



Office of Inspector General Semiannual Report to Congress

April 1 — September 30, 2011



A MESSAGE FROM THE INSPECTOR GENERAL

Not since the mail crisis of the 1960s, when the Chicago Post Office ground to a halt and citizens lost confidence in the mail, has the fate of the nation's postal system captured the attention of the American public. That crisis 40 years ago provided the impetus for Congress, the administration, and postal management to work toward a massive overhaul of a system steeped in neglect and patronage. It led to the reorganization of the old Post Office Department into today's self-supporting U.S. Postal Service. This history lesson reminds us that difficult times can lay the foundation for much-needed change.

The Postal Service's current financial troubles are of an historic proportion. As it struggles with record losses and burdensome federal benefits payments, it must adapt its business model for a new era of communications. These struggles have landed the Postal Service and its efforts on the front pages of newspapers and evening newscasts. But these news reports don't always reveal the full depth or breadth of the Postal Service's challenges; nor its opportunities for success.

In our semiannual report for the period ending September 30, 2011, submitted pursuant to the Inspector General Act, we consider the vast array of current and future challenges facing the Postal Service. We also reflect on potential solutions to these challenges, some of which rest in the Postal Service's hands, while others will require assistance from Congress and the administration. We look at the Postal Service's recent plans to right-size its infrastructure, and we present some of our own work around network optimization. In many cases, our work supports the Postal Service's recent conclusions. In some instances, though, we recommend even more aggressive action.

From our ongoing work we summarize ways the Postal Service could further reduce its costs and note opportunities for it to gain traction in a fast-changing digital market. In the second half of the report, we highlight audits and reviews that address risks in the strategic, financial, and operational areas of the Postal Service. We also include investigations conducted during this reporting period that contributed to safeguarding the Postal Service's revenues and assets and helped deter postal crimes.

We have appreciated the Postal Service's willingness to engage in collaborative and complementary efforts with our office on the major questions before the organization.

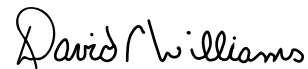
Postal Service executives often work closely with their Office of Inspector General (OIG) counterparts to identify problems and collaborate on solutions, which this report highlights. These efforts have resulted in significant savings opportunities. During this period, we issued 196 audit reports and management advisories, and the Postal Service accepted 90 percent (117 of 130) of the OIG's significant recommendations.

Our traditional OIG role of rooting out fraud, waste, and misconduct to protect the Postal Service's bottom line and maintain confidence in the mail is also highlighted in this report. Our dedication to integrity, accountability, and transparency means that no person in the organization is above the law or immune from the ethical standards set by the Postal Service. In this period, we conducted 2,129 investigations that

led to 333 arrests and nearly \$21 million in fines, restitutions, and recoveries, of which about \$11 million went to the Postal Service.

This year marks our 15th year as an independent Office of Inspector General for the Postal Service. We have evolved from a traditional OIG to one that leverages innovation, technology, and collaborative tools. We have fostered a “mission-oriented” environment, which focuses on assignment-based evaluations and performance metrics. This approach centers more on outcomes and outputs, rather than behavioral management. We also rely on technology, such as data mining and game-theory modeling, to look at the whole agency and target the biggest problems for further probing. These tools allow us to spot potential problems before they occur and set up preventive measures.

The OIG — with the support of the Governors, Congress, and Postal Service management — will continue to play a key role in maintaining the integrity and accountability of America’s postal service, its revenue and assets, and its employees through its audit and investigative body of work.

A handwritten signature in black ink that reads "David Williams". The signature is written in a cursive, flowing style.

David C. Williams
Inspector General

SUMMARY OF PERFORMANCE

April 1 — September 30, 2011

AUDITS

Reports issued	196
Significant recommendations issued	130
Total reports with financial impact	38
Funds put to better use	\$11,468,105,234
Questioned costs	\$2,008,390,107
Revenue Impact	\$2,226,560,093
TOTAL FINANCIAL IMPACT	\$ 15,703,055,434

INVESTIGATIONS¹

Investigations completed	2,129
Arrests	333
Indictments/informations	342
Convictions/pretrial diversions ²	355
Administrative actions	1,105
Cost avoidance	\$81,651,755
Fines, restitutions, and recoveries	\$20,989,706
Amount to Postal Service ³	\$11,014,849

OIG HOTLINE CONTACTS

Telephone calls	34,291
E-mail	16,949
Standard Mail	1,122
Voice mail messages	356
Facsimile – FAX	257
National Law Enforcement Communications Center	307
TOTAL CONTACTS	53,282

¹ Statistics include joint investigations with other law enforcement agencies.

² Convictions reported in this period may be related to arrests in prior reporting periods.

³ Amounts include case results of joint investigations with other OIG, federal, state, and local law enforcement entities.

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Acronym Guide

Here is a quick guide to acronyms used in this reporting period.

APPS: Automated Package Processing System	NALC: National Association of Letter Carriers
APWU: American Postal Workers Union	NCSC: National Customer Support Center
C&A: certification and accreditation	NDC: network distribution center
CSRS: Civil Service Retirement System	NPV: net present value
CSS: customer service supervisor	OA: Office of Audit
DBCS: Delivery Barcode Sorter	OI: Office of Investigations
DOL: U.S. Department of Labor	OWCP: Office of Workers' Compensation Programs
DEA: Drug Enforcement Administration	P&DC: processing and distribution center
DWC: distribution window clerk	P&DF: processing and distribution facility
eCBM: Electronic Conditional Based Maintenance	PAEA: Postal Accountability and Enhancement Act of 2006 (also known as the Postal Act of 2006)
EDDI: Electronic Data Distribution Infrastructure	PKI: Public Key Infrastructure
EDI: Electronic Data Interchange	PRC: Postal Regulatory Commission
EIR: Enterprise Information Repository	PVS: Postal Vehicle Services
FEGLI: Federal Employees' Group Life Insurance	RARC: Risk Analysis Research Center
FEHB: Federal Employees Health Benefits	SBOC: Stations and Branches Optimization Consolidation
FSS: Flats Sequencing System	SSA: sales and services associate
GMU: George Mason University	TACS: Time and Attendance Collection System
HCR: highway contract route	VMF: Vehicle Maintenance Facility
LLV: long-life vehicles	
MTE: mail transport equipment	

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MISSION STATEMENT

The mission of the U.S. Postal Service Office of Inspector General is to conduct and supervise objective and independent audits, reviews, and investigations relating to Postal Service programs and operations to:

- Prevent and detect fraud, theft, and misconduct.
- Promote economy, efficiency, and effectiveness.
- Promote program integrity.
- Keep the Governors, Congress, and Postal Service management informed of problems, deficiencies, and corresponding corrective actions.



THE ROAD AHEAD

The Postal Service faces the most difficult operating period in its 235-year history. The ways in which Americans communicate have changed dramatically in the past decade, with businesses and consumers readily adopting new technologies that allow for instantaneous communications. Today, 60 percent of Americans pay their bills online compared to just 5 percent a decade ago. Consumers are becoming increasingly comfortable relying on their cell phones and smart devices to conduct a variety of transactions, including those they used to do by mail. Mobile phone and smart device usage has skyrocketed in the past decade and reached near saturation levels in the United States, as we now have more wireless devices than citizens.

The Postal Service's storied past includes an impressive track record of success in the face of competing communications technologies, such as the telegraph, telephone, and fax machine. But the current situation is different. The digital revolution is not the only threat to the Postal Service's long-term viability. A weakened economy has taken a toll on mail volumes and revenue, and multiple statutory requirements that direct how the Postal Service funds its benefits plans pose a unique challenge to the Postal Service. It has exhausted its borrowing authority and it expects mail volume to continue to decline. By the middle of 2012, the Postal Service may not be able to pay its bills.

The Postal Service ended fiscal year (FY) 2011 with a net loss of \$5.1 billion, bringing its 5-year net losses to a staggering \$25 billion. While most of the losses in the past 5 years were due to the statutorily mandated schedule to prefund retiree health benefits, downward trends in mail volume and revenue have also contributed to the current position. Mail volumes in FY 2011 declined another 3 billion pieces to 168 billion, dropping total mail volume to levels not seen since 1992. Since 2007, mail volume has dropped about 44 billion pieces.

A lack of significant volume growth and a statutorily imposed price cap on most products (including those that do not cover their costs) restrict the Postal Service's ability to earn sufficient revenues to cover its current costs. In short, the monopoly no longer pays for

universal service. Dramatic change is needed for the Postal Service to remain viable into the 21st Century.

The implications of a failed Postal Service are enormous. First, the Postal Service is the one government agency that touches every American on a daily basis. It provides affordable, accessible, and universal service to 150 million addresses, six days a week. When a natural disaster strikes a region of the country, the Postal Service is often the only option for communicating with displaced citizens. The Postal Service's address management system is the government's tool for supporting and informing victims, and for guarding against fraud. Secondly, the Postal Service is the foundation of a \$1 trillion mailing industry that employs about 8.7 million people and makes up 7 percent of the Gross Domestic Product. The Postal Service is the linchpin of a marketing and distribution system through which small and large businesses, nonprofit organizations, and consumers can transact business, advertise services, and distribute products. It is a major driver of the nation's economic engine and an essential piece of its infrastructure.

The Postal Service has endured multiple economic recessions and a Great Depression. It has dealt with numerous disasters, both natural and man made, which have interfered with mail delivery and strained the infrastructure. It has responded to these ordeals by adapting and thriving, often despite popular predictions



Americans are growing increasingly comfortable using their mobile phones and smart devices to communicate and conduct transactions.

of expected failure or even its demise in the face of competition from new technologies.

The Postal Service can survive these current challenges, as well, but only with considerable change to its existing structure. As Postmaster General Patrick Donahoe concluded in testimony before a Senate oversight committee in September, “The Postal Service requires radical changes to its business model if it is to remain viable into the future.”

Our work indicates that the Postal Service can make the necessary improvements to remain a valuable communications infrastructure, although the challenges are significant and the solutions not always universally popular or easy to implement. The solutions fall into four broad areas:

- Financial management
- Optimization
- Simplification
- Modernization through innovation

This semi-annual report to Congress shares some of the insights we have gained from our extensive work reviewing these challenges and the Postal Service’s key strategic initiatives to address them.

FINANCIAL MANAGEMENT

Despite its current liquidity crisis, the Postal Service has managed its cash skillfully for 40 years, setting aside an unprecedented pension and health benefit prefunding of \$312 billion, which is substantially more than the federal

government and private sector. Among the actions it has taken to conserve cash:

- It has reduced labor costs, including a 34 million workhour reduction in FY 2011. The result is an estimated \$1.4 billion in annual savings.
- Effective June 24, 2011, it suspended employer contributions for the defined benefit portion of the Federal Employees Retirement System (FERS) funding requirement, which is already overfunded by nearly \$7 billion, conserving about \$114 million every pay period (two weeks).
- It has increased the sales of property and equipment in FY 2011. Facilities revenues increased 23 percent over FY 2010.

The problem is that the Postal Service cannot currently generate sufficient funds to cover its expenses as it optimizes. Historically, it has paid for operations, its universal service obligation, the address management system, discounts, and unfunded mandates, such as the Alaska Bypass program, from revenues on the sale of postage and services. With volume in a steady decline and high fixed costs in its network and in delivery, the Postal Service cannot now cover its costs through the sale of postage. Ultimately, substantial elements of the finances necessary for the Postal Service’s sustainability are not under its own control. Devastating federal requirements for benefits prefunding and an aggressive payment schedule mandated by law have threatened the Postal Service’s ability to carry out its mission to the American public. The Postal Service cannot meet all of its required tasks and make huge contributions to retiree benefits plans while keeping price increases under the rate of inflation. Congress will have to act to free the Postal Service to secure its financial viability.

In September, Congress provided an extension to the Postal Service for making its required \$5.5 billion prefunding payment into its Retiree Health Benefits Fund (RHBF). The delay served to make the Postal Service’s FY 2011 bottom line look less dismal, but it merely postponed its cash depletion until later in 2012. Without comprehensive legislation, large losses will continue into the foreseeable future.

Our office has done a series of reports on the Postal Service’s pension and retiree health plans, which highlighted the exaggerated estimates, substantial

Postal Service Annual Pension/Benefits/Disability Payments	
Civil Service Retirement System Prefunding	None until 2017
Federal Employee Retirement System Prefunding, 2010	\$2.9 B
Health Care Premiums for Retirees, 2010	\$2.2 B
Health Care Prefunding Payment, 2010	\$5.5 B
Workers’ Compensation Payment, October 2011	\$1.2 B
Current Employees Health Benefits	\$5.1 B
Thrift Savings Plan Contributions	\$1.0 B
Social Security Contributions	\$1.9 B
TOTAL	\$19.8 B

overcharges, and excessive prefunding levels. Our reports found:

- The Postal Service has overpaid the Civil Service Retirement System (CSRS) by \$75 billion.
- The Postal Service has overfunded the Federal Employee Retirement System (FERS) by \$6.9 billion, a fact that the Office of Personnel Management (OPM) recognizes and is willing to fix.
- If the \$82 billion in overcharges were applied to the RHBFB, prefunding levels would already exceed 100 percent prefunding by a wide margin. Once the plans are fully funded, the Postal Service could stop making the payments and annual expenses would come out of the funds as intended. The funds will continue receiving income from current contributions and interest from the Treasury Department.
- Putting the overfunding aside, the Postal Service has set aside about \$312 billion for its pension and healthcare liabilities, or about 80 percent of an unprecedented goal of 100 percent prefunding.

We also reviewed the Postal Service's significant real-estate holdings, which include buildings and land in every major city, resort town, and high-rent district in the country. One solution would be to take the Postal Service's real-estate holdings into consideration for prefunding and declare these funds operational so the Postal Service could stop making payments into them. These assets could be turned over to the Treasury Department to pay the remaining unfunded liabilities in the unlikely event that the Postal Service went out of business. Prefunding was intended to address future obligations, so now that they are fully funded, declare them adequate and begin operating the funds. An alternative use of the overfunding would be for the Postal Service to explore using that money to buy credit years for workers willing, but unable, to retire.

These solutions would free up significant funds for operations and provide much needed time for the Postal Service to optimize its infrastructure and address the major challenges it faces in a more stable environment, allowing proper project management and planning.

OPTIMIZATION OF THE NETWORK

The Postal Service has about 32,000 retail offices where products, postage, and services are sold, and more than 500 processing facilities that sort mail for distribution to carrier units. It has about 557,000 total career



Congress provided an extension to the Postal Service for making its required \$5.5 billion prefunding payment into its Retiree Health Benefits Fund.

employees, the lowest complement in more than 25 years. While it has reduced its head count significantly over the past decade, the physical network has changed little in that time despite how Americans' mailing habits have changed. First-Class Mail volumes have dropped by nearly 30 percent in the past decade and Americans make fewer trips to the Post Office, yet the retail network has remained largely unchanged. In fact, the Postal Service's retail network is essentially the same one it has had since the 1970s. Similarly, its processing network was built to handle a different amount and type of mail, but it too has seen only marginal changes in the past few years. It relies on a patchwork of delivery modes without utilizing a rational plan. Optimization of the network is overdue.

The Postal Service recently announced major changes to its network and workforce, with plans to study nearly 3,700 Postal Service-operated retail facilities in the near term and many others beyond, and also to study 252 processing plants for closure. It has targeted a workforce reduction of about 220,000 people through attrition and layoffs through 2015. Our studies support these actions and encourage further examination of the network so that the infrastructure is suitably sized and positioned to provide the levels of service needed in

today's environment. Many of the Postal Service's recent proposals promote solutions that are similar to those recommended in our work on modernizing the retail, mail processing, transportation, and delivery networks.

Human Capital

Despite a high-degree of automation, mail remains labor-intensive. Labor costs comprise nearly 80 percent of the Postal Service's costs, which implies that the Postal Service must cut its labor costs to achieve substantive savings. In practice, cutting labor costs in concert with volume decline is challenging due to the Postal Service's significant fixed cost structures. Still, the Postal Service has done a good job of matching its workforce to its workload, cutting workhours by 477 million and reducing its number of career employees by more than 230,000 since 2000.

Since 1972, the total cost of benefits rose an astounding 448 percent above inflation, while real wage expenditures declined by nearly 3 percent. This extraordinary increase is the result of three factors: a general trend toward higher benefits costs that affects most U.S. companies; the gradual transfer of postal retiree benefits costs from the federal government to the Postal Service; and finally, the repeated overcharges for these same retiree benefits costs.



With 32,000 retail offices, the Postal Service has more retail outlets than the U.S. stores of Wal-Mart, McDonalds, and Starbucks combined. Pictured are Post Offices near ZIP Code 20036 using the usps.com locator tool.

Retail

The Postal Service's 32,000 retail outlets number more than the domestic locations of Wal-Mart, McDonalds, and Starbucks combined. More than 35 percent of the Postal Service's retail revenue comes from expanded access locations, such as grocery stores, drug stores, office supply stores, self-service kiosks, and *usps.com*. The current Postal Service-operated retail facility network substantially exceeds demand by customers. The Postal Service recently unveiled its plan to shrink the retail network by closing low-activity retail offices, yet providing customers greater retail access through its Village Post Office™ concept, which would allow local merchants to sell stamps and flat-rate packaging. Its proposal to close 3,652 Post Offices is a first step in realigning the retail network but many more closures must be considered in the near future.

Our work suggests that one third of Post Offices should be examined to be sure they are needed. We collaborated on a study with a respected economist to develop an optimization model that aligns demand and supply. The study indicated that the Postal Service has too many retail facilities located too close together, especially in small towns and rural areas. The study found that large urban areas appear to have the optimal amount and location of retail units, but the number of open windows and staffing may be too low, which results in lost revenue.

Mail Processing

The current mail processing network represents 12 percent of the Postal Service's operating expenses. Built for much larger volumes of mail and before the advent of automation and worksharing, the network has an excess of plants and capacity. The Postal Service has the legal authority to close plants, but political resistance has made it difficult to close or consolidate these facilities. Despite a decline of 44 billion pieces of mail since 2007 and a reduction of almost 128,000 career employees, the Postal Service has closed only 14 major processing facilities in that time.

The network also was designed to meet specific service standards for First-Class Mail, notably, overnight delivery within certain distances. But the need for this level of service has declined as business transactions and personal correspondence move to electronic alternatives.

As a result, relaxed service standards would also change the extent of the network required.

The Postal Service is in the process of studying 252 plants for closure, including 58 processing and distribution centers (P&DCs), and making First-Class Mail primarily a 2- to 3-day service for the contiguous states. Our work in this area suggests the Postal Service could operate with fewer than 200 major processing facilities. Our white paper, *A Strategy for a Future Mail Processing and Transportation Network*, took a “green field” approach to consider what the optimal network would be if the Postal Service were being established today. Using simulation models to design a network for future mail volume, we determined the Postal Service would need about half the number of major P&DCs it currently operates, with a small number of those being used as hubs to route mail between plants. The model, moderated by actual plant location, is useful in determining the needed capacity.

Transportation

The Postal Service’s transportation and logistics network, representing about 9.3 percent of operating expenses, is one of the largest in the world, reaching every community, town, and city in the United States. Network transportation costs the Postal Service more than \$6 billion annually: air transportation is almost \$3 billion; surface transportation is \$3.3 billion; and other transportation is \$50 million. The Postal Service has cut its transportation costs over the years and continues to target it for cost control while still meeting or exceeding service standards.

As the Postal Service’s network changes, so will its use of transportation. As it closes mail processing facilities, it will need to reroute trucks and haul mail differently than it does today. Likewise, incentives the Postal Service gives mailers to enter mail at various locations should reduce the Postal Service’s transportation usage and costs. Implementation of its Network Distribution Center (NDC) plan has helped the Postal Service to capture savings estimated at \$135 million over the past several years as the NDC plan reduced the number of surface transportation routes and encourages a shift of mail from higher-cost air transportation to lower-cost ground transportation. Similarly, the proposed elimination of the overnight service standard for First-Class Mail should allow the Postal Service to structure its transportation network more efficiently. Fewer facilities require less staffing, another opportunity for cost savings. The OIG



Delivery is now the highest fixed cost in the system, making up more than 30 percent of the Postal Service’s operating expenses.

has assisted the Postal Service in reducing network transportation costs by recommending increased controls over its fuel purchasing program and by recommending route reductions and other efficiencies in its postal vehicle services and highway contract route operations.

With less mail to process and a gradual shrinking of its workforce, the Postal Service also needs to consider how best to structure overall management of the operation. It may no longer make sense to have seven area offices and 67 districts. A better use of resources might be to fold area operations into Postal Service Headquarters, since the primary responsibility of the areas is to collect data for headquarters. Reducing area operations and consolidating more of the 67 districts would provide an opportunity for the Postal Service to streamline its management structure as well as reduce costs. A fresh look at the entire organization is necessary, which should also consider eliminating management and mission support redundancies. It may be time to review the two parallel investigative organizations and withdraw substantial resources from nonpostal investigations.

There remain many opportunities to better manage the network using the detailed data that the Postal Service collects through scanning of the Intelligent Mail Barcode (IMb). The IMb is expected to increase mail visibility, enhance revenue verification, accountability, and delivery predictability, as well as help drive improvements in service performance and customer satisfaction. This information should help the Postal Service in a number of areas, from managing service performance to



Our work determined that moving from existing door-to-door delivery to curbside and cluster-box delivery methods could save the Postal Service billions of dollars in annual delivery costs.

protecting revenue to assisting in contingency planning. The business intelligence available to mailers from the IMb will help them focus their future marketing campaigns, which increases mail's value and helps keep it viable.

Delivery

The role of the letter carrier remains critical to maintaining a strong infrastructure and a high level of service and customer satisfaction. For many

citizens, the letter carrier is the “face” of the Postal Service. More importantly, delivery to the “last mile” – to the mailbox at a home or business – is at the heart of the Postal Service’s business. But the loss of mail volume presents the need for a paradigm shift in the carrier workforce as well. Mail volumes are shrinking, but delivery points continue to grow at about 1 million per year, increasing delivery costs while income per stop declines. Delivery is now the highest fixed cost in the system, making up 33 percent of the Postal Service’s operating expenses.

This changing dynamic begs for a carrier compensation system that maximizes efficiency and minimizes the need for constant supervision. The current inability to consistently use compensation systems to efficiently manage letter carriers, who spend most of their time on the street rather than in the office, is costly.

We estimate the Postal Service could potentially save more than \$2.5 billion annually if it changed city letter carrier compensation to match the compensation for rural carriers. Such a change could also incentivize efficient performance. Additional potential savings could occur if optimum standards for carrier performance are developed and used to design a compensation system that is focused on maximum efficiency. As part of the development of these standards, contract routes should be considered, where appropriate, as these are less costly per delivery than either city or rural carrier routes.

The Postal Service considers its proposal to deliver mail only 5 days a week a key strategy in its cost-savings plan. Its studies indicate it would save about \$3 billion a year by eliminating Saturday delivery, while its regulator, the Postal Regulatory Commission, has estimated the savings at closer to \$1.9 billion annually. We have not studied the 5-day delivery issue, but we have promoted the concept of developing a comprehensive delivery strategy. The current delivery modes have been pieced together over many years, lacking rationalization. The OIG has recommended that the Postal Service develop a strategy that rationalizes the modes of delivery with an increased reliance on curbside delivery, which would save the Postal Service up to \$4.5 billion a year. Future strategies should consider conversion from curbside to centralized delivery mode, such as cluster boxes, for as much as an additional \$5.1 billion in savings.

These changes in delivery modes would not require congressional legislation as a move from 6-day delivery to 5-day delivery would. While delivery mode changes would not be easy, they should not be dismissed simply because they are difficult to implement. As the Postal Service’s largest cost center, delivery needs a strategic review.

SIMPLIFICATION

The Postal Service provides competitively priced products with good service. Advertising mail is among the most targeted and personal forms of marketing available, and at affordable prices. The Postal Service offers the low-cost alternative for package shipping. And it handles trillions of dollars of transactions, including payments of more than one half of America’s household bills.

However, potential new customers often find barriers to entry too high. With more than 7,600 domestic prices for three product lines – letters, flat mail, packages – and about 1,700 pages of regulations, mail can be overwhelming for the uninitiated. The Postal Service needs to simplify its mail entry rules and price structure, so that ease of use is the priority. Simplicity would encourage new customers to try mail and persuade existing customers to expand their usage.

Our work found that simplification of the rate structure and rules would help lift the barriers to entry. Too much complexity exists:

- 2,361 domestic prices (31%) were not used in FY 2010 and another 1,237 domestic prices (16%) had a volume of less than 10 pieces.
- *Mailing Standards of the United States Postal Service Domestic Mail Manual*, the compendium of mailing regulations, has more than 1,700 pages and grows with each update. This massive tome cannot be edited to a realistic size or scope. The Postal Service needs to start with a blank sheet of paper and a room full of customers in overhauling its mailing regulations.
- Old price-setting systems rely on statistical sampling for setting prices even though the Postal Service collects real-time data now from the IMb and by machine scanning of mailpieces.
- Postal price setting has not fundamentally changed in 40 years, despite passage five years ago of the Postal Accountability and Enhancement Act that set out to modernize the Postal Service's system for setting prices.

It is time to consider a new model for measuring costs and pricing products. The IMb allows for extensive data

collection, which suggests it could one day supplement, or replace, today's method of statistical sampling for measuring costs. The Postal Service appears focused on improving costing systems and working toward simplicity in pricing and mail preparation. Simplicity would also serve to improve revenue assurance, as complicated mail preparation rules confuse not only mail users but mail acceptance personnel as well.

MODERNIZATION THROUGH INNOVATION

As an institution older than the nation itself, the Postal Service has adapted well to changing technologies and times. Throughout its history, the Postal Service has embraced new transportation technologies, such as steamboats, rail and air travel, often boosting these burgeoning industries in the process. The Postal Service also adopted automation technologies, shifting from a highly manual system to one that relies on equipment to handle and sort mail more efficiently.

The Postal Service now finds that it can't merely adapt to a changing market, it also must innovate. The digital revolution has changed the landscape dramatically.

Expanding the Postal Platform

From the Internet to the digital economy, the worlds of communications, transportation, and commerce are fundamentally changing. This "digital revolution," in combination with the Great Recession of 2008 and 2009, has had a significant impact on postal operators around the world, resulting in a steep decline in personal, business, and advertising mail volumes. We analyzed the changing digital landscape, the new world of communications, and the Postal Service's new role in the white paper *The Postal Service Role in the Digital Age – Part 1: Facts and Trends*. Building on that first white paper, *The Postal Service Role in the Digital Age – Part 2: Expanding the Postal Platform* presents a strategic positioning framed by three guiding principles:

- Promoting solutions for the communications problems of the digital age.
- Using the core competencies and assets of the Postal Service.
- Considering the policy implications of the strategy based on the current legal and regulatory environment.

The paper suggests employing an "eMailbox" that links a physical address to an electronic mailbox for every citizen and business. The Postal Service could build a digital platform that supports communications and commerce for postal, governmental, and commercial applications. The paper provides six additional initial applications for consideration, including an eGovernment application that promotes the expansion of government services throughout the postal platform; tools for identity validation, privacy protection and transaction security; and hybrid and reverse hybrid mail that allow senders and receivers to convert digital documents to physical and physical documents to digital.



Many Americans have embraced the digital age and globalism, reshaping how they communicate, recreate and work, and how businesses market to them. We live and work in a global community, where communications have no national borders. These economic and communications shifts reduce our use of the traditional infrastructure. As these changes play out, we also struggle with the significant new challenges brought on by the digital revolution, with many of its problems largely unexamined and unaddressed by the nation.

However, the traditional infrastructure remains valuable. Consumers and businesses still rely on hard-copy communications and efficient delivery systems. In the event of man made or natural disasters or national emergencies, the postal system is often the only reliable mode of communication. Current technological advances in paper and envelopes suggest emerging needs.

Further, consumers' concerns about privacy and identity security in the digital age raise the need for a reliable provider of secure services. The Internet was not constructed to ensure privacy, validate participant identity, or facilitate financial transactions. A trusted government entity might best provide services that ensure privacy is protected around medical records, data collection, and confidential transactions.

The digital age is changing lives, but it has flaws and disadvantages, and the national infrastructure should attempt to address these to position Americans to prosper in the 21st Century. With this changing landscape, it may be the ideal time to rethink the definition of universal service. From our perspective, universal service in a digital world should mean providing a safety net at a minimal cost. The Postal Service's role as a trusted provider of delivery services in the paper world should be melded with a new role in the digital global world. This symbiotic relationship would tap the strengths of the Postal Service while opening the door for opportunities to expand its presence in an evolving digital market in a variety of ways. For example the Postal Service could provide a platform where postal, government, and commercial applications can be developed to serve all. The Postal Service has a unique opportunity to provide a bridge between the physical and digital worlds, focusing on those offerings that are closest to its current mission of binding the nation together through delivery services. One approach, which many developed nations have adopted, would be to link a physical address in its database to an electronic

address in an eMailbox for each registered citizen and business that decides to opt in. Features of the eMailbox might include the capabilities to:

- Send and receive messages in a secure/encrypted environment.
- Certify the digital identity of both sender and receiver for transactions and government business.
- Convert electronic messages, documents, or photos into physical mailpieces, such as letters or cards (hybrid mail), so that those who still rely on hardcopy delivery have options in an increasingly digital world.
- Receive personal mail in digital format (reverse hybrid) so our highly mobile society can view their mail at any location, at any time.
- Provide an eLockbox – a special section of the eMailbox that provides additional security for sensitive or personal records or data, such as medical records, wills, and legal documents. These would be stored and sent when needed or required by an emergency, such as a medical event while away from home.
- Provide electronic time/date stamp of digital communications to certify receipt.

Cultural Shift

Entering the digital market won't be easy for an organization that has struggled to fully embrace innovative processes. The Postal Service and its stakeholders also are short on risk tolerance and capital, two more tools necessary for successful business development. Innovation needs to be encouraged and rewarded, perhaps through creation of a separate strategic business unit with its own reporting chain. Risk should be accepted and failures expected, although both should be managed carefully and metrics developed to properly measure success and failure. Inevitably, errors will occur, but they should be addressed quickly and walled off from critical operations.

Partnerships with businesses and customers already operating in these spaces should be explored. Capital to investigate opportunities could come from savings from optimization efforts, reinvestments from poor or outdated ventures, or partnering with the private sector or other government agencies.

The Postal Service should also review its lessons from earlier digital efforts from the 1990s and 2000s, and ensure that new efforts would be embraced by the

stakeholder community. Rolling out small projects through market tests and pilots might be a good way to assess risk tolerances, experiment, and learn from successes and failures.

Innovation in All Areas

Innovation, of course, should not be restricted to the Postal Service's operations in the digital market. The Postal Service also has to revamp the way it does business on every front. It needs processes for innovation across the board – from acceptance, tracking, triage, design, implementation, to metric measurement.

The Postal Service also must look at the types of products it currently offers the American public and develop new innovative products to capture an increasing share of the growing parcel market. It could provide customers with services that might not otherwise be readily available to them, for example, in rural America.

Increased use of Global Positioning System (GPS) could help the Postal Service better manage its delivery fleet and the overall transportation network. The existing GPS for delivery vehicles has helped in street management and anecdotally curtailed negative behavior, as well as provided a basis for return-on-investment. An end-to-end, single-sourced GPS platform for the entire fleet of vehicles and trucks that includes “passive scanning” technologies to track mail and vehicles on a real-time basis could increase the Postal Service's presence as the preferred shipper in the growing parcel market.

The Road Ahead

This report summarizes the ongoing work of the OIG in its support of the Postal Service as it searches for an effective solution to its current financial crisis. The well-known problem has reached a critical level, though the solution is lagging behind the severe need for such a comprehensive response. We believe the solution should proceed along four avenues:

1. The Postal Service was structured for a much larger volume of mail and demand for services than is now required. There has been an inadequate response and substantial interference to optimization efforts, and the situation has now reached the point of emergency. The very large size of the Postal Service is costly and leaves the nation with a bloated infrastructure in an

era in which effective communication and delivery are essential.

2. Commingling of federal government and Postal Service pension and benefit funds, and mismanagement of these funds, have added to the expense and created a drag on the nation's communications and delivery infrastructure. The government has, in effect, used the Postal Service's finances as a cash cow to remedy some of the shortcomings of its own finances. This unintentional tax on Americans has contributed to artificially inflated prices and bled the Postal Service at a time when it is not strong enough to tolerate such additional stress on its finances. These practices are inappropriate and at cross-purposes with the goals of a self-sufficient Postal Service, as well as having an efficient and well-managed government. The nation owes its citizens a lean and strong infrastructure, as well as transparency regarding the true cost of government.
3. The Postal Service should simplify its mail induction rules and reform its complex pricing structure. The complexity is intimidating to new customers and strains the capacity of employees to accurately assess and collect revenues from customers. The revenue is needed, and revenue protection discourages abusive practices and preferential treatment.
4. The Postal Service should update its mission to serve Americans' communications and delivery needs. The foreign posts of the world's leading nations now serve citizen and commercial interests with digital services, in addition to traditional mail services. They provide bridges, allowing citizens to traverse the digital divide. Risks await nations that fail to provide an adequate communications infrastructure during the current information age.

The effort will require innovative thinking about the entire organization, from the “big picture” issues, such as a digital strategy, to the more mundane aspects of daily operations. We look forward to continuing to work closely with the Postal Service to address the challenges and collaborate on solutions.

SIGNIFICANT AUDIT WORK BY RISK CATEGORY

AUDIT SYNOPSES

For the period April 1—September 30, 2011

STRATEGIC RISK

Retirement for Postal Service Employees on Workers' Compensation

We performed this audit to determine the monetary impact to the Postal Service if Congress were to reform the Federal Employees Compensation Act to address employees who have reached retirement age. We found that the agency could save about \$37.8 million annually if changes were made in this area.

Postal Service Work Rules and Compensation Systems

Our audit determined that certain contract provisions and compensation arrangements hinder the Postal Service's ability to manage its human resources effectively and efficiently. Further, limits on the use of part-time employees reduce workforce flexibility and increase the number of workhours expended. We determined that the three primary groups of mail carriers (city, rural, and contract) have different compensation systems and performance standards. City carriers are generally paid by the hour, while rural and contract carriers are generally paid by the route. Additionally, substitute carriers for each group are paid differently.

To address these inconsistencies, management needs to determine optimal standards for carrier performance and pursue the changes necessary to achieve a compensation system that maximizes carrier efficiency. We estimate that the Postal Service could save more than \$2.5 billion annually if it changed city letter carrier compensation to match the compensation for rural carriers.

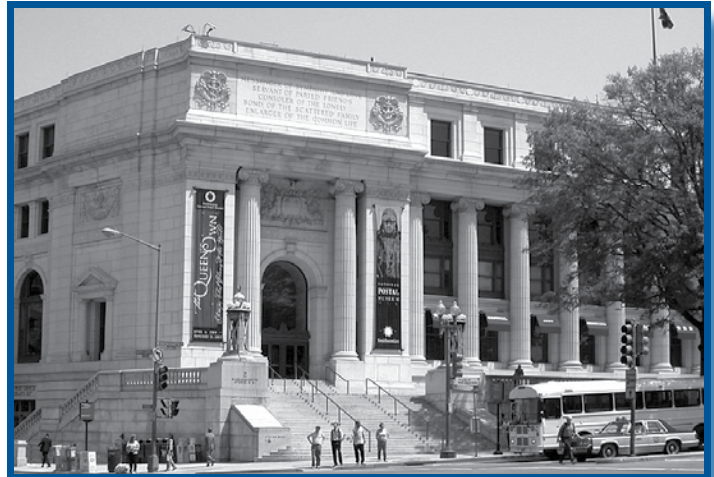
The Postal Service disagreed with the calculation of monetary impact in this report, and also raised concerns about the recommendations. They did, however, cite recent instances in which flexibilities in the work rules had been achieved. We agree with management that additional flexibilities have recently been implemented, and cited those instances in the report.

Postal Service Patent Management Continuation

We partnered with an intellectual property management firm to look at the Postal Service's management of its patent portfolio. Our evaluation of the Postal Service's active patents showed that strategic management of existing and new patents could result in significantly increased revenue.

New Approaches to Reduce Costs

We found that the Postal Service has opportunities to save \$143 million annually by reducing costs for investigative activities and armed security forces, expanding the Forever Stamp™ program, and reducing employee benefits to align with other federal government agencies.



The National Postal Museum has a purchase price of \$47 million and an assessed tax value of \$304 million. This is just one example of the Postal Service's significant real estate holdings, which could be taken into consideration when evaluating benefit obligations. Photo courtesy of the National Postal Museum.

Leveraging Assets to Address Financial Obligations

The Postal Service has the authority to transfer its real property to other government agencies with or without reimbursement when the transfer would serve the public interest. Therefore, the Postal Service could leverage its real property assets with the consent of both the U.S. Department of Treasury and Office of Personnel Management under terms and conditions to which all parties agree. The Postal Service would retain title to the leveraged properties unless or until it is no longer able to fund its retirement programs at an operational level. If the Postal Service becomes insolvent, the leveraged real property could be liquidated to return the programs to an operational level.

Postal Service's Innovation Process for Competitive and Market-Dominant Products

The Postal Service faces regulatory and market constraints that make innovation more difficult than for private companies. Despite these external barriers, the Postal Service has introduced some innovations including Priority Mail Flat Rate Boxes, Intelligent Mail barcode, Critical Mail, Simplified Addressing, and the Flats Sequencing System. Management should increase its efforts to support a culture of innovation that would support advancements within current statutory authority. This includes a comprehensive innovation strategy and a more disciplined process for the development and implementation of market-based initiatives.

Market Intelligence

The Postal Service could benefit from a stronger integrated market intelligence strategy that incorporates best practices utilized by leading companies to target new and existing customers and make more informed business decisions. Overall, the Postal Service has not fully implemented a cohesive, structured market intelligence strategy, making it difficult for senior managers to manage the wealth of information that can be leveraged to further inform decision-making.

Additionally, management could be missing key marketing opportunities due to incomplete or inaccurate customer data. While the Postal Service collects customer transactional data and conducts opinion polls and market research, it lacks the ability to fully integrate and transform this data into meaningful information to more fully know its customers' needs and offer suitable products and services.

Modes of Delivery

We found that the Postal Service should develop a comprehensive strategic plan to move from existing door-to-door delivery to curbside delivery, which could save the agency more than \$4.5 billion annually. Further, we determined that the Postal Service could convert curbside delivery to centralized delivery and mandate centralized delivery for new delivery points, strategies that could save the Postal Service another \$5.1 billion in FY 2011. Management disagreed with the findings in this report.

Intelligent Mail: Realizing Revenue Assurance Benefits

The Postal Service postponed implementing an Intelligent Mail program objective to focus on implementing other aspects of the program. The Postal Service removed the automated revenue assurance requirement in the original Decision Analysis Report. Without this automation, the Postal Service may not be able to reduce the \$293 million it spends annually on business mail acceptance personnel salaries and benefits or comprehensively confirm the \$26 billion in annual business letter mail revenue.

Transportation Initiatives

The Postal Service manages a vast transportation network that moves more than 170.6 billion mailpieces at an annual cost of about \$7.9 billion. To improve operations and optimize the transportation and distribution network, the Postal Service procured the:

- Surface Visibility (SV) system designed to improve the visibility of mail as it moves through the plant-to-plant surface transportation network.
- Transportation Optimization, Planning, and Scheduling (TOPS) system to be used as a national transportation network optimization tool that enhances the surface and air transportation mail assignment processes.
- Postal Vehicle Service Management System (PVS-MS), designed to provide transportation managers with the technological mechanism to monitor, measure, and manage heavy fleet assets and associated labor.
- Yard Management System Pilot (YMS Pilot), designed to track vehicles at network distribution centers (NDCs) within the yard and dock areas.

We found that although the Postal Service spent more than \$300 million on these four transportation technology initiatives, none of them achieved all of the intended results. Specifically:

- The SV technology initiative was generally capable of functioning as planned, but it is not fully providing the intended transportation visibility.

- The TOPS technology initiative was implemented for the routing of air transportation, but not for surface transportation (one of its major components) and long-range air route planning as originally designed.
- The PVS-MS technology initiative was implemented to monitor driver and fleet performance, but lacked the necessary connectivity to function properly and was discontinued in 2008.
- The YMS pilot technology initiative was implemented at two locations and improved yard efficiency through automation, but it did not replace all required manual processes.

Transportation Cost System Inputs into the Cost and Revenue Analysis Report

The Postal Service currently spends about \$69 million annually for its manual data collection efforts to prepare the Cost and Revenue Analysis (CRA) report. This includes about \$3.9 million per year to collect data for the statistical models within the Transportation Cost System. This audit explores alternate ways of preparing the transportation cost component of the CRA using automated data, thus reducing manual data collection efforts. The report determined that additional planning, systems design, and system integration in evolving systems could enable the Postal Service to use operational data for CRA cost attribution purposes.

Global Positioning System

We reviewed the Postal Service's use of global positioning system (GPS) technology and found various opportunities to enhance the use of GPS. GPS technology has been implemented on only 3 percent of delivery vehicles and not on tractors or minivans that transport mail. For delivery operations, management uses standard GPS reports from the vendor (rather than customized reports) and districts do not consistently use exception data from the reports to manage operations. The existing GPS for delivery vehicles has helped in street management and appears to have curtailed negative behavior, as well as provided a basis for return-on-investment analyses. However, the audit disclosed that the Postal Service could develop an end-to-end, single-sourced GPS platform and back-office accountability for the entire fleet of vehicles and trucks with a focus on taking costs out of the delivery and transportation system.

Project Phoenix

We determined that the Postal Service may prevent delays – such as those experienced on Project Phoenix¹ – on future projects by improving technology solution requirements and the design process. The Postal Service planned to implement release 1.2 of Project Phoenix in April 2010, but it has not yet been released.

FINANCIAL RISK

Strategic Approaches to Revenue Protection

Postal Service officials collaborate and communicate regularly with internal and external stakeholders and have a wide variety of program groups

¹ Project Phoenix is a management initiative to modernize the Postal Service's ability to serve consumers and small businesses in a multichannel environment. The project includes digital access, both web and mobile, call center channels, and the development of re-usable technology for other retail channels. Project Phoenix focuses on enhancing the *usps.com* website and re-engineering the underlying information technology (IT) that supports three key revenue-generating channels within the Postal Service: the website (*usps.com*), the contact center, and retail. The project should enable the Postal Service to launch future revenue-generating products and services more quickly by re-using common IT components rather than building them from scratch.



The Postal Service has opportunities to improve the passport application process and could find increased revenue by capturing a larger share of the passport photo market.

that address revenue protection issues and strategies. The Postal Service continues to address revenue leakage through technological initiatives as well as checklists, quick service guides, and training for clerks. However, revenue leakage will continue to occur until automated verification procedures that use mail processing equipment and intelligent mail technologies replace current manual processes. We estimate that management could prevent an annual revenue loss of about \$200 million with enhanced revenue protection strategies.

Postal Service Five-Year Financial Plan

This review was to evaluate the reasonableness of assumptions used to create the Postal Service's Five-Year Financial Plan. We found that overall, the assumptions were reasonable; however, there are some areas to consider for future plan updates. For example:

- Overall revenue has fallen below expected levels projected in the plan; however, although noted, declining revenue trends were not incorporated into the numerical projections of the plan.
- The plan includes various marketing initiatives to generate future additional revenue. Management revised their performance measurement methodology for these initiatives. These revisions, together with recent volume and revenue trends and the recent organizational redesign, could affect future revenue projections from these marketing initiatives.
- At the time of our data request, personnel could not support savings from the closure of Post Offices and were not aware of the methodology or assumptions used to calculate the estimate. Therefore, the Postal Service had to prepare a revised estimate of the savings.
- Management included the Postal Service's estimated savings related to implementation of 5-day delivery and did not consider the impact of its difference with the Postal Regulatory Commission's estimate.
- The OIG has identified other cost-saving opportunities with significant potential monetary impact that were not considered in the plan.

FY 2010 Financial Statements Audit – San Mateo Information Technology and Accounting Service Center

During our audit, we noted that overall the Postal Service complied with laws and regulations that have a direct and material effect on the financial

statements. Throughout the year, we reviewed internal controls over financial reporting and identified field operational control issues regarding vehicle sales requests, shuttle service payments, managing capital personal property, and eBay purchases. Further, we identified operational issues regarding headquarters' overview of relocation service payments, shuttle service payments, and management of capital personal property in that the Postal Service did not review supporting documentation for relocation services as part of the payment process.

FY 2010 Sarbanes-Oxley Testing for Selected Business Processes

We found that the Sarbanes-Oxley Program Management's Office properly tested, documented, and reported its examination of key controls within the air transportation, highway transportation, and personal property/equipment processes. However, we identified opportunities for improvement in work paper documentation for the compensation, benefits, and motor vehicles processes. Also, in some cases we found that the documentation was insufficient to allow a subsequent auditor to reach the same conclusion.

Effects of Compliance Rules on Mailers

The Postal Service did not always fully consider how changes to mail compliance rules impact mailers. Specifically, the Postal Service did not always adequately estimate the cost to mailers of complying with proposed rules, collaborate with the mailing industry, and train and monitor personnel who accept business mailings. However, the Postal Service has increased emphasis on improving communication and cooperation with the mailing industry and has taken several steps to be more responsive to customer needs and improve the customer experience.

Postal Service Refunds

The Postal Service has opportunities to improve the Value Added Refunds (VAR), Special Postage Payment Systems (SPPS) and meter mail refund processes. Specifically, the Postal Service could automate the VAR refund process to eliminate some costs and workload. In addition, the Postal Service has not documented SPPS refund processes. Finally, the Postal Service is not covering its costs to process meter mail refunds. We estimate that the Postal Service could recover about \$1.62 million annually in processing costs by making changes to these processes. As a result of our audit, the Postal Service developed a standard timeframe for processing spoiled and unused meter mail refunds.

Management of the Highway Contract Route Voyager Card Program

We found that the Postal Service did not always ensure that highway contract route (HCR) suppliers purchase only authorized grades of fuels or remained within the contract limitations on the number of fuel gallons purchased. We also determined that HCR Voyager cards were not always safeguarded and secured because the Postal Service did not have a comprehensive control environment aligned with internal control best practices.

Purchasing Compliance and Imprudent Purchases Follow-Up Audit

We found that the Postal Service has improved the effectiveness of local purchasing activities and reduced spending of employees using the SmartPay Purchase Card. For example, the Postal Service decreased SmartPay purchases from \$266.7 million in FY 2009 to \$239.4 million in FY 2010 and recently created two purchasing shared services centers (PSSC) to improve oversight of local purchases and advise field managers on controlling

expenditures. Yet, during our recent review, we identified employee purchases that did not comply with Postal Service policy. We also found an opportunity to further improve the effectiveness of the PSSCs.

Financial Controls Over Passport Applications

We identified three areas where the Postal Service has opportunities to strengthen its financial controls over passport applications and the revenue associated with related fees. Specifically, the Postal Service needs (1) a reconciliation process for the collection and financial reporting of application fees collected at retail units; (2) improved controls over fees collected for passport photos; and (3) a reevaluation of the fee charged for passport photos. In addition, there could be an opportunity for increased revenue by capturing a larger share of the market for passport photos.

Internal Controls Over the Contract Close-out Process

Postal Service personnel did not always follow contract close-out procedures or records management requirements. Of the 649 contracts we selected for review, we were able to review only 539 contract files, because postal employees could not locate 110 contract files at the time of our site visits. Of the 539 contract files we reviewed, we determined that 381 were missing required close-out documents, the contracts had expired and had not been properly closed out, or had unreliable data.

Contract Management Data

In 137 of the 139 contract actions we reviewed, we found that Postal Service employees did not adequately record contract data into the postal contracting management system. System design limitations contributed to 73 percent of the errors, and employee input errors accounted for the rest. These issues, which involved contracts valued at about \$2.1 billion, affect the transparency of the reported data and could result in erroneous decisions based on incomplete and incorrect contract data.

Contract Funding Approval

Our audit found that Postal Service officials generally submitted eBuy requisitions to validate the funding approval process before entering into contractual agreements during FYs 2008 and 2009. However, officials did not submit requisitions for 16 of 143 (11 percent) randomly selected contracting actions, totaling more than \$600 million, before making contractual commitments or incurring potential liabilities.

Conflicts of Interest: Facility Leases and Contract Delivery Services

Our audit determined that the Postal Service entered into about 1,200 leases with current or former postal employees with an annual rent value of \$8.2 million. Of these properties, 982 were active leases, with an annual rent value of \$5.4 million. About 170 of the active properties were leased from current postal employees. Some of the leases pose risks of violations, while others give the appearance of a lack of impartiality.

Similarly, the Postal Service entered into 78 of the 7,797 total Contract Delivery Services contracts with current or former employees that, in some cases, resulted in apparent violations of federal regulations and Postal Service policies. Others also give the appearance of impropriety. Management disagreed with the assessment of questioned costs.



A valid business case existed for consolidating mail processing operations from the Beckley, WV, Post Office (pictured) into the Charleston, WV, P&DC.

2009 Pay for Performance Program

We determined that managers responsible for evaluating or approving sampled employees' FY 2009 core requirement ratings were not always compliant with Pay for Performance (PFP) policies and procedures. Specifically, we found that managers lowered core requirement ratings in a manner inconsistent with PFP policies and procedures, which state that employees should be rated on these requirements based on agreed-upon objectives and targets and those end-of-year ratings should reflect employees' individual achievements. In addition, managers used numeric targets to rate postmasters on their core requirements instead of behavioral objectives as specified in the policy.

OPERATIONAL RISK

Assessment of Overall Plant Efficiency 2011

We found that the Postal Service could improve operational efficiency in the areas of overtime hours, mail handling, automated and mechanical equipment, allied operations, and manual operations. This would allow the Postal Service to reduce more than 14 million workhours by the end of FY 2013 and achieve at least median productivity levels in the network. Additionally, the workhour reduction would allow the Postal Service to avoid costs of more than \$647.5 million based on workhour savings for 1 year.

Facility Optimization

Nationwide

We statistically projected that the Postal Service maintains 67 million square feet of excess space nationwide and has a greater opportunity to aggressively optimize excess space through disposal or leasing than its FY 2011 target for reducing interior space. We estimate that if the Postal Service initiates disposal action for the excess space identified, it may realize at least \$3.48 billion nationwide over typical and remaining lease terms. This amount represents a calculated 10-year potential savings in lease, custodial, building maintenance, and utility costs.

OPERATIONAL RISK



Cardboard boxes on pallets are used to supplement over-the-road containers at the Cincinnati Network Distribution Center (NDC). A comprehensive analysis and effective processes are necessary to maintain the correct balance of Mail Transport Equipment rolling stock in the NDCs, which would ensure that the Postal Service does not spend needlessly on cardboard containers.

Facility Consolidations

University Station, Eugene, OR

In August 2010, the Postal Service approved the transfer of all operations and Post Office Boxes™ from the University Station Post Office into the Eugene Main Post Office and later closed University Station in January 2011. We received a congressional inquiry expressing concern that public inputs were limited during the discontinuance process. We determined that the Postal Service followed applicable federal law and postal policies to discontinue the University Station operations. However, we identified various concerns with the economic analysis and believe improvements could be made to allow for a more objective evaluation.

Beckley, WV, Post Office

Our review determined that a valid business case existed to consolidate mail processing operations from the Beckley, WV, Post Office into the Charleston, WV, Processing and Distribution Center (P&DC) to achieve annual cost savings of about \$1.1 million. We identified projected annual maintenance cost savings were overstated by \$228,181 during fieldwork. Management corrected the proposed maintenance savings to reflect the correct savings of \$189,555.

Oshkosh, WI, Processing and Distribution Facility

With regard to the Oshkosh Processing and Distribution Facility (P&DF) consolidation, we found that although the consolidation would result in cost savings, adequate facility and machine capacity did not exist at the Green Bay P&DC to process the additional mail volume and service could be negatively impacted. Our analysis also indicated that: (1) No career employees will lose their jobs at either location although there may be some

reassignments; (2) Oshkosh P&DF is more efficient and processes its mail volumes at a lower cost than Green Bay P&DC; (3) Mail processing cost savings were overestimated, but significant savings should be achieved; and (4) Some Area Mail Processing (AMP) guidelines were not followed, but had no impact on the business case.

Bowling Green, KY, Processing and Distribution Facility

Our audit determined that a valid business case exists for consolidating originating mail processing operations from the Bowling Green P&DF into the Evansville P&DF and Nashville P&DC to achieve cost savings of about \$3.2 million annually. No career employee will lose their job at either location, although there may be some reassignments at the Bowling Green P&DF. We also determined that AMP worksheets should be enhanced when consolidating operations into two or more gaining facilities.

Mail Transport Equipment — Needs, Distribution, and Use

We assessed whether the Postal Service effectively planned for the needs, distribution, and use of mail transport equipment (MTE) during its planning and implementation of the Network Distribution Center (NDC) network. We found that there was an imbalance of MTE rolling stock in the NDC network (some NDCs had an excess and others had a shortage). This occurred because Postal Service headquarters did not perform a comprehensive analysis of needed MTE rolling stock; and did not enforce or establish effective processes to manage, control, and redistribute existing MTE rolling stock in the NDC network. As a result, some NDC sites purchased cardboard containers that may not have been needed for about \$7.5 million over a 2 year period.

Postal Vehicle Service Transportation Routes — Baltimore Processing and Distribution Center

Baltimore P&DC officials were not effectively managing Postal Vehicle Service (PVS) transportation processes and schedules as evidenced by the underutilized trips we identified. Ultimately, we concluded that they could remove 19,062 excess workhours from existing PVS schedules and reduce related fuel use and costs as well as damage claims, thereby saving about \$7.3 million over a 10-year period.

Postal Vehicle Services — Scheduling and Staffing — Western Pennsylvania District

During our review we determined that the Western Pennsylvania District can more efficiently and effectively manage PVS transportation processes and schedules, thereby reducing driver workhours and associated fuel use and damage claims. By making these changes, we estimate the Western Pennsylvania District could save about \$1 million annually in labor and related costs.

Timely Processing of Mail at the Richmond, VA, Processing and Distribution Center

The Richmond P&DC experienced difficulties with the timely processing of mail during FY 2010 and Quarter 1, FY 2011. This condition led to significant mail delays and service declines in First-Class Mail, Periodicals, and Standard Mail classes. The primary causes for the excessive delayed mail were inadequate staffing and supervision, low mail throughput on

² Mail containers did not always have color-code tags, and frequently the tags did not contain the date and time. Not properly completing color codes prevented accurate reporting and made adherence to processing mail on a first-in, first-out basis difficult.

machines, failure to consistently color-code arriving mail,² and not accurately identifying and reporting delayed mail. Also, damage to mail from poorly packaged mail resulted in delayed processing of flat mailpieces. During the audit, management initiated corrective actions. Delayed mail volume at this facility rose while similar-sized facilities' delays decreased during the period of October 1 through December 31, 2010.

City Delivery Standard Operating Procedures

We conducted an audit on city delivery issues discovered in previous reviews and found that the morning standard operating procedures process, designed to ensure that units operate efficiently, did not fully achieve intended results. Specifically, 1,256 delivery units either did not achieve certification, or achieved certification, but did not maintain performance levels afterwards. These conditions occurred due to weaknesses in the certification criteria and not adhering to procedures. As a result, the Postal Service incurred unnecessary workhours at a cost of about \$40.2 million for FY 2009 and \$47.9 million for FY 2010.

National Assessment of City Delivery Performance

Results presented for our nationwide city delivery office efficiency review are based on results and recommendations from similar audits conducted during FYs 2010 and 2011. The goal of the audits was to identify actions that city delivery units needed to take to increase efficiency and reduce costs using the national average percent to standard measure as a baseline. Our benchmarking comparison determined that 21 districts used more minutes per route than the average carrier route in the nation. The Postal Service could save more than \$88 million in 1 year if its least productive districts operated at the average productivity level.

Service Performance Measurement Data — Commercial Mail

Our audit determined that the process used to obtain service performance scores for commercial mail is not effective. The Postal Service has experienced significant issues with the quantity, accuracy, and reliability of its data, resulting in the exclusion of about 88 percent of Full-Service Intelligent Mail Barcode mail from service performance measurement. Specifically, the Postal Service did not meet its initial milestones for implementing this process because it underestimated the complexity of obtaining reliable data.

Postal Service Performance during the 2010 Fall Mailing Season

During the 2010 fall mailing season, the Postal Service had about 3.4 billion delayed mail pieces (6 percent of total mail volume). This represents an increase of 904 million mail pieces (37 percent) over the same period last year. About 95 percent of this delayed mail was Standard Mail. This adversely impacted service and resulted in about \$10.9 million in revenue at risk. We identified a small amount of stand-by time during this period; thus, it appears that most employees were engaged in processing mail.

Compliance With Occupational Safety and Health Administration Recordkeeping Requirements

We reviewed a sampling of Occupational Safety and Health Administration (OSHA) forms from selected postal facilities for calendar years 2009 and 2010. We found that 90 percent of the OSHA Forms 300, and 25 percent of the OSHA Forms 301 contained errors or were incomplete. The errors occurred because the Postal Service did not have adequate procedures

for ensuring that OSHA recordable injuries or illnesses are appropriately identified, classified, and recorded. Officials responsible for OSHA recordkeeping did not receive sufficient training for recording OSHA injuries and illnesses. Additionally, existing policy does not provide clear guidance for determining OSHA recordable dates, and managers completed the OSHA Forms 300 manually, which increased the risk of inaccurate recordkeeping.



An "eMailbox" solution linking a physical address to an electronic address for every citizen and business is one of the suggestions in our Digital Age series of white papers.

The Postal Service Role in the Digital Age Part 2 — Expanding the Postal Platform

From the Internet to the digital economy, the worlds of communications, transportation, and commerce are fundamentally changing. This "digital revolution," in combination with the Great Recession of 2008 and 2009, has had a significant impact on postal operators around the world, resulting in a steep decline in personal, business, and marketing mail volumes. We analyzed the changing digital landscape, the new world of communications, and the Postal Service's new role in the white paper *The Postal Service Role in the Digital Age – Part 1: Facts and Trends*. Building on the first white paper, *The Postal Service Role in the Digital Age – Part 2: Expanding the Postal Platform* presents a strategic positioning framed by three guiding principles:

- Promoting solutions for the communications problems of the digital age.
- Using the core competencies and assets of the Postal Service.
- Considering the policy implications of the strategy based on the current legal and regulatory environment.

The white paper suggests employing an "eMailbox" that links a physical address to an electronic mailbox for every citizen and business. The Postal Service could build a digital platform that supports communications and commerce for postal, governmental, and commercial applications. The paper provides six additional initial applications for consideration:

- An eGovernment application that promotes the expansion of government services throughout the postal platform and uses the eMailbox to send and receive secure and official communication with federal agencies.
- Tools for identity validation, privacy protection, and transaction security that allow users to verify the individuals and businesses they are communicating

OPERATIONAL RISK

with, the safety of their personal information, and the security of their purchases and financial transactions.

- Hybrid and reverse hybrid mail that allow senders and receivers to convert digital documents to physical and physical documents to digital.
- Enhanced shipping services and delivery of secure online purchases through flexible pick-up and delivery options, expanded payment choices, and a cost calculation that includes all charges and fees for purchases (even international) at the time of sale.
- Digital concierge services that integrate an individual's physical and digital communications in a single secure "lock box" into the eMailbox and help manage "information overflow," providing quick access to important communications and other personal documents (such as medical records and wills).
- A network to provide digital currency and redeem cash at Post Office locations and online.

Although more Americans are turning to the digital channel to communicate, make purchases, and store personal information, there are drawbacks that leave a significant portion of the population underserved. To meet the population's needs and "bind the nation together" in a digital world, the Postal Service must modernize its role.

Simplified Address Mail — An Easier Way for Small Businesses to Reach Local Customers

Advertising mail is an important product for the Postal Service. It is an important way for businesses to reach their customers, but many local small businesses and others underuse or avoid advertising mail. The rules, rates, and regulations can be complex and confusing. For saturation mailings, or those going to nearly every address on a carrier's route, simplified addressing allows businesses to use a simple "Postal Customer" address instead of a full street address. While the Postal Service has tested a number of simplified address products in the past, early this year it rolled out a national product available for all "flat-size" saturation mailings.

In the white paper *Simplified Address Mail: An Easier Way for Small Businesses to Reach Local Customers*, the Risk Analysis Research Center (RARC) lays out the advantages of the simplified address mail concept. The paper finds that, if fully implemented, a simplified address system could potentially increase Postal Service annual revenue by over \$1 billion. This would benefit all users of the system by making universal service more affordable.

The advertising mail medium has a history of success, particularly in the area of geographically targeted advertising, which is precisely the purpose of the simplified address service. The key to realizing the wide-range of benefits associated with this system now depends on implementation. To reach its full potential, the Postal Service must ensure the system is easy to use and that its advantages are well-communicated to the small business community. The Postal Service's successful implementation of a simplified address mail program can help maintain the value of mail in the face of market changes and electronic diversion with little financial risk.

Barriers to Changing the Retail Network

While American retail service and society have changed tremendously in the past 40 years, the size and distribution of the Postal Service's retail network today does not greatly differ from the network that existed in 1971. It fails to reflect the changes in where and how Americans live today.

The white paper, *Barriers to Retail Network Optimization*, identifies and describes some of the obstacles that have prevented the Postal Service from adjusting its network:

- Statutory restrictions prevent closing Post Offices for economic reasons and impose requirements for notice, consultation, and appeal procedures.
- Regulatory procedures and interpretations create burdens on the Postal Service's ability to make adjustments.
- Political obstacles to rightsizing result from the natural inclination of affected groups to protest the loss of local Post Offices.
- Institutional barriers within the Postal Service have prevented action. These include a lack of sustained focus over time on retail optimization, problems with the availability and quality of data, past dependence on a highly decentralized bottom-up process, and the absence of a well-articulated strategic retail vision.

Although the Postal Service has recently taken new steps to right size its retail network — removing some institutional barriers — statutory, regulatory, and political obstacles remain, which hinder the Postal Service's efforts to optimize its retail network.

A Strategy for a Future Mail Processing and Transportation Network

For more than 230 years, the Postal Service evolved with the needs of a growing country. A vast and complex network of processing facilities and transportation links developed to meet its universal service obligation. The result was a legacy network built for a different level of processing capabilities, mail mix, and volume growth than exist today. Now the Postal Service has highly automated processing technology, extensive presorting and deeper drop shipments, and an uncertain future due to decreasing mail volumes.

For several years, the Postal Service introduced plans to consolidate its mail processing plants and reconfigure its transportation network, including its first-ever annual plan under the Postal Accountability and Enhancement Act of 2006. This annual plan outlined the three core rationalization efforts: closure of Air Mail Centers (AMC); Area Mail Processing (AMP) consolidation of outgoing and/or incoming mail processing operations; and transformation of the Bulk Mail Center (BMC) network. The Postal Service has made some progress — closing all but one AMC, initiating and implementing numerous AMP consolidations, and transforming BMCs into Network Distribution Centers.

In spite of these efforts, fundamental questions remain: What should the mail processing and transportation network look like to meet future demand? And how many plants will be needed? The OIG's whitepaper, *A Strategy for a Future Mail Processing & Transportation Network*, answers some of these questions and offers an approach that can be used to create a future mail processing and transportation network based on modeling techniques and

stakeholder input. The analysis showed that a revised network of 135 major mail processing facilities, inclusive of 15 consolidation hubs, could lower net processing and transportation costs by about \$2 billion annually than the existing network. Equally important, the new configuration would generally meet or exceed existing service performance.

Since publication of the whitepaper, the Postal Service announced plans to review mail processing facilities in hopes of shrinking the number of plants to fewer than 200 by 2013. This network modification is one important facet of a 4-year effort to cut \$20 billion and permanently reshape the Postal Service as a leaner organization.

The Cost Structure of the Postal Service — Facts, Trends, and Policy Implications

The Postal Service is at a critical juncture in its history – in 2010, it experienced its largest single-year net loss of \$8.5 billion. In response, RARC published *The Cost Structure of the Postal Service: Facts, Trends, and Policy Implications*, which discussed significant trends and drivers of the Postal Service's major cost components including labor (benefits and workers compensation liability), non-labor (for example, fuel contract management), and capital expenditures.

In addition to examining a range of topics essential to the economic viability of the Postal Service and the future health of the postal "ecosystem," this paper provides insight into some of the more critical policy issues confronting the organization in the wake of new legislative requirements and record losses in volume and revenue. Two points were of particular importance:

- The mail business is labor intensive to the extent that labor comprises 80 percent of Postal Service expenses. This implies that, in order to achieve substantive cost savings, the Postal Service must cut labor costs. However, in practice, cutting labor costs is challenging due to the Postal Service's significant fixed cost structures.
- Since 1972, the total cost of benefits rose an astounding 448 percent above inflation, while real wage expenditures declined by nearly 3 percent. This extraordinary increase is the result of three factors: a general trend toward higher benefits costs that affects most U.S. companies, the gradual transfer of postal retiree benefits costs from the federal government to the Postal Service, and the repeated overcharges for these same retiree benefits costs.

As the Postal Service moves forward, this analysis suggests that a combination of continued cost reductions, legislative action to manage cost burdens, and investment in select projects that continue its history of productivity increases can help the Postal Service return to economic viability.

Cost of Service Standards

The Postal Service provides a range of expedited delivery standards to its customers including 1- to 3-day service for First-Class Mail, 2- to 3-day service for Priority Mail, and expedited handling for Periodicals. The postal processing and delivery system evolved over time to support these products and service standards; however, the diversion of much of this mail to electronic alternatives raises the question of whether the high speed service is still worth any extra cost.

With this question in mind, RARC asked Christensen Associates, an economic consulting firm with expert knowledge of postal service issues, to identify and estimate the impact and cost savings by relaxing premium service standards by 1 day. We selected 1 day because it should have a low impact on customer demand given mailers' stated preference for consistency over high speed and because it maintains the differentiation in service between preferential and non-preferential mail.

The research indicates potential annual savings of up to \$1.5 billion in premium pay and other mail processing costs. The study identifies additional transportation savings, but it is difficult to quantify the magnitude in conjunction with those of other mail processing activities. The research also analyzes overtime pay, but it is difficult to measure savings due to data limitations. Other indirect sources of potential, substantial savings such as network realignment and facility consolidations can result from longer processing and transportation windows, but are beyond the scope of this paper. As a result, this paper presents a lower bound estimate of the achievable cost savings by relaxing service standards by 1 day.

Retail and Delivery: Decoupling Could Improve Service and Lower Costs

The Postal Service has "coupled" its retail and delivery operations, both managerially and physically, since delivery services were first established almost 150 years ago. Historical business and residential patterns, and mail delivery efficiencies largely determined the location of postal facilities. Even today, postal facilities typically house both delivery and retail operations. Yet current and future customer access needs are quickly changing: geographically and demographically. Could separating retail and delivery functions improve customer service and save costs?

RARC strategically studied the concept of "decoupling" the Postal Service's delivery and retail components' physical and managerial functions. The whitepaper, *Retail and Delivery: Decoupling Could Improve Service and Lower Costs*, drew upon the insights of key stakeholders, private sector delivery companies within the United States, foreign postal operators, and expert business consultants. The study found that selective decoupling of retail and delivery operations, both physically and managerially, could result in new retail products and services that are more responsive to changing market conditions and diverse customer needs — across the entire country. Notably, the paper determined that a decoupling strategy affords the Postal Service more flexibility to respond to changing customer needs for retail and delivery services. Equally important, decoupling could help transform both retail and delivery into two best-practice driven strategic business units, each having its own distinct skills, training, and performance measures. This approach would likely improve the services and performance of both Postal Service components.

There is a compelling case for the Postal Service to decouple retail from delivery as a business strategy. Each contributes to the Postal Service's long-term viability and financial performance. Developing an integrated strategy that maximizes the value of both functions has the potential to be extremely beneficial to the Postal Service and its customers in terms of reducing costs, increasing revenue, and improving customer service.

SIGNIFICANT INVESTIGATIVE WORK

INVESTIGATIVE SYNOPSES

For the period April 1— September 30, 2011

FINANCIAL CRIMES

A large portion of the \$66 billion in revenue generated by the Postal Service in FY 2011 is handled at the 32,000 postal retail locations. Employees who allegedly embezzle funds, kite or otherwise misuse money orders, or steal and misuse postal-issued credit cards receive investigative attention from our special agents.

- A former Maryland sales and service associate pled guilty in June in federal court to misappropriation of Postal Service funds. The OIG investigation disclosed that the associate fraudulently issued 183 Postal Service no-fee money orders to employees, family members, and companies that provided benefits or services to the employee from September 2007 through May 2009. The money orders were also used for personal use to pay bills, rent, and cash totaling about \$78,500. The sales associate resigned during the investigation. Sentencing is pending.
- A California station reported a shortage of more than \$200,000 in the unit reserve and in the vending machine. In conjunction, investigators received information that a carrier was selling stamps from a “closed office” at a discount. The OIG investigation found the station manager stole stamps and sold them to two carriers who subsequently sold the stamps on the street. In June 2010, both carriers were removed from the Postal Service and the station manager retired. In July 2011, one carrier pled guilty to the felony theft of government property and was sentenced to 2 years of probation and restitution of \$7,040. The second carrier has pled guilty in federal court and sentencing is pending. The station manager was sentenced in federal court in September for embezzled checks, money orders, and cash from stamp and vending sales.
- In July, a former California sales and services associate pled guilty in federal court to embezzlement and grand theft. Video footage documented the employee not reporting sales transactions and placing cash from the drawer in her pocket. To further conceal her embezzlement scheme, the associate replenished her cash drawer with cash prior to being counted. The OIG investigation disclosed the associate embezzled more than \$24,000 in Postal Service funds during a 4-year period. Subsequently, the employee was removed from the Postal Service. Sentencing is pending.
- An Illinois postmaster pled guilty in June to multiple criminal charges including the theft of more than \$4,300 in Postal Service funds, bigamy, and perjury. The postmaster was sentenced to 60 days in jail and 2 years of probation, and ordered to pay a \$1,000 fine and make restitution payment to the Postal Service. The investigation revealed that the postmaster stole Postal Service funds and also used his government assigned computer to create a false dissolution of marriage document, forged a state judge’s name and used the document in a hearing to cover-up multiple marriages. The postmaster was subsequently issued a proposed letter of removal from the Postal Service.



An OIG investigation discovered that a station manager was embezzling checks, money orders, and cash, and stealing stamps that he sold to two carriers, who sold them on the street at a discount. All three were indicted on federal charges and have left Postal Service employment.

- A former Tennessee highway contract route (HCR) driver was sentenced in April for his involvement in theft of and illegal use of Voyager fuel cards issued to a Postal Service contractor. In November 2009, OIG special agents conducted investigative inquiries at several fueling centers where fraudulent fuel purchases were determined to have been made. At the time special agents received this information, nearly 6,000 gallons of diesel and unleaded fuel had already been purchased with the stolen Voyager cards. While special agents were conducting investigative inquiries at one location, a transaction for one of the Voyager cards in question was currently being processed. The special agents then responded to the location of the transaction, which led to the former contract driver attempting to flee on foot. After a brief foot chase, the OIG special agents arrested this individual, who had in his possession three stolen Voyager fleet cards that had been issued to the Postal Service contractor. This individual, along with a co-conspirator, were indicted in April 2010 for allegedly committing fraud and related activity in connection with an access device. The co-conspirator entered a guilty plea and was sentenced prior to 36 months imprisonment and ordered to pay in excess of \$219,000 in restitution. The former highway contract route driver was subsequently sentenced to 10 months imprisonment and ordered to pay in excess of \$19,000 in restitution to the Postal Service.
- A Tennessee sales and service associate was sentenced in April to 6 months incarceration with the Bureau of Prisons and ordered to pay restitution to the Postal Service totaling approximately \$86,000 after admitting to manipulating entries into a computer terminal and taking postal funds for personal use. The OIG received information of an alleged postage affixed scheme resulting in embezzlement of postal

funds. In December 2010, the sales associate entered a guilty plea of misappropriation of postal funds. The sales associate resigned after being informed by the Postal Service that he would be removed.

- A former Kentucky postmaster was sentenced in April to 3 years of probation and ordered to pay in excess of \$12,000 in restitution to the Postal Service for misappropriation of postal funds and money orders. In 2009, a review of records identified Postal Service money orders were cashed prior to the reported date of sale. In February 2010, an accounting of the postmaster's individually assigned window credit disclosed a shortage of \$12,151. During an interview, the postmaster admitted to embezzling postal funds and kiting postal money orders. In February 2010, the postmaster resigned from his position and pled guilty to kiting money orders and embezzling postal funds.
- In May, a former Kentucky sales and service associate pled guilty to one count violation of misappropriation of Postal Service funds. The judge sentenced the associate to 2 years of probation and ordered restitution in excess of \$5,800 payable to the Postal Service (which was paid in full by the defendant). During a review of the employee's accountability with agents, the sales associate attempted to repay \$4,000, which she produced from within folded pieces of paperwork. During the subsequent interview, she said she once discovered a money order voucher was missing from her daily postal receipts. The associate said she did not know what to do since she could not enter the money orders without the vouchers and since they have to be issued in sequence. She said she discontinued entering receipts in the postal accounting system and kept the cash in her drawer instead of depositing the funds daily. When agents asked about the four personal checks made out to the Postal Service found in her cash drawer, she stated she would place personal checks in her drawer to remove cash to purchase stamps at other post offices when she was low. She admitted that she borrowed postal funds for personal use, "whenever the need came up."
- An OIG investigation disclosed that a former Colorado sales and service associate falsely claimed refunds to defraud the Postal Service in the amount of \$12,732. The false refunds were created by entering fictitious stamp refund transactions in varying amounts into the computer terminal. Video footage documented that customers did not return stamps and the associate did not provide cash refunds. The associate admitted to the scheme and subsequently resigned from his position at the Postal Service. In June, the former associate was sentenced in federal court to 6 months incarceration, 3 years of supervised release, and was ordered to pay \$7,526 in restitution to the Postal Service.

WORKERS' COMPENSATION FRAUD

The monetary and medical benefits paid by the Postal Service to workers' compensation claimants (employees who sustained job-related injuries) in October 2011 totaled more than \$1.2 billion and its estimated total liability for future workers' compensation costs is more than \$15.1 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." Investigative efforts during this reporting period resulted in nearly \$65 million in cost savings or avoidances, 19 arrests,



A former Michigan letter carrier alleged total disability from a work-related back injury in 2005, but our investigation found that she was selling real estate. OIG agents witnessed the former letter carrier attempt to sell multiple homes – evidence that led to a termination of the employee's benefits.

and 60 administrative personnel actions, including removals and suspensions and termination of benefits.

Claimant Fraud

The workers' compensation program exists for employees who are legitimately injured while on duty. The program provides benefits to injured employees and their families while the employee is unable to work. Postal employees who attempt to defraud OWCP with false claims are criminally prosecuted to permanently prevent payment of additional compensation and to recover funds fraudulently obtained. Cases that may require administrative action are referred to the Postal Service and the DOL. Special agents work closely with Health and Resource Management specialists from the Postal Service on all phases of these investigations. Following are examples of workers' compensation fraud cases investigated during this period.

- A former Michigan letter carrier was arrested and admitted in a May federal court appearance to a role in a workers' compensation fraud scheme. The employee was provided with pre-trial diversion and ordered to complete 40 hours of community service and pay about \$7,000 in restitution to the Postal Service. The employee was further ordered to never seek future federal employment. During the investigation, we determined that the letter carrier reported about 20 on-the-job injuries in her 16 years of employment with the Postal Service and allegedly suffered a back injury while on duty in 2004, which allowed her to earn workers compensation benefits. The investigation further determined that the former letter carrier was selling real estate. OIG agents witnessed the former letter carrier attempt to sell multiple homes for a real estate business that she was affiliated with. As a result of the OIG's evidence, the DOL terminated the employee's benefits and the Postal Service realized a cost avoidance of more than \$930,000.
- In August, a former Indiana letter carrier pled guilty to workers' compensation fraud. The investigation revealed that the employee submitted approximately \$1,871 in false travel reimbursement vouchers

WORKERS' COMPENSATION FRAUD

to the DOL for non-existent travel to receive medical services. Starting in 2008, the letter carrier began submitting reimbursement claims for travel dates on which she did not travel, or she inflated the claimed mileage. The investigation also revealed that the former letter carrier maintained an Internet business selling sex toys, sexual enhancement pills, and pornographic DVDs on eBay. The letter carrier's sentencing is pending.

- After a 3-day jury trial, a North Carolina couple was found guilty on nine of the 13 felony counts of false statements and fraud to obtain federal employee's compensation. The husband and wife were both on the periodic roll after they claimed injuries while in the performance of their Postal Service duties. Surveillance conducted by OIG agents showed the couple repeatedly exceeded their medical restrictions by driving on numerous occasions for several miles, bending, mowing the lawn, and sitting on stools while gambling for an extended period of time at a North Carolina casino. The cost avoidance to the Postal Service is more than \$2.1 million and the couple was terminated as a result of the investigation. Sentencing is pending.
- An OIG investigation determined in April that a former North Carolina distribution clerk misrepresented her fitness for duty and continued to receive OWCP benefits, thus avoiding a return to gainful employment with the Postal Service. Agents determined that the employee exceeded her physical restrictions by exercising at a local gym approximately 4 to 6 days per week for over a year. The employee's compensation was terminated resulting in a cost avoidance of more than \$1.1 million dollars.
- A former custodian from the Network Distribution Center in Bell, California, was found guilty in July of one count of insurance fraud of the workers' compensation program. Subsequently, he was sentenced to 3 years of probation, 100 hours of community service, and ordered to pay \$4,600 in restitution to the Postal Service. A joint investigation with the



Employees who attempt to defraud the workers' compensation program are criminally prosecuted. This former custodian was charged with insurance fraud after an investigation found he had misrepresented his condition. Surveillance video showed him conducting home improvement projects, loading plywood on a truck, and other activities beyond his limitations.

California Department of Insurance and DOL OIG revealed the custodian misrepresented his condition. Surveillance video depicted the custodian conducting home improvement projects, loading plywood onto a truck, and other activities beyond his limitations. The employee was removed from the Postal Service and his termination of benefits resulted in a cost avoidance of \$848,791.

- On August 1, a former Texas letter carrier was sentenced to 3 years of probation, including 365 days of home confinement, 160 hours of community service, and restitution in the amount of \$172,000 to the Postal Service. The OIG investigation discovered that from 2005 to 2010 the letter carrier submitted false travel vouchers for approximately 96,000 miles in medical reimbursable transportation claims. The letter carrier claimed that she attended three appointments daily for rehabilitation treatment, 6 days a week, filing approximately 480 travel reimbursement requests and ultimately receiving payment of approximately \$207,706. However, the letter carrier actually traveled to 13 medical appointments, which should have only yielded a reimbursement amount of \$391.
- An investigation determined that a former Michigan carrier exceeded her stated medical limitations while receiving federal worker's compensation benefits for 2 years. The employee routinely participated in exercise and fitness activities at a local YMCA where she was observed bending, twisting, weight lifting, and performing various activities beyond her stated disabilities. The DOL-OWCP terminated the employee's compensation resulting in a cost avoidance of \$776,961 to the Postal Service. Subsequently, the employee was terminated from the Postal Service. The former carrier pled guilty on April 29 to one count of false statements or fraud to obtain federal employees' compensation. Sentencing is pending.
- A former Pennsylvania letter carrier pled guilty in June to 4 counts of providing false statements or fraud to obtain federal employees compensation. He supplied false statements on four Department of Labor forms on which he was required to report his employment activity and income. The former carrier had been out of work from the Postal Service since 1994, due to an alleged work-related back injury. The investigation determined he had been working in another state at an auto repair shop for several years. The investigation confirmed he received payment for this employment. In addition, video evidence showed him bending and picking up heavy boxes, as well as sacks of asphalt and repairing pot holes with a tamper. The former carrier admitted to working at the auto repair shop for about 5 years. The treating physician immediately returned the claimant to full-duty work and the DOL terminated the claim, resulting in more than \$936,000 in cost avoidance for the Postal Service. The DOL also found the claimant at fault for creating an overpayment exceeding \$177,000. Sentencing was scheduled for late September.

Medical Provider Fraud

The workers' compensation program is also subject to fraud and abuse by medical providers used by postal employees injured on the job. A few seek to take advantage of this program by submitting false bills, colluding with claimants to extend benefits, or falsifying claim documents. When evidence of abuse exists, OIG agents investigate these providers.

- A New York neurologist pled guilty on July 6 to one count of health care fraud. The neurologist billed DOL-OWCP, Medicare, the Federal Employees' Health Benefit Plan, and other health care benefit programs for fraudulent

medical services. The investigation conducted jointly with Health and Human Services, DOL, Office of Personnel Management; and local and state police departments determined that from January 2006 to December 2009, the neurologist submitted claims for services that were not rendered; billed two different health care benefit programs for the same service performed on the same patient; and billed for services performed when he was out of the country. As a plea agreement, he agreed to forfeit \$905,789. Sentencing is scheduled for December.

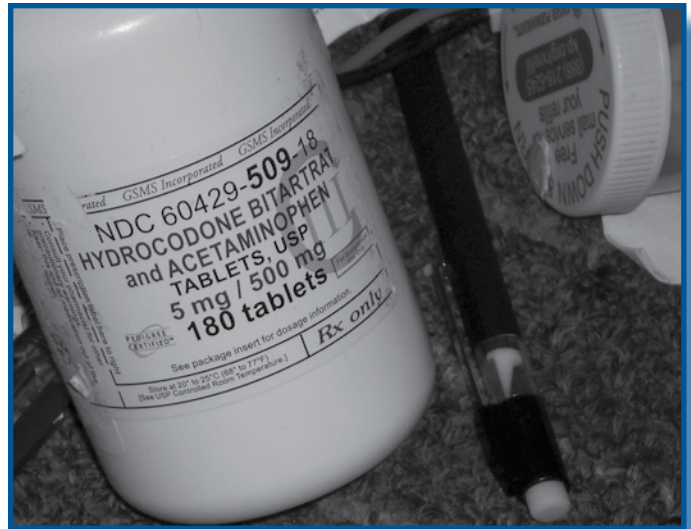
DELAY, DESTRUCTION, AND THEFT OF MAIL BY EMPLOYEES

Special agents investigate allegations of postal employees delaying, destroying, or stealing mail. Suspected employees are referred to prosecutors or to management for administrative action.

Theft of Mail by Employees

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

- OIG agents developed information in July 2009 that a former Arkansas mail handler over-labeled packages and parcels at the Memphis Processing and Distribution Center causing them to be rerouted to this personal residence. The former mail handler was sentenced in April to 24 months in federal prison, and ordered to pay a \$10,000 fine and restitution. The mail handler had previously been charged with theft of mail and possession of stolen mail matter. Pursuant to a federal search warrant, OIG agents and the local police department seized 17 stolen firearms, including four fully automatic military rifles, thousands of dollars worth of silver coins, and tens of thousands of dollars of other merchandise, all stolen from the mail. Agents seized hundreds of Postal Service “We Care” bags, which were used by the mail handler to carry merchandise stolen from the mail handler’s work area. The mail handler retired while under investigation.
- The OIG received numerous complaints in late 2007 through early 2009 that gift cards were not being delivered to customers. An investigation determined that a Cincinnati mail handler compromised thousands of greeting cards, stole more than \$10,000 in cash, and \$1,000 in gift cards from letters sent through his work area. During the investigation, agents caught the mail handler stealing mail while at work. Agents recovered the stolen funds in an envelope from his pocket during a search. The mail handler subsequently admitted that he had stolen various articles from the mail for about two and a half years and admitted to the theft of the funds. The investigation further determined that an associate of the mail handler used at least one of the stolen gift cards. The mail handler resigned from the Postal Service and pled guilty to theft of mail in May.
- A Kentucky letter carrier pled guilty in May to obstruction of correspondence and was sentenced to 4 months imprisonment; 60 hours of community service and ordered to pay restitution in excess of \$3,100. The OIG received complaints from individuals alleging that the Postal Service failed to deliver the mail on a specific route. In February 2010, agents observed the carrier take the non-deliverable mail “for a ride”, opening a letter containing currency. Agents approached the carrier in her vehicle at the end the business day and discovered an opened letter on the front passenger seat of her vehicle. Funds from the envelope were



A rifled parcel containing prescription drug medication was among the non-deliverable mail that agents discovered in a letter carrier’s vehicle. The carrier was sentenced to 4 months imprisonment, community service, and ordered to pay restitution.

recovered from the top portion of the driver’s console. Also, in plain view inside the vehicle, agents observed undelivered Standard and Periodical mail along with other rifled letters, and they recovered mail from the door pockets, sun visor, rear seat area, and the rear cargo area of the vehicle -- in total, about 3,310 pieces of mail including 347 rifled First Class letters and a rifled prescription drug parcel. The Postal Service terminated the letter carrier’s employment in February 2010.

- A New York letter carrier was found guilty on one count of conspiracy to defraud the government, mail theft, and conspiracy to commit mail theft. This investigation, conducted jointly with Internal Revenue Service-Criminal Investigation Division, revealed the letter carrier assisted in a scheme to defraud the government of more than \$15 million in fraudulently filed income tax returns. The investigation determined the letter carrier was stealing fraudulent U.S. Treasury checks destined for numerous bad addresses on his delivery route. The letter carrier was receiving a sum of money for each U.S. Treasury check he procured for the individuals involved in the scheme. The letter carrier is scheduled to be sentenced in September.

Delay or Destruction of Mail by Employees

Citizens and businesses expect their deposited mail to be delivered in a timely manner and not be delayed or destroyed. Postal employees and contractors who delay, desert, or dump mail are investigated by our special agents.

- A Maryland motor vehicle operator was sentenced to 6 months incarceration, 6 months home detention, 2 years supervised release, 100 hours community service, and ordered not to seek future employment with the Postal Service. Agents investigated a report of discarded mail at a secluded location in Maryland. After searching the area, a large volume of undelivered and burned mail was discovered spread across a wooded lot. The motor vehicle operator was identified as the responsible party and

CONTRACT FRAUD/OFFICIAL MISCONDUCT

was charged with the delay and destruction of mail. Subsequently, he was removed from the Postal Service.

- Agents received a tip from an anonymous customer that a former West Virginia rural carrier left undelivered mail and Postal Service property at an abandoned residence. The investigation determined that the abandoned residence was previously rented by the rural carrier. Agents gained access to the residence and discovered hundreds of pieces of undelivered mail as well as mail processing equipment. The former rural carrier pled guilty in July to one count of petit larceny. The rural carrier's sentencing is pending. The Postal Service terminated the rural carrier's employment in May 2010.

CONTRACT FRAUD

The Postal Service manages contracts, ranging from multimillion dollar national contracts for services such as transportation networks and IT infrastructures to local contracts for supplies and services at individual postal facilities. 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.

- During this reporting period, we conducted 85 contract fraud investigations, resulting in 15 arrests and nearly \$20 million in monetary benefits to the Postal Service.
- A Missouri postmaster was sentenced in June to 2 years of probation after pleading guilty to one count of accepting a bribe/gratuity. A mailer devised a scheme to defraud the Postal Service by fraudulently indicating pre-canceled stamps were included in its mailings when they were not. The mailer and its employee paid the postmaster \$20,000 to accept the fraudulent mailings. The mailer also paid a Postal Service supervisor, at the same office, \$10,000 to accept the mailings. In June, the mailer's employee was sentenced to 3 years of probation after pleading guilty to mail fraud. Restitution of \$2,990,000 was ordered to be paid to the Postal Service. A few months prior, the mailer pled guilty to mail fraud, false statements, bribery, and offering gratuities. The mailer's sentencing is pending.
- In March, following a joint contract fraud investigation by the OIG, Federal Bureau of Investigation, Army Criminal Investigations Division, and General Services Administration, a Postal Service contractor was sentenced to 10 years imprisonment, followed by 6 years of supervised release, and \$57.3 million in restitution, of which \$4.2 million was assigned to the Postal Service. Two of the convicted Postal Service contractor's employees were sentenced to 3 years imprisonment, followed by 3 years of supervised release. The Postal Service contract stated the contractor must use 75 percent disabled persons when producing tray sleeves to process the mail, and that he could not use subcontractors. The investigation discovered that the contractor failed to comply with the contract by not employing the required number of severely disabled persons and improperly hired subcontractors to complete the work.
- A mailer in California was sentenced in May to 366 days imprisonment, followed by 3 years probation, and ordered to pay \$342,000 in restitution after pleading guilty to 2 counts of theft of government property and postage. The OIG investigation discovered that the mailer concocted a

fraudulent check scheme to pay for his satellite business' bulk mailings by writing checks from fictitious accounts or an account with insufficient funds throughout several California cities.

OFFICIAL MISCONDUCT

Postal Service employees commit misconduct when they:

- Misuse Postal Service computers.
- Destroy or steal postal property.
- Lie or forge signatures on official documents.
- Steal funds.
- Abuse authority.
- Sabotage operations.
- Use narcotics or sell drugs while on duty.
- Abuse alcohol while on duty.

During this reporting period special agents investigated 44 cases of employees selling, possessing, or using illegal drugs on duty; made 38 arrests; and the Postal Service took 55 administrative personnel actions. Following are examples of cases the OIG investigated involving employee misconduct.

- A letter carrier pled guilty in March to knowingly conspiring with others to possess with the intent to distribute more than 1,000 kilograms of marijuana. The letter carrier and eight other non-Postal Service defendants were charged in a multistate marijuana trafficking and shoplifting conspiracy to transport large quantities of marijuana between Arizona and southern Ohio. The profits from the marijuana distribution were used to purchase automobiles, motorcycles, boats, and property in Arizona and Ohio. More than 100 real estate properties, numerous cars and boats are being sought through asset forfeiture. Sentencing is pending. The Postal Service placed the letter carrier on indefinite suspension in February.
- In April, a letter carrier pled guilty to Social Security fraud and was sentenced to 5 years of probation and ordered to pay restitution of \$41,635 to the Social Security Administration (SSA). In 2008, the SSA OIG provided information that the letter carrier received and cashed his mother's social security benefit checks after her death in 2002. The letter carrier was interviewed and admitted to using his mother's SSA benefits after her death.
- A New York maintenance mechanic pled guilty to receipt and possession of child pornography in February. This investigation, conducted jointly with a local police department, revealed the maintenance mechanic misused his Postal Service computer by searching for and accessing known child pornography websites. It also revealed he downloaded child pornography images while on duty at his workplace. Weblogs belonging to the maintenance mechanic confirmed he spent more than 170 days on the Internet, averaging 45 minutes per day, from April 2009 until April 2010. The vast majority of that time was spent searching for child pornography. The maintenance mechanic was sentenced to 70 months imprisonment and 20 years of supervised release. Following the investigation, the maintenance mechanic retired from the Postal Service.

EXECUTIVE INVESTIGATIONS AND INTERNAL AFFAIRS

OIG 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

While the Whistleblower Protection Act does not apply to the Postal Service, similar postal policy prohibits whistleblower retaliation. These Employee and Labor Relations Manual (ELM) provisions prohibit retaliation against employees who disclose information they reasonably believe to be: 1) a violation of any rule, law or regulation; or 2) a gross waste of funds, gross mismanagement, abuse of authority, or a substantial and specific danger to public health

or safety. The OIG reviews postal whistleblower allegations and, when a *prima facie* finding of retaliation is reached, refers the matter to postal management for action.

Allegations received:95
 OIG investigations initiated: 14
 Investigations closed with no finding of retaliation
 or deferred to other adjudicative body: 19
 Allegations closed with no action: 100
 Open investigations:5
 OIG found reprisal:0

OFFICIAL MISCONDUCT — ‘Operation Dirty Eagles’

In September 2010, a federal grand jury in the District of Puerto Rico indicted 20 individuals as a result of an investigation led by the OIG and the Drug Enforcement Administration (DEA). Seven of the defendants were current employees of the U.S. Postal Service. The defendants were charged with conspiracy to possess with intent to distribute heroin, cocaine, and marijuana; using firearms during and in relation to a drug trafficking crime; unlawful possession of a controlled substance; and theft of mail while impersonating a mail carrier. Others received pay and benefits from the Postal Service without performing their assigned duties. Our investigation disclosed that from or about 2003, the seven postal employees abused their positions as mail carriers in Puerto Rico, to facilitate drug shipments between Puerto Rico, Texas, California, and Arizona.

The conspiracy involved Postal Service employees informing clients of successful methods to send narcotics through the mail system to avoid detection from law enforcement. The defendants met with their co-conspirators at pre-determined locations during work hours to receive parcels while wearing their Postal Service uniforms, in order to make these transactions appear less suspicious. The defendants also took parcels to the Post Office and placed them into the mail system. The defendants then obtained confirmation numbers for their clients so they could track the location of the packages. At the conclusion of the transactions, the defendants provided receipts and parcel confirmation numbers to their clients as proof that the packages had been mailed.

The amount of the payments varied based on the weight of the parcel and the amount and type of narcotics being mailed. The defendants also discovered other narcotic traffickers who were using the mail system on their routes to send or receive narcotics. The defendants warned these traffickers that they had to pay a fee to conduct this activity on their routes. If the traffickers did not pay the mail carriers this fee, the defendants would steal the narcotics.

From January 2011 to present, 19 of the 20 defendants pled guilty. Fifteen defendants have faced sentences ranging from probation to 108 months incarceration, with the remaining four defendants pending sentencing. The final defendant is in federal custody in Illinois. All seven postal employees were removed from the Postal Service.



A major investigation in Puerto Rico, led by the OIG and the Drug Enforcement Agency, yielded 20 indictments and a recovery of firearms and drugs. Seven postal employees were among those indicted on drug, conspiracy, theft of mail, and firearm charges.



NO PARKING FIRE LANE

APPENDICES

The Inspector General (IG) Act of 1978 requires semiannual reports on the immediately preceding 6-month periods ending September 30 and March 31. These reports are sent to Congress and made available to the public.

This report summarizes OIG 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 April 1 — September 30, 2011

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

Summary

Risk Categories	Number of Reports	Funds Put to Better Use	Questioned Costs	Unsupported Questioned Costs	Revenue Impact
Strategic	14	\$8,920,327,334	\$33,375,758	—	\$2,207,054,263
Financial	155	\$191,685,233	\$979,499,705	\$801,107,522	\$312,100
Operational	30	\$2,356,092,667	\$995,514,644	\$171,606,700	\$19,193,730
SUB-TOTAL	199	\$11,468,105,234	\$2,008,390,107	\$972,714,222	\$2,226,560,093
PARIS Risk Model Reports	31	—	—	—	—
TOTAL	230	—	—	—	—

Fiscal Year 2011 Summary

For the period October 1, 2010 — September 30, 2011

	Number of Reports	Funds Put to Better Use	Questioned Costs	Unsupported Questioned Costs	Revenue Impact
Issued Reports	306	\$73,097,541,486	\$2,574,649,973	\$1,238,894,416	\$2,285,080,889
PARIS Risk Model Reports*	60	—	—	—	—
Total	366	—	—	—	—

*Note – PARIS Risk model reports were not listed in the March 2011 SARC

Definitions:

Questioned Costs. A cost that is unnecessary, unreasonable, unsupported, or an alleged violation of law, regulation, contract, and so forth.

Unsupported Questioned 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.

PARIS Risk Models. Performance and Results Information Systems (PARIS) models with data visualization techniques. These models identify operational and financial risks, and enable OA staff to conduct reviews of Postal Service functions on a nationwide basis, while also identifying areas of emerging risk — fundamentally changing the way the OIG examines and monitors risk. We present quarterly summary results and trend analyses of these risk models to key Postal Service executives and stakeholders.

Reports with Quantifiable Potential Monetary Benefits

	Funds Put to Better Use	Questioned Costs	Unsupported Questioned Costs	Revenue Impact
STRATEGIC RISK				
Delivery				
Modes of Delivery; DR-AR-11-006; 7/7/2011	\$4,513,964,171	\$24,052,226	—	—
Postal Service Patent Management Continuation; DA-MA-11-002; 4/8/2011	—	—	—	\$2,054,278,667
Engineering and Facilities				
Conflicts of Interest: Facility Leases and Contract Delivery Services; DA-AR-11-008; 6/8/2011	—	\$737,359	\$737,359	—
FINANCIAL RISK				
Cost, Revenue, and Rates				
Transportation Cost System Inputs into the Cost and Revenue Analysis Report; CRR-AR-11-004; 9/19/2011	\$9,799,206	—	—	—
Field Financial				
Business Mail Acceptance Centralization Process; FF-AR-11-015; 9/23/2011	\$118,969,551	\$113,009,745	—	—
Caribbean District Financial Risk; FF-AR-11-017; 9/30/2011	—	\$24,484	\$24,484	\$312,100
Global Express Guaranteed; FF-AR-11-016; 9/27/2011	—	\$314,351	\$314,351	—
New Approaches to Reduce Costs; FF-AR-11-009; 6/14/2011	\$1,426,655,830	—	—	—
Postal Service Refunds; FF-AR-11-013; 8/30/2011	\$13,155,927	—	—	—
Purchasing Compliance and Imprudent Purchases Follow-Up Audit; FF-AR-11-010; 6/21/2011	—	\$314,895	\$314,895	—
Stamp Distribution Procedures; FF-AR-11-012; 7/29/2011	\$5,907,151	—	—	—
Financial Reporting				
Fiscal Year 2010 Financial Statements Audit – San Mateo Information Technology and Accounting Service Center; FT-AR-11-008; 4/7/2011	—	\$ 75,838	\$ 75,838	—
Officer Compensation for Calendar Year 2010; FT-AR-11-011; 9/23/2011	—	\$ 59,174	—	—
Human Resources and Security				
Retirement for U.S. Postal Service Employees on Workers' Compensation; HR-MA-11-001; 4/22/2011	\$377,936,529	—	—	—

	Funds Put to Better Use	Questioned Costs	Unsupported Questioned Costs	Revenue Impact
Supply Management				
Audit of Incurred Costs of ICF Group, Incorporated for Fiscal Year 2007; CA-CAR-11-009; 7/26/2011	—	\$350	—	—
Audit of SICK, Inc. Proposal for the Flats Edge Doubles Detection (FEDD) Modification Kits; CA-CAR-11-007; 7/11/2011	—	\$72,994	—	—
Bell Services Group, Inc. Invoice Claim; CA-MA-11-001; 4/20/2011	—	\$2,652	—	—
Report on Audit of Proposal Submitted by Northrop Grumman Corporation, Electronic Systems Company; CA-CAR-11-010; 9/2/2011	—	\$154,389,118	\$143,509,693	—
Report on Audit of Siemens, Industry Inc., Mobility Division, Infrastructure Logistics Rate Proposal; CA-CAR-11-012; 9/22/2011	—	\$648,106	—	—
Transportation				
Management of the Highway Contract Route Voyager Card Program; NL-AR-11-003; 6/7/2011	\$53,652,604	\$53,719,737	—	—
OPERATIONAL RISK				
Cost, Revenue, and Rates				
Service Performance Measurement Data - Commercial Mail; CRR-AR-11-003; 9/6/2011	—	—	—	\$19,193,730
Delivery				
Follow-Up on City Delivery Standard Operating Procedures; DR-AR-11-007; 9/26/2011	—	\$88,128,993	—	—
National Assessment of City Delivery Efficiency 2011 - Office Performance; DR-MA-11-002; 7/19/2011	—	\$88,192,128	—	—
Engineering and Facilities				
Facility Optimization: Former Southeast Area Districts; DA-AR-11-007; 5/13/2011	\$151,624,144	—	—	—
Facility Optimization: Great Lakes Area; DA-AR-11-005; 4/22/2011	\$19,977,519	—	—	—
Facility Optimization: Pacific Area Districts; DA-AR-11-006; 5/13/2011	\$172,248,822	—	—	—
Nationwide Facility Optimization; DA-AR-11-009; 8/26/2011	\$1,992,347,498	—	—	—
Human Resources and Security				
Postal Service Work Rules and Compensation Systems; HR-AR-11-002; 9/19/2011	\$2,591,971,598	—	—	—
Information Technology				
Project Phoenix; IT-AR-11-009; 9/14/2011	—	—	—	\$152,775,596
Network Optimization				
Assessment of Overall Plant Efficiency 2011; NO-MA-11-004; 5/20/2011	—	\$647,586,823	—	—
Supply Management				
Contract Delivery Service Cost Controls; CA-MA-11-002; 9/26/2011	—	\$8,918,958	\$8,918,958	—
Contract Funding Approval; CA-AR-11-005; 8/25/2011	—	\$601,388,219	\$601,388,219	—
Contract Postal Units Contract Oversight; CA-AR-11-007; 9/30/2011	—	\$162,687,742	\$162,687,742	—
Internal Controls over the Contract Close-out Process; CA-AR-11-004; 4/27/2011	—	\$54,742,683	\$54,742,683	—

APPENDIX A

	Funds Put to Better Use	Questioned Costs	Unsupported Questioned Costs	Revenue Impact
Transportation				
Evaluation of Major Transportation Technology Initiatives; NL-AR-11-008; 9/27/2011	—	\$9,323,532	—	—
Highway Contract Routes – Western Pennsylvania District; NL-AR-11-007; 9/27/2011	\$1,627,975	—	—	—
Postal Vehicle Service Transportation Routes – Baltimore Processing and Distribution Center; NL-AR-11-004; 7/25/2011	\$8,240,606	—	—	—
Postal Vehicle Services - Scheduling and Staffing - Western Pennsylvania District; NL-AR-11-005; 8/12/2011	\$10,026,103	—	—	—
TOTAL	\$11,468,105,234	\$2,008,390,107	\$972,714,222	\$2,226,560,093

Report Listing

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

For the period April 1— September 30, 2011

STRATEGIC RISK

Cost, Revenue, and Rates

Transportation Cost System Inputs into the Cost and Revenue Analysis Report; CRR-AR-11-004; 9/19/2011

Delivery

Global Positioning System: End-to-End Platform and Actionable, Robust Reports Needed to Achieve Goals and Potential Return-on-Investment; DR-MA-11-003; 9/30/2011

Modes of Delivery; DR-AR-11-006; 7/7/2011

Engineering & Facilities

Intelligent Mail: Realizing Revenue Assurance Benefits; DA-AR-11-010; 8/30/2011

Postal Service Patent Management Continuation; DA-MA-11-002; 4/8/2011

Field Financial

Leveraging Assets to Address Financial Obligations; FF-MA-11-118; 7/12/2011

New Approaches to Reduce Costs; FF-AR-11-009; 6/14/2011

Human Resources and Security

Postal Service Work Rules and Compensation Systems; HR-AR-11-002; 9/19/2011

Retirement for U.S. Postal Service Employees on Workers' Compensation; HR-MA-11-001; 4/22/2011

Information Technology

Project Phoenix; IT-AR-11-009; 9/14/2011

Network Optimization

Web-Based Application for the Discontinuance of Postal Service-Operated Retail Facilities; EN-AR-11-006(R); 7/7/2011

Sales and Service

Market Intelligence; MS-AR-11-005; 8/10/2011

Postal Service's Innovation Process for Competitive and Market-Dominant Products; MS-AR-11-004; 6/8/2011

Transportation

Evaluation of Major Transportation Technology Initiatives; NL-AR-11-008; 9/27/2011

FINANCIAL RISK

Cost, Revenue, and Rates

PostalOne! Mail Data Input Validation; CRR-AR-11-002; 5/23/2011

Engineering & Facilities

Business Mail Acceptance Centralization Process; FF-AR-11-015; 9/23/2011

Caribbean District Financial Risk; FF-AR-11-017; 9/30/2011

Conflicts of Interest: Facility Leases and Contract Delivery Services; DA-AR-11-008; 6/8/2011

Field Financial

District Practices Affecting Financial Risk; FF-MA-11-116; 7/11/2011

Financial Controls Over Passports; FF-AR-11-011; 7/27/2011

Fiscal Year 2011 Financial Testing Compliance Business Mail Entry Unit Oversight Reviews – Albany Business Mail Entry Unit – Albany, NY; FF-MA-11-141; 8/11/2011

Fiscal Year 2011 Financial Testing Compliance Business Mail Entry Unit Oversight Reviews – Austin Business Mail Entry Unit Austin, TX; FF-MA-11-129; 7/26/2011

Fiscal Year 2011 Financial Testing Compliance Business Mail Entry Unit Oversight Reviews –

Boston Business Mail Entry Unit – Boston, MA; FF-MA-11-052; 4/7/2011

Fiscal Year 2011 Financial Testing Compliance Business Mail Entry Unit Oversight Reviews – Charlotte, NC; FF-MA-11-131; 8/2/2011

Fiscal Year 2011 Financial Testing Compliance Oversight Reviews – Mid-City Cincinnati Business Mail Entry Unit Cincinnati, OH; FF-MA-11-137; 8/5/2011

Fiscal Year 2011 Financial Testing Compliance Business Mail Entry Unit Oversight Reviews – Cleveland, OH Business Mail Entry Unit – Cleveland, OH; FF-MA-11-096; 5/17/2011

Fiscal Year 2011 Financial Testing Compliance Business Mail Entry Unit Oversight Reviews – Harrisburg Business Mail Entry Unit Harrisburg, PA; FF-MA-11-140; 8/5/2011

Fiscal Year 2011 Financial Testing Compliance Business Mail Entry Unit Oversight Reviews – Hartford Business Mail Entry Unit – Hartford, CT; FF-MA-11-051; 4/7/2011

Fiscal Year 2011 Financial Testing Compliance Business Mail Entry Unit Oversight Reviews – Houston Business Mail Entry Unit – Houston, TX; FF-MA-11-077; 4/27/2011

Fiscal Year 2011 Financial Testing Compliance Business Mail Entry Unit Oversight Reviews – Industry General Mail Facility Business Mail Entry Unit – City of Industry, CA; FF-MA-11-160; 9/12/2011

Fiscal Year 2011 Financial Testing Compliance Business Mail Entry Unit Oversight Reviews – Jacksonville Business Mail Entry Unit – Jacksonville, FL; FF-MA-11-157; 9/8/2011

Fiscal Year 2011 Financial Testing Compliance Business Mail Entry Unit Oversight Reviews – Los Angeles Business Mail Entry Unit – Los Angeles, CA; FF-MA-11-133; 8/3/2011

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Fiscal Year 2011 Financial Testing Compliance Business Mail Entry Unit Oversight Reviews – Miami Business Mail Entry Unit – Miami, FL; FF-MA-11-071; 4/27/2011

Fiscal Year 2011 Financial Testing Compliance Business Mail Entry Unit Oversight Reviews – Nashville Business Mail Entry Unit – Nashville, TN; FF-MA-11-132; 7/29/2011

Fiscal Year 2011 Financial Testing Compliance Business Mail Unit Oversight Reviews – New York Business Mail Entry Unit – New York, NY; FF-MA-11-097; 5/17/2011

Fiscal Year 2011 Financial Testing Compliance Business Mail Entry Unit Oversight Reviews – North Texas Business Mail Entry Unit – Coppell, TX; FF-MA-11-095; 5/16/2011

Fiscal Year 2011 Financial Testing Compliance Business Mail Entry Unit Oversight Reviews – Omaha Business Mail Entry Unit – Omaha, NE; FF-MA-11-061; 4/14/2011

Fiscal Year 2011 Financial Testing Compliance Business Mail Entry Unit, Oversight Reviews – Orlando Mail Processing Annex, Business Mail Entry Unit – Orlando, FL; FF-MA-11-138; 8/8/2011

Fiscal Year 2011 Financial Testing Compliance Business Mail Entry Unit Oversight Reviews – Philadelphia Business Mail Entry Unit – Philadelphia, PA; FF-MA-11-134; 8/5/2011

Fiscal Year 2011 Financial Testing Oversight Reviews – Phoenix Business Mail Entry Unit – Phoenix, AZ; FF-MA-11-130; 7/29/2011

Fiscal Year 2011 Financial Testing Compliance Business Mail Entry Unit Oversight Reviews – Pittsburgh, PA Business Mail Entry Unit – Pittsburgh, PA; FF-MA-11-086; 5/10/2011

Fiscal Year 2011 Financial Testing Compliance Business Mail entry Unit Oversight Reviews – Pittsburgh Business Mail Entry Unit – Pittsburgh, PA; FF-MA-11-166; 9/20/2011

Fiscal Year 2011 Financial Testing Compliance Business Mail Entry Unit Oversight Reviews – Portland Business Mail Entry Unit – Portland, OR; FF-MA-11-126; 7/22/2011

Fiscal Year 2011 Financial Testing Compliance Business Mail Entry Unit Oversight Reviews – Salt Lake City Business Mail Entry Unit – Salt Lake City, UT; FF-MA-11-060; 4/14/2011

Fiscal Year 2011 Financial Testing Compliance Business Mail Entry Unit Oversight Reviews – San Francisco Business Mail Entry Unit – San Francisco, CA; FF-MA-11-069; 4/15/2011

Fiscal Year 2011 Financial Testing Compliance Business Mail Entry Unit Oversight Reviews – San Francisco Business Mail Entry Unit Program – San Francisco, CA; FF-MA-11-165; 9/19/2011

Fiscal Year 2011 Financial Testing Compliance Business Mail Entry Unit Oversight Reviews – St. Louis Business Mail Entry Unit – St. Louis, MO; FF-MA-11-164; 9/15/2011

Fiscal Year 2011 Financial Testing Compliance Business Mail Entry Unit Oversight Reviews – Tampa Mail Processing Annex – Tampa, FL; FF-MA-11-066; 4/19/2011

Fiscal Year 2011 Financial Testing Compliance Business Mail Entry Unit Oversight Reviews – Washington Business Mail Entry Unit – Washington, DC; FF-MA-11-163; 9/12/2011

Fiscal Year 2011 Financial Testing Compliance Detached Mail Unit Oversight Reviews – American Web Detached Mail Unit – Denver, CO; FF-MA-11-081; 5/6/2011

Fiscal Year 2011 Financial Testing Compliance Detached Mail Unit Oversight Reviews – Cabelas Detached Mail Unit – Wheeling, WV; FF-MA-11-084; 5/10/2011

Fiscal Year 2011 Financial Testing Compliance Detached Mail Unit Oversight Reviews – Craftsman Press Detached Mail Unit – Hyattsville, MD; FF-MA-11-055; 4/8/2011

Fiscal Year 2011 Financial Testing Compliance Detached Mail Unit Oversight Reviews – Data Mail, Detached Mail Unit – Newington, CT; FF-MA-11-110; 6/14/2011

Fiscal Year 2011 Financial Testing Compliance Detached Mail Unit Oversight Reviews – Direct Technologies Detached Mail Unit – Suwanee, GA; FF-MA-11-072; 4/27/2011

Fiscal Year 2011 Financial Testing Compliance Detached Mail Unit Oversight Reviews – DST Output Detached Mail Unit – El Dorado Hills, CA; FF-MA-11-120; 7/11/2011

Fiscal Year 2011 Financial Testing Compliance Detached Mail Unit Oversight Reviews – First Data Resources Detached Mail Unit, Omaha, NE; FF-MA-11-119; 7/8/2011

Fiscal Year 2011 Financial Testing Compliance Detached Mail Unit Oversight Reviews – Houston Chronicle Detached Mail Unit – Houston, TX; FF-MA-11-059; 4/14/2011

Fiscal Year 2011 Financial Testing Compliance Detached Mail Unit Oversight Reviews – Mailworks Detached Mail Unit – Albany, NY; FF-MA-11-098; 5/18/2011

Fiscal Year 2011 Financial Testing Compliance Detached Mail Unit Oversight Reviews – Moores Business Detached Mail Unit – Thurmont, MD; FF-MA-11-112; 6/17/2011

Fiscal Year 2011 Financial Testing Compliance Detached Mail Unit, Oversight Reviews – New York Life Detached Mail Unit – Alpharetta, GA; FF-MA-11-108; 6/10/2011

Fiscal Year 2011 Financial Testing Compliance Detached Mail Unit Oversight Reviews – North American Communications Detached Mail Unit – Duncansville, PA; FF-MA-11-125; 7/20/2011

Fiscal Year 2011 Financial Testing Compliance Detached Mail Unit Oversight Reviews – North American Mailing Service Detached Mail Unit – El Paso, TX; FF-MA-11-049; 4/6/2011

Fiscal Year 2011 Financial Testing Compliance Detached Mail Unit Oversight Reviews – Pitney-Bowes Professional Services Industries Presort Services Industries Presort Services Detached Mail Unit – Grove City, OH; FF-MA-11-121; 7/11/2011

Fiscal Year 2011 Financial Testing Compliance Detached Mail Unit Oversight Reviews – Publication Printers Detached Mail Unit – Denver, CO; FF-MA-11-064; 4/14/2011

Fiscal Year 2011 Financial Testing Compliance Detached Mail Unit Oversight Reviews – Redi Mail Detached Mail Unit – Fairfield, NJ; FF-MA-11-107; 6/9/2011

Fiscal Year 2011 Financial Testing Compliance Detached Mail Unit Oversight Reviews – RR Donnelley Detached Mail Unit – Bolingbrook, IL; FF-MA-11-122; 7/18/2011

Fiscal Year 2011 Financial Testing Compliance Detached Mail Unit Oversight Reviews – Streamlite Inc., Detached Mail Unit – Moonachie, NJ; FF-MA-11-054; 4/8/2011

Fiscal Year 2011 Financial Testing Compliance Detached Mail Unit Oversight Reviews – Trend Offset Detached Mail Unit - Carrollton, TX; FF-MA-11-115; 7/6/2011

Fiscal Year 2011 Financial Testing Compliance Detached Mail Unit Oversight Reviews – United Litho Detached Mail Unit – Ashburn, VA; FF-MA-11-079; 4/28/2011

Fiscal Year 2011 Financial Testing Compliance Detached Mail Unit Oversight Reviews – World Marketing Detached Mail Unit – Doraville, GA; FF-MA-11-113; 6/17/2011

Fiscal Year 2011 Financial Testing Compliance, Plant-Verified Drop Shipment Oversight Reviews – Albany, NY; FF-MA-11-148; 8/19/2011

Fiscal Year 2011 Financial Testing Compliance Plant-Verified Drop Shipment – Oversight Reviews – Atlanta Plant-Verified Drop Shipment – Atlanta, GA; FF-MA-11-139; 8/8/2011

Fiscal Year 2011 Financial Testing Compliance, Plant-Verified Drop Shipment Oversight Reviews – Atlanta Network Distribution Center – Atlanta, GA; FF-MA-11-146; 8/22/2011

Fiscal Year 2011 Financial Testing Compliance Plant-Verified Drop Shipment Oversight Reviews – Austin Processing and Distribution Center – Austin, TX; FF-MA-11-063; 4/14/2011

Fiscal Year 2011 Financial Testing Compliance Plant-Verified Drop Shipment Oversight Reviews – Bloomington Processing and Distribution Facility – Bloomington, IL; FF-MA-11-159; 9/8/2011

Fiscal Year 2011 Financial Testing Compliance Plant-Verified Drop Shipment Oversight Reviews – Columbus Plant-Verified Drop Shipment – Columbus, GA; FF-MA-11-128; 7/26/2011

Fiscal Year 2011 Financial Testing Compliance Plant-Verified Drop Shipment Oversight Reviews – Columbus Processing and Distribution Center – Columbus, OH; FF-MA-11-153; 9/1/2011

Fiscal Year 2011 Financial Testing Compliance, Plant-Verified Drop Shipment Oversight Reviews – Denver Mail Processing Annex Plant-Verified Drop Shipment – Denver, CO; FF-MA-11-145; 8/19/2011

Fiscal Year 2011 Financial Testing Compliance Plant-Verified Drop Shipment Oversight Reviews – Dominick V Daniels Processing and Distribution Center Plant-Verified Drop Shipment – Kearny, NJ; FF-MA-11-142; 8/17/2011

Fiscal Year 2011 Financial Testing Compliance Plant-Verified Drop Shipment Oversight Reviews – Fort Worth Processing and Distribution Center – Fort Worth, TX; FF-MA-11-144; 8/23/2011

Fiscal Year 2011 Financial Testing Compliance Plant-Verified Drop Shipment Oversight Reviews – Fort Worth Processing and Distribution Center – Fort Worth, TX; FF-MA-11-161; 9/9/2011

Fiscal Year 2011 Financial Testing Compliance Plant-Verified Drop Shipment Oversight Reviews – Grand Junction Foresight Carrier Annex Plant-Verified Drop Shipment – Grand Junction, CO; FF-MA-11-150; 8/30/2011

Fiscal Year 2011 Financial Testing Compliance Plant-Verified Drop Shipment Oversight Reviews – Greensboro Network Distribution Center – Greensboro, OH; FF-MA-11-154; 9/2/2011

Fiscal Year 2011 Financial Testing Compliance Plant-Verified Drop Shipment Oversight Reviews – Linthicum Processing and Distribution Center – Linthicum Heights, MD; FF-MA-11-085; 5/10/2011

Fiscal Year 2011 Financial Testing Compliance Plant-Verified Drop Shipment Oversight Reviews – New Castle Processing and Distribution Facility Plant-Verified Drop Shipment – New Castle, PA; FF-MA-11-147; 8/23/2011

Fiscal Year 2011 Financial Testing Compliance Plant-Verified Drop Shipment Oversight Reviews – North Texas Processing and Distribution Center – Coppell, TX; FF-MA-11-127; 7/22/2011

Fiscal Year 2011 Financial Testing Compliance Plant-Verified Drop Shipment Oversight Reviews – Pittsburgh Network Distribution Center – Warrendale, PA; FF-MA-11-152; 9/1/2011

Fiscal Year 2011 Financial Testing Compliance Plant-Verified Drop Shipment Oversight Reviews – Prescott Post Office – Prescott, AZ; FF-MA-11-068; 4/20/2011

Fiscal Year 2011 Financial Testing Compliance Plant-Verified Drop Shipment Oversight Reviews – Rapid City Post Office – Rapid City, SD; FF-MA-11-078; 4/27/2011

Fiscal Year 2011 Financial Testing Compliance Plant-Verified Drop Shipment Oversight Reviews – San Francisco Network Distribution Center Plant-Verified Drop Shipment – Richmond, CA; FF-MA-11-155; 9/2/2011

Fiscal Year 2011 Financial Testing Compliance Plant-Verified Drop Shipment Oversight Reviews – San Jose Processing and Distribution Center, Plant-Verified Drop Shipment – San Jose, CA; FF-MA-11-135; 8/3/2011

Fiscal Year 2011 Financial Testing Compliance Plant-Verified Drop Shipment Oversight Reviews – San Jose Processing and Distribution Center, Plant-Verified Drop Shipment – San Jose, CA; FF-MA-11-167; 9/23/2011

Fiscal Year 2011 Financial Testing Compliance Plant-Verified Drop Shipment Oversight Reviews – Seattle Processing and Distribution Center – Seattle, WA; FF-MA-11-050; 4/6/2011

Fiscal Year 2011 Financial Testing Compliance Plant-Verified Drop Shipment Oversight Reviews – Shrewsbury Central MA Processing and Distribution Center – Shrewsbury, MA; FF-MA-11-073; 4/25/2011

Fiscal Year 2011 Financial Testing Compliance Plant-Verified Drop Shipment Oversight Reviews – Southern Connecticut Processing and Distribution Center – Wallingford, CT; FF-MA-11-151; 8/29/2011

Fiscal Year 2011 Financial Testing Compliance Plant-Verified Drop Shipment Oversight Reviews – Southern Maine Processing and Distribution Center – Scarborough, ME; FF-MA-11-162; 9/9/2011

Fiscal Year 2011 Financial Testing Compliance Plant-Verified Drop Shipment Oversight Reviews – Springfield Logistics and Distribution Center – Springfield, MA; FF-MA-11-156; 9/7/2011

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Fiscal Year 2011 Financial Testing Compliance Plant-Verified Drop Shipment Oversight Reviews – Springfield Mail Processing and Distribution Facility – Springfield, IL; FF-MA-11-136; 8/11/2011

Fiscal Year 2011 Financial Testing Compliance, Plant-Verified Drop Shipment, oversight Reviews – Terre Haute Plant-Verified Drop Shipment – Terre Haute, IN; FF-MA-11-158; 9/8/2011

Fiscal Year 2011 Financial Testing Compliance Plant-Verified Drop Shipment Oversight Reviews – Washington National Distribution Center – Capitol Heights, MD; FF-MA-11-076; 4/26/2011

Fiscal Year 2011 Financial Testing Compliance Postal Retail Unit Oversight Reviews – Best Wishes Postal Retail Unit – Santa Rosa, CA; FF-MA-11-082; 5/10/2011

Fiscal Year 2011 Financial Testing Compliance Postal Retail Unit Oversight Reviews – Manassas Park Postal Retail Unit – Manassas Park, VA; FF-MA-11-093; 5/16/2011

Fiscal Year 2011 Financial Testing – Compliance Postal Retail Unit Oversight Reviews – Merlin Postal Retail Unit – Merlin, OR; FF-MA-11-094; 5/16/2011

Fiscal Year 2011 Financial Testing Compliance Postal Retail Unit Oversight Reviews – NW St. Johns Finance Station (FTSA) – Jacksonville, FL; FF-MA-11-080; 4/28/2011

Fiscal Year 2011 Financial Testing

Compliance Postal Retail Unit Oversight Reviews – Junction Post Office – Junction, TX; FF-MA-11-101; 5/23/2011

Fiscal Year 2011 Financial Testing Compliance Postal Retail Unit Oversight Reviews – Lawrenceville Crogan Street Station – Lawrenceville, GA; FF-MA-11-087; 5/12/2011

Fiscal Year 2011 Financial Testing Compliance Postal Retail Unit Oversight Reviews – North Little Rock Main Office – North Little Rock, AR; FF-MA-11-100; 5/20/2011

Fiscal Year 2011 Financial Testing Compliance Postal Retail Unit Oversight Reviews – Orangeburg Postal Retail Unit – Orangeburg, NY; FF-MA-11-102; 5/25/2011

Fiscal Year 2011 Financial Testing Compliance Postal Retail Unit Oversight Reviews – Perry Hall, MD, Postal Retail Unit – Perry Hall, MD; FF-MA-11-091; 5/16/2011

Fiscal Year 2011 Financial Testing Compliance Postal Retail Unit Oversight Reviews – Silverado Station – Las Vegas, NV; FF-MA-11-099; 5/18/2011

Fiscal Year 2011 Financial Testing - Compliance Postal Retail Unit Oversight Reviews – Taneytown, MD; FF-MA-11-090; 5/16/2011

Fiscal Year 2011 Financial Testing Compliance Postal Retail Unit Oversight Reviews – Terre Hill Postal Office – Terre Hill, PA; FF-MA-11-092; 5/17/2011

Fiscal Year 2011 Financial Testing Compliance Voyager eFleet Card Program Oversight Reviews – Bakersfield Hillcrest Annex – Bakersfield, CA; FF-MA-11-065; 4/14/2011

Fiscal Year 2011 Financial Testing Compliance Voyager eFleet Card Program, Oversight Reviews – Duluth, MN; FF-MA-11-104; 5/27/2011

Fiscal Year 2011 Financial Testing Compliance Voyager eFleet Card Program Oversight Reviews – Gibsonville Voyager eFleet Card Program – Gibsonville, NC; FF-MA-11-058; 4/14/2011

Fiscal Year 2011 Financial Testing Compliance Voyager eFleet Card Program Oversight Reviews – Interbay Station Voyager eFleet Card Program – Tampa, FL; FF-MA-11-056; 4/15/2011

Fiscal Year 2011 Financial Testing Compliance Voyager eFleet Card Program Oversight Reviews – Kirkwood Delivery Annex Voyager eFleet Card Program – Kirkwood, MO; FF-MA-11-062; 4/18/2011

Fiscal Year 2011 Financial Testing Compliance Voyager eFleet Card Program Oversight Reviews – Lincoln Post Office Voyager eFleet Card Program – Lincoln, CA; FF-MA-11-074; 4/25/2011

Fiscal Year 2011 Financial Testing

Compliance Voyager eFleet Card Program Oversight Reviews – Rochester Downtown Station Voyager eFleet Card Program – Rochester, NY; FF-MA-11-067; 4/19/2011

Fiscal Year 2011 Financial Testing Compliance Voyager eFleet Card Program Oversight Reviews – Wellesley Hills Branch – Wellesley Hills, MA; FF-MA-11-083; 5/10/2011

Fiscal Year 2011 Financial Testing Compliance Voyager eFleet Card Program Oversight Reviews – Westside Station Voyager eFleet Card Program – Greensboro, NC; FF-MA-11-053; 4/7/2011

Fiscal Year 2011 Financial Testing Compliance – Voyager eFleet Card Program Oversight Reviews – Wyoming Post Office – Wyoming, RI; FF-MA-11-057; 4/14/2011

Fiscal Year 2011 Review of Statistical Tests – Atlanta District; FF-MA-11-070; 4/25/2011

Fiscal Year 2011 Review of Statistical Tests – Capital District; FF-MA-11-124; 7/20/2011

Fiscal Year 2011 Review of Statistical Tests – Central Plains District; FF-MA-11-089; 5/12/2011

Fiscal Year 2011 Review of Statistical Tests – Chicago District; FF-MA-11-109; 6/13/2011

Fiscal Year 2011 Review of Statistical Tests - Detroit District; FF-MA-11-088; 5/11/2011

Fiscal Year 2011 Financial Testing Compliance Review of Statistical Tests – Fort Worth District; FF-MA-11-048; 4/1/2011

Fiscal Year 2011 Review of Statistical Tests – Hawkeye District; FF-MA-11-103; 5/26/2011

Fiscal Year 2011 Review of Statistical Tests – New York District; FF-MA-11-105; 6/8/2011

Fiscal Year 2011 Review of Statistical Tests – Philadelphia Metropolitan; FF-MA-11-117; 7/8/2011

Fiscal Year 2011 Review of Statistical Tests – Sacramento District; FF-MA-11-111; 6/16/2011

Fiscal Year 2011 Review of Statistical Tests – Southeast New England District; FF-MA-11-075; 4/26/2011

Fiscal Year 2011 Review of Statistical Tests – Western New York District; FF-MA-11-106; 6/8/2011

Fiscal Year 2011 Review of Statistical Tests – San Diego District; FF-MA-11-114; 6/17/2011

Global Express Guaranteed; FF-AR-11-016; 9/27/2011

Government Relations Operations; FF-AR-11-014; 9/23/2011

Postal Service Refunds; FF-AR-11-013; 8/30/2011

Purchasing Compliance and Imprudent Purchases Follow-Up Audit; FF-AR-11-010; 6/21/2011

Stamp Distribution Procedures; FF-AR-11-012; 7/29/2011

Statistical Tests for Fiscal Year 2011;
FF-MA-11-168; 9/29/2011

Financial Reporting

Fiscal Year 2010 Financial Statements Audit –
San Mateo Information Technology and Accounting
Service Center; FT-AR-11-008; 4/7/2011

Fiscal Year 2010 Sarbanes-Oxley Testing for
Selected Business Processes; FT-MA-11-003;
5/19/2011

Fiscal Year 2011 10Q Review; FT-ID-11-009
and FT-AR-11-012-; 6/22/2011; 8/3/2011

Fiscal Year 2011 Quarter III, Draft Fonn IC-Q
Financial; FT-ID-11-012; 8/3/2011

Independent Report on Employee Benefits,
Withholdings, Contributions, and Supplemental
Semiannual Headcount Reporting Submitted to the
Office of Personnel Management; FT-AR-11-012;
9/30/2011

Officer Compensation for Calendar Year 2010;
FT-AR-11-011; 9/23/2011

Postal Service Five-Year Financial Plan;
FT-MA-11-004; 8/18/2011

Unemployment Compensation; FT-MA-11-005;
9/30/2011

Human Resources and Security

2009 Pay for Performance Program;
HR-AR-11-006; 8/8/2011; HR-AR-11-006;
8/8/2011

Mystery Shopper Program; HR-MA-11-002;
4/28/2011

Postal Service Workers' Compensation Program;
HR-AR-11-007; 9/30/2011

Information Technology

Chief Information Officer's Budget Data;
IT-AR-11-007; 8/25/2011

Sales and Service

Effects of Compliance Rules on Mailers;
MS-AR-11-006; 8/24/2011

Mail Verification Procedures at Long Island
Detached Mail Units; MS-AR-11-003; 5/26/2011

Strategic Approaches to Revenue Protection;
MS-AR-11-007; 9/30/2011

Supply Management

AECOM U.S. FY 2009 Labor Floor Check;
CA-CAR-11-008; 7/14/2011

Audit of Incurred Costs of ICF Group, Incorporated
for Fiscal Year 2007; CA-CAR-11-009; 7/26/2011

Audit of SICK, Inc.'s Proposal for the Flats Edge
Doubles Detection (FEDD) Modification Kits;
CA-CAR-11-007; 7/11/2011

Bell Services Group, Inc. Invoice Claim;
CA-MA-11-001; 4/20/2011

Contract Funding Approval; CA-AR-11-005;
8/24/2011

Contract Management Data; CA-AR-11-002;
4/27/2011

Internal Controls over the Contract Close-out
Process; CA-AR-11-004; 4/27/2011

Report on Audit of Proposal Submitted by Northrop
Grumman Corporation, Electronic Systems
Company; CA-CAR-11-010; 9/2/2011

Report on Audit of Siemens, Industry Inc., Mobility
Division, Infrastructure Logistics Rate Proposal;
CA-CAR-11-012; 9/22/2011

Transportation

Management of the Highway Contract Route
Voyager Card Program; NL-AR-11-003; 6/7/2011

OPERATIONAL RISK

Cost, Revenue, and Rates

Service Performance Measurement Data -
Commercial Mail; CRR-AR-11-003; 9/6/2011

Delivery

Follow-Up on City Delivery Standard Operating
Procedures; DR-AR-11-007; 9/26/2011

Mail Volume Measurement for City Delivery
Carriers – Greater Indiana District DR-AR-11-005
6/29/2011

National Assessment of City Delivery Efficiency
2011 - Office Performance; DR-MA-11-002;
7/19/2011

Engineering and Facilities

Facility Optimization: Former Southeast Area
Districts; DA-AR-11-007; 5/13/2011

Facility Optimization: Great Lakes Area; DA-
AR-11-005; 4/22/2011

Facility Optimization: Pacific Area Districts; DA-
AR-11-006; 5/13/2011

Internal Controls Over Facility Rental Income; DA-
MA-11-003; 6/17/2011

Nationwide Facility Optimization; DA-AR-11-009;
8/26/2011

Field Financial

Bank Secrecy Compliance for Fiscal Year 2011;
FT-AR-11-010; 6/24/2011

Human Resources and Security

Compliance with Occupational Safety and Health
Administration Recordkeeping Requirements;
HR-AR-11-004; 5/27/2011

Postal Service Facility Security; HR-AR-11-005;
8/5/2011

Stand-by Time; HR-MA-11-003; 8/12/2011

Information Technology

Data Breach Incident Reporting; IT-AR-11-006;
8/11/2011

Remote Access Controls; IT-AR-11-008;
9/14/2011

Network Optimization

Beckley, WV Post Office Facility Consolidation; EN-
AR-11-005; 4/21/2011

Bowling Green, KY Consolidation; EN-AR-11-008;
8/25/2011

University Station, Eugene, OR Consolidation; EN-
AR-11-007; 7/20/2011

Network Processing

Assessment of Overall Plant Efficiency 2011;
NO-MA-11-004; 5/20/2011

Oshkosh, WI Processing and Distribution Facility
Consolidation; NO-AR-11-006; 7/29/2011

Postal Service Performance During the 2010 Fall
Mailing Season; NO-AR-11-007; 9/7/2011

APPENDIX A

Timely Processing of Mail at the Richmond, VA Processing and Distribution Center; NO-AR-11-008; 9/13/2011

Sales and Service

Overweight Inbound International Mail; MS-MA-11-001; 9/13/2011

Supply Management

Contract Delivery Service Cost Controls; CA-MA-11-002; 9/26/2011

Contract Postal Units Contract Oversight; CA-AR-11-007; 9/30/2011

The Sufficiency of Recent Policy Changes Regarding Contracting Conflicts of Interest; CA-AR-11-006; 8/31/2011

Transportation

Highway Contract Routes – Western Pennsylvania District; NL-AR-11-007; 9/27/2011

Mail Transport Equipment – Needs, Distribution, and Use; NL-AR-11-006; 9/23/2011

Postal Vehicle Service Transportation Routes – Baltimore Processing and Distribution Center; NL-AR-11-004; 7/25/2011

Postal Vehicle Services - Scheduling and Staffing - Western Pennsylvania District; NL-AR-11-005; 8/12/2011

PARIS Risk Models

Complete listing of all OIG PARIS Risk Models issued to Postal Service management.

For the period April 1— September 30, 2011

Field Financial

Fiscal Year 2011 BMEU Quarter 3; FF-ID-11-017; 8/15/2011

Fiscal Year 2011 BMEU Quarter 2; FF-ID-11-011; 5/13/2011

Fiscal Year 2011 Cost and Controls Model - Quarter 2; FF-ID-11-012; 5/16/2011

Fiscal Year 2011 Cost and Controls Model - Quarter 3; FF-ID-11-018; 8/16/2011

Financial Reporting

Fiscal Year 2011 BSA Compliance-Quarter 3; FT-ID-11-010; 8/10/2011

Fiscal Year 2011 Continuous Audit GL Trending – Quarter 2; FT-ID-11-008; 5/18/2011

Fiscal Year 2011 Continuous Audit GL Trending – Quarter 3; FT-ID-11-011; 8/31/2011

Fiscal Year 2011 BSA Compliance-Quarter 2; FT-ID-11-007; 5/13/2011

Delivery

FY 2011 City Delivery Efficiency Model Quarter 2; DR-ID-11-003; 6/14/2011

FY 2011 City Delivery Efficiency Model Quarter 3; DR-ID-11-004; 8/17/2011

Transportation

Fiscal Year 2011 Air Transportation Risk Model Quarter 2; NL-AR-11-006; 5/11/2011

Fiscal Year 2011 Air Transportation Risk Model Quarter 3; NL-ID-11-008; 8/11/2011

Fiscal Year 2011 Surface Transportation Risk Model Quarter 2; NL-ID-11-005; 5/11/2011

Fiscal Year 2011 Surface Transportation Risk Model Quarter 3; NL-ID-11-007; 8/3/2011

Cost, Revenue, and Rates

Fiscal Year 2011 Cost, Revenue and Rates Risk Model Quarter 2; CRR-ID-11-008; 5/18/2011

Fiscal Year 2011 Continuous Audit - Cost, Revenue and Rates Risk Model Quarter 3; CRR-ID-11-004; 8/15/2011

Information Technology

Fiscal Year 2011 IT Security Risk Model Quarter 3; IT-ID-11-005; 8/25/2011

Sales and Service

Fiscal Year 2011 Retail Customer Service Quarter 2; MS-ID-11-005; 5/16/2011

Fiscal Year 2011 Retail Customer Service Quarter 3; MS-ID-11-007; 8/12/2011

Fiscal Year 2011 Revenue Risk Model Quarter 2; MS-ID-11-006; 5/16/2011

Fiscal Year 2011 Revenue Risk Model Quarter 3; MS-ID-11-008; 8/15/2011

Engineering and Facilities

Fiscal Year 2011 Green Risk Model Quarter 3; DA-ID-11-009; 8/4/2011

Fiscal Year 2011 Maintenance Risk Model Quarter 2; DA-ID-11-005; 5/13/2011

Fiscal Year 2011 Maintenance Risk Model Quarter 3; DA-ID-11-007; 7/29/2011

Fiscal Year 2011 Real Estate Risk Model Quarter 2; DA-ID-11-005; 5/13/2011

Fiscal Year 2011 Real Estate Risk Model Quarter 3; DA-ID-11-008; 8/4/2011

Human Resources and Security

Fiscal Year 2011 Human Capital Optimization Risk Model, Quarter 2; HR-ID-11-003; 5/17/2011

Fiscal Year 2011 Human Capital Optimization Risk Model, Quarter 3; HR-ID-11-004; 9/2/2011

Fiscal Year 2011 Security Risk Model Quarter 2; HR-ID-11-005; 9/28/2011

Supply Management

FY 2011 Supplier Solvency Model Report Quarter 2; CA-ID-11-003; 5/13/2011

FY 2011 Supplier Solvency Model Report Quarter 3; CA-ID-11-004; 8/4/2011

Planning and Strategic Studies

FY 2011 Workplace Environment Risk Model Quarter 2; CI-ID-11-022; 6-13-2011

FY 2011 Workplace Environment Risk Model Quarter 3; CI-ID-11-029; 9/20/2011

Network Processings

Network and Delivery Optimization Risk Model Quarter 2; NO-AR-11-004; 5/12/2011

APPENDIX B

Findings of Questioned Costs

For the period April 1— September 30, 2011

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	5	\$1,876,254	—
Reports requiring management decision that were issued during the reporting period	22	\$2,008,390,107	\$972,689,738
TOTAL	27	\$2,010,266,361	\$972,689,738
Reports for which a management decision was made during the reporting period (i & ii)	18	\$1,853,279,539	\$829,180,045
(i) Dollar Value of disallowed cost		\$673,366,803	\$665,475,043
(ii) Dollar value of cost not disallowed		\$1,179,912,736	\$163,705,002
Reports for which no management decision was made by the end of the reporting period Negotiations are ongoing	9	\$156,986,822	\$143,509,693
Reports for which no management decision was made within 6 months of issuance (See Note 1 for a list of individual reports)	2	\$1,064,010	—
Reports for which no management decision was made within 1 year of issuance (See Note 2 for a list of individual reports)	3	\$812,244	—

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
Incurring Costs of Serco, Incorporated for Fiscal Year 2007	CA-CAR-11-004	3/14/2011	\$197,124	—
Lunda Construction Company Payment Request	CA-CAR-11-006	3/30/2011	\$866,886	—
TOTAL			\$1,064,010	—

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

Subject	Report/Case Number	Report Date	Questioned Costs	Unsupported Costs Included in Questioned Costs
Tom Roberts Realty U.S. Postal Service Contract	CA-CAR-10-010	7/28/2010	\$73	—
Termination Settlement Proposal Submitted by C.R. Daniels, Incorporated	CA-CAR-09-019	7/24/2009	\$336,849	—
Audit of Portions of a Termination for Convenience Settlement Proposal Submitted by Northrop Grumman Electronic Systems	CA-CAR-09-011	3/16/2009	\$475,322	—
TOTAL			\$812,244	—

Note 3 — Contract reports with a significant audit finding:

None for this report period

APPENDIX C

Recommendations That Funds Be Put to Better Use

For the period April 1 — September 30, 2011

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.

Description	Number of Reports	Dollar Value
Reports for which no management decision was made at the beginning of the reporting period	—	—
Reports issued during the reporting period	16	\$11,468,105,234
TOTAL	16	\$11,468,105,234
Reports for which a management decision was made during the report period (i & ii)	16	\$11,468,105,234
(i) Value of recommendations agreed to by management	—	\$413,242,828
(ii) Value of recommendations that were not agreed to by management	—	\$11,054,862,406
Reports for which no management decision was made by the end of the reporting period	—	—
Reports for which no management decision was made within 6 months of issuance <i>(See Note 1 for a list of individual reports)</i>	—	—
Reports for which no management decision was made within 1 year of issuance <i>(See Note 2 for a list of individual reports)</i>	—	—

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

None for this report period

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

None for this report period

APPENDIX D

Other Impacts

For the period April 1— September 30, 2011

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
IMPROVED SERVICE		
Recommendations that address the Postal Service's efforts to improve the quality and accessibility of its products and services	Number of Recommendations	32
Number of customer service audits conducted	Number of Audits	25
SAFEGUARDING ASSETS		
Assets or Accountable Items at Risk		
Inadequate internal controls put the value of assets or accountable items (such as cash and stamps) at risk of loss	Dollar Value	\$1,981,913,472
Physical Safety and Security		
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	—
Number of employee/facility safety and security audits conducted	Number of Audits	29
Information Technology Security		
Inadequate controls/protection put the value of data, IT assets (software, networks), and employee work time at risk of loss	Dollar Value	—
Dollar value of data at risk	Dollar Value	—
Number of data security/IT security audits conducted	Number of Audits	16
Revenue at Risk		
Dollar value of revenue that the Postal Service is at risk of losing. (Mailers seeking alternative solutions for current services)	Dollar Value	\$606,390,860
Disbursements at Risk		
Dollar value of disbursements made where proper Postal Service internal controls and processes were not followed	Dollar Value	\$27,561,031
Goodwill / Branding		
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	27
Misallocation of Costs		
A misallocation of costs can occur when Postal Service costs are misclassified as volume variable, product specific, or institutional costs	Dollar Value	—
Predicted Savings Shortfall		
The difference between the savings predicted by the Decision Analysis Report for capital investment projects and the actual savings realized	Dollar Value	\$228,181
Potential Additional Revenue		
Revenue the Postal Service could potentially generate for goods delivered or services rendered based on suggested improvements	Dollar Value	—

APPENDIX D

	Type of Measure	Value or Amount
RELIABILITY OF DATA		
Records at Risk		
Data at risk of corruption or loss due to inadequate internal controls and or protection	Number of Data Records at Risk	112
Dollar value of data used to support management decisions that is not fully supported or completely accurate	Dollar Value	\$7,549,573,700

APPENDIX E

Reports with Significant Recommendations Pending Corrective Actions

For the period through September 30, 2011

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
HM-AR-07-002	5/16/2007	<p>Postal Service's Workplace Safety and Workplace-Related Injury Reduction Goals and Progress</p> <p>R-1 — Closely monitor conversion to the SAP Environmental Health and Safety module and, as soon as possible, ensure the upgraded system captures costs by facility, district/performance cluster, and area office as well as the costs for the following key categories:</p> <ul style="list-style-type: none"> ▪ Non-injury accidents. ▪ Injury accidents. ▪ Type of injury. ▪ Type of illness. ▪ Per employee. <p>TID: <i>September 2011</i></p>
IS-AR-07-016	8/20/2007	<p>Audit of Database Administration Practices</p> <p>R-2 — Establish policies and procedures for the protection and use of sensitive and business-controlled sensitive data in the test, development, and production environments. TID: <i>January 2012</i></p>
IS-AR-07-017	8/29/2007	<p>Separation of Duties at the Eagan, MN; San Mateo, CA; and St. Louis, MO, Information Technology and Accounting Service Centers</p> <p>R-1 — Assess the risk of the duties of all Information Technology and Accounting Service Center positions (career and non-career) for the purpose of assigning these positions as sensitive. TID: <i>January 2012</i></p> <p>R-4 — Notify the Postal Inspection Service when a new Information Technology and Accounting Service Center position is created, a new employee is hired, or an employee is promoted to a new position, to make certain the proper clearance level is attributed to the employee. TID: <i>January 2012</i></p>
FF-AR-08-131	3/19/2008	<p>Fiscal Year 2007 Financial Installation Audits – Business Mail Entry Units</p> <p>R-2 — Provide proper management oversight and instructions to schedule periodic verifications when Periodicals mailings are received during non-business hours. TID: <i>December 2011</i></p>
FF-MA-08-001	7/21/2008	<p>Fiscal Year 2008 – Use of No-Fee Money Orders</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. TID: <i>June 2012</i></p>

APPENDIX E

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
SA-AR-08-009	7/23/2008	<p>Postal Service Continuity of Operations for the Great Lakes Area</p> <p>R-1 — Update contact information of key continuity of operations personnel at least semiannually, or more often as changes occur. TID: December 2010</p> <p>R-2 — Complete continuity of operations training, including Postal Alert and Notification System training. TID: December 2010</p> <p>R-3 — Identify and prioritize essential functions. TID: December 2010</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. TID: December 2010</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. TID: December 2010</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. TID: December 2010</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. TID: December 2010</p>
SA-AR-08-013	8/22/2008	<p>Security Clearances for Postal Service Employees</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. TID: January 2012</p> <p>R-2 — Revise the Administrative Support Manual, as appropriate, to reflect changes to the list of positions requiring a security clearance. TID: January 2012</p>
IS-AR-08-016	8/29/2008	<p>Identity Theft Potential in the Change of Address Process</p> <p>R-1 — Update the Internet and Telephone Change of Address applications to eliminate acceptance of anonymous prepaid credit cards. TID: June 2012</p>
IS-AR-09-001	10/8/2008	<p>Electronic Travel Voucher System Controls</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. TID: October 2011</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. TID: October 2011</p> <p>R-3 — Customize the Electronic Travel Voucher System 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. TID: October 2011</p> <p>R-4 — Customize the Electronic Travel Voucher System to remove the option to combine room rate and room taxes into a single entry. TID: October 2011</p>
FF-AR-09-055	12/26/2008	<p>Fiscal Year 2008 Financial Installation Audits – Post Offices, Stations, and Branches</p> <p>R-5 — Issue guidance to the field to destroy all copies of Postal Service Form 1096, Customer Receipt, and determine when this has been completed. TID: February 2012</p>
FT-MA-09-001	1/13/2009	<p>Postal Service Management Instruction – Expenses for Internal and External Events</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). TID: September 2011</p>

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
IS-AR-09-004	2/20/2009	<p>Access Controls in the Enterprise Data Warehouse</p> <p>R-3 — Update the Business Impact Assessment for the Enterprise Data Warehouse and recertify the system as required by Postal Service Handbook AS-805-A, Application Information Security Assurance (ISA) Process. TID: October 2011</p>
DR-MA-09-001	2/23/2009	<p>Management of City Letter Carriers' Street Performance</p> <p>R-1 — Revise existing Postal Service policies and Standard Operating Procedures to reduce the number of required Delivery Operations Information System reports from eight to four to aid supervisors in managing carrier street performance. TID: October 2011</p> <p>R-2 — Modify the Delivery Operations Information System Route/Carrier Daily Performance Analysis Report to show “exceptions” - i.e., only actual route times varying from projected route times. TID: October 2011</p>
CA-AR-09-005	6/1/2009	<p>Supply Management's Oversight of Delegations of Authority</p> <p>R-2 — Remind delegates of their responsibility to ensure compliance with their delegation of authority letters and require delegates to certify they have instituted a system of controls and oversight to ensure:</p> <ul style="list-style-type: none"> ▪ Best value determinations are performed and documented. ▪ Annual reports are developed and provided to Supply Management detailing financial activities, including the number of contracts or agreements entered into and associated expenditures. ▪ Annual ethics training is completed and documented for staff involved in administering contracts or agreements. <p>TID: December 2011</p> <p>R-3 — Require the Travel, Retail, and Temporary Services Category Management Center to develop procedures for collecting reports required under the delegations of authority and for reviewing delegates' control and oversight systems to ensure the delegation of authority letter minimum control requirements are met. If minimum control requirements are not met, discontinuation should be considered, with the results and justification documented in an oversight file. TID: December 2011</p>
EN-AR-09-005	9/28/2009	<p>Performance Goals for Market-Dominant Products</p> <p>R-1 — Document the methodology used to develop future performance goals for market-dominant products. TID: December 2012</p>
SA-AR-09-008	9/29/2009	<p>Postal Service Aviation Security Capping Report</p> <p>R-1 — Strengthen internal controls requiring management reviews to ensure corrective actions are taken to improve the performance of noncompliant offices. TID: September 2011</p> <p>R-2 — Develop and implement performance measures or other appropriate evaluation factors to improve operations personnel performance in following established policies and procedures for detecting and preventing anonymous and potentially dangerous mail from entering the mailstream. TID: September 2011</p>
NL-AR-09-010	9/30/2009	<p>Fuel Management Consumption Strategies for Surface Network Operations</p> <p>R-1 — Revise the fuel consumption strategy for surface network operations covering Postal Service and HCR transportation to ensure that it is comprehensive and implements the industry best practices identified in our audit. TID: June 2011</p> <p>R-2 — Assess and implement all opportunities for owned, leased, and contracted vehicles to use technology to reduce wind resistance and identify the most viable advanced aerodynamics options consistent with industry best practices and adjust contracts as appropriate to account for the reduced fuel need. TID: June 2011</p> <p>R-3 — Establish and implement tire inflation maintenance requirements for its owned heavy-duty vehicle fleet, as well as its leased, and contracted vehicles consistent with industry best practices and adjust contracts as appropriate to account for the reduced fuel need. TID: June 2011</p> <p>R-5 — Evaluate HCR and, where feasible, implement speed limit requirements consistent with industry best practices and adjust contracts as appropriate to account for the reduced fuel need. TID: June 2011</p>

APPENDIX E

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
DR-AR-10-001	10/15/2009	<p>Use of the Carrier Optimal Routing System</p> <p>R-1 — Resolve performance issues with the system and application problems with Web Carrier Optimal Routing (WebCOR) and implement the web-based program nationwide. TID: <i>September 2011</i></p> <p>R-3 — Mandate districts to track and monitor vehicle mileage changes in the Carrier Optimal Routing system. TID: <i>December 2012</i></p>
IS-AR-10-002	12/22/2009	<p>General Control Review of Human Resources Shared Service Center</p> <p>R-1 — Designate as sensitive those positions at the Human Resources Shared Service Center that require access to personally identifiable information. TID: <i>January 2012</i></p> <p>R-2 — Initiate appropriate security clearance investigations for all employees in sensitive positions at the Human Resources Shared Service Center. TID: <i>January 2012</i></p> <p>R-5 — Revise Handbook AS-805, Information Security, to clarify the approval process for wireless access points on the Postal Service network. TID: <i>March 2012</i></p>
DA-MA-10-001	1/28/2010	<p>Sustainability: Promoting Energy and Recycling Compliance Fiscal Year 2009</p> <p>R-1 — Issue written guidance to installation managers to encourage the use of more remote building management systems. TID: <i>October 2011</i></p>
MS-AR-10-001	2/9/2010	<p>Plant-Verified Drop Shipment Controls</p> <p>R-4 — Provide an electronic reporting solution whereby PS Form 8125, Plant-Verified Drop Shipment (PVDS) Verification and Clearance, information at the destination facility can be compared with the information at the origin location. Discrepancies or incomplete forms should be investigated. TID: <i>December 2012</i></p>
EN-AR-10-003	2/12/2010	<p>Manasota Processing and Distribution Center Consolidation</p> <p>R-1 — Ensure the implementation activities of processing and distribution center consolidations begin immediately after area mail processing proposal approval and require headquarters' approval when implementation is delayed more than 3 months. TID: <i>May 2011</i></p>
DR-AR-10-003	3/16/2010	<p>Rural Delivery Christmas Operations</p> <p>R-1 — Renegotiate with the National Rural Letter Carriers Association (NRLCA) to eliminate the supplemental Christmas Overtime Pay Provision, Article 9.2(k), set forth in the NRLCA Agreement expiring in November 2010 and any subsequent NRLCA agreements. TID: <i>December 2012</i></p>

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IS-AR-10-008	5/4/2010	<p>Certification and Accreditation Process</p> <p>R-1 — Provide Corporate Information Security the authority necessary to enforce and execute the responsibilities for managing the Certification and Accreditation process. TID: January 2012</p> <p>R-2 — Update Handbook AS-805, Information Security, to require mandatory annual training on the Certification and Accreditation process for all portfolio managers. TID: January 2012</p> <p>R-3 — Ensure all portfolio managers receive mandatory training regarding their role, responsibility, and accountability for implementing and reinitiating the Certification and Accreditation process. This training should also be made available to all executive sponsors. TID: January 2012</p> <p>R-4 — Hold portfolio managers accountable to complete the Certification and Accreditation process within the Technology Solutions Life Cycle prior to implementing critical applications into the production environment. TID: January 2012</p> <p>R-5 — Complete the Certification and Accreditation process for all critical applications currently in production, as required by Handbook AS-805, Information Security. TID: January 2012</p> <p>R-6 — Ensure the portfolio managers work with the executive sponsors to initiate the recertification process for critical applications assigned to their functional areas as required by Handbook AS-805, Information Security. TID: January 2012</p> <p>R-7 — Develop a formal, centralized mechanism to track the status of all unmitigated residual risks identified in the applications' risk mitigation plan. TID: January 2012</p> <p>R-8 — Input unmitigated residual risks identified in the applications' risk mitigation plan into the formal, centralized tracking mechanism and track the risks through resolution. TID: January 2012</p> <p>R-9 — Work with executive sponsors to resolve unmitigated residual risks identified in the risk mitigation plans and recertification letters associated with the critical applications. TID: January 2012</p> <p>R-10 — Establish policy to designate a central repository for storing the Certification and Accreditation documentation. TID: January 2012</p> <p>R-11 — Update Handbook AS-805, Information Security, to designate a single entity responsible for uploading the Certification and Accreditation information in the central repository for all critical applications. TID: January 2012</p> <p>R-12 — Input the Certification and Accreditation documentation for all critical applications into the central repository. TID: January 2012</p>
CA-AR-10-004	5/27/2010	<p>Contract Payment Terms</p> <p>R-1 — Revise the Postal Service's Supplying Principles and Practices, Section 5 12.2, Payment Time Frame, and other sections as necessary, with language stating that when contracting officers negotiate payment terms other than net 30 days they include the business rationale and associated documentation for the payment terms in the contract file. TID: September 2011</p>
HR-AR-10-002	5/27/2010	<p>U.S. Postal Service's Use of Employees in Rehabilitation Status</p> <p>R-1 — Establish a plan to in-source all call center work, including a staffing and training plan. TID: None</p> <p>R-2 — Expedite negotiations and finalize an agreement with the American Postal Workers Union that addresses staffing for in-sourced call center work. TID: None</p>
NO-MA-10-001	6/11/2010	<p>Assessment of Overall Plant Efficiency 2010</p> <p>R-1 — Reduce 16.2 million workhours by FY 2012 with an associated economic impact of \$743,961,610. TID: December 2012</p>
CI-MA-10-001	6/18/2010	<p>Civil Service Retirement System Overpayment by the Postal Service</p> <p>R-1 — Pursue all necessary actions, including those suggested by the Office of Inspector General, to either secure the return of the \$75 billion overpayment or to otherwise realize the benefit of this overpayment to the Postal Service. TID: None</p>

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MS-AR-10-004	7/28/2010	<p>Efficiency of Retail Customer Service Operations</p> <p>R-1 — Implement best practices for Retail Customer Service operations at all facilities. TID: <i>October 2011</i></p> <p>R-2 — Explore opportunities to consolidate business mail acceptance operations at post offices, stations, and branches. TID: <i>October 2011</i></p> <p>R-3 — Periodically evaluate operating efficiency by assessing performance against productivity targets and adjusting resources in response to workload changes. TID: <i>December 2011</i></p> <p>R-4 — Re-deploy employees, as appropriate, to facilities where there is sufficient workload to support the workhours. TID: <i>October 2011</i></p>
IS-AR-10-012	8/4/2010	<p>L'Enfant Badge Access Controls</p> <p>R-1 — Perform periodic reviews of all badge access to the L'Enfant Plaza Headquarters building and sensitive work areas and remove access for individuals who no longer require it. TID: <i>January 2012</i></p>
FF-AR-10-210	8/6/2010	<p>Revenue for Official Mail from the House of Representatives Mailroom</p> <p>R-1 — Coordinate with the U.S. House of Representatives mailroom and the Southern Maryland Business Mail Entry Unit to develop and implement processes to verify postage claimed for individually franked mailpieces, such as establishing alternate mailing system agreements. TID: <i>March 2011</i></p>
FT-MA-10-001	8/16/2010	<p>Federal Employees Retirement System Overfunding</p> <p>R-1 — Pursue legislative action to alter the Postal Service's Civil Service Retirement and Disability Fund Contributions for 1 or more years until the Federal Employees Retirement System surplus is extinguished. TID: <i>September 2011</i></p> <p>R-2 — Coordinate with the Office of Personnel Management to identify causes of actual payout differences between the Postal Service and the rest of the federal government and use that information to reduce the risk of future surpluses. TID: <i>September 2011</i></p> <p>R-3 — Pursue legislative action to define future distribution of significant surpluses. TID: <i>September 2011</i></p> <p>R-4 — Coordinate with the Office of Personnel Management to create a sub-account within the Civil Service Retirement and Disability Fund exclusive to the Postal Service. TID: <i>September 2011</i></p>
EN-AR-10-005	8/17/2010	<p>Stations and Branches Optimization and Consolidation</p> <p>R-1 — Develop detailed policies and procedures for the station and branch closing process. TID: <i>October 2011</i></p> <p>R-2 — Improve the reliability and usefulness of retail facilities data by validating, correcting, and updating information in the database. TID: <i>October 2011</i></p> <p>R-3 — Develop measurable criteria to mitigate inconsistencies in evaluating factors used for determining feasibility to discontinue operations. TID: <i>October 2011</i></p> <p>R-4 — Process and approve or disapprove discontinuance proposals in a timely manner. TID: <i>October 2011</i></p>
DA-MA-10-004	8/31/2010	<p>Postal Service Patent Management</p> <p>R-1 — Establish a strategic plan with timelines to capitalize on the Postal Service's patent inventory strength. TID: <i>October 2011</i></p>
MS-MA-10-001	9/02/2010	<p>Electronic Postmark Program License Fees</p> <p>R-1 — Develop a process to monitor and validate licensees' Electronic Postmark usage. TID: <i>None</i></p> <p>R-3 — Initiate actions to collect the past due Electronic Postmark license fees. TID: <i>None</i></p>

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IS-MA-10-001	9/2/2010	<p>Securing Sensitive Data on Postal Inspection Service Laptops</p> <p>R-1 — Create and maintain an inventory of all existing Inspection Service laptops. TID: <i>October 2011</i></p> <p>R-2 — Install full disk encryption on all new Inspection Service laptop computers before deployment. TID: <i>September 2011</i></p> <p>R-3 — Develop an expedited deployment schedule to reduce the risk of sensitive data loss from the unencrypted laptops. TID: <i>October 2011</i></p> <p>R-4 — Remove and destroy hard drives, or completely degauss, all sensitive data stored on the older Postal Inspection Service laptops before disposing of the equipment. TID: <i>September 2011</i></p> <p>R-5 — Enter all new laptops in the centralized inventory system upon deployment to Inspection Service users. TID: <i>September 2011</i></p>
EN-AR-10-006	9/17/2010	<p>Southeast Area Processing and Distribution Center Consolidations</p> <p>R-1 — Complete the full consolidation feasibility study on the Daytona Beach Processing and Distribution Facility into the Mid-Florida Processing and Distribution Center and take action to eliminate excess space in the Mid-Florida Processing and Distribution Center TID: <i>December 2011</i></p> <p>R-2 — Determine alternate uses of excess space at the Birmingham Processing and Distribution Center and annex. TID: <i>June 2011</i></p>
FF-AR-10-224	9/20/2010	<p>Postal Service Area and District Office Field Structure</p> <p>R-1 — Develop a comprehensive strategic plan to guide future area and district field structure decisions. The plan should address environmental factors, mail volumes, technological advancements, operational considerations and other issues impacting Postal Service strategic goals. TID: <i>September 2011</i></p> <p>R-2 — Implement one or more of the three options, or combinations of portions of these options, for consolidating the area and district field structure:</p> <ul style="list-style-type: none"> ▪ Consolidate district offices that are within 50 miles of one another. ▪ Consolidate area and district offices that have less than the mean mail volume and workhours. ▪ Relocate area offices to headquarters. <p>TID: <i>None</i></p> <p>R-3 — Develop a policy and process for performing a comprehensive evaluation of the area and district office structure at least every 5 years. TID: <i>March 2012</i></p> <p>R-4 — Develop a policy and procedures to maintain adequate supporting documentation for all area and district consolidations or expansions as part of a comprehensive strategic plan. TID: <i>March 2012</i></p>

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CA-AR-10-005	9/20/2010	<p><i>U.S. Postal Service Purchasing Policies</i></p> <p>R-1 — Establish a competition advocate within the Postal Service to independently review and approve justifications for noncompetitive purchases and support the use of competition in the Postal Service. The competition advocate should also prepare and submit an annual report to the chief financial officer and vice president, Supply Management, describing barriers to competition and goals and plans for increasing competition. TID: November 2011</p> <p>R-3 — Review the need for and propriety of all existing contracts with former executives. TID: September 2011</p> <p>R-5 — Take steps to ensure full and accurate tracking and public reporting of noncompetitive contracting actions. Data reported should include, but not be limited to, total dollars committed both competitively and noncompetitively; and the contractor, dollar value, and noncompetitive justifications for noncompetitive contracts. The tracking mechanism should be able to identify when a noncompetitive contract has crossed the review and approval threshold based on modification after initial award. TID: November 2011</p> <p>R-6 — Revoke delegations of authority for contracts that acquire goods and services for the Postal Service and bring these contracts into compliance with all Postal Service purchasing policies. TID: December 2011</p> <p>R-9 — Institute an oversight mechanism to ensure and track compliance with updated noncompetitive contracting policies. TID: March 2012</p>
IS-AR-10-014	9/23/2010	<p><i>Controls Over Payment Card Transaction Data</i></p> <p>R-1 — Finalize and implement a Payment Card Industry remediation plan that includes all associated costs, resources, and milestones needed to achieve and maintain Payment Card Industry-Data Security Standards compliance. TID: September 2013</p> <p>R-3 — Ensure the Payment Card Industry compliance requirements are included in all pre- and post-award contract documentation that includes, but is not limited to, statements of work, amendments, and modifications. TID: December 2011</p> <p>R-4 — Validate and monitor all service providers' Payment Card Industry compliance status throughout the lifetime of the contract. TID: December 2011</p>
NL-AR-10-010	9/29/2010	<p><i>Air Networks – Federal Express Transportation Agreement – National Analysis</i></p> <p>R-5 — Standardize Postal Service oversight at Terminal Handling Services operations to ensure adequate on-site Postal Service representation to monitor Federal Express operations and ensure local compliance with established processes and procedures. TID: March 2011</p>
NL-AR-10-009	9/29/2010	<p><i>Management of Mail Transport Equipment - National Analysis</i></p> <p>R-1 — Further develop, update and reinforce national Mail Transport Equipment policies and procedures contained in the Postal Operations Manual (POM) and the Postal Handbook PO-502, Container Methods, which address Mail Transport Equipment inventory and accountability controls, including validating customer Mail Transport Equipment needs as well as tracking and reconciling Mail Transport Equipment loaned to mailers and other external customers. TID: June 2011</p> <p>R-2 — Continue pursuing implementation of a planned automated Mail Transport Equipment management system and ensure its functionality for inventory and accountability processes and for enhancing the Postal Service's visibility into Mail Transport Equipment internally and at mailers. TID: June 2011</p> <p>R-3 — Reestablish an on-hand Mail Transport Equipment volume count process, both internally and externally, until an automated Mail Transport Equipment management system is fully developed, deployed, and operational. TID: June 2011</p> <p>R-4 — Ensure that Area Distribution Networks' Offices have appropriate resources assigned responsibly to monitor and manage Mail Transport Equipment, and maintain compliance with Postal Operations Manual requirements. TID: June 2011</p> <p>R-5 — Document the current process for identifying annual, routine Mail Transport Equipment purchase requirements and ensure the process includes Mail Transport Equipment Service Center network information and facility and mailer inventory data, to ensure that only the necessary amount of Mail Transport Equipment is purchased. TID: June 2011</p>

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NL-AR-10-008	9/29/2010	<p>Postal Vehicle Services - Scheduling and Staffing - Atlanta District</p> <p>R-2 — Fully utilize the flexibility under the existing American Postal Workers Union Collective Bargaining Agreement and Memorandum of Understanding to increase the use of split days off for Postal Vehicle Service drivers and maximize the use of part-time regular PVS drivers where possible. TID: June 2011</p> <p>R-3 — Increase the allowable percentage of all types of part-time employees to allow maximum use of part-time regular employees in facilities with Postal Vehicle Service operations. TID: June 2011</p> <p>R-4 — Provide permanent flexibility to schedule split days off for employees in facilities with Postal Vehicle Service operations. TID: June 2011</p>
CA-AR-10-006	9/30/2010	<p>Certification Process for Electronic Payments</p> <p>R-1 — Develop an oversight mechanism to monitor and ensure contracting officers' and/or designated officials' receipt and certification of invoices. TID: September 2011</p> <p>R-2 — Reiterate to contracting officers and/or their designees their roles and responsibilities, and the importance of following Postal Service criteria, policies, and procedures for certification of invoices prior to payment to ensure that invoices are correct and goods and services were received. TID: August 2011</p> <p>R-3 — Develop and implement written procedures for receiving invoices for annual HCR services and verifying that services were rendered prior to payment. TID: August 2011</p> <p>R-4 — Identify and notify the contracting officers to oversee and administer all HCR payments in the Postal Service Accounts Payable Excellence system. TID: August 2011</p> <p>R-5 — Review the \$7.6 million in payments made more than 30 days after contract end dates and collect overpayments. TID: August 2011</p> <p>R-6 — Provide detailed, consistent training for all designated officials on their roles and responsibilities and the usage of the Utility Management System. TID: August 2011</p> <p>R-7 — Regularly reconcile payments made for utility services to identify and collect overpayments. TID: August 2011</p> <p>R-8 — Ensure that Utility Management System designated official contact information is accurate and that the system requires positive certification by the designated official before invoice payment. TID: August 2011</p>
FT-MA-10-002	9/30/2010	<p>Summary of Substantial Overfunding and Postal Service Pension and Retiree Health Care Funds.</p> <p>R-1 — Develop a comprehensive legislative strategy to recover overfunded amounts. TID: September 2011</p> <p>R-2 — Aggressively pursue and carefully review all available data related to Civil Service Retirement System, Federal Employee Retirement System, and retiree health benefit calculations, including those associated with determining any overfunding situations, to ensure that calculations are reasonable and accurate. TID: September 2011</p>
DR-AR-11-001	11/22/2010	<p>City Delivery Operations Workforce Planning</p> <p>R-1 — Collaborate with area management to continue development and enhancement of an overall city delivery operations strategy that optimizes the most cost-effective combination of full-time, part-time, and transitional city carrier resources to reduce overtime workhours and costs for final publication to area officials. TID: December 2011</p>
CA-AR-11-001	11/23/2010	<p>Information Technology Contract Payment Oversight</p> <p>R-1 — Ensure that proper personnel have a contracting officer's representatives (CORs) letter of designation that allows them to certify invoices for payment. TID: August 2011</p> <p>R-2 — Require contracting officers' representatives to reconcile invoices to receiving documents prior to certification for payment. TID: August 2011</p>

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IT-AR-11-001	12/6/2010	<p>Network Perimeter Firewall</p> <p>R-5 — Establish comprehensive firewall security standards TID: September 2011</p> <p>R-8 — Identify and review firewall access control rules semiannually and remove duplicate and unused firewall access control rules. TID: October 2011</p>
NL-MA-11-001	12/6/2010	<p>Surface Mail Classes on Air Transportation Networks</p> <p>R-1 — Verify that actions already taken related to minimizing surface mail classes on the FedEx Day-Turn network are applied to other air networks to ensure transportation managers use surface transportation, instead of the FedEx Night-Turn, commercial air carrier, United Parcel Service, and Christmas air transportation networks to move surface mail types where possible. TID: None</p> <p>R-2 — Routinely provide headquarters and area management with data, including Transportation Cost System/Cost and Revenue Analysis data, to monitor and track the volume and avoid additional costs for flying surface mail classes on the FedEx Night-Turn, commercial air carrier, United Parcel Service, and Christmas air transportation networks. TID: September 2011</p> <p>R-3 — Reinforce existing policies and procedures for the processing and assigning of mail to air and surface transportation. TID: None</p>
CRR-AR-11-001	12/7/2010	<p>Periodicals Mail Costs</p> <p>R-2 — Issue guidance to processing facilities that emphasizes managing the expected delivery dates and eliminates using the “Hot 2C” program to provide expedited processing or manual processing for select publications. TID: April 2011</p> <p>R-3 — Re-emphasize use of the Electronic Mail Improvement Reporting System to processing facility personnel and define the types of issues that should be reported. TID: May 2011</p>
NO-AR-11-004	12/14/2010	<p>Houston, TX Processing and Distribution Center Mail Consolidation</p> <p>R-1 — Pursue expansion of the North Houston Processing and Distribution Center and consolidate the Houston Processing and Distribution Center’s mail processing operations into the expanded facility, by fiscal year 2013. TID: None</p>
FF-AR-11-004	12/15/2010	<p>Express Mail Guarantees</p> <p>R-1 — Evaluate the reasons for late deliveries for American territories and, if it’s not possible to significantly improve on-time delivery, determine if they should adjust or eliminate guarantees. TID: March 2011</p> <p>R-2 — Review military Express Mail and logistics to evaluate reasons for the delays in delivering mail to military personnel and make necessary changes to improve service performance. TID: June 2011</p> <p>R-3 — Implement actions to include military ZIP Codes in the Service Delivery Calculator. TID: March 2011</p> <p>R-4 — Identify reasons for late Express Mail deliveries to ZIP Codes in the 50 states with the highest volumes of late deliveries and either implement actions to reduce late delivery or determine if they should adjust or eliminate delivery guarantee time. TID: March 2011</p> <p>R-5 — Establish a timeframe for and develop a process to analyze Express Mail refunds by origin and destination to evaluate risk and identify necessary changes in service in order to make better business decisions for guarantees. TID: March 2011</p> <p>R-6 — Reiterate to area vice presidents and appropriate district personnel their responsibility to monitor and close inactive Express Mail Corporate Accounts when appropriate. TID: March 2011</p> <p>R-7 — Communicate current Express Mail Corporate Account inactive account information to area vice presidents for action to be taken by appropriate district personnel. TID: March 2011</p>

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IT-AR-11-002	1/12/2011	<p>Fiscal Year 2010 Selected Information Technology General Controls</p> <p>R-1 — Develop a procedure to notify administrators supporting Windows servers when new group policy updates are available. TID: August 2011</p> <p>R-2 — Correct discrepancies identified by the periodic reviews of all Windows servers, as appropriate. TID: September 2011</p> <p>R-3 — Develop a methodology to centrally manage all local accounts. TID: September 2011</p>
DR-AR-11-002	1/18/2011	<p>City Delivery Efficiency Review – New York District</p> <p>R-1 — Reduce the New York District’s workhours by 279,853 to achieve an associated economic impact of more than \$9.3 million annually, or in excess of \$93 million over 10 years. TID: December 2011</p>
NO-MA-11-002	3/1/2011	<p>Management Advisory – Processing of Collection Box Flats in the Philadelphia Metropolitan Customer Service District</p> <p>R-1 — Process collection box flats in accordance with Postal Service Standard Operating Procedures TID: April 2011</p>
IT-AR-11-005	3/14/2011	<p>Securing Information on Portable Devices</p> <p>R-4 — Coordinate and update Information Technology guidance and Handbook AS-701, Materials Management, to define staff roles and responsibilities for updating laptop changes in the Asset Inventory Management System and 4Z-PS969 system. TID: December 2011</p>
DR-MA-11-001	3/14/2011	<p>The Effects of the Flats Sequencing System on Delivery Operations – Arizona District</p> <p>R-1 — Continue to collaborate with business mailers to ensure flat mailpieces meet automation requirements and reduce the amount of unworked flat mail sent to delivery units. TID: None</p>
IT-AR-11-004	3/16/2011	<p>Computer Incident Data Reliability</p> <p>R-3 — Integrate the Data Loss Prevention and Security Information Manager applications with the security incident management system to ensure a single incident data repository. TID: October 2012</p> <p>R-4 — Either modify the existing incident management system or pursue development of a new system that enforces date and time value sequence and data validation. TID: October 2012</p>
NL-AR-11-002	3/18/2011	<p>Postal Vehicle Service – Scheduling and Staffing – Connecticut Valley District</p> <p>R-1 — Ensure that Southern Connecticut Processing and Distribution Center and Springfield Processing and Distribution Center managers follow prescribed fleet management procedures for making Postal Vehicle Service schedules effective, including conducting schedule and vehicle utilization reviews. TID: None</p> <p>R-2 — Verify elimination from the Postal Vehicle Service trip schedules of 7,245 workhours from the Southern Connecticut Processing and Distribution Center and 2,856 workhours from the Springfield Processing and Distribution Center identified during our audit and already agreed to by management. TID: March 2011</p> <p>R-3 — Reassess the remaining 4,562 workhours identified in our audit and eliminate the workhours as indicated by the reassessment, or document the reasons for retaining the workhours. TID: May 2011</p>
EN-MA-11-001	3/25/2011	<p>Benchmarking Mail Distribution to Carriers</p> <p>R-1 — Pursue a delivery unit assistant initiative to have transitional employees or part-time flexible employees perform in-office activities including casing and preparing mail for carriers. TID: None</p>

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HR-AR-11-001	3/31/2011	<p>Allegations of Inaccurate Time and Attendance Records</p> <p>R-1 — Establish and implement controls in the Time and Attendance Collection Systems to document supervisors' justification of changes to employees' time. TID: January 2012</p> <p>R-2 — Issue supplemental guidance emphasizing the importance of completing Postal Service Form 1017-A, Time Disallowance Record, and PS Form 3971, Request for or Notification of Absence. TID: July 2012</p> <p>R-3 — Establish a review and approval process to ensure time disallowances are appropriate and documented as required. TID: July 2012</p> <p>R-4 — Establish periodic monitoring of clock ring deletions to ensure employee workhours are recorded accurately. TID: July 2012</p> <p>R-5 — Provide periodic refresher training to managers, postmasters, supervisors, and acting supervisors on the Time and Attendance Collection System. TID: July 2012</p> <p>R-6 — Issue supplemental guidance to supervisors and managers regarding the appropriate use of operation codes associated with recording safety talks and informational meetings in the Time and Attendance Collection System. TID: July 2012</p>
HR-AR-11-003	3/31/2011	<p>Overtime Usage</p> <p>R-1 — Develop and implement a plan to attain alignment between current workload and workforce levels, by location, to ensure effective and efficient use of Postal Service resources. TID: None</p> <p>R-2 — Ensure significant changes impacting operations and resources are accounted for in the budget plan. TID: None</p>
DA-MA-11-002	4/8/2011	<p>Postal Service Patent Management Continuation</p> <p>R-1 — Work closely with subject matter experts to review highly rated patents to draft claims as appropriate. TID: October 2011</p> <p>R-2 — Develop a comprehensive strategy for developing patent intellectual property that enhances Postal Service products and services and its competitive position in the global marketplace and is a source of income. The strategy should capitalize on patent evaluations performed to date and include an assessment of business options available for achieving the significant financial returns. TID: October 2011</p> <p>R-3 — Ensure the Postal Service has an effective patent management process and comprehensive licensing program in place. This establishes control that protects intellectual capital and provides an appropriate return on investment TID: October 2011</p>
HR-MA-11-001	4/22/2011	<p>Retirement for U.S. Postal Service Employees on Workers' Compensation</p> <p>R-1 — Continue to pursue legislative change to reform the Federal Employees' Compensation Act to reduce workers' compensation benefits for retirement age employees. TID: None</p>
CA-AR-11-002	4/27/2011	<p>Contract Management Data</p> <p>R-2 — Develop guidance to define data elements that should be recorded in the Contract Authoring Management System. TID: June 2011</p> <p>R-3 — Develop mandatory training for all employees with access to the Contract Authoring Management System. TID: October 2011</p> <p>R-4 — Develop a process along with policies and procedures to ensure validity and completeness of contract data and establish definitions of employees' roles and responsibilities for data quality. TID: June 2011</p>
CA-AR-11-004	4/27/2011	<p>Internal Controls over the Contract Close-out Process</p> <p>R-1 — Establish standardized contract close-out policies and procedures. This should include a system alert requiring contracting staff to complete Contract Authoring Management System close-out reports before they close-out a contract and ensuring that remaining funds are promptly decommitted when the contract is completed and closed. TID: September 2011</p> <p>R-3 — Establish a periodic control to ensure category management center personnel follow records management requirements for contract files, including, but not limited to retaining records for the required 6 years. TID: July 2011</p>

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NO-MA-11-004	5/20/2011	<p>Assessment of Overall Plant Efficiency 2011</p> <p>R-1 — Reduce 14,017,630 workhours by FY 2012 with an associated economic impact of \$647,586,823. TID: <i>September 2013</i></p>
HR-AR-11-004	5/27/2011	<p>Compliance with Occupational Safety and Health Administration Recordkeeping Requirements</p> <p>R-1 — Enhance procedures to ensure Human Resource Management, Safety, and facility officials are appropriately identifying, classifying, recording, and communicating Occupational Safety and Health Administration injuries. TID: <i>September 2011</i></p> <p>R-2 — Revise the Postal Service Occupational Safety and Health Administration Recordable Date policy to better clarify how to determine Occupational Safety and Health Administration recordable dates when they differ from the initial injury or illness date. TID: <i>September 2011</i></p> <p>R-3 — Complete the automation capability of the Occupational Safety and Health Administration Form 300, Log of Work-Related Injuries and Illnesses, in the Employee Health and Safety system, and require all facilities to generate the automated form to validate them with the corresponding manual versions. TID: <i>September 2011</i></p> <p>R-4 — Establish mandatory training for officials responsible for determining Occupational Safety and Health Administration recordable cases and completing related forms. TID: <i>December 2011</i></p>
NL-AR-11-003	6/7/2011	<p>Management of the Highway Contract Route Voyager Card Program</p> <p>R-1 — Further develop, update, and reinforce requirements for the Postal Service and HCR suppliers to enhance systems infrastructure, including incorporating systems edits and automation tools where possible, and monitor fuel transactions as necessary to avoid unauthorized purchases and ensure adherence to contract gallon limits. TID: <i>October 2011</i></p> <p>R-2 — Ensure that contracting officers apply pooling in accordance with established requirements and ensure pools are appropriately documented and approved. TID: <i>October 2011</i></p> <p>R-3 — Perform and document all outstanding reconciliations for prior periods to determine excess purchased fuel gallons and collect resultant overpayments. TID: <i>October 2011</i></p> <p>R-4 — Implement controls over the contractors that include:</p> <ul style="list-style-type: none"> ▪ Strengthening procedures for safeguarding and securing HCR Voyager Cards; ensuring suppliers use available tools to effectively manage the cards; and requiring that suppliers maintain an inventory of issued cards. ▪ Coordinating with the U. S. Bank to limit the number of HCR Voyager Cards issued to highway suppliers; establish a secure activation protocol for mailed HCR Voyager Cards and unique personal identification numbers; and implement a periodic review of new, cancelled, and extra HCR Voyager Cards to identify potential patterns of mismanagement or misuse. <p>TID: <i>June 2012</i></p> <p>R-5 — Continue to pursue funding when feasible for enhancing the functionality of the Fuel Asset Management System and Enterprise Data Warehouse eFuel modules and to ensure the systems are user-friendly and enable management to more efficiently and effectively monitor authorized gallons, identify excess gallons, and recover any related excess payments. TID: <i>None</i></p> <p>R-6 — Periodically assess the financial and operational viability of the HCR Voyager Card program, including performing a formal cost-benefit analysis based on complete and recent data, considering the costs of implementing controls to address deficiencies identified in this report as appropriate. TID: <i>September 2011</i></p> <p>R-7 — Continue to identify and evaluate other fuel management program best practices used in the transportation industry, and perform a comparative analysis against the existing HCR Voyager Card program, where possible. TID: <i>None</i></p>

APPENDIX E

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
DA-AR-11-008	6/8/2011	<p>Conflicts of Interest: Facility Leases and Contract Delivery Services</p> <p>R-1 — Revise the Postal Service’s policy for leasing property under 3,000 square feet from employees or relatives to include an ethics review. TID: December 2011</p> <p>R-2 — Evaluate the universe of potential facility lease conflicts and develop an action plan to minimize active and future conflicts. TID: June 2012</p> <p>R-3 — Implement a control to systemically identify, monitor, and resolve potential conflicts of interest with facility leases and, if necessary, request waivers for leases that represent conflicts. TID: December 2011</p> <p>R-4 — Evaluate the universe of potential delivery service contract conflicts and develop an action plan to minimize active and future conflicts. TID: September 2011</p> <p>R-5 — Implement a control to systemically identify, monitor, and resolve contract delivery service regulatory and policy violations in a timely manner. TID: September 2011</p>
FF-AR-11-009	6/14/2011	<p>New Approaches to Reduce Costs</p> <p>R-3 — Conduct a review to evaluate the benefits of contracting for armed security services. TID: October 2011</p> <p>R-4 — If the review supports contracting for security, implement a strategy to utilize contract staffing to supplement or replace Postal Service security force positions. TID: October 2011</p>
DR-MA-11-002	7/19/2011	<p>National Assessment of City Delivery Efficiency 2011 - Office Performance</p> <p>R-1 — Reduce 2,002,690 workhours during fiscal year 2012 with an associated economic impact of \$88,192,128. TID: None</p>
EN-AR-11-007	7/20/2011	<p>University Station, Eugene, OR, Consolidation</p> <p>R-1 — Ensure that district managers review and certify that local managers have identified, reviewed, and documented all applicable direct and indirect costs in discontinuance proposals prior to submission to headquarters for final determination. TID: None</p>
NL-AR-11-004	7/25/2011	<p>Postal Vehicle Service Transportation Routes – Baltimore Processing and Distribution Center</p> <p>R-1 — Ensure that Baltimore Processing and Distribution Center managers follow prescribed fleet management procedures for making Postal Vehicle Service schedules effective, including conducting schedule and vehicle utilization reviews. TID: None</p> <p>R-2 — Verify elimination of the 11,789 workhours identified in our audit - and already agreed to by management - from the Postal Vehicle Service trip schedules. TID: None</p> <p>R-3 — Reassess the remaining 7,273 workhours and eliminate the workhours as indicated by the reassessment or document the reasons for retaining them. TID: August 2011</p> <p>R-4 — Eliminate from highway contracts 24 trips identified in our audit and already agreed to by local and area management. TID: None</p>
HR-AR-11-005	8/5/2011	<p>Postal Service Facility Security</p> <p>R-1 — Establish and implement a formal plan for conducting Vulnerability Risk Assessment Tool reviews for all postal facilities to identify, monitor, and address facility security deficiencies. TID: October 2011</p> <p>R-2 — Establish and implement policies and procedures for responsible officials to conduct on-site inspections and evaluations to determine the security status of postal facilities. TID: January 2012</p> <p>R-3 — Issue supplemental guidance and enhance internal controls to:</p> <ul style="list-style-type: none"> ▪ Ensure security control officers conduct facility security surveys as required. ▪ Ensure corrective actions are taken to address security deficiencies. ▪ Ensure security control officers take the mandatory security training. <p>TID: August 2012</p>

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
HR-AR-11-006	8/8/2011	<p>2009 Pay for Performance Program</p> <p>R-1 — Clarify policies and procedures to better define the relationship between the national performance assessment and core requirements, and the role of higher level management in the pay for performance process. TID: November 2011</p> <p>R-2 — Establish and implement mandatory training events that educate new and existing participants and managers on policy, roles and responsibilities, goal setting, and the program's objectives. TID: November 2011</p> <p>R-3 — Evaluate the effectiveness of the current process used to establish and use behavioral core objectives to rate employees' performance. TID: November 2011</p>
NL-AR-11-005	8/12/2011	<p>Postal Vehicle Services - Scheduling and Staffing - Western Pennsylvania District</p> <p>R-2 — Verify the elimination of 1,252 workhours from the Postal Vehicle Service trip schedules assigned to the Pittsburgh Processing and Distribution Center. TID: August 2011</p> <p>R-3 — Reassess the remaining 2,056 workhours and eliminate them as indicated by the reassessment, or document the reasons for retaining the workhours. TID: October 2011</p> <p>R-4 — Negotiate the use of split days off with local union officials and continue to reduce operating costs through staff reductions. TID: August 2011</p> <p>R-5 — Eliminate the scheduling clerk position from the Pittsburgh P&DC employee complement. TID: August 2011</p> <p>R-6 — Ensure the use of chock blocks at the Pittsburgh Processing and Distribution Center by Postal Vehicle Service motor vehicle operators and provide oversight of chock block usage. TID: August 2011</p>
HR-MA-11-003	8/12/2011	<p>Stand-by Time</p> <p>R-1 — Assess the inappropriate use of stand-by overtime nationwide, especially in function one, and implement internal controls to address usage and recording issues identified. TID: September 2011</p> <p>R-2 — Enhance management controls to ensure employees and supervisors accurately report and record stand-by time. TID: September 2011</p>
CA-AR-11-005	8/24/2011	<p>Contract Funding Approval</p> <p>R-1 — Direct program office officials to submit eBuy requisitions for contract funding approval for transportation contracts within Contract Authoring Management System prior to contractual commitments. TID: October 2011</p> <p>R-2 — Establish an agreement with Network Operations and Global Business to ensure approved eBuy requisitions for surface transportation contracts is obtained as required. TID: October 2011</p>
MS-AR-11-006	8/24/2011	<p>Effects of Compliance Rules on Mailers</p> <p>R-1 — Estimate and consider mailing industry costs as part of cost-benefit analyses, where practical, to determine whether the benefits of new initiatives and rule changes are justified in light of total industry costs. TID: None</p> <p>R-2 — Further involve stakeholder groups in formal dialogue during the strategic planning phase of new initiatives. TID: None</p> <p>R-3 — Enhance transparency and accountability by documenting Postal Service collaborative efforts (discussions, action items, resolutions, milestones). TID: None</p> <p>R-4 — Continue to train and monitor Postal Service acceptance employees on changes to program requirements and related compliance rules. TID: None</p>
IT-AR-11-007	8/25/2011	<p>Chief Information Officer's Budget Data</p> <p>R-1 — Establish and implement an alternate, streamlined finance number assignment process to ensure confidentiality and timeliness, while maintaining validation controls when carrying out urgent reorganization and redesign activities. TID: December 2011</p>

APPENDIX E

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
DA-AR-11-009	8/26/2011	<p>Nationwide Facility Optimization</p> <p>R-2 — Revise the vice president, Facilities, Report Card to include measurement in square footage terms and seek to include facility optimization goals as part of the National Performance Assessment. TID: October 2011</p>
DA-AR-11-010	8/30/2011	<p>Intelligent Mail: Realizing Revenue Assurance Benefits</p> <p>R-1 — Establish timeframes for implementing the enhanced/expanded automated verifications as described in the original Intelligent Mail infrastructure Decision Analysis Report. TID: January 2013</p> <p>R-2 — Develop a tolerance level for low scan rates to use for exception reporting. TID: January 2013</p> <p>R-3 — Develop a process for identifying the cause(s) of low scan rates for customer follow-up as warranted. TID: January 2013</p>
FF-AR-11-013	8/30/2011	<p>Postal Service Refunds</p> <p>R-1 — Document the Special Payment Postage System refund process and policies and devise a method to communicate the changes effectively to customers. TID: December 2011</p> <p>R-2 — Analyze and establish an administrative and minimum fee that will cover processing costs. TID: March 2012</p> <p>R-3 — Establish a timeframe performance standard for processing customer meter mail refunds. TID: March 2012</p> <p>R-4 — Complete the update to the PostalOne! system to enable electronic transmission of Value Added Refund data to accounts payable. TID: March 2012</p>
CRR-AR-11-003	9/6/2011	<p>Service Performance Measurement Data - Commercial Mail</p> <p>R-1 — We recommend the chief information officer and executive vice president direct the vice president, Mail Entry and Payment Technology, to:</p> <ul style="list-style-type: none"> ▪ Establish milestones for implementing recovery of Full-Service Intelligent Mail Barcode discounts provided to mailers when Full-Service mailings do not meet the specific requirements for the discounts received. <p>TID: None</p>
NO-AR-11-008	9/13/2011	<p>Timely Processing of Mail at the Richmond, VA, Processing and Distribution Center</p> <p>R-1 — Our observations revealed that floor supervisors did not ensure employees adhered to color-code and mail reporting requirements. Also, they routinely failed to promptly assess the mail volume and swiftly adjust workhours, assignments, sort plans, transportation, and any other operational requirements to ensure the Richmond P&DC met customer service commitments. TID: August 2011</p>
IT-AR-11-009	9/14/2011	<p>Project Phoenix</p> <p>R-1 — Modify the Technology Solution Life Cycle process to require the identification, documentation, and analysis of applicable back-end business processes and information technology systems during the technology solution requirements, analysis, and design phases. TID: November 2011</p>
IT-AR-11-008	9/14/2011	<p>Remote Access Controls</p> <p>R-1 — Implement two-factor authentication to comply with Handbook AS-805 requirements and to meet Payment Card Industry – Data Security Standards. TID: December 2012</p> <p>R-2 — Configure remote access firewalls according to Handbook AS-805 and applicable firewall security standards. TID: March 2012</p> <p>R-5 — Configure virtual private network servers and firewalls to support only authorized encryption algorithms. TID: December 2011</p> <p>R-7 — Enforce Handbook AS-805 to require administrators to periodically patch third-party applications in accordance with policy. TID: December 2011</p> <p>R-11 — Suspend remote access for all employees or contractors until they complete required security awareness training. TID: September 2012</p>

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
HR-AR-11-002	9/19/2011	<p>Postal Service Work Rules and Compensation Systems</p> <p>R-1 — Additional increased flexibility to temporarily assign employees across crafts. TID: November 2011</p> <p>R-2 — Improved workforce flexibility through non-traditional career options, such as emphasizing part-time employment as a career choice or modifying full-time assignments. TID: November 2011</p> <p>R-3 — A comprehensive study to determine the optimal incentive-based carrier compensation system. TID: November 2011</p>
CRR-AR-11-004	9/19/2011	<p>Transportation Cost System Inputs into the Cost and Revenue Analysis Report</p> <p>R-1 — Coordinate with applicable vice presidents to form a coordination committee to develop system interfaces necessary to provide automated data from the Transportation Cost System for product costing purposes. TID: December 2011</p>
FF-AR-11-015	9/23/2011	<p>Business Mail Acceptance Centralization Process</p> <p>R-1 — Adopt a standardized, clear process to guide each district on how to conduct a centralization feasibility study and update the Business Mail Entry Centralization Standard Operating Procedure accordingly. TID: March 2012</p> <p>R-2 — Require each district to conduct a centralization feasibility study, document the results, and take action based on the results of the study, as appropriate. TID: October 2013</p> <p>R-3 — Manage business mail entry workhour usage to achieve 93 percent efficiency and develop tools to monitor performance. TID: September 2012</p> <p>R-4 — Establish annual goals for business mail entry workhour efficiency to include measuring performance against goals. TID: September 2012</p>
FF-AR-11-014	9/23/2011	<p>Government Relations Operations</p> <p>R-1 — Establish procedures to gather workload statistics on all functions within the Office of Government Relations and Public Policy, periodically monitor those statistics, and make appropriate adjustments to the organizational structure, as needed. TID: March 2012</p> <p>R-2 — Develop written policies and procedures to guide operations within the Office of Government Relations and Public Policy. TID: March 2012</p> <p>R-3 — Review placement of the Stamp Services organization within the Office of Government Relations and Public Policy to determine whether it is properly aligned within the Postal Service based on Stamp Services' primary mission. TID: None</p>
NL-AR-11-006	9/23/2011	<p>Mail Transport Equipment – Needs, Distribution, and Use</p> <p>R-1 — Perform a comprehensive mail transport equipment needs analysis for the network distribution center network to determine the amount of rolling stock, by type, needed on a daily basis to meet operational requirements. TID: October 2011</p> <p>R-2 — Monitor the purchases of cardboard containers (other than Postal Paks) for network distribution center facilities to ensure they make only necessary purchases and are the best mail transport equipment option for the Postal Service given rolling stock inventory in the network. TID: September 2011</p> <p>R-3 — Reissue over-the-road container policy to reflect the present and future operational needs and use of the containers within and outside the network. TID: October 2011</p> <p>R-4 — Ensure Network Operations takes a more active role in the management and monitoring of the need, distribution, and use of existing mail transport equipment rolling stock within the network distribution center network. TID: September 2011</p>
FT-AR-11-001	9/23/2011	<p>Officer Compensation for Calendar Year 2010</p> <p>R-1 — Develop and implement policies and procedures to ensure adherence to compensation cap limitations. TID: December 2011</p>

APPENDIX E

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
CA-MA-11-002	9/26/2011	<p>Contract Delivery Service Cost Controls</p> <p>R-1 — Instruct administrative officials to complete route surveys for the 47 contract delivery service routes identified in this audit. TID: November 2011</p> <p>R-2 — Establish a system of accountability to ensure route surveys are completed the year prior to contract renewal. TID: November 2011</p>
DR-AR-11-007	9/26/2011	<p>Follow-up on City Delivery Standard Operating Procedures</p> <p>R-1 — Re-evaluate the certification criteria and ensure the criteria require units to meet, at least the national average percent to standard for office operations. TID: December 2012</p> <p>R-3 — Establish an annual process to de-certify units that do not maintain performance standards after certification. TID: December 2012</p>
NL-AR-11-008	9/27/2011	<p>Evaluation of Major Transportation Technology Initiatives</p> <p>R-1 — Ensure that Network Operations sponsors and project managers follow the Postal Service's technology solution life cycle guidelines. TID: October 2011</p> <p>R-2 — Require operational deficiencies be identified for corrective action and addressed prior to project closeout. TID: November 2011</p> <p>R-3 — Facilitate the inclusion of a robust risk assessment, risk mitigation, system data migration, and transition planning best practices into investment planning policies. TID: October 2011</p> <p>R-4 — Ensure establishment and maintenance of the proper line of authority, funding, and oversight for key programs by responsible sponsors and management officials. TID: October 2011</p> <p>R-5 — Ensure comprehensive training is provided for employees throughout the technology's life cycle. TID: May 2012</p>
NL-AR-11-007	9/27/2011	<p>Highway Contract Routes - Western Pennsylvania District</p> <p>R-1 — We recommended the vice president, Eastern Area Operations, ensure Western Pennsylvania District managers follow prescribed procedures for making highway contracts effective and economical, including the continual monitoring and adjustment of trips based on need. TID: September 2011</p> <p>R-2 — We recommended the vice president, Eastern Area Operations, verify the elimination or modification of the 11 trips from highway contracts. TID: September 2011</p> <p>R-3 — We recommended the vice president, Eastern Area Operations, eliminate or modify the additional 15 trips from highway contracts. TID: October 2011</p>
CA-AR-11-007	9/30/2011	<p>Contract Postal Units Contract Oversight</p> <p>R-1 — Modify contract postal units' contracts to include clauses identifying the submission of revenue data as an official invoice from the contractor. Contractors should be notified of the clause addition and informed that their revenue data submission constitutes an official invoice. TID: None</p> <p>R-2 — Create a process to ensure the contracting officer or contracting officer's representative validates and certifies invoices prior to payment, using data maintained in the Contract Postal Unit Technology system. TID: None</p> <p>R-3 — Establish a mandatory training procedure to ensure all contract officer representatives receive training of appointed duties within 2 weeks of notification of the contracting officer's representative appointment. TID: March 2012</p> <p>R-4 — Develop an oversight mechanism to monitor whether contracting officer's representatives conduct quarterly performance and annual financial reviews, obtained completed appointment letters, and retain contract postal unit contracts in the contract administrative files. TID: March 2012</p>

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
HR-AR-11-007	9/30/2011	<p>Postal Service Workers' Compensation Program</p> <p>R-1 — Continue to pursue legislative change to transform the Federal Employees' Compensation Act into a modernized workers' compensation program that includes best practices for increasing program effectiveness and efficiencies and reducing costs. TID: None</p> <p>R-2 — Pursue legislative change to amend Federal Employees' Compensation Act to allow recovery of continuation of pay benefits in third-party cases. TID: None</p> <p>R-3 — Pursue legislative change to reform Federal Employee Compensation Act to allow employing agencies to present evidence at hearings when fraud is alleged. TID: None</p> <p>R-4 — Clearly define organizational responsibilities for detecting workers' compensation fraud.</p> <ul style="list-style-type: none"> ▪ Establish requirements for Department of Labor to respond to reports of investigations within 45 days after receiving them. ▪ Establish a provider compliance program. ▪ Revise the method used to determine the administrative fee to ensure the fee is based on actual costs to administer Postal Service Workers' Compensation Program. <p>TID: None</p> <p>R-5 — Develop mandatory and refresher training for Postal Service officials responsible for workers' compensation to ensure they are aware of their roles and responsibilities for workers' compensation. TID: September 2012</p>
MS-AR-11-007	9/30/2011	<p>Strategic Approaches to Revenue Protection</p> <p>R-1 — Work with a broadened group of internal and external stakeholders to prepare for streamlining the entry of business mail, accelerate the timeline for streamlined acceptance and verification, and seek to leverage technology to provide revenue protection for Basic Service Intelligent Mail and non-automated volumes. TID: January 2013</p>

APPENDIX F

Significant Management Decisions in Audit Resolution

For the period April 1— September 30, 2011

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.

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
CA-AR-11-007	9/30/2011	Contract Postal Units Contract Oversight R-1 — Modify contract postal units' contracts to include clauses identifying the submission of revenue data as an official invoice from the contractor. Contractors should be notified of the clause addition and informed that their revenue data submission constitutes an official invoice. R-2 — Create a process to ensure the contracting officer or contracting officer's representative validates and certifies invoices prior to payment, using data maintained in the Contract Postal Unit Technology system.

APPENDIX G

Status of Peer Review Recommendations

Federal audit organizations undergo an external quality control assessment by their peers every 3 years. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 requires an appendix reporting on 1) any Office of Inspector General peer reviews conducted during the semiannual period; and 2) any outstanding recommendations from any previous or current peer review that remain outstanding or have not been fully implemented.

Office of Audit

Internal Peer Reviews

On March 31, 2010, the Department of Defense OIG (DOD OIG) issued a quality control review report of our audit organization. We received a peer review rating of pass. All outstanding recommendations have been implemented as of March 31, 2011.

A copy of this quality control review report, in its entirety, can be viewed on the USPS OIG website at www.uspsoig.gov.

External Peer Reviews

None conducted during this period.

Office of Investigations

Internal Peer Reviews

In Spring 2011, the Office of Inspector General for the Department of Justice (DOJ OIG) conducted a peer review of our Office of Investigations. They reviewed our Investigative Operations at our headquarters and at two of our field offices. We received a letter from the DOJ OIG, dated June 20, 2011, containing a review of the results. There were no specific findings or recommendations.

External Peer Reviews

None conducted during this period.

APPENDIX H

Investigative Statistics*

For the period April 1 — September 30, 2011

	Investigations Completed	Arrests	Indictments/Informations	Convictions/Pretrial Diversions**	Admin. Action Taken	Cost Avoidance	Fines, Restitution, and Recoveries	Amt. to USPS (from previous column)***	To Mgmt. for Admin. Action
Theft, Delay, or Destruction of Mail by Employees or Contractors	782	183	186	206	370	—	\$548,365	\$116,598	401
Injury Compensation Fraud	358	19	23	16	60	\$64,852,970	\$8,173,156	\$4,151,791	87
Official Misconduct	534	35	29	34	328	\$178,588	\$1,713,718	\$253,843	422
Financial Fraud	370	81	85	85	202	\$1,675,000	\$1,774,644	\$1,618,522	234
Contract Fraud	85	15	19	14	145	\$14,945,197	\$8,779,823	\$4,874,095	77
TOTAL	2,129	333	342	355	1,105	\$81,651,755	\$20,989,706	\$11,041,849	1,221

* 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.

For the period October 1, 2010 — September 30, 2011

	Investigations Completed	Arrests	Indictments/Informations	Convictions/Pretrial Diversions**	Admin. Action Taken	Cost Avoidance	Fines, Restitution, and Recoveries	Amt. to USPS (from previous column)***	To Mgmt. for Admin. Action
Theft, Delay, or Destruction of Mail by Employees or Contractors	1,399	383	392	408	763	—	\$1,124,017	\$409,495	863
Injury Compensation Fraud ^{1 & 2}	635	36	44	34	133	\$150,901,540	\$299,332,338	\$58,300,873	160
Official Misconduct	915	38	88	78	605	\$178,588	\$5,528,805	\$349,264	735
Financial Fraud	704	141	145	187	421	\$3,030,000	\$3,829,188	\$3,599,198	473
Contract Fraud	137	21	39	29	192	\$16,534,195	\$418,843,980	\$16,315,800	103
TOTAL	3,790	659	708	736	2,114	\$170,644,323	\$728,658,328	\$78,974,630	2,334

* 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.

¹ Amount under Fines, Restitution, and Recoveries includes nearly \$264.5 million from two pharmaceutical investigations.² Amount under Amt. to USPS (from previous column) includes \$42.5 million from one pharmaceutical investigation.

APPENDIX I

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

For the period April 1— September 30, 2011

Type of Scheme	Complaints Filed	Consent Agreements	FROs	Cease & Desist Orders
Advance fee	1	1	—	1
Charity	2	2	—	2
Contests/sweepstakes	14	12	1	14
Coupon fraud	1	—	—	1
False billings	6	7	2	7
Internet Auction	—	—	—	—
Lotteries (foreign and domestic)	9	14	—	14
Merchandise:				
Failure to furnish	3	1	2	3
Failure to pay	3	2	—	2
Misrepresentation	14	14	—	14
Miscellaneous	9	6	—	9
Telemarketing	—	—	—	—
Work at home	2	2	—	2
TOTAL	64	61	5	69

Other Administrative Actions

Administrative Action Requests	85
Temporary Restraining Orders Requested	—
Temporary Restraining Orders issued	—
Cases Using Direct Purchase Authority	2
Civil Penalties (Section 3012) Imposed	—
Test Purchases	—
Withholding Mail Orders Issued	22
Voluntary Discontinuances	—

Administrative Subpoenas Requested by the Postal Inspection Service

There was one request during the reporting period.

Financial Reporting on Investigative Activities for the Postal Inspection Service

Type	
Personnel	\$169,700,057
Nonpersonnel	\$34,000,986
TOTAL	\$203,701,043
Capital obligations	\$2,467,633

APPENDIX J

Closed Congressional and Board of Governors' Inquiries

For the period April 1— September 30, 2011

This appendix lists the congressional and Board of Governors inquiries the OIG closed during this reporting period. OIG units reviewed or investigated these inquiries to resolve allegations and disputes, and to help identify systemic issues. Inquiries are listed in the chronological order of receipt.

Inspector General Investigations (32)

Requestor	Allegation/Concern	Major Findings/Resolution	Closure Date
Senator, New York	Non-receipt of an international package.	Our Office of investigations (OI) confirmed the loss, but found no evidence of misconduct by individual postal employees.	5/20/11
Representative, Virginia	A postal manager manipulated mail volumes in order to secure a favorable performance rating and misused government computers.	An investigation did not substantiate allegations of manipulated mail volume reports, and found Internet usage was limited and within postal standards.	8/03/11
Senator, Ohio	Management fraudulently adjusted employee time and attendance records; complainant also presents whistleblower retaliation issues.	Our Office of Audit (OA) found management control of time and attendance recordkeeping was not adequate to ensure employee workhours were reported accurately. In 2010, we provided the Senator information on how the complainant can file a retaliation complaint form with our agents.	4/05/11
Representative, Michigan	Non-receipt of an IRS check while mail was on hold.	An investigation confirmed the check was cashed by a third party, but found no evidence of misconduct by postal employees.	5/10/11
Senator, New York	Non-receipt of two packages mailed from the Verona Post Office.	An investigation found no evidence of misconduct by postal employees and did not determine the cause for the loss.	5/17/11
Senator, Virginia	Hostile work environment at a Post Office; contested findings of a previous OIG review.	OI found area management was not aware that recommendations from a 2010 climate assessment had not been implemented. In April and May, the district took action addressing recommendations. Employee survey results and other documentation point to an improving workplace environment.	8/12/11
Senator, Maryland	Non-receipt of medication and mail arriving opened or damaged.	An investigation found no evidence of misconduct by individual postal employees and no pattern of theft of prescription medications in the delivery area.	8/12/11
Representative, California	Non-receipt of mail.	An investigation found additional losses along the carrier route during the timeframe investigated. However, we were unable to locate the missing mail or identify those responsible.	5/10/11
Representative, New Jersey	Postal manager misconduct.	The OIG found the allegations had been fully addressed in 2004 investigative work. OI investigated but did not substantiate additional allegations arising during interview, concerning an OIG employee improperly releasing confidential information and the postal manager improperly arranging postal relocation benefits for another employee.	8/02/11
Alderman, Illinois	Delay of political mail in the Chicago District.	An investigation found postal workers handled mail properly and according to postal procedures. There were no reports of delayed or curtailed mail at the time the mailing in question was handled at the local postal facility.	1/10/11
Representative, Ohio	Non-receipt of a letter containing cash.	An investigation did not identify any potential suspects, but noted a pattern of complaints relating to the location where the item was mailed. Testing and recovery attempts produced no results.	8/24/11

APPENDIX J

Requestor	Allegation/Concern	Major Findings/Resolution	Closure Date
Representative, California	Non-receipt of four packages.	An investigation determined the losses were attributable to delivery issues as well as theft. The Postal Service contract driver admitted stealing numerous Priority Mail packages during the timeframe of this reported loss. We presented our findings to the U.S. Attorney's Office (USAO) for prosecution, and the contract driver's employment was terminated.	4/22/11
Representative, Indiana	Postal employees gave a community group's post office box mail to an unauthorized person.	An investigation found management explored the incident at the time. They found employees had not followed proper procedures. Management apologized to the group, secured the box, and provided refresher training to clerks.	5/10/11
Representative, Alabama	Hostile work environment at an Alabama Post Office; retaliation for filing an Equal Employment Opportunity (EEO) complaint.	OI reviewed workplace issues and reported findings to management. Based on our report, the Alabama District office advised they would take immediate action addressing workplace conflict. As to the EEO retaliation allegation, we do not intervene in matters under the jurisdiction of other agencies.	8/12/11
Senator, Washington	The Postal Service improperly reinstated an employee convicted of mail delay and destruction.	OI's earlier investigation of misconduct resulted in referrals for prosecution and administrative action. USAO declinations of prosecution are a matter of prosecutorial discretion. Postal officials advised us the subject is no longer a postal employee.	4/08/11
Senator, Missouri	Non-receipt of international mail.	An investigation determined the losses were attributable to delivery issues, and in some cases, theft. A New York-based employee was charged and confessed to stealing international mail, and prosecutors will identify the victims, possibly including the Senator's constituent.	10/4/10
Representative, Florida	A postal employee intentionally delayed or discarded mail.	OI found no evidence of misconduct by postal employees, but proactively met with employees to reinforce proper delivery policy.	6/30/11
Senator, North Carolina	Theft of two gift cards mailed from North Carolina.	An investigation substantiated the allegations. A postal employee was arrested, charged with the theft in state court, and is no longer employed at the Postal Service.	4/28/11
Representative, Florida	A postal employee in Austin, Texas, stole from a priority package sent to Florida.	We did not substantiate the allegation, and could not establish the final disposition of the package. The Austin-based shipper made allegations against specific employees after they refused to deviate from postal policy for accepting his shipments.	8/17/11
Senator, Maryland	Two OIG agents denied complainant union representation during an interview and falsely told management they had a signed confession.	An investigation did not substantiate the allegations. Complainant declined representation during the interview. We determined no written confession existed, and that agents reported her oral admissions to management.	8/18/11
Senator, Iowa	A constituent requested copies of an investigative report.	Our FOIA unit released documents.	5/5/11
Representative, Pennsylvania	A postal employee stole books.	An investigation confirmed the loss, but found no evidence of misconduct by postal employees, and no trace of the package, after it left the Philadelphia Network Distribution Center.	/12/11
Senator, Virginia	Priority Mail to and from Alabama was significantly delayed at the Norfolk P&DC.	An investigation found no evidence of intentional delay, but could not determine where the delay occurred because no enroute scan data was available.	5/20/11
Senator, Virginia	Employee misconduct at the Postal Inspection Service.	We did not substantiate allegations that supervisors did not have authority to record, listen to, and address issues arising from call center activity for quality control and training purposes.	8/12/11
Senator, Florida	Hostile work environment at a Florida Vehicle Maintenance Facility (VMF).	We noted a management review found the climate was strained, not hostile. After our inquiry, management advised they and the union were planning a joint meeting with VMF employees.	9/19/11
Senator, Arizona	Florida postal employees are destroying or stealing mail because resident filed previous complaints.	An investigation did not substantiate the claim.	6/27/11

Requestor	Allegation/Concern	Major Findings/Resolution	Closure Date
Representative, Indiana	A supervisor took no action when a casual employee reported an attempt to delay mail, and management retaliated against the employee for reporting the incident.	An investigation found management promptly addressed the mishandling of mail allegation. Reprisal allegations do not meet the required elements for a whistleblower case.	8/17/11
Representative Wisconsin	A postal employee tampered with an estranged spouse's mail.	We did not substantiate the allegation.	8/15/11
Representative, Utah	Requests the status of investigation.	OIG Government Relations Director briefed requestor on the closed investigation.	5/24/11
Senator, New York	Non-receipt of three packages mailed from a New York Post Office, and returned packages.	An investigation produced no indications of theft and no investigative leads. Two of the packages have been accounted for.	7/14/11
Representative, New Hampshire	Non-receipt of mail at a university-operated postal unit.	An investigation did not identify any suspect, pattern of loss, or explanation for the mail problems.	9/19/11
Representative, California	Delay or theft of financial mail by postal employees.	An investigation did not substantiate the claim.	9/07/11

General Counsel (7)

Requestor	Allegation/Concern	Major Findings/Resolution	Closure Date
Representative, Iowa	Insufficient information provided in a response to a FOIA request.	The OIG General Counsel briefed the member on OI's investigative work.	10/7/10
Senator, Missouri	Hostile work environment and retaliation for filing an EEO complaint.	We declined to intervene in matters under the jurisdiction and review of other agencies.	6/28/11
Representative, Michigan	A postal worker requests a copy of video footage compiled during an OIG investigation.	FOIA staff denied the request, but invited the requestor to narrow her request to a specific time period.	6/29/11
Senator, Massachusetts	Complainant response to our previous reply, which did not substantiate whistleblower retaliation allegations.	No new information was provided to cause a review of the previous investigative work; complainant also states he is pursuing other remedies.	8/25/11
Representative, North Carolina	Request for copies of notes from a meeting with an OIG agent.	The FOIA unit processed and released documents.	9/23/11
Representative, Texas	FOIA request for results of any OIG investigation into a mail theft complaint.	The FOIA unit was issuing a response to a request they received earlier from the constituent.	8/29/11
Representative, Florida	Hotline complainant wants to know what personal information the agency retained, and if it was associated with a personnel record.	OIG provided information on retention policy.	9/28/11

Inspector General Audits/Risk Analysis Research Center Reports (16)

Requestor	Allegation/Concern	Major Findings/Resolution	Closure Date
Representative, Oregon	Postal managers fraudulently changed time and attendance records, causing employees to be underpaid..	The OA found management control of time and attendance recordkeeping at audited locations was not adequate to ensure employee work hours were reported accurately..	4/5/11
Senator, Iowa	Inaccurate injury and illness reports submitted to Department of Labor from the Des Moines Post Office.	OA concluded the Postal Service did not always record and report injuries and illnesses in accordance with OSHA requirements.	6/03/11
Senator, Missouri	Management in Kansas City is fraudulently adjusting employee time and attendance records.	OA found management control of time and attendance recordkeeping was not adequate to ensure employee workhours were reported accurately.	4/05/11
Representative, Pennsylvania	Management is improperly changing employee time and attendance records.	OA found management control of time and attendance recordkeeping was not adequate to ensure employee workhours were reported accurately.	4/05/11
Representative, Missouri	Management is improperly changing employee time and attendance records.	OA found management control of time and attendance recordkeeping was not adequate to ensure employee workhours were reported accurately.	4/05/11

APPENDIX J

Requestor	Allegation/Concern	Referred To	Closure Date
Representative, West Virginia	Postal Service Area Mail Processing (AMP) proposal to move the Beckley and Huntington facilities into the Charleston P&DC would move operations from high-efficiency locations to a location with low efficiency rates, and where security and cost issues have not been addressed.	OA found a valid business case exists to consolidate Beckley mail processing operations. OA provided findings about consolidating Huntington operations in the previous SARC period.	4/21/11
Ranking Member, Senate Committee	Requests OIG review conflicts of interests in contracting with former Postal Service executives.	We issued two audits; Conflicts of Interest: Facility Leases and Contract Delivery Services, and later, The Sufficiency of Recent Policy Changes Regarding Contracting Conflicts of Interest. The first determined the Postal Service entered into leases that resulted in financial conflicts. The latter addressed issues related to contracting with former executives. New policy to avert direct or imputed conflicts of interest is in place.	9/02/11
Ranking Member, Senate Committee	Requests OIG review the effects Postal Service compliance rules have on mailers.	OA found the Postal Service has not always fully considered how changes to mail compliance rules impact mailers. Specifically, the Postal Service did not always adequately estimate the cost to mailers of complying with proposed rules, collaborating with the mailing industry, and training and monitoring personnel to accept business mailings.	8/29/11
Senator, Ohio	Implementation of the Lima and Toledo mail processing facilities consolidation; based on complaints from constituents.	OA concluded management did not ensure on-time performance and customer service were improved or maintained during the implementation of the consolidation.	4/01/11
Representative, Ohio	Implementation of the Lima and Toledo mail processing facilities consolidation; based on complaints from constituents.	OA concluded management did not ensure on-time performance and customer service were improved or maintained during the implementation of the consolidation.	4/01/11
Representative, Wisconsin	Requests the OIG review consolidation plans for the Oshkosh and Green Bay mail processing facilities, and questions postal assumptions about space available and costs of the move to Green Bay.	OA found although the consolidation would result in cost savings, adequate facility and machine capacity does not exist at the Green Bay P&DC to process the additional mail volume, and service could be negatively impacted.	7/29/11
Senator, Oregon	Requests OIG review the closure of the University of Oregon branch post office.	OIG found the Postal Service followed applicable law and policies and properly considered public comments and community impact. However, management omitted some operational costs in the proposal submitted to headquarters. OIG plans a comprehensive review of Postal Service-Operated Retail Facility Discontinuance Guide.	7/25/11
Representative, Kentucky	Requests the OIG review a questionable AMP consolidation proposal for consolidating the Bowling Green, Nashville, and Evansville mail processing facilities.	OA found a valid business case exists to consolidate originating mail processing operations.	8/29/11
Chairman, House Committee	Requests information on open and unimplemented recommendations.	OA provided a list, along with an explanation of our tracking methods.	4/29/11
Ranking Member, Senate Committee	Requests the OIG detail an employee to a Senate committee for 6 months.	Employee detailed to committee as requested.	5/03/11
Senator, Florida	Mismanagement of the grievance award process.	The constituent does not allege any specific improprieties. We included an audit of grievance settlements and payments in our response.	8/25/11

Referrals (8)

Requestor	Allegation/Concern	Referred To	Closure Date
Senator, Colorado	Requests the IG remind all postal facilities of Public Law 110-41, concerning flag displays.	Referred to Postal Service Government Relations Office (GRO)	4/12/11
Representative, Florida	Postal employee transfer request.	Referred to Postal Service GRO.	4/20/11
Representative, New York	Wrongful termination because of a disability.	Referred to Postal Service GRO.	4/28/11
Representative, New Jersey	Mail fraud scheme.	Referred to USPS.	5/10/11
Council Member, California	Request for information about the reconstruction of a postal facility in Long Beach.	Referred to Postal Service GRO.	6/28/11
State Official, New York	Opposing the possible of closing the New Windsor Post Office.	Referred to Postal Service GRO.	8/25/11
City Council Member, New York	Reaction to possible closure of five postal stations in Queens.	Referred to Postal Service GRO.	8/25/11
Vice President, County Board of Supervisors, Mississippi	A petition requesting the Postal Service save the Union Church Post Office from closure.	Referred to Postal Service GRO.	8/25/11

Request for IG Opinion/Testimony (3)

Requestor	Allegation/Concern	Referred To	Closure Date
Chairman, House Subcommittee	Request for OIG appearance at a hearing to examine Federal Employees' Compensation Act.	The Assistant Inspector General for Investigations testified at the hearing.	4/13/11
Chairman and Ranking Member, Senate Committee	Request for advisory opinion on the most secure way for agencies to mail sensitive, unclassified documents to Congress.	The OIG discussed how various mailing options limit exposure to loss and unauthorized access.	5/04/11
Chairman, Senate Subcommittee	Requests Inspector General appear at a hearing on the Postal Service's Financial Crisis.	The IG testified on May 17.	5/17/11

SUPPLEMENTAL INFORMATION

Freedom of Information Act

The OIG's Freedom of Information Act (FOIA) Office operates independently of, but frequently coordinates with, its counterparts at the Postal Service and the Postal Inspection Service. The FOIA Office receives requests for records from the public, the media, and postal employees. The FOIA, 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."

For the period April 1 — September 30, 2011

Requests	Number of Requests
Carryover from prior period	6
Received during period	268
Total on hand during period	274

Actions	Number of Requests
Processed during the period	256
Requests denied in full	10
Requests denied in part	81
Requests granted in full	5
No records	17
Requests referred*	127
Requests withdrawn	7
Fee-related reasons	—
Records not reasonably described	—
Not a proper FOIA request for some other reason	4
Not an agency record	2
Duplicate request	3

Balance	Number of Requests
Balance at the end of the period (pending)	18

Processing Days	Number of Days
Median processing days to respond to a FOIA request	1

Workplace Environment

The OI Workplace Environment unit reviews workplace environment and operational issues that may affect workplace climate in postal facilities through the country. The OIG Hotline is the usual source for the 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 efforts toward providing employees a stress- and adversity-free work environment.

The unit accepts complaints from any postal employee, including OIG and Postal Inspection Service staff. Reviews may result in fact-finding reports to management or referral for specific suggested action, such as climate assessments.

Activities

For the period April 1 — September 30, 2011

Complaints received	Total
Carryover from prior period	35
Complaints received from OIG Hotline, Congress, Governors, management, internal, and other	255
Total on hand during this period	290

Workplace environment actions	Total
Complaints reviewed and closed during the period	238
Referred to Postal Inspection Service	—
Referred to Office of Audit	—
Referred to Office of Investigations	—
Referred to Workplace Environment	12
Referred to Hotline	7
Summary of findings to Congress/BOG/Postal Service management	42
Referred to FOIA	—
Referred to AIG for Investigations	—
Referred to database for statistical analysis and possible systemic review	171
Complaints pending at the end of the period	6

The U.S. 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?

Office of Inspector General

- Theft, delay, or destruction of mail by employees and contractors
- Workers' 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



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/>



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