenditures. Together these audits identified almost \$700,000 in monetary and about \$14.1 million in non-monetary impacts and produced 12 investigative referrals that would not have necessarily been identified in the past. Two of those led to the criminal prosecution of Postal Service employees for embezzling funds through the use of no-fee money orders.

OA has been providing Postal Service executives with an overview and results of all of the PARIS models. These executives have noted the usefulness of the models in helping them to better identify and manage risks.

Auditors identified opportunities to improve the timely processing and tracking of mail at the San Juan P&DC to include re-configuring the Universal Sorter Machine to minimize damage to parcels, reducing or eliminating misdirected mail, and improving mail throughput on machines. Further, local mail could be processed at the USVI, delayed mail needed to be accurately identified and reported, and the Postal Service and Customs and Border Protection needed to improve communication with customers and each other.

Regarding transportation, in attempting to meet established delivery service standards to and within the USVI, the Postal Service adopted a complex transportation network based on mail type, service, and cost. Auditors recommended adjusting transportation modes, schedules, and capacities at concentration points where possible; fully utilizing transportation containers; and addressing other transportation process efficiencies. Finally, the Postal Service delivered mail to customers in a timely manner after receiving the mail in the USVI, and had sufficient resources to do the job. OA's three audit reports on performance issues within USVI contained 15 recommendations to improve the timeliness of mail service and identified about \$500,000 in funds that can be put to better use.

**Chicago Customer Service District.** As a follow-up audit, Auditors reviewed the timeliness of mail processing, transportation, and delivery operations in the Chicago Customer Service District based on a request from the Great Lakes Area Vice President. Auditors concluded that this district made improvements, during FY 2008, in the timely and efficient processing and delivery of mail, resulting in service improvements and a reduction in customer complaints. In FY 2008, the Cardiss Collins P&DC processed more than 1.75 billion first handled pieces. Management adjusted carrier routes to match workload and improved supervision of carrier office and street time. In addition, the accuracy of the Address Management System increased. Management turnover decreased, communication of goals and targets increased, and maintenance of automated equipment improved. Because of the progress made by the Chicago District, Auditors did not make any further recommendations.

### **Contractor-Operated Mail Processing Facilities**

The Postal Service outsources some of its mail processing facilities to improve operational efficiency and reduce costs. Recent and planned initiatives to outsource mail processing and transportation functions place added significance on the need to avoid, neutralize, or mitigate potential conflicts of interest before awarding contracts. An organizational conflict of interest exists when the nature of the work to be performed under a contract may give an



*The mail processing infrastructure needs to be flexible to adjust resources to match volume.*



*During the course of an audit OIG auditors observe mail being loaded on to a contract air carrier's plane at St. Croix, USVI.*

## **MAIL PROCESSING PRODUCTIVITY**

The Board of Governors' Audit and Finance Committee requested OA to benchmark Postal Service productivity against that of similar U.S. commercial entities. Both the Postal Service and the benchmarked companies use the following strategies to promote continuous improvement: automated processing operations, competitive intelligence to improve processes, closure of facilities and consolidation of operations to reduce costs, and the placement of industrial engineers in plants to assist managers. However, Auditors identified commercial entities' best practices that offer the Postal Service opportunities to improve productivity. These best practices include: employees are predominantly part-time, often working 4-hour shift with staggered start times to accommodate workloads; employees are moved quickly among tasks to meet the needs of changing volumes; employees are held accountable for meeting established productivity goals; and parcels move quickly through facilities with minimal staging. Auditors suggested that the Postal Service review the benefits of working with unions to modify work rules and promote a more flexible, part-time workforce as existing contracts expire, and look for opportunities to promote a continuous flow in processing operations.

## GOAL 1: FOCUSING ON WHAT MATTERS MOST TO CUSTOMERS

offeror an unfair competitive advantage, or when an offeror has other interests that may impair its objectivity or ability to perform satisfactorily.



*The Information Based Indicia (IBI) is a digital imprint that is valid postage. IBI contains the date, class of mail, postage amount, originating ZIP Code, and a unique device identification number.*

OA reviewed contracts that the Postal Service awarded to two major mail presorters and consolidators to process mail for the Postal Service. Auditors found that at Surface Transfer Centers (STC) and Terminal Handling Service (THS) facilities, procedures are not in place to confirm that employees have verified and accepted arriving mail, or that the customer paid the applicable postage. To better monitor mail and protect revenue, Auditors recommended reconciling mail scans captured by STC and THS contractors with scans at the points of mail acceptance.

these controls reasonably protected the integrity of the EXFC measurement process. Auditors recommended that the Postal Service ensure, through periodic reviews, that information contained in reports and computer systems cannot be used to identify test mailpieces or in any way compromise the integrity of the measurement process.

### **Shortpaid Postage**

Information Based Indicia (IBI) is a digital imprint that is valid postage. IBI contains the date, class of mail, postage amount, originating ZIP Code, and a unique device identification number. Auditors found that the Postal Service is at risk of revenue loss and fraud by identifying \$61.8 million in unrecoverable revenue and \$82.4 million in recoverable revenue for Priority Mail and Parcel Post service. Additionally, IBI stealth postage, known as nondenominated postage, can be printed on First-Class and Priority Mail and Parcel Post using online postage products so that the actual postage amount is not visible. An audit of IBI stealth postage identified \$49.5 million in unrecoverable revenue and \$49.5 million in recoverable revenue from shortpaid postage. (See investigative work in this area on page 16.)

### **Modern Service Standards**

One of the requirements in the Postal Accountability and Enhancement Act (Postal Act of 2006) was for the Postal Service to develop and implement modern service standards for market dominant products, which include First-Class Mail, Standard Mail, Periodicals, and Package Services. Auditors assessed the “business rules” — the implementing criteria that determine the number of days to delivery between origin-destination 3-digit ZIP Code pair combinations — used to develop modern service standards. Auditors concluded that the Postal Service complied with statutory requirements and the mailing industry generally supported the new standards. However, Auditors noted several strategic and operational risks in establishing these standards.

### **External First-Class Measurement System**

The Postal Service measures and reports on its effectiveness in meeting established delivery standards for various classes of mail including single piece First-Class Mail. Management compares the data to Postal Service delivery standards based on the date mailed, date of delivery, and the geographic locations involved. Auditors assessed whether the External First-Class (EXFC) measurement system’s internal controls reasonably protect the integrity of the EXFC measurement process. Examination of internal controls relating to test mail appearance, induction, recruiting and training, computer systems, breaches, and the EXFC contractor found that

Management recognized the importance of capturing valid postage and preventing fraud and indicated that technologies and processes are in place to identify duplicate IBI mailpieces through an application called Information-Based Indicia — Revenue Protection (IBI-RP). The IBI-RP application is currently utilized by the Postal Inspection Service and has been successfully used to identify and prosecute IBI counterfeit/duplicate label abusers. Future IBI-RP enhancements are being evaluated to identify shortpaid mailpieces processed on the Automated Package Processing System (APPS) and to provide a candidate list of potential shortpaid mailings to the Postal Inspection Service.

### **Cooperative Mail Rule Exception**

The Postal Service, through its Cooperative Mail Rule (CMR), allows nonprofit organizations (NPO) to share the cost, risk, or benefit of a mailing. Cooperative mailings are entered at Nonprofit Standard Mail rates only if all cooperating NPOs are authorized to mail at Nonprofit Standard Mail rates. The CMR did not allow a NPO to share the cost, risk, or benefit of a mailing with a for-profit organization (FPO) and mail at Nonprofit Standard Mail rates until an exception to the rule was made in November 2003.

At the request of a congressional committee, OA audited the CMR exception and determined the Postal Service does not have a process to monitor the CMR exception to identify abuses. As written, the CMR exception policy is not



clear and does not define cost, risk, or benefit or provide guidance on the types of FPOs that NPOs can partner with to raise funds.

Management partially agreed with Auditors' findings and recommendation to identify the most effective means to monitor the CMR exception for abuses. Management stated that because there have been no reports of abuses, the Consumer Advocate can only agree to work with Mailing Standards, Business Mail Acceptance, and the Postal Inspection Service to buttress the existing system if abuses are revealed. Management agreed to develop and provide training for mail acceptance employees on acceptance procedures for CMR exception mailings by June 2009. However, management disagreed with OA's recommendation for the Postal Service to develop and implement a method to collect data on the use of the CMR exception.

**Vehicle Assets**

The Postal Service has invested more than \$3 billion in vehicle assets. The vehicle inventory consists of more than 219,000 delivery, transport, and administrative vehicles, of which delivery and collection vehicles account for about 89 percent.

**Vehicle Maintenance Facilities.** The Postal Service is extending the service life of its delivery vehicles, so Auditors assessed whether the Postal Service accomplished all required scheduled preventive maintenance and also integrated both Vehicle Maintenance Facilities (VMF) and local commercial resources for optimum efficiency. Auditors recommended that management complete all scheduled maintenance and repairs and better optimize VMF and commercial resources, potentially saving more than \$32.7 million over 10 years. Auditors believe this approach provides a reasonable estimate because it accounts for that Area's specific maintenance activities.

**Vehicle Warranty Claims Process.** Auditors assessed whether the vehicle warranty claims process properly reimbursed the Postal Service for work performed on vehicles covered by a manufacturer's warranty. The Postal Service did not always identify vehicles that had warranty work and obtain reimbursement for warranty repair work conducted with its resources. This occurred because of ineffective vehicle warranty and reimbursement processes as well as weaknesses in the oversight of these processes. As a result, the Postal Service lost more than \$2.9 million and has an opportunity to save almost \$620,000 in FY 2009.

**Powered Industrial Vehicle Management System.** The Postal Service uses various types of vehicles within plants to move mail from one location to another during

processing. The Powered Industrial Vehicle Management System (PIVMS) consists of intelligent wireless devices installed on these powered industrial vehicles (PIV) and computer software for access control, utilization analysis, real-time location tracking, and many other functions. The PIVMS provides automated measurement, control, and compliance reporting of PIV operations within a plant, resulting in optimal PIV safety conditions, operations, supervision, and associated savings. Auditors identified opportunities for management to fully implement the operational features of the PIVMS to better manage workhours, conduct maintenance activities, and reduce vehicle inventory, and reported \$1.9 million in funds that can be put to better use.



*The Postal Service uses various types of vehicles within plants to move mail from one location to another during processing. Pictured here is a Powered Industrial Vehicle.*

**GOAL 2: LEVERAGING THE POSTAL SERVICE'S STRENGTHS**

The Postal Service intends to build on its strengths, which include its network, information systems, and dedicated employees. This strategic goal concentrates on the reach and capability of the network, using information technology to enhance products and performance, and empowering employees to build the business.

OA's work in this area assisted the Postal Service in identifying significant opportunities to reduce costs by optimizing the mail processing network, improving transportation efficiency, and controlling facility and operational costs.

**Flats Sequencing System**

The Flats Sequencing System (FSS) program is the Postal Service's largest current mail automation investment and is expected to generate annual operational savings of \$600 million. However, the FSS production machine failed First Article Testing by not meeting two key performance metrics, throughput and acceptance rate. In addition, while management is attentive to system performance and schedule risks, declines in mail volume introduce a substantial new deployment risk to the FSS program.

Auditors recommended the Postal Service establish a risk mitigation plan for volume declines to include a reevaluation of sites scheduled to receive FSS. Further, although Auditors did not identify any unnecessary or inappropriate

## GOAL 2: LEVERAGING THE POSTAL SERVICE'S STRENGTHS



*The Flats Sequencing System program is the Postal Service's largest current mail automation investment and is expected to generate annual operational savings of \$600 million.*



*During an audit, OIG auditors observe mail being prepared for transport on FedEx airplanes at the Terminal Handling Service facility in Austin, TX.*

increased costs to the Postal Service due to changes to the FSS contracts, they could not determine whether the monetary amount the Postal Service withheld from the contractor was appropriate when pre-production machine contract requirements were not met. Consequently, the Postal Service is at an increased risk of not receiving equitable consideration for contractor nonperformance. Auditors recommended that the Postal Service require contracting officers to fully document the rationale and basis for determining whether withheld payment amounts are reasonable.

### **Use of Contract Transportation**

Auditors assessed whether the Postal Service's use of Federal Express (FedEx) transportation was effective and economical. From October 2005 through December 2007, the Southwest Area incurred about \$9 million in unnecessary costs due to using FedEx to move mail that could have been moved on less costly surface transportation or passenger airlines and to paying FedEx to sort mail unnecessarily. The Southwest Area has an opportunity to save about

\$44.3 million over the next 10 years by not using FedEx to transport mail that could be transported on surface networks, by transporting First-Class Mail on passenger airlines when capacity is available, and by sorting the mail before giving it to FedEx to avoid their sorting charges. Management generally agreed to the findings, but did not agree to all monetary impacts.

### **Oversight of Highway Contract Route Contracts**

Highway contract routes (HCRs) provide for several things, including the transportation of mail between Post Offices and other designated points where mail is received or dispatched. Regular highway transportation contracts

for HCRs provide service between Postal Service facilities, mailers' plants, and similar facilities. An "extra highway transportation trip" is an additional trip made on an infrequent basis over the same route as the regular contract, but not included in the original terms of the contract.

Postal Service officials could improve their monitoring and controlling of costs of extra highway transportation contract trips. Auditors calculated more than \$67 million in unrecoverable unsupported questioned costs due to officials not properly authorizing extra highway transportation contract trip costs. Auditors also calculated almost \$600,000 in unrecoverable unsupported questioned costs and more than \$69,000 in recoverable questioned costs due to overpayment of extra highway transportation contract trip costs. However, the Santa Clarita, CA, P&DC used exemplary monitoring practices, which resulted in a \$1.1 million (47 percent) cost reduction on extra trips from FY 2007 to 2008. In addition, to recommendations to improve existing controls over extra highway trip costs, Auditors recommended that these monitoring practices be considered for implementation nationwide.

### **National Trailer Lease**

Auditors evaluated the National Trailer Lease renewal in the Great Lakes Area and identified opportunities to reduce costs. The National Trailer Lease renewal was not as effective and economical as it could have been because the Great Lakes Area did not have a comprehensive management plan in place to accurately identify its trailer requirements, ensure proper trailer use, and adjust trailer inventory based on continued need. As a result, the Postal Service incurred almost \$330,000 in unnecessary trailer lease costs over a 6-month period. Auditors estimated the Postal Service could save about \$5.4 million in lease costs over the next 10 years, if the Great Lakes Area improves its processes for trailer fleet management and returns unneeded trailers. Management agreed to the findings, but did not agree to the long-term monetary impacts, which used a 10-year calculation period.

### **Non-Mail Freight Invoices**

Transportation service for non-mail freight is service involved in the physical movement (from one location to another) of products, people, household goods, and any other objects that is not related to the transport of mail and/or mail equipment, as well as activities directly relating to or supporting that movement. Examples of this are movement of office equipment or relocating employee's household goods. The Postal Service entered into contracts with two suppliers for the management of global surface and air transportation services for non-mail freight in FY 2006. The contracts allow the suppliers to self-certify their invoices

and submit them directly to the Information Technology and Accounting Service Center (IT/ASC). The IT/ASC then makes payments directly to the suppliers.

Auditors reviewed the contracting officials' certification process for these non-mail transportation invoices and found that officials did not certify almost \$42 million in invoices (unrecoverable questioned costs) paid to the two suppliers from July 1, 2006, through June 30, 2008. Contracting officials relied on annual post-performance invoice audits by the Defense Contract Audit Agency (DCAA). While the DCAA did perform two audits on a portion of the invoices for one of the suppliers, these audits did not — nor were they intended to — provide assurances that suppliers were properly rendering services. As a result, officials cannot be assured that accurate rates are charged, customers are receiving goods, deliveries are timely, and approved price schedules are being used. Auditors recommended that management develop and implement written procedures for the independent review of invoices to confirm the receipt of goods and services and to ensure accurate payment.

**Postal Vehicle Service**

The surface transportation network includes Postal Vehicle Service (PVS) operations, made up of Postal Service vehicles and employees. OA audited the effectiveness of PVS operations at the Minneapolis, MN, P&DC and found that management could more effectively manage PVS processes and schedules, allowing them to remove more than 22,000 excess workhours from existing PVS schedules and reduce related fuel costs and damage claims, thereby saving about \$9.3 million over 10 years. Management could eliminate the workhours without negatively affecting service because schedules contain unassigned time when drivers were not needed for a specific trip or related activity, duplicate trips, and underutilized trips, which could have been consolidated.

Management agreed with the findings and recommendations, but did not agree to the long-term monetary impact calculation, noting that actual savings may vary due to several factors, including the volatility in fuel prices, contractual changes in PVS work rules, and changes in PVS workload.

**Distribution Network Office**

An audit of highway transportation payment information entered into the Transportation Contract Support System (TCSS) at the Capital Metro Distribution Network Office (DNO) found it was properly supported, authorized, and accurate. However, key duties and responsibilities related to contract administration and TCSS administration need to be separated to strengthen internal controls. Auditors

also reviewed controls over service claim payments in the Rail Management Information System (RMIS) at the Capital Metro DNO. Although internal controls over claims processed manually had improved from the previous audit, further improvement is needed to ensure RMIS service claim payments made to rail carriers are properly authorized and recorded, and accurately entered into RMIS. All 221 RMIS service claim payments, valued at more than \$415,000, manually processed and paid were not adequately supported in accordance with Postal Service policy. Auditors recommended reemphasizing supporting documentation requirements to preparers and approvers in addition to conducting current and ongoing reviews of RMIS service claim packages and payments.

**International Air Payments**

Insufficient system and management controls over the Surface Air Support System (SASS) resulted in payment errors to air carriers transporting international mail.



*Auditors estimated the Postal Service could save about \$5.4 million in lease costs over the next 10 years, if the Great Lakes Area improves its processes for trailer fleet management and returns unneeded trailers.*



*The surface transportation network includes Postal Vehicle Service operations, made up of Postal Service vehicles and employees.*

## GOAL 2: LEVERAGING THE POSTAL SERVICE'S STRENGTHS

Additionally, the processes for paying international air transportation costs did not include control mechanisms to detect and prevent payment errors. The SASS incorrectly calculated and paid international airmail transportation costs to more than 100 air carriers since its implementation in August 2005. Based on the Postal Service's preliminary estimates, net overpayments totaled \$10.1 million for April 2006 through July 2008. The system deficiencies place the Postal Service's brand and assets at risk. The



*Auditors determined that controls over the manual processing of supervisor leave were insufficient to ensure management approved the leave, recorded it in the Time and Attendance Collection System, and appropriately charged it to the supervisor's leave balance.*



*Auditors evaluated the Intelligent Mail Barcode project to determine if Information Technology project planning and Postal Service management of the application development life cycle contributed to their overall IMB development goals.*

value of assets at risk alone for FYs 2005 to 2008 is more than \$807 million. Further, the Postal Service spent almost \$4 million to identify and correct payment errors. Auditors recommended that management improve system functionalities, identify payment deficiencies, and pursue recovery of contract payments.

### **Maximizing the Cost-Effectiveness of Contracts**

OA issued 11 contract-related audit reports comprised of three proposals, two incurred costs, one claim, one equitable adjustment, one rate, one accounting system, one settlement proposal, and one performance indicator. These audits identified unsupported and questioned costs of more than \$9 million. Examples include:

- An audit of a \$148 million firm fixed-price proposal disclosed more than \$6 million in questioned costs. The contractor did not consider reductions to subcontract proposed costs that are likely to be achieved at negotiations. In addition, DCAA questioned the proposed burden rates and travel costs.
- An audit of a \$9 million firm fixed price proposal disclosed more than \$500,000 in questioned costs. The contractor did not consider reductions to subcontract proposed costs that are likely to be achieved at negotiations, and the proposed direct labor and burden rates were questioned.
- An audit of a \$7 million firm fixed price proposal disclosed more than \$2 million in questioned and unsupported costs. The contractor misclassified proposed subcontract costs as material costs. There were also differences between proposed material prices and current purchase orders, and differences between material spares prices and vendor quotes. In addition, the contractor could not provide supporting documentation for a variety of proposed subcontract costs.

### **Defense Contract Audit Agency Audit Work**

Auditors analyzed prior audit work to identify trends and found systemic issues reported in 21 FY 2007 audit reports with more than \$511 million of questioned costs, and 29 FY 2008 audit reports with more than \$152 million of questioned costs, issued by the DCAA on behalf of the OIG. These audits identified systemic issues such as inadequate subcontract proposals, inaccurate or unsupported claims, and unacceptable accounting systems at contractors' facilities. Auditors recommended that management reemphasize the important benefits of requesting accounting system audits of prospective contractors before awarding contracts and audits of significant claims filed against the Postal Service.

### Contract Postal Units

Contract Postal Units (CPU) are stations, branches, and community Post Offices operated under contract by non-Postal Service employees. CPUs must obtain bonds to cover stamp and meter accountability to indemnify the Postal Service for any shortage that may occur. An audit of CPU bondings showed that while procedures for establishing bond amounts were sufficient to protect the Postal Service, existing bond amounts were not adequate, and procedures for monitoring bond amounts and granting bond waivers needed strengthening. In another audit of CPUs, Auditors determined that Post Offices responsible for overseeing the CPUs did not provide sufficient oversight, including collection of debts and input of financial information. Auditors made three referrals to the Office of Investigations (OI). Further, Auditors identified more than \$100,000 in monetary impact for questioned costs and recoverable revenue loss, and more than \$1.8 million in non-monetary impact for accountable items at risk.

### Controls over Supervisor Leave

The Postal Act of 2006 requires the OIG to regularly audit the data collection systems and procedures the Postal Service uses to prepare its reports analyzing costs, revenues, rates, and quality of service for the Postal Regulatory Commission (PRC). As part of this effort, Auditors determined that controls over the manual processing of supervisor leave were insufficient to ensure management approved the leave, recorded it in the Time and Attendance Collection System (TACS), and appropriately charged it to the supervisor's leave balance. In reviewing discrepancies in data collected for the In-Office Cost System, Auditors found that management did not put supervisor leave into the TACS 37 percent of the time; either supervisors did not submit leave slips, leave slips were not on file, or management did not enter the leave into the TACS.

The nationwide monetary impact of unrecorded supervisor leave for the period October 1, 2007, through May 23, 2008, is estimated to be more than \$1.7 million in unrecoverable questioned costs. Implementing the Auditors' recommendations would strengthen compliance with proper leave accounting and save, over a 2-year period, almost \$5.5 million in funds put to better use.

## GOAL 3: EMBRACING CHANGE

The Postal Service needs to embrace change to ensure that it is relevant and responsive to customer needs. This strategic goal focuses on using the full potential of the Internet, being a sustainability leader, and collaborating to grow the business. The Postal Service recognizes that improving service is the key to increasing competitiveness

and profitability. Further, evolving customer needs, shaped by the Internet and a new generation of customers, are redefining expectations for service and convenience.

Continuous service improvement aligned to customer needs is essential for all products, services, and channels. Enhancing sustainability is also an important challenge facing the Postal Service and by seriously addressing this issue, it demonstrates its environmental leadership. Further, the Postal Service's approach is built on the principle of integrating environmental activities within day-to-day operations and engaging employees to take responsibility for minimizing their environmental impact. The Postal Service believes that these efforts enhance the value of mail and reduce waste and energy consumption.

OA's work in this area assessed the Postal Service's communications, service initiatives and improvements to grow the business, and facility recycling strategies.

### Intelligent Mail Barcode

The Intelligent Mail Barcode (IMB) is an ambitious program to track mail at all points in the delivery process using scans and integrating electronic mailing documentation on all mail and containers. The Postal Service plans to use IMB data to improve the value of mail by helping customers manage business processes, track cash flows, and build and maintain customer relationships. This project, which anticipates a \$63.9 million capital investment and \$52.5 million operating expenditure over an 8-year analysis period, will create an infrastructure, support the requirements of the Postal Act of 2006 to measure service performance, and automate several business mail verification activities.

Auditors evaluated the IMB project to determine if Information Technology project planning and Postal Service management of the application

## OIG RISK ANALYSIS RESEARCH CENTER

The Risk Analysis Research Center (RARC) assesses risks to the Postal Service, develops sophisticated centers of expertise, pursues in-depth analysis, and disseminates institutional knowledge. Through the use of independent research, data, and collaborative tools, the RARC informs policy, clarifies complex postal issues, and facilitates the interchange of ideas between Auditors and Special Agents. RARC staff provides multidisciplinary expertise in law enforcement, investigative analysis, auditing, data extraction, economic research, and learning management. Further, the RARC offers descriptive and predictive analyses; risk assessments and alerts; collaborative tools such as blogs and forums; academic research and papers; guest lectures; data extraction; learning resources; and knowledge-management support.

The RARC directs the OIG's blog Pushing the Blue Envelope ([blog.uspsaig.gov/](http://blog.uspsaig.gov/)) that invites public comment and dialogue on topics affecting the Postal Service. The blog gathers and enriches ideas from a variety of perspectives to address emerging issues and critical challenges. The blog is also a channel for tips and leads for investigations. In this reporting period, the RARC posted blogs on topics such as preventing workers' compensation fraud, the challenge of current mail volume declines, and a vote on the top 10 postal stories of 2008.



*The OIG's blog gathers and enriches ideas from a variety of perspectives to address emerging issues and critical challenges. The blog is also a channel for tips and leads for investigations.*



OA evaluated recycling programs at high-revenue facilities in the Pacific Area and noted that it had a profitable recycling program.



During FY 2008, OA issued 203 individual and two capping reports summarizing Post Office and Business Mail Entry Unit audits. Auditors concluded that financial transactions were reasonably and fairly presented in the accounting records and that generally, internal controls were in place and effective.

development life cycle contributed to their overall IMB development goals. Auditors concluded that the Postal Service was not aware of the significant complexities and extensive requirements needed for the IMB application when funding was obtained for development and project milestones were established. Delays occurred in the design and build phase, resulting in compressed test schedules. A more incremental approach to managing such a complex project would better clarify expectations for the project, resource requirements, and project milestone estimates. Additionally, better business requirements management could enhance mailer community acceptance of the IMB project and maintain customer faith in the Postal Service brand.

Management needs to ensure the Information Systems Security Representative is engaged in the application development life cycle, the Certification and Accreditation process is completed, and all residual risks are identified before deploying the IMB application. Resolving these issues could provide assurance that all risks and mitigation alternatives have been thoroughly considered, formally documented, and diligently pursued.

### **Intelligent Mail Seamless Acceptance Project Management**

Auditors reviewed IMB project management activities and determined that controls were not adequate to ensure the Postal Service managed the IMB Seamless Acceptance and Service Performance (IMB/SASP) project effectively. Specifically, the Decision Analysis Report was approved as a non-generative infrastructure upgrade and as such the project

plan does not have a strategic focus on the value of the project to the Postal Service and the related financial implications. Additionally, project administration activities were insufficient and communications, risk management, and procurement plans were not developed in a timeframe necessary to provide full value.

These weaknesses increase the risk of project delay and cost overruns, and in fact, project implementation, release content and release schedule have been altered. Due to significant time constraints, the Postal Service reduced the scope of the first release in May 2009 to only encompass basic functional features of IMB. A second release in November 2009 will provide additional features, as well as price incentives. Not all features originally envisioned are included in these two releases.

### **Area Mail Processing Communication**

The Postal Service manages one of the world's largest and most complex distribution and transportation networks, and plant and mail consolidations make up a core element of streamlining this network. The Postal Service developed the Area Mail Processing (AMP) Communications Plan to enhance stakeholder communications, address community concerns, and provide more effective outreach during the plant consolidation process. Auditors analyzed AMP communications and assessed management's proposed changes to the AMP Communications Plan. Auditors identified opportunities for management to further mitigate some stakeholder resistance and recommended that the Postal Service increase communication with employees during the AMP process and broaden the use of web-based methods for disseminating AMP details and obtaining stakeholder input.

### **Metroplex Processing and Distribution Center Activation**

The Metroplex P&DC in Pontiac, MI, completed activation in July 2008. It processes about 4.8 million pieces of mail daily for ZIP Codes 480 and 483. Management stated that the new facility would alleviate space deficiencies, increase operating windows, and reduce transportation and labor costs while increasing service and productivity. Auditors found that the activation team successfully complied with and completed all activation requirements for mail processing.

### Revenue Generation by Automated Postal Centers

Auditors assessed whether the Postal Service is using best practices with its Automated Postal Centers (APCs). Management in high-performing districts had developed and implemented a variety of best practices, such as active oversight, incentives to promote APC use, and extended hours of access. Effectively implementing best practices in the 10 districts that collected the lowest percentage of APC-eligible revenue would lead to reductions in overtime that would result in an estimated \$1.67 million in funds put to better use during the next 2 years. Management generally agreed with the Auditors' recommendations; however, they did not agree with the suggestion to offer incentives to improve APC usage, since they believed that it was the job of their staff to encourage customers to use the APCs and the customers received faster service by using them.

### Recycling Opportunities

OA evaluated recycling programs at high-revenue facilities in the Pacific Area and noted that it had a profitable recycling program. However, while two of the eight Pacific Area performance clusters (PC) were among the top 10 recycling revenue-generating districts in the nation, opportunities remained to further expand these programs to other clusters. In addition, there were opportunities to strengthen controls over contractor pickups to give added assurance that recycling revenue is properly collected and accounted for. Auditors recommended additional recycling training for staff responsible for these activities, expanding recycling programs throughout the area, and requiring site personnel to certify the tonnage of recyclable material and trash collected by contractors.

## REGULATORY STUDIES AND REPORTING OBLIGATIONS

The Postal Act of 2006 was the first major legislative change to the Postal Service since 1970. Among other things, it required the Postal Service to conduct certain regulatory studies and mandated a number of reporting obligations. In addition, the OIG is statutorily required to conduct audits of Postal Service installations and its financial statements.

### POSTAL SERVICE'S FINANCIAL CONDITION

Amidst serious economic deterioration, the Postal Service continued to adapt to a new business model — under the Postal Act of 2006 — while implementing long-term initiatives to further automate mail processing, cut significant costs, and adjust operations and resources.

The overall operating loss for FY 2008 was \$2.8 billion. The Postal Service has experienced significant losses in FY 2007 and FY 2008 and for the first quarter of FY 2009, primarily as a result of declining revenues due to drops in mail volume, and higher operating costs related to higher retiree health benefit costs, cost of living allowances, and record fuel prices for much of FY 2008.

Losses and rising debt issues are continuing in FY 2009.

- A financially healthy Postal Service is dependent upon a healthy U.S. economy. However, the decline in consumer spending is the most severe in three decades. Also, in its list of Top Ten economic predictions for 2009, IHS Global Insight, an economic forecasting and consulting firm, stated it expected the U.S. economy to shrink 1.8 percent in 2009. In line with that, at the end of FY 2008 the Postal Service projected a revenue increase of between 1 and 2 percent and volume decreases of 3 to 4 percent. However, in its Form 10-Q for Quarter 2, the Postal Service reported a 14.7 percent reduction in mail volume for Quarter 2, FY 2009, with an accompanying revenue decline of 10.5 percent. Also, unprecedented declines in mail volume for Quarter 1 and Quarter 2, FY 2009, are the largest back to back volume declines since the Postal Reorganization Act of 1971. These volume declines significantly contributed to the 8.3 percent reduction in operating revenues compared to the first 6 months of FY 2008.
- The Postal Service reported a \$380 million loss for Quarter 1, FY 2009. Mail volumes declined more than 16 and 17 percent in January and February 2009 respectively from the same periods in 2008. This illustrates the continued downward pressure on the Postal Service into FY 2009. Without substantial cost reductions, the FY 2009 loss could be significantly greater than FY 2008.
- At the end of FY 2008, the Postal Service had \$7.2 billion in debt outstanding, a \$3 billion increase from FY 2007. The Postal Service's liquidity for FY 2009 will be comprised of the \$1.4 billion in cash on hand at the beginning of the year, the cash flows from operations, and the \$3 billion it is permitted to borrow. As was the case for FY 2008, the Postal Service does not expect cash flow from operations to be sufficient to fund capital investments and legislative payment requirements. Consequently, it anticipates increasing debt in FY 2009 similar to the FY 2008 \$3 billion increase.
- The Postal Service stated that if the FY 2009 loss exceeds \$5 billion, it could have cash needs in excess of operating cash and borrowing capacity. Also, continuing losses in future years would also cause the \$15 billion debt limitation to become insufficient.
- One area of focus has been the 10-year payment schedule required to fund retiree health benefits, which includes average annual payments of \$5.6 billion. These payments represent 7.5 percent of total operating revenues and exceed the highest net income the Postal Service has ever achieved. A large part of the Postal Service's current debt is a direct result of making these payments. Accordingly, the Postal Service requested that Congress re-examine this aggressive payment schedule and most recently has proposed that premiums for current annuitants be paid from the Postal Service Retiree Health Benefit Fund instead of from its operating expenses. In response, Congress drafted H.R. 22 legislation that would amend the 2006 legislation and allow the Postal Service to draw current retiree payments from the presently established fund instead of having to wait until 2016, while continuing to fund health care for future retirees.

### **Field Financial Audits**

Following is a summary of the financial audits performed in support of the independent accountant's opinion on the Postal Service financial statements.

**Post Offices and Business Mail Entry Units.** During FY 2008, OA issued 203 individual and two capping reports summarizing Post Office and Business Mail Entry Unit (BMEU) audits. Auditors concluded that financial transactions were reasonably and fairly presented in the accounting records and that generally, internal controls were in place and effective. However, Auditors identified nine Post Offices and four BMEUs where major segments of the internal controls were not effective and made six recommendations to improve Post Office internal controls.

Additionally in FY 2007, Auditors reported a significant nationwide deficiency regarding mail acceptance at BMEUs. Although this significant deficiency continued in FY 2008, the Postal Service has developed a nationwide corrective action plan with measurable goals and has made progress to remediate the deficiency and to comply with future Sarbanes-Oxley Act of 2002 requirements. Management anticipates a reduction in the occurrence of these issues once the corrective actions are in place and fully implemented.

**Cost and Revenue Analysis.** OA issued 14 individual and one capping report summarizing Cost and Revenue Analysis test observations. Auditors concluded that the Postal Service generally conducted the statistical tests in accordance with established policies and procedures. However, because issues were identified that had also been reported in prior years, Auditors recommended that management reinforce data collection procedures.

**Automated Postal Centers.** The Postal Service implemented the APC program in April 2004 to give customers convenient access to Postal Service products and services and reduce their waiting time in line at Post Offices by diverting transactions that do not require assistance from a Sales and Services Associate. OA issued 11 individual and one capping report summarizing work conducted for 11 APCs. In general, the internal controls at nine of the 11 offices were in place and effective. However, controls were not in place and effective for two APCs and there were various internal control and compliance issues in areas such as stamp accountability, security, refunds, and training at all 11 APC locations.

**Self-Service Postal Centers.** Self-service postal centers (SSPC) are postal units that use vending machines to provide postage stamps and other retail products and services in Post Offices and commercial and off-site locations. OA issued 12 individual and one SSPC capping

report identifying various internal control and compliance issues at these units related to stamp accountability and financial reporting. In addition, some units were not in compliance with vending closure procedures for which Auditors recommended management reinforce policy. Since similar internal control and compliance issues were reported in prior year SSPC audits, Auditors also recommended that management develop and implement an action plan to address these concerns.

### **Financial Statements**

OA audited Postal Service financial activities and accounting records at headquarters and the three IT/ASCs and concluded that management's financial accounting policies and procedures provided for an adequate internal control structure and conformed to accounting principles generally accepted in the United States. Further, transactions affecting general ledger account balances were stated in accordance with those same accounting principles and general ledger account balances conformed to the general classification of accounts on a basis consistent with the previous year. Auditors did not identify any instances of noncompliance with laws and regulations that have a direct and material effect on the financial statements.

OA also audited the Postal Service Board of Governors' travel and miscellaneous expenses and Postal Service Officers' travel and representation expenses for FY 2008 and determined that Board expenses and external professional fees were properly supported and complied with Board policies. Auditors also determined that officers' travel and representation expenses were generally supported, but did not always comply with Officers' Travel and Representation Expense Guidelines. The Postmaster General issued a memorandum, dated April 13, 2009, notifying officers that these Guidelines had been revised in an effort to control cost. Auditors reviewed these guidelines and although believed they should be policy, the revised guidelines address a majority of concerns and provide better controls over the officer travel process. Also, they do not conflict with the management instruction on internal and external events released in September 2008.

### **Data Quality Issues with the City Carrier Street Time Study**

Auditors reviewed the City Carrier Street Time Study (CCSTS) and determined that the sample design used in the CCSTS conducted in 2002 was reasonable. However, the more than 1.3 million data records from the CCSTS presented to the PRC contained numerous data quality issues, even after data cleansing was performed. There was uneven participation in the CCSTS by facilities and carriers and inconsistent data collection by the carriers. Additionally,



the Postal Service did not document the steps taken to cleanse the data files. Finally, the CCSTS survey data is more than 6 years old and does not reflect changes in city carrier street activities.

According to management, despite the missing and erroneous data, the study and their data cleansing effort produced more than adequate data sets. Auditors recommended that management update the CCSTS to improve future studies.

### **Workplace Injury Reduction Goals**

Auditors issued a report concluding that four mail processing facilities in the Capital Metro Area achieved some of their FYs 2007 and 2008 injury reduction goals. However, the achievements for three facilities were overstated for both years, while the achievements for one facility were understated for both years.

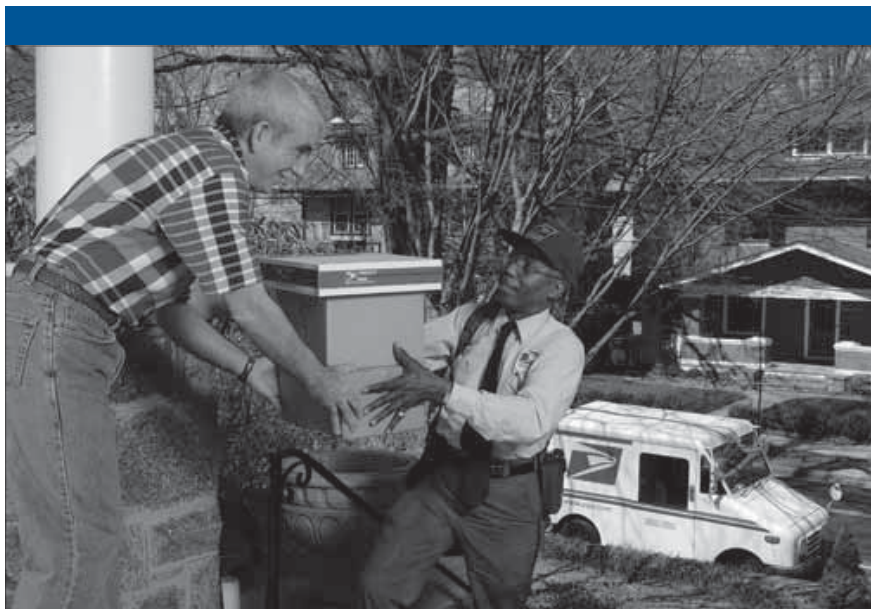
Management at three of the four facilities needs to improve its leadership to correct safety deficiencies. In addition, one PC's oversight of one of the four facilities' safety program was adequate; however, the second PC and area management did not adequately oversee safety and health programs at the remaining three facilities. Also, one district did not recover \$63,200 of continuation of pay from employees as required by Postal Service policy after the Office of Workers' Compensation Programs (OWCP) denied the claims. Auditors made 10 recommendations to improve the facilities' safety and health programs.

## **PRESERVING INTEGRITY**

The OIG works to preserve the integrity of Postal Service processes and personnel. By focusing on key vulnerabilities of Postal Service installations, Auditors show how the Postal Service can further protect the integrity of the mailstream, and assessing the integrity and accuracy of management data helps to maintain a stable and sound Postal Service.

### **Carrier Observation Program**

In the last several years, a small percentage of letter carriers engaged in misconduct while delivering mail. Management was not always aware of the misconduct occurring on routes because city letter carriers are usually unsupervised during street delivery. Further, management did not always effectively use controls, such as street observations and reviews of operational reports, which could identify these situations. There are also opportunities for the Postal Service to use controls, such as Global Positioning Systems (GPS) and letter carriers national labor agreement provisions for discipline and compensation, to thwart these occurrences. More attention to preventing and identifying these incidents when they do occur may help



*Overall, the Postal Service prevented or detected refunds for used Click-N-Ship labels and collected funds from customers for invalid refunds. However, the Postal Service can better monitor the Click-N-Ship refund process.*

the Postal Service avoid, among other things, payments to letter carriers for time that did not involve legitimate activities and the potential damage to the Postal Service's brand and reputation.

Auditors recommended several solutions to management, including modifying existing policies and procedures related to Delivery Operations Information System reports, reinforcing the importance of holding performance discussions with letter carriers, conducting street observations, and taking corrective actions for misconduct issues. Auditors also recommended deploying additional GPS technology for more effective monitoring and tracking during street delivery, and reported more than \$1 million in funds put to better use by deploying 400 GPS devices in the Chicago District (where GPS usage was being piloted).

### **Click-N-Ship Refunds**

Click-N-Ship (CNS) is an Internet application that allows users to purchase postage and print domestic and international shipping labels online for Priority Mail, Express Mail, Global Express Guaranteed, and Priority Mail International products. Overall, the Postal Service prevented or detected refunds for used CNS labels and collected funds from customers for invalid refunds. However, the Postal Service can better monitor the CNS refund process. The CNS program office relied on computers to issue Postage Due notices for invalid refunds but did not review the results. The program office believed the computerized



*Auditors found SmartPay card purchases in seven Postal Service areas were generally supported and employees complied with Postal Service policies and procedures. However, there were instances where employees did not adequately document justifications for working meals and did not perform the required monthly reconciliation procedures.*

controls over the refund process were adequate, and that sufficient manual reviews were performed daily when processing manual refunds. However, management needed to take a more active role in monitoring these controls to ensure their effectiveness and to prevent loss of revenue. Auditors recommended management request periodic reports of refunds issued, analyze trends across periods to identify anomalies in refund data, and periodically compare refund data from the CNS database to Product Tracking System scans to ensure that automated Postage Due notifications were generated for any used labels for which refunds were issued.

### **Maintenance Facility Repairs**

The Postal Service's maintenance function's control over facility repairs could be more effective. Specifically, Field Maintenance Offices were accepting work and then inappropriately using credit cards to procure repair services they could not perform, and the Postal Service did not use the Facilities Single Source Provider System to track all facility maintenance and repair work and disbursements. Auditors reported almost \$3 million in unsupported questioned costs. Management agreed with the findings and recommendations, but did not agree with the unsupported questioned costs.

### **Radio Frequency Identification Technology: Asset Management**

The Postal Service has opportunities to adopt radio frequency identification (RFID) technology to better manage assets and decrease operational costs, particularly in managing mail transport equipment inventories and minimizing long-standing pallet losses. Auditors recommended the Postal Service explore opportunities to employ RFID technology to reduce the amount of losses in pallet inventories and adopt RFID technology to control and improve overall asset management, if the Postal Service invests in RFID infrastructure to mitigate pallet losses. Management is exploring RFID along with GPS technology for pallet losses, and stated that prior to selecting a solution, interested stakeholders would work together to define data requirements and corresponding actions.

### **SmartPay Purchase Card**

The Postal Service utilizes the government-wide SmartPay purchase card program for paying for the day-to-day operational needs under local buying authority. The Postal Service earns cash refunds based on purchase card charge volume. Auditors found SmartPay card purchases in seven Postal Service areas were generally supported and employees complied with Postal Service policies and procedures. However, there were instances where employees did not adequately document justifications for

working meals and did not perform the required monthly reconciliation procedures.

Auditors tested 513 high risk transactions representing \$1.7 million in expenses from 148 cardholders and found purchases that were not properly authorized or supported with bona fide receipts; purchases of prohibited items and unjustified working meals; and purchases that were split to remain under the \$10,000 spending limit. Some purchases, while not in violation of policy, were imprudent given the severe financial condition of the Postal Service. These purchases conflicted with the Postal Service's objective of driving down costs in all operations and processes. Some of the items given as awards for performance were GPSs, designer watches, game consoles, camcorders, digital cameras, personal computers, printers, an espresso machine, and a TIVO system.

### **Access Controls in the Enterprise Data Warehouse**

An Enterprise Data Warehouse (EDW) is a collection of data from many sources, stored in a single place for reporting and analysis. Since the Postal Service's EDW contains sensitive and proprietary data, Auditors evaluated computer software controls that govern access to the data. When working properly, these safeguards, termed access controls, ensure EDW data is only available to those having a legitimate business need.

Although the Postal Service is knowledgeable about access controls and made efforts to implement EDW access controls, the controls were not as rigorous as they should be. Specifically, there were access control weaknesses surrounding contract employees whose higher level "non-standard" access remained in place even after work contracts justifying their access had expired. In addition, Business Impact Assessments on those systems responsible for delivering data to the EDW were out of date, making the EDW Information Security Assurance certification also out of date. Lastly, the means of distributing and managing the actual access rights had grown cumbersome and was in need of simplification.

### **Electronic Travel Voucher System Controls**

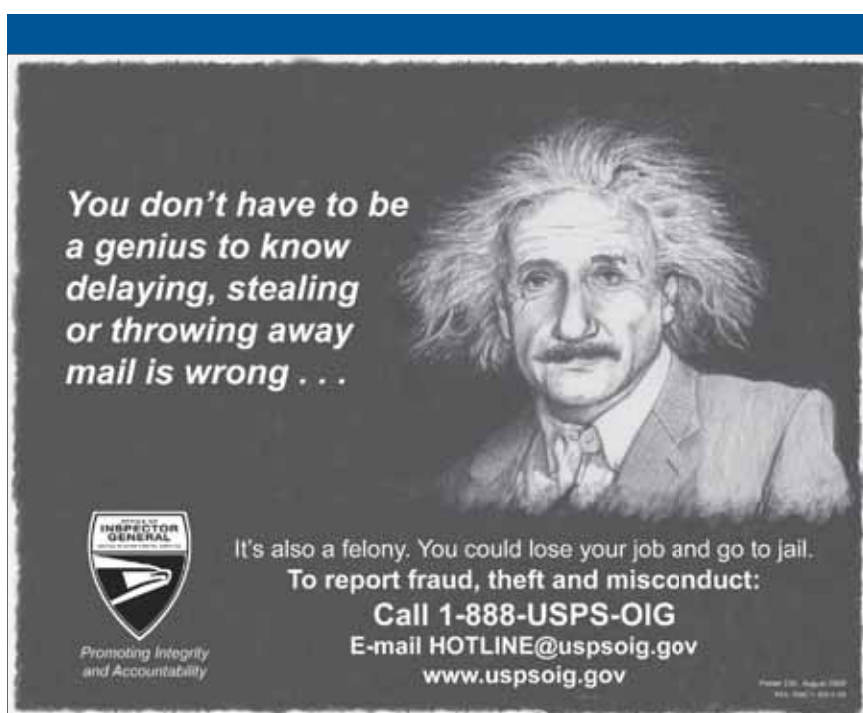
The Electronic Travel Voucher System (ETVS) is a web-based travel expense voucher management system that facilitates the collection, verification, approval, tracking, auditing, and payment of travel expenses. For the 16-month period February 1, 2007, through May 31, 2008, the ETVS application processed and paid 826,604 travel expense vouchers comprised of more than 4.4 million expense records with the approved amount totaling more than \$256 million.

Auditors assessed whether manual and automated controls associated with the ETVS adequately support the approval of travel expenses and concluded that management can improve the controls and clarify the policy associated with the approval of lodging expenses.

### **Handling of Suspicious Mail**

Huntsville Processing and Distribution Facility (P&DF) personnel did not follow Postal Service policies and response procedures for handling suspicious mail and unknown substances found at the facility on July 25, 2008. Specifically, responsible Huntsville P&DF personnel did not initially contact the Postal Inspection Service, but instead called the local fire department. Further, they improperly cleaned up the unknown spilled substance and improperly handled and moved the suspicious package. Since policies and procedures for handling suspicious mail were not followed, and personnel at the Huntsville P&DF were not appropriately trained, there was an increased risk of disruption to operations and to the safety and security of employees, the mail, and other critical assets.

Auditors recommended that management provide annual training for employees to ensure they understand procedures for handling suspicious mail, unknown substances, and hazardous materials. Management partially agreed with this recommendation and stated they will provide refresher training as situations identify a need. Further, management stated the Huntsville P&DF management team has begun a training initiative, which will include suspicious package training for all employees and Hazardous Waste Operations and Emergency Response training for all Executive and Administrative Service employees and hazardous material team members. (Investigations in this area are noted on page 30.)



*As part of a nationwide OIG campaign, this poster was distributed to all postal facilities to provide Hotline contact information.*

## INVESTIGATIONS

To maintain America's trust in the postal system, the Postal Service relies on the U.S. Postal Inspection Service and the OIG's Office of Investigations (OI). Federal law enforcement officers — U.S. Postal Inspectors and OIG Special Agents — support and protect postal employees and postal customers, secure the mail, safeguard revenue and assets, and maintain the integrity of postal personnel.

### REVENUE AND ASSET PROTECTION

Postal Inspectors investigate revenue fraud committed by business mailers, mail preparation firms, and individual mailers who attempt to counterfeit or manipulate postage. Special Agents investigate employee misconduct and crimes committed by postal employees involving theft and misuse

of postal funds or money orders, and theft and misuse of postal-issued credit cards.

#### Revenue Protection

Working directly with Postal Service personnel in various functional areas, Postal Inspectors increasingly are identifying postal revenue losses by using data-mining software and taking advantage of ongoing software enhancements of revenue-fraud detection systems.

One system in particular — the Information Based Indicia-Revenue Protection (IBI-RP) System — has immediately yielded positive results, enabling Postal Inspectors' early detection of revenue fraud resulting from the use of duplicate indicia.

The Postal Service derives much of its revenue — nearly 50 percent — from Permit Imprint mail. This type of mail class represents one of the agency's most vulnerable areas of revenue risk. Working with staff from Intelligent Mail and Address Quality, Postal Inspectors are developing software enhancements to help them more quickly and easily identify revenue losses from schemes involving Permit Imprint mail.

A related project also underway, the Revenue Exception Database (RED) System, will combine information culled from mailings into a single clearinghouse of data, not only from the Permit Imprint System, but also from other revenue systems. By centralizing the data, Postal Inspectors can address losses that occur from multiple sources, such as shortpaid parcels, which represent another growing revenue concern.

Postal Inspectors have established working relationships with Postal Service business mail entry units (BMEUs) across the country, where large quantities of Permit Imprint mail are received. The relationships encourage postal employees to promptly notify Postal Inspectors when they suspect fraud. (See related audit work in this area on page 12.)

#### Revenue Fraud Investigations

Postal Inspectors investigated 286 cases of revenue fraud in the past 6 months. Following are examples of their investigations from the reporting period.

**Tampered meter?**  
**Counterfeit stamps?**  
**Unpaid postage?**  
**REPORT IT!**  
Call 800-372-8347  
[usps.com/postalinspectors](http://usps.com/postalinspectors)

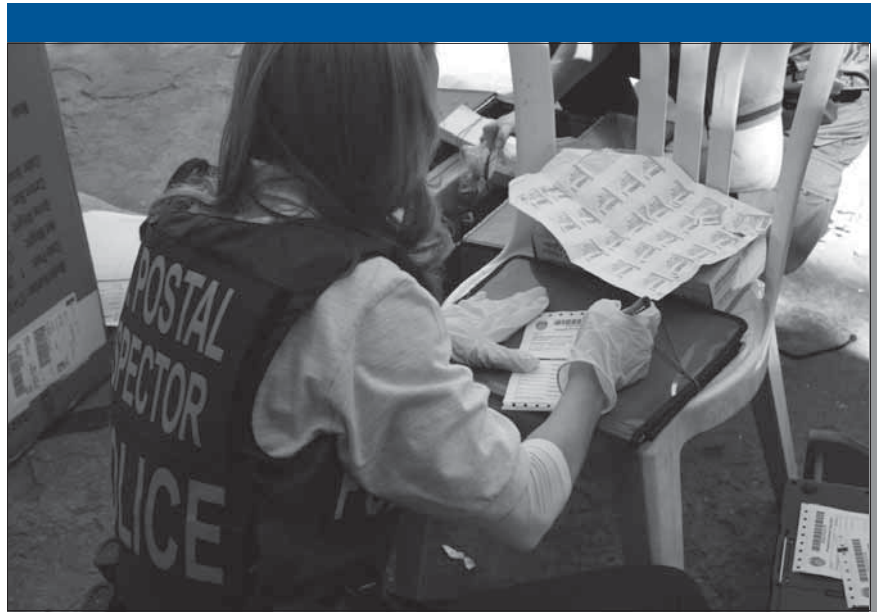
**UP TO \$50,000 REWARD OFFERED**  
for information leading to an arrest  
or conviction for postage fraud.  
All calls are confidential.  
USPS employees are not eligible for rewards.

UNITED STATES  
POSTAL SERVICE

- As a result of their test of a proposed new Permit Revenue Protection System, Postal Inspectors identified and arrested the owner and operator of a New York mailing business for defrauding the Postal Service of more than \$290,000. Acting on information that indicated the company failed to make proper payments for postage, Postal Inspectors executed a search warrant at the mailer's place of business. Their analysis of files recovered from the company's computer revealed that, from June 2003 through June 2008, the owner kept records showing the dates of mailings made by his company and whether or not they were paid for. By comparing postage statements he had submitted to the Postal Service with his computer records, Postal Inspectors determined the man had underreported more than 960,000 mailpieces.
- Two suspects in New Jersey were sentenced in January for conspiring to defraud the Postal Service of more than \$2 million by misusing a postage meter. Postal Inspectors learned the suspects had been using a Pitney Bowes meter reported as being withdrawn from service and destroyed in 2002. They identified six suspects who continued to use the meter and affix counterfeit postage to mailings. All six pled guilty, and five have been sentenced. The two sentenced in January received terms of up to 2 years in prison, and both were ordered, with their co-conspirators, to pay more than \$2 million in restitution.
- The owner of a direct mail company in Mt. Pleasant, MI, was sentenced in February to 2 years in prison and was ordered to pay more than \$428,000 in restitution for conspiring to defraud the Postal Service. Postal Inspectors initiated an investigation based on a tip from postal managers, revealing the owner had failed to make proper payments for postage. Postal Inspectors also learned the owner had a co-conspirator who was an employee at the Mt. Pleasant Post Office. The owner paid the employee to process mailings with insufficient postage. The two suspects were indicted in May 2008, and the employee was removed from the Postal Service at that time.

### Embezzlements and Financial Crimes

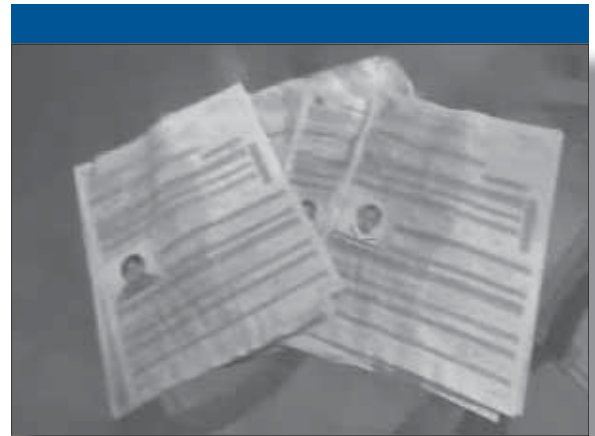
Employee embezzlements may involve postal employees stealing money from cash drawers, using sophisticated schemes to manipulate postal money orders or money order funds, or falsifying financial retail records. When Post Offices experience unusual or significant shortages, Special Agents employ various investigative techniques to uncover embezzlements, and improper or lax procedures are reported to management for corrective action. When employees are found to be responsible for missing postal funds, they are reported to management



*Postal Inspector puts evidence tags on counterfeit postage.*

for appropriate administrative action. In cases that warrant criminal prosecution, offenders not only face the loss of their jobs but also may face jail time and court-ordered restitution. Following are examples of financial fraud cases the OIG investigated.

- In January, a Missouri Postmaster was sentenced in the Western District of Missouri to 5 months in prison for misusing postal funds and was ordered to pay more than \$42,700 in restitution to the Postal Service. Special Agents, investigating losses at a Missouri Post Office, uncovered multiple schemes the Postmaster used to embezzle postal funds, such as stealing money from his till, not reporting money order sales in a timely manner, issuing multiple money orders never reported as sold, and selling postage without reporting the funds received. Special Agents determined the loss to the Postal Service was approximately \$53,000.



*Below shows evidence (passport applications) seized at the scene. A box containing the applications was hidden within a plant in the Puerto Rico Letter Carrier's backyard.*

## VOYAGER CREDIT CARDS AND PINS

During 2008, drivers witnessed at the pump the highest gas prices ever recorded in our nation's history. To ease the impact on their wallets, many drivers reduced consumer spending while others went "green" by carpooling, teleworking, or purchasing fuel-efficient cars. Some dishonest postal employees and gas station employees, however, offset high fuel prices by misusing Voyager credit cards, a scheme that cost the Postal Service nearly \$1 million this reporting period. These individuals viewed Voyager credit cards and PINs as a way to get "free" fuel and funds gained from fraudulent purchases or schemes. Special Agents determined many dishonest postal employees abusing Voyager credit cards and PINs not only fraudulently purchased fuel for themselves but fraudulently purchased fuel for others in exchange for cash, which they pocketed. In fact, some individuals frequented truck stops, where they misused stolen Voyager credit cards to refuel trucks that hold 60 to 70 gallons of fuel, in exchange for hundreds of dollars in cash per purchase.

While a dishonest postal employee may conduct fraudulent activity at the pump, a dishonest gas station employee may rake in fraudulent proceeds behind the register or at the credit card machine. In fact, the recent periods of higher gas prices created vast opportunities for these individuals to steal funds using Voyager credit cards and PINs. For example, higher gas prices meant more postal drivers and postal contractor drivers reached their Voyager credit card purchasing limit more frequently. At a gas station where there were no credit card machine readers on the diesel pumps, a driver might rely on the gas station employee to call the Voyager credit card company to request an increase to the purchase limit. To request the limit increase, the dishonest gas station employee would have access to the Voyager credit card and PIN, which he or she could retain for misuse, such as occurred in the previously discussed Voyager Fraud case involving a Texas gas station employee.

- In November 2007, Caribbean District management informed the OIG that numerous postal customers had not received their passports. After reviewing postal records, Special Agents identified a suspect — the Letter Carrier responsible for processing passport applications during the time in question. Special Agents determined the Letter Carrier stole passport fees and buried 103 related documents, including passports and birth certificates, in his backyard. Special Agents recovered the buried items. The Postal Service reimbursed customers the cost of duplicating photographs, birth certificates, and associated documents, resulting in a \$19,000 loss. Special Agents and the U.S. Department of State Diplomatic Security Service (DSS) arrested a Puerto Rico Letter Carrier in January for embezzling passport fees of approximately \$7,200. A federal grand jury indicted the Letter Carrier for misappropriation of postal funds on January 21, 2009.

### Financial Fraud — Voyager Credit Card

The Postal Service uses approximately 219,000 vehicles — one of the largest fleets in the United States — to deliver mail across the nation. Through a partnership with U.S. Bank and Voyager Fleet, the Postal Service issues one credit card per vehicle for refueling, routine maintenance, and vehicle washing and polishing. Under no circumstances are postal employees or contractors allowed to disclose their personal identification numbers (PINs) to non-postal entities; use the card for personal uses; exceed the daily purchase limit without proper authorization; or transfer purchasing authority to a non-postal entity. However, some dishonest postal employees, contractors, and other individuals misuse these credit cards for personal gain. Special Agents investigated 52 cases of

Voyager credit card fraud this reporting period, resulting in 12 arrests and 20 administrative actions. Following are some case examples.

- In October, management issued a Letter of Demand for \$315,338 to a Texas HCR company. Special Agents investigating a former driver of the company determined the supplier failed to stop the usage of 62 "lost" Voyager credit cards or to notify the Postal Service. The former driver misused six credit cards reported as lost, stealing more than \$25,000 in fuel. In June, he was sentenced to a year and a day in prison and ordered to pay restitution to the Postal Service. Also, during their investigation, Special Agents identified a self-employed driver who misused one of the lost Voyager cards and two PINs he found at a local gas station. He made approximately \$10,000 in fraudulent purchases and was arrested in January on theft charges. The demand amount covers fraudulent and unauthorized transactions made on the lost cards during 2007 but excludes transactions made by the former company driver and the self-employed driver.
- An Illinois Letter Carrier resigned from the Postal Service, in early November, after Special Agents substantiated an allegation that she stole four Voyager credit cards and associated PINs from the postal facility where she worked. Earlier that month, Special Agents and local police arrested the Letter Carrier's son for using a fraudulent Voyager credit card. The Letter Carrier allegedly allowed several family members and friends to use the Voyager credit cards and PINs, for which they paid her 60 percent of each fuel purchase. These individuals allegedly made more than 750 out-of-area purchases of approximately \$49,000 on the four cards. Prosecution of the Letter Carrier is pending.
- In March, a Texas gas station employee pled guilty to misusing Voyager cards; the plea involved eight counts for wire fraud, identity theft, and fraud in connection with credit and debit cards. When Special Agents arrested the employee in July, he had in his possession 44 Voyager (eFleet and eFuel) credit card numbers and approximately 50 PINs. Special Agents determined that from January 2006 through June 2008, the employee made approximately \$135,000 in fraudulent charges. He maintained the PINs for later use.

### Tort Claims

The Postal Service established the Tort Claims Program to monitor and resolve claims filed against the Postal Service by customers seeking compensation for injuries or

losses incurred while using postal facilities. According to an agreement with the Postal Service's Law Department, Special Agents investigate tort claim cases suspected of fraud and cases for which the U.S. Attorney's Office has requested an investigation. Following is an example of one such case.

In November, management sent a settlement letter to a Florida customer, offering her approximately \$6,700 for vehicle damage and personal injuries she sustained in an accident with a Letter Carrier, while denying her civil claim for approximately \$761,000. Management cited evidence that contradicted the customer's claim of knee and shoulder injuries sustained in the accident. Special Agents observed the customer bartending, reaching with both arms, reaching above her head, walking, bending, and driving. The Postal Service obtained a cost avoidance of approximately \$754,000.

## INJURY COMPENSATION FRAUD

The Postal Service funds workers' compensation benefits for employees who sustain job-related injuries. The monetary and medical benefits paid by the Postal Service to workers' compensation claimants totaled more than \$1.2 billion in 2008. At the end of 2008, the Postal Service's estimated total liability for future workers' compensation costs was nearly \$8 billion. Administered by the U.S. Department of Labor (DOL), the Office of Workers' Compensation Programs (OWCP) provides direct compensation to providers, claimants, and beneficiaries. The Postal Service later reimburses the OWCP in a process known as "charge-back billings."

The OIG's mission for injury compensation fraud investigations is both proactive and reactive. Depending on the case type, Special Agents focus on the prevention and deterrence of workers' compensation fraud and detecting and investigating an allegation of a fraudulent claim.

The results of OIG investigative efforts during this reporting period included \$88 million in cost savings or avoidances, 18 arrests, and 134 administrative personnel actions, including removals, suspensions, and letters of warning.

### ***Injury Compensation — Claimant Fraud***

Most employees who receive workers' compensation benefits do so because of legitimate job-related injuries. However, a small percentage of postal employees and healthcare providers abuse the system. These schemes cost the Postal Service millions of dollars each year in compensation payments, medical costs, administrative expenses, and enforcement costs.

Special Agents initiate criminal investigations when they suspect individuals or healthcare providers of defrauding the DOL's Federal Employees' Compensation Act benefits fund. Criminal prosecutions are an effective deterrent to fraud and may permanently prevent the payment of additional compensation. Cases that may require administrative action are referred to the Postal Service and the DOL. Special Agents work closely with Injury Compensation Specialists from the Postal Service on all phases of these investigations. Following are examples of injury compensation fraud cases investigated.

- A former New York Mail Processing Clerk, who operated a hair salon business while receiving OWCP benefits, pled guilty in November to two felony charges, one for Fraud in Obtaining Federal Employee's Compensation, and the second for False Statements to Obtain Social Security Administration Disability Benefits. The Clerk, who was allegedly totally disabled from a work related neck injury, made false statements to receive about \$164,000 in workers' compensation and disability benefits. The DOL removed the Clerk from the periodic rolls, realizing a cost avoidance of approximately \$900,000 for the Postal Service. The OIG and the Social Security Administration executed a search warrant at the Clerk's home in March 2007, and found her in the kitchen cutting a woman's hair. They seized cosmetologist licenses, bank records, and business cards. Special Agents interviewed several individuals who, in exchange for payment, had their hair cut or styled by the Clerk at her home. Special Agents also determined the Clerk regularly cut and styled hair at a local nursing home. The Clerk faces a 10-year prison sentence and agreed to pay approximately \$180,000 in restitution based on the charges.
- In December, a former New York Distribution Clerk pled guilty to making false statements to obtain federal employees' compensation and to conceal her employment. A federal judge sentenced the Clerk to 1 year of probation and ordered her to pay restitution of approximately \$25,600. The Clerk's guilty plea stemmed from an investigation in which Special Agents observed the Clerk working as a home healthcare assistant, violating her OWCP benefits. While she vacationed in Florida, Special Agents also observed



*The OIG and the Social Security Administration executed a search warrant at a New York Clerk's home and found her in the kitchen cutting a woman's hair. (She was allegedly totally disabled from a work related neck injury.) They seized cosmetologist licenses, bank records, and business cards.*



*A former New York Letter Carrier — who claimed a debilitating on-the-job back injury and was unable to perform his postal duties — was active in various business ventures: a personal training business, real estate, coffee sales, and a male escort service. In January, the DOL terminated the Letter Carrier's benefits. As a result, the Postal Service realized a cost avoidance of approximately \$1 million.*

the Clerk carrying luggage, loading the luggage in and out of a vehicle, holding her hands above her shoulders without obvious pain or difficulty, walking without obvious pain or difficulty and without a knee brace, all of which exceeded the Clerk's documented physical restrictions. In September, the DOL terminated the Clerk's benefits, and the Postal Service avoided approximately \$962,000 in OWCP payments.

- A federal judge sentenced a former New York Letter Carrier, in January, to 3 years' probation for working numerous jobs while receiving OWCP benefits. The judge also ordered the Letter Carrier to pay about \$64,000 in restitution to the DOL and the Postal Service. The sentencing stemmed from an investigation in which Special Agents determined the former postal employee — who claimed a debilitating on-the-job back injury and was unable to perform his postal duties — was active in various business ventures: a personal training business, real estate, coffee sales, and a male escort service. Additionally, the Letter Carrier was pursuing a fitness specialist degree at a local community college. In January, the DOL terminated the Letter Carrier's benefits. As a result, the Postal Service realized a cost avoidance of approximately \$1 million.

#### **OWCP Medical Provider Fraud**

Special Agents investigate allegations of fraud committed by medical providers who treat Postal Service OWCP claimants. Following is one such case.

- Four *qui tam* complaints filed against a Pennsylvania pharmaceutical company were investigated jointly by the OIG and representatives from the Department of Health and Human Services, the Office of Personnel Management, and the Food and Drug Administration (FDA) Office of Criminal Investigations. The investigation discovered the company consistently marketed three drugs for uses not approved by the FDA. In October, the pharmaceutical company pled guilty to distributing misbranded drugs and agreed to pay a \$40 million fine and forfeit \$10 million in assets to resolve a criminal information. The Postal Service received \$4 million from the criminal fines. The company also agreed to pay \$375 million to resolve False Claims Act allegations filed by various federal programs and agencies. The Postal Service received approximately \$767,000 for civil damages and investigative costs for payments made for postal employees on worker's compensation and who used the drugs. The asset forfeiture amount to be paid to the Postal Service has yet to be determined.

#### **Workers' Compensation Fraud Investigative Results**

*October 1, 2008 – March 31, 2009*

- 513 fraud investigations resolved
- \$88,295,624 in compensation payments avoided
- 18 arrests
- 20 indictments
- 16 convictions
- 134 personnel actions taken by postal management

#### **DELAY, DESTRUCTION, AND THEFT OF MAIL**

To protect the mail during all points of delivery, Postal Inspectors and Special Agents deploy security countermeasures and follow proven investigative protocols. Postal Inspectors investigate mail theft by criminals who attack the postal system, including contractors who transport mail to postal facilities. OIG Special Agents investigate mail theft by postal employees, as well as contractors who deliver mail.

#### **External Mail Theft**

Because mail can contain any number of valuables — not just jewelry or other expensive items, but personal and financial information such as credit card applications — criminals will try to steal it. Postal Inspectors work hard to thwart mail theft and proactively educate postal employees and the public about the endless number of new mail theft scheme variations.

In the first half of FY 2009, Postal Inspectors arrested 1,239 suspects for mail theft, and 1,092 mail theft suspects were convicted in cases originating in this and prior reporting periods.

**Volume Attacks.** Postal vehicles, collection and relay boxes, apartment mailbox panels, cluster box units (CBUs), and neighborhood delivery and collection box units (NDCBUs) are targeted by thieves seeking large volumes of mail. These "volume attacks" constitute a threat to postal employees and customers.



Postal Inspectors report that customers' confidence in the mail is justified, as volume mail attacks in this reporting period, totaling 1,408, were down nearly 18 percent from the same period last year, when 1,716 volume attacks were recorded. Postal Inspectors investigate these thefts and work closely with Postal Service staff to develop and install neighborhood delivery units with stronger security features.

Following are examples of volume mail thefts investigated during the reporting period.

- In October, the leader of a Colorado mail theft ring was found guilty at trial on charges of mail theft, counterfeiting securities, possession of implements to counterfeit documents, fraud and related activity in connection with ID documents, credit card fraud, and aggravated identity theft. Prior to his trial, five co-defendants pled guilty and agreed to testify against him. Postal Inspectors found the group had been breaking into NCDBUs and apartment panels to obtain personal and financial information, which they used to create counterfeit IDs in victims' names and then defraud victims and financial institutions. Postal Inspectors recovered evidence affecting more than 400 victims, who suffered potential losses exceeding \$330,000. The ringleader is scheduled to be sentenced in July 2009 and is facing up to 20 years in prison. His co-defendants received sentences ranging from 3 years' probation to 20 months in federal prison.
- Following an investigation and arrest by Postal Inspectors, four suspects charged in Florida in October pled guilty to bank fraud. The suspects were part of an organized ring that stole mail containing checks from curbside mailboxes. They negotiated the checks using fraudulent IDs, causing losses to victims of nearly \$260,000. A fifth suspect, already in state custody, was transferred to federal custody in February. One suspect was sentenced in February to 4 months in prison and 8 months of home confinement with electronic monitoring, to be followed by 4 years of supervised release. He was ordered to pay restitution of approximately \$32,900.
- Postal Inspectors arrested a man in Washington State in February for mail theft, access-device fraud, and aggravated identity theft. They initiated an investigation in early October following five volume mail thefts from postal vehicles. During each incident, the suspect and an associate gained access to postal vehicles by defeating the door locks. Each attack resulted in the theft of one to two trays of mail and several parcels. One theft involved mail addressed to federal, state, and local elected officials. Postal Inspectors later arrested the second man, and both were indicted and pled guilty in March; sentencing was scheduled for June.

To correct future problems, Postal Inspectors visited postal facilities in the area and conducted stand-up talks on security procedures for employees. They advised Letter Carriers to secure mail in the rear of their vehicles out of view, to always check their surroundings for suspicious activity, and to make sure they lock their postal vehicles.

### ***Mail Theft by Contractors***

The Postal Service contracts the movement of some of the nation's mail to businesses that work diligently to transport mail to postal facilities. Like postal employees, these individuals take their responsibilities seriously. Unfortunately, a small percentage of contractors abuse the public's trust. In this reporting period, Postal Inspectors' investigations of mail theft by contractors who transport mail resulted in 41 arrests and 42 convictions.

- In December, a former HCR driver in Oklahoma was sentenced to 5 years' probation and was ordered to pay restitution to the Postal Service of \$5,273. The sentencing was the culmination of a 9-month investigation by Postal Inspectors for the theft of a bank remittance.
- Following several months of investigation, Postal Inspectors arrested an airline baggage handler for theft or possession of stolen mail. Postal Inspectors identified him as one of several suspects who was receiving credit cards stolen from mail at the George Bush Intercontinental Airport in Texas. He surrendered to Postal Inspectors in October and was terminated from his job. In February, he pled guilty to one count of mail theft.
- A ramp service clerk at the Honolulu International Airport was sentenced to 5 years' probation and 400 hours of community service, and was ordered to pay restitution of \$1,184 in January. Postal Inspectors arrested him in May 2008 for stealing mail containing 10 laptop computers and six parcels at an airport warehouse. The clerk was terminated from his job.

### ***Employee Mail Theft***

The overwhelming majority of Postal Service employees work conscientiously to move the nation's mail to its proper destination. Unfortunately, a small number of employees abuse the public's trust. It is the job of Special Agents to identify dishonest employees and take proper investigative steps to have them prosecuted and removed from the Postal Service.

## DELAY, DESTRUCTION, AND THEFT OF MAIL



*An Illinois Mail Processing Clerk stole mail (including DVDs and videos) from the workroom floor using his "personal" bag. The OIG Special Agent said Postal Service managers must continue to be diligent in addressing the usage of personal bags on workroom floors.*

Following are examples of cases in which postal employees stole mail for personal gain.

- In January, Special Agents arrested an Illinois Mail Processing Clerk after a one-count felony Information was filed against him for stealing mail. Later that month, the Clerk waived indictment and pled guilty. He cited his obsessive-compulsive disorder as the reason for the thefts. In September, Special Agents had observed the Clerk rifling and stealing mail from the P&DC where he worked. They searched the Clerk's residence and seized approximately 14,600 stolen mail items, including more than 9,300 movie DVDs and numerous video games and magazines. On the same day as the recovery, the Clerk resigned from the Postal Service. He faces a 5-year sentence, a \$250,000-fine, and 3 years' probation.



*OIG agents were told several thousand pieces of mail was being concealed at a storage facility in Mississippi. A subsequent search warrant recovered approximately 22,000 pieces of First-Class Mail and Standard Mail. The unit's lease holder later identified as a former Tennessee postal employee who was indicted by a federal grand jury on five counts of theft or receipt of stolen mail matter.*

- A task force of Special Agents, Postal Inspectors, FBI, and IRS Criminal Investigations Division (CID) agents arrested a New York Letter Carrier and two accomplices for masterminding a massive tax-refund scheme to defraud the IRS of more than \$90 million. At the time of arrest, the Letter Carrier had 75 bogus refund checks in his possession. The scheme involved the electronic filing of tens of thousands of federal tax returns. In January, some 8,000 tax returns were electronically filed from the Dominican Republic using Social Security numbers (SSN) assigned to residents of Puerto Rico. The IRS determined the refunds on 3,300 of those tax returns, ranging from \$2,000 to \$23,000 and totaling \$32 million, were bogus and were never sent out. The refund checks for the remaining returns were mailed to various New York addresses, where they were intercepted from the mail by the Letter Carrier and given to his accomplices, who in turn, paid the employee a "per-check fee." In the Dominican Republic, local authorities arrested 19 individuals and seized more than a dozen computers in relation to the scheme.

### ***Delay or Destruction of Mail by Employees***

Special Agents investigate postal employees who delay, desert, or steal mail from the mailstream. The following cases were investigated during this period.

- In December, Special Agents arrested a Tennessee Rural Carrier Associate (RCA) after he was indicted by a federal grand jury for stealing, delaying, or destroying mail. Over a 5-year period, the RCA allegedly stole more than 33,000 First-Class mailpieces, including approximately 300 DVDs and six CDs. In September 2007, management alerted the OIG about the RCA's alleged misconduct. The RCA resigned from the Postal Service.
- In January, a former Michigan RCA, who stored approximately 10,000 mailpieces in a rented mini storage unit, pled guilty to desertion of the mail. In September 2008, postal management contacted the OIG regarding the stockpiled mail, some of which dated back to 2005. The OIG investigation determined the RCA was the renter of the storage unit, which was filled with undelivered First-Class and Priority Mail, Periodicals, and Parcel Post addressed to local Michigan residents. Special Agents arrested the RCA after she told them that she placed the mail in the storage unit because she could not deliver it on time. Special Agents returned the mail to the Postal Service for delivery.

## IDENTITY THEFT

Identity theft occurs when a criminal steals someone's identifying information, such as a name, date of birth or SSN, and uses it to fraudulently apply for credit or take over someone's credit or bank accounts. The Postal Inspection Service is the lead agency in investigating incidents of identity theft when criminals misuse the nation's postal system to defraud the American public.

Funded by the Postal Inspection Service, the National Identity Crimes Law Enforcement (NICLE) improves the coordination of identity theft investigations between law enforcement agencies. It provides a central repository for identity crime information, allowing law enforcement agencies to learn immediately whether a particular piece of identification — such as an SSN or bank account — was reported stolen or used elsewhere in the course of a crime. The data is now available to local, state, and federal law enforcement agencies, allowing them to link related cases across jurisdictions.

In the first half of FY 2009, Postal Inspectors arrested 746 suspects, and 787 identity thieves were convicted in cases from this and prior reporting periods. Following are examples of identity theft cases they investigated during this period.

- In October, Postal Inspectors and officers from the Houston, TX, Police Department and Ft. Bend County Sheriff's Office executed a federal search warrant at a suspect's home. He was later taken into custody and charged with identity fraud and wire fraud. Postal Inspectors had received a tip from an investment services firm concerning 20 accounts that were compromised by someone who changed address and contact numbers for the accounts and then wired the funds to institutions in Korea and to other U.S. firms. The investment company suffered losses of more than \$5 million. Postal Inspectors identified the suspect and, during a search of his home, seized computers, cell phones, and numerous incriminating records indicating the mail had been used extensively in the course of the crime. He pled guilty, and sentencing was scheduled for April.
- In November, a Nigerian national was sentenced to 41 months in prison and 3 years' supervised release for an identity theft scheme involving the fraudulent use of six mailing addresses belonging to some 30 victims. He was also ordered to pay restitution of more than \$1.1 million to financial institutions and credit card issuers. Postal Inspectors determined the

suspect had opened checking and savings accounts at banks in the Chicago area using fraudulent IDs in the names of identity theft victims. The suspect deposited counterfeit checks into victims' accounts, stole checks from the mail, and withdrew money from victims' accounts via ATMs. He also used fraudulent IDs and fraudulent debit cards to buy Postal Service money orders. He either deposited the money orders into fraudulent accounts and withdrew the funds, or cashed the money orders at Post Offices. He will be deported once he completes his prison sentence.

- In January, Postal Inspectors arrested two suspects in New York on charges of conspiracy to commit bank fraud and aggravated identity theft. In July 2008, Postal Inspectors received a tip about the suspects related to identity theft, account takeover, and fraudulent credit application schemes. The suspects allegedly directed victims' account information, checks, and credit cards to various addresses they controlled in the Bronx. Most of the victims had been contacted by fraudulent Internet phishing sites or had home equity lines of credit taken over by the suspects, who then transferred money into accounts they controlled. Postal Inspectors identified more than 30 victims who suffered more than \$400,000 in losses.

OIG Special Agents also investigate certain identity theft cases. For example, in October, Special Agents arrested a Michigan Mail Processing Clerk at a gas station where they saw him swipe a stolen credit card to purchase fuel for another postal employee. Earlier, Special Agents observed the Clerk hide mail in his pants while he worked at a Michigan P&DC. During a break, the Clerk left the postal facility and got into the car of another postal employee who drove him to the gas station. Special Agents recovered 120 stolen credit cards after searching the Clerk, his vehicle, and his home. Special Agents revealed the Clerk was involved in a conspiracy with other postal employees and other individuals to obtain fuel from local gas stations using the stolen credit cards. The Clerk charged the individuals 50 percent or less of the fuel retail price, making \$250 to \$750 a day, 5 days-a-week over a 4-month period. In February, the Clerk was charged with aggravated identity theft. Special Agents notified the issuing banks and the postal customers whose credit cards were stolen.

## MAIL FRAUD

Countless illegal schemes violate the nation's first consumer protection law — the Mail Fraud Statute. As the agency responsible for fighting criminals who misuse the postal system to defraud the American public, the Postal Inspection Service employs this statute — which remains the most effective tool available to fight fraud — to the maximum extent possible. The objective of the agency's Mail Fraud Program is to ensure public trust in the mail and to protect Americans from fraudulent schemes in which the mail is used.

Complex and noteworthy mail fraud cases may include new twists on old scams, such as Ponzi schemes, to those involving investments and telemarketing fraud. As the schemes continue to evolve and scammers' ranges expand via the Internet, the Postal Inspection Service requests assistance from other law enforcement entities to leverage resources and maximize expertise. Postal Inspectors employ civil and administrative remedies as necessary to combat deceptive mailing practices.

Postal Inspectors also protect postal customers by educating them about mail fraud, which may include investment fraud, mortgage fraud, and lottery or sweepstakes schemes, all of which were prominent during the first half of FY 2009.

During this period, Postal Inspectors investigated 2,871 fraud cases, and Postal Inspection Service analysts prepared more than 23,402 letters and informative postcards in response to mail fraud complaints. Postal Inspectors also arrested 550 mail fraud suspects, and 504 were convicted as a result of investigations conducted during this period and in prior fiscal years. In some of the cases highlighted below, Postal Inspectors and Inspector-Attorneys relied on criminal and administrative remedies for resolution.

**Investment Fraud.** In January, the last of six Canadian nationals indicted for a gemstone scam operating by mail from Toronto waived extradition and entered a plea in U.S. District Court in Harrisburg, PA. He pled guilty to one count of conspiracy and was sentenced to a year of probation; he was also ordered to pay a \$13,120 fine and was deported. Two of the five other defendants already pled guilty; one was sentenced to 10 months' incarceration and was ordered to pay \$66,000 in restitution, and the other was sentenced to 18 months' incarceration and was ordered to pay restitution of \$107,230. Postal Inspectors identified 39 victims of the scheme who together lost approximately \$816,000. Operators of this telemarketing-type "boiler room" sold colored stones and metals, via the mail, as investments to unsuspecting Americans. The scammers

convinced gemstone investors to liquidate their portfolios to overseas buyers. Victims paid money upfront to cover transfer taxes, customs fees, or performance bond fees, but when they demanded the return of their portfolios or refused to pay yet additional fees, the scammers terminated all further communications. This closes out a joint investigation conducted by Postal Inspectors and various Canadian law enforcement agencies.

In January, Postal Inspectors arrested a New York man in connection with a Ponzi scheme in which he was alleged to have fraudulently solicited approximately \$400 million from 5,000 investors via the mail. The man and his brokers allegedly told investors their money would be loaned to third-party commercial entities for periods of 30 to 77 days. He promised rates of return of between 60 and 80 percent per year and a return of 4 percent per month, if investors allowed their funds to be used for 2 years. In fact, Postal Inspectors alleged the suspect did not lend funds to commercial entities; instead, he converted \$130 million of victims' money to his personal use and paid more than \$50 million of their money to his brokers. He transferred at least \$100 million of investors' funds to futures trading firms, without investors' knowledge, and lost more than \$80 million. Postal Inspectors purported that he used new investors' money to repay earlier investors; when he mailed money to his victims, he falsely represented the payments as interest on repaid loans when, in fact, the payments came from money paid by new victims. The investigation is continuing.

**Mortgage Fraud.** Following a 13-day trial in December, a Colorado real estate broker was sentenced to 7 years in federal prison after a jury convicted him on eight counts of mail fraud, five counts of wire fraud, and three counts of witness tampering. Postal Inspectors found he fraudulently obtained money and property from mortgage companies that funded federally insured loans. While doing business as Reserve Capital Funds, Inc.; Fairfax Homes, Limited; and other entities, the man bought and sold numerous single-family homes in the Denver area at below-market prices. After making a few improvements, he sold the homes months later at substantially higher prices to unsophisticated, low-income buyers. He mailed victims fraudulent paperwork, giving the impression he met Federal Housing Administration qualifications, and mailed mortgage companies and the Department of Housing and Urban Development false information about his victims to ensure their loans would be approved. The scheme also relied on the mail to send fraudulent mortgage loan applications and paperwork related to property titles, credit letters, and payments.

**Deceptive Mail.** In December, a Cease and Desist Order was issued against an Indiana man and his credit company for false representations. The order stipulated that the man refrain from falsely representing to consumers that they had won a substantial sum of money, which they would receive only if they mailed him their personal information, such as dates of birth and credit card numbers. Postal Inspectors determined that none of his customers received the money as promised. He signed a Consent Agreement to Cease and Desist in October. The solicitations were mailed from Canada with a return address of a Post Office box in Crane, IN.

## CONTRACT FRAUD

The Postal Service presently manages more than \$40 billion in contracts, ranging from multi-million dollar national contracts for services such as transportation networks and IT infrastructures, to local contracts for supplies and services at individual postal facilities. The sheer volume of contracts and the huge dollar value provide opportunities for contractors and employees to defraud the Postal Service. The OIG aids the Postal Service by investigating allegations of contract fraud, waste, and misconduct. When contract improprieties are documented, Special Agents present the evidence for criminal and civil prosecution and administrative remedies. Contract fraud is defined as any intentional, unlawful deception designed to deprive the U.S. Government of something of value or to secure from the United States for individuals a benefit, privilege, allowance, or consideration to which they are not entitled.

During this reporting period, the OIG completed 67 contract fraud investigations, resulting in 5 arrests and more than \$8 million in funds returned to the Postal Service. Following are examples of contract fraud investigations Special Agents conducted.

- In October, Special Agents of the OIG, FBI, U.S. Army Criminal Investigative Command, and General Services Administration arrested three former Texas executives whose company violated postal contracts. Special Agents arrested the trio on a 37-count indictment charging the former executives with conspiracy, theft of program funds, false statements to obtain credit, false statement, bank fraud, mail fraud, and wire fraud. The OIG investigation revealed the company violated two postal contracts by outsourcing portions of the contracts to two subcontractors. Neither subcontractor hired blind or severely disabled employees to produce the postal product, which also violated the terms of contracts. The OIG investigation determined the Postal Service overpaid the company approximately \$290,000.

- A Missouri construction contractor entered into a \$3.4 million civil agreement with the U.S. Attorney's Office, in October, following an OIG investigation into the contractor's false adjustment claims. The agreement was the result of a civil forfeiture complaint filed against the contractor by the U. S. Attorney's Office alleging the company violated mail fraud and money laundering statutes and requested that the company be ordered to pay the U.S. Government approximately \$2.3 million and related costs. An OIG investigation uncovered evidence the contractor knew the proposed construction site was riddled with large boulders before contract award. The investigation also revealed the contractor submitted questionable claims for payroll, equipment rental, and material costs as well as unallowable charges. As part of the civil agreement, the Postal Service received \$1 million as a result of the forfeiture.

- Prompted by a lead received from management in November, Special Agents investigated the financial records of a Florida HCR Carrier who had a materials, time, and equipment contract with the Postal Service. Management alleged the contractor had been double-paid for its services. An OIG investigation determined that from July 2006 to November 2008, the Postal Service double-paid the contractor \$4.3 million via the Postal Service Form 5429, Certification of Exceptional Contract Service Performed, and the annual contract. As a result, in January, management issued to the contractor a demand letter for the overpayment plus interest, approximately \$4.5 million.

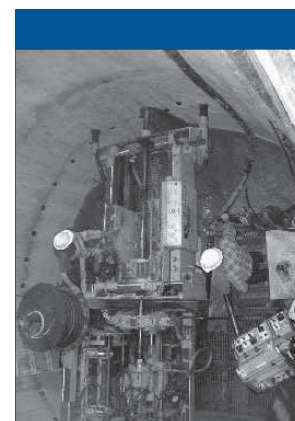
### Money Laundering

The Postal Inspection Service investigates criminals who attempt to use postal money orders to launder illicit funds and avoid federal reporting requirements in violation of the Money Laundering Control Act and the Bank Secrecy Act. Illicit proceeds may include money gained through narcotic sales, smuggling illegal aliens, tax evasion, or selling counterfeit merchandise. During the first half of FY 2009, Postal Inspectors arrested 25 suspects on charges related to money laundering, and 53 convictions were reported during the same period.

In one example from the reporting period, Postal Inspectors initiated an investigation of a couple based on a review of the Postal Service's Bank Secrecy Act database. They alleged that, from 2006 through 2007, the suspects had purchased about 1,600 Postal Service money orders worth approximately \$1.5 million. By splitting the purchases, the couple kept each transaction below the \$3,000 reporting threshold, so no financial reports were required. Postal Inspectors alleged the couple would make multiple trips each day to buy the money orders. The pair was indicted



*Special Agents arrested three former Texas executives on a 37-count indictment charging them with violating two postal contracts by outsourcing portions of the contracts to two subcontractors. Neither subcontractor hired blind or severely disabled employees to produce the postal product, which also violated the terms of contracts.*



*An OIG investigation uncovered evidence a contractor knew the proposed construction site was riddled with large boulders before contract award. The investigation also revealed the contractor submitted questionable claims for payroll, equipment rental, and material costs as well as unallowable charges.*



Here is the tax form used in the fraud.

in November in the Southern District of Texas on 20 counts related to structuring the purchases of Postal Service money orders.

## HOMICIDES, ASSAULTS, AND THREATS

The Postal Inspection Service is committed to ensuring employee safety in the workplace. Postal Inspectors investigated 270 postal-related assaults and credible threats during the first half of FY 2009, down from 398 in the previous fiscal year, and arrested 138 suspects. Postal Inspectors seek prosecution in assault cases, when appropriate.

To ensure employees have a safe place to work, the Postal Service relies on several proactive strategies and tools for reducing workplace violence. Integral to this effort are its Threat Assessment Teams (TATs), which operate at each postal district. TATs use a cross-functional, multidisciplinary approach to assess and manage risks, help reduce incidents of inappropriate behavior, and resolve conflicts.

In addition to conducting investigations, Postal Inspectors serve as advisors to the TATs by assisting them in assessing situations, determining the risk of violence, and developing risk-abatement plans. Another prevention strategy used by both Postal Inspectors and postal supervisors is "stand-up" talks on violence prevention, which they present to employees at postal facilities. Postal Inspectors also offer a video they produced, titled "Workplace Violence: Stop it Before it Happens," as an additional tool to help employees learn how to resolve conflicts before they escalate to violence.

Following are investigations conducted during the first half of FY 2009.

- On the morning of October 24, Postal Inspectors were notified of a shooting involving a Maintenance Mechanic who worked at a Connecticut P&DC. While on official duty, the Mechanic allegedly drove a postal van to the home of a man he suspected of being involved with his girlfriend. The Mechanic fired several shots at the man, who was sitting in a car. The victim raced off in the car and was unhurt. The Mechanic drove back to work, dropped off the postal van, and drove away in his personal vehicle. The man called police, who notified Postal Inspectors of the incident. Postal Inspectors and local police immediately responded to the P&DC and secured the facility. State police found the Mechanic more than 40 miles away and followed him in a high-speed chase before stopping him at a road block. A revolver was recovered at the scene. The Mechanic was taken to a hospital for psychological evaluation and was later charged with

state criminal and motor vehicle violations. He remains in custody on a \$500,000 bond and has resigned from the Postal Service.

- Postal Inspectors arrested a man in January for violating a protective order issued in October after he twice threatened a Postmaster in Puerto Rico. The case began in 2007, when the man entered the Post Office and began yelling obscenities and throwing items, such as small stones and coins, over the counter at the Postmaster. Following the recommendations of a Postal Inspector, the Post Office installed a Plexiglas window at the counter. In October 2008, the Postmaster reported a second visit by the suspect, who repeated his earlier behavior, but left before police and Postal Inspectors arrived. Postal Inspectors filed a formal complaint against him and obtained a protective order banning him from approaching the Postmaster. On the morning of January 26, the suspect violated the protective order and threatened the Postmaster. Postal Inspectors and police presented him with a court summons for violating the protective order. He failed to appear in court, and a warrant was issued for his arrest. Postal Inspectors and police arrested him, and he was remanded to custody at the Bayamon Correctional Facility. Bail was set at \$20,000.

## OFFICIAL MISCONDUCT

Misconduct on the part of Postal Service employees includes: misuse of Postal Service computers, destruction or theft of Postal Service property, falsification of official documents and forgery, theft of funds, abuse of authority, sabotage of operations, narcotics usage or sale of drugs while on duty, and alcohol abuse. Following are few examples of cases the OIG investigated involving employee misconduct.

- In October, a former Pennsylvania Letter Carrier pled guilty to one count of Theft by Deception and one count of insurance fraud. A Pennsylvania court sentenced the Letter Carrier to 5 years' probation and ordered him to pay more than \$50,000 in restitution to the Postal Service. In an investigation conducted with a local police department, Special Agents revealed the Letter Carrier took extended sick leave and leave without pay from the Postal Service (last day of work was June 13, 2006) while attending a police academy and later working full time for a police department. Management removed the Letter Carrier from the Postal Service in February 2007.
- Colorado Special Agents arrested two postal employees and one former postal employee, in November, after they were indicted for their involvement in a tax fraud scheme; one postal employee was removed in

March for Unacceptable Conduct. The trio worked at a company (a side job for the full-time postal employees) that allegedly fraudulently amended state and federal tax returns for 66 postal employees. The trio utilized the company's tax services and provided fraudulent tax return checks to postal employees while on duty and on postal property. Five others were also indicted and arrested in connection with this scheme. All 66 employees receiving refunds were required to give the company 50 percent of their fraudulent refunds, which ranged from hundreds of dollars to more than \$16,000 per employee. All 66 employees denied knowledge of the fraudulent nature of the tax returns, although they had signed the amended forms. This investigation was conducted jointly with the IRS' CID and the Colorado Department of Revenue, Criminal Tax Enforcement Section. In addition to the indictments in this case, the IRS assessed \$723,000 in back taxes, penalties and interests to individuals involved in this scheme, and the Colorado Department of Revenue also assessed the participants approximately \$614,000 in tax repayments, interest and penalties.

- In January, management removed three New York Letter Carriers from the Postal Service after Special Agents determined one Letter Carrier paid the others to deliver mail on his route while he worked at a horse racetrack and an upholstery business. Special Agents also determined the Letter Carrier falsified Managed Service Point scans and Time and Attendance Collection System clock rings to perpetuate his scheme.

## EXECUTIVE INVESTIGATIONS AND INTERNAL AFFAIRS

The OIG's Office of Investigations conducts criminal and administrative investigations of Postal Service executives, and OIG and Postal Inspection Service personnel, as well as whistleblower reprisal investigations.

### Whistleblower Reprisal Activity

The Postal Service is not covered by the Whistleblower Protection Act, but has its own policy governing whistleblower retaliation. The policy prohibits retaliation against an employee because the employee (or applicant for employment) disclosed information the employee reasonably believes concerns: 1) a violation of any rule, law or policy, or 2) a gross waste of funds, gross mismanagement, abuse of authority or a substantial and specific danger to public health or safety.

Generally, the misconduct is a violation of law, rule, or regulation, and/or a direct threat to public interest — fraud, health, safety violations, and corruption are just a few examples. The employee must reasonably believe his or her employer has committed a violation of some law, rule, or regulation; testify or commence a legal proceeding on the legally protected matter; or refuse to violate the law.

Allegations received .....	96
OIG investigations initiated .....	20
Investigations closed with no finding of retaliation or deferred to other adjudicative body .....	17
Allegations closed with no action .....	73
Open investigations .....	23
OIG found reprisal .....	0

## ILLEGAL DRUGS AND NARCOTICS TRAFFICKING

Postal Inspectors investigate mailings of illegal drugs and drug proceeds, and Special Agents investigate postal employees who use or sell narcotics while on postal property or on duty.

### Narcotics Trafficking

The Postal Inspection Service interdicts mailings of illegal drugs and drug proceeds to protect employees and customers from the violence related to drug trafficking and to preserve the integrity of the mail. Postal Inspectors also investigate organized narcotic distribution groups, and individuals, who use the mail to traffick in illegal drugs.

Often working with other law enforcement officials, Postal Inspectors arrested 651 suspects for drug trafficking via the mail in this reporting period. Their investigations resulted in the seizure of approximately 12.2 tons of illegal narcotics found in the mail, as well as more than \$1.9 million in cash and monetary instruments related to ongoing investigations. Following are examples of their investigations from the reporting period.

- Postal Inspectors initiated an investigation of three Arizona residents suspected of mailing marijuana to Florida, Michigan, and New York. They intercepted numerous parcels containing marijuana as well as at least 65 suspicious mailings weighing more than 800 pounds. Postal Inspectors conducted a surveillance of three suspects seen mailing suspect drug parcels to New York from various Arizona Post Offices. They obtained a federal search warrant and found the intercepted parcels to contain nearly

45 pounds of marijuana. In January, Postal Inspectors in New York executed a controlled delivery of two suspect drug parcels mailed from Arizona, while in Arizona they executed a search warrant at a home believed to be the source of the mailings. Postal Inspectors seized more than 50 Postal Service, FedEx, and DHL mailing receipts, as well as paraphernalia known to be used to mail illegal drugs. They arrested two men in Arizona, one on four counts of possessing marijuana for sale and the other for misconduct involving a weapon and possessing marijuana. Charges against a third suspect are pending.

- Postal Inspectors in New York investigated a cocaine-trafficking ring responsible for mailing hundreds of kilograms of cocaine from Puerto Rico to New York via Express Mail service. They arrested one of the ringleaders in January, who allegedly used his position as superintendent of multiple Bronx, NY, apartment buildings to help move the drugs. The ringleader purportedly had drug packages mailed to vacant apartments, where ring members waited for delivery. Postal Inspectors executed a search warrant at the ringleader's home in October and seized approximately \$20,000 in cash, along with a handgun. Also in October, U.S. Marshals arrested a second suspect after he was allegedly found to receive via the mail more than 27 kilograms of cocaine; he was also suspected of mailing Express Mail parcels from Puerto Rico to ring members in New York. Postal Inspectors identified the second suspect through fingerprints recovered on two Express Mail boxes.

- Postal Inspectors on the Organized Crime Drug Enforcement Task Force (OCDETF), along with Special Agents from the Drug Enforcement Administration and IRS CID, identified five suspects for distributing drugs via the mail. The five men were indicted in February on charges of conspiracy to distribute, and possession with the intent to distribute, the illegal drug known as Ecstasy and marijuana. Postal Inspectors from three field divisions working with other federal agents executed 11 search warrants at suspects' homes and arrested 12 suspects associated with the scheme in California, Tennessee, and Kentucky on January 26. Two California suspects planned to leave the country later that day and had already purchased tickets and obtained passports to travel to Laos. Investigators alleged that the men conspired to mail Ecstasy and marijuana to Tennessee and Kentucky, and had received at least \$150,000 as payment (via the mail) for nearly 5,000 Ecstasy pills and several shipments of marijuana. More than 200 mailings were linked to the ring. The defendants face a maximum of 20 years in prison and a fine of \$1 million for their involvement in interstate drug trafficking activities.

### Employee Drug Investigations

Special Agents investigate postal employees selling narcotics while on postal property or while on duty. Information on the possession or personal use of illegal drugs by postal employees is referred through management to the Employee Assistance Program for attention. Illegal drugs in the workplace can negatively impact employee productivity and safety, affect employee judgment and increase stress levels, leading to acts of violence or hostility. Use and sale of narcotics on duty by employees can also contribute to other crimes such as theft, embezzlements, and fraudulent workers' compensation claims.

For the 6-month period, Special Agents investigated 54 cases of postal employees suspected of possessing or using illegal drugs on duty, and 19 employees were removed from the Postal Service. Following are examples of OIG investigations of narcotics-related offenses by postal employees.

- In October, in a joint investigation with Postal Inspectors and a Pennsylvania police department, Special Agents arrested a Letter Carrier for possession of marijuana. The Letter Carrier attempted to deliver parcels he knew contained 64 pounds of marijuana in exchange for payment. In November, management placed the Letter Carrier in an off-duty status. Federal prosecution is pending.

### HOW MUCH IS YOUR JOB WORTH?

Crime prevention is the responsibility of every postal employee. To get the word out, Chicago's OIG Special Agent in Charge teamed up with management in the Great Lakes Area and the OIG Communications team to create, "How Much Is Your Job Worth," a short video highlighting OIG cases and stressing the preservation of integrity within America's postal system.

The video includes re-enactments of past investigations conducted by Special Agents from the Great Lakes Area to educate viewers on the consequences of financial embezzlements, mail thefts, time and attendance frauds, on-the-job drug use, and other misconduct issues.

In the video, District Managers from each of the nine Great Lakes clusters are featured discussing the importance of abiding by rules and regulations. The Special Agent in Charge also appears in the video and discusses what happens when employees cross the line and violate the law.

With support from the Great Lakes Area Vice President, the video will be shown to every employee in the area.



- In November, based on information from postal customers, Special Agents and local police officers arrested a Wisconsin Letter Carrier after she told them she had cocaine in her purse. She also told the law enforcement officers that she had purchased \$100 worth of cocaine from a dealer, gave part of it to her daughter and smoked the rest, all while on duty. Earlier, Special Agents and local police officers observed the Letter Carrier enter the cargo area of her postal vehicle and close the door. When they opened the vehicle's door, they saw the Letter Carrier sitting in the rear of the vehicle with a lighter in her hand and smoke emanating from her mouth. In March, she was sentenced to 1 year in jail and 3 years' of probation after she pled guilty to one count of possession and one count of intent to distribute cocaine.
- In March, a New York Metro area Sales and Service Distribution Associate and Letter Carrier were sentenced to 5 years' probation after both pled guilty for possession of marijuana. Special Agents and local police arrested the pair in August 2008 after discovering 56 pounds of marijuana in the Associate's vehicle. Earlier, Special Agents and local police observed the Associate give three parcels to the Letter Carrier, who took them on his route where the Associate later retrieved them. The parcels were mailed from a California address to fake New York addresses as their destination. The Associate told Special Agents and local police that a third party paid him \$200 for each parcel he collected at the Post Office and delivered to the third party. In turn, the Associate paid the Letter Carrier \$100 for each parcel he helped deliver. In 2007, they delivered two to three parcels on approximately 25 occasions.
- On April 7, 2008, a man entered the back of the Bergen Station Post Office in Jersey City, NJ, and held three female employees at gunpoint. He forced the women into the safe and then fled with stolen cash. On May 14, a federal arrest warrant was issued for the suspect, but he remained a fugitive in the Atlantic City area until Postal Inspectors located and arrested him on August 7. The suspect pled guilty in February to the armed robbery of a Post Office.
- On December 3, a Letter Carrier was robbed and assaulted at gunpoint while attempting to enter his personal vehicle parked on the employee lot at a postal annex in California. The Letter Carrier sustained minor injuries and was robbed of personal items, including his vehicle. Postal Inspectors responded to the scene and determined the incident had been captured on a surveillance video. They recovered the Letter Carrier's vehicle and, on December 8, learned the suspect had carjacked another vehicle at gunpoint. While the suspect sat in the second stolen car counting money taken during the carjacking, he was approached by two men. An altercation broke out and the suspect shot and severely wounded both men, then fled the scene. Law enforcement officers saw the suspect fleeing and gave pursuit, until the suspect crashed his vehicle. Police arrested the man, who was charged with seven counts, including assault with a deadly weapon and unlawfully driving or taking a vehicle.
- In July 2008, a Letter Carrier standing at the rear of his postal vehicle in California was approached by two men who shouted at him to move away. One of the men seemed to have a weapon, so the Letter Carrier complied with their demands. After grabbing several containers of mail, the men jumped into a Ford pickup driven by a cohort and took off. The Letter Carrier provided a detailed description of the suspects and a partial license plate number to Postal Inspectors, who broadcast the information over a police radio band. Local police caught sight of the car and attempted a felony car stop. The suspects failed to yield, and officers began a high-speed pursuit while Postal Inspectors monitored the situation. The suspects' car crashed approximately seven miles from the crime scene, and they fled from the car. Postal Inspectors and officers set up a Command Post and requested additional officers, K-9s, and air support. Along with Postal Inspectors, more than 50 law enforcement officers from seven jurisdictions assisted over the next 4 hours, searching a heavily wooded area. They captured two suspects hiding in the brush, and the third remained a fugitive. On November 6, one

## ROBBERIES

Robberies pose a threat to postal employees, jeopardize the public's trust in the mail, and undermine the financial integrity of the Postal Service. Thieves who attack Letter Carriers seek mail containing valuables — such as jewelry, checks, or financial information. Those who target Postal Service facilities are usually after cash and money orders. During the first half of FY 2009, the Postal Service experienced 30 robberies or attempted robberies of postal employees or Post Offices.

The investigation of robberies continued to be a priority for Postal Inspectors as shown in the following examples from the first half of FY 2009.

man was sentenced to 46 months in federal prison and 3 years' supervised release, and the other was sentenced to 37 months in federal prison with 3 years' supervised release.

## **BURGLARIES**

Postal Inspectors in the first half of FY 2009 reported 57 burglaries at postal facilities nationwide. Due to increased security countermeasures and aggressive investigations, roughly 61 percent of burglaries in the past reporting period resulted in only minor losses of less than \$1,000.

- Postal Inspectors responded to a burglary and what they deemed a suspicious fire at a Kansas Post Office in July 2008. They determined someone had stolen a digital postal scale and personal items belonging to the Postmaster. Postal Inspectors canvassed the area and, after distributing reward posters to residents and businesses, they identified and arrested a suspect in March. He was charged with two counts of burglary, three counts of criminal damage to property, and two counts of felony theft.
- A Florida Post Office was burglarized in late December 2007 and again in January 2008. Postal Inspectors determined two men had stolen mail containing checks and money orders, some of which they were able to cash. Postal Inspectors located and arrested one of the men in March 2008. He pled guilty and was sentenced to 2 years in prison. They arrested his cohort in February, and the man is being held without bond. Losses caused by the fraudulent transactions totaled about \$14,622.

## **DANGEROUS MAIL INVESTIGATIONS**

Dangerous mail refers to mail containing explosives or biological, chemical, or radiological substances. Postal Inspectors receive specialized training and equipment to address these threats and to protect postal employees, customers, and the mail system. They develop protocols for, and coordinate responses to, reports of alleged or suspected dangerous items in the mail or at mail facilities. The Postal Inspection Service also partners with other agencies in the homeland security community and assists with national security programs.

The Postal Inspection Service's screening program has proven to be enormously successful for the Postal Service. While the majority of incidents involve nonhazardous

substances, a response by Postal Inspectors ensure employees can depend on having a safe and secure workplace and that postal facilities are kept open rather than being needlessly evacuated. The result is fewer lost workhours, better employee morale and productivity, and improved delivery performance for the Postal Service.

During this period, Postal Inspectors delivered more than 656 educational seminars to employees, business owners, and other law enforcement and government agencies addressing mail safety and handling protocols.

The results have been dramatic — the number of unnecessary postal facility evacuations were reduced by 29 percent from the same period last year. The change translated to reductions in lost workhours (fewer than 7.6 percent) in delayed mail and in operating costs associated with evacuations. Further, unnecessary requests for emergency responses by local first responders were reduced, freeing responders to be available in the event of other emergencies.

### ***Suspicious Substances in the Mail***

Postal Inspectors respond rapidly to reports of unidentified substances in the mail and threats involving chemical or biological material. Although the incidents may not involve criminal intent, a rapid response ensures that Postal Inspectors are on hand at the earliest opportunity when mail is intentionally used to convey chemical, biological, radiological, or explosive substances.

Postal Inspectors trained as Dangerous Mail Investigations Specialists use screening equipment, along with established threat-assessment protocols, to respond to mail and mail facilities reporting suspicious substances. They determine whether the substances are hazardous and could pose a threat to postal employees, customers, or facilities.

During the reporting period, Postal Inspectors responded to 1,748 incidents nationwide involving unidentified suspicious powders and liquids reported by postal employees, customers, or other federal agencies. Their investigations resulted in eight arrests and seven convictions (some from cases in prior reporting periods). The unidentified substances were found in the Postal Service's critical infrastructure, at postal facilities, or in the mail. Postal Inspectors determined that all of the suspicious substances reported were nonhazardous material such as talcum powder or detergent.

Following are examples of suspicious substance investigations during the reporting period.

- Postal Inspectors and other members of the Joint Terrorism Task Force in Sacramento, CA, arrested a man in October for allegedly mailing 120 letters containing hoax anthrax threats to media and news outlets, congressional offices, and McDonald's and Starbucks stores nationwide. The letters contained a compact disk labeled "Anthrax Shock and Awe Terror," with a small packet attached, marked "Anthrax Sample." Task force members had contacted the man in January 2007 about a similar letter he mailed to the Sacramento News and Review, which claimed to contain anthrax. He voluntarily agreed not to mail other threats. On October 27, however, staff at the Atlantic Monthly magazine in Washington, DC, received a threatening letter that bore the man's return address, and similar letters were mailed throughout that week, resulting in hazmat responses by the Postal Inspection Service, FBI, and other agencies. At the time of his arrest, he was preparing to mail additional threatening letters. He appeared in U.S. District Court in Sacramento and was released on a \$25,000 bond, on the condition that he was prohibited from using the mail (except for personal correspondence). On November 3, he was charged with 10 counts of mailing an anthrax hoax, one count of transferring a biological agent or toxin for use as a weapon, and three counts of mailing threatening communications. He pled not guilty, and a trial was scheduled for August. As members of the Joint Terrorism Task Force, Postal Inspectors were able to promptly alert their colleagues across the country about the hoax mailings, ensuring there was no nationwide panic related to the incidents.
- In February Postal Inspectors and FBI Special Agents arrested a man in New Mexico based on an investigation of the October mailing of 65 threatening letters, 64 of which contained an unknown substance, to offices of Chase Bank, the Federal Deposit Insurance Corporation (FDIC), and the Office of Thrift Supervision. Postal Inspectors and FBI Agents executed search warrants on a storage unit and a vehicle related to the man and recovered evidence of the mailing. The man claimed he mailed the letters after the FDIC was named receiver of his bank, Washington Mutual Bank, and the value of his stock fell to less than \$1 per share, causing him about \$63,000 in losses. He was indicted on February 24 and pled guilty on March 16 to two counts, mailing threats and hoaxes and mailing a bomb threat.



*Miami Postal Inspectors worked with postal managers and members of the Miami-Dade Police Department (MDPD) Bomb Squad to conduct a mail bomb test scenario at the Postal Service's Miami International Service Center (ISC). The drill tested procedures for a full evacuation of the ISC, and Bomb Squad members used robots to remove a parcel mocked up as an IED and to conduct a controlled blast of the parcel.*

- Following a guilty plea in November, a man was sentenced in January to 7 years in prison and 3 years' supervised release for mailing threatening letters. Postal Inspectors and FBI Special Agents found that, between February and April 2007, he had mailed letters from the Indiana Department of Correction, where he was an inmate, containing threats to kill two judges and court staff. The letters contained a powdery white substance as well as razor blades.

### **Suspicious Items in the Mail**

Dangerous Mail Investigations Specialists also respond to reports of suspicious items in the mail, such as mail bombs or improvised explosive devices (IEDs). Fortunately, mail bombs are exceptionally rare. Over the past 6 months, Postal Inspectors reported no incidents involving IEDs sent via the mail.

If a mail bomb detonates, the life and safety of those in the vicinity of the explosion are the first priorities of Postal Inspectors and other responders. Once these priorities are addressed, Postal Inspectors secure the crime scene and process the area for evidence.

In the first half of FY 2009, Postal Inspectors responded to 847 incidents of explosive devices placed in private mail receptacles, hoax bomb devices, suspicious items found in postal facilities or equipment, and mailed explosive devices. Their investigations resulted in 89 arrests and 97 convictions (some from cases in prior reporting periods). Most of the incidents involved false alarms or items inadvertently left behind by customers; the remainder involved hoax devices or homemade explosives used to vandalize mailboxes. Postal Inspectors investigate even the threatened use of dangerous material in the mailstream and other miscellaneous misuses of the mail. Following are examples of their investigations of suspicious items during the reporting period.

- A Kansas man pled guilty in February to destruction of government property by means of an explosive; he agreed not to contest or appeal his sentencing, which carries a mandatory minimum of no less than 5 years' imprisonment. The investigation began in November, when Postal Inspectors, agents from the Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF), and Lawrence, KS, Police Officers responded to a report of an explosion of an IED that destroyed a Postal Service parcel locker and cluster box in the area. It also caused significant damage to a nearby vehicle. Postal Inspectors were able to link the man to that incident as well as multiple other IED explosions in Lawrence. They executed a search warrant on his home and seized 56 IEDs, a large bag of potassium perchlorate, a coil of fuse cord, and videos documenting his use of IEDs.
- Following guilty pleas filed in March 2008, a husband and wife were sentenced in November on charges of manufacturing, mailing, and placing IEDs in South Carolina and North Carolina. The husband was sentenced to serve 8 years and 9 months in prison, and his wife was sentenced to serve 5 years and 6 months in prison. Both were ordered to participate in a mental health treatment program following their release, as well as 3 years' supervised probation and, further, must have no contact, direct or indirect, with any of their victims. The case began in February 2005, when Postal Inspectors and other members of a Joint Terrorism Task Force investigated a package containing an IED delivered to a restaurant in Rock Hill, SC. They linked three additional IEDs mailed by the couple to financial institutions and private citizens in 2006 and 2007, as well as threatening letters mailed to a financial institution and an FBI office. One letter indicated a bomb would be detonated at the Charlotte-Douglas International Airport, in March 2007. Postal Inspectors and other investigators executed a search warrant at the couple's home and found numerous items connecting them to the crime, including materials used to make the destructive devices as

well as a typewriter used to write the threatening letters. They also seized a typewriter ribbon bearing the impression of the wording used in the letter mailed to the FBI. Investigators determined the couple began manufacturing and mailing the devices when a restaurant failed to renew their contract for window-cleaning services.

- A Florida man was sentenced in December to 25 years in prison and 3 years' probation for mailing firearms from Florida to Puerto Rico. During sentencing, Postal Inspectors and ATF Special Agents testified as to the severity of the crimes committed by the man, who headed a firearms trafficking ring. Postal Inspectors showed photos of weapons seized in Florida and Puerto Rico while executing search warrants of packages he mailed, including high-powered semiautomatic weapons, AK-47 rifles, and handguns with high-capacity magazines. Already sentenced in the case were 11 ring members, who received terms of up to 14 years in prison. The judge imposed the maximum penalty allowed under sentencing guidelines for the ringleader, noting he was concerned for "the safety and tranquility of the people living in the Commonwealth of Puerto Rico." The case, which became known as Operation Tropical Firepower, uncovered the trafficking of more than 200 weapons.

### ***Mail Screening at National Special Security Events***

The Department of Homeland Security (DHS) designates certain public events as National Special Security Events. The events receive this designation because they are seen as attractive targets for terrorists or assassins due to their visibility or political connection.

During the first 6 months of FY 2009, Postal Inspectors were designated as members of the operational security plan for the National Football League's Super Bowl XLIII. The Postal Inspection Service was tasked with providing security for mail and mail-related matter at selected sites, and with providing investigative and intelligence support during the event. Postal Inspectors coordinated mail-screening activities for the four largest carriers: the Postal Service, the United Parcel Service, FedEx, and DHL International. They additionally coordinated mail-screening for smaller messenger and courier services with the Secret Service.

Postal Inspectors assigned to the event performed these activities as part of their work with the FBI's National Joint Terrorism Task Force and their Intelligence Operations Center, as well with DHS's National Operations Center.

## CHILD EXPLOITATION VIA THE MAIL

Postal Inspectors arrested 79 suspects and identified eight child molesters in this reporting period as part of the Postal Inspection Service's continuing efforts to bring to justice those who unlawfully use the mail to traffic in child pornography or otherwise sexually exploit children. Postal Inspectors also identified and rescued 20 children from incidents of sexual abuse and exploitation.

Because nearly all cases of child exploitation investigated by Postal Inspectors involve the Internet as well as the mail, the Postal Inspection Service has become an integral partner in the DOJ's Project Safe Childhood initiative. The DOJ initiative is aimed at preventing the sexual exploitation of children through the Internet by using a well-coordinated, multi-pronged approach involving federal, state, and local law enforcement agencies.

During the first 6 months of FY 2009, Postal Inspectors initiated 102 new investigations involving child exploitation. The investigations included high-impact, quality casework that emphasized the identification and dismantling of major commercial distribution enterprises that relied on the mail and the Internet to conduct illegal activities. Postal Inspectors worked in close cooperation with trial attorneys of DOJ's Child Exploitation and Obscenity Section, where a Postal Inspector was assigned full time on all cases of national and international significance. Following are examples of investigations conducted from the reporting period.

- Following a request for assistance from a detective with the East Pennsboro, PA, Police Department in April 2008, Postal Inspectors investigated a state prison inmate on allegations of child exploitation via the mail. The man was in prison on nonrelated charges when he heard, from his cellmate, about the sexual abuse of a 15-year-old girl, which began when the girl was only 13 and resulted in two pregnancies. Postal Inspectors learned the man began writing to his cellmate's victim in hopes of initiating his own sexual relationship with her. The girl's mother intercepted the first letter and forwarded it to police, who contacted Postal Inspectors. In an undercover investigation with Pennsboro detectives, Postal Inspectors determined the inmate tried to mail the victim an additional 30 sexually explicit letters, in which he claimed he "loved" the girl, had significant finances, and would take care of her and her two babies. He was indicted by the U.S. Attorney's Office for the Middle District of Pennsylvania for attempted enticement of a minor via the mail and, in March, was sentenced to 12 years in federal prison and 10 years of supervised release.
- Following a federal indictment in December, Postal Inspectors arrested a California man at his home for producing child pornography, receiving child pornography via the mail, and possessing child pornography. He appeared before a U.S. Magistrate the next day and was deemed to be a danger to the community and held without bond. Postal Inspectors initiated the case after finding the man had ordered and received DVDs mailed by a former international distributor of child pornography. The suspect consented to a search of his home computers, where Postal Inspectors found images of child pornography, as well as photos of young children at parks and beaches in Los Angeles. Postal Inspectors later identified more than 20 images of a young female victim being photographed while her clothing was removed. At the time the photos were taken, the victim was 11 years old.
- A man pled guilty in December to distributing and attempting to receive child pornography in the Northern District of California. He was a registered sex offender on probation for molesting a 9-year-old girl when he was arrested by Postal Inspectors, and was held in custody without bail until his sentencing, scheduled for May. The investigation began in September 2007, when the suspect responded to an undercover Postal Inspector and distributed 40 photos and a video depicting infants and prepubescent minors engaged in sexually explicit conduct. In trade, the suspect requested that the Postal Inspector mail him six DVDs of child pornography, including two rape videos, to an address in Santa Cruz. Postal Inspectors determined the suspect was a transient who was using the address of a homeless shelter as well as various public sites with free Internet access to receive and distribute child pornography. Postal Inspectors also alleged the man had distributed child pornography over the Internet to numerous individuals. Further, he purportedly had arranged a meeting with a man who claimed he would allow the suspect to sexually assault his 7-year-old daughter.

## SECURITY AND CRIME PREVENTION

*As Chief Security Officer for the Postal Service, the Chief Postal Inspector is responsible for the physical protection of all postal facilities, personnel, and assets, as well as the Postal Service's information security program. The Chief Postal Inspector maintains liaison with other investigative and law enforcement agencies, including DHS, the Federal Emergency Management Agency (FEMA), and other national emergency coordinators.*

### SECURITY

#### *Security of Postal Assets*

Postal Inspectors and staff from the Postal Service's Mail Transportation Equipment (MTE) office worked on the Equipment Recovery Project during the first half of FY 2009. The goal of the project is to recover stolen or misused postal pallets and flat tubs from nonpostal locations across the country.

Postal Inspectors found that existing procedures lacked adequate accountability and tracking. Some offices dispatched equipment to customers without verifying their needs or without being requested to do so. Postal Inspectors presented management with recommendations to improve current procedures. In addition to successfully recovering equipment, they also initiated three criminal investigations in San Francisco and Miami related to the illegal sale of stolen pallets and tubs.

In the Miami case, a CEO and his pallet company pled guilty in March to theft of postal property after Postal Inspectors found his company had misappropriated and resold more than 21,000 Postal Service pallets, valued at \$19.95 each. The CEO cooperated with the investigation and returned thousands of the pallets, reducing the net loss to the Postal Service. Sentencing is scheduled for June, with a recommended order of restitution set at nearly \$420,000, which includes the cost of the investigation.

As internal controls for MTE have improved and awareness of the problem grows, more postal equipment is being located and returned to circulation. To date in FY 2009, Postal Inspectors have recovered 52,559 plastic pallets and other postal equipment with an estimated total value of more than \$1.9 million.

#### *Personnel Security*

The Postal Inspection Service's Security Investigations Service Center processed approximately 55,000 applications for security clearances in the first 6 months of FY 2009. The majority of applications were from postal contractors, who are required to have some level of security clearance before they gain access to mail or postal facilities. Postal Inspection Service staff initiates all background investigations for employees and contractors. Once the investigations are complete, they digitize them for speedy access and archiving. On its completion, it is estimated that this will save the Postal Service hundreds of thousands of dollars in records storage, retrieval, and supply costs.

#### *Security Force*

The Postal Inspection Service maintains an armed, uniformed security force of Postal Police Officers (PPOs) to provide ongoing protection for postal employees, mail, and property. PPOs are assigned to facilities considered most at risk for crime. The presence of officers serves as a deterrent to criminal activity and creates an environment conducive to the safety of postal employees and customers.

#### *Access Control Protection for Postal Facilities*

The Postal Inspection Service teamed with Postal Service staff from the Information Technology and Facilities offices to deploy the Enterprise Physical Access Control System (ePACS). ePACS is a security system that links the Postal Service's computerized access control systems nationwide through its local area network. When actions are taken in one system, such as an employee termination or a suspension of access, they are reflected system-wide. ePACS significantly enhances the security of postal employees, facilities, and assets.

Postal Inspectors and postal staff pilot-tested ePACS at four facilities in the Great Lakes Area, and it has since been installed at more than 175 facilities nationwide. In the first half of FY 2009, work began on updating the access control system at National Headquarters to meet the new ePACS standard. The new system will be one of the largest ePACS sites nationally, comprising more than 3,500 employees, 1,000 contractors, and 130 card readers.

**Facility Security Reviews**

Postal Inspectors worked with staff from the Postal Service's Facilities office during the first half of the fiscal year to conduct risk assessments of new postal facilities. The assessments are designed to ensure that appropriate security measures are incorporated into construction plans for the facilities. This practice assures that facilities offer appropriate protection for postal employees, customers, and assets.

**Infrastructure Security Assessment Program**

The Infrastructure Security Assessment Program was developed during the first half of FY 2009. It uses standardized methodology to assess security and measure compliance with Postal Service and Postal Inspection Service security initiatives at postal installations throughout the country.

The program consists of a series of questions used by Postal Inspectors concerning such issues as physical security, mail security, and internal security, which they answer through onsite observations, document reviews, and interviews of facility personnel. At the conclusion of each assessment, the reviewer and the facility manager develop an improvement plan to mitigate any deficiencies identified in the assessment. Postal Inspectors and Homeland Security Coordinators visited 6,053 installations during FY 2009 as part of this initiative.

**National Law Enforcement Communication Center**

Under the Joint Mission Support Center, Postal Inspection Service staff operates the two National Law Enforcement Communication Center (NLECC) facilities at Dulles, VA, and Ft. Worth, TX. The facilities feature a national law enforcement radio network, which staff uses to monitor intrusion-detection systems at Postal Service facilities. The NLECC also provides after-hours emergency phone coverage for all Postal Inspection Service and OIG offices. Staff has access to law enforcement and intelligence information, such as the National Crime Information Center (NCIC), the International Justice and Public Safety Network (known as "Nlets"), and other confidential sources.

In the event of an electrical outage, each NLECC facility has uninterruptible power supplies and diesel generators to provide power for extended coverage. The NLECC design reflects critical post-9/11 coverage in support of the Postal Service's Integrated Emergency Management Plan (IEMP), which provides for continuity of operations for the Postal Service in the event of a power grid outage or a regional or national disaster.

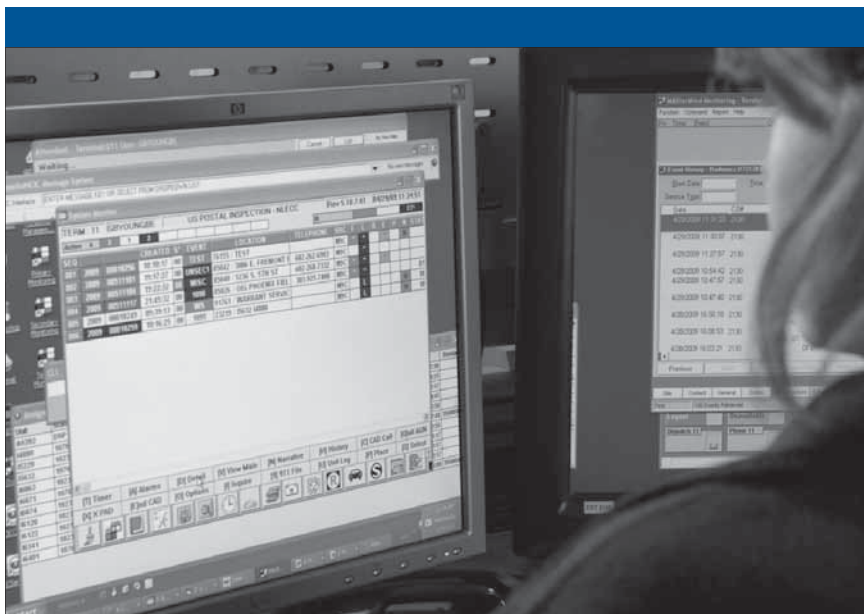
During the past 6 months, staff at NLECC alerted Postal Inspectors and local police to the scene of a homicide that occurred on postal property. Further, they assisted in apprehending three suspects who were caught in the act of burglarizing postal sites.

**HOMELAND SECURITY**

**National Preparedness**

During the first 6 months of FY 2009, the National Preparedness group continued to perform responsibilities related to incident management, infrastructure protection, hazmat security, and aviation mail security — all key activities in preparing for, responding to, and assisting with recovery from major incidents affecting postal employees and operations.

The goal of the Postal Inspection Service is to offer protection to employees and customers, provide for the security of the mail and the postal infrastructure, and ensure business continuity by anticipating threats to the



*National Law Enforcement Communication Center*

## HAZARDOUS MATERIAL

Postal Service. Managers at each of the nine postal areas and Homeland Security Coordinators for each district synchronize their work with Postal Inspectors nationwide to ensure readiness for all hazards, implement risk-mitigation plans and procedures, and deliver prompt, effective incident-response and recovery operations across the country. To accomplish this goal, the staff maintains a high level of national preparedness through coordinated planning and oversight.

The Postal Inspection Service continued to implement, manage, and refine emergency resources, including the Emergency Preparedness and Response-and-Recovery Services contracts; the Large-Capacity Power Generator Program; critical-reserve stockpile; Geo-Spatial Information Systems; and Test, Training, and Exercises. These resources guarantee “24-7-365” emergency coverage for all postal personnel and assets.

### HAZARDOUS MATERIAL

The Postal Inspection Service’s Hazmat Communications Plan promotes awareness of hazmat protocols and procedures for postal employees and customers. A series of hazmat-related articles and media tools were distributed during the first half of the fiscal year via the Postal Bulletin, internal newsletters, the *USPS News Link* e-mailed to all postal employees, and training.

The Postal Inspection Service continually reviews and re-evaluates its hazmat-related communications to ensure they reflect current needs. During the fiscal year to date, staff created Poster 318, Civil Penalties for Hazardous Mail, to make postal customers aware of the Postal Service’s right to assess civil penalties against customers who mail or cause to be mailed hazardous material. The poster was distributed to every postal retail lobby in January. The Postal Inspection Service is responsible for investigating any incidents related to the enforcement of civil penalties.

### *Test, Training, and Exercise Program*

This program ensures that Postal Service personnel, equipment, and procedures are in a constant state of readiness to manage an emergency without interruption. The Postal Inspection Service conducts, reviews, and evaluates training on proper procedures for emergency management personnel and other essential staff. Testing ensures that essential equipment and information systems, and the processes and procedures needed to use them, conform to proper specifications and are viable. The exercises promote preparedness; improve response

capabilities of individuals and functions; determine the effectiveness of command, control, and communications processes; and assure that all systems are appropriate.

The Postal Service participated in local and national emergency response tests to assess the integration of its facilities’ plans with other emergency response providers by testing local preparedness and continuity-of-operations plans. The activities were designed to improve coordination among Postal Service functional areas, minimize duplication of planning, and establish a standardized emergency management process.

In December, the Postal Inspection Service conducted Tabletop Exercises at three locations in Connecticut to test Postal Inspectors’ abilities to respond to multiple incidents. The exercises condensed a 7-hour simulation into a 3-hour period and tested Postal Inspectors’ use of the Incident Command System, communications, resources and assets, and strategic and tactical decision-making.

### *Natural and Man-Made Disasters*

The Postal Inspection Service responds to emergencies related to hurricanes, floods, fires, and other incidents affecting Postal Service operations. Staff coordinates the deployment of emergency equipment and supplies and assists with damage assessments and recovery, including hazardous and toxic-material removal. Safely removing hazardous materials from the postal system and educating employees and customers about nonmailable items are priorities of the Postal Inspection Service.

To ensure compliance with security measures, Postal Inspectors and National Preparedness staff each year conducts security-assessment reviews at postal facilities nationwide. The staff evaluates compliance with security requirements for building and vehicle security, accountable mail handling, and the local enforcement of employee identification requirements. Both before and after disasters, National Preparedness staff employs a wide array of tools and processes to establish performance measures that will ensure effective and cost-efficient security for employees, assets, and business operations.



## GLOBAL SECURITY AND INVESTIGATIONS

The mission of the Global Security and Investigations Division is to protect the Postal Service's international and military mail operations and related assets worldwide. In support of this mission, division personnel conduct domestic and international investigations and liaison with foreign postal administrations, security personnel, and other law enforcement agencies.

Postal Inspectors engage in mail security and prevention initiatives and investigative work in support of this mission. Postal Inspectors continue to work closely with the Postal Service's offices of Global Business and International Postal Affairs, as well as other stakeholders worldwide. Their efforts include security consulting and investigations with foreign postal administrations through the Postal Security Group (PSG) of the Universal Postal Union (UPU) and other international postal unions.

Investigations also continue at the five gateway cities: Miami, San Francisco, Los Angeles, Chicago, and New York, where Postal Inspection Service gateway task forces comprising Postal Inspectors and Special Agents work together to prevent mail theft, stop revenue loss, and ensure the security of international mail. Task force investigations have resolved significant security issues both in the United States and abroad. Following are examples of work conducted during the first half of FY 2009.

- In December, Postal Inspectors on the JFK Gateway Task Force arrested a contract employee of a cargo company for theft of mail. They had received numerous complaints regarding the non-receipt of international parcels: a majority involved military mail dispatched from the Newark Liberty International Airport and destined to overseas countries. Task force members quickly identified the contractor as a suspect and observed him wearing a jacket that appeared unusually bulky. Hidden inside they found three laptops that had been stolen from rifled parcels. The man's employment was terminated by the company.
- In November and December, Postal Inspectors on the Chicago Gateway Task Force investigated reports of mail theft at O'Hare International Airport. Losses included thefts of electronics and other mailed items originating on United Airlines flights destined to, or transferring through, Frankfurt, Germany. Task force members identified two temporary airline employees as suspects in the case. In January, task force members conducted an operation to verify that all mail leaving on two United Airlines flights was intact. They determined one dispatch had been opened and rifled. Postal Inspectors immediately stopped the two suspects and

arrested them after finding one in possession of a box cutter. A third Associated Labor Services employee was seen taking a mail sack to a receptacle labeled "rejects," which was later sliced open and rifled. Task force members arrested two employees and identified 15 contractors for theft of mail. As of January, all had lost their jobs.

### *U.S. National Central Bureau of Interpol*

The Global Security and Investigations Division supports international police cooperation through the contributions of two Postal Inspectors assigned to the U.S. National Central Bureau of Interpol in Washington, DC. An Assistant Inspector in Charge stationed there acts as Assistant Director for Interpol's Economic Crimes Division, overseeing an improved case assignment and management initiative that has resulted in significant reductions in active, unprocessed cases. He manages agents from the IRS, Secret Service, Environmental Protection Agency, and Immigration and Customs Enforcement, as well as senior analysts, all of whom coordinate the investigation of international financial crimes.

Also assigned at this location is a Postal Inspector who acts as a fraud representative and International Fugitive Coordinator. Since October, he has issued six "red notices" for wanted fugitives and responded to more than 45 requests for assistance from Postal Inspectors related to suspects being sought in other countries. Interpol's red notices allow a warrant to be circulated worldwide, and request that the wanted person be arrested with a view to extradition. Four Postal Inspection Service red notice fugitives have been extradited or otherwise returned to the United States in the past fiscal year.

### *International Security Agreements*

The Postal Service generates more than 40 percent of the world's mail, requiring a robust international security program to ensure that customers' correspondence is protected from pickup to delivery. The Global Security and Investigations Division partners with foreign law enforcement stakeholders and global security organizations in support of this important goal.

As a strategic center of commerce and business in Asia, Singapore represents a significant global connection to the United States. The Singapore Ministry of Home Affairs' Home Team Academy is responsible for training the Singapore Police Force, Singapore Civil Defense Force, Central Narcotics Bureau, Singapore Prison Service, Immigration and Checkpoints Authority, and the Internal Security Department.

The Postal Inspection Service hosted officials from Singapore to formalize a bilateral security agreement with that country. The agreement signals the start of a new partnership designed to ensure the security of financial instruments mailed between the United States and Asia-Pacific nations. The Postal Inspection Service also agreed to provide airport mail security training for public and private sector organizations whose activities affect the security of U.S. Mail.

This security agreement furthers the international security objectives of the Postal Inspection Service in Asia-Pacific and supports the aggressive growth strategy of the Postal Service's international business in the region.

## CYBER INTELLIGENCE

The mission of the Postal Inspection Service's Cyber Intelligence Division is to proactively address cyber crime affecting the Postal Service and its customers, and to develop solutions to mitigate threats through the following actions:

- Targeting high-value crime affecting the Postal Service and postal customers.
- Building and maintaining relationships with foreign and domestic law enforcement and intelligence agencies, businesses, and academic institutions.
- Providing timely, accurate reporting of cyber crime risks to Postal Service business ventures.
- Mitigating risks related to new postal products and business planning.

The Postal Service owns the third largest information technology (IT) infrastructure in the world. Similar to many other U.S. businesses, the Postal Service's international operations continue to expand.

All Postal Service operations — including mail processing, accounting, and payment systems — rely on its IT infrastructure. Further, postal customers rely on numerous web-based products, such as Click-N-Ship, change-of-address and "hold mail" services, and Post Office box payments. Given the size of its IT infrastructure, the Postal Service faces thousands of network attacks daily by criminals seeking access to its computers to create havoc or steal assets.

## *National Cyber Forensics and Training Alliance*

During the first half of FY 2009, the Postal Inspection Service continued its partnership with the National Cyber Forensics and Training Alliance (NCFTA), a nonprofit organization that works with law enforcement agencies, private industry, and academia to research cyber attacks. One initiative focused on malicious software.

An analysis of malware by Postal Inspection Service analysts at NCFTA led to the identification and arrests of 26 members of a Romanian organized crime ring. The investigation was led by the FBI in collaboration with Postal Inspectors and the Romanian National Police, with assistance from the Computer Incident Response Team, IT, and OIG Special Agents. The investigators alleged that 35 postal employees, including senior executives, had been targeted by malware attacks, also known as spear phishing. The employees received e-mails with attachments that appeared to be from organizations such as the Better Business Bureau, DOJ, IRS, *Monster.com*, SunTrust Bank, or the Federal Trade Commission. Once recipients opened the attachments, embedded malware allowed senders to capture recipients' key strokes, giving scammers access to personal information such as bank account passwords. The criminals then executed wire transfers to move money from victims' accounts to accounts under their control, and stole sensitive information from the Postal Service and other entities. Further, the criminals opened private mailboxes and Post Office boxes to receive fraudulent passports and other international IDs, fraudulently withdrew money from U.S. financial institutions, and wired the funds to accomplices in Romania. Losses were estimated to exceed \$1 million. The case, which is in various stages of prosecution, is being handled by DOJ's Computer Crimes and Intellectual Property Section, the Racketeering and Organized Crime Section, and the U.S. Attorney's Office in Cleveland, OH.

## *Counterfeit Financial Document Initiative*

The Postal Inspection Service continues to lead efforts in the prevention of schemes involving fraudulent financial transactions. The agency's Counterfeit Document Initiative was conceived to protect the integrity of mailed financial instruments and protect Americans from related schemes. Over the past several years, fake check scams have become a major consumer fraud concern in the United States.

Postal Inspection Service investigations and information gleaned from intelligence databases, customer complaints, and interdiction efforts continue to identify mail containing counterfeit postal money orders, traveler's checks, gift checks, and bank checks. The mailings typically originate in Nigeria and Ghana and, to a smaller extent, Benin and Togo. Individuals can become unwitting co-conspirators, in the United States and overseas, who are paid to re-ship fraudulently obtained items.

A common tactic used by scammers to disseminate fake checks without detection by U.S. authorities is to send bulk packages of counterfeits to the United Kingdom, where co-conspirators separate them into individual letters and mail them to the United States. From April 2008 through December 2009, Postal Inspectors seized \$572 million worth of counterfeit financial documents.

As a direct result of ongoing seizures of counterfeit financial documents and the Postal Inspection Service's active role in consumer-awareness campaigns, the Postal Service reported a decline in the number of counterfeit postal money orders received at the Federal Reserve Bank — from 5,058 money orders, totaling \$4.2 million, in October 2006, to 1,078 money orders, totaling \$936,984, in October 2008.

### **Reshipping Initiative**

A Postal Inspection Service initiative that began in FY 2008 to stop reshipping scams has resulted in improved protections for the Postal Service, business mailers, financial institutions, and individual consumers. As part of the initiative, Postal Inspectors blocked certain online shipments to countries with high levels of shipping fraud and implemented controls to detect parcels bearing counterfeit, duplicate, or altered mailing labels.

Based on collective intelligence, analyses of criminal behavior, and results compiled from the Reshipping Initiative, Postal Inspection Service staff provided recommendations to postal managers on the development of fraud software to protect the Postal Service's online products and services. The Postal Service implemented some of the recommendations in FY 2009 and, to date, more than 10,000 fraudulent accounts were prevented. Additionally, in November and December, Postal Inspectors prevented more than 12,000 fraudulent transactions totaling approximately \$1.7 million.

### **DIGITAL EVIDENCE SERVICE**

The Digital Evidence Service (DES) provides computer forensic and computer crime support to Special Agents and Postal Inspectors. In addition to offering computer forensic services, DES members also investigate various computer crimes, such as unauthorized computer access to Postal Service computers and networks.

Computer forensic labs are located in 19 Postal Inspection Service and OIG facilities across the United States. These labs are equipped with computer forensic hardware and software and have access to specialized forensic data infrastructure.

DES members forensically capture and analyze digital information. This valuable technical information is captured via state-of-the-art forensic methodologies both on-site and across computer networks. The data is collected in an evidentiary manner that can be produced in federal courts and administrative hearings and is supported by the expert testimony of DES personnel.

Core services offered by DES include:

- Forensic copying (imaging) of data from computer hard drives or other media (both on-site and from across networks). Capture of data may require immediate trips to postal facilities or corporations in order to collect the information from computers. The imaging of the data may be surreptitious or overt. Such support may entail imaging one computer or may involve support of a significant search warrant and the imaging of more than 50 computers across multiple facilities simultaneously.
- Forensic analysis of the collected data can be triaged on-site, but is routinely taken to the forensic labs for comprehensive analysis. Forensic reports are produced that highlight the findings.
- Unauthorized access or denial of access to Postal Service computer systems triggers investigations by the DES.

Specialized forensic services are provided in support of a wide variety of investigations involving Postal Service personnel such as:

- e-Mail extraction and analysis of Postal Service e-mails.
- Postal web log (web surfing) analysis.
- Real-time monitoring of computer activity.
- Collection and analysis of Internet-based data using special techniques.
- Technical undercover support.
- Technical Inspector General subpoenas for network information.
- Technical interrogation/interviewing of subjects and witnesses.

The Postal Service Computer Incident Response Team, located in Raleigh, NC, is a unit with which the DES is fully integrated, responding to computer security investigative inquiries and other investigations of OIG or Postal Inspection Service interests.

**DON'T BE THE VICTIM OF A RESHIPING SCAM!**

Have you been asked to receive packages at your home or business and mail them to someone else? Postal Inspectors advise: **Don't do it!**

Criminals use a variety of come-ons to trick people into reshipping fraud. See if you recognize one of these scenarios:

**Work-at-Home Scams**

Criminals post phony job announcements on Internet career sites offering positions such as "merchandising manager," "package processing assistant," or a similar title. Job duties include receiving packages and remailing them to a foreign address on behalf of a client. They may even send you postage-paid mailing labels.

Here's a sample reshipping job offer:

**WANTED!**  
Packaging processing manager needed (Job #1852)  
**MAIL PACKAGES** from home without leaving your current job. Easy! Ship parcels from our clients. Get paid \$24 per parcel. Info at our corporate Web site: [www.internationalcargo-logisticsmanagement.biz/vacancies/](http://www.internationalcargo-logisticsmanagement.biz/vacancies/)

The real story? A criminal has purchased merchandise with stolen credit cards and needs your help to smuggle the goods out of the country. The company

UNITED STATES POSTAL SERVICE®

*The Postal Inspection Service published Notice 129, Don't Be the Victim of a Reshipping Scam, in November 2009 to help educate the American public about these scams, conducted via the mail that can result in thousands of dollars in victim losses. In November and December, Postal Inspectors prevented more than 12,000 fraudulent transactions, totaling approximately \$1.7 million.*

### Project Phoenix

The Postal Service is developing new and replacement products and services via its Internet website, [www.usps.com](http://www.usps.com). Postal Inspection Service personnel contributed to the planning and design of these services, offering security-related recommendations to mitigate cyber crimes that target vulnerabilities in purchase and payment systems and exploit customers' financial information. Postal Inspection Service recommendations ensure the appropriate authentication of user registration credentials, minimize opportunities for criminals to take over accounts of registered users, and capture information that can detect fraud. The Postal Inspection Service is continuing to seek new investigative tools that can effectively and rapidly respond to criminal exploits of postal systems.

## CONSUMER EDUCATION AND FRAUD PREVENTION

Postal Inspectors lead anti-fraud projects and work with other agencies and groups to teach Americans how to protect themselves from fraudulent scams that involve the mail. An educated public is the first line of defense against con artists, and Postal Inspectors are committed to helping Americans learn about fraud prevention. Programs led by the Postal Inspection Service, often working with Postal Service staff, draw attention to recent fraud trends to help postal customers become more aware of fraudulent products, materials, and services that may rely on the mail, and to improve the public's knowledge of how to combat fraud.

### 2009 National Consumer Protection Week

During National Consumer Protection Week (NCPW), federal, state, and local agencies; private-sector organizations; and consumer advocacy groups band together to encourage Americans to learn about legal protections available and to take full advantage of the resources that can help consumers of every age. This year's NCPW, held March 1 through 7, featured the theme, "Survive Today's Economy: Avoid ID Theft and Fraudulent Schemes," and was designed to educate consumers about making wise purchase decisions and avoiding scams. The FTC organized a coalition of public- and private-sector organizations to provide practical tips on a wide range of topics. The tips were made available at [www.consumer.gov/ncpw](http://www.consumer.gov/ncpw).

The Postal Service, working with the Postal Inspection Service and the FTC, augmented the national theme through its events, titled "Nuts and Bolts: Tools for Today's Economy," to warn customers about the dangers of identity theft and fraudulent mailing schemes. Throughout the week, Postal Inspectors and other postal employees worked to educate customers by hosting hundreds of events at postal facilities nationwide, as well as at senior centers, libraries, community centers, and churches. Postal Inspectors also spoke with media representatives and distributed DVDs and brochures explaining steps to avoid threats posed by identity theft and mail fraud.

### Fraud-Prevention Information for Postal Employees and Customers

The Postal Inspection Service offers consumer-fraud information, fraud alerts, wanted and reward posters, and related information on its website: [www.usps.com/postalinspectors](http://www.usps.com/postalinspectors). Postal customers can report suspected identity theft, mail theft or tampering, mailbox vandalism, and mail fraud online at the site.

In the first half of FY 2009, the Postal Inspection Service published an updated edition of Publication 162, *Because the Mail Matters*, which provides an overview of the agency to inform postal customers and employees about its broad range of services. Postal Inspection Service staff also published a new guide for consumers, Notice 129, *Don't Be the Victim of a Reshipping Scam*. These and a host of other fraud-prevention publications are available online for viewing and printing at the Postal Inspection Service's website.

**Victim-Witness Assistance Program**

Federal legislation mandating certain rights for victims and witnesses of crime was initially passed in 1982. As part of the Victim Witness Protection Act, Congress instructed the Attorney General to assure that all federal law enforcement agencies adopt guidelines consistent with the purpose of the act and related legislation. The Crime Victim Rights Act added the most far-reaching legislation to date supporting victim rights.

The Postal Inspection Service works with the DOJ and the law enforcement community to support the Attorney General's Guidelines for Victims and Witnesses. The Postal Inspection Service's responsibility is to identify potential victims related to its criminal investigations, provide them with timely notification of their rights, and inform them of the services available to assist them.

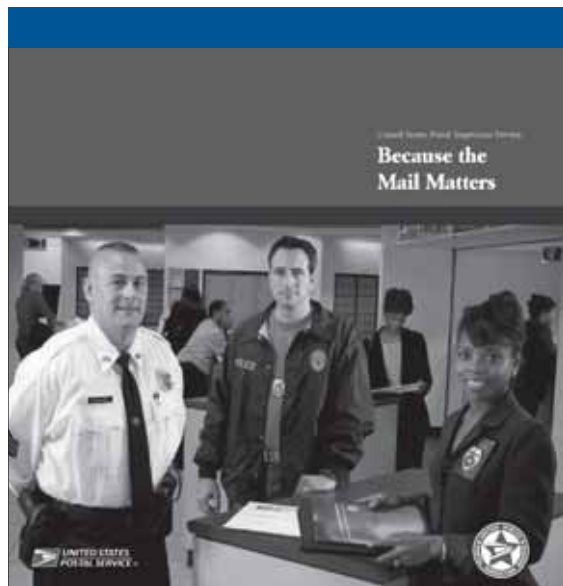
Beyond legal mandates, victims may require the personal attention of a trained staff member — which often proves to be the service most valued and remembered by customers. By identifying victims at the beginning of the investigation, the U.S. Attorney's Office can keep victims apprised of significant events during the judicial process. If defendants are incarcerated, the Bureau of Prisons continues to keep the victims apprised of incarcerated events up to the defendant's release.

The Postal Inspection Service is only the second federal law enforcement agency to gain direct access to DOJ's Victim Notification System. Access was granted due to the high volume of Postal Inspection Service investigations that affect large numbers of victims.

Victim Outreach	First 6 Months of FY 2009
Notifications	48,758
Information and Referrals	1,457
Criminal Justice Support	1,652
Identity Theft Assistance	952
Senior Assistance	100
Victim Advocacy	480



*In announcing plans for the NCPW, the Acting Chief Postal Inspector said "Spreading awareness about fraud makes a criminal's job harder. The best way for customers to protect themselves is to learn how to avoid fraudulent schemes such as reshipping scams, fraud on the Internet, and work-at-home schemes."*



*Publication 162, Because the Mail Matters, provides a snapshot of the history, mission, and operations of the Postal Inspection Service. It cites Postal Inspector arrests and convictions related to investigations of mail fraud, mail theft, identity theft, and other crimes with a mail nexus. To view this and many other publications from the Postal Inspection Service, visit [www.usps.com/postalinspectors](http://www.usps.com/postalinspectors).*

## APPENDICES

The Inspector General Act of 1978 requires semiannual reports on the immediately preceding 6-month periods ending September 31 and March 31. These reports are sent to Congress and made available to the public.

This report summarizes OIG and Postal Inspection Service activities and illustrates significant problems, abuses, and deficiencies, along with recommendations and corrective actions related to the administration of U.S. Postal Service programs and operations during the reporting period.

The appendices on the following pages fulfill the requirements of the Act.

### APPENDIX A

#### Reports Issued to Postal Service Management

For the period October 1, 2008 – March 31, 2009

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

##### Definitions:

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

**Unsupported Costs.** A cost that is not supported by adequate documentation. Unsupported costs are included with the amounts shown as Questioned Costs.

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

**Revenue Impact.** Amounts from revenue generating functions such as retail sales, rent, leases, or fees that were underpaid or not realized. In addition, this category includes increased revenue from existing functions and generating revenue from new sources.

Management Goals	Number of Reports	Funds Put to Better Use	Questioned Costs	Unsupported Questioned Cost	Revenue Impact
Focusing on What Matters to Customers	27	\$45,939,192	\$8,631,780	\$112,921	\$243,267,335
Leveraging the Postal Service's Strengths	22	\$64,512,332	\$66,754,774	\$43,443,315	–
Embracing Change	7	\$1,674,953	–	–	–
Regulatory Studies and Reporting Obligations	138	\$70,572	\$5,119,076	\$4,604,605	\$791,393
Preserving Integrity	22	\$127,831,661	\$77,474,455	\$76,850,698	–
<b>TOTAL</b>	<b>216</b>	<b>\$240,028,710</b>	<b>\$157,980,085</b>	<b>\$125,011,539</b>	<b>\$244,058,728</b>

## Reports With Quantifiable Potential Monetary Benefits

	Funds Put to Better Use	Questioned Costs	Unsupported Costs	Revenue Impact
<b>FOCUSING ON WHAT MATTERS TO CUSTOMERS</b>				
<b>Delivery</b>				
Vehicle Maintenance Facilities — Scheduled Maintenance Service in the Capital Metro Area; DR-AR-09-003; 1/27/2009	\$17,951,396	–	–	–
Vehicle Maintenance Facilities — Scheduled Maintenance Service in the Northeast Area; DR-AR-09-001; 12/9/2008	\$14,817,650	–	–	–
Vehicle Warranty Claims Process; DR-AR-09-004; 1/30/2009	\$619,279	\$2,920,451	–	–
<b>Engineering</b>				
Philadelphia Metropolitan District: Overall Equipment Effectiveness; DA-AR-09-003; 1/14/2009	\$10,073,884	\$5,036,942	–	–
<b>Field Financial</b>				
Baltimore District Financial Risk Audit; FF-AR-09-123; 3/20/2009	–	\$179,124	\$14,097	–
Bay-Valley District Financial Accountability Audit; FF-AR-09-087; 2/9/2009	–	\$351,227	\$86,613	\$13,705
Olivette Branch and Automated Postal Center — St. Louis, MO; FF-AR-09-040; 12/11/2008	–	\$8,098	\$8,098	–
Sierra Coastal District — Risk-Based Financial Audit; FF-AR-09-072; 1/15/2009	–	\$135,938	\$4,113	–
<b>Network Processing</b>				
Powered Industrial Vehicle Management System at the Louisville, KY, Processing and Distribution Center; NO-AR-09-001; 12/3/2008	\$1,981,643	–	–	–
<b>Sales &amp; Service</b>				
Shortpaid Information-Based Indicia Stealth Postage; MS-AR-09-005; 3/17/2009	–	–	–	\$98,951,714
Shortpaid Postage — Information-Based Indicia Parcel Post Mail; MS-AR-09-002; 10/14/2008	–	–	–	\$47,672,280
Shortpaid Postage — Information-Based Indicia Priority Mail; MS-AR-09-001; 10/10/2008	–	–	–	\$96,629,636
<b>Transportation</b>				
U.S. Virgin Islands Delayed Mail — Transportation Issues; NL-AR-09-003; 3/19/2009	\$495,340	–	–	–
<b>LEVERAGING THE POSTAL SERVICE'S STRENGTHS</b>				
<b>Cost, Revenue, &amp; Rates</b>				
Controls Over International Air Transportation Payments; CRR-AR-09-003; 3/5/2009	–	\$3,951,771	–	–
Controls Over Supervisor Leave; CRR-AR-09-002; 1/23/2009	\$5,442,928	\$1,759,631	–	–
<b>Financial Reporting</b>				
Capital Metro Distribution Office; FT-AR-09-008; 1/30/2009	–	\$415,200	\$415,200	–
<b>Supply Management</b>				
Audit of a Proposal Submitted by Lockheed Martin Systems Integration; CA-CAR-09-007; 2/10/2009	–	\$522,127	–	–
Audit of Portions of a Termination for Convenience Settlement Proposal Submitted by Northrop Grumman Electronic Systems Company; CA-CAR-09-011; 3/16/2009	–	\$475,322	–	–
Audit of Proposal Submitted by Key Handling Systems, Incorporated; CA-CAR-09-003; 11/20/2008	–	\$2,157,744	\$1,111,401	–
Systems Integration, Owego, Distribution Technologies Proposal Submitted by Lockheed Martin; CA-CAR-09-004; 12/24/2008	–	\$6,230,881	–	–
The Postal Service's Certification Process for Non-Mail Freight Transportation Invoices; CA-AR-09-002; 2/18/2009	–	\$41,916,714	\$41,916,714	–

APPENDIX A

	Funds Put to Better Use	Questioned Costs	Unsupported Costs	Revenue Impact
<b>Transportation</b>				
Air Networks — Federal Express Transportation Agreement — Southwest Area; NL-AR-09-002; 3/3/2009	\$44,309,475	\$8,995,521	–	–
Postal Vehicle Service Transportation Routes — Minneapolis Processing and Distribution Center; NL-AR-09-001; 2/13/2009	\$9,343,066	–	–	–
Vehicle Management — National Trailer Lease Renewal — Great Lakes Area; NL-AR-09-004; 3/26/2009	\$5,416,863	\$329,863	–	–
<b>EMBRACING CHANGE</b>				
<b>Sales &amp; Service</b>				
Revenue Generation by Automated Postal Centers; MS-AR-09-003; 11/7/2008	\$1,674,953	–	–	–
<b>REGULATORY STUDIES AND REPORTING OBLIGATIONS</b>				
<b>Fiscal Year 2008 Financial Installation Audit</b>				
Cumberland Post Office — Cumberland, MD; FF-AR-09-041; 12/12/2008	–	–	–	\$1,358
<b>Fiscal Year 2008 Postal Service Financial Statement Audits</b>				
Control Issues; FT-MA-09-002; 1/20/2009	–	\$244,046	\$244,046	\$53,475
St. Louis Information Technology and Accounting Service Center; FT-AR-09-009; 2/23/2009	\$35,080	\$8,122	–	–
<b>Fiscal Year 2009 Financial Installation Audit</b>				
Akron Business Mail Entry Unit — Akron, OH; FF-AR-09-119; 3/17/2009	–	\$3,791	\$3,791	–
Alderson Business Mail Entry Unit — Alderson, WV; FF-AR-09-070; 1/13/2009	–	\$2,041,675	\$2,041,675	–
Alton Business Mail Entry Unit — Alton, IL; FF-AR-09-075; 1/15/2009	–	–	–	\$11,529
Anson Jones Station — Houston, TX; FF-AR-09-054; 12/23/2008	–	\$5,570	\$5,391	–
Arlington Station — Jacksonville, FL; FF-AR-09-125; 3/19/2009	–	\$9,775	\$9,775	\$445
Asbury Park Business Mail Entry Unit — Asbury Park, NJ; FF-AR-09-106; 2/27/2009	–	\$3,480	\$3,480	–
Bellingham Post Office — Bellingham, MA; FF-AR-09-039; 12/10/2008	–	\$33,661	\$1,921	\$5,830
Boerne Business Mail Entry Unit — Boerne, TX; FF-AR-09-121; 3/18/2009	–	\$331,835	\$331,835	–
BOI-Five Mile Station V — Boise, ID; FF-AR-09-053; 12/23/2008	–	\$5,941	\$4,554	–
Bryant Station — Long Beach, CA; FF-AR-09-110; 3/5/2009	–	\$12,862	–	–
Buffalo Business Mail Entry Unit — Buffalo, NY; FF-AR-09-022; 11/20/2008	–	–	–	\$5,851
Champaign Post Office — Champaign, IL; FF-AR-09-018; 11/20/2008	–	\$3,618	\$1,125	\$321
Cincinnati Business Mail Entry Unit — Cincinnati, OH; FF-AR-09-098; 3/26/2009	–	\$69,382	\$69,382	\$17,318
Colchester Post Office — Colchester, VT; FF-AR-09-010; 11/7/2008	–	–	–	\$1,665
Conway Business Mail Entry Unit — Conway, SC; FF-AR-09-131; 3/26/2009	–	–	–	\$1,685
Denver General Mail Facility — Denver, CO; FF-AR-09-047; 12/17/2008	–	\$5,326	\$5,326	\$322,781
Downingtown Post Office — Downingtown, PA; FF-AR-09-069; 1/9/2009	–	\$51,370	\$1,093	–
Durham Business Mail Entry Unit — Durham, NC; FF-AR-09-091; 2/10/2009	–	–	–	\$2,523
El Monte Main Post Office — El Monte, CA; FF-AR-09-095; 2/17/2009	–	\$7,934	–	\$1,469
Fallon Main Post Office — Fallon, NV; FF-AR-09-130; 3/26/2009	\$19,393	–	–	–
Forest Post Office — Forest, VA; FF-AR-09-103; 2/24/2009	–	\$29,707	–	\$24,118
Fort Lauderdale Main Post Office — Fort Lauderdale, FL; FF-AR-09-046; 12/17/2008	–	\$2,255	\$2,255	\$3,368



	Funds Put to Better Use	Questioned Costs	Unsupported Costs	Revenue Impact
Frederick Post Office — Frederick, MD; FF-AR-09-115; 3/16/2009	–	\$12,649	\$1,739	\$11,888
Glen Mills Business Mail Entry Unit — Glen Mills, PA; FF-AR-09-128; 3/25/2009	–	\$209,541	\$209,541	\$582
Helena Business Mail Entry Unit — Helena, MT; FF-AR-09-078; 1/23/2009	–	–	–	\$1,392
High-Risk Contract Postal Units; FF-MA-09-003; 3/31/2009	–	\$101,883	\$25,240	–
Industry General Mail Facility Business Mail Entry Unit — City of Industry, CA; FF-AR-09-068; 1/8/2009	–	–	–	\$2,120
LaFayette Business Mail Entry Unit — LaFayette, GA; FF-AR-09-114; 3/16/2009	–	–	–	\$1,690
Latrobe Business Mail Entry Unit — Latrobe, PA; FF-AR-09-076; 1/15/2009	–	–	–	\$121,654
Los Angeles Airport Station — Los Angeles, CA; FF-AR-09-012; 11/13/2008	–	\$5,418	–	\$2,307
Lukeville Post Office — Lukeville, AZ; FF-AR-09-094; 2/17/2009	–	\$1,158	\$1,158	\$589
Main Office Window Service Post Office — Trenton, NJ; FF-AR-09-061; 1/8/2009	–	–	–	\$15,517
Marysville Business Mail Entry Unit — Marysville, CA; FF-AR-09-073; 1/13/2009	–	\$41,319	\$41,319	\$1,182
Merrifield Business Mail Entry Unit — Merrifield, VA; FF-AR-09-014; 11/19/2008	–	–	–	\$3,103
Moncks Corner Business Mail Entry Unit — Moncks Corner, SC; FF-AR-09-011; 11/6/2008	–	–	–	\$1,120
New York Main Post Office — New York, NY; FF-AR-09-060; 12/29/2008	–	\$172,579	\$14,454	\$40,920
Norman Main Post Office — Norman, OK; FF-AR-09-097; 2/18/2009	–	\$83,788	\$83,788	\$7,545
North Dartmouth Post Office — North Dartmouth, MA; FF-AR-09-056; 12/26/2008	–	\$39,407	\$39,407	–
Olive Branch Business Mail Entry Unit — Olive Branch, MS; FF-AR-09-093; 2/12/2009	–	\$18,590	\$18,590	–
Ontario Business Mail Entry Unit — Ontario, CA; FF-AR-09-065; 1/6/2009	\$16,099	\$266,404	\$266,404	–
Perkins Branch — Sacramento, CA; FF-AR-09-096; 2/18/2009	–	\$11,626	\$605	\$12,619
Pittsburgh General Mail Facility Finance Station — Pittsburgh, PA; FF-AR-09-133; 3/31/2009	–	–	–	\$66,639
Poughkeepsie Business Mail Entry Unit — Poughkeepsie, NY; FF-AR-09-108; 3/3/2009	–	–	–	\$12,542
Princeton Post Office — Princeton, MO; FF-AR-09-062; 12/30/2008	–	–	–	\$1,442
Red Bank Business Mail Entry Unit — Eatontown, NJ; FF-AR-09-082; 2/2/2009	–	\$717,965	\$717,965	\$2,902
San Bernardino General Mail Facility Window Service — Redlands, CA; FF-AR-09-009; 11/6/2008	–	\$8,810	–	\$841
San Luis Rey Station — Oceanside, CA; FF-AR-09-104; 2/26/2009	–	\$1,028	–	\$2,608
St. Petersburg Main Post Office — St. Petersburg, FL; FF-AR-09-089; 2/18/2009	–	\$2,509	\$2,000	–
Sterling Main Post Office — Sterling, VA; FF-AR-09-111; 3/5/2009	–	\$4,969	\$476	–
Tempe Main Post Office — Tempe, AZ; FF-AR-09-100; 2/23/2009	–	\$794	\$794	\$10,505
Van Nuys Main Post Office — Van Nuys, CA; FF-AR-09-085; 2/5/2009	–	\$29,594	–	\$12,461
Versailles Business Mail Entry Unit — Versailles, KY; FF-AR-09-099; 2/20/2009	–	\$448,189	\$448,189	–
Wapato Main Post Office — Wapato, WA; FF-AR-09-042; 12/10/2008	–	–	–	\$950
Westgate Branch Post Office — Rochester, NY; FF-AR-09-134; 3/31/2009	–	\$5,704	\$5,704	\$1,856
Yuma Foothills Station — Yuma, AZ; FF-AR-09-126; 3/20/2009	–	\$1,602	\$1,583	\$683
<b>Human Capital</b>				
Workplace Safety and Injury Reduction Goals in Selected Capital Metro Area Facilities; HM-AR-09-001; 2/27/2009	–	\$63,200	–	–

**APPENDIX A**

	Funds Put to Better Use	Questioned Costs	Unsupported Costs	Revenue Impact
<b>PRESERVING INTEGRITY</b>				
<b>Delivery</b>				
Management of City Letter Carriers' Street Performance; DR-MA-09-001 ( R ); 2/23/2009	\$1,040,235	–	–	–
Radio Frequency Identification Technology: Asset Management; DA-AR-09-002; 12/24/2008	\$126,791,426	–	–	–
<b>Field Financial</b>				
Fiscal Year 2008 Eastern Area SmartPay® Purchase Card Program; FF-AR-09-002; 10/21/2008	–	\$26,745	\$13,403	–
Fiscal Year 2008 New York Metro Area SmartPay® Purchase Card Program; FF-AR-09-028; 11/28/2008	–	\$63,000	\$63,000	–
Fiscal Year 2008 Northeast Area SmartPay® Purchase Card Program; FF-AR-09-001; 10/22/2008	–	\$36,263	\$36,263	–
<b>Inspection Service &amp; Facilities</b>				
Maintenance Facility Repairs; SA-AR-09-002; 12/16/2008	–	\$2,927,732	\$2,927,732	–
National Leased Facility Maintenance Responsibility; SA-AR-09-003; 3/31/2009	–	\$520,938	–	–
<b>Supply Management</b>				
Controls Over Delegation of Authority for Medical Agreements; CA-AR-09-001; 10/17/2008	–	\$5,866,413	\$5,846,330	–
Postal Service Oversight of Extra Highway Transportation Contract Trips; CA-AR-09-003; 2/27/2009	–	\$68,033,364	\$67,963,970	–
<b>TOTAL</b>	<b>\$240,028,710</b>	<b>\$157,980,085</b>	<b>\$125,011,539</b>	<b>\$244,058,728</b>

**Report Listing**

For the period October 1, 2008 – March 31, 2009

Complete listing of all OIG reports issued to Postal Service management.

**FOCUSING ON WHAT MATTERS TO CUSTOMERS**

**Delivery**

Timeliness of City Delivery in the U.S. Virgin Islands; DR-AR-09-002; 12/31/2008

Vehicle Maintenance Facilities — Scheduled Maintenance Service in the Capital Metro Area; DR-AR-09-003; 1/27/2009

Vehicle Maintenance Facilities — Scheduled Maintenance Service in the Northeast Area; DR-AR-09-001; 12/9/2008

Vehicle Warrantly Claims Process; DR-AR-09-004; 1/30/2009

**Engineering**

New York District Building Equipment Maintenance; DA-AR-09-006; 3/31/2009

Philadelphia Metropolitan District: Overall Equipment Effectiveness; DA-AR-09-003; 1/14/2009

Retail Technology Strategy: Automated Postal Centers; DA-AR-09-004; 1/26/2009

**Field Financial**

Baltimore District Financial Risk Audit; FF-AR-09-123; 3/20/2009

Bay-Valley District Financial Accountability Audit; FF-AR-09-087; 2/9/2009

Briarcliff and Midtown Station Self-Service Postal Centers — Atlanta, GA; FF-AR-09-038 ( R ); 12/11/2008

Fiscal Year 2008 Limited Scope Audit — Brentwood Retail Branch — Brentwood, MO; FF-AR-09-027; 11/28/2008

Olivette Branch and Automated Postal Center — St. Louis, MO; FF-AR-09-040; 12/11/2008

Sierra Coastal District — Risk-Based Financial Audit; FF-AR-09-072; 1/15/2009

**Network Optimization**

Benchmarking Postal Service Parcel Productivity; EN-MA-09-002; 3/31/2009

Business Rules for Modern Service Standards; EN-AR-09-002; 3/12/2009

Time-Definite Surface Network Risk Mitigation; EN-MA-09-001; 3/20/2009

**Network Processing**

Allegations Concerning Operations and Service in the Philadelphia Customer Service District; NO-MA-09-001; 3/30/2009

External First-Class Measurement System; NO-AR-09-003; 2/6/2009

Follow-Up Audit on the Timeliness of Mail Processing and Delivery Operations in the Chicago District; NO-AR-09-005; 2/26/2009

Powered Industrial Vehicle Management System at the Louisville, KY, Processing and Distribution Center; NO-AR-09-001; 12/3/2008

Timeliness of Mail Processing at the San Juan Processing and Distribution Center; NO-AR-09-002; 1/29/2009

### Sales & Service

Cooperative Mail Rule Exception; MS-AR-09-004; 2/20/2009

Management Controls at Contractor-Operated Mail Processing Facilities; MS-MA-09-001; 10/22/2008

Shortpaid Information-Based Indicia Stealth Postage; MS-AR-09-005; 3/17/2009

Shortpaid Postage — Information-Based Indicia Parcel Post Mail; MS-AR-09-002; 10/14/2008

Shortpaid Postage — Information-Based Indicia Priority Mail; MS-AR-09-001; 10/10/2008

### Transportation

U.S. Virgin Islands Delayed Mail — Transportation Issues; NL-AR-09-003; 3/19/2009

## LEVERAGING THE POSTAL SERVICE'S STRENGTHS

### Cost, Revenue, & Rates

Controls Over International Air Transportation Payments; CRR-AR-09-003; 3/5/2009

Controls Over Supervisor Leave; CRR-AR-09-002; 1/23/2009

### Engineering

Flats Sequencing System: Program Status; DA-AR-09-001; 12/23/2008

### Financial Reporting

Contract Postal Unit Bonding; FT-AR-09-005; 12/10/2008

Capital Metro Distribution Office; FT-AR-09-008; 1/30/2009

### Supply Management

Accounting System of Motorola, Incorporated, U.S. Federal Government Markets Division; CA-CAR-09-005; 1/15/2009

Audit of a Forward Pricing Rate Proposal Submitted by Siemens Energy and Automation Incorporated, Infrastructure Logistics Division; CA-CAR-09-010; 3/4/2009

Audit of a Proposal Submitted by Lockheed Martin Systems Integration; CA-CAR-09-007; 2/10/2009

Audit of an Equitable Adjustment Claim Submitted by Thoroughbred Direct Intermodal Services, Incorporated; CA-CAR-09-009; 2/19/2009

Audit of Incurred Costs by Noblis, Incorporated for Fiscal Year 2006; CA-CAR-09-008; 2/10/2009

Audit of Incurred Costs of Electronic Data Systems, Federal Segment for Fiscal Year 2006; CA-CAR-09-006; 1/26/2009

Audit of Portions of a Termination for Convenience Settlement Proposal Submitted by Northrop Grumman Electronic Systems Company; CA-CAR-09-011; 3/16/2009

Audit of Proposal Submitted by Key Handling Systems, Incorporated; CA-CAR-09-003; 11/20/2008

Equitable Adjustment Proposal Submitted by Northrop Grumman Electronic Systems Company; CA-CAR-09-002; 11/4/2008

Management of Contract Changes — Flats Sequencing System; CA-MA-09-002; 12/1/2008

Procurement Savings and Performance Indicators at Ryder Integrated Logistics Incorporated for the Period September 1, 2006 through June 30, 2007; CA-CAR-09-001; 10/10/2008

Systems Integration, Owego, Distribution Technologies Proposal Submitted by Lockheed Martin; CA-CAR-09-004; 12/24/2008

The Postal Service's Certification Process for Non-Mail Freight Transportation Invoices; CA-AR-09-002; 2/18/2009

Trends and Issues in Defense Contract Audit Agency Audit Work for Fiscal Years 2007 and 2008; CA-MA-09-001; 10/6/2008

### Transportation

Air Networks — Federal Express Transportation Agreement — Southwest Area; NL-AR-09-002; 3/3/2009

Postal Vehicle Service Transportation Routes — Minneapolis Processing and Distribution Center; NL-AR-09-001; 2/13/2009

Vehicle Management — National Trailer Lease Renewal — Great Lakes Area; NL-AR-09-004; 3/26/2009

## EMBRACING CHANGE

### Engineering

Recycling Opportunities — Pacific Area; DA-AR-09-005; 3/31/2009

### Information Systems

Intelligent Mail Barcode Project Planning and Application Development Life Cycle; IS-AR-09-006; 3/31/2009

### Network Optimization

Area Mail Processing Communications; EN-AR-09-001; 2/4/2009

### Network Processing

Metroplex Processing and Distribution Center Activation; NO-AR-09-004; 2/13/2009

### Sales & Service

Intelligent Mail/Seamless Acceptance Project Management; MS-AR-09-006; 3/31/2009

Revenue Generation by Automated Postal Centers; MS-AR-09-003; 11/7/2008

Stamp Distribution Operations; MS-MA-09-002; 1/12/2009

## REGULATORY STUDIES AND REPORTING OBLIGATIONS

### Cost, Revenue, & Rates

Data Quality Issues with the City Carrier Street Time Study; CRR-AR-09-001; 1/21/2009

### Fiscal Year 2008 Financial Installation Audit

Automated Postal Centers; FF-AR-09-029; 12/2/2008

Business Mail Entry Units; FF-AR-09-052; 12/22/2008

Cumberland Post Office — Cumberland, MD; FF-AR-09-041; 12/12/2008

## APPENDIX A

Negative Master Trust Balance at the Kansas City Stamp Fulfillment Services Store; FF-MA-09-001; 10/10/2008

Post Offices, Stations, and Branches; FF-AR-09-055; 12/26/2008

Self-Service Postal Centers; FF-AR-09-034; 12/4/2008

### Fiscal Year 2008 Postal Service Financial Statement Audits

Control Issues; FT-MA-09-002; 1/20/2009

Washington, DC, Headquarters; FT-AR-09-007; 1/16/2009

San Mateo Information Technology and Accounting Service Center; FT-AR-09-004; 12/9/2008

St. Louis Information Technology and Accounting Service Center; FT-AR-09-009; 2/23/2009

Eagan Information Technology and Accounting Service Center; FT-AR-09-002; 11/20/2008

Opinion on the Postal Service's Fiscal Year 2008 Special-Purpose Financial Statements; FT-AR-09-001; 11/17/2008

Postal Service Board of Governors Travel and Miscellaneous Expenses for Fiscal Year 2008; FT-AR-09-003; 11/21/2008

Postal Service Officers' Travel and Representation Expenses for Fiscal Year 2008; FT-AR-09-006; 1/20/2009

### Fiscal Year 2009 Financial Installation Audit

Akron Business Mail Entry Unit — Akron, OH; FF-AR-09-119; 3/17/2009

Akron-Copley Branch — Akron, OH; FF-AR-09-006; 11/3/2008

Alderson Business Mail Entry Unit — Alderson, WV; FF-AR-09-070; 1/13/2009

Alton Business Mail Entry Unit — Alton, IL; FF-AR-09-075; 1/15/2009

Anson Jones Station — Houston, TX; FF-AR-09-054; 12/23/2008

Arkadelphia Business Mail Entry Unit — Arkadelphia, AK; FF-AR-09-015; 11/18/2008

Arlington Station — Jacksonville, FL; FF-AR-09-125; 3/19/2009

Asbury Park Business Mail Entry Unit — Asbury Park, NJ; FF-AR-09-106; 2/27/2009

Athens Business Mail Entry Unit — Athens, AL; FF-AR-09-086; 2/9/2009

Bellingham Post Office — Bellingham, MA; FF-AR-09-039; 12/10/2008

Boerne Business Mail Entry Unit — Boerne, TX; FF-AR-09-121; 3/18/2009

BOI-Five Mile Station V — Boise, ID; FF-AR-09-053; 12/23/2008

Bremen Business Mail Entry Unit — Bremen, IN; FF-AR-09-088; 2/6/2009

Bridgeport Post Office — Bridgeport, CT; FF-AR-09-102; 2/24/2009

Bryant Station — Long Beach, CA; FF-AR-09-110; 3/5/2009

Buffalo Business Mail Entry Unit — Buffalo, NY; FF-AR-09-022; 11/20/2008

Cabrillo Station — Long Beach, CA; FF-AR-09-030; 11/28/2008

Cameron Post Office — Cameron, WV; FF-AR-09-031; 12/2/2008

Campobello Post Office — Campobello, SC; FF-AR-09-132; 3/26/2009

Cape May Main Post Office — Cape May, NJ; FF-AR-09-020; 11/20/2008

Champaign Post Office — Champaign, IL; FF-AR-09-018; 11/20/2008

Champlain Business Mail Entry Unit — Champlain, NY; FF-AR-09-045; 12/17/2008

Charleston Business Mail Entry Unit — Charleston, SC; FF-AR-09-004; 10/31/2008

Cincinnati Business Mail Entry Unit — Cincinnati, OH; FF-AR-09-098; 3/26/2009

Cobb Post Office — Cobb, CA; FF-AR-09-109; 3/5/2009

Colchester Post Office — Colchester, VT; FF-AR-09-010; 11/7/2008

Conway Business Mail Entry Unit — Conway, SC; FF-AR-09-131; 3/26/2009

Corbin Business Mail Entry Unit — Corbin, KY; FF-AR-09-019; 11/20/2008

Decatur Business Mail Entry Unit — Decatur, TX; FF-AR-09-113; 3/11/2009

Deer Lodge Business Mail Entry Unit — Deer Lodge, MT; FF-AR-09-122; 3/19/2009

Denver General Mail Facility — Denver, CO; FF-AR-09-047; 12/17/2008

Downingtown Post Office — Downingtown, PA; FF-AR-09-069; 1/9/2009

Dunlevy Post Office — Dunlevy, PA; FF-AR-09-035; 12/3/2008

Durham Business Mail Entry Unit — Durham, NC; FF-AR-09-091; 2/10/2009

El Monte Main Post Office — El Monte, CA; FF-AR-09-095; 2/17/2009

Electra Main Post Office — Electra, TX; FF-AR-09-007; 11/4/2008

Eugene Business Mail Entry Unit — Springfield, OR; FF-AR-09-067; 1/8/2009

Fallon Main Post Office — Fallon, NV; FF-AR-09-130; 3/26/2009

Ferndale Business Mail Entry Unit — Ferndale, WA; FF-AR-09-120; 3/18/2009

Ferron Main Post Office — Ferron, UT; FF-AR-09-008; 11/5/2008

Forest Post Office — Forest, VA; FF-AR-09-103; 2/24/2009

Fort Lauderdale Main Post Office — Fort Lauderdale, FL; FF-AR-09-046; 12/17/2008

Frederick Post Office — Frederick, MD; FF-AR-09-115; 3/16/2009

Glen Mills Business Mail Entry Unit — Glen Mills, PA; FF-AR-09-128; 3/25/2009

Grand Prairie Business Mail Entry Unit — Grand Prairie, TX; FF-AR-09-049; 12/18/2008

Greensboro Business Mail Entry Unit — Greensboro, NC; FF-AR-09-043; 12/15/2008

Heber Main Office — Heber, CA; FF-AR-09-021; 11/20/2008

Helena Business Mail Entry Unit — Helena, MT; FF-AR-09-078; 1/23/2009

High-Risk Contract Postal Units; FF-MA-09-003; 3/31/2009

Hinesville Business Mail Entry Unit — Hinesville, GA; FF-AR-09-105; 2/27/2009

Imperial Post Office — Imperial, MO; FF-AR-09-116; 3/16/2009

Industry General Mail Facility Business Mail Entry Unit — City of Industry, CA; FF-AR-09-068; 1/8/2009

LaFayette Business Mail Entry Unit — LaFayette, GA; FF-AR-09-114; 3/16/2009

LaSalle Business Mail Entry Unit — LaSalle, IL; FF-AR-09-023; 11/21/2008

Latrobe Business Mail Entry Unit — Latrobe, PA; FF-AR-09-076; 1/15/2009

Lawtey Post Office — Lawtey, FL; FF-AR-09-117; 3/17/2009

Lehigh Valley Business Mail Entry Unit — Lehigh Valley, PA; FF-AR-09-003; 10/31/2008

Linn Business Mail Entry Unit — Linn, MO; FF-AR-09-013; 11/14/2008

Los Angeles Airport Station — Los Angeles, CA; FF-AR-09-012; 11/13/2008

Lukeville Post Office — Lukeville, AZ; FF-AR-09-094; 2/17/2009

Main Office Window Service Post Office — Trenton, NJ; FF-AR-09-061; 1/8/2009

Manassas Business Mail Entry Unit — Manassas, VA; FF-AR-09-032; 12/2/2008

Maquoketa Business Mail Entry Unit — Maquoketa, IA; FF-AR-09-063; 1/6/2009

Marysville Business Mail Entry Unit — Marysville, CA; FF-AR-09-073; 1/13/2009

Memphis Business Mail Entry Unit — Memphis, TN; FF-AR-09-127; 3/23/2009

Merrifield Business Mail Entry Unit — Merrifield, VA; FF-AR-09-014; 11/19/2008

Middletown Business Mail Entry Unit — Middletown, CT; FF-AR-09-101; 2/24/2009

Moncks Corner Business Mail Entry Unit — Moncks Corner, SC; FF-AR-09-011; 11/6/2008

Monroe Business Mail Entry Unit — Monroe, WI; FF-AR-09-124; 3/19/2009

Mt. Morris Business Mail Entry Unit — Mt. Morris, IL; FF-AR-09-090; 2/10/2009

New Haven Business Mail Entry Unit — New Haven, KY; FF-AR-09-083; 2/2/2009

New Wilmington Business Mail Entry Unit — New Wilmington, PA; FF-AR-09-059; 12/26/2008

New York Main Post Office — New York, NY; FF-AR-09-060; 12/29/2008

Newark Business Mail Entry Unit — Newark, OH; FF-AR-09-064; 1/6/2009

Newburyport Business Mail Entry Unit — Newburyport, MA; FF-AR-09-036; 12/10/2008

Newcastle Post Office — Newcastle, OK; FF-AR-09-016; 11/19/2008

Norman Main Post Office — Norman, OK; FF-AR-09-097; 2/18/2009

North Dartmouth Post Office — North Dartmouth, MA; FF-AR-09-056; 12/26/2008

North Reading Business Mail Entry Unit — North Reading, MA; FF-AR-09-136; 3/31/2009

Olive Branch Business Mail Entry Unit — Olive Branch, MS; FF-AR-09-093; 2/12/2009

Ontario Business Mail Entry Unit — Ontario, CA; FF-AR-09-065; 1/6/2009

Orange Business Mail Entry Unit — Orange, CA; FF-AR-09-025; 11/25/2008

Palatine Business Mail Entry Unit — Palatine, IL; FF-AR-09-084; 2/3/2009

Peabody Business Mail Entry Unit — Peabody, MA; FF-AR-09-057; 12/26/2008

Perkins Branch — Sacramento, CA; FF-AR-09-096; 2/18/2009

Phi-Tacony Station — Philadelphia, PA; FF-AR-09-129; 3/26/2009

Pittsburgh General Mail Facility Finance Station — Pittsburgh, PA; FF-AR-09-133; 3/31/2009

Pleasantville Business Mail Entry Unit — Pleasantville, NJ; FF-AR-09-118; 3/16/2009

Poughkeepsie Business Mail Entry Unit — Poughkeepsie, NY; FF-AR-09-108; 3/3/2009

Powell Business Mail Entry Unit — Powell, TN; FF-AR-09-044; 12/17/2008

Princeton Post Office — Princeton, MO; FF-AR-09-062; 12/30/2008

Ravenswood Business Mail Entry Unit — Ravenswood, WV; FF-AR-09-033; 12/2/2008

Red Bank Business Mail Entry Unit — Eatontown, NJ; FF-AR-09-082; 2/2/2009

Rollinsville Main Post Office — Rollinsville, CO; FF-AR-09-037; 12/5/2008

Salisbury Post Office — Salisbury, NH; FF-AR-09-135; 3/31/2009

San Andreas Post Office — San Andreas, CA; FF-AR-09-092; 2/11/2009

San Bernardino General Mail Facility Window Service — Redlands, CA; FF-AR-09-009; 11/6/2008

San Luis Rey Station — Oceanside, CA; FF-AR-09-104; 2/26/2009

Saratoga Business Mail Entry Unit — Saratoga, CA; FF-AR-09-071; 1/13/2009

Shawnee Mission Business Mail Entry Unit — Shawnee Mission, KS; FF-AR-09-066; 1/7/2009

Sicklerville Business Mail Entry Unit — Sicklerville, NJ; FF-AR-09-074; 1/14/2009

South Florida Mail Processing Center Window Unit — Pembroke Pines, FL; FF-AR-09-107; 2/27/2009

St. Peters Business Mail Entry Unit — St. Peters, MO; FF-AR-09-026; 12/3/2008

St. Petersburg Main Post Office — St. Petersburg, FL; FF-AR-09-089; 2/18/2009

Sterling Main Post Office — Sterling, VA; FF-AR-09-111; 3/5/2009

## APPENDIX A

Sterling Post Office — Sterling, KS;  
FF-AR-09-112; 3/10/2009

Stockbridge Post Office — Stockbridge, WI;  
FF-AR-09-081; 1/28/2009

Sunnyvale Business Mail Entry Unit —  
Sunnyvale, CA; FF-AR-09-017; 11/19/2008

Tallahassee Business Mail Entry Unit —  
Tallahassee, FL; FF-AR-09-077; 1/23/2009

Tempe Main Post Office — Tempe, AZ;  
FF-AR-09-100; 2/23/2009

Times Plaza Automated Postal Center —  
Brooklyn, NY; FF-AR-09-058; 12/26/2008

Van Nuys Main Post Office — Van Nuys, CA;  
FF-AR-09-085; 2/5/2009

Versailles Business Mail Entry Unit —  
Versailles, KY; FF-AR-09-099; 2/20/2009

Wapato Main Post Office — Wapato, WA;  
FF-AR-09-042; 12/10/2008

Waynesboro Business Mail Entry Unit —  
Waynesboro, GA; FF-AR-09-080; 1/28/2009

Westgate Branch Post Office — Rochester, NY;  
FF-AR-09-134; 3/31/2009

Winston Salem Business Mail Entry Unit —  
Winston Salem, NC; FF-AR-09-079; 1/27/2009

Womelsdorf Post Office — Womelsdorf, PA;  
FF-AR-09-005; 10/31/3008

Yuma Foothills Station — Yuma, AZ;  
FF-AR-09-126; 3/20/2009

Rock Springs Business Mail Entry Unit —  
Rock Springs, WY; FF-AR-09-050; 12/19/2008

Watersmeet Post Office — Watersmeet, MI;  
FF-AR-09-048; 12/29/2008

### Human Capital

Workplace Safety and Injury Reduction Goals  
in Selected Capital Metro Area Facilities;  
HM-AR-09-001; 2/27/2009

### Statistical Tests for Fiscal Year 2008

Cost and Revenue Analysis;  
FF-AR-09-024; 11/24/2008

## PRESERVING INTEGRITY

### Delivery

Management of City Letter Carriers' Street  
Performance; DR-MA-09-001 ( R ); 2/23/2009

### Engineering

Radio Frequency Identification Technology: Asset  
Management; DA-AR-09-002; 12/24/2008

### Field Financial

Fiscal Year 2008 Eastern Area  
SmartPay® Purchase Card Program;  
FF-AR-09-002; 10/21/2008

Fiscal Year 2008 New York Metro Area  
SmartPay® Purchase Card Program;  
FF-AR-09-028; 11/28/2008

Fiscal Year 2008 Northeast Area  
SmartPay® Purchase Card Program;  
FF-AR-09-001; 10/22/2008

Fiscal Year 2008 SmartPay® Purchase Card  
Program; FF-AR-09-051; 12/22/2008

Imprudent Spending Using the SmartPay®  
Purchase Card; FF-MA-09-002; 1/20/2009

### Financial Reporting

Postal Service Management Instruction —  
Expenses for Internal and External Events;  
FT-MA-09-001; 1/13/2009

### Information Systems

Access Controls in the Enterprise Data Warehouse;  
IS-AR-09-004; 2/20/2009

Electronic Travel Voucher System Controls;  
IS-AR-09-001; 10/8/2008

Fiscal Year 2008 Information Systems General  
Computer Controls Capping Report;  
IS-AR-09-005; 3/19/2009

Security Policies and Procedures (Corporate-Wide)  
at the Information Technology and Accounting  
Service Centers for Fiscal Year 2008;  
IS-AR-09-002; 11/13/2008

Security Vulnerability Assessment of Chase Insight;  
IS-CS-09-001; 2/11/2009

Security Vulnerability Assessment of the  
Automated Postal Center Infrastructure;  
IS-CS-09-002; 2/25/2009

Service Continuity at the Information Technology  
and Accounting Service Centers for Fiscal Year  
2008; IS-AR-09-003; 1/20/2009

### Inspection Service & Facilities

Assessment of the Postal Inspection Service  
Compliance Review Program and Follow-up to the  
Newark Division Review;  
SA-MA-09-001; 1/12/2009

Handling of Suspicious Mail at the Huntsville  
Processing and Distribution Facility;  
SA-AR-09-001; 10/31/2008

Maintenance Facility Repairs;  
SA-AR-09-002; 12/16/2008

National Leased Facility Maintenance  
Responsibility; SA-AR-09-003; 3/31/2009

### Sales & Service

Click-N-Ship Refunds;  
MS-MA-09-003; 3/19/2009

### Supply Management

Controls Over Delegation of Authority for Medical  
Agreements; CA-AR-09-001; 10/17/2008

Postal Service Oversight of Extra  
Highway Transportation Contract Trips;  
CA-AR-09-003; 2/27/2009

## APPENDIX B

### Findings Of Questioned Costs

For the period October 1, 2008 – March 31, 2009

As required by the IG Act, the following pages show the total number of audit reports and the total dollar value of questioned costs in audit reports.

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

Description	Number of Reports	Questioned Costs	Unsupported Costs Included in Questioned Costs
Reports for which no management decision was made at the beginning of the reporting period	10	\$17,024,975	\$10,025,224
Reports requiring management decision that were issued during the reporting period	64	\$157,980,085	\$125,011,539
<b>TOTAL</b>	<b>74</b>	<b>\$175,005,060</b>	<b>\$135,036,763</b>
Reports for which a management decision was made during the reporting period (i+ii)	71	\$106,326,835	\$67,072,793
(i) Dollar Value of disallowed cost <sup>1</sup>	–	\$76,660,240	\$56,076,780
(ii) Dollar value of cost not disallowed <sup>2</sup>	–	\$29,666,595	\$10,996,013
Reports for which no management decision was made by the end of the reporting period <sup>3</sup> Negotiations are ongoing	2	\$68,678,225	\$67,963,970
Reports for which no management decision was made within 6 months of issuance <sup>3</sup> (See Note 1 for a list of individual reports)	1	\$169,539	–
Reports for which no management decision was made within 1 year of issuance (See Note 2 for a list of individual reports)	–	–	–
Contract reports with significant audit finding (See Note 3 for a list of individual reports)	–	–	–

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

Subject	Report/Case Number	Report Date	Questioned Costs	Unsupported Costs Included in Questioned Costs
Vehicle Management — National Trailer Lease Renewal — Southeast Area	NL-AR-08-007	9/29/2008	\$169,539	–
<b>TOTAL</b>			<b>\$169,539</b>	<b>–</b>

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

None for this report period.

#### Note 3 — Contract reports with a significant audit finding:

None for this report period.

<sup>1</sup> These amounts represent the value of recommendations agreed to by management.

<sup>2</sup> These amounts represent the value of recommendations that were not agreed to by management.

<sup>3</sup> Management has agreed to take corrective actions, but the amount of agreed monetary benefits cannot be determined until those actions are complete.

## APPENDIX C

### Recommendations That Funds Be Put to Better Use

For the period October 1, 2008 – March 31, 2009

As required by the IG Act, the following pages show the total number of audit reports and the total dollar value of recommendations for funds that can be put to better use by management.

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

As required by the IG Act, the following pages show the total number of audit reports and the total dollar value of recommendations for funds that can be put to better use by management.

Description	Number of Reports	Dollar Value
Reports for which no management decision was made at the beginning of the reporting period	3	\$15,053,641
Reports issued during the reporting period	16	\$240,028,711
<b>TOTAL</b>	<b>19</b>	<b>\$255,082,352</b>
Reports for which a management decision was made during the report period	17	\$253,026,254
(i) Value of recommendations agreed to by management		\$211,088,516
(ii) Value of recommendations that were not agreed to by management		\$41,937,738
Reports for which no management decision was made by the end of the reporting period <sup>1</sup>	2	\$2,056,098
Reports for which no management decision was made within 6 months of issuance <sup>1</sup> (See Note 1 for a list of individual reports)	1	\$2,036,705

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

Subject	Report Number	Report Date	Recommend Funds Put to Better Use
Vehicle Management — National Trailer Lease Renewal — Southeast Area	NL-AR-08-007	9/25/2008	2,036,705
<b>TOTAL</b>			<b>\$2,036,705</b>

<sup>1</sup> Management has agreed to take corrective actions, but the amount of agreed monetary benefits cannot be determined until those actions are complete.



## APPENDIX D

### Reported Non-Monetary Benefits

For the period October 1, 2008 – March 31, 2009

#### Overview

Many of our audit reports identify areas for improvement that result in non-monetary benefits to the Postal Service. These benefits include improvements to service, protection of assets, and improvements in the reliability of data.

	Type of Measure	Value or Amount
<b>IMPROVED SERVICE</b>		
Recommendations that address the Postal Service's efforts to improve the quality and accessibility of its products and services	Number of Recommendations	54
Number of customer service audits conducted	Number of Audits	14
<b>SAFEGUARDING ASSETS</b>		
<b>Assets or Accountable Items at Risk</b>		
Inadequate internal controls put the value of assets or accountable items (such as cash and stamps) at risk of loss	Dollar Value	\$926,429,250
<b>Physical Safety and Security</b>		
Dollar value of physical assets (plant, computer equipment, vehicles, and so forth) at risk of loss due to inadequate physical protection	Dollar Value	–
Recommendations that address the safety and security of Postal Service employees and/or the work environment	Number of Recommendations	26
Number of employee/facility safety and security audits conducted	Number of Audits	15
<b>Information Technology Security</b>		
Inadequate controls/protection put the value of data, IT assets (software, networks), and employee work time at risk of loss	Dollar Value	–
Number of data security and /IT security audits conducted	Number of Audits	13
<b>Revenue at Risk</b>		
Dollar value of revenue that the Postal Service is at risk of losing (mailer seeking alternative solutions for current services)	Dollar Value	\$633,416
<b>Disbursements at Risk</b>		
Dollar value of disbursements made where proper Postal Service internal controls and processes were not followed	Dollar Value	\$1,209,402
<b>Goodwill / Branding</b>		
An "adverse impact" on goodwill is an actual event/problem that harms the Postal Service's reputation or a potential problem that could negatively impact the Postal Service "brand name"	Number of Issues Identified	11
<b>RELIABILITY OF DATA</b>		
<b>Records at Risk</b>		
Data at risk of corruption or loss due to inadequate internal controls and or protection	Number of Data Records at Risk	–
Dollar value of data used to support management decisions that is not fully supported or completely accurate	Dollar Value	–

## APPENDIX E

**Reports with Significant Recommendations Pending Corrective Actions**

For the period through March 31, 2009

As required by the IG Act, the following pages include a list of each audit report for which no management decision has been made by the end of the reporting period.

Report Number	Issue Date	Report Title, Recommendation Summary
		R = Recommendation number TID = Target Implementation Date
NO-AR-05-011	6/17/2005	<b>Efficiency of the Los Angeles International Service Center</b> R-1 — Reduce mail processing workhours by 85,000. TID: <i>October 2010</i>
HM-AR-06-004	5/19/2006	<b>Postal Service's Injury Compensation Programs' Controversion and Challenge Process in Selected Areas</b> R-2 — Provide sufficient oversight of injury compensation control offices by including steps to validate the proper tracking and monitoring of controverted and challenged claims in the Human Resource Information System and the Claim Control Register in their Area Program reviews. TID: <i>September 2009</i>
FT-AR-06-016	3/31/2006	<b>Postal Service's Share of Health Insurance Premiums for Retired Employees</b> R-1 — Establish and communicate policies and procedures to continuously monitor the accuracy of the Postal Service's share of health insurance premiums paid for retirees and survivors. TID: <i>May 2009</i>
DR-AR-06-007	8/9/2006	<b>Overdrawn Express Mail Corporate Accounts</b> R-3 — Convert all trust Express Mail Corporate Accounts to Automated Clearing House or credit card accounts. TID: <i>March 2009</i>
HM-AR-06-006	8/29/2006	<b>Postal Service's Grievance-Arbitration Service Centers</b> R-8 — Automate the processing and payment of arbitrator invoices using an existing Postal Service electronic purchasing system. TID: <i>May 2009</i>
EN-AR-07-002	12/5/2006	<b>Service Implications of Area Mail Processing Consolidations</b> R-4 — Revise the Collection Point Management System to track changes to collection box pick-up times. TID: <i>September 2010</i>
SA-AR-07-002	3/30/2007	<b>Postal Service Security Controls and Processes for the Capital Metro Area</b> R-1 — Provide consolidated standard operating procedures and guidance to assist in performing duties and responsibilities consistently and in a timely manner. TID: <i>December 2009</i> R-4 — Establish requirements for mandatory security training including periodic refresher training, for responsible security personnel at the area-, district-, and facility-levels. TID: <i>December 2009</i> R-5 — Develop performance measures to assess the achievement of security goals. TID: <i>December 2009</i>
SA-AR-07-003	5/9/2007	<b>Postal Service Security Controls and Processes for the Pacific Area</b> R-2 — Develop appropriate performance measures for physical security to assess the achievement of security goals and incorporate them into performance plans for area-, district-, and field-level security personnel. TID: <i>December 2009</i>
HM-AR-07-002	5/16/2007	<b>Postal Service's Workplace Safety and Workplace-Related Injury Reduction Goals and Progress</b> R-1 — Closely monitor conversion to the SAP Environmental Health and Safety module. Ensure the upgraded system captures costs by facility, district/performance cluster, and area office, as well as the costs for identified key categories. TID: <i>September 2010</i>
DR-MA-07-004	6/14/2007	<b>Management of Retail Work Hours in Relation to the Workload for Mobile Units — Triboro District</b> R-1 — Revise the Handbook for Retail Operations, to include standard procedures for mobile units. TID: <i>July 2009</i> R-2 — Distribute the revised Handbook for Retail Operations to Area officials for implementation. TID: <i>July 2009</i>

Report Title, Recommendation Summary		
Report Number	Issue Date	R = Recommendation number TID = Target Implementation Date
IS-AR-07-016	8/20/2007	<p><b>Audit of Database Administration Practices</b></p> <p>R-2 — Establish policies and procedures for the protection and use of sensitive data in the test, development, and production environments. <b>TID: June 2009</b></p>
IS-AR-07-017	8/29/2007	<p><b>Separation of Duties at the Eagan, MN; San Mateo, CA; and St. Louis, MO, Information Technology and Accounting Service Centers</b></p> <p>R-1 — Assess the risk of the duties of all Information Technology and Accounting Service Center positions for the purpose of assigning these positions as sensitive. <b>TID: September 2009</b></p> <p>R-4 — Coordinate with the Postal Inspection Service to ensure the proper clearance level is attributed to employees. <b>TID: April 2009</b></p>
FF-AR-07-254	9/28/2007	<p><b>Chicago District Financial Accountability</b></p> <p>R-6 — Monitor monthly compliance with the cash deposit procedures for the Grand Crossing Station, until remediation of the issue has been maintained for 12 months. <b>TID: March 2009</b></p>
FT-AR-08-005	1/24/2008	<p><b>New York International Service Center — Inbound International Mail</b></p> <p>R-1 — Establish and communicate policies and procedures to address the complete processing and billing cycle for inbound international mail. <b>TID: March 2009</b></p> <p>R-3 — Direct International Accounting Branch and appropriate systems personnel to establish controls to ensure that foreign postal administrations are correctly billed for all valid dispatches, including dispatch numbers used more than once in a calendar year. <b>TID: June 2009</b></p>
CRR-AR-08-002	2/12/2008	<p><b>Security Review of the Electronic Verification System</b></p> <p>R-2 — Revise Publication 91, Confirmation Services Technical Guide, to require mailers to utilize a secure file transfer method when transmitting manifests for electronic verification to the Postal Service. <b>TID: December 2009</b></p>
EN-AR-08-002	2/29/2008	<p><b>St. Louis Airport Mail Center Outsourcing</b></p> <p>R-2 — Establish a post-implementation review program for Airport Mail Centers (AMC) that compares anticipated savings with actual results. <b>TID: June 2009</b></p> <p>R-3 — Conduct a post-implementation review for the St. Louis AMC closure and outsourcing initiative using the guidance established in recommendation 2. <b>TID: June 2009</b></p>
DR-AR-08-004	3/4/2008	<p><b>City Delivery Vehicle Mileage — Base Versus Actual — National Capping Report</b></p> <p>R-2 (b) — Revising the Automated Vehicle Utilization System to eliminate the possibility of negative miles being recorded by modifying the system to prevent input of the ending mileage being less than the beginning mileage. <b>TID: July 2009</b></p>
IS-AR-08-006	3/6/2008	<p><b>Identity Theft Potential in Postal Service Information Systems</b></p> <p>R-1 — Ensure that employees and contractors accessing identified systems have the appropriate security clearance and that the clearance status is documented with the access request. <b>TID: June 2009</b></p> <p>R-3 — Establish and implement host encryption solutions for data back-up dates prior to off-site shipping and storage. <b>TID: May 2009</b></p>
IS-AR-08-008	3/11/2008	<p><b>National Accounting Oracle Financials Application Data Encryption Follow-Up</b></p> <p>R-2 — Perform verification tests to ensure management identifies and adequately protects all sensitive information in accordance with policy. <b>TID: June 2009</b></p>
IS-AR-08-009	3/14/2008	<p><b>Update Processes for Active Directory and CA-ACF2</b></p> <p>R-1 — Review the manager roles in the two systems to determine how these roles can be integrated. <b>TID: September 2010</b></p> <p>R-2 — Review the capabilities and establish requirements for tracking employees assigned to detail positions and how to pass on timely and accurate data to another system. <b>TID: September 2010</b></p>

Report Title, Recommendation Summary		
Report Number	Issue Date	R = Recommendation number TID = Target Implementation Date
FF-AR-08-131	3/19/2008	<p><b>Fiscal Year 2007 Financial Installation Audits — Business Mail Entry Units</b></p> <p>R-2 — Provide proper management oversight and instructions to schedule periodic verifications when Periodicals mailings are received during non-business hours. <b>TID: March 2009</b></p>
CRR-AR-08-003	3/31/2008	<p><b>Application Controls Review of the Electronic Verification System</b></p> <p>R-1 — Re-evaluate all warning messages in the Product Tracking System to determine whether they impact the postage calculation. <b>TID: March 2009</b></p> <p>R-2 — Strengthen the edit rules in the Product Tracking System to enforce the requirements for destination entry discounts. <b>TID: June 2009</b></p> <p>R-3 — Develop and implement formal procedures for sampling and monitor delinquent sampling. <b>TID: December 2008</b></p>
CRR-AR-08-004	3/31/2008	<p><b>In-Office Cost System Telephone Readings</b></p> <p>R-4 — Implement the expanded quality control program developed by Statistical Programs to identify and monitor data collectors with a high number of inaccurate In-Office Cost System readings. <b>TID: March 2009</b></p> <p>R-5 — Follow the quality control procedures Statistical Programs has established to handle the In-Office Cost System readings that do not meet data integrity standards to prevent such data from inclusion in national aggregation. <b>TID: March 2009</b></p>
FT-AR-08-010	3/31/2008	<p><b>Fiscal Year 2007 Postal Service Financial Statements Audit — St. Louis Information Technology and Accounting Service Center</b></p> <p>R-2 — Modify policies and procedures to include the destination facility validation in the highway extra trips payment process. <b>TID: June 2009</b></p>
DA-AR-08-005	5/21/2008	<p><b>Status of Intelligent Mail Enabling Infrastructure</b></p> <p>R-1 — Clarify the 24-digit barcode requirements and funding for material handling systems. <b>TID: May 2009</b></p> <p>R-2 — Ensure contingency plans for the server consolidation program include extended maintenance for micro-computers or provide for other appropriate contingency plans if deployment is delayed beyond 2009. <b>TID: July 2009</b></p>
IS-AR-08-011	6/3/2008	<p><b>System Software Controls at the Eagan, Minnesota, and San Mateo, California Information Technology and Accounting Service Centers for FY 2008</b></p> <p>R-1 — Develop procedures to ensure UNIX administrators review exception reports and timely correct UNIX server settings deficiencies to comply with hardening standards. <b>TID: June 2009</b></p>
DA-AR-08-006	6/4/2008	<p><b>Flats Sequencing System: Production First Article Testing Readiness and Quality</b></p> <p>R-4 — Develop a recovery schedule to ensure the Preliminary Production Baseline Technical Data Package will be available before the production First Article Test begins. <b>TID: March 2009</b></p> <p>R-5 — Ensure that the initial Maintenance Diagnostic and Support System and the Program Control System functionalities are available for First Article Testing and develop a schedule for future design releases. <b>TID: July 2009</b></p> <p>R-6 — Validate the supplier's ability to provide qualified personnel to support Flats Sequencing Systems on all mail processing tours. <b>TID: May 2009</b></p> <p>R-7 — Ensure that the supplier follows the quality control plan and the configuration control process and validates that the first five production systems are built to the same drawing configuration. <b>TID: October 2009</b></p>
SA-MA-08-002	6/17/2008	<p><b>Location of Southeast Area Office Space</b></p> <p>R-2 — Conduct a detailed analysis to determine the optimal location for the Southeast Area office. <b>TID: June 2009</b></p>
IS-AR-08-012	6/25/2008	<p><b>Security Vulnerability Assessment of the Electronic Travel Voucher System</b></p> <p>R-5 — Work together to implement Triple Data Encryption Standard cryptography to encrypt credit card numbers stored within the Electronic Travel Voucher System. <b>TID: September 2009</b></p>

Report Title, Recommendation Summary		
Report Number	Issue Date	R = Recommendation number TID = Target Implementation Date
EN-AR-08-004	7/16/2008	<p><b>Miami Airport Mail Center Outsourcing</b></p> <p>R-1 — Perform a post-implementation review to determine the cost savings from the Miami Airport Mail Center outsourcing initiative. <b>TID: June 2009</b></p>
FF-MA-08-001	7/21/2008	<p><b>Fiscal Year 2008 — Use of No-Fee Money Orders</b></p> <p>R-2 — Evaluate the feasibility of restricting the use of no-fee money orders for local purchases in order to reduce the Postal Service's exposure to financial loss. <b>TID: September 2009</b></p>
SA-AR-08-008	7/23/2008	<p><b>Leased Facility Maintenance Responsibility in the Great Lakes Area</b></p> <p>R-2 — Require the Great Lakes Facilities Service Office to collect the \$62,625 in recoverable supported questioned costs. <b>TID: January 2013</b></p>
SA-AR-08-009	7/23/2008	<p><b>Postal Service Continuity of Operations for the Great Lakes Area</b></p> <p>R-1 — Update contact information of key continuity of operations personnel at least semiannually, or more often as changes occur. <b>TID: March 2009</b></p> <p>R-2 — Complete continuity of operations training, including Postal Alert and Notification System training. <b>TID: June 2009</b></p> <p>R-3 — Identify and prioritize essential functions. <b>TID: June 2009</b></p> <p>R-4 — Establish a formal review process to ensure continuity of operations plans are completed, updated annually, and maintained in the Postal Alert and Notification System, as required. <b>TID: June 2009</b></p> <p>R-5 — Establish an area emergency management coordinating committee to provide oversight and assistance to district and facility Emergency Management Teams in establishing, implementing, and reviewing emergency management plans. <b>TID: June 2009</b></p> <p>R-6 — Establish specific guidance for identifying and selecting alternate facilities, to include, at a minimum, the number of alternate facilities that should be identified, and criteria regarding location, mail volume, and mail capacity. <b>TID: March 2009</b></p> <p>R-7 — Require personnel responsible for continuity of operations at primary and alternate facilities to conduct tests and exercises to ensure alternate facilities can effectively process the primary facilities' mail. <b>TID: June 2009</b></p>
SA-AR-08-010	7/24/2008	<p><b>Postal Service Continuity of Operations for the Pacific Area</b></p> <p>R-1 — Establish a formal review process to ensure continuity of operations plans are completed, updated annually, and maintained in the Postal Alert Notification System, as required. <b>TID: June 2009</b></p>
MS-AR-08-005	7/31/2008	<p><b>Business Mail Entry Unit Sampling and Verification Procedures</b></p> <p>R-1 — Assess the placement and usage of Mailing Evaluation Readability and Lookup INSTRUMENT machines at all Business Mail Entry Units. <b>TID: March 2009</b></p> <p>R-2 — Request PostalOne! software modifications. <b>TID: March 2009</b></p> <p>R-3 — Review PostalOne! reports to determine the validity of reasons for any mailing of more than 10,000 pieces not receiving a required verification. <b>TID: March 2009</b></p> <p>R-4 — Analyze staffing and efficiency to determine staffing requirements at direct mail units and develop a procedure for assigning backup personnel as needed to perform the required verifications. <b>TID: March 2009</b></p>
DA-AR-08-009	8/7/2008	<p><b>Equipment Maintenance in the Fort Worth District</b></p> <p>R-1 — Establish an action plan to increase equipment maintenance completion rates at the Lubbock, Wichita Falls, and Abilene mail processing facilities. <b>TID: August 2010</b></p> <p>R-2 — Establish a shared maintenance and operational action plan for minimizing letter mail machine rejects at processing plants in the Fort Worth District. <b>TID: September 2009</b></p>

APPENDIX E

Report Title, Recommendation Summary		
Report Number	Issue Date	R = Recommendation number TID = Target Implementation Date
SA-AR-08-013	8/22/2008	<p><b>Security Clearances for Postal Service Employees</b></p> <p>R-1 — Establish and implement a policy to periodically assess the risks associated with the duties of all Postal Service positions to determine which positions require a security clearance. <b>TID: September 2009</b></p> <p>R-2 — Revise the Administrative Support Manual, as appropriate, to reflect changes to the list of positions requiring a security clearance. <b>TID: September 2009</b></p>
CRR-AR-08-006	8/25/2008	<p><b>Controls Over the International Reconciliation System</b></p> <p>R-2 — Ensure all significant issues identified during Customer Acceptance Test are corrected before placing the software release into production. <b>TID: September 2009</b></p> <p>R-4 — Promptly incorporate edit requirements provided by the end-user into International Reconciliation System functionality. <b>TID: September 2009</b></p>
IS-AR-08-016	8/29/2008	<p><b>Identity Theft Potential in the Change of Address Process</b></p> <p>R-1 — Update the Internet and Telephone Change of Address applications. <b>TID: March 2009</b></p> <p>R-2 — Develop and implement a plan of action, with milestones, to enhance controls for verifying that COA orders are legitimate and authorized by the owner of the address. <b>TID: March 2009</b></p>
NO-AR-08-007	9/15/2008	<p><b>Powered Industrial Vehicle Management System at the Raleigh Processing and Distribution Center</b></p> <p>R-1 — Use the Powered Industrial Vehicle Management System to the fullest extent possible to manage operations and continue to improve mail processing efficiency by reducing 9,000 workhours in tow and forklift operations by FY 2010. <b>TID: October 2009</b></p>
EN-AR-08-007	9/23/2008	<p><b>Assessment of the Remote Encoding Center Network Consolidation Process</b></p> <p>R-1 — Clarify the methodology used to select remote encoding centers for closure in future business cases. <b>TID: February 2010</b></p>
NL-AR-08-006	9/25/2008	<p><b>Postal Vehicle Service Transportation Routes — Northern Virginia Processing and Distribution Center</b></p> <p>R-5 — Analyze the use of the tractors that are nearing the end of their expected service lives, and develop an economical requirement-based plan for their replacement, including possible replacement with surplus vehicles from other facilities. <b>TID: December 2009</b></p>
NL-AR-08-007	9/25/2008	<p><b>Vehicle Management — National Trailer Lease Renewal — Southeast Area</b></p> <p>R-1 — Develop a comprehensive plan to identify trailer requirements and manage trailer inventory and use, including making use of the installed satellite tracking devices on trailers. <b>TID: April 2009</b></p> <p>R-2 — Analyze the number of trailers needed to transport mail and equipment and return unneeded trailers to Postal Service Headquarters for reallocation or return to the leasing contractor. <b>TID: April 2009</b></p>
DR-AR-08-009	9/29/2008	<p><b>Vehicle Maintenance Facilities — Scheduled Maintenance Service in the Great Lakes Area</b></p> <p>R-5 — Maintain the most efficient combination of vehicle maintenance facility and commercial resources based on geographical location and costs, and; make optimal use of the Postal Service's national vehicle shuttle agreement or other local commercial shuttle services, when cost effective, for transporting vehicles to and from maintenance facilities. <b>TID: May 2009</b></p>
NL-AR-08-008	9/29/2008	<p><b>Air Networks — Federal Express Transportation Agreement — Western Area</b></p> <p>R-1 — Use surface transportation to the extent possible for mail that does not require air transportation. <b>TID: Not provided</b></p>

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Report Number	Issue Date	R = Recommendation number TID = Target Implementation Date
MS-AR-08-006	9/30/2008	<p><b>Political Campaign Mailings</b></p> <p>R-1 — Consolidate the manual political mail log into the automated recordkeeping system in PostalOne! for all sites that have access to the PostalOne! system. Require sites that do not use the PostalOne! System, to maintain the manual political mail log and transmit the political campaign mailing information to their respective Business Mail Entry Units to be entered into PostalOne!. <b>TID: December 2008</b></p> <p>R-2 — Program PostalOne! to require employees to identify political campaign mailings in the system. <b>TID: Not provided</b></p> <p>R-3 — Reinforce to employees the importance of recording political campaign mail information. <b>TID: December 2008</b></p> <p>R-5 — Reinforce to employees the importance of advising mailers regarding late arriving political campaign mail. <b>TID: December 2008</b></p> <p>R-6 — Develop standard operating procedures for accepting, processing, and documenting political mail inquiries and their resolution. <b>TID: Not provided</b></p> <p>R-7 — Provide training for officials responsible for political campaign mail complaints. <b>TID: Not provided</b></p>
IS-AR-09-001	10/8/2008	<p><b>Electronic Travel Voucher System Controls</b></p> <p>R-1 — Revise Postal Service Handbook F-15, Travel and Relocation, to require travelers to arrange for lodging at the prevailing government lodging rate, whenever practical. <b>TID: March 2009</b></p> <p>R-2 — Revise Postal Service Handbook F-15, Travel and Relocation, to require travelers to obtain prior approval and justify exceeding the government lodging rate within the notes on the electronic voucher. <b>TID: March 2009</b></p> <p>R-3 — Customize the Electronic Travel Voucher System Controls (ETVS) to require the traveler to input a value in the room tax field (even if the room tax is zero) or provide the traveler with a check box to indicate taxes not applicable in cases where the lodging stay is tax exempt. <b>TID: September 2010</b></p> <p>R-4 — Customize the ETVS to remove the option to combine room rate and room taxes into a single entry. <b>TID: March 2009</b></p>
MS-AR-09-001	10/10/2008	<p><b>Shortpaid Postage — Information-Based Indicia Priority Mail</b></p> <p>R-2 — Update the Domestic Mail Manual (DMM) and other applicable manuals and handbooks to establish specific guidelines and assign roles and responsibilities for identifying shortpaid postage on Information-Based Indicia (IBI) Priority Mail, including a procedure for identifying counterfeit/duplicate IBI Priority Mail labels at mail entry points. <b>TID: April 2009</b></p> <p>R-3 — Provide formal training to employees who accept and process IBI Priority Mail. <b>TID: October 2009</b></p> <p>R-4 — Raise the level of awareness and importance regarding revenue protection by implementing a national initiative to identify and collect additional postage on shortpaid IBI Priority Mail. <b>TID: Management working on closure request</b></p> <p>R-5 — Require supervisors to conduct random verifications of postage paid on IBI Priority® Mail, ensure employees follow appropriate procedures to collect additional postage, and maintain a daily log for the random verifications results. <b>TID: Not provided</b></p>
MS-AR-09-002	10/14/2008	<p><b>Shortpaid Postage — Information-Based Indicia Parcel Post Mail</b></p> <p>R-2 — Update the DMM and other applicable manuals and handbooks to establish specific guidelines and assign roles and responsibilities for identifying shortpaid postage on Information-Based Indicia (IBI) Post mail, including a procedure for identifying counterfeit/duplicate IBI Post mail labels at mail entry points. <b>TID: April 2009</b></p> <p>R-3 — Provide formal training to employees who accept and process IBI Parcel Post mail. <b>TID: October 2009</b></p> <p>R-4 — Raise the level of awareness and importance regarding revenue protection by implementing a national initiative to identify and collect additional postage on shortpaid IBI Parcel Post mail. <b>TID: Management working on closure request</b></p> <p>R-5 — Require supervisors to conduct random verifications of postage paid on IBI Parcel Post mail, ensure employees follow appropriate procedures to collect additional postage, and maintain a daily log for the random verifications results. <b>TID: Not provided</b></p>

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Report Number	Issue Date	R = Recommendation number TID = Target Implementation Date
MS-MA-09-001	10/22/2008	<p><b>Management Controls at Contractor-Operated Mail Processing Facilities</b></p> <p>R-1 — Revise the "Representations and Certifications" section of Requests for Proposals. <b>TID:</b> <i>December 2009</i></p> <p>R-2 — Incorporate Supplying Principles and Practices Clause 1-7, Organizational Conflicts of Interest, in all requests for proposals and contracts for outsourcing mail processing facilities. <b>TID:</b> <i>March 2009</i></p> <p>R-3 — Develop a conflict of interest mitigation plan for the current affected contracts, and develop a risk mitigation strategy regarding potential conflicts of interest for future mail processing contracts. <b>TID:</b> <i>March 2009</i></p> <p>R-4 — Establish procedures to ensure the Postal Service reconciles mail scans captured by Surface Transfer Center and Terminal Handling Services contractors with scans at the points of acceptance. <b>TID:</b> <i>Not provided</i></p>
CA-MA-09-002	12/1/2008	<p><b>Management of Contract Changes — Flats Sequencing System</b></p> <p>R-1 — Require contracting officers to fully document the rationale and basis for determining whether withheld payment amounts are reasonable. <b>TID:</b> <i>December 2009</i></p>
FF-AR-09-029	12/2/2008	<p><b>Fiscal Year 2008 Financial Installation Audit — Automated Postal Centers</b></p> <p>R-1 — Develop and implement an action plan to reduce or eliminate the recurring reported deficiencies. <b>TID:</b> <i>June 2009</i></p>
NO-AR-09-001	12/3/2008	<p><b>Powered Industrial Vehicle Management System at the Louisville, Kentucky Processing and Distribution Center</b></p> <p>R-1 — Ensure the Powered Industrial Vehicle Management System at the Louisville P&amp;DC functions as intended and produces efficiency improvements. <b>TID:</b> <i>September 2009</i></p> <p>R-2 — Discontinue leasing Powered Industrial Vehicles by Quarter 2, FY 2009. This could produce a savings of \$11,535 over 2 years. <b>TID:</b> <i>March 2009</i></p>
FF-AR-09-034	12/4/2008	<p><b>Fiscal Year 2008 Financial Installation Audits — Self-Service Postal Centers</b></p> <p>R-1 — Develop and implement an action plan to reduce or eliminate reported deficiencies and reinforce closure policy. <b>TID:</b> <i>June 2009</i></p>
SA-AR-09-002	12/16/2008	<p><b>Maintenance Facility Repairs</b></p> <p>R-1 — Issue supplemental guidance to ensure Field Maintenance Office personnel are aware of Postal Service policy that restricts the use of the credit card to procure services, and include internal controls to ensure personnel comply with the policy. <b>TID:</b> <i>Management working on closure request</i></p> <p>R-2 — Develop and implement training for Facility Maintenance Offices and Maintenance - Capable Offices on how to complete Article 32 declinations. <b>TID:</b> <i>June 2009</i></p> <p>R-4 — Allow the accurate tracking of facility maintenance and repair orders, such as requiring maintenance personnel to include Facility Single Source Provider call numbers on work orders in the electronic Maintenance Activity Reporting System. <b>TID:</b> <i>Management working on closure request</i></p> <p>R-5 — Ensure that Facility Maintenance Office personnel require all Associate Office repair and alteration work, including additional work requests performed while the Facility Maintenance Office personnel are on-site, to be generated through the Facility Single Source Provider program. <b>TID:</b> <i>March 2009</i></p>
DA-AR-09-001	12/23/2008	<p><b>Flats Sequencing System: Program Status</b></p> <p>R-1 — Establish a risk mitigation plan for volume declines to include a reevaluation of sites scheduled to receive Flats Sequencing System systems. <b>TID:</b> <i>April 2009</i></p>
DA-AR-09-002	12/24/2008	<p><b>Radio Frequency Identification Technology: Asset Management.</b></p> <p>R-1 — Explore opportunities to employ radio frequency identification technology to reduce the amount of losses in pallet inventories. <b>TID:</b> <i>Not provided</i></p>



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FF-AR-09-055	12/26/2008	<p><b>Fiscal Year 2008 Financial Installation Audits — Post Offices, Stations, and Branches</b></p> <p>R-1 — Develop and implement a plan to eliminate obsolete money order forms from Point-of-Service retail units. <b>TID:</b> <i>April 2009</i></p> <p>R-2 — Resolve the conflict between Handbook F-101 and Handbook AS-805 regarding writing down passwords. <b>TID:</b> <i>June 2009</i></p> <p>R-3 — Update Handbook F-101, Field Accounting Procedures, to eliminate references to Postal Service Form 1096. <b>TID:</b> <i>June 2009</i></p> <p>R-4 — Eliminate the electronic copy of Postal Service Form 1096 from the Postal Service Intranet. <b>TID:</b> <i>June 2009</i></p> <p>R-5 — Issue guidance to the field to destroy all copies of Postal Service Form 1096 and determine when all forms have been destroyed. <b>TID:</b> <i>June 2009</i></p> <p>R-6 — Update the Administrative Support Manual for securing and retaining Postal Service Form 5659 and Form DS-11. <b>TID:</b> <i>March 2009</i></p>
FT-MA-09-001	1/13/2009	<p><b>Postal Service Management Instruction — Expenses for Internal and External Events</b></p> <p>R-2 — Consult with senior level management to further update the Management Instruction, Expenses for Internal and External Events to require that all expenses associated with internal and external events be included in a unique general ledger account(s). <b>TID:</b> <i>Not provided</i></p>
DA-AR-09-003	1/14/2009	<p><b>Philadelphia Metropolitan District: Overall Equipment Effectiveness</b></p> <p>R-1 — Establish an action plan to increase equipment maintenance completion rates at the Philadelphia and Southeastern mail processing facilities. <b>TID:</b> <i>February 2009</i></p> <p>R-2 — Develop procedures to ensure compliance with letter mail operational standards for quality. <b>TID:</b> <i>February 2009</i></p> <p>R-3 — Ensure test decks are run while conducting preventive maintenance. <b>TID:</b> <i>February 2009</i></p> <p>R-4 — Establish a shared maintenance and operational action plan for minimizing Delivery Bar Code Sorter and Automated Flats Sorting Machine pieces at risk and reject rates at processing plants in the district. <b>TID:</b> <i>February 2009</i></p>
FF-AR-09-072	1/15/2009	<p><b>Sierra Coastal District — Risk-Based Financial Audit</b></p> <p>R-1 — Develop and implement an action plan with milestones to address the internal control issues at the units identified in this report, as well as the money order and stamp accountability issues district-wide. <b>TID:</b> <i>March 2009</i></p>
IS-AR-09-003	1/20/2009	<p><b>Service Continuity at the Information Technology and Accounting Service Centers for Fiscal Year 2008</b></p> <p>R-2 — Implement procedures to ensure UNIX backup tapes are stored off-site. <b>TID:</b> <i>March 2009</i></p>
DR-AR-09-003	1/27/2009	<p><b>Vehicle Maintenance Facilities — Scheduled Maintenance Service in the Capital Metro Area</b></p> <p>R-4 — Optimal use of national shuttle agreement or other local commercial shuttle services. <b>TID:</b> <i>February 2009</i></p>
NO-AR-09-002	1/29/2009	<p><b>Timeliness of Mail Processing at the San Juan Processing and Distribution Center</b></p> <p>R-1 — Monitor delayed mail on a daily basis and develop action plans, if necessary, to ensure timely processing of mail for the US Virgin Islands. <b>TID:</b> <i>Not provided</i></p>
DR-AR-09-004	1/30/2009	<p><b>Vehicle Warranty Claims Process</b></p> <p>R-1 — Modify Vehicle Maintenance Accounting System to readily identify warranty vehicles or establish an alternative method to identify warranty vehicles readily upon servicing. <b>TID:</b> <i>November 2009</i></p> <p>R-3 — Require district officials to periodically monitor warranty process for claims submitted and reimbursed. <b>TID:</b> <i>March 2009</i></p> <p>R-5 — Collaborate with vehicle manufacturer's to ensure USPS receives detailed warranty reimbursement data to allow reconciliation. <b>TID:</b> <i>November 2009</i></p>

Report Title, Recommendation Summary

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Report Number	Issue Date	Report Title, Recommendation Summary
FF-AR-09-087	2/9/2009	<p><b>Bay-Valley District Financial Accountability Audit</b></p> <p>R-1 — Develop and implement an action plan with milestones to address the disbursement, accountability, financial reporting, and safeguarding asset issues detailed in this report for each unit, as well as on a district-wide basis. <b>TID: May 2009</b></p>
NL-AR-09-001	2/13/2009	<p><b>Postal Vehicle Service Transportation Routes — Minneapolis Processing and Distribution Center</b></p> <p>R-1 — Ensure managers follow prescribed fleet management procedures. <b>TID: October 2009</b></p> <p>R-2 — Verify elimination of the 13,562 hours that management agreed to remove. <b>TID: August 2009</b></p> <p>R-3 — Reassess the 9,247 hours and eliminate the hours as indicated by the reassessment or document the reasons for retaining the hours. <b>TID: August 2009</b></p>
CA-AR-09-002	2/18/2009	<p><b>The Postal Service's Certification Process for Non-Mail Freight Transportation Invoices</b></p> <p>R-1 — Develop and implement written procedures for the independent review of invoices to confirm the receipt of goods and services, and to ensure accurate payment. <b>TID: September 2009</b></p>
IS-AR-09-004	2/20/2009	<p><b>Access Controls in the Enterprise Data Warehouse</b></p> <p>R-1 — Set expiration dates to match contract expiration dates. <b>TID: July 2009</b></p> <p>R-2 — Utilize eAccess to manage nonstandard access of contractors. <b>TID: April 2009</b></p> <p>R-3 — Update the Business Impact Assessment for the Enterprise Data Warehouse and recertify the system as required. <b>TID: August 2009</b></p> <p>R-4 — Provide Business Impact Assessments for feeder systems to Enterprise Data Warehouse managers. <b>TID: May 2009</b></p>
MS-AR-09-004	2/20/2009	<p><b>Cooperative Mail Rule Exception</b></p> <p>R-2 — Communicate the new complaint process to nonprofit mailers. <b>TID: June 2009</b></p> <p>R-3 — Develop training for mail acceptance employees covering acceptance procedures for (Cooperative Mail Rule) CMR exception mailings. <b>TID: June 2009</b></p> <p>R-4 — Provide mail acceptance training for CMR exception mailings mail acceptance procedures training for mail acceptance employees. <b>TID: June 2009</b></p> <p>R-6 — Clarify existing CMR exception policies and procedures by defining cost, risk, and benefit and outlining specifics regarding the allowed relationships between nonprofit organizations (NPOs) and for-profit organizations (FPOs). <b>TID: June 2009</b></p> <p>R-7 — Communicate the clarified policies and procedures to NPOs and FPOs. <b>TID: June 2009</b></p>
HM-AR-09-001	2/27/2009	<p><b>Workplace Safety and Injury Reduction Goals in Selected Capital Metro Area Facilities</b></p> <p>R-1 — Correct the deficiencies identified in the fiscal year 2008 Safety and Health Program Evaluation Guide evaluations for the Curseen-Morris and Southern Maryland Processing and Distribution Centers, and the Washington Bulk Mail Center. <b>TID: July 2009</b></p> <p>R-4 — Ensure area and district safety personnel receive the required safety core curriculum training as soon as possible. <b>TID: Not provided</b></p> <p>R-6 — Ensure the Capital District Executive Safety and Health Committee members understand their roles and responsibilities as outlined in Postal Service policies, that include monitoring and reviewing safety and health program activities to ensure goals and objectives are met. <b>TID: March 2009</b></p> <p>R-8 — Determine if the findings in this report exist in the remaining Capital Metro Area Performance Clusters and, where necessary, take action to ensure management implements adequate controls. <b>TID: July 2009</b></p> <p>R-9 — Determine if continuation of pay was made to other Capital District employees whose workers' compensation claims were denied by the Office of Workers' Compensation Programs during fiscal years 2007 and 2008. Where COP errors are found, full recoveries must be made. <b>TID: March 2009</b></p>

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CA-AR-09-003	2/27/2009	<p><b>Postal Service Oversight of Extra Highway Transportation Contract Trips</b></p> <p>R-1 — Reiterate to Postal Service supervisors they must sign Postal Service Forms 5397, Contract Route Extra Trip Authorization, and prepare and review management reports to track the progress of extra trip costs. <b>TID:</b> <i>Management working on closure request</i></p>
CRR-AR-09-003	3/5/2009	<p><b>Controls Over International Air Transportation Payments</b></p> <p>R-1 — Identify all potential payment deficiencies in the Surface Air Support System and implement system changes. <b>TID:</b> <i>March 2009</i></p> <p>R-3 — Consult with Supply Management concerning the recovery of contract payments to the initial contractor. <b>TID:</b> <i>June 2009</i></p> <p>R-4 — Develop exception reports capable of identifying errors in payments to air carriers. <b>TID:</b> <i>March 2009</i></p> <p>R-5 — Implement a reconciliation process to rectify payment errors to international air carriers in a timely manner. <b>TID:</b> <i>March 2009</i></p>
MS-AR-09-005	3/17/2009	<p><b>Shortpaid Information-Based Indicia Stealth Postage</b></p> <p>R-1 — Establish specific guidelines and assign roles and responsibilities for identifying shortpaid postage on Information-Based Indicia (IBI) stealth mail, including procedures for identifying counterfeit and duplicate IBI stealth labels at mail entry points. <b>TID:</b> <i>Management working on closure request</i></p> <p>R-2 — Define various entry points at which Information-Based Indicia stealth postage should be verified. <b>TID:</b> <i>Management working on closure request</i></p> <p>R-3 — Raise the level of awareness and importance regarding revenue protection by giving regular standup talks that address how to identify and process shortpaid Information-Based Indicia (IBI) stealth mail and provide employees with examples of shortpaid IBI stealth postage. <b>TID:</b> <i>Management working on closure request</i></p> <p>R-4 — Provide formal training to employees who accept and process Information-Based Indicia (IBI) stealth mailpieces. <b>TID:</b> <i>October 2009</i></p> <p>R-5 — Integrate or retrofit the Point of Service system and handheld scanners to identify counterfeit and duplicate Information-Based Indicia stealth labels. <b>TID:</b> <i>Not provided</i></p>
NL-AR-09-003	3/19/2009	<p><b>U.S. Virgin Islands Delayed Mail — Transportation Issues</b></p> <p>R-1 — Continue to monitor transportation of mail to the U.S. Virgin Islands to ensure the Postal Service transports mail timely and meets established service standards. <b>TID:</b> <i>June 2009</i></p> <p>R-2 — Review surface transportation mail modes and schedules for Periodicals, Package Services, and Standard Mail to the U.S. Virgin Islands. <b>TID:</b> <i>June 2009</i></p> <p>R-3 — Review and revise air transportation modes and capacities to the U.S. Virgin Islands for First-Class and Priority Mail and obtain adequate capacity to ensure it meets service standards. <b>TID:</b> <i>June 2009</i></p> <p>R-4 — Review and revise mail transportation and distribution processes to the U.S. Virgin Islands and oversee key transportation concentration point operations to ensure minimal handling of mail. <b>TID:</b> <i>June 2009</i></p> <p>R-5 — Maximize sea container capacity out of Jacksonville, FL. <b>TID:</b> <i>Not provided</i></p>
DR-MA-09-001	3/26/2009	<p><b>Management of City Letter Carriers' Street Performance</b></p> <p>R-1 — Revision of Postal Service Policies. <b>TID:</b> <i>March 2010</i></p> <p>R-2 — Modification of Route/Carrier Daily Performance Analysis Report. <b>TID:</b> <i>March 2010</i></p> <p>R-3 — Reinforcement of using management tools and reports. <b>TID:</b> <i>June 2009</i></p> <p>R-5 — Purchase and installation of GPS technology. <b>TID:</b> <i>Not provided</i></p>

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NL-AR-09-004	3/26/2009	<p><b>Vehicle Management — National Trailer Lease Renewal — Great Lakes Area</b></p> <p>R-1 — Develop a comprehensive process to identify trailer requirements and manage trailer inventory and use. <b>TID: Not provided</b></p> <p>R-2 — Analyze the number of trailers needed to transport mail and equipment and return unneeded trailers to the Postal Service Headquarters for reallocation or return to the leasing contractor, saving the Postal Service about \$5.4 million over the next 10 years. <b>TID: Not provided</b></p> <p>R-3 — Analyze storage requirements and procure storage space in the most cost-effective manner. <b>TID: Not provided</b></p>
DA-AR-09-005	3/31/2009	<p><b>Recycling Opportunities — Pacific Area</b></p> <p>R-1 — Provide additional recycling training to maintenance and operations personnel responsible for conducting recycling activities and expand recycling programs throughout the area. <b>TID: September 2009</b></p> <p>R-2 — Improve awareness of policies and procedures that; require appropriately designated site personnel to certify the tonnage of recyclable material and trash collected by contractors. <b>TID: July 2009</b></p> <p>R-3 — Improve awareness of policies and procedures that; require accurate recording of recycling revenues. <b>TID: July 2009</b></p>
DA-AR-09-006	3/31/2009	<p><b>New York District Building Equipment Maintenance</b></p> <p>R-1 — Define business requirements for capturing maintenance benefits associated with remote building management systems. <b>TID: Not provided</b></p> <p>R-2 — Update building equipment maintenance staffing packages to reflect current staffing requirements and subsequently conduct a cost benefit analysis to reassess the need for labor distribution code 37 positions. <b>TID: Not provided</b></p> <p>R-3 — Issue a Maintenance Management Order to clarify requirements for periodically reviewing and updating building equipment maintenance staffing packages. <b>TID: Not provided</b></p>
IS-AR-09-006	3/31/2009	<p><b>Intelligent Mail Barcode Project Planning and Application Development Life Cycle</b></p> <p>R-1 — Establish an incremental approach for approval and funding for future project releases. <b>TID: Not provided</b></p> <p>R-2 — Formally appoint an Information Systems Security Representative, in writing, and ensure they are fully engaged in the business requirements throughout the life cycle of the Intelligent Mail Barcode (IMB) Full Service-Seamless Acceptance Service Performance application, and document their participation and concurrence on security matters. <b>TID: May 2009</b></p> <p>R-3 — Ensure the Certification and Accreditation process is completed and all residual risks are identified and mitigated before deploying the IMB Full Service-Seamless Acceptance Service Performance Release 1 application. <b>TID: Not provided</b></p>
SA-AR-09-003	3/31/2009	<p><b>National Leased Facility Maintenance Responsibility</b></p> <p>R-1 — Establish and implement controls to ensure Postal Service personnel are aware of and follow existing written policies and procedures for lessor maintenance and repairs. <b>TID: Not provided</b></p> <p>R-2 — Instruct the Facilities Service Offices to seek reimbursement for questioned costs identified during the audit. <b>TID: Not provided</b></p>

Report Title, Recommendation Summary

R = Recommendation number  
 TID = Target Implementation Date

Report Number	Issue Date	Report Title, Recommendation Summary
MS-AR-09-006	3/31/2009	<p><b>Intelligent Mail/Seamless Acceptance Project Management</b></p> <p>R-1 — Quantify strategic benefits to the Postal Service and mailers. <b>TID:</b> <i>Not provided</i></p> <p>R-2 — Prepare an integrated project budget and expenditure tool for future project releases to track costs and provide reports during regular status meetings. <b>TID:</b> <i>Not provided</i></p> <p>R-3 — Develop potential cost savings estimates to establish a baseline for comparison with realized savings for future project releases. <b>TID:</b> <i>Not provided</i></p> <p>R-4 — Incorporate effort-based workhour requirement estimates into work plans for future project releases. <b>TID:</b> <i>September 2009</i></p> <p>R-5 — Develop a risk management plan to address project risks. The plan should define a process for conducting risk management activities. <b>TID:</b> <i>Not provided</i></p> <p>R-6 — Develop a procurement plan consistent with the Postal Service’s purchasing guidelines to manage procurements related to the project. <b>TID:</b> <i>September 2009</i></p>

## APPENDIX F

### *Significant Management Decisions in Audit Resolution*

For the period October 1, 2008 – March 31, 2009

As required by the IG Act, the following page discusses information concerning any significant management decision with which the Inspector General disagrees and is currently in audit resolution. Status

#### **Political Campaign Mailings**

##### **MS-AR-08-006**

9/30/2008

##### Recommendation 1

Consolidate the manual political mail log into the automated recordkeeping system in PostalOne! for all sites that have access to the PostalOne! system. Require sites that do not use the PostalOne! System, to maintain the manual political mail log and transmit the political campaign mailing information to their respective BMEUs to be entered into PostalOne!.

##### Recommendation 2

Program PostalOne! to require employees to identify political campaign mailings in the system.

##### Recommendation 6

Develop standard operating procedures for accepting, processing, and documenting political mail inquiries and their resolution. The standard operating procedures should clearly define areas of responsibility and provide a method for tracking political mail inquiries and their resolution.

##### Recommendation 7

Provide training for officials responsible for political campaign mail complaints to make them aware of the requirements for handling political campaign mail inquiries and their resolution.

#### **Shortpaid Postage — Information-Based Indicia Priority Mail**

##### **MS-AR-09-001**

10/10/2008

##### Recommendation 5

Require supervisors to conduct random verifications of postage paid on IBI Priority Mail, ensure employees follow appropriate procedures to collect additional postage, and maintain a daily log for the random verifications results. Results should be consolidated at the district level to identify potential sources of abuse.

#### **Shortpaid Postage — Information-Based Indicia Parcel Post Mail**

##### **MS-AR-09-002**

10/14/2008

##### Recommendation 5

Require supervisors to conduct random verifications of postage paid on IBI Parcel Post mail, ensure employees follow appropriate procedures to collect additional postage, and maintain a daily log for the random verifications results. Results should be consolidated at the district level to identify potential sources of abuse.

#### **Shortpaid Postage — Information-Based Indicia Priority Mail**

##### **MS-MA-09-001**

10/22/2008

##### Recommendation 4

Establish procedures to ensure the Postal Service reconciles mail scans captured by Surface Transfer Center and Terminal Handling Services contractors with scans at the points of acceptance.

## APPENDIX G

*Investigative Statistics (OIG and Postal Inspection Service Combined)\**

For the period October 1, 2008 – March 31, 2009

	Investigations Completed	Arrests	Indictments/Informations	Convictions/Pretrial Diversions**	Admin. Action Taken	Cost Avoidance	Fines, Restitution & Recoveries	Amt. to USPS (from previous column)***	To Mgmt. for Admin. Action
Mail Theft by Nonemployees and Contractors <sup>1</sup>	1,196	1,280	419	1,134	49	–	–	–	–
Theft, Delay, or Destruction of Mail by Employees or Contractors	757	195	177	220	380	–	\$176,011	\$30,349	389
Injury Compensation Fraud	513	18	20	16	134	\$88,295,624	\$427,417,889	\$5,721,632	124
Assaults and Threats <sup>2</sup>	365	138	11	10	46	–	–	–	–
Official Misconduct	967	70	62	66	552	–	\$1,352,221	\$307,902	542
Robbery	70	36	14	–	–	–	–	–	–
Burglary	32	55	13	1	–	–	–	–	–
Financial Fraud and Embezzlements	378	118	121	102	261	\$30,000	\$2,349,003	\$2,265,635	287
Revenue Fraud	149	41	26	34	14	–	–	–	–
Contract Fraud	67	5	5	1	25	\$4,686,555	\$8,026,820	\$6,730,001	22
Mail Fraud	619	550	442	584	–	–	\$5,371,749,271	\$2,066,500	–
Identity Theft	655	746	354	787	–	–	–	–	–
Suspicious Items <sup>3</sup>	109	28	2	31	–	–	–	–	–
"Nonmailable, Restricted, and Perishable Matter" <sup>4</sup>	91	56	31	54	–	–	–	–	–
"Suspicious Substances" <sup>5</sup>	63	8	6	7	–	–	–	–	–
"Child Exploitation and Obscenity" <sup>6</sup>	171	79	63	78	–	–	–	–	–
Mailing of Controlled Substances <sup>7</sup>	454	651	174	464	–	–	1,950,273	–	–
Money Laundering <sup>8</sup>	63	25	19	53	–	–	887,670	–	–
Vandalism and Arson	23	34	8	3	–	–	–	–	–
<b>TOTAL</b>	<b>6,742</b>	<b>4,133</b>	<b>1,967</b>	<b>3,645</b>	<b>1461</b>	<b>\$93,012,179</b>	<b>\$5,813,909,158</b>	<b>\$17,122,019</b>	<b>1,364</b>

\* Statistics include joint investigations with other law enforcement agencies.

\*\* Convictions reported in this period may be related to arrests in prior reporting periods.

\*\*\* Amounts include case results of joint investigations with other OIG, federal, state, and local law enforcement entities.

<sup>1</sup> Includes theft and possession of stolen mail.<sup>2</sup> Includes threats and assaults against on-duty postal employees.<sup>3</sup> Includes non-threatening items, bombs, threats, hoaxes, and explosive material.<sup>4</sup> Includes firearms, weapons, intoxicants, extortion threats, and miscellaneous matter.<sup>5</sup> Includes non-threatening, hazardous, and hoax CBRN (CBRN refers to chemical, biological, radiological, and nuclear.)<sup>6</sup> Obscenity includes mailing of obscene matter, and sexually oriented advertisements.<sup>7</sup> Includes narcotics, steroids, drug-related proceeds, and drug paraphernalia.<sup>8</sup> Includes postal money orders.

## APPENDIX H

*Summary of U.S. Postal Inspection Service Actions Under 39 USC 3005 and 3007*

For the period October 1, 2008 – March 31, 2009

Type of Scheme	Complaints Filed	Consent Agreements	FROs	Cease & Desist Orders
Advance Fee	1	-	-	-
Charity	3	3	-	3
Contests/Sweepstakes	-	-	-	-
Coupon Fraud	1	1	-	-
False billings	15	1	-	5
Internet Auction	-	-	-	-
Lotteries (Foreign and Domestic)	5	5	-	5
Merchandise:				
Failure to furnish	9	8	2	7
Failure to pay	-	-	-	-
Misrepresentation	4	3	-	4
Miscellaneous	31	25	1	35
Telemarketing	-	-	-	-
Work at home	11	9	-	9
<b>TOTAL</b>	<b>80</b>	<b>55</b>	<b>3</b>	<b>68</b>

*Financial Reporting On Investigative*

Type	
Personnel	\$147,270,644
Nonpersonnel	\$25,210,992
<b>TOTAL</b>	<b>\$172,481,636</b>
Capital obligations	\$1,564,992

**Other Administrative Actions**

Administrative Action Requests	80
Temporary Restraining Orders Requested	1
Temporary Restraining Orders issued	-
Cases Using Direct Purchase Authority	-
Civil Penalties (Section 3012) Imposed	-
Test Purchases	-
Withholding Mail Orders Issued	7
Voluntary Discontinuances	-

*Administrative Subpoenas Requested by the Postal Inspection Service:*

Defendant	Violation	Date Issued	Date Returned
09-001 Harmon Bay (21st Century Offices)	39 USC 3005; 3016 Sweepstakes scheme	12/17/08	12/24/08
09-002 Key Bank	36 USC 3005; 3016 FR – Solicitation in the guise of a bill or invoice	12/5/08	12/15/08
09-003 Publishing Corp. of America	39 USC 3005;3016 FR – Solicitation in the guise of a bill or invoice	12/5/08	12/15/08
09-004 REGUS	39 USC 3005;3016 FR – Solicitation in the guise of a bill or invoice	2/5/09	2/12/09



## APPENDIX I

*Closed Congressional and Board of Governors' Inquiries*

For the Period October 1, 2008 – March 31, 2009

This appendix lists the Congressional and Board of Governors inquiries the OIG and Postal Inspection Service closed during this reporting period. The Joint Legal Services Center (JLSC) reviewed these inquiries to help identify systemic issues and to determine the need for future Postal Service-wide audits. Inquiries are listed in the chronological order of receipt.

*Inspector General Investigations (26)*

<b>Requestor</b>	<b>Allegation/Concern</b>	<b>Major Findings</b>	<b>Closure Date</b>
Three separate requests: Senator, North Carolina; Representative, North Carolina; and Representative, North Carolina.	Whistleblower reprisal after reporting improper grievance procedures; hostile work environment created by management.	An OIG investigation showed the case did not meet the four necessary elements of whistleblower reprisal. An OIG Workplace Environment review did not substantiate allegations of hostile work environment. District management took the additional step of assembling a Threat Assessment Team to investigate the matter.	12/1/2008
State Senator, New York	Letter Carrier allowed unauthorized persons to sign and receive Certified Mail.	The investigation revealed the Letter Carrier acted contrary to postal procedure and improperly delivered certified package to an individual other than the intended addressee. Findings were forwarded to management.	12/9/2008
Senator, New York	Mail tampering and theft.	The investigation uncovered no evidence of mail tampering or theft by postal employees.	12/9/2008
Representative, Tennessee	Retaliation by management after an altercation with fellow postal employee.	Complainant did not respond to communications from Special Agents, preventing a formal investigation into the allegation.	11/24/2008
Representative, Tennessee	Mail tampering by a supervisor at a Tennessee facility.	The investigation revealed the employee's supervisor opened a confidential letter addressed to the postal employee. The OIG forwarded findings to management.	10/2/2008
Representative, Virginia	Postal employee requested assistance in obtaining resolution to workers' compensation claim problem.	Investigation revealed the employee had not provided proper documentation to the DOL and as a result her claim had not been accepted.	12/11/2008
Senator, Illinois	Harassment by fellow postal employees; OIG Special Agents assisted in the harassment.	The investigation did not substantiate the allegations.	10/6/2008
Senator, Kansas	Special Agents harassed and threatened subject of an investigation.	The employee dropped his allegations of harassment and threat by Special Agents; internal review showed no other misconduct.	10/6/2008
Senator, Georgia	International package disappeared in transit and from the Postal Service electronic tracking system.	During the investigation, Special Agents located the package at a Mail Recovery Center and ensured it was delivered to the customer. No cause for the delay was determined.	10/14/2008
Representative, Florida	Leave and workers' compensation claim forms were altered by postal employees.	Investigation revealed that employees mistakenly made changes to the leave form and corrections to the claim form, but all changes made complied with postal regulations. Postal Service worked with the complainant to resolve the concern.	10/6/2008
Representative, Virginia	Falsified Express Mail scans to meet deadlines at multiple Post Offices in Virginia.	The investigation substantiated the allegations at some of the facilities. The findings were forwarded to management.	1/13/2009
Senator, Iowa	Mail tampering.	The investigation uncovered no evidence of mail tampering by postal employees or mail tampering in general, and noted that damage to the mail was consistent with damage from automated machinery.	2/9/2009
Senator, Iowa	Falsified Express Mail scans at a Post Office in California.	The investigation substantiated that employees had falsified scans but did not find upper level management had encouraged this practice. The findings were forwarded to management.	2/17/2009
Senator, New York	Mail tampering, delay, and destruction by a postal employee.	The investigation did not substantiate allegations but determined multiple change of address forms complainant submitted caused the problem.	3/4/2009
Senator, Illinois	Unsatisfactory investigation by Special Agents.	An internal review did not substantiate the allegations.	11/19/2008

**APPENDIX I**

<b>Requestor</b>	<b>Allegation/Concern</b>	<b>Major Findings</b>	<b>Closure Date</b>
Senator, Illinois	Race and injury-based discriminatory management practices in an Illinois Post Office.	The investigation did not substantiate allegations, however, employee's concern of future retaliation as he attempts to return to work was referred to management.	2/17/2009
Senator, North Carolina	Mail theft.	The investigation revealed multiple addresses on the package as a possible reason for the delay. Special Agents alerted postal Mail Recovery Center of the package so they can forward it to the complainant, if found.	3/16/2009
White House	Violations of the Americans with Disabilities Act, threats and intimidation, breach of contract, dereliction of duty, and mail theft by a Letter Carrier at an Indiana Post Office.	The investigation did not substantiate allegations but showed the complainant's circumstances made delivery of mail difficult, Special Agents were able to remedy the situation to ensure mail delivery.	2/9/2009
Senator, Alaska	Damaged mail parcels.	Special Agents determined damage resulted from extreme environmental and operational conditions along with the remote location of delivery. Numerous companies and individuals handling and processing the parcels also contributed to the damage.	1/26/2009
Senator, California	Whistleblower reprisal; wrongful termination.	The investigation revealed that the complainant failed to show that a protected communication was the basis for the personnel action. The removal was based on legitimate business reasons.	12/30/2008
Representative, Pennsylvania	Delay restitution for a gift card stolen by a former postal employee.	The investigation revealed that after the former employee failed to make the restitution payment, the Postal Service paid the complainant.	12/31/2008
Senator, South Dakota	Mismanagement by officials in the Western Area and Dakotas District.	OIG reported findings to management.	3/23/2009
Representative, Texas	Mismanagement by officials in the Western Area and Dakotas District.	OIG reported findings to management.	3/23/2009
Representative, Florida	Status of investigation of a Postal Inspector.	The investigation substantiated the allegations. We forwarded our findings to Postal Inspection Service management.	3/18/2009

**Postal Inspection Service Investigations (31)**

<b>Requestor</b>	<b>Allegation/Concern</b>	<b>Major Findings</b>	<b>Closure Date</b>
State Representative, Illinois	Lost or missing mail from a 2007 political campaign.	Because Postal Inspectors could not locate evidence of the mailings they could not undertake a full investigation.	11/3/2008
Senator, Texas	Check fraud in nationwide scam compromising personal business checks.	Postal Inspectors advised complainant directly of findings and the continued investigation into this type of fraud.	11/10/2008
Senator, Maryland	Mail tampering; potential compromise of financial and personal information.	A review uncovered no evidence of any intentional misconduct.	11/3/2008
Representative, California	Unsolicited mail and collect phone calls.	A review found no violation of postal laws or regulations.	11/3/2008
Representative, Indiana	Mail fraud.	Postal Inspectors determined this is part of an international lottery fraud scheme. The Spanish UP is cooperating in efforts to interdict this mail. Postal Inspectors informed complainants it is unlikely the will recover the funds.	11/20/2008
State Senator, Nebraska	Mail tampering; affixing postage from other mail.	An evaluation substantiated allegations; complainant agreed to cease and desist from affixing used postage to correspondence.	2/10/2009
Senator, Wisconsin	Authority of the Postal Inspection Service to investigate receiving mailing discounts to which complainant was not entitled.	An internal review confirmed complainant was incorrectly given discount rates for distributing a publication and Postal Inspectors acted in accordance with procedure in recovering funds. The complainant eventually offered to settle the dispute by voluntarily returning the overcompensation to the Postal Service.	2/3/2009
Representative, California	Suspected mail fraud in winnings checks for a contest complainant did not enter.	Review of the complaint showed there is a current investigation into a similar mail fraud scheme.	12/17/2008
Senator, Pennsylvania	Unsolicited mail believed to be part of a lottery scheme.	Review of the complaint showed there is a current investigation into a similar mail fraud scheme.	2/26/2009

Requestor	Allegation/Concern	Major Findings	Closure Date
Representative, California	Mail fraud; solicitation in form of a government authority.	Review showed the mailings potentially violated the mail fraud statute. Findings were documented for future investigations.	1/26/2009
Senator, Michigan	Threatening behavior by a postal employee; the Postal Inspection Service improperly handled the investigation.	Findings of a prior investigation into employee threats did not warrant federal prosecution. Postal Inspectors forwarded the findings to the local postmaster for action deemed appropriate. An internal review of the investigation showed it was thorough and presented no evidence of misconduct.	1/5/2009
State Attorney General, Pennsylvania	Theft of federal stimulus check.	Postal Inspectors informally investigated the matter and planned to report any findings to local police and prosecutors.	3/11/2009
Senator, Pennsylvania	Inappropriate statements made by Postal Inspector.	After review, no evidence of misconduct found.	12/31/2008
Representative, Pennsylvania	Inappropriate statements made by Postal Inspector.	After review, no evidence of misconduct found.	12/31/2008
Senator, Texas	Threatening requests for work by a postal contractor; misuse of postal credit cards by a postal employee.	Postal Inspectors assessed and provided advice. An OIG investigation did not substantiate allegations of credit card misuse.	1/28/2009
Representative, Tennessee	Mail theft and tampering.	Review showed the case was previously handled by the Memphis Police Department and adjudicated.	1/27/2009
Senator, Maine	Threatening mail seek to extort money.	Review found no Postal Inspection Service jurisdiction in the matter.	2/3/2009
Senator, South Carolina	Internet fraud.	Postal Inspectors were unable to intercept a package mailed internationally after discovering the fraudulent scheme. The Postal Inspection Service added the complaint to the CISC database to be monitored by Postal Inspectors and potentially developed into an investigation.	2/9/2009
Senator, Ohio	Intercept and delay of federal income tax refund check.	A review did not substantiate the allegation.	2/12/2009
Representative, Colorado	Cross-border advanced fee international shipping scheme.	Evaluation revealed the scheme originated in Canada and forwarded the information to Canadian authorities in hopes of recovering the loss funds.	3/11/2009
Representative, Arkansas	Unauthorized change of address made for complainants place of business.	Review and interviews showed that former employees of the complainant submitted change of address (COA) forms in error. Individuals are not allowed to submit COA forms for a business. Postal Inspectors met with management to resolve the problem.	3/19/2009
Senator, Virginia	IRS fraudulently cashed a checked mail to another recipient.	Review found human and automation error occurred. Such misdelivery of mail by a government agency did not warrant criminal investigation. The IRS reimbursed the complainants' funds.	3/19/2009
Representative, Pennsylvania	Suspected mail fraud scheme.	Review showed the mailing was legitimate.	3/16/2009
Representative, Illinois	Mail fraud scheme.	Review did not substantiate the allegations, finding the complainant simply displeased with the quality of merchandise purchased, and found no jurisdiction over the claim.	3/18/2009
Representative, Missouri	Potential identity theft, based on mailings to complainant's address.	Review did not substantiate allegations.	3/17/2009
Senator, Pennsylvania	Unauthorized use of complainant's mailbox.	Review did not substantiate allegations.	3/25/2009
Senator, Missouri	Return of documents provided for a Postal Inspection Service investigation.	Documents returned.	3/23/2009
Senator, Vermont	Mail and internet fraud; complainants mailed a check to a merchant as payment but they never received the coins they purchased.	An investigation into related allegations is underway. This complaint has been added to the case file.	3/26/2009

**Joint Legal Services Center (23)**

<b>Requestor</b>	<b>Allegation/Concern</b>	<b>Major Findings</b>	<b>Closure Date</b>
Representative, Arizona	Hostile work environment at an Arizona Post Office; insufficient prior investigation into such matters by postal District Management.	The JLSC reviewed three postal inquires into the allegations and found instances where postal methods were not followed but that the inquiries were sufficiently thorough and objective. The JLSC noted continuing allegations of potentially abusive behavior and; we provided information to for action deemed appropriate.	10/15/2008
Representative, Michigan	Improper sharing of a postal employee's protected medical information.	The JLSC review found such information was needed by management as it pertains directly to workplace issues; use of such information is routine during the normal course of business.	10/31/2008
Senator, Texas	Harassment and retaliation by management at a Texas facility.	Complainant dropped claim; however JLSC reviewed workplace issues generally and determined no systemic issues or areas of concern.	11/20/2008
Representative, North Carolina	Unfair labor practice and creation of a hostile work environment in a North Carolina facility; whistleblower retaliation for filing EEOC complaints.	Review found management to be taking appropriate steps towards resolving concerns. The review found individual issues subject either to union grievance or EEO processes and declined further work.	10/22/2008
Representative, North Carolina	Unfair labor practice and creation of a hostile work environment in a North Carolina facility; Whistleblower retaliation for filing EEOC complaints.	Review found management to be taking appropriate steps towards resolving concerns. The review found individual issues subject either to union grievance or EEO processes and declined further work.	10/22/2008
Representative, North Carolina	Irregularities in pay.	Review of similar issues prompted JLSC to refer inquiry to management for review.	11/19/2008
Representative, Texas	FOIA request for an investigative report.	Review found the request was previously denied by the OIG FOIA office and affirmed upon appeal. The Appeals Officer stated such appeals decisions are subject to review only in federal court.	10/28/2008
Senator, Pennsylvania	Receipt of unsolicited mail.	Review did not find any violation of deceptive mailings law.	11/3/2008
Representative, Missouri	Failure of Postal Service to reinstate an employee to previous position.	JLSC review showed the complainant was not entitled to restoration to his former position but confirmed his entitlement to some back pay under a Merit Systems Protection Board ruling. We referred the latter to management for resolution.	1/2/2009
Representative, Georgia	Postal officials have not provided adequate responses to grievances and safety reports regarding delivery vehicles.	We noted a pending formal grievance and declined action.	11/10/2008
Representative, Missouri	Postal Service employee unfairly discharged after background check required by the Postal Inspection Service.	We confirmed the employee did not meet security criteria for postal contractors.	11/18/2008
Senator, Mississippi	Abuse of power and position, waste of funds, preferential treatment of personnel by postal executives; request for audit of postal executive expenses. The OIG failed to act on allegations previously intimated.	The JLSC was unable to provide a substantial response because of the lack of specificity and complainant's unwillingness to provide details.	11/20/2008
Senator, Illinois	Unfair employment practices.	Review found the employee had a pending EEO complaint, JLSC therefore declined further work.	11/18/2008
Representative, Alabama	Postal Inspector neglected to investigate a complaint.	Postal Inspector previously discussed matter with complainant and awaits more information.	12/11/2008
Representative, Michigan	Contractor terminated HCR driver after background investigation administered by the Postal Inspection Service.	We confirmed the employee did not meet security criteria for postal contractors.	12/23/2008
Representative, Virginia	The Postal Inspection Service should adjudicate complainant's mail fraud case in federal court.	This is a matter of prosecutorial discretion and outside the jurisdiction of the Postal Inspection Service.	1/21/2009
State Attorney General, Connecticut	Postal Customized Package program might expose minors' personally identifiable information to predators.	Review showed no record of complaints resulting from the program, however, we added it to the database for systemic review in the future.	2/3/2009
Senator, Georgia	Inconsistencies in the Priority Mail screening measures; offer by the complainant to assist in testing the security measures.	The Postal Inspection Service declined the offer as such testing is part of the OIG's law enforcement mission and performed solely by law enforcement personnel. Forwarded to the OIG's Office of Audit for review.	2/6/2009

Requestor	Allegation/Concern	Major Findings	Closure Date
Senator, Kentucky	Receipt of threatening mail package; Postal Inspectors did not assist in locating evidence of the sender.	The packages described did not fall under jurisdiction of the threatening mail statute. Investigation found video of the subject no longer available due to video surveillance system storage settings. Allegations of insufficient response from the Postal Inspection Service were not substantiated.	3/4/2009
Representative, District of Columbia	Defaced mail collection boxes.	After review, Postal Service Field Maintenance Operations cleaned or replaced all defaced boxes.	3/3/2009
Representative, Texas	Legality of a law enforcement officer opening a residential mail box and looking at mail to verify the identity of a resident.	Review of Postal Service Administrative Services Manual showed law enforcement agencies are expected to request access to this information in writing. No person may search, inspect, read, or disclose information obtained from the mail or its contents, unless permitted under certain activities or circumstances.	3/11/2009
Senator, Maryland	Inconsistencies in the Priority Mail screening rules.	After review, the information was forwarded to the OIG's Office of Audit for use in audit work now underway.	3/5/2009
Representative, Texas	Mail delivery issues.	The JLSC learned through the Fort Worth Consumer Affairs Office that the mail piece was misplaced in equipment and delivered after discovery.	3/19/2009

### Postal Inspector General Audits (4)

Requestor	Allegation/Concern	Major Findings	Closure Date
Representative, Virgin Islands	Request for review of mail services to the U.S. Virgin Island, now experiencing extraordinary length of delivery time for various classes of mail; receiving damaged mail; mail not being delivered; inadequate staffing at postal facilities; inadequate service standards; and lack of communication between the Postal Service and law enforcement agencies.	Processing and transportation issues were causing extensive delays and damaging mail. Allegations of staffing levels and service standards were not substantiated. Communication between the Postal Service and U.S. Customs and Border Patrol needs to be addressed. The OIG forwarded findings to management.	3/26/2009
Senator, Oregon	Wasteful spending in the Postal Service, specifically a recent increase in senior management positions	Postal Service restructuring efforts were made in accordance with the Postal Accountability Act to segment products and services to maximize profitability.	10/9/2008
Representative, California	Report all open recommendations from prior audits and monetary benefits associated with them; identify the three open recommendations with largest monetary benefits associated.	The OIG provided findings as requested.	12/30/2008
Representative, Ohio	Audit upcoming consolidation of Canton facilities.	Office of Audit added the Canton Consolidation to the FY 2009 audit plan.	3/30/2009

### Referrals

Requestor	Allegation/Concern	Referred to	Closure Date
Senator, Illinois	Abusive treatment by management.	Government Relations Office.	10/16/2008
Senator, Missouri	Removal of Automated Postal Center and other vending machine in a Missouri Post Office.	Government Relations Office.	10/22/2008
Representative, New Jersey	Sourcing of Postal Service vehicle parts.	Government Relations Office.	10/15/2008
Senator, Missouri	Mismanagement at a Missouri Post Office.	Government Relations Office.	10/15/2008
Representative, Florida	Receipt of unsolicited mail after requesting to be removed from a mailing list.	Government Relations Office.	11/3/2008
Representative, Florida	Mail being delivered incorrectly to a neighbor.	Government Relations Office.	11/3/2008
State Representative, Pennsylvania	Unsolicited mail; potential scam.	Criminal Investigations Service Center.	11/10/2008
Senator, Texas	Unsolicited mail; potential scam.	Criminal Investigations Service Center.	11/10/2008

**APPENDIX I**

<b>Requestor</b>	<b>Allegation/Concern</b>	<b>Referred to</b>	<b>Closure Date</b>
Representative, Florida	Mail fraud.	Criminal Investigations Service Center.	11/18/2008
Representative, Pennsylvania	Political mailings delayed.	Government Relations Office.	12/3/2008
Representative, Pennsylvania	Mail fraud scheme seeking personal information.	Criminal Investigations Service Center.	12/9/2008
Representative, Massachusetts	Mail fraud scheme.	Criminal Investigations Service Center.	12/10/2008
Senator, New York	Internet fraud.	Criminal Investigations Service Center.	12/15/2008
Senator, Illinois	Check fraud scheme.	Criminal Investigations Service Center.	12/23/2008
Senator, New York	Check fraud scheme.	Criminal Investigations Service Center.	1/5/2009
Representative, Mississippi	Check fraud scheme.	Criminal Investigations Service Center.	1/12/2009
State Attorney General, Pennsylvania	Insured mail piece not delivered.	OIG Hotline.	2/9/2009
Representative, Michigan	FOIA Request for a Report of Investigation.	OIG FOIA Appeals Office.	2/9/2009
Representative, Guam	Suspension of mail delivery service through a PostNet franchise.	Honolulu Consumer Affairs Office.	3/25/2009
Representative, Pennsylvania	Mail fraud scheme.	Criminal Investigations Service Center.	2/10/2009
Representative, California	Mail offer to receive government funds.	Criminal Investigations Service Center.	2/12/2009
Representative, New York	FOIA Request for a Report of Investigation.	OIG FOIA Office.	2/24/2009
Senator, New York	Postmaster refused to forward mail of the complainant's deceased relative to the complainant.	Long Island Consumer Affairs Office.	3/11/2009
State Attorney General, Pennsylvania	Mail fraud scheme.	Criminal Investigations Service Center.	3/5/2009
State Attorney General, Pennsylvania	Mail fraud scheme.	Criminal Investigations Service Center.	3/5/2009
Representative, New York	Postmaster refused to forward mail of the complainant's deceased relative to the complainant.	Long Island Consumer Affairs Office.	3/11/2009
Representative, Virginia	Postmaster refused to postmark tax returns on a specific date.	Richmond Consumer Affairs Office.	3/12/2009
Representative, New Jersey	Mail fraud scheme.	Criminal Investigations Service Center.	3/16/2009
Representative, Virginia	Request for assistance in postal employee's transfer to new work facility.	Government Relations Office.	3/23/2009

## SUPPLEMENTAL INFORMATION

### Freedom of Information Act

Beginning in FY 2009, the Freedom of Information Act (FOIA) functions for the Postal Inspection Service and OIG were combined under the Joint Legal Services Center. The office operates independently of, but frequently coordinates with, its counterpart at the Postal Service. The FOIA Office receives requests for records from the public, the media, and Postal Service employees. The Freedom of Information Act, according to the Department of Justice, “generally provides that any person has a right, enforceable in court, to obtain access to federal agency records, except to the extent that such records (or portions of them) are protected from public disclosure by one of nine exemptions.” Activities

For the period October 1, 2008 – March 31, 2009

Requests	Number of Requests
Carryover from prior period	21
Received during period	301
Total on hand during period	322

OIG Actions	Number of Requests
Processed during the period	285
Requests released in full	11
Requests partially granted	90
Requests not granted	48
Requests referred to another agency	56
No Records	46
Not proper FOIA requests	7
Refusal to comply	19
Other	8

Balance	Number of Requests
Balance at the end of the period (pending)	37

Processing Days	Number of Days
Median processing days to respond to a FOIA request	7

### Workplace Environment

The Joint Legal Services Center (JLSC) Workplace Environment unit reviews workplace environment and operational issues that may affect the workplace climate in postal facilities throughout the country. The OIG Hotline is the usual source for complaints, but occasionally members of Congress, the Governors, and postal management will raise concerns or forward complaints appropriate for review by the unit. Complaint topics range from sexual harassment and discrimination to workplace safety. Workplace Environment reviews are designed to identify systemic, rather than individual, issues and foster postal management’s efforts toward providing employees a stress — and adversity — free work environment.

The unit accepts complaints from any postal employee, including OIG and Inspection Service staff, providing an alternative to grievance and Equal Employment Opportunity (EEO) processes. Reviews may result in fact-finding reports to management or referral for specific suggested action, such as climate assessments.

#### Activities

For the period October 1, 2008 – March 31, 2009

Complaints received	Total
Carryover from prior period	26
Complaints received from OIG Hotline, Congress, Governors, Management, Internal, and Other	305
<b>Total on hand during this period</b>	<b>331</b>

Workplace environment actions	Total
Complaints closed during this period	297
Referred to Postal Service management	163
Referred to OIG Office of Investigations	12
Referred to OIG Office of Audit	–
Referred to the Joint Legal Services Center	1
Summary of findings reported to Congress/BOG/Postal Service management	2
Conducted limited inquiry into allegations/issues	112
Referred to database for statistical analysis and possible systemic reviews	6
Fact-finding reports issued to OIG management	1
<b>Referrals pending at the end of the period</b>	<b>34</b>

## PARIS MODEL

### PARIS Model

This is OA's Performance Analyses And Risk Indicator Scans (PARIS) model that examines selected risk indicators for each Postal Service district, provides a drill down capability into the detailed data, and provides assessments of Postal Service facilities and operations.

PARIS Model	Performance Indicator	Indicator Description
<b>Operations Model</b>		
	Overnight Service	Measures the percentage of First-Class Mail that was delivered within the overnight standard. The percentage is representative of the number of IBM test mail pieces delivered on-time.
	Two-Day Service Indicator	Measures the percentage of First-Class Mail that was delivered within the 2-day standard. The percentage is representative of the number of IBM test mail pieces delivered on-time.
	Three-Day Service Indicator	Measures the percentage of First-Class Mail that was delivered within the 3-day standard. The percentage is representative of the number of IBM test mail pieces delivered on-time.
	Plant Delays	The number of pieces of mail that were not dispatched out of the plant on the day needed to make delivery standards. This number includes all classes of mail.
	Transportation Delays	The percentage of trucks that leave the plant late between the hours of 4 a.m., and 9 a.m.
	Breakthrough Productivity Index	The productivity percentage represents how many hours a plant is using versus how many hours a plant should be using based upon meeting targeted goals.
	Delivery Overtime	The percentage of hours used by letter carriers in an overtime status.
	Customer Service Delays	The number of pieces of mail that were not delivered by the delivery unit on the day needed to make delivery standards. This number includes all classes of mail.
	Delivery Point Sequence	The percentage of letter mail sent from the plant to a delivery unit in walk sequence. It represents the total amount of letter mail in walk sequence divided by total letter volume.
	Mail Processing Overtime	The percentage of hours used in mail processing that was in an overtime status.
	Letter Carriers Returning After 5 p.m.	The percentage of letter carriers that returned to the station from delivering the mail past 5 p.m. Determined by the total number of letter carriers returning after 5 p.m., divided by total letter carriers.
<b>Financial Model</b>		
	Revenue	All revenue (income) associated at a unit.
	Local Purchases	Purchases made for supplies and services using cash or no-fee money orders for supplies and services.
	Refunds	Refunds can be made for postage, fees, and other services at a customer's request.
	Miscellaneous Expenses	Include bank deposit differences and other discrepancies.
	Non-Local Purchases	All expenses for local units paid centrally through the San Mateo Accounting Service Center such as cleaning and utilities.
	Clerk Cash Management	Measures whether units are complying with requirements over clerk's cash, including whether cash is counted at the prescribed frequency and whether the amount of cash clerks maintain is within limits prescribed by Postal Service policy.
	Office Cash Management	Measures whether units are maintaining the amount of cash required by Postal Service policy.
	Employee Related Items	Includes amounts owed to the Postal Service for salary and travel advances. This also includes shortages and overages resulting from clerks' stamp and cash counts.
	Customer Account Management	Measures districts with the highest percentage of customer account balance differences comparing source data to accounting records.
	Retail Stamp Stock Management	Amount of stamp stock a post office can maintain for sale to the public, and the frequency the stock should be counted.
	Overall Unit Stamp Stock Management	The total amount of stamp stock in excess of authorized levels, which is calculated based on prior year sales according to Postal Service policy. This includes the amount directly sold to the public and the amount held in the inventory.
	Contract Postal Units Management	Measures the number of units with the most contract postal unit stock at risk. A contract postal unit is a privately operated entity providing most postal retail services.
<b>Maintenance Model</b>		
	Overall Equipment Effectiveness	Measuring and analyzing equipment effectiveness can help improve mail flow and reduce machine rejects.
	Equipment Underutilization	Identifying available time can help identify marketing opportunities and reduce over-production by fully loading employees for affected operations.
	Building and Custodial Maintenance	Tracking overtime can help lower costs given these are non-specialized functions that can be outsourced.



## ***Jurisdiction and Laws***

More than 200 federal laws are enforced by Postal Inspectors and OIG Special Agents through investigations of crimes that impact the Postal Service. A wide array of federal statutes are used to ferret out fraud, waste and misconduct in government agencies, including the Postal Service. Generally, crimes related to the U.S. Mail are covered in Title 18, United States Code, Sections 1691-1737, while others affecting the Postal Service are codified under Title 39. Shown here are some of the most important areas of jurisdiction.

### **Assaults** (18 USC 111, 1114)

The protection of Postal Service employees is one of the Postal Inspection Service's most important responsibilities. Postal Inspectors promptly investigate assaults and threats that occur while postal employees are performing official duties or as a result of their employment.

### **Bombs** (18 USC 1716)

Although a rare crime, Postal Inspectors give high investigative priority to the mailing of bombs, due to the severe impact it can have on postal customers, employees, and operations.

### **Burglary** (18 USC 2115)

The Postal Service experienced 57 burglaries in the first half of FY 2009. Postal Inspectors respond to and investigate these incidents

### **Child Exploitation**

(18 USC 1470, 2251- 2254, 2422-2425)

The Postal Inspection Service is recognized as one of the leading federal law enforcement agencies combating the production, distribution, receipt, and possession of child pornography and other crimes related to the sexual exploitation of children through the mail and the Internet.

### **Contract Fraud** (18 USC 201, 440, 441)

The OIG aids the Postal Service by aggressively investigating allegations of fraud, waste, misconduct and other contract improprieties in the thousands of postal contracts.

### **Credit Card Fraud**

(15 USC 1644; Access Device Fraud: 18 USC 1029)

Both agencies investigate credit card fraud, and often work jointly on cases involving postal employees and outsiders. Special Agents investigate postal employees who misuse government credit cards or steal cards from the mail and use them or sell them to others. Postal Inspectors investigate cards stolen from the mail by outsiders.

### **Narcotics and Controlled Substances**

(21 USC 841, 843, 844; 18 USC 1716)

Postal Inspectors initiate investigations related to transporting and distributing narcotics through the mail when employees are not involved. Special Agents investigate the sale or distribution of illegal narcotics by employees in the postal workplace or while on duty.

### **Delay, Destruction or Obstruction of Mail**

(18 USC 1700, 1701, 1702, 1703)

Both agencies uphold federal statutes aimed at securing customers' mail, including statutes related to the desertion, obstruction, delay, or destruction of mail. Special Agents investigate incidents involving postal employees and contractors. Postal Inspectors investigate incidents involving outsiders.

### **Electronic Crimes**

(18 USC 1029, 1030, 1037, 1343, 2701)

Both agencies investigate electronic or "cybercrimes." Postal Inspectors protect customers from fraud schemes and other crimes that may occur online and involve the misuse of the mail or of the Postal Service. Special Agents investigate intrusions into the Postal Service computer networks or misuse of those systems by postal employees.

### **Embezzlement, Theft or Destruction of Public Money, Property or Records** (18 USC 641, 1711)

The OIG investigates theft or embezzlement of postal funds by postal employees is investigated.

### **Extortion** (18 USC 873, 876, 877)

Postal Inspectors investigate extortion and blackmail when demands for ransoms or rewards are sent through the mail.

### **False Statements** (18 USC 1001)

Both agencies use this statute in their investigations.

### **Forfeiture** (18 USC 981, 982)

Agents from both agencies use criminal and civil forfeiture statutes, when appropriate, to seize assets associated with criminal acts.

### **Identity Fraud** (18 USC 1028)

Identity fraud victimizes millions of Americans each year. Both agencies play a role in investigating this crime. The Postal Inspection Service investigates identity theft and account takeovers when there is a nexus to the mail or the Postal Service. Special Agents investigate cases where a postal employee steals mail to obtain personal information.

**Injury Compensation Fraud** (18 USC 287, 1919, 1920)

Schemes by healthcare providers and postal employees to defraud the workers' compensation system cost the Postal Service millions of dollars annually. Special Agents' investigative work saves the Postal Service millions in long-term costs and deters others from abusing the system.

**Kickbacks, Bribes and Gratuities**

(41 USC 51-53; 18 USC 201)

Special Agents investigate contract irregularities and frauds — including kickbacks, bribes, and gratuities to postal employees.

**Lotteries** (18 USC 1301, 1302, 1303 and 39 USC 3005)

Postal Inspectors protect consumers by strictly enforcing all laws related to importing, transporting, and mailing lottery tickets. Under the false representations and lottery statute (3005), Postal Inspectors are authorized to instruct Postmasters to withhold from delivery and return to sender any mail that violates the law.

**Mail Fraud**

(18 USC 1341, 1342, 1345 and 39 USC 3005, 3007)

The Postal Inspection Service is committed to protecting postal customers from being defrauded through the mail. Postal Inspectors place special emphasis on mail fraud scams related to advance fees, boiler rooms, health care, insurance, investments, deceptive mailings, and other consumer fraud — especially when it targets the elderly or other vulnerable groups.

**Mail or Mailbox Destruction** (18 USC 1705)

The Postal Inspection Service is committed to ensuring the safety of the nation's mail by securing letter boxes or other receptacles for U.S. Mail. To this end, Postal Inspectors aggressively pursue individuals who willfully or maliciously injure or destroy such receptacles.

**Money Laundering** (18 USC 1956, 1957)

Special Agents and Postal Inspectors investigate criminals who attempt to conceal the proceeds of illegal acts through

monetary transactions. They identify and seize criminals' assets, denying violators the proceeds of their crimes.

**Money Orders, Counterfeit Stamps, and Related Crimes** (18 USC 500, 501, 503, 1720)

Postal Inspectors pursue criminals who forge, alter, or counterfeit postal money orders, postage stamps, and other stamp products. Special Agents investigate employees who manipulate postal money orders or funds.

**Obscenity and Sexually Oriented Advertising**

(18 USC 1461, 1463, 1735 and 39 USC 3010)

Postal Inspectors follow court-established guidelines to uphold obscenity standards, which prohibit "obscene, lascivious, indecent, filthy, or vile" mailings. Customers who wish to halt mailings of sexually oriented advertisements or similar solicitations may complete and submit PS Form 1500, available at Post Offices or online.

**Robbery** (18 USC 2114)

Postal Inspectors respond promptly to robberies of postal employees, facilities, vehicles and postal contractors.

**Theft of Mail** (18 USC 1708, 1709)

Theft of mail is a primary investigative responsibility of both agencies. Postal Inspectors investigate external incidents, including Postal Service contractors who transport mail to postal facilities. Special Agents investigate thefts by postal employees and contractors.

**Theft of Postal Property** (18 USC 1707)

Misconduct by postal employees is investigated by Special Agents and includes theft, destruction, or misuse of Postal Service property or equipment.

**Whistleblower Protection**

(Employee and Labor Relations Manual 666.18, 666.3 et. seq.)

This rule protects postal employees from reprisal resulting from disclosure of information evidencing a violation of law or regulation; waste, mismanagement, or abuse; or danger to public health or safety. Special Agents investigate reprisal allegations.

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The United States Postal Service has two law enforcement agencies with distinct areas of investigative responsibility to serve the needs of stakeholders, postal employees, and the American public.

## Who do I call?

### Postal Inspection Service

- Security of employees, facilities, and equipment
- Revenue and postage fraud
- International mail security
- Violent crimes:
  - Threats and assaults of employees
  - Burglaries and robberies
- Mail theft by nonemployees
- Dangerous mail and bombs
- Mail fraud
- Identity theft
- Narcotics in the mail
- Child pornography and obscenity

**Contact: 877-876-2455**  
<http://postalinspectors.uspis.gov/>



### Office of Inspector General

- Theft, delay, or destruction of mail by employees and contractors
- Injury compensation fraud
- Embezzlements and financial crimes
- Contract fraud
- Kickbacks
- Computer crimes
- Narcotics
- Employee misconduct
- Internal affairs and executive investigations
- Whistleblower reprisals

**Contact: 888-USPS OIG**  
[www.uspsoig.gov](http://www.uspsoig.gov)



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