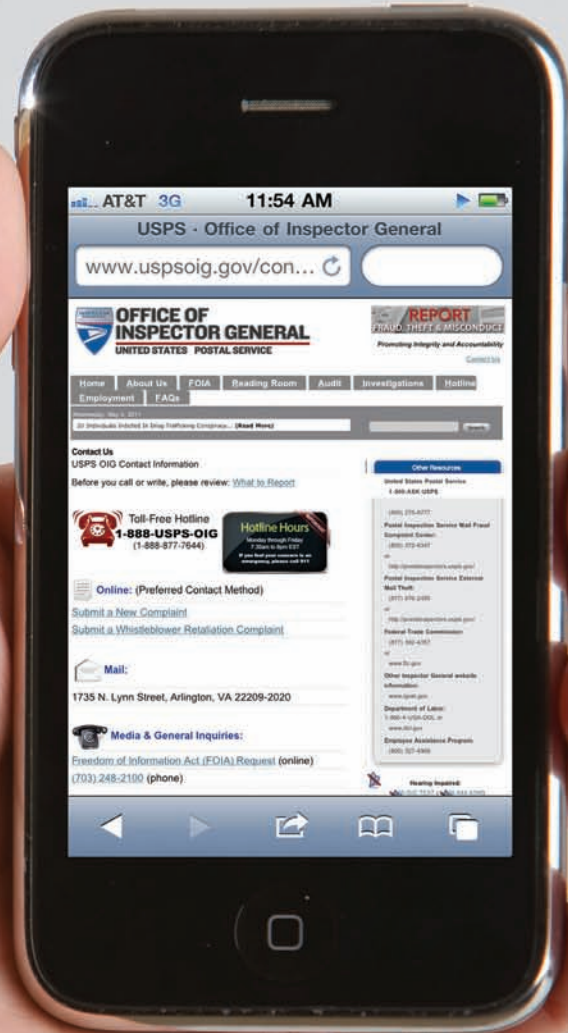




Office of Inspector General Semiannual Report to Congress

October 1, 2010 — March 31, 2011



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.

A MESSAGE FROM THE INSPECTOR GENERAL

This report, submitted pursuant to the Inspector General Act, outlines our work and activities for the 6-month period ending March 31, 2011. In the first section of this report, we highlight audits and reviews that address risks in the strategic, financial, and operational areas of the Postal Service. The second section highlights investigations conducted during this reporting period that contributed to safeguarding the Postal Service's revenue and assets and helped deter postal crimes.

Postal Service executives often work closely with their Office of Inspector General (OIG) counterparts to identify problems and collaborate on solutions. These efforts have resulted in significant savings opportunities. During this period, we issued 107 audit reports and management advisories, and the Postal Service accepted 98 percent (87 of 89) of the OIG's significant recommendations.

In addition, we completed 1,661 investigations that led to 326 arrests and more than \$708 million in fines, restitutions, and recoveries, of which nearly \$68 million went to the Postal Service.

The Postal Accountability and Enhancement Act of 2006 encouraged the U.S. Postal Service to modernize and adopt a leaner, volume-driven infrastructure that assures readiness for the 21st Century. The Postal Service has taken steps toward rightsizing its network and aligning its workhours to the ebb and flow of mail, but progress has been slow. The considerable financial challenges facing the Postal Service make these necessary changes even more urgent.

Our audit report on the Postal Service's financial condition underscored the organization's financial crisis, which is the result of overpayments to federal benefits funds, the recent recession, the disruption of the digital age, and an oversized Postal Service network. Our work has determined that a prefunding adjustment to pension and retiree health care funds would improve the Postal Service's financial position. Still, the Postal Service needs to continue to optimize, simplify, innovate, and find its role in an age of fast-changing digital communications.

In February, we released a white paper that examined key digital trends and the gaps in providing all citizens with access to digital communications. The research provides a framework for postal stakeholders to consider what a future postal system might look like and to contemplate how the Postal Service might serve as a bridge between hard-copy communications and the digital world.

Our work in this period also focused on other challenges the Postal Service faces, including customer service issues and information technology controls. Our investigative work centered on ensuring the integrity of postal personnel, processes, and finances.

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.



David C. Williams
Inspector General

SUMMARY OF PERFORMANCE

October 1, 2010 — March 31, 2011

AUDITS

Reports issued	107
Significant recommendations issued	89
Total reports with financial impact	30
Funds put to better use	\$61,629,436,252
Questioned costs ¹	\$566,259,866
Revenue Impact	\$58,520,796
TOTAL FINANCIAL IMPACT²	\$ 62,254,216,914

INVESTIGATIONS³

Investigations completed	1,661
Arrests	326
Indictments/informations	366
Convictions/pretrial diversions ⁴	381
Administrative actions	1,009
Cost avoidance	\$88,992,568
Fines, restitutions, and recoveries ⁵	\$707,668,622
Amount to Postal Service	\$67,959,781

OIG HOTLINE CONTACTS

Telephone calls	31,891
E-mail	13,496
Virtual Front Office calls	10,828
Standard Mail	1,095
Voice mail messages	360
Facsimile – FAX	218
National Law Enforcement Communications Center	337
TOTAL CONTACTS	58,225

¹ Includes unsupported costs of \$266,180,194.

² The Postal Service agreed to recommendations or proposed alternative corrective actions that, if implemented, could result in more than \$62 billion in savings.

³ Statistics include joint investigations with other law enforcement agencies.

⁴ Convictions reported in this time frame may be related to arrests made in prior reporting periods.

⁵ Amount include case results of joint investigations with other OIG, federal, state, and local law enforcement entities.

TABLE OF CONTENTS

INTRODUCTION.....	3
ASSESSING PROGRESS TOWARD STRATEGIC GOALS.....	4
Goal 1: Improve Service.....	5
Goal 2: Improve Employee Engagement.....	7
Goal 3: Improve Financial Performance.....	8
REGULATORY STUDIES AND REPORTING OBLIGATIONS.....	12
PRESERVING ACCOUNTABILITY.....	14
OFFICE OF INVESTIGATIONS	18
Financial Crimes	19
Workers' Compensation Fraud.....	21
Delay, Destruction, and Theft of Mail by Employees	23
Contract Fraud.....	24
Official Misconduct	26
Executive Investigations and Internal Affairs	27
SPECIAL FEATURES.....	8
Fundamental Questions for the Future of the Postal Service.....	9
Substantial Savings Available by Prefunding Pensions and Retirees' Health Care.....	10
Can the Postal Service Bridge the Digital Divide?	11
Postal Service Financial Condition	12
Workshare Discounts Exceeding Avoided Costs.....	14
Major Fraud Investigations Division	25
Contract Fraud Risk Alert Issued to Postal Service.....	26
APPENDICES.....	29
APPENDIX A — Reports with Quantifiable Potential Monetary Benefits	30
Report Listing	32
APPENDIX B — Findings of Questioned Costs	35
APPENDIX C — Recommendations That Funds Be Put to Better Use.....	36
APPENDIX D — Other Impacts	37
APPENDIX E — Reports with Significant Recommendations Pending Corrective Actions.....	39
APPENDIX F — Significant Management Decisions in Audit Resolution	55
APPENDIX G — Status of Peer Review Recommendations.....	56
APPENDIX H — Investigative Statistics.....	57
APPENDIX I — Summary of U.S. Postal Inspection Service Investigative Activities Under Title 39 USC 3005 & 3007	58
APPENDIX J — Closed Congressional and Board of Governors' Inquiries.....	59
SUPPLEMENTAL INFORMATION	65
Freedom of Information Act.....	65
Workplace Environment.....	65
Acronym Guide	66

OFFICE OF
**INSPECTOR
GENERAL**
UNITED STATES POSTAL SERVICE



INTRODUCTION

The history of the U.S. Postal Service is inextricably tied to the history of this country's founding. The Second Continental Congress, meeting in Philadelphia in 1775, understood that the conveyance of letters and intelligence was essential to the cause of liberty. It created a postal system that same year, appointing Benjamin Franklin as its postmaster general.

Since its creation, the Postal Service's mission has remained essentially unchanged: to bind the nation together through the provision of reliable, affordable, universal mail service. For the past 40 years, the Postal Service has paid for its operations from revenues earned by the sale of postage and services. It is not supported by taxpayers, and has not taken a congressional subsidy to pay for its operations since 1982.

The Postal Service has relied on a steady increase in mail volume and revenue to cover its expenses. This paradigm shifted a few years ago, when the recession and the changing nature of communications collided. Mail volumes plummeted causing revenue to drop and annual net losses to mount. The Postal Service has seen mail volume decline by 41 billion pieces, or 20 percent, since 2007. Changes to its business model are essential, which the Postal Service has addressed in its 10-year plan to maintain a viable Postal Service.

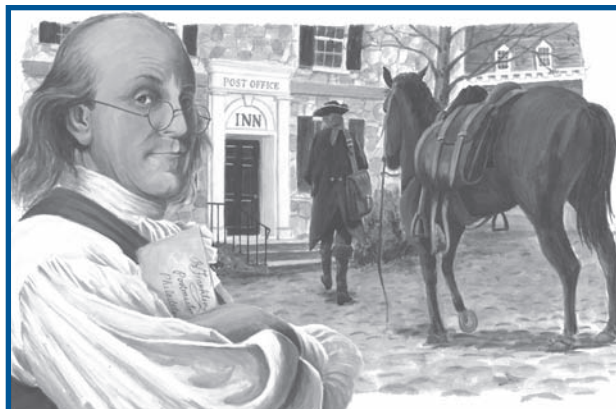
The Postal Service Office of Inspector General has done work to evaluate the challenges facing the Postal Service, which include an oversized postal network, the need to strengthen its innovation efforts, and shrinking revenue in a new era of communications. The Postal Service's most pressing demand, however, is the federally mandated overfunding of its retiree benefit plans. The Postal Service has posted net losses totaling \$20 billion in the past 4 years, nearly all of it attributable to the mandated prefunding of its Retiree Health Benefits Fund.

Our work includes a detailed review of the Postal Service's overpayment to the Civil Service Retirement System and the Federal Employee Retirement System. We benchmarked prefunding levels of public and private sector entities for pensions and retiree health benefits and noted where the Postal Service could find substantial cost savings.

In this most recent reporting period, we also assessed the Postal Service's financial condition and reviewed the discounted rates it provides to commercial mailers. We looked at how the Postal Service could make better use of its workforce and network by driving out inefficiencies and redundancies.

We also have studied opportunities for the Postal Service as it moves into the 21st century and finds its role in a constantly evolving communications environment. Our reports and white papers have helped shape the discussions on how to position the Postal Service to be sustainable and successful in the digital age.

The reports and investigations noted in this semi-annual report to Congress support our mission to root out fraud, waste, and abuse to protect the Postal Service's bottom line, safeguard the integrity of the Postal System, and maintain confidence in the mail. We rely on technology, engagement, and collaboration to protect current and future postal revenues and to promote more efficient and productive Postal Service operations. We are also proud to have contributed to the debate on how best to sustain a valuable national infrastructure.



The Postal Service's mission has remained unchanged since the days of Benjamin Franklin: to bind the nation together through the provision of reliable, affordable, universal mail service.



AUDIT PROJECTS

Recent Audit Projects

DETAILS

Directorate:

Human Resources and Security

Program Area:

Human Resources

Responsible Postal Official:

Start Date:
02-24-2011

Estimated Report Date:
09-20-2011

OFFICE OF AUDIT

ASSESSING PROGRESS TOWARD STRATEGIC GOALS

In this section, the Office of Audit (OA) assesses the Postal Service's progress toward the strategic goals articulated in its Foundation for the Future: 2010 Comprehensive Statement on Postal Operations, 2010 Performance Report, and 2011 Performance Plan. These goals are to improve service, improve employee engagement, and improve financial performance. We have organized our audit work in line with these goals.

We also present feature stories, and work on issues of regulatory studies and reporting obligations, and preserving accountability. In addition, we report on Risk Analysis Research Center research and white papers.

GOAL 1: IMPROVE SERVICE

The Postal Service's priority is to provide timely, reliable delivery and improved customer service across all access points. Specifically, it is focusing on the quality and consistency of service as well as the speed and reliability of end-to-end mail delivery for all product lines.

Intelligent Mail Customer Satisfaction

The Postal Service relies heavily on information technology to support its mission of providing prompt, reliable, and efficient mail. The agency has implemented Intelligent Mail barcodes for mailpieces and containers, and deployed the enabling technology to support mail visibility in the Postal Service network. The Postal Service offers two Intelligent Mail service options: basic and full.

We reviewed the performance risks associated with the full service program to determine customer satisfaction and identify barriers to mailer participation. As a result, we recommended that the Postal Service re-emphasize program benefits to business mailers, consider offering program incentives to business mailers to offset program start-up costs, and provide continuing training to business mail entry clerks and *PostalOne!* help desk employees. We recognize that corporate efforts were already under way to emphasize program benefits before the inception of our audit and that the mailer participation results are mixed thus far.

Follow-up Review of Operations and Service in the Philadelphia District

Overall, operations and service have improved in the Philadelphia Metropolitan Customer Service District. They fully implemented 10 of the 13 recommendations we previously made. These recommendations entailed improving communication with employees and customers, modifying staffing of operations based on mail volumes, and increasing supervision of employees. However, the

recommendations related to color coding, mail condition reporting, and mail flow had not been fully implemented due to lack of management oversight. Consequently, service scores and customer satisfaction could be adversely impacted.

Express Mail Guarantees

Express Mail is an expedited mail delivery service of the Postal Service that guarantees mail delivery time. The Postal Accountability and Enhancement Act of 2006 classifies Express Mail as a competitive product and requires the Postal Service to ensure that each competitive product covers its attributable costs. The Postal Service charges Express Mail postage for each addressed mailpiece according to its weight and zone, with on-time delivery guaranteed or the customer gets their money back. We assessed whether it is a prudent business practice for the Postal Service to guarantee Express Mail Service to all ZIP Codes and American territories.

The Postal Service came very close to meeting its overall goal of 96 percent on-time Express Mail delivery in FY 2009. However, of the 115.6 million pieces of Express Mail sent from October 1, 2007, through March 31, 2010, the Postal Service did not meet the guaranteed delivery times for 5 million pieces, resulting in potential monetary exposure of \$80.6 million. The actual amount refunded for this period was \$14.5 million. In addition, the Postal Service was not monitoring Express Mail Corporate Account negative balances and closing inactive accounts effectively.

Internal Controls over Powered Industrial Vehicles

We reviewed internal controls over powered industrial vehicles at the Salt Lake City Processing and Distribution Center and Auxiliary Service Facility. These vehicles include tow motors, fork trucks, tractors, platform lift trucks, motorized hand trucks, and other specialized industrial trucks. The Salt Lake City locations do not have an automated monitoring system, such as the Powered

MANAGEMENT RESPONSE TO AUDIT WORK

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

Industrial Vehicle Management System, to control access, analyze usage, or track locations of the vehicles. The system consists of intelligent wireless devices installed on vehicles and client-server software for access control, utilization analysis, real-time location tracking, and many other functions.

Management at the Salt Lake City facilities was able to effectively manage workhours in tow and forklift operations. However, they did not always manage internal controls over vehicle safety and maintenance. Specifically, management did not ensure:

- Certification of powered equipment operators;
- Completion of Occupational Safety and Health Administration checklists by drivers;
- Timely completion of preventive maintenance;
- Repairs to vehicles and compliance with district procedures on the use of portable electronic devices.

Postal Vehicle Service Transportation Routes

This audit is one in a series of audits responding to the Postal Service's request to assess whether selected Postal Vehicle Service operations were effective and economical. As background, the Postal Vehicle Service transportation network uses postal vehicles and employees who work from network distribution centers in or near metropolitan areas, and the drivers travel about 150 million miles annually. Since these operations are local, the network is

managed at the facility level under guidance from district, area, and headquarters transportation officials.

Employees working at the Suburban Maryland Processing & Distribution Center (P&DC) were inconsistently applying safety policies while transporting mail and equipment. Also, Suburban Maryland P&DC officials did not always conduct required schedule and vehicle utilization reviews, resulting in unassigned driver time and underutilized trips. Management could remove 14,177 excess workhours from existing schedules and reduce related fuel costs and damage claims, thereby saving the Postal Service \$650,000 per year.

Postal Vehicle Service Scheduling and Staffing

We assessed whether scheduling and staffing of Postal Vehicle Service operations are efficient, effective, and economical at the Connecticut Valley District. The Connecticut Valley District could more efficiently and effectively manage transportation processes and schedules, thereby reducing driver workhours as well as associated fuel use and damage claims. In addition, the Postal Service could use alternate schedules to include split days off and expand the use of part-time drivers, where possible. This would allow managers to more efficiently staff operations and match workhours with workload. By making these changes, we estimate that the Connecticut Valley District could save \$2 million a year in labor and related costs.

Surface Mail Classes on Air Transportation Networks

We assessed whether opportunities exist to limit surface mail classes on air transportation networks and identify related cost-savings opportunities. Typically, the Postal Service uses surface transportation to transport Standard, Periodicals, and Package Services mail classes, and air transportation for mail classes with more stringent service standards, including First-Class Mail, Priority Mail, and Express Mail.

The Postal Service unnecessarily spent more than \$10 million a year transporting surface mail classes on air networks. Headquarters was not effectively monitoring the types of mail being flown, and headquarters and area level officials did not routinely assess the volume of surface mail on air networks. The volume of surface mail classes being flown increased in FYs 2007 and 2009, even though overall mail volumes steadily decreased since FY 2006. Management stated that actions already implemented should begin to show positive results by the end of the first quarter of FY 2011, and will reduce or eliminate unnecessary expenses.



The Postal Vehicle Service transportation network uses postal vehicles and postal employees who work from network distribution centers in or near metropolitan areas. The OIG audits the operations, including scheduling and staffing, to determine if they are effective and economical.

Flats Sequencing System – Arizona

We conducted an audit to analyze how delivery operations have improved as a result of delivery units receiving flat mail in walk-sequence order from the Flats Sequencing System (FSS). The seven Arizona District delivery units reviewed have improved delivery operations and cut operating costs by \$1.3 million. However, these delivery units received more than 14 million flat mailpieces not in sequence. Seven million of these pieces were not carrier routed and required manual sorting and casing to put in walk sequence. This occurred because these mailpieces did not meet flat mail automation requirements. As a result, the Postal Service missed the opportunity to further reduce more than \$500,000 in costs for FY 2010. We recommended that the Postal Service 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.

City Delivery Operations Workforce Planning

We evaluated the Postal Service's workforce planning process for city carriers. Planning and managing the city delivery workforce and associated workhours requires managers to match staff according to workload trends. Management often used full-time city delivery carriers in overtime status to deliver mail, when using lower cost part-time and transitional carriers would have been more economical. The Postal Service focused primarily on increasing route efficiency and reducing overall workhours and had not developed an overall strategy to optimize the use of city carrier resources to deliver the mail. By not optimizing its staffing resources, the Postal Service incurred excess costs of more than \$100 million annually. Management agreed in principle with the recommendation to collaborate with area management to develop and implement an overall city delivery operations strategy to optimize the combination of full-time, part-time, and transitional city carrier resources, but disagreed with the findings and monetary impact.

Retail Customer Service Operations Realignment

The Hawkeye District's customer service mail volumes have declined by about 35.4 percent since 2007; however, its network of delivery facilities has only declined by 4.3 percent. While management has consolidated some facilities to improve operational efficiency and reduce retail customer service costs, they have not pursued these efforts district-wide. We assessed whether the Postal Service can reduce retail customer service costs by realigning delivery operations in the Hawkeye District. Opportunities exist for the Hawkeye District to improve operational efficiency and



The Flats Sequencing System (FSS) is intended to boost efficiency in processing, distribution, and delivery. FSS automatically sorts flat-sized mail into delivery point sequence at high speeds. OIG audits analyze how delivery operations have improved as a result of receiving flat mail in walk sequence from the FSS.

reduce retail customer service costs by realigning delivery operations. We identified 65 small delivery offices that management can relocate to nearby delivery offices with sufficient excess floor space to absorb their operations. The proposed realignment would allow the Hawkeye District to reduce retail customer service costs by between \$1.7 million and \$3.2 million a year over the next 10 years.

Management agreed with our recommendation to explore opportunities to reduce retail customer service costs by realigning delivery operations district-wide. They plan to explore opportunities to realign 75 percent of the customer service operations identified on our suggested list by December 2012.

GOAL 2: IMPROVE EMPLOYEE ENGAGEMENT

Postal Service employees are its greatest asset. A key strategy to improve productivity and efficiency is to increase employee engagement.



In a review of City Delivery Efficiency, OIG auditors found that the Northern Virginia, New York, and Chicago Districts had opportunities to enhance delivery efficiency and reduce workhour costs.

examples of work we conducted in this area to help the Postal Service improve operational efficiencies and to decrease the risk of revenue loss.

City Delivery Efficiency Reviews

The Postal Service is delivering fewer pieces of mail to an increasing number of addresses as new households and businesses are added to the delivery network. The Postal Service must increase its efficiency to accommodate this growth while facing financial losses from declining mail volumes and rising costs. Our reviews of the New York, Northern Virginia, and Chicago districts found that each district had opportunities for enhanced delivery efficiency and reduced workhour costs. Our analysis showed that the New York, Northern Virginia, and Chicago districts used about 25, 16, and 16 minutes, respectively, more per carrier route than the average carrier route in the nation. Reducing these minutes daily on each carrier route would result in total workhour reductions of more than 571,000 workhours at these districts.

Allegations of Inaccurate Time and Attendance

We audited management controls over time and attendance at certain locations and found that they were not adequate to ensure employees' workhours were reported accurately. Specifically, we found that Postal Service supervisors did not complete the required forms to support changes to time and attendance. The managers and postmasters responsible for ensuring policies are followed stated that completing the forms was not a priority. In addition, one manager stated that supervisors either forgot or had difficulty in printing the forms. As a result, we found questionable deletions of clock rings by supervisors in some post offices. These changes exposed the Postal Service to increased risk for grievances.

GOAL 3: IMPROVE FINANCIAL PERFORMANCE

The Postal Service faces the challenge of improving service while simultaneously working to cut costs. Following are

Follow-Up on the Assessment of Overall Plant Efficiency 2010

We conducted a follow-up review on the Postal Service's progress in reducing workhours based on recommendations we made in a prior report. Last year, we reported on efficiency levels and mail volume in processing and distribution centers, as well as processing and distribution facilities, and recommended that the Postal Service reduce almost 16.2 million workhours by FY 2012. We determined that the Postal Service made substantial progress by reducing workhours in the network from the previous year. Plants that were the least productive in FY 2009 reduced more than 13.3 million workhours (achieving 82.8 percent of the recommended workhour savings) and improved productivity by more than 9.3 percent.

Consolidation Reviews

In response to requests from Congress, we conducted the following reviews to assess the business case for consolidation and the impact on customer service. An Area Mail Processing (AMP) consolidation involves

RISK ANALYSIS RESEARCH CENTER

The OIG's Risk Analysis Research Center (RARC) conducts in-depth research and analysis, clarifies complex postal issues, and informs current debates about postal policy by facilitating the interchange of ideas. The team also conducts economic and academic studies as well as coordinates guest lectures by experts in the postal community. The RARC research group has three separate teams: Mission Operations, Support Operations, and Financial Operations. Some of the issues covered in RARC white papers have included the Civil Service Retirement System pension responsibility, fundamental questions for the 21st century Postal Service, and the identification of digital trends and shortcomings, as well as how the Postal Service could bridge the gap between the physical and digital worlds.

Fundamental Questions for the Future of the Postal Service

The U.S. Postal Service is facing severe financial problems, and the search is on for viable solutions. This situation has provoked a broad public policy debate on what a 21st century Postal Service should look like. The difficulty in finding a solution is compounded by the fact that the entire environment of communications and commerce is changing. The Postal Service's traditional role of delivering hard copy mail may no longer be as important in the digital age. What should the Postal Service's future role be?

The Risk Analysis Research Center (RARC) looked at the foundational issues at the heart of postal policy. The white paper, *Fundamental Questions for the Future of the Postal Service*, poses eight critical questions for determining the role of the Postal Service in the 21st century.

1. What is the nation's essential need for the Postal Service in the 21st century?
2. Is a profit-driven business or a national infrastructure best suited to carry out the Postal Service's mission?
3. How should the nation's Postal Service be financed?
4. What is the proper governance model for the Postal Service?
5. What does the universal service obligation mean?
6. Does monopoly-financed universal service assist or harm the Postal Service?
7. Should the Postal Service be allowed to expand into nonpostal services to supplement monopoly shortfall?
8. Should the Postal Service have additional social responsibilities beyond its core mission?

These questions cannot be answered in isolation. Each is best considered in relationship to others. For example, an answer to whether the Postal Service should be organized as a profit-maximizing business or a national infrastructure will be influenced by decisions on the Postal Service's universal service obligation, social responsibilities, and optimal role in the digital age. In turn, the nature of the Postal Service's mission will influence its governance model, financing method, and placement in the competitive marketplace.

The paper's goal is not to answer the questions but to encourage discussion that leads to a coherent, consistent postal policy for the present and the future. Finding a consensus among stakeholders and policymakers on the answers to these questions will not be an easy process. But if agreement is reached on the role of the Postal Service, developing a business model to place the Postal Service on a sustainable path as a provider of vital services to the American people in the 21st century should be possible.



moving all originating and/or destinating mail from one or more facilities into other processing facilities to improve operational efficiency and/or service. In our reviews, consolidations were supported and complied with established policies; however, we identified opportunities for improvement.

Lima, OH, Consolidation. In January 2010, the Postal Service completed a feasibility study proposing the consolidation of the Lima Processing & Distribution Facility (P&DF) into the Toledo Processing & Distribution Center (P&DC). In May 2010, the senior vice president approved the transfer of all operations and volumes from the Lima P&DF to the Toledo P&DC based, in part, on projected

annual savings of \$2.3 million and improving and/or maintaining customer and service commitments. The Toledo P&DC completed originating and destinating mail consolidations on June 30, 2010, and December 31, 2010, respectively.

While there was a valid business case for the consolidation of the Lima P&DF into the Toledo P&DC, management did not ensure that on-time performance and customer service were improved or maintained during the implementation of the consolidation. As a result, customers were negatively impacted. We found that significant degradations in service occurred after the Postal Service transferred all operations and volumes from the Lima P&DF to the Toledo P&DC

and management did not project these degradations in the consolidation proposal. While management actively worked to address the delayed mail issues, these service degradations continued when we completed our audit work in March 2011.

Wilkes-Barre, PA, Consolidation. We assessed the operational impacts of the consolidation and determined that a valid business case existed for consolidating mail processing operations from the Wilkes-Barre Processing & Distribution Facility (P&DF) into the Scranton P&DF and the Lehigh Valley Processing & Distribution Center (P&DC). Additionally, the Postal Service followed established policies and guidelines. This consolidation was unique because it was the first time the Postal Service split both outgoing and incoming mail operations from one facility into two different facilities.

As a result of the consolidation, the Postal Service projected savings of about \$6.1 million per year after the first year. However, we estimate that the net cost savings is \$5.2 million as the Postal Service overstated savings by more than \$929,000. Management agreed with the findings and provided an update indicating that actual savings will exceed projections.

Marysville, CA, Consolidation. We concluded that consolidating the Marysville P&DF outgoing mail processing operations into the Sacramento P&DC was a valid business decision. Our analysis showed adequate capacity exists at the Sacramento P&DC to process increased mail volume. We also found that the consolidation increased efficiency,

minimally impacted employees, improved service, and addressed community concerns. Also, environmental impacts were minimized and contingency plans were in place for emergencies.

Houston, TX, Consolidation. We determined that a business case exists to consolidate the Houston P&DC's mail processing operations into the North Houston P&DC. This conclusion is based on the premise that the North Houston P&DC would be expanded, and that mail volumes will not substantially increase. As a result of this consolidation and after the expansion completion, the Postal Service could save about \$35 million annually.

Huntington, WV, Consolidation. We determined that a business case exists to consolidate mail processing operations from the Huntington P&DF into the Charleston P&DC to achieve cost savings of about \$3.5 million annually.

Columbus, GA, Consolidation. We determined that a business case existed to support consolidating the Columbus Customer Service Mail Processing Center's originating mail operation into the Macon P&DC. The consolidation resulted in minimal operational impacts. Additionally, the Postal Service followed established AMP policies and guidelines for the consolidation.

Network Distribution Center Activation

We assessed the financial and operational impacts of the network distribution center activation to determine whether

Substantial Savings Available Through Changes to Prefunding Pensions and Retirees' Health Care

We sought to identify and benchmark prefunding levels of public and private sector entities for pensions and retiree health benefits and determine whether substantial cost-saving opportunities exist. Our benchmarking results showed that the Postal Service could fund pensions and the retiree health care fund at less than 100 percent of actuarial liabilities. Moreover, we determined that the average level that Fortune 1000 companies prefund retiree health care (many do not prefund) is 28 percent with the military prefunding at 29 percent. In addition, we determined that those state governments that prefund retiree health care averaged 30 percent.

By contrast, the federal government does not prefund its civilian retiree health care at all, even though its liabilities result from using the same plans as the Postal Service. Under these circumstances, there is a strong case to be made for the Postal Service to prefund at reduced levels, such as those found in the private and public sectors. More than simply a matter of principle, reduced prefunding would provide the Postal Service with significant financial relief.

We propose that the prefunding requirements be set to standards similar to other organizations, so that the Postal Service can meet its obligation while conserving cash and improving its financial condition. However, due to pending legislation in this area that assumes 100 percent funding levels, management did not agree to pursue necessary legislative changes to permit the Postal Service to prefund pension and retiree health care funds to the benchmarked levels of 80 and 30 percent, respectively. Management agreed with the monetary impact and will continue to work with Congress and the administration to address this matter and other recommendations related to restructuring the funding provisions for Postal Service retirement plans.

Can the Postal Service Bridge the Digital Divide?

Many businesses, including the U.S. Postal Service, are looking for ways to build a bridge between their old physical-world business models and the continually changing digital world. 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 to 2009, has had a significant impact on global postal operators, resulting in a steep decline in the physical volumes of personal, business, and advertising mail. The shift from physical to digital will only continue to accelerate and become more prominent.

In a white paper, *Postal Service Role in the Digital Age – Part 1: Facts and Trends*, the Risk Analysis Research Center highlights key digital trends and the shortcomings of the current digital world. This research provides critical background information for postal stakeholders to envision what the future may look like, to understand the relevance of today’s postal products and mandates, and to identify the market gaps that need to be filled to satisfy society’s future needs. A few of the digital trends highlighted in the paper include:

- A progressive shift has occurred from hard copy communications to the digital by business, government, and consumers.
- Communication control has shifted from the sender to the receiver.
- Explosive growth of mobile devices increases consumption of content “on the go.”

Though there has been rapid growth in the digital world, there are shortcomings and fundamental gaps that prevent all U.S. consumers from migrating into this world. Some of these include:

- The Internet and all of its functionality are not available to all citizens to reap its economic benefits.
- There is still a lack of an adequate level of privacy, confidentiality, dependability, and security in digital communications and transactions.
- Consumers are seeing limited choices, even withdrawal of the physical option, as companies push them into digital-only communications.

The Postal Service has maintained its position in physical communications and can continue to play a significant role in the digital world. Its trusted role as an intermediary provides it unique opportunities, such as serving as a bridge between the digital and the physical world – an extension of its current mission to bind the nation together. This white paper is the first in a series of papers we plan to release on this topic.



the activation achieved anticipated benefits. This audit is the second in a series of self-initiated audits to address strategic, operational, and financial risks associated with these activations. Our review concluded that the activations generally went well, but not all projected benefits have been realized. This initiative generated about \$111 million, or 39 percent of projected annual savings, and a 10 percent improvement in package service performance. To enhance savings opportunities, management could further improve transportation use in the network distribution centers.

Facility Optimization

We assessed whether there were optimization opportunities in the Western, Eastern, Southwest, and Capital Metro areas. The Postal Service has the option to optimize excess real property through selling property, leasing owned

property, subleasing property, or investing in real estate projects. While the Postal Service has made progress in optimizing its existing space, it can do more to dispose of excess interior space in a timelier manner. The opportunity to optimize space exists because Postal Service policy requires installation heads to report excess space, but guidance to effectively accomplish this task is needed. Further, additional metrics should be added to the system to track, monitor, and report excess space, and initiate disposal actions for that excess space.

While management agreed to update its disposal process and implement metrics to better manage excess space; management did not agree with the amount of excess space or the potential monetary impact reported. Specifically, they disagreed with the methodology used to calculate existing excess space, in addition to the data and

Postal Service Financial Condition

Volume Loss

The Postal Service is contending with the effects of electronic diversion and the economic downturn that began in late 2007. The net operating loss for FY 2010 was almost \$8.4 billion, which followed losses of more than \$3.7 billion in FY 2009 and \$2.8 billion in FY 2008. These losses were primarily caused by the cost of pre-funding the retiree health benefits and the decline in mail volume. For the first quarter of FY 2011, the Postal Service reported a \$329 million net loss. This is up from a net loss of \$297 million for the same period last year.

Liquidity Concerns

Liquidity is a pressing concern. The Postal Service projects it will have sufficient cash flows for routine, ongoing operations, but that it will not have sufficient cash on hand and borrowing capacity to fully fund the Postal Service Retirement Health Benefits Fund payment or other obligations due on September 30, 2011. It will have a critically low level of cash and liquidity by the middle of October 2011, when it is required to make a \$1.2 billion payment for workers' compensation to the U.S. Department of Labor (DOL).

Cost Cutting

Through aggressive cost-cutting measures, increased financial controls, and streamlined processes, the Postal Service reduced total costs in FY 2010 by \$3 billion over the \$6 billion already achieved in FY 2009. In January 2011, the Postal Service announced plans to redesign administrative functions by reducing the number of area and district offices and further decreasing the number of administrative, supervisor, and postmaster positions. This is expected to result in annualized savings of more than \$700 million starting in FY 2012. Additionally, the Postal Service proposed a set of actions that focus on retiree health benefits, delivery frequency, access, workforce, pricing, products, and oversight. These actions require legislation and stakeholder cooperation.

Sarbanes-Oxley

Despite its fiscal challenges, the Postal Service completed in 2010 one of the largest and most complex Sarbanes-Oxley Act of 2002 certifications. This accomplishment required internal change as well as changes by customers, suppliers, business partners, and others in the mailing community.

cost factors used to value the excess space and calculate monetary impact. In the areas reviewed, we found more than \$500 million in costs associated with the excess space.

Excess Space in Mail Processing Facilities in the Suncoast District

Over the past 2 years, management has implemented two plant consolidations and one district consolidation in the Southeast Area to improve operational efficiency. These consolidations generated more than 100,000 square feet of excess space in the Suncoast District. Based on our review and discussions with management, there are various opportunities to improve the use of space at plants in the Suncoast District. These opportunities include additional plant consolidations or relocating retail operations into mail processing facilities, which could generate an average annual cost savings of about \$1.3 to \$1.9 million.

Management stated that they would review facilities to determine excess square footage and will update this data

in the electronic Facilities Management System. In addition, management stated a study is under way for consolidating the Daytona Beach P&DC and moving its workload into the Mid-Florida P&DC. Management is also updating their Southeast Area Facility Optimization plans, including plans for the Manasota and St. Petersburg facilities. Management did not agree with the monetary impact of \$19.3 million because they believe we did not factor some costs into the estimate.

REGULATORY STUDIES AND REPORTING OBLIGATIONS

The Postal Accountability and Enhancement Act of 2006 requires the Postal Service to conduct certain regulatory studies and mandates a number of reporting obligations. The Postal Service uses special financial studies to attribute costs to the various categories of mail and special services, and to develop workshare cost avoidance estimates.



Audits of facility optimization showed, that while the Postal Service has made progress in optimizing its existing space, it can do more to dispose of excess interior space in a more timely manner. Pictured: West Edina Carrier Annex, Minneapolis, MN (left), Marysville, CA P&DF (center), South Eastern Station (right).

Periodicals Mail Costs

We assessed whether Postal Service data collection systems and procedures accurately attribute costs to Periodicals Mail, and reviewed their manual processing. We found that although Periodicals volume has decreased and automation and mailer preparation efforts have increased, manual costs attributed to Periodicals continue to rise. We identified several reasons for these increases in manual processing costs, including a program instituted by management called the “Hot 2C” program to provide expedited processing, missed critical entry times by the mailers, bundle breakage and preparation problems, and mailpiece characteristics that make them non-machinable. Additionally, we found that processing and distribution center personnel do not consistently report these issues in the Electronic Mail Improvement Reporting System, which is a critical step in bringing an issue to management’s attention. Management stated that they had ongoing efforts to analyze operational conditions and their impact on cost attribution. Additionally, they plan to issue additional guidance on the “Hot 2C” program.

Information Resource Access

Of the applications in the Postal Service inventory, hundreds are critical to Postal Service business operations. The Postal Service maintains policies and procedures governing access controls over these information systems that are important to operations and business decisions. Information resource access processes and controls generally support

business requirements. Database performance monitoring controls exist to reduce the potential effect of poorly written database queries on production databases. In addition, functional system coordinators justifiably denied access requests.

However, management can strengthen database access controls by adhering to existing processes and periodically reviewing information security policy exceptions. Effective access controls increase the probability that the Postal Service will prevent a compromise that might negatively affect the confidentiality of information resources and data. We estimated that more than \$38 million in data is potentially at risk of loss due to inadequate access controls that affect information technology.

Network Perimeter Firewalls

The perimeter firewalls that protect critical Postal Service data are the first line of defense between the private network and the Internet. Our review concluded that the Postal Service perimeter firewalls may not consistently provide for the confidentiality, integrity, and availability of information and network resources. Correctly configured and effectively managed firewalls increase the probability that the Postal Service will prevent a compromise that might negatively affect the confidentiality, integrity, and availability of information resources and data. We estimated that more than \$70 million in data is potentially at risk of loss due to inadequate controls and protection.

Securing Information on Portable Devices

The increased frequency of information breaches reported by federal agencies has heightened concerns about the extent to which sensitive information stored on portable devices is vulnerable. We identified opportunities for the Postal Service to improve their security of sensitive information stored on portable devices by recommending that management strengthen their ability to secure and manage laptop computers by installing data encryption, maintaining accurate inventories, and properly documenting approvals for all laptops they exclude from the encryption requirement. We estimated more than \$56 million in potential costs to the Postal Service, if sensitive data stored on these devices were compromised.

FY 2010 Selected Information Technology General Controls

We conducted this audit in support of the independent public accounting firm's overall audit opinions on the Postal Service's financial statements and internal controls over financial reporting. Infrastructure level internal controls in the nine Information Technology process areas we tested were properly designed and operating effectively. However, by strengthening controls over database and server security settings, management can reduce the risk of a compromise that could negatively affect the confidentiality, integrity, and availability of information resources and data. We quantified the costs associated with this risk at \$63.9 million.

FY 2011 Cost and Revenue Analysis Reviews

We issued three reports on the Postal Service's Origin-Destination Information System – Revenue, Pieces, and Weight process. The objective of our reviews was to determine whether Postal Service personnel conducted statistical tests to collect cost, revenue, and volume data in accordance with established policies and procedures.

PRESERVING ACCOUNTABILITY

During this period we audited Postal Service financial transactions. We also assessed the accuracy of management data to help preserve the integrity of Postal Service processes and personnel.

Postage in the Hands of the Public, Liability Estimate

We reviewed the model used to calculate the Postage in the Hands of the Public liability estimate to determine if opportunities exist for improving the model and the financial reporting and predictability of the estimate. The Postal Service developed a process to estimate the deferred revenue for prepaid postage at the end of a reporting period. The estimate represents postage sold to but not yet used by customers. The model includes separate calculations for Forever Stamps®, denominated stamps, meters and pre-cancelled stamps, and mail-in-transit that, together, comprise the estimate. At the end of FY 2009, the estimated liability was \$2.4 billion.

Workshare Discounts Exceeding Avoided Costs

The Postal Service provides mailers with workshare discounts in the form of reduced postage rates for presorting, pre-barcoding, handling, or transporting mail. The Postal Service credits workshare discounts with stimulating mail volume growth, enabling it to streamline its workforce and infrastructure, reducing mailing costs, and improving service. The Postal Accountability and Enhancement Act of 2006 allows workshare discounts to exceed avoided costs only under certain specific circumstances. Otherwise, workshare discounts must not exceed the costs the Postal Service avoids as a result of workshare activity. We assessed whether these discounts were properly justified.

The audit found that justifications for 19 workshare discounts that exceed avoided costs by about \$104 million were not supported by detailed documentation. While the Postal Service does provide pricing documentation in price change filings with the Postal Regulatory Commission, when it comes to justifying certain workshare discounts above avoided costs, the Postal Service does not always have sufficient tangible documentation, such as quantitative data, to include in its justifications. According to management, reliable quantitative data supporting justifications are not always available or necessary. Management does not document the price decision-making process, but makes decisions after discussions with parties both inside and outside the Postal Service. In addition, Postal Service cost avoidance models may not accurately reflect avoided costs for workshared mail.

Although management disagreed with the recommendation, they are pursuing an alternative solution. They further stated that the Postal Service provided justifications for the discounts that did exceed avoided cost and that the Postal Regulatory Commission had determined those discounts were consistent with the statute. Management stated that the Postal Service is not required to provide justification for workshare discounts that exceed avoided costs for mail consisting exclusively of mail matter of educational, cultural, scientific, or informational value.

Changes in consumer purchase and usage behaviors associated with the introduction of the Forever Stamp explained, for the most part, recent significant fluctuations in the estimated liability. Further, the Postal Service's mandated quarterly financial reporting highlighted the changes to the estimate. However, we identified opportunities that could improve the predictability and financial transparency of the estimate. Specifically, we determined that management needs to develop a clear, single document of the procedures used, the assumptions made, the analyses conducted, and the rationale for methods used to estimate the liability; and they should enhance the separate calculations for the components used in the estimate. Further, the Postal Service should implement a formal communication and information-sharing process among personnel responsible for developing the liability estimate. Management asserted that they have already accomplished these recommendations by the process documentation prepared during FY 2010 for Sarbanes-Oxley Act of 2002 compliance.

Workers' Compensation Liability Estimate

Our objectives were to improve the workers' compensation model and reduce the volatility of management's worker's compensation liability estimate. Volatility is inherent in the estimation of workers' compensation liability, not only in the Postal Service but also in other benchmarked organizations. The majority of benchmarking partners' annual reports recognized the potentially high level of uncertainty associated with estimating the financial liability for workers' compensation. However, the Postal Service could take action to smooth or reduce the volatility of the estimate of this significant liability. Specifically, management should consider using discount rates similar to the U.S. Department of Labor and revise the weights of the actuarial methods they use in the model.

In addition, management could improve the model by ensuring that personnel who develop the liability estimate better understand the model, including the assumptions made, the analyses conducted, and the rationale for the methods used. Although we did not find opportunities for economic impact in this audit, we will perform additional work to address potential cost savings.

Financial Audits

Following is a summary of the financial audits performed in support of the independent public accounting firm's opinion on the Postal Service's financial statements and internal controls over financial reporting. In addition, we issued three capping reports summarizing our Financial Testing Compliance Quality Assurance, business mail entry units, and postal retail units.

FY 2010 Financial Statements Audit

This report presents the results of our audit of the selected financial activities and accounting records at Headquarters and the Information Technology and Accounting Service Centers (IT/ASC) for FY 2010. We noted that the Postal Service's financial accounting policies and procedures provide for an adequate internal control structure and comply with generally accepted accounting principles; accounting transactions impacting the general ledger account balances for assets, liabilities, equity, income, and expenses are fairly stated in accordance with generally accepted accounting principles; general ledger account balances conform with the general classification of accounts of the Postal Service on a basis consistent with that of the previous year; and the Postal Service is in compliance with laws and regulations that have a direct and material effect on the financial statements taken as a whole. For these audits, we did not propose any adjustments, but we did identify various control deficiencies that were not material to the overall financial statements and did not affect the overall adequacy of internal controls. Also, throughout the year, we reviewed internal controls over financial reporting and identified various control deficiencies that we brought to management's attention at the time of discovery to assist them with their responsibility for establishing and maintaining an adequate internal control structure over financial reporting.

FY 2011 Financial Testing Compliance Group

Oversight Reviews. To comply with Sarbanes-Oxley Act requirements, the Postal Service must report on the effectiveness of the agency's internal controls to ensure accurate financial reporting. It must submit an annual assessment to the Postal Regulatory Commission. The Postal Service established the financial testing compliance group to conduct tests of key financial reporting controls. We conducted oversight reviews, at the request of the independent public accountants, to assist the Postal Service in determining whether they can rely on the results



Postage sold to customers, but not yet used for mailing purposes, creates a liability for the Postal Service. At the end of FY 2009, that estimated liability was \$2.4 billion. The popularity of Forever Stamps has driven changes in the purchase and usage of stamps, necessitating a review of the model used to calculate this estimated liability.

from their field-level internal control testing. During this reporting period, we issued 42 management advisories on business mail entry units (BMEU), detached mail units, postal retail units, plant verified drop shipments, Business Reply Mail, Voyager, and SmartPay® that concluded on whether analysts properly conducted and documented their examinations of key financial reporting controls.

FY 2010 Financial Installation Audits

FY 2010 Financial Testing and Compliance. This report presents the results of our review of the quality of financial testing compliance work at business mail entry units, postal retail units, and mail processing centers. We found that the compliance group had insufficient supporting documentation and did not always report all exceptions they identified during their reviews, causing their results to sometimes be inconsistent with our results. We also noted other working paper documentation issues, such as the compliance team not providing all sampling methodology documentation; however, this did not affect our ability to determine whether the results were consistent. Most of the issues we identified were in reviews the compliance group conducted early in their testing schedule. Given that the group was recently formed and analysts had a learning curve for their new jobs and review programs, we expected these results. Throughout the year, we communicated these issues to management. In later reviews, we found

that there were fewer issues and improved financial testing compliance reviews.

Business Mail Entry Units

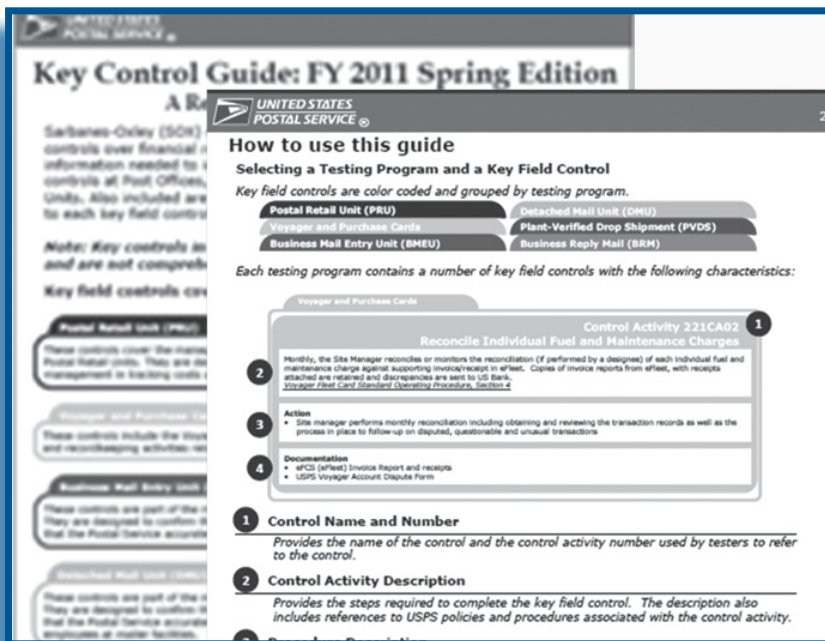
The purpose of this audit was to determine whether the Postal Service complied with key financial reporting controls for business mail acceptance and verification processes and procedures at selected business mail entry units. The Postal Service requires mailers to prepare all mailings properly, take them to an approved BMEU, and pay postage for the mail before it enters the mailstream. Presorting mail (properly addressing mail and placing it in specific ZIP Code order) is a worksharing incentive that offers discounted postage rates to customers for performing work associated with mail processing. Unless employees properly prepare business mailings for the discounts claimed, the Postal Service incurs increased processing costs.

Our audits showed that the Postal Service did not comply with key financial reporting controls for business mail acceptance and verification processes and procedures. We noted that throughout the year the Postal Service implemented various actions in a concerted effort to improve compliance. As a result, the Postal Service's level of compliance with these key controls increased toward the end of the fiscal year, helping to ensure that customers were appropriately charged and revenues were recognized. Our test results in the last portion of the year were consistent with those that the Postal Service's financial testing compliance group reported for its testing of the same controls during the last two quarters of FY 2010. However, given the high level of non-compliance we found throughout the year, plus the fact that other audit reports indicated similar business mail acceptance and verification process. Work should be done to ensure all revenue is appropriately recognized.

Although the report did not contain any recommendations, we will continue to test and monitor business mailings and business mail acceptance and verification processes and procedures. Management did not specifically agree or disagree with the report's conclusions; however, they stated that in general, business mail acceptance has made significant progress in identifying, documenting, and training on key controls for the acceptance and verification of business mailing in FY 2010.

Post Offices, Stations, and Branches

We audited postal retail units to determine whether they complied with nine key financial reporting controls related to accountability examinations, master trust accounts, employee items, financial differences, unit closeout procedures, payroll, Voyager payments, SmartPay



The Postal Service created the Key Control Guide (FY 2011 Spring Edition) as a resource for field units. This 11-page guide provides the information needed to identify and perform regularly-encountered key field controls in place at post offices, business mail entry units, and plants.

payments, and contract postal unit oversight. This report presents the results of our financial installation audits of 105 post offices, stations, and branches for FY 2010. Based on the items we reviewed, Postal Service retail units overall did not comply with all nine key financial reporting controls. Additionally, we reported \$362,750 in monetary and \$62,378 in other impact in our individual financial installation audit reports.

Information Technology Contract Payment Oversight

The purpose of this audit was to evaluate the adequacy of oversight for information technology contract payments. Specifically, we wanted to determine whether contracting officers issued letters to contracting officer's representatives detailing their responsibilities and limitations, and whether invoices were properly certified. Supply Management's Information Technology Category Management Center is responsible for creating and maintaining contracts for retail, hardware, and software systems.

Our audit concluded that the contracting officers did not always appoint representatives; thus, personnel without letters of designation and specific contract knowledge were certifying invoices. Based on our sample results, we statistically project that there were more than \$192 million in improperly certified invoices. Specifically, we reviewed 255 statistically sampled IT retail and hardware invoices valued at nearly \$50 million for FYs 2008 and 2009 and found that 86 percent were not properly certified. Additionally, personnel did not perform a reconciliation of invoices to receiving documents before certifying invoices in almost all cases.

Management disagreed with the extrapolation of monetary impact. They stated that lack of a representative designation did not result in improper invoice certification. Also, they stated that their policy does not require that a representative be assigned to every contract and, in many cases, an office could be designated to certify invoices. Management also disagreed with our classification of the monetary impact.

Overtime Usage

We reviewed the Postal Service's overtime usage in FY 2010 and found that it paid \$2.9 billion in overtime compared to \$2.4 billion in FY 2009, representing an increase of 17.2 percent. We also found that management did not effectively plan for overtime usage as it exceeded its planned overtime hours by 67.8 percent in FY 2010. According to management, this increase in overtime usage was due to a reduction in personnel, mail rerouting, and



The OIG audits postal retail units — post offices, stations and branches — to determine whether they comply with nine key financial reporting controls.

equipment deployment delays and updates. Additionally, although overtime usage increased, overall workhours were reduced by 77.3 million.

Travel and Other Expenses

We assessed whether Postal Service employees adhered to travel policies related to lodging and airfare, and whether there are opportunities for cost savings in those areas. The audit disclosed that Postal Service employees on occasion did not comply with prescribed travel policies resulting in excessive travel costs for lodging and airfare in FY 2009 and FY 2010. We estimate that the Postal Service could realize more than \$1.2 million in savings over the next 2 years if it takes action to curtail employee non-compliance with travel policies.

Additionally, we assessed whether the travel and miscellaneous expenses of the Board of Governors — including external professional fees — were properly supported, reasonable, and in compliance with Postal Service policies and procedures and board policies. Further, we assessed whether travel and representation expenses claimed by Postal Service officers were properly supported and complied with policies and procedures. We found that these expenses for the Board of Governors and the Postal Service officers were properly supported, reasonable, and in compliance with the Postal Service and board policies.



**OFFICE OF
INVESTIGATIONS**

OFFICE OF INVESTIGATIONS

To protect the mail and to ensure the integrity of postal processes, finances, and personnel, the Postal Service relies on the investigative efforts of the Office of Investigations' (OI) special agents. These special agents are stationed in offices nationwide. Their charge is to investigate allegations of internal crimes and frauds committed by postal employees and contractors against the Postal Service and employee misconduct. Following is work conducted by the OI during this reporting period that contributed to safeguarding the Postal Service's revenue and assets and helped deter postal crimes, ultimately helping to maintain a stable and sound Postal Service.

FINANCIAL CRIMES

A large portion of the \$67 billion in revenue generated by the Postal Service last year 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.

Embezzlements

Special agents employ various investigative techniques to uncover embezzlements by postal employees who steal money from cash drawers, use sophisticated schemes to manipulate postal money orders or money order funds, or falsify financial retail records. Employees found responsible for missing postal funds are reported to management for appropriate administrative action. In cases that warrant criminal prosecution, offenders face the loss of their jobs, jail time, and court-ordered restitution. The following are examples of embezzlement cases we investigated during this reporting period.

- In December, a former Maryland postmaster was sentenced in federal court to 9 months incarceration, followed by 3 years of supervised release, the first 6 months of which was ordered to be served in home detention with electronic monitoring. The former postmaster was further ordered to pay a \$3,000 fine and nearly \$60,000 in restitution to the Postal Service. In 2009, the postmaster reported an armed robbery at the station when he was the only person at the station and the counter line was closed for lunch. Agents became suspicious after finding out an audit of the office disclosed irregularities in the office accountabilities. A green metal box, similar to the one described as stolen, was recovered from the trunk of the postmaster's car. Our investigation found that the postmaster had devised a plan to stage an armed robbery to cover his embezzlement of postal funds. In August 2010, the postmaster resigned his position and pled guilty to the felony theft of government property.
- A former lead sales and service associate pled guilty in December in federal court in New Mexico to one felony count of the theft of government property. As part of the plea agreement, the former employee agreed to pay restitution totaling more than \$97,000 to the Postal Service. Our investigation showed that the associate had embezzled postal funds by submitting false postal reports and falsely entering amounts in the computer terminal to indicate she had issued refunds for postage, services not rendered, postage applied to Business Reply Mail, and unused metered postage. Sentencing is pending.
- An Illinois former associate was sentenced in federal court in January to a year of home detention, with electronic monitoring for the first 5 months, followed by 2 years' probation, 200 hours of community service, and was ordered to pay more than \$34,000 in restitution to the Postal Service. Our investigation disclosed that the associate had employed three schemes to falsely create cash overages in her cash drawer, which she would embezzle at the end of the day. Part of the scheme was to void money orders that had been legitimately issued to customers that were later cashed. Following our investigation, the associate resigned from her position with the Postal Service and pled guilty in federal court to the misappropriation of postal funds.
- In November, a Missouri postmaster was sentenced to 3 years probation and ordered to pay restitution of more than \$14,000 to the Postal Service. The postmaster had previously repaid \$26,000 of the total embezzlement amount of \$40,000. The postmaster retired while under investigation and pled guilty to a felony charge in federal court. The OIG investigation disclosed that the postmaster had issued money orders for personal use, including rent, groceries, and cash. The postmaster paid for the money orders by offsetting a customer's permit account. An audit of the postmaster's accountabilities revealed significant shortages, and the postmaster admitted diverting bulk mail funds to cover a shortage in the vending accountability.



Special agents investigated 35 cases of Voyager credit card fraud this reporting period, resulting in 7 arrests and 16 administrative actions.

- A New York associate was sentenced in December to 3 years supervised release and ordered to pay more than \$74,000 in restitution to the Postal Service. The associate had previously pled guilty in federal court after an OIG investigation disclosed that the associate was using a number of deceptive techniques to falsely cause an overage in his cash drawer. The associate was intentionally failing to properly report post office box rentals, cashing checks intended for customer trust accounts, falsely reporting that he had issued refunds to customers, and issuing money orders for personal use, primarily to pay for living expenses. OIG agents filed a complaint in federal court and an arrest warrant was issued. The associate voluntarily surrendered to authorities. The associate resigned from his position with the Postal Service.
- In March, a Louisiana associate was sentenced to 5 years probation and ordered to pay more than \$114,000 in restitution to the Postal Service. In December, the associate had pled guilty in federal court to a felony count of misappropriation of postal funds. As part of the plea agreement, the associate agreed to pay restitution. Prior to sentencing, she repaid approximately \$109,000 of the amount due. The OIG investigation revealed the associate had been cashing business checks through her cash drawer. The checks were submitted for payment of bulk mailings, which the associate accepted, but did not properly account for payment and instead embezzled the money. During an interview, the associate admitted she used money to gamble during her lunch hour. At the conclusion of the interview, the associate resigned from her position with the Postal Service.

Voyager Credit Card

Through a partnership with U.S. Bank and Voyager Fleet, the Postal Service issues one credit card per vehicle for refueling, routine maintenance, and vehicle washing and polishing. Postal employees and contractors are investigated for alleged disclosure of personal identification numbers (PIN) to non-postal entities, using the Voyager card for personal use, exceeding the daily purchase limit without proper authorization, or transferring purchasing authority to a non-postal entity. Special agents investigated 35 cases of alleged Voyager credit card fraud in this reporting period, resulting in seven arrests and 16 administrative actions. The following are examples of two such cases.

- In March, a highway contract route truck driver formerly employed by a New Jersey trucking company pled guilty in federal court to theft of government property. The contract driver admitted to stealing more than \$300,000 from the Postal Service through the unauthorized use of Voyager fuel cards given to the company in connection with a contract to haul U.S. Mail. As part of the investigation, the truck driver admitted that from November 2005 to October 2008, he used the cards to make numerous unauthorized purchases of fuel for his personal use, including for a towing business and to sell to others at a discounted price. He used a number of cards – issued to trucks he drove and to trucks operated by other drivers – and visited multiple gas stations, often near his home. As part of the scheme, the driver installed a large rubber bladder in his personal truck that held approximately 100 gallons of fuel. As part of the plea agreement, the driver agreed to pay more than \$335,000 in restitution to the Postal Service. Sentencing is pending.
- A New York highway contract owner/driver pled guilty in January to a felony charge of theft of public money. As part of the negotiated settlement with the U.S. Attorney's Office, the owner's two sons signed pre-trial diversion agreements. All of the defendants have agreed to pay restitution. In addition, in February, a gas station owner pled guilty after he was charged with the theft of public money in conjunction with this scheme to defraud the Postal Service. The OIG investigation revealed that the Postal Service lost more than \$80,000 and that the gas station owner was manually entering the gas charges the owner and his sons were fraudulently charging on the Voyager card. Surveillance in the case showed that a transport truck was used to purchase unleaded fuel that was then transported 80 miles to a large gas tank located at a mountain resort owned by the owner. They resold the gas to seasonal snowmobilers in a mountainous area of New York. In exchange for his participation in the scheme, the gas station owner was allowed to up-charge the fuel as though diesel fuel had

been purchased. To a lesser extent, the owner's sons had charged gas used for personal use on the Voyager card. Based on the OIG investigation, in April 2010, federal arrest warrants were issued and agents arrested all four defendants. Sentencing for the owner is pending.

Tort Claims

The Postal Service established the Tort Claims Program to monitor and resolve claims filed against the Postal Service by customers seeking compensation for injuries or losses incurred while using postal facilities. According to an agreement with the Postal Service's Law Department, special agents investigate tort claim cases involving suspected fraud and cases for which the U.S. Attorney's Office has requested an investigation. The following are examples of two such cases.

- The U.S. Attorney's Office requested the OIG's investigative assistance regarding a civil suit brought against the Postal Service by a former California letter carrier. The carrier filed a civil tort claim in 2007 against the Postal Service alleging, among other things, discrimination on the basis of age and physical disability, which caused extreme emotional distress. The employee also left her window clerk position and applied for disability retirement. In 2004, the former carrier had reported occupational injuries related to her back, neck, and shoulders. For the next 3 years, the Postal Service attempted to accommodate her physical restrictions by offering her non-carrier duty job assignments, as well as extensive training to become a window clerk. Our investigation determined the former employee was able to twist, turn, bend, stoop, walk, push and pull heavy objects, and was otherwise leading a normal life. The OIG provided surveillance video and a report to the U.S. Attorney's Office. In November, the case was settled at an amount substantially less than the original law suit. The U.S. Attorney's Office stated the investigative assistance by the OIG had resulted in a savings of at least \$650,000 in the settlement amount.
- A Wisconsin rural letter carrier was involved in a vehicle accident in 2007 while delivering mail in her privately owned vehicle. The carrier was deemed to have been at fault and the couple in the other vehicle filed a claim for damages. Negotiations in the matter were unsuccessful and the couple filed a civil tort claim in federal court. The U.S. Attorney's Office requested investigative assistance by the OIG in the matter. The Postal Service agreed to pay for the vehicle damages and medical attention, but the plaintiffs had additionally claimed a loss of wages because they were unable to work. The OIG investigation revealed the couple owned a pizza restaurant and appeared to be working and otherwise leading normal

lives. The cost savings to the Postal Service are estimated at \$450,000.

WORKERS' COMPENSATION FRAUD

The monetary and medical benefits paid by the Postal Service to workers' compensation claimants (employees who sustained job-related injuries) in FY 2010 totaled more than \$1 billion and its estimated total liability for future workers' compensation costs is more than \$12.5 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 more than \$86 million in cost savings or avoidances, 17 arrests, and 73 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



A Florida rural carrier associate, who was receiving workers' compensation benefits since 2004 due to a job-related injury to her neck and back, was found to be repeatedly exceeding her medical restrictions. Scuba diving was one of the activities that resulted in a jury convicting her of workers' compensation fraud.

WORKERS' COMPENSATION FRAUD

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.

- After a 2-day jury trial in January, a Florida rural carrier associate was found guilty on one count of false statement or fraud to obtain federal employees' compensation. The carrier alleged partial disability from a work-related neck and back injury in 2004, and had received approximately \$297,000 in workers' compensation payments. Video surveillance conducted by our agents showed the carrier repeatedly exceeding her medical restrictions. We watched the carrier scuba diving; lifting and carrying heavy dive equipment and other objects; climbing up and down steep rocky steps; shopping for extended periods of time; and sliding down a two-story water slide. The DOL terminated the carrier's compensation benefits, resulting in a cost avoidance of about \$409,000 for the Postal Service. The rural carrier associate was sentenced to 3 years' probation, ordered to make restitution of \$9,538 to the Postal Service and fined \$1,000. Administrative action by the Postal Service is pending.
- In January, a special agent's investigation of an Ohio motor vehicle services driver led to a 5-month federal



An Ohio motor vehicle services driver, who was allegedly totally disabled from an on-the-job injury, was able to provide snow removal and lawn care services – until OIG agents caught up with him. Convicted in federal court, the driver was sentenced to 5 months in prison and ordered to pay \$116,000 in restitution.

prison sentence, 3 years' probation, and obligation to pay more than \$116,000 in restitution. The driver pled guilty to one count of false statement or fraud to obtain federal employees' compensation. The driver had alleged total disability from a work-related back injury and received in excess of \$116,000 in workers' compensation payments. Investigation determined the driver was self-employed providing snow removal and lawn care services to a number of customers, and failed to report the income received from those activities to the DOL. Our agents also found the driver was working for another company in which he operated a tow motor and provided welding services. The DOL removed the driver from the periodic roll, realizing a savings of more than \$600,000 for the Postal Service. The driver retired from the Postal Service.

- A rural letter carrier pled guilty in November in federal court to false statement or fraud to obtain federal workers' compensation benefits. The carrier alleged total disability as a result of a work related injury to her right elbow. Our investigation determined that the carrier was the owner and operator of a martial arts studio and failed to report the activity to the DOL. Surveillance conducted by our agents showed the carrier driving to the martial arts studio on a routine basis and conducting numerous administrative duties. The DOL terminated the carrier's benefits, realizing a savings of more than \$1 million for the Postal Service. The carrier retired from the Postal Service. In March 2011, the carrier was sentenced to pay restitution of \$12,066.
- After a 2-week jury trial in February, a New York mail handler was found guilty on two felony counts of false statement or fraud to obtain federal employees' compensation and one felony count of false statements. The mail handler had alleged total disability as a result of a work-related injury to her right wrist, right shoulder and upper arm. Our investigation revealed the mail handler was performing activities that were inconsistent with the capabilities she communicated to her physician, the DOL, and the Postal Service. Video surveillance conducted by special agents showed the mail handler shopping on numerous occasions, carrying and lifting objects, reaching, pushing a fully loaded cart, and driving on a regular basis. Investigation further determined the mail handler received monthly food stamp payments and failed to disclose her receipt of compensation payments or her employment with the Postal Service on all U.S. Department of Agriculture food stamp application forms. As a result of our investigation, the DOL removed the mail handler from the periodic roll, realizing a cost saving of more than \$1.5 million for the Postal Service. The mail handler retired from the Postal Service. Sentencing is scheduled for May 2011.

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.

- The Postal Service was awarded \$42.5 million in criminal fine proceeds in February 2011 attributable to the OIG's participation in a *qui tam*¹ case against a pharmaceutical company that promoted the sale of a specific prescription drug for conditions not approved by the Food and Drug Administration (FDA). The *qui tam* complaint filed against the pharmaceutical company was investigated jointly with the Department of Health and Human Services OIG, and the FDA Office of Criminal Investigations. The investigation determined that between July 2000 and December 2001, the pharmaceutical company profited from the misbranding and off-label promotion of the drug. By affirmatively promoting the drug for unapproved uses, the company caused the drug to be distributed in interstate commerce without adequate directions for its use. In November, the company pled guilty in a Pennsylvania federal court to distributing a misbranded drug. The company agreed to pay \$422.5 million in criminal and civil fines, which includes a criminal fine and forfeiture of \$185 million and \$237.5 million to resolve civil liabilities. The \$42.5 million awarded to the Postal Service represents 25 percent of the court ordered criminal fine of \$170 million. The asset forfeiture amount payable to the Postal Service has yet to be determined.

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.

- A San Francisco letter carrier pled guilty in January to one count of obstruction of mail. Agents observed the letter carrier during a surveillance operation as she stole First-Class Mail containing Netflix DVDs. During an interview with agents, the letter carrier said she began stealing from the mail approximately 10 years ago, starting with magazines and later gift cards, parcels, Netflix DVDs and other items she found interesting.

WORKERS' COMPENSATION FRAUD INVESTIGATIVE RESULTS

October 1, 2010 — March 31, 2011

- 277 fraud investigations resolved
- \$86 million in compensation payments avoided
- 17 arrests
- 21 indictments
- 18 convictions
- 73 personnel actions taken by management

Agents executed a federal search warrant at her residence and seized 60 tubs of mail, including more than 3,000 pieces of First-Class Mail. The letter carrier was arrested in December 2010. She was sentenced to 6 months of home confinement, 3 years of probation and was ordered to pay \$20,000 in restitution to Netflix, and a \$15,000 fine to the Postal Service. The letter carrier retired from the Postal Service in May 2010.

- An Arkansas contract employee pled guilty in February to one count of theft of mail. The contract employee was indicted and arrested in August 2010 after confessing to stealing a \$10,000 postal deposit. After initially telling agents that she never saw the remittance, the contract employee failed to report to work after being interviewed. During an additional interview with agents, the contract employee admitted to staging a burglary at the post office and stealing the \$10,000 to support her family. After pleading guilty in February, she was sentenced to 5 years probation and ordered to pay \$10,000 in restitution. Her employment was terminated in February 2010.
- In February, a North Carolina highway contract carrier was sentenced to 5 months in prison and 3 years of probation after pleading guilty to one count of theft of mail. During an interview with agents, the highway contract carrier confessed to stealing Netflix and Blockbuster DVDs, rifling First-Class Mail, and delaying First-Class Mail, Periodicals, and Standard Mail by storing the mail in the trunk of her vehicle. Agents conducted surveillance on the highway contract carrier and determined she had not delivered at least three Netflix DVDs. Agents stopped the highway contract carrier after she departed the post office. During a consensual search of her personal vehicle, agents recovered five Netflix movies, four parcels, and 2,175 pieces of deliverable mail. The majority of the mail was hidden in the trunk of the vehicle inside diaper bags underneath diapers, inside the sleeve of a jacket, and inside of the area where the spare tire is stored. The carrier admitted to agents the mail had been in her vehicle for approximately 3 weeks. She also stated she had approximately 25-50 Netflix movies at her

¹A legal action under a statute such as the False Claims Act, allowing private parties to sue for a penalty on behalf of the government.

DELAY, DESTRUCTION, AND THEFT OF MAIL BY EMPLOYEES

residence. The carrier stated she delayed the mail because she felt overwhelmed by her route. She was indicted and arrested for theft of mail in July and pled guilty in September 2010. The highway contract carrier's contract with the Postal Service was terminated in January 2010.

- A Kentucky contract letter carrier pled guilty to one count of obstruction of correspondence in February 2011. The investigation determined that the carrier obstructed the delivery of more than 3,000 pieces of First-Class Mail, Periodicals, and Standard Mail that she kept inside her vehicle. Approximately 348 pieces of First-Class Mail were rifled, including one prescription drug parcel. The undelivered mail dated back to September 2009. After conducting surveillance of the contract carrier and approaching her vehicle, agents observed undelivered Standard Mail and Periodicals along with ripped open First-Class letters in the vehicle. Mail was recovered from the door pockets, sun visor, rear seat area, and the rear cargo area of the vehicle. The contract carrier admitted to opening mail for gift cards and cash to support her drug addiction. She was indicted and arrested in November and her contract was terminated by the Postal Service. Sentencing is pending.

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.

- In December 2010, an Oklahoma temporary employee carrier pled guilty to one count of delay/destruction of mail. A postal supervisor notified agents that more than 500 pieces of First-Class Mail, Periodicals, and Standard Mail were found in a trash dumpster at an apartment complex in Oklahoma City, OK. The carrier admitted to

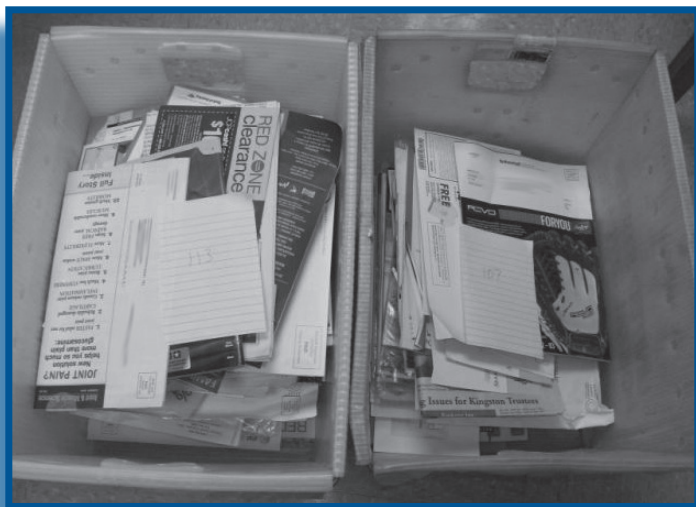
throwing the mail away because he was unable to “get it delivered.” The carrier was indicted by a federal grand jury and arrested in October. He was sentenced to 2 months probation and ordered to pay a fine of \$100. The carrier resigned from the Postal Service.

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 52 contract fraud investigations, resulting in 6 arrests and more than \$13 million in monetary benefits to the Postal Service.

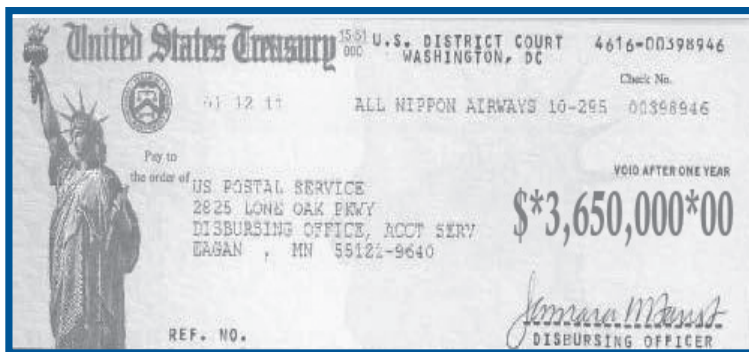
- A Postal Service contract air cargo carrier pled guilty in U.S. District Court, in Washington, DC, in December 2010 to two counts of price fixing to restrain trade. The carrier was ordered to pay a \$73 million criminal fine, of which 5 percent, \$3,650,000, was paid directly to the Postal Service. In November 2010, pursuant to plea agreements, two separate air cargo carriers were sentenced for their role in the conspiracy and ordered to pay a \$17.4 million and a \$40 million criminal fine respectively, to the U.S. Government. In addition, in February 2011, an additional air cargo carrier pled guilty and was ordered to pay a \$48 million criminal fine to the U.S. Government for its role in the conspiracy. The recoveries and guilty pleas that occurred in this reporting period resulted from a joint, ongoing investigation coordinated by the U.S. Department of Justice's Antitrust Division and numerous federal law enforcement agencies into conspiracy to commit price fixing in the air transportation industry. The conspiracy was carried out, in part, through meetings, conversations, and communications whereby the parties agreed on certain components of cargo rates for shipments on certain routes to/from the United States.
- In November 2010, the Postal Service realized a recovery of more than \$743,000, inclusive of OIG investigative costs, as a result of an investigation into an Ohio company awarded a contract to provide call center services to the Postal Service. The OIG's investigation determined that the company had been improperly billing the Postal Service for approximately 6 years under the contract, which was originally awarded in 2003. According to the terms of the contract, when the Postal Service requested any modifications to the existing call



Postal employees or contractors who delay, throw away or destroy mail are subject to criminal prosecution or administrative action. An Oklahoma employee was convicted of throwing away mail. He is no longer employed by the Postal Service.

service contract, the company had to provide the Postal Service a rough estimate. The contract also required that the company's estimate be within +/-10 percent of the actual cost to complete the modifications. At the completion of the modifications, the Postal Service paid the company's charges after comparing their estimates to their actual costs. However, the OIG found that the company overstated its estimates and failed to provide the Postal Service its actual costs. As a result, the Postal Service overpaid the company \$575,000. The company agreed to pay the Postal Service an additional \$168,000 for the cost of the investigation.

- A Postal Service highway contract route contractor pled guilty in January in federal court to two counts of violations of false or fraudulent claims associated with a contract to transport mail. The investigation determined that in July 2004 and March 2006, the contractor made claims to the Postal Service for funds to pay prevailing wage rates and fringe benefits to her employee, and for a workers' compensation insurance policy. However, the funds were not used for these purposes, as the contractor failed to pay the proper wage and did not have an active workers' compensation insurance policy since September 2005. The contract had been previously terminated by the Postal Service based on the OIG's investigative findings. Sentencing of the contractor is pending.
- A Utah man and his son-in-law, along with their respective companies (which were highway contract route contractors) were debarred by the Postal Service for a period of 3 years in an October 2010 decision. The



The Postal Service contracts with both domestic and international air carriers to transport mail as cargo. A price-fixing scheme by air cargo carriers resulted in the Postal Service paying excessive cargo shipping rates. A joint investigative effort spearheaded by the Department of Justice that started in 2008 and includes the Postal Service OIG has resulted in several airline companies and their executives pleading guilty for their role in fixing prices in the air cargo transportation industry. This check represents part of the \$11.95 million in fines paid to the Postal Service.

OIG's investigation determined that during certain prior holiday seasons, the highway contract route contractors submitted \$32,703 in false supplemental claims to the Postal Service for alleged inaccurate increases in operating expenses. The debarment followed the OIG's criminal investigation, which resulted in one contractor pleading guilty to a felony count of theft of government money, while the other pled guilty to a misdemeanor count of theft of government money. Both parties, as part of their plea, agreed to pay restitution of \$32,703 to

Major Fraud Investigations Division

The OIG established the Major Fraud Investigations Division (MFID) in April 2009 to promote integrity and accountability related to allegations of major fraud that impacts the Postal Service. MFID is responsible for investigating all allegations of fraud within the Postal Service's programs and operations with a contract award price (individual or aggregate) or billings of \$500,000 or more with a special emphasis on allegations that become national or multi-jurisdictional in nature.

The Postal Service expends \$12 billion per year on goods and services and maintains an overall procurement portfolio of close to \$42 billion. About \$600 million in Postal Service funds are potentially lost to fraud each year, based on the Certified Fraud Examiners Association's professionally recognized average of 5 percent of procurement dollars susceptible to fraudulent activity.

During its first 2 years, MFID investigations produced nearly \$61 million of monetary benefits to the Postal Service, 51 prosecutive actions (indictments, informations, and complaints), and 27 suspensions and debarments. During this semiannual report period, MFID investigations resulted in more than \$9 million in monetary benefits to the Postal Service, 17 prosecutive actions, three arrests, and 14 suspensions and debarments.

Current MFID investigations cover a wide range of issues, including contract mischarging, health care provider fraud, and bribery. In one anti-trust investigation, MFID uncovered that dozens of air cargo carriers engaged in a price fixing conspiracy.

the Postal Service that had not yet been paid but were identified by our investigation.

- In November 2010, an Ohio Postal Service highway contract route contractor was sentenced in state court to 3 years' probation and ordered to pay more than \$5,500 in restitution to the Postal Service. The contractor had previously pled guilty to one felony count of theft for failing to obtain a workers' compensation policy associated with a highway contract route contract during the period 2005 through 2010. The contractor, who has two employees on his contract, was required by the state of Ohio to have workers' compensation insurance. The contractor submitted information to the Postal Service declaring that his workers' compensation insurance policy was current. As a result of that claim, the Postal Service reimbursed the contractor for the cost of the policy. A subsequent OIG investigation found that the contractor did not maintain a current workers' compensation policy and that contractor falsely reported he had coverage.
- An OIG investigation conducted in New York uncovered a phantom cleaning business, set up by a customer service manager, used to engage in a scheme to fraudulently bill the Postal Service for cleaning services not rendered. The manager also stole third-party checks to conceal additional thefts of Postal Service funds. In total, between the two schemes from August 2006 through July 2009, the manager embezzled about \$184,000. In November 2010, the now former employee pled guilty in federal court to an indictment charging a violation of misappropriation of postal funds. Sentencing is pending.

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 46 cases of employees selling, possessing, or using illegal drugs on duty; made 28 arrests; and the Postal Service took 30 administrative personnel actions. Following are examples of cases the OIG investigated involving employee misconduct.

- In December, prosecution for a city carrier in New York state was deferred for 3 months pending good behavior and satisfactory compliance of the terms of the deferment. The carrier had been indicted in February 2010 for obstruction of correspondence. In June 2010, a non-Postal Service co-conspirator pled guilty to possession with intent to distribute a controlled substance. This investigation, conducted jointly with the Postal Inspection Service, identified more than 130 parcels originating on the West Coast that had been scanned "Delivered" or "Notice Left" by the carrier since September 2009. The parcels were mailed to high-rise apartment buildings and were addressed to fictitious apartment numbers. The gross weight of these

Contract Fraud Risk Alert Issued to Postal Service

In July 2010, we forwarded a Risk Alert to the Postal Service detailing the issue of highway contract route (HCR) contractors not maintaining workers' compensation insurance, in violation of contract terms and conditions and certain state laws. In addition to highlighting the issue, the Risk Alert provided specific actions that can be implemented by the Postal Service to protect its interests, including:

- Require HCR contractors to submit proof of workers' compensation insurance at the time of contract award and certify continuous coverage annually thereafter.
- Fully document the cost elements included in the establishment of HCR rates in the price negotiation memorandum. Key elements that are essential to contract performance, such as the maintenance of workers' compensation insurance, should be in the price negotiation memorandum.
- Remove any language from the worksheets or other contract documents or policies that contradicts the false statement certification on the face of the worksheets.
- Require HCR contractors to sign and certify all cost statements.
- Require HCR contractors to present payment invoices to the Postal Service prior to receiving contract payments.

parcels exceeded 2,000 pounds. The carrier received \$20 per delivered parcel. As the carrier's parcel post responsibilities do not include this class of mail, he was unauthorized to take custody of and deliver these parcels. The co-conspirator retrieved several of these parcels, which contained 14 pounds of illegal narcotics. In October, the non-Postal Service co-conspirator was sentenced to 12 months and one day incarceration followed by 3 years supervised released and \$100 special assessment. The carrier was removed from the Postal Service.

- A city letter carrier in New York state pled guilty in October to bribery of a public official. This investigation, conducted jointly with the Postal Inspection Service, revealed that the carrier facilitated the delivery of narcotic-laden parcels on behalf of local drug traffickers. The carrier also alerted local traffickers of law enforcement interest in suspect parcels. The carrier and his two Postal Service co-conspirators assisted the trafficking operations by providing "no such number" mailing addresses from their routes to which the parcels were delivered. During one exchange, the carrier received \$2,400 cash for providing addresses and delivering these parcels. One of the co-conspirators was paid \$100 to \$300 per parcel and given marijuana for providing addresses. The carrier and the two co-conspirators were removed from the Postal Service. Sentencing of the city letter carrier is set for June 3. The two Postal Service alleged co-conspirators have not been prosecuted.
- A Louisiana mail processing clerk pled guilty to possession of marijuana in February. Our investigation revealed that the clerk would leave a marijuana joint on the concrete either at a local bank or car wash on a nearby street and would go to that area on his lunch break, get the marijuana, and smoke it prior to returning to work to finish his shift. The clerk was sentenced to 6 months in jail; however, the jail term was suspended and replaced with supervised probation for 1 year. The clerk was also ordered to pay a \$200 fine and court costs, remain arrest- and conviction-free for the period of probation and to meet other conditions. The Postal Service suspended the clerk for 14 days.
- An Arkansas sales and service distribution clerk pled guilty to four counts of possession of a controlled substance with intent to distribute. As part of this investigation, conducted jointly with Arkansas state and local officials, the clerk sold 45 Hydrocodone tablets to an undercover officer during one of three transactions between the clerk and the undercover officer. The clerk sold the prescription narcotics while in uniform and on one occasion used her cellular phone to arrange at least one of the illegal transactions while on duty and on postal property. The clerk was sentenced to 3 years

supervised probation, a \$500 fine, and court costs. The clerk was removed from the Postal Service.

- A city letter carrier in New York state was sentenced in March to 2 years in prison plus 2 years post release supervision for criminal sale of a controlled substance and conspiracy. This investigation, conducted jointly with the Postal Inspection Service and state and local police officials of New York, revealed that in July, while under surveillance, the carrier delivered a parcel that contained approximately 2 kilograms of cocaine to his non-postal co-conspirator. During the course of a New York Police Department (NYPD) narcotics operation, investigators learned of a narcotics conversation between the carrier and a non-postal co-conspirator. The carrier and the co-conspirator were discussing the carrier's upcoming work schedule and a suspected shipment of narcotics. While in uniform and operating a postal vehicle, the carrier met with the co-conspirator and delivered a large Express Mail parcel. The co-conspirator received the parcel from the clerk, placed it inside of the cab, and left the scene in the same cab. NYPD recovered the parcel from the cab and executed a search warrant of the parcel. The parcel contained approximately 2 kilograms of cocaine with an estimated street value of \$250,000. The co-conspirator promised the carrier \$1,000 to deliver the parcel. The carrier was removed 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

The Whistleblower Protection Act does not apply to the Postal Service. However, the Postal Service has its own policy governing whistleblower retaliation. The policy prohibits retaliation against an employee who has disclosed information he or she reasonably believes to be:

- 1) a violation of any rule, law or policy, or 2) a gross waste of funds, gross mismanagement, abuse of authority, or a substantial and specific danger to public health or safety.

Allegations received:	108
OIG Investigations initiated:	23
Investigations closed with no finding of retaliation or deferred to other adjudicative body:.....	35
Allegations closed with no action:.....	90
Open investigations:.....	13
OIG found reprisal:	0



APPENDICES

A

B

C

D

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 October 1, 2010 — March 31, 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 reports (MA) in accordance with the identified needs of the project.

Summary

Strategic Goals	Number of Reports	Funds Put to Better Use	Questioned Costs	Unsupported Questioned Costs	Revenue Impact
Improve Service	12	\$896,116,249	\$298,405,248	—	\$1,898,137
Improve Employee Engagement	1	—	—	—	—
Improve Financial Performance	17	\$60,732,720,003	—	—	—
Regulatory Studies and Reporting Obligations	5	—	—	—	—
Preserving Accountability	72	\$600,000	\$267,854,618	\$266,180,194	\$56,622,659
TOTAL	107	\$61,629,436,252	\$566,259,866	\$266,180,194	\$58,520,796

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.

APPENDIX A

Reports with Quantifiable Potential Monetary Benefits

	Funds Put to Better Use	Questioned Costs	Unsupported Questioned Costs	Revenue Impact
IMPROVE SERVICE				
Delivery				
City Delivery Operations Workforce Planning; DR-AR-11-001; 11/22/2010	\$275,161,307	\$275,161,307	—	—
The Effects of the Flats Sequencing System on Delivery Operations – Arizona District; DR-MA-11-001; 3/14/2011	—	\$522,450	—	—
Field Financial				
Express Mail Guarantees; FF-AR-11-004; 12/15/2010	—	—	—	\$1,898,137
Network Optimization				
Benchmarking Mail Distribution to Carriers; EN-MA-11-001; 3/25/2011	\$518,517,299	—	—	—
Network Processing				
Processing Collection Box Flats in the Philadelphia Metropolitan Customer Service District; NO-MA-11-002; 3/1/2011	\$188,170	—	—	—
Sales and Services				
Retail Customer Service Operations Realignment in the Hawkeye District; MS-AR-11-002; 3/30/2011	\$25,824,357	—	—	—
Transportation				
Postal Vehicle Service – Scheduling and Staffing – Connecticut Valley District; NL-AR-11-002; 3/18/2011	\$19,916,848	—	—	—
Postal Vehicle Service Transportation Routes – Suburban Maryland Processing and Distribution Center; NL-AR-11-001; 1/14/2011	\$6,476,403	—	—	—
Surface Mail Classes on Air Transportation Networks; NL-MA-11-001; 12/6/2010	\$50,031,865	\$22,721,491	—	—
IMPROVE FINANCIAL PERFORMANCE				
Delivery				
City Delivery Efficiency Review – Chicago District; DR-AR-11-004; 3/30/2011	\$65,362,706	—	—	—
City Delivery Efficiency Review – New York District; DR-AR-11-002; 1/18/2011	\$93,143,986	—	—	—
City Delivery Efficiency Review – Northern Virginia District; DR-AR-11-003; 1/20/2011	\$32,171,718	—	—	—
Engineering				
Facility Optimization: Capital Metro Area; DA-AR-11-004; 2/25/2011	\$36,312,795	—	—	—
Facility Optimization: Eastern Area; DA-AR-11-002; 2/11/2011	\$190,656,882	—	—	—
Facility Optimization: Southwest Area; DA-AR-11-003; 3/1/2011	\$99,618,007	—	—	—
Facility Optimization: Western Area; DA-AR-11-001; 2/7/2011	\$173,835,881	—	—	—
Financial Reporting				
Substantial Savings Available by Prefunding Pensions and Retirees' Health Care at Benchmarked Levels; FT-MA-11-001; 11/23/2010	\$59,832,372,092	—	—	—
Network Optimization				
Excess Space in Mail Processing Facilities in the Suncoast District; EN-AR-11-001; 11/10/2010	\$19,396,129	—	—	—
Implementation of Lima, OH to Toledo, OH Area Mail Processing Consolidation; EN-AR-11-004; 3/31/2011	\$105,125	—	—	—

	Funds Put to Better Use	Questioned Costs	Unsupported Questioned Costs	Revenue Impact
Network Processing				
Houston, TX Processing and Distribution Center Mail Consolidation; NO-AR-11-004; 12/14/2010	\$189,744,682	—	—	—
PRESERVING ACCOUNTABILITY				
Field Financial				
Bellmawr Main Office Window – Bellmawr, NJ; FF-AR-11-001; 10/22/2010	—	—	—	\$11,528
Blawnox Branch Post Office – Pittsburgh, PA; FF-AR-11-002; 11/17/2010	—	\$620	\$620	\$39,880
Compliance with Travel Policies and Opportunities for Cost Savings; FF-AR-11-007; 2/9/2011	\$600,000	\$610,114	—	—
San Francisco District Risk-Based Post Office Audit; FF-AR-11-003; 12/13/2010	—	\$3,609	\$3,309	\$5,261
White River Junction, VT Post Office; FF-AR-11-008; 3/3/2011	—	\$40,660	\$40,660	—
Financial Reporting				
Fiscal Year 2010 Postal Service Financial Statements Audit – St. Louis Information Technology and Accounting Service Center; FT-AR-11-009; 3/31/2011	—	\$73,443,545	73,443,545	—
Postage in the Hands of the Public Liability Estimate; FT-AR-11-006; 1/6/2011	—	—	—	\$56,565,990
Supply Management				
Incurred Costs of Serco, Incorporated for Fiscal Year 2007; CA-CAR-11-004; 3/14/2011	—	\$197,124	—	—
Information Technology Contract Payment Oversight; CA-AR-11-001; 11/23/2010	—	\$192,692,060	\$192,692,060	—
Lunda Construction Company Payment Request; CA-CAR-11-006; 3/30/2011	—	\$866,886	—	—
TOTAL	\$61,629,436,252	\$566,259,866	\$266,180,194	\$58,520,796

APPENDIX A

Report Listing

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

For the period October 1, 2010 — March 31, 2011

IMPROVE SERVICE

Delivery

City Delivery Operations Workforce Planning; DR-AR-11-001; 11/22/2010

The Effects of the Flats Sequencing System on Delivery Operations – Arizona District; DR-MA-11-001; 3/14/2011

Engineering

Full Service Intelligent Mail Program Customer Satisfaction; DA-MA-11-001(R); 11/23/2010

Field Financial

Express Mail Guarantees; FF-AR-11-004; 12/15/2010

Network Optimization

Benchmarking Mail Distribution to Carriers; EN-MA-11-001; 3/25/2011

Network Processing

Follow-Up Review of Operations and Service in the Philadelphia Customer Service District; NO-MA-11-003; 3/4/2011

Internal Controls Over Powered Industrial Vehicles at the Salt Lake City Processing and Distribution Center and Salt Lake City Auxiliary Service Facility; NO-AR-11-003; 11/19/2010

Processing Collection Box Flats in the Philadelphia Metropolitan Customer Service District; NO-MA-11-002; 3/1/2011

Sales and Services

Retail Customer Service Operations Realignment in the Hawkeye District; MS-AR-11-002; 3/30/2011

Transportation

Postal Vehicle Service – Scheduling and Staffing – Connecticut Valley District; NL-AR-11-002; 3/18/2011

Postal Vehicle Service Transportation Routes – Suburban Maryland Processing and Distribution Center; NL-AR-11-001; 1/14/2011

Surface Mail Classes on Air Transportation Networks; NL-MA-11-001; 12/6/2010

IMPROVE EMPLOYEE ENGAGEMENT

Human Resources and Security

Allegations of Inaccurate Time and Attendance Records; HR-AR-11-001; 3/31/2011

IMPROVE FINANCIAL PERFORMANCE

Delivery

City Delivery Efficiency Review – Chicago District; DR-AR-11-004; 3/30/2011

City Delivery Efficiency Review – New York District; DR-AR-11-002; 1/18/2011

City Delivery Efficiency Review – Northern Virginia District; DR-AR-11-003; 1/20/2011

Engineering

Facility Optimization: Capital Metro Area; DA-AR-11-004; 2/25/2011

Facility Optimization: Eastern Area; DA-AR-11-002; 2/11/2011

Facility Optimization: Southwest Area; DA-AR-11-003; 3/1/2011

Facility Optimization: Western Area; DA-AR-11-001; 2/7/2011

Financial Reporting

Substantial Savings Available by Prefunding Pensions and Retirees' Health Care at Benchmarked Levels; FT-MA-11-001; 11/23/2010

Network Optimization

Excess Space in Mail Processing Facilities in the Suncoast District; EN-AR-11-001; 11/10/2010

Huntington, WV Processing and Distribution Facility Consolidation; EN-AR-11-003; 3/31/2011

Implementation of Lima, OH to Toledo, OH Area Mail Processing Consolidation; EN-AR-11-004; 3/31/2011

Network Distribution Center Activation Impacts; EN-AR-11-002; 3/14/2011

Network Processing

Columbus, GA Customer Service Mail Processing Center Originating Mail Consolidation; NO-AR-11-005; 2/14/2011

Follow-Up on the Assessment of Overall Plant Efficiency 2010; NO-MA-11-001; 2/1/2011

Houston, TX Processing and Distribution Center Mail Consolidation; NO-AR-11-004; 12/14/2010

Marysville, CA Processing and Distribution Facility Consolidation; NO-AR-11-002; 11/23/2010

Wilkes-Barre, PA Processing and Distribution Facility Consolidation; NO-AR-11-001; 10/4/2010

REGULATORY STUDIES AND REPORTING OBLIGATIONS

Cost, Revenue, and Rates

Periodicals Mail Costs; CRR-AR-11-001; 12/7/2010

Information Technology

Fiscal Year 2010 Selected Information Technology General Controls; IT-AR-11-002; 1/12/2011

Information Resource Access; IT-AR-11-003; 2/15/2011

Network Perimeter Firewalls; IT-AR-11-001; 12/6/2010

Sales and Services

Workshare Discounts Exceeding Avoided Costs; MS-AR-11-001; 12/23/2010

PRESERVING ACCOUNTABILITY**Field Financial**

Bellmawr Main Office Window – Bellmawr, NJ; FF-AR-11-001; 10/22/2010

Blawnox Branch Post Office, Pittsburgh, PA; FF-AR-11-002; 11/17/2010

Compliance with Travel Policies and Opportunities for Cost Savings; FF-AR-11-007; 2/9/2011

Fiscal Year 2010 Financial Installation Audit – Business Mail Entry Units; FF-AR-11-006; 1/20/2011

Fiscal Year 2011 Audit of Statistical Tests – Dallas District; FF-MA-11-031; 3/9/2011

San Francisco District Risk-Based Post Office Audit; FF-AR-11-003; 12/13/2010

White River Junction, VT Post Office; FF-AR-11-008; 3/3/2011

Financial Reporting

Audit Opinion on the Postal Service's Special-Purpose Financial Statements; FT-AR-11-001; 11/15/2010

Fiscal Year 2010 Financial Statements Audit – Eagan Information Technology and Accounting Service Center; FT-AR-11-005; 12/30/2010

Fiscal Year 2010 Postal Service Financial Statements Audit St. Louis Information Technology and Accounting Service Center; FT-AR-11-009; 3/31/2011

Fiscal Year 2010 Postal Service Financial Statements Audit – Washington, D.C. Headquarters; FT-AR-11-002; 12/6/2010

Fiscal Year 2010 Quality of Postal Service Financial Testing and Compliance Results; FF-MA-11-001; 1/3/2011

Postage in the Hands of the Public Liability Estimate; FT-AR-11-006; 1/6/2011

Postal Service Board of Governors' Travel and Miscellaneous Expenses for Fiscal Year 2010; FT-AR-11-004; 12/6/2010

Postal Service Officers' Travel and Representation Expenses for Fiscal Year 2010; FT-AR-11-003; 12/6/2010

Testing of Certain Fiscal Year 2010 Sarbanes-Oxley Information Technology Key Infrastructure Controls; FT-AR-11-007; 2/16/2011

Workers' Compensation Liability Estimate; FT-MA-11-002; 12/23/2010

Fiscal Year 2010 Financial Installation Audits

Post Offices, Station, and Branches; FF-AR-11-005; 12/23/2010

Fiscal Year 2011 Financial Testing Compliance

Business Mail Entry Unit Oversight Reviews – Charlotte, NC; FF-MA-11-018; 2/1/2011

Business Mail Entry Unit Oversight Reviews – Denver Business Mail Entry Unit, Denver, CO; FF-MA-11-009; 2/1/2011

Business Reply Mail Oversight Reviews, Hudson Post Office – Hudson, NH; FF-MA-11-016; 2/2/2011

Business Mail Entry Unit Oversight Reviews, North Metro Processing and Distribution SmartPay Purchase Card Programs – Duluth, GA; FF-MA-11-024; 2/25/2011

Business Mail Entry Unit Oversight Reviews – Omaha Business Mail Entry Unit, Omaha, NE; FF-MA-11-022; 2/18/2011

Business Mail Entry Unit Oversight Reviews – Pittsburgh, PA; FF-MA-11-012; 1/27/2011

Business Mail Entry Unit Oversight Reviews – Raleigh, NC; FF-MA-11-017; 2/1/2011

Business Mail Entry Unit Oversight Reviews, Reading Business Mail Entry Unit, Reading – PA; FF-MA-11-021; 2/7/2011

Business Mail Entry Unit Oversight Reviews – Richmond, VA; FF-MA-11-015; 2/1/2011

Business Reply Mail Oversight Reviews, Smyrna Post Office – Smyrna, TN; FF-MA-11-008; 1/25/2011

Detached Mail Unit Oversight Reviews – American Express Detached Mail Unit, Weston, FL; FF-MA-11-042; 3/21/2011

Detached Mail Unit Oversight Reviews – PSI Detached Mail Unit, Compton, CA; FF-MA-11-039; 3/18/2011

Oversight Reviews – Atlanta Business Mail Entry Unit, Atlanta, GA; FF-MA-11-013; 2/9/2011

Oversight Reviews, Austin Business Mail Entry Unit, Austin, TX; FF-MA-11-011; 1/28/2011

Oversight Reviews – Birmingham Business Mail Entry Unit, Birmingham, AL; FF-MA-11-005; 1/24/2011

Oversight Reviews – Laguna Postal Store Postal Retail Unit, Elk Grove, CA; FF-MA-11-004; 1/20/2011

Oversight Reviews, Miami Plant Verified Drop Shipment, Miami, FL; FF-MA-11-007; 1/24/2011

Oversight Reviews – Phoenix Business Mail Entry Unit, Phoenix, AZ; FF-MA-11-019; 2/3/2011

Oversight Reviews – Postal Retail Unit, Gooding, ID; FF-MA-11-002; 1/18/2011

Oversight Reviews – San Francisco Processing and Distribution Center Business Reply Mail, San Francisco, CA; FF-MA-11-003; 1/21/2011

Oversight Reviews – Santa Ana Processing and Distribution Center Business Mail Entry Unit, Santa Ana, CA; FF-MA-11-014; 1/31/2011

Oversight Reviews – Stockton Processing and Distribution Center Plant Verified Drop Shipment Site, Stockton, CA; FF-MA-11-006; 1/24/2011

Oversight Reviews – Wellington Postal Retail Unit, Wellington, OH; FF-MA-11-010; 1/27/2011

Plant Verified Drop Shipment Oversight Reviews – Mid-Island Processing and Distribution Center, Melville, NY; FF-MA-11-020; 2/4/2011

Plant Verified Drop Shipment Oversight Reviews – Oxnard Processing and Distribution Center, Oxnard, CA; FF-MA-11-044; 3/29/2011

Plant Verified Drop Shipment Oversight Reviews – South Florida Logistics and Distribution Center Plant Verified Drop Shipment, Opa Locka, FL; FF-MA-11-043; 3/21/2011

Plant Verified Drop Shipment Oversight Reviews – Springfield Processing and Distribution Center Plant Verified Drop Shipment, Springfield, MA; FF-MA-11-037; 3/18/2011

Plant Verified Drop Shipment Oversight Reviews – Tallahassee Plant Verified Drop Shipment, Tallahassee, FL; FF-MA-11-038; 3/21/2011

APPENDIX A

Plant Verified Drop Shipment Oversight Reviews – Williamsport Processing and Distribution Center, Williamsport, PA; FF-MA-11-040; 3/21/2011

SmartPay Purchase Card Program Oversight Reviews – Altoona Plant, Duncansville, PA; FF-MA-11-026; 3/3/2011

SmartPay Purchase Card Program Oversight Reviews – Burlington Main Office, Burlington, WA; FF-MA-11-029; 3/7/2011

SmartPay Purchase Card Program Oversight Reviews – Columbia Vehicle Maintenance Facility – I, Columbia, SC; FF-MA-11-036; 3/15/2011

SmartPay Purchase Card Program Oversight Reviews – Columbia Vehicle Maintenance Facility - II, Columbia, SC; FF-MA-11-035; 3/11/2011

SmartPay Purchase Card Program Oversight Reviews – Holden Post Office, Holden, MA; FF-MA-11-032; 3/8/2011

SmartPay Purchase Card Program Oversight Reviews – Nevada-Sierra SmartPay Purchase Card Program, Las Vegas, NV; FF-MA-11-033; 3/10/2011

SmartPay Purchase Card Program Oversight Reviews – Northland District, Minneapolis, MN; FF-MA-11-028; 3/7/2011

SmartPay Purchase Card Program Oversight Reviews – Queens Processing and Distribution Center, Flushing, NY; FF-MA-11-041; 3/21/2011

SmartPay Purchase Card Program, Oversight Reviews – San Antonio Vehicle Maintenance Facility, San Antonio, TX; FF-MA-11-046; 3/31/2011

SmartPay Purchase Card Program Oversight Reviews – Thousand Oaks Station, San Antonio, TX; FF-MA-11-034; 3/10/2011

SmartPay Purchase Card Program Oversight Reviews – Wheeler Station SmartPay Purchase Card Program, St. Louis, MO; FF-MA-11-027; 3/4/2011

Voyager eFleet Card Program Oversight Reviews – Bogalusa Post Office, Bogalusa, LA; FF-MA-11-045; 3/30/2011

Voyager eFleet Card Program Oversight Reviews – Evergreen Voyager eFleet Card Program, Evergreen, CO; FF-MA-11-047; 3/31/2011

Fiscal Year 2011 Review of Statistical Tests

Greater South Carolina District; FF-MA-11-030; 3/4/2011

South Florida District; FF-MA-11-023; 2/25/2011

Human Resources and Security

Overtime Usage; HR-AR-11-003; 3/31/2011

Information Technology

Computer Incident Data Reliability; IT-AR-11-004; 3/16/2011

Securing Information on Portable Devices; IT-AR-11-005; 3/14/2011

Supply Management

Audit of Kalitta Air, LLC Fuel Adjustment Process Affecting Fuel Component of Fixed Price per Kilogram Indefinite Quantity Contract; CA-CAR-11-005; 3/28/2011

Financial Capability Audit – Key Handling Systems, Incorporated; CA-CAR-11-003; 3/8/2011

Incurred Costs of Serco, Incorporated for Fiscal Year 2007; CA-CAR-11-004; 3/14/2011

Information Technology Contract Payment Oversight; CA-AR-11-001; 11/23/2010

Lunda Construction Company Payment Request; CA-CAR-11-006; 3/30/2011

Modified Financial Condition Risk Assessment, Hewlett-Packard Company; CA-CAR-11-002; 2/24/2011

NCR Government Systems, LLC Proposal to the U.S. Postal Service; CA-CAR-11-001; 3/4/2011

APPENDIX B

Findings of Questioned Costs

For the period October 1, 2010 — March 31, 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	3	\$812,244	—
Reports requiring management decision that were issued during the reporting period	11	\$566,259,866	\$266,180,194
TOTAL	14	\$567,072,110	\$266,180,194
Reports for which a management decision was made during the reporting period (i & ii)	9	\$565,195,856	\$266,180,194
(i) Dollar Value of disallowed cost		\$97,342,489	\$73,488,134
(ii) Dollar value of cost not disallowed		\$467,853,367	\$192,692,060
Reports for which no management decision was made by the end of the reporting period Negotiations are ongoing	5	\$1,876,254	—
Reports for which no management decision was made within 6 months of issuance (See Note 1 for a list of individual reports)	1	\$73	—
Reports for which no management decision was made within 1 year of issuance (See Note 2 for a list of individual reports)	2	\$812,171	—
Contract reports with a significant audit finding (See Note 3 for a list of individual reports)	—	—	—

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

Subject	Report/Case Number	Report Date	Questioned Costs	Unsupported Costs Included in Questioned Costs
Tom Roberts Realty U.S. Postal Service Contract	CA-CAR-10-010	7/28/2010	\$73	—
TOTAL			\$73	—

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
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	—
Termination Settlement Proposal Submitted by C.R. Daniels, Incorporated	CA-CAR-09-019	7/24/2009	\$336,849	—
TOTAL			\$812,171	—

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 October 1, 2010 — March 31, 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	1	\$ 33,984,345
Reports issued during the reporting period	19	\$61,629,436,252
TOTAL	20	\$61,663,420,597
Reports for which a management decision was made during the report period (i & ii)	20	\$61,663,420,597
(i) Value of recommendations agreed to by management	—	\$ 60,314,158,646
(ii) Value of recommendations that were not agreed to by management	—	\$1,349,261,951
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 October 1, 2010 — March 31, 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	22
Number of customer service audits conducted	Number of Audits	19
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	\$37,811,884
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	21
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	\$392,528,983
Number of data security/IT security audits conducted	Number of Audits	9
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	\$ 81,605,917
Disbursements at Risk		
Dollar value of disbursements made where proper Postal Service internal controls and processes were not followed	Dollar Value	\$148,941,542
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	12
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	—
Capital Investment Savings Shortfall		
The difference between the savings predicted by the Decision Analysis Report for capital investment projects and the actual savings realized	Dollar Value	\$172,574,067
Potential Additional Revenue		
Revenue the Postal Service could potentially generate for goods delivered or services rendered based on suggested improvements	Dollar Value	—

	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	1,738,242
Dollar value of data used to support management decisions that is not fully supported or completely accurate	Dollar Value	—

APPENDIX E

Reports with Significant Recommendations Pending Corrective Actions

For the period through March 31, 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
SA-AR-07-002	3/30/2007	<p>Postal Service Security Controls and Processes for the Capital Metro Area</p> <p>R-1 — Establish and provide consolidated standard operating procedures and guidance to the Area Security Coordinator, District Security Control Officers, and facility Security Control Officers to assist them in performing their duties and responsibilities consistently and in a timely manner. TID: April 2011</p> <p>R-5 — Develop appropriate performance measures for physical security to assess the achievement of security goals and incorporate them into performance plans for area-, district-, and field-level security personnel. TID: April 2011</p>
SA-AR-07-003	5/9/2007	<p>Postal Service Security Controls and Processes for the Pacific Area</p> <p>R-2 — Develop appropriate performance measures for physical security to assess the achievement of security goals and incorporate them into performance plans for area-, district-, and field-level security personnel. TID: April 2011</p>
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: September 2011</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: October 2011</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: September 2011</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: March 2011</p>
CRR-AR-08-002	2/12/2008	<p>Security Review of the Electronic Verification System</p> <p>R-2 — Revise Publication 91 in consultation with the manager, Corporate Information Security, to require mailers to utilize a secure file transfer method when transmitting manifests for electronic verification to the Postal Service. TID: April 2011</p>

APPENDIX E

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
FF-AR-08-131	3/19/2008	<i>Fiscal Year 2007 Financial Installation Audits – Business Mail Entry Units</i> R-2 — Provide proper management oversight and instructions to schedule periodic verifications when Periodicals mailings are received during nonbusiness hours. TID: May 2011
DA-AR-08-006	6/4/2008	<i>Flats Sequencing System: Production First Article Testing Readiness and Quality</i> R-5 — In coordination with the supplier, ensure that the initial Maintenance Diagnostic and Support System and the Program Control System functionalities are available for First Article Testing and develop a schedule for future design releases. TID: May 2011
FF-MA-08-001	7/21/2008	<i>Fiscal Year 2008 – Use of No-Fee Money Orders</i> 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: March 2011
SA-AR-08-009	7/23/2008	<i>Postal Service Continuity of Operations for the Great Lakes Area</i> R-1 — Update contact information of key continuity of operations personnel at least semiannually, or more often as changes occur. TID: December 2010 R-2 — Complete continuity of operations training, including Postal Alert and Notification System training. TID: December 2010 R-3 — Identify and prioritize essential functions. TID: December 2010 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 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 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 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
SA-AR-08-010	7/24/2008	<i>Postal Service Continuity of Operations for the Pacific Area</i> R-1 — Establish a formal review process to ensure continuity of operations plans are completed, updated annually, and maintained in the Postal Alert Notification System, as required. TID: December 2010
SA-AR-08-013	8/22/2008	<i>Security Clearances for Postal Service Employees</i> 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: September 2011 R-2 — Revise the Administrative Support Manual, as appropriate, to reflect changes to the list of positions requiring a security clearance. TID: September 2011
IS-AR-08-016	8/29/2008	<i>Identity Theft Potential in the Change of Address Process</i> R-1 — Update the Internet and Telephone Change of Address applications to eliminate acceptance of anonymous prepaid credit cards. TID: December 2011

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
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: June 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: June 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: June 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: June 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>
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: June 2011</p>
DR-MA-09-001(R)	3/26/2009	<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>
MS-AR-09-006	3/31/2009	<p>Intelligent Mail/Seamless Acceptance Project Management</p> <p>R-4 — Incorporate effort-based workhour requirement estimates into work plans for future project releases. TID: September 2009</p> <p>R-6 — Develop a procurement plan consistent with the Postal Service's purchasing guidelines to manage procurements related to the project. TID: September 2009</p>
MS-AR-09-008	5/28/2009	<p>Mail Processing Equipment's Ability to Read Postage on First-Class™ Letters</p> <p>R-3 — Determine the feasibility of modifying the Advanced Facer Cancellor System to include postage due and fraudulent postage detection software (including detection of reused stamps). TID: May 2011</p> <p>R-4 — Determine the feasibility of mandating that all postage payment methods be encoded with standardized symbol coding, special ink, barcode or other tracking device to allow the Advanced Facer Cancellor System to read postage amounts. TID: June 2011</p> <p>R-5 — Reevaluate the phosphorescence coding methodology to include raising the coding denomination from the current 10 cent stamp to the current price of a First-Class card postage. TID: June 2011</p> <p>R-6 — Determine the causes of shortpaid and overpaid postage validation imprinter labels on First-Class letters and develop awareness training for Retail employees. TID: None</p>

APPENDIX E

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
CA-AR-09-005	6/1/2009	<p><i>Supply Management's Oversight of Delegations of Authority</i></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: <i>December 2011</i></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.</p> <p>TID: <i>December 2011</i></p>
EN-AR-09-005	9/28/2009	<p><i>Performance Goals for Market-Dominant Products</i></p> <p>R-1 — Document the methodology used to develop future performance goals for market-dominant products.</p> <p>TID: <i>December 2012</i></p>
SA-AR-09-008	9/29/2009	<p><i>Postal Service Aviation Security Capping Report</i></p> <p>R-1 — Strengthen internal controls requiring management reviews to ensure corrective actions are taken to improve the performance of noncompliant offices. TID: <i>September 2011</i></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: <i>September 2011</i></p>
NL-AR-09-010	9/30/2009	<p><i>Fuel Management Consumption Strategies for Surface Network Operations</i></p> <p>R-1 — Revise the fuel consumption strategy for surface network operations covering Postal Service and Highway Contract Route transportation to ensure that it is comprehensive and implements the industry best practices identified in our audit. TID: <i>June 2011</i></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: <i>June 2011</i></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: <i>June 2011</i></p> <p>R-5 — Evaluate Highway Contract Routes 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: <i>June 2011</i></p>

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
DR-AR-10-001	10/15/2009	<p><i>Use of the Carrier Optimal Routing System</i></p> <p>R-1 — Resolve the system and application problems with Web Carrier Optimal Routing (WebCOR) and implement the web-based program nationwide. TID: September 2011</p> <p>R-2 — Ensure district managers :</p> <ul style="list-style-type: none"> ▪ Select and train at least four individuals as Carrier Optimal Routing system Subject Matter Experts as mandated by Postal Service Headquarters. ▪ Complete the Data Preparation Process to include using current PS Forms 3999, Inspection of the Letter Carrier Route. ▪ Complete all route adjustments using the Carrier Optimal Routing system. <p>TID: December 2010</p> <p>R-3 — Mandate districts to track and monitor vehicle mileage changes in the Carrier Optimal Routing system. TID: July 2011</p>
DR-AR-10-002	12/18/2009	<p><i>City Delivery Efficiency Review – San Francisco Napoleon Street Station</i></p> <p>R-1 — Reduce workhours by 54,975 at the Napoleon Street Station with an associated economic impact of over \$21.3 million over 10 years. TID: December 2012</p>
IS-AR-10-002	12/22/2009	<p><i>General Control Review of Human Resources Shared Service Center</i></p> <p>R-1 — Designate as sensitive those positions at the Human Resources Shared Service Center that require access to personally identifiable information. TID: September 2011</p> <p>R-2 — Initiate appropriate security clearance investigations for all employees in sensitive positions at the Human Resources Shared Service Center. TID: September 2011</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: September 2011</p>
NL-AR-10-002	12/28/2009	<p><i>Postal Vehicle Service Transportation Routes – Cardiss Collins Processing and Distribution Center</i></p> <p>R-1 — Ensure that Cardiss Collins 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: July 2010</p> <p>R-2 — Verify elimination of the 43,264 workhours already agreed to by local and area management from Postal Vehicle Service trip schedules. TID: October 2010</p>
DA-MA-10-001	1/28/2010	<p><i>Sustainability: Promoting Energy and Recycling Compliance Fiscal Year 2009</i></p> <p>R-1 — Issue written guidance to installation managers to encourage the use of more remote building management systems. TID: October 2011</p>
MS-AR-10-001	2/9/2010	<p><i>Plant-Verified Drop Shipment Controls</i></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: December 2012</p>
EN-AR-10-003	2/12/2010	<p><i>Manasota Processing and Distribution Center Consolidation</i></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: May 2011</p>

APPENDIX E

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
NL-AR-10-003	3/1/2010	<p>Highway Contract Route Transportation – Greater Chicago</p> <p>R-3 — Eliminate 42 trips within the identified highway contract routes, already agreed to by local and area management. TID: November 2010</p> <p>R-4 — Reassess the remaining 20 trips, and cancel or modify the trips as indicated by the reassessment, or document the reasons for retaining the trips. TID: November 2010</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: November 2010</p>
SA-MA-10-001	4/29/2010	<p>Postal Service Security Clearance Requirements for Air Transportation Contractors</p> <p>R-1 — Conduct a formal risk assessment to determine if security clearance requirements for air transportation contract personnel adequately mitigate risks associated with the contractor’s positions and access to Postal Service facilities and the mail. TID: September 2011</p>
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: March 2011</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: July 2011</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: July 2011</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: July 2011</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: March 2011</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: March 2011</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: July 2011</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: July 2011</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: July 2011</p> <p>R-10 — Establish policy to designate a central repository for storing the Certification and Accreditation documentation. TID: July 2011</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: March 2011</p> <p>R-12 — Input the Certification and Accreditation documentation for all critical applications into the central repository. TID: March 2011</p>

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
SA-AR-10-001	5/12/2010	<p>Move Update Program and Investigations</p> <p>R-1 — Enhance the Move Update program to comprehensively verify compliance at mail acceptance and ensure collection of proper postage. TID: None</p> <p>R-2 — Ensure standards for determining Move Update compliance are consistent and clearly communicated to mailers. TID: None</p> <p>R-3 — Establish mandatory comprehensive training for responsible personnel to ensure revenue deficiencies are appropriately assessed. TID: None</p> <p>R-4 — Review the overstated revenue deficiency to determine whether the amount should be reduced. TID: None</p> <p>R-5 — Limit the use of postal inspectors to Move Update investigations with expectations of civil or criminal prosecution. TID: None</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: June 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>
DA-AR-10-005	6/16/2010	<p>Delivery Vehicle Replacement Strategy</p> <p>R-1 — Replace maintenance intensive vehicles beginning in fiscal year 2011. TID: April 2011</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>
DA-AR-10-006	7/2/2010	<p>Facility Energy: Metering Technologies</p> <p>R-1 — Install time-of-use metering at eligible processing and distribution centers by December 31, 2010. TID: June 2011</p>
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: October 2011</p> <p>R-2 — Explore opportunities to consolidate business mail acceptance operations at post offices, stations, and branches. TID: October 2011</p> <p>R-3 — Periodically evaluate operating efficiency by assessing performance against productivity targets and adjusting resources in response to workload changes. TID: December 2011</p> <p>R-4 — Re-deploy employees, as appropriate, to facilities where there is sufficient workload to support the workhours. TID: October 2011</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: June 2011</p>

APPENDIX E

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
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: March 2011</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: September 2011</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: September 2011</p> <p>R-3 — Pursue legislative action to define future distribution of significant surpluses. TID: September 2011</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: September 2011</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: October 2011</p> <p>R-2 — Improve the reliability and usefulness of retail facilities data by validating, correcting, and updating information in the database. TID: October 2011</p> <p>R-3 — Develop measurable criteria to mitigate inconsistencies in evaluating factors used for determining feasibility to discontinue operations. TID: October 2011</p> <p>R-4 — Process and approve or disapprove discontinuance proposals in a timely manner. TID: October 2011</p>
DA-AR-10-009	8/25/2010	<p>Facility Optimization: Chicago District</p> <p>R-1 — Ensure installation heads have the proper guidance for identifying and reporting excess space. TID: March 2011</p> <p>R-2 — Include additional metrics, such as dates and space conditions, to track, monitor, and report excess space within the Chicago District and initiate disposal action for excess space identified. TID: March 2011</p>
DA-AR-10-010	8/25/2010	<p>Facility Optimization: New York District</p> <p>R-1 — Ensure installation heads have the proper guidance for identifying and reporting excess space. TID: March 2011</p> <p>R-2 — Include additional metrics, such as dates identified and space conditions, to track, monitor, and report excess space within the New York District and initiate disposal actions for excess space identified. TID: March 2011</p>
DA-AR-10-008	8/25/2010	<p>Facility Optimization: Northern New Jersey District</p> <p>R-1 — Ensure the installation heads have the proper resources for identifying and reporting excess space. TID: March 2011</p> <p>R-2 — Include additional metrics, such as dates identified and space conditions, to track, monitor, and report excess space within the Northern New Jersey District and initiate disposal actions for excess space identified. TID: March 2011</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: March 2011</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: None</p> <p>R-3 — Initiate actions to collect the past due Electronic Postmark license fees. TID: None</p>

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
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: October 2011</p> <p>R-2 — Install full disk encryption on all new Inspection Service laptop computers before deployment. TID: August 2011</p> <p>R-3 — Develop an expedited deployment schedule to reduce the risk of sensitive data loss from the unencrypted laptops. TID: October 2011</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: August 2011</p> <p>R-5 — Enter all new laptops in the centralized inventory system upon deployment to Inspection Service users. TID: August 2011</p>
FF-AR-10-224(R)	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: September 2011</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: None</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: March 2012</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: March 2012</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: December 2011</p> <p>R-2 — Determine alternate uses of excess space at the Birmingham Processing and Distribution Center and annex. TID: June 2011</p>
CA-AR-10-005	9/20/2010	<p>U.S. Postal Service Purchasing Policies</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: April 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: April 2011</p> <p>R-9 — Institute an oversight mechanism to ensure and track compliance with updated noncompetitive contracting policies. TID: March 2012</p>

APPENDIX E

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
IS-AR-10-014	9/23/2010	<p>Controls Over Payment Card Transaction Data</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: May 2011</p> <p>R-4 — Validate and monitor all service providers' Payment Card Industry compliance status throughout the lifetime of the contract. TID: May 2011</p>
CRR-AR-10-006	9/23/2010	<p>Controls Over System for International Revenue and Volume, Outbound and International Origin-Destination Information System</p> <p>R-4 — Assess the viability of extending enhanced revenue protection programs to outbound international mail, similar to the new procedures for domestic mail. TID: April 2011</p>
DR-AR-10-008	9/24/2010	<p>Vehicle Parts Program</p> <p>R-1 — Establish a process to analyze similar vehicle parts by form, fit, and function from the two consignment suppliers to aid in negotiations with suppliers, as necessary, to ensure the Postal Service receives the lowest available cost on vehicle parts. TID: May 2011</p>
NL-AR-10-010	9/29/2010	<p>Air Networks – Federal Express Transportation Agreement – National Analysis</p> <p>R-1 — Routinely provide headquarters and area management with data, including Transportation Cost System/Cost and Revenue Analysis data, used to monitor and track the volume and additional costs for flying surface mail classes on Federal Express. TID: None</p> <p>R-2 — Work collaboratively with the areas to identify and address capacity issues, real or perceived, with commercial carriers and ensure carriers comply with stated capacities. TID: None</p> <p>R-3 — Adjust mail volume arrival profiles or Federal Express tender times where possible to ensure Terminal Handling Services contractors have time to build planned by-pass containers. TID: None</p> <p>R-4 — Reinforce existing policies and procedures, and provide additional guidance and training as necessary, for processing and assigning mail to FedEx for building bypass containers, and for insuring mail arrives at Terminal Handling Services locations to meet FedEx contract mail tender time requirements. TID: None</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>
SA-MA-10-002	9/29/2010	<p>Allegations of Inappropriate Methodologies in a San Francisco Investigation</p> <p>R-1— Establish and implement mandatory training for postal inspectors responsible for investigating Combined Value Added Refund mailers to ensure they understand the business mail process to accurately calculate Postal Service losses. TID: June 2011</p> <p>R-2 — Establish and implement guidance and lessons learned for postal inspectors to use when conducting investigations of Combined Value Added Refund mailers and calculating Postal Service losses. TID: June 2011</p>

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
NL-AR-10-009	9/29/2010	<p>Management of Mail Transport Equipment - National Analysis</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>
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: March 2011</p> <p>R-3 — Develop and implement written procedures for receiving invoices for annual highway contract route services and verifying that services were rendered prior to payment. TID: June 2011</p> <p>R-4 — Identify and notify the contracting officers to oversee and administer all Highway Contract Route payments in the Postal Service Accounts Payable Excellence system. TID: May 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: May 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: May 2011</p> <p>R-7 — Regularly reconcile payments made for utility services to identify and collect overpayments. TID: May 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: May 2011</p>

APPENDIX E

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
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: <i>September 2011</i></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: <i>September 2011</i></p>
EN-AR-11-001	11/10/2010	<p>Excess Space in Mail Processing Facilities in the Suncoast District</p> <p>R-3 — Review and implement the most effective space optimization options for the Manasota, Mid-Florida, and St. Petersburg mail processing facilities in the Suncoast District. TID: <i>June 2011</i></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: <i>December 2011</i></p>
DA-MA-11-001	11/23/2010	<p>Full Service Intelligent Mail Program Customer Satisfaction</p> <p>R-3 — Provide continuing training to Business Mail Entry clerks and PostalOne! Help Desk employees on important Intelligent Mail issues. TID: <i>None</i></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: <i>May 2011</i></p> <p>R-2 — Require contracting officers' representatives to reconcile invoices to receiving documents prior to certification for payment. TID: <i>May 2011</i></p>
IT-AR-11-001	12/6/2010	<p>Network Perimeter Firewall</p> <p>R-5 — Establish comprehensive firewall security standards TID: <i>September 2011</i></p> <p>R-6 — Perform a risk assessment and determine whether to process network traffic if logging is disabled TID: <i>June 2011</i></p> <p>R-8 — Identify and review firewall access control rules semiannually and remove duplicate and unused firewall access control rules. TID: <i>March 2011</i></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: <i>None</i></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: <i>September 2011</i></p> <p>R-3 — Reinforce existing policies and procedures for the processing and assigning of mail to air and surface transportation. TID: <i>None</i></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: <i>April 2011</i></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: <i>May 2011</i></p>

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
NO-AR-11-004	12/14/2010	<i>Houston, TX Processing and Distribution Center Mail Consolidation</i> 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
FF-AR-11-004	12/15/2010	<i>Express Mail Guarantees</i> 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 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 R-3 — Implement actions to include military ZIP Codes in the Service Delivery Calculator. TID: March 2011 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 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 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 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
MS-AR-11-001	12/23/2010	<i>Workshare Discounts Exceeding Avoided Costs</i> R-1 — Prepare and maintain data, analyses or other documentation to properly support the amount of discounts that exceed avoided costs when claiming exceptions specified in the Postal Accountability and Enhancement Act of 2006. Alternatively, limit proposed discounts to 100 percent of avoided costs at the next market dominant price adjustment. TID: None
IT-AR-11-002	1/12/2011	<i>Fiscal Year 2010 Selected Information Technology General Controls</i> R-1 — Develop a procedure to notify administrators supporting Windows servers when new group policy updates are available. TID: August 2011 R-2 — Correct discrepancies identified by the periodic reviews of all Windows servers, as appropriate. TID: September 2011 R-3 — Develop a methodology to centrally manage all local accounts. TID: September 2011
NL-AR-11-001	1/13/2011	<i>Postal Vehicle Service Transportation Routes – Suburban Maryland Processing and Distribution Center</i> R-1 — Ensure that Suburban Maryland 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 R-2 — Verify elimination of the 14,177 workhours identified in our audit, and already agreed to by management, from the Postal Vehicle Service trip schedules. TID: January 2011 R-3 — Verify the elimination of two trips initiated by management identified during our audit fieldwork. TID: February 2011 R-4 — Eliminate 11 trips from highway contracts identified in our audit and already agreed to by local and area management. TID: February 2011
DR-AR-11-002	1/18/2011	<i>City Delivery Efficiency Review – New York District</i> 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

APPENDIX E

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
DR-AR-11-003	1/20/2011	City Delivery Efficiency Review – Northern Virginia District R-1 — Reduce the Northern Virginia District’s workhours by 103,160 to achieve an associated economic impact of about \$32 million over 10 years. TID: February 2011
DA-AR-11-001	2/7/2011	Facility Optimization: Western Area R-1 — Clarify procedures for reporting excess space. TID: March 2011 R-2 — Initiate disposal actions for excess space identified. TID: March 2011 R-3 — Pursue opportunities with federal agencies as an option to optimize excess property. TID: June 2011
DA-AR-11-002	2/11/2011	Facility Optimization: Eastern Area R-1 — Clarify procedures for reporting excess space. TID: March 2011 R-2 — Initiate disposal actions for excess space identified. TID: March 2011 R-3 — Pursue opportunities with federal agencies as an option to optimize excess property. TID: June 2011
IT-AR-11-003	2/15/2011	Information Resource Access R-3 — Review the exception to Handbook AS-805, Information Security, for developer read access to the production environment to determine if the exception appropriately supports applicable policy and legal requirements. TID: May 2011
DA-AR-11-004	2/25/2011	Facility Optimization: Capital Metro Area R-1 — Clarify procedures for reporting excess space. TID: March 2011 R-2 — Initiate disposal actions for excess space identified. TID: March 2011 R-3 — Pursue rental opportunities with federal agencies as an option to optimize excess property. TID: June 2011
DA-AR-11-003	3/1/2011	Facility Optimization: Southwest Area R-1 — Clarify procedures for reporting excess space. TID: March 2011 R-2 — Work in coordination to initiate disposal actions for identified excess space. TID: March 2011 R-3 — Pursue opportunities with federal agencies as an option to optimize excess property. TID: June 2011
NO-MA-11-002	3/1/2011	Management Advisory – Processing of Collection Box Flats in the Philadelphia Metropolitan Customer Service District R-1 — Process collection box flats in accordance with Postal Service Standard Operating Procedures TID: April 2011
EN-AR-11-002	3/14/2011	Network Distribution Center Activation Impacts R-1 — Ensure trailer capacity is being optimized to eliminate excess capacity in the transportation network. TID: None R-2 — Review trips in the Network Distribution Center network for additional consolidation opportunities. TID: December 2011

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
IT-AR-11-005	3/14/2011	<p>Securing Information on Portable Devices</p> <p>R-1 — Ensure all laptops are encrypted or granted an approved waiver in accordance with Handbook AS-805, Information Security. TID: None</p> <p>R-2 — Identify, retrieve, and properly dispose of all outdated unencrypted laptops. TID: September 2011</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> <p>R-5 — Review all laptops to ensure the current status is reflected in the Asset Inventory Management System and the 4Z-PS969 System, as appropriate. TID: June 2011</p> <p>R-8 — Periodically review all BlackBerry devices to ensure they communicate with the BlackBerry Enterprise Server or are disconnected. TID: April 2011</p> <p>R-10 — Develop and distribute procedures to establish user accountability for protecting sensitive data stored on other portable devices such as thumb drives, external hard drives, and Digital Video Discs. TID: March 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-1 — Standardize data input procedures and communicate to administrators the requirement to consistently populate incident data fields. TID: March 2011</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: September 2011</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: September 2011</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> <p>R-4 — 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 (PVS) drivers and maximize the use of part-time regular PVS drivers where possible. TID: None</p> <p>R-5 — 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: None</p> <p>R-6 — Provide permanent flexibility to schedule split days off for employees in facilities with Postal Vehicle Service operations. TID: None</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>

APPENDIX E

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
DR-AR-11-004	3/30/2011	<p>City Delivery Efficiency Review - Chicago District</p> <p>R-1 — Reduce the district's workhours by 188,884 to achieve an associated economic impact of more than \$6.5 million annually, or in excess of \$65 million over 10 years. TID: None</p>
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: May 2011</p> <p>R-3 — Establish a review and approval process to ensure time disallowances are appropriate and documented as required. TID: May 2011</p> <p>R-4 — Establish periodic monitoring of clock ring deletions to ensure employee workhours are recorded accurately. TID: May 2011</p> <p>R-5 — Provide periodic refresher training to managers, postmasters, supervisors, and acting supervisors on the Time and Attendance Collection System. TID: May 2011</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: May 2011</p>
EN-AR-11-004	3/31/2011	<p>Lima, OH to Toledo, OH Area Mail Processing Consolidation</p> <p>R-1 — Promptly assess the current mail volume and swiftly adjust workhours, sort plans, transportation, and any other operational requirements to ensure the Toledo Processing and Distribution Center meets customer and service commitments TID: March 2011</p> <p>R-2 — Expedite filling vacant positions and assess any additional staffing requirements at all levels. TID: July 2011</p> <p>R-3 — Assess and take appropriate corrective action related to mail processing space and transport equipment requirements, dispatch discipline, contract drivers performing mail sortation, late truck departures, and incomplete Postal Service Form 5429. TID: June 2011</p> <p>R-4 — Establish and deploy formal Area Mail Processing implementation teams to the gaining facilities for plant consolidations that result in a facility closure to ensure consolidations are implemented as approved and to identify and facilitate corrective actions timely. TID: June 2011</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>

APPENDIX F

Significant Management Decisions in Audit Resolution

For the period October 1, 2010 — March 31, 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.

Office of Inspector General

None for this report period

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

None conducted during this period.

External Peer Reviews

From September 13 to October 4, 2010, our agency conducted a peer review of the Social Security Administration OIG's (SSA OIG's) Office of Investigations. We reviewed their Investigative Operations at their headquarters and at three of their field offices. On December 7, 2010, we issued a letter to the SSA OIG on the review results. There were no specific findings or recommendations.

APPENDIX H

*Investigative Statistics**

For the period October 1, 2010 — March 31, 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	617	200	206	202	393	—	\$575,652	\$292,897	462
Injury Compensation Fraud ¹	277	17	21	18	73	\$86,048,570	\$291,159,182	\$54,149,082	73
Official Misconduct	381	43	59	44	277	—	\$3,815,087	\$95,421	313
Financial Fraud	334	60	60	102	219	\$1,355,000	\$2,054,544	\$1,980,676	239
Contract Fraud ²	52	6	20	15	47	\$1,588,998	\$410,064,157	\$11,441,705	26
TOTAL	1,661	326	366	381	1,009	\$88,992,568	\$707,668,622	\$67,959,781	1,113

* 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 one pharmaceutical investigation.

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 October 1, 2010 — March 31, 2011

Type of Scheme	Complaints Filed	Consent Agreements	FROs	Cease & Desist Orders
Advance fee	2	2	—	2
Charity	—	—	—	—
Contests/sweepstakes	27	23	1	26
Coupon fraud	1	1	—	1
False billings	8	7	—	7
Internet Auction	—	—	—	—
Lotteries (foreign and domestic)	10	10	3	10
Merchandise:				
Failure to furnish	11	10	3	11
Failure to pay	3	2	—	2
Misrepresentation	—	—	—	—
Miscellaneous	45	36	1	37
Telemarketing	—	—	—	—
Work at home	2	2	—	2
TOTAL	109	93	8	98

Other Administrative Actions

Administrative Action Requests	121
Temporary Restraining Orders issued	—
Cases Using Direct Purchase Authority	—
Civil Penalties (Section 3012) Imposed	—
Test Purchases	—
Withholding Mail Orders Issued	12
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	\$136,771,722
Nonpersonnel	\$31,599,522
TOTAL	\$168,371,244
Capital obligations	\$4,344,449

APPENDIX J

Closed Congressional and Board of Governors' Inquiries

For the period October 1, 2010— March 31, 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 (53)

Requestor	Allegation/Concern	Major Findings	Closure Date
Senator, Virginia	Manager created a hostile work environment by threatening, intimidating, and berating employees.	Investigators coordinated with management, which conducted a formal Workplace Environment Improvement investigation and counseled the manager. We reviewed their work to ensure the allegations were adequately addressed.	11/10/10
White House	Manager committed mail theft, forgery, and fraud.	Investigation substantiated the allegations. We referred our findings to postal management and federal and state attorneys' offices for administrative action and prosecution.	10/4/10
Senator, California	Non-receipt of an international Registered Mail package.	The investigation found no evidence of mail tampering, delay, or theft by postal employees. Attempts to locate the package, working with the International Mail and Mail Recovery Centers, were unsuccessful.	10/4/10
Senator, Pennsylvania	Management delayed mail and hid it to avoid detection.	Investigation determined managers were not following mail processing policy and our investigators worked with management to clarify the policy. However, the investigation found no evidence management intentionally delayed mail.	10/12/10
Representative, New York	Non-receipt of several gift cards.	The investigation found no evidence of mail tampering or theft by postal employees. The investigation determined the mailpieces were likely damaged by postal sorting machines, causing the loss.	1/10/11
Senator, Maryland	Former employee wrongfully accused of theft of funds from a postal safe; alleges another employee must have been responsible.	The investigation did not substantiate the allegation of theft by another employee; but we discovered accounting error created an appearance of a shortage. We forwarded our findings to management for administrative action and correction.	10/5/10
Representative, Florida	A postal employee provided false statements during legal proceedings; the return of a manager to the complainant's duty station would create a hostile work environment.	The investigation did not substantiate the allegations.	11/18/10
Representative, New Jersey	Non-receipt of mail, including a Social Security card.	The investigation found no evidence postal employees stole or tampered with the complainant's mail.	1/10/11
Senator, Maryland	Theft of a gift card.	Investigation substantiated the allegations. We referred our findings to the U.S. Attorneys' Office for prosecution.	10/4/10
Senator, Ohio	Theft of a book mailed to a customer in California.	Investigation did not substantiate the allegations. A search for the contents at the Mail Recovery Center was unsuccessful.	1/10/11
Representative, New York	A postal employee tampered with or intentionally delayed several customer checks sent to the complainant's company.	The investigation found evidence of theft, but the investigation did not conclusively determine the theft occurred internally. We forwarded our findings to management for action deemed appropriate.	1/13/11
Representative, Kentucky	Theft from complainant's mailbox and a Kentucky post office.	The U.S. Postal Inspection Service previously conducted an investigation and did not substantiate the allegations; we found no basis for further review.	10/4/10

APPENDIX J

Requestor	Allegation/Concern	Major Findings	Closure Date
Senator, Missouri	Non-receipt of several checks.	The investigation found no evidence that postal employees stole or tampered with the complainant's mail. We determined his utility company's mail contractor inadvertently rejected payment checks over a four-year period.	10/4/10
Representative, Florida	Theft of several gift cards.	Investigation confirmed the complainant's mail may have been delayed, stolen, or tampered with. However, the investigation found no evidence that a postal employee was responsible.	12/6/10
Senator, West Virginia	Theft of collector coins from a package.	The investigation did not substantiate the allegation. The investigation determined the package was likely damaged by postal sorting machines, causing the coins to be separated from the letter. Our agents were unable to locate the coins.	10/4/10
Representative, Pennsylvania	Non-delivery of letters because they were mailed with Forever Stamps.	The investigation did not substantiate the allegation. The investigation found no evidence of an internal, systemic problem of mail theft or tampering related to Forever Stamps.	10/5/10
Representative, New Jersey	Non-delivery of several bags of bulk mail sent from a New Jersey post office.	The investigation confirmed the mail was not delivered. We could not identify instances of misconduct or the root cause of the problem.	10/4/10
Representative, Maryland	Former employee wrongfully accused of theft of funds from a postal safe; alleges another employee must have been responsible.	The investigation did not substantiate the allegation of theft by another employee; but we discovered an accounting error created an appearance of a shortage. We forwarded our findings to management for administrative action and correction.	10/5/10
Senator, Florida	Intentional mail delay at a Virginia post office.	Investigation found packages were scanned as "delivered" before delivery was attempted. However, this process is permitted under policy applicable to this specific courthouse location.	12/20/10
Senator, Oregon	Postal employees stole and altered two checks mailed to a post office box in Georgia.	Review found the checks were altered by individuals external to the Postal Service. We referred our findings to the Postal Inspection Service and local law enforcement agencies.	10/4/10
Representative, Ohio	A postal employee made harassing calls to a congressional district office regarding the use of franked mail and potentially delayed or discarded political mail.	Due to the nature and timing of the allegations, we were unable to conduct a full investigation. Review found no evidence of a systemic problem of delayed or discarded mail in the area.	12/17/10
Representative, Texas	Non-receipt of mail, including prescription medicine from the Department of Veterans Affairs.	Investigation revealed employee error most likely caused the mail delivery issues. We reviewed management actions to resolve the complaint.	10/15/10
Senator, New York	Postal Inspectors made false statements in investigative memoranda.	Investigation did not substantiate the allegations.	1/24/11
Senator, Hawaii	Non-delivery of mail to a government office, resulting from postal employee misconduct.	Investigation located the agent for the state official, who confirmed she signed for and retrieved the mail. The government office could not account for the mail after it left the jurisdiction of the Postal Service.	11/16/10
Representative, California	Non-receipt, tampering, and delay of mail.	The investigation found no evidence postal employees stole or tampered with the complainant's mail. Management had already responded with improvements to secure mail delivery.	11/16/10
Representative, New Hampshire	A postmaster allowed rural letter carriers to carry mail on contract routes, a violation of 18 U.S.C. § 440.	Review found management addressed the allegation through an administrative process. We noted that management and union officials agreed that the alleged practice would violate the law and federal ethics regulations.	10/4/10
Senator, New York	Non-receipt of a package.	We undertook no work after learning the issues had been resolved.	10/4/10
Senator, Virginia	Management intentionally delayed undeliverable mail at a Virginia post office.	Investigation did not substantiate the allegations. Investigation determined the delays were likely due to a consolidation of other postal facilities in the district, as well as failed implementation of a new PARS processing procedure for undeliverable mail.	12/6/10

Requestor	Allegation/Concern	Major Findings	Closure Date
Representative, West Virginia	Postal employees, acting under political influence, intentionally mishandled a letter sent via certified mail to a Maryland state official.	The investigation did not substantiate the allegations. Investigation determined a postal employee successfully delivered the letter to the official's office, but failed to follow postal policy regarding delivery of certified mail receipts. We forwarded our findings to management for action deemed appropriate.	1/13/11
Senator, Nevada	Mail tampering; theft of a diamond from a ring mailed to a Kansas jeweler.	The investigation found a postal employee opened the package and stole the diamond from the ring. We forwarded our findings to management for administrative action, and to the U.S. Attorneys' Office for prosecution.	1/6/11
Representative, New York	Theft of cash from a Priority Mail envelope.	Investigation found no evidence postal employees tampered with or stole the cash.	1/10/11
Representative, New York	Non-delivery of letters mailed to an addressee in New York.	Investigation determined several of the letters were temporarily misplaced, apparently after the addressee declined to sign for them.	11/10/10
Senator, New Mexico	Non-receipt of mail; postal employees intentionally discarded mail to harass complainant.	The investigation did not substantiate the allegations. Investigation found there was a widespread external mail theft problem in the complainant's delivery area. The Postal Inspection Service and a local law enforcement agency were actively investigating.	1/6/11
Senator, New Hampshire	A postmaster allowed rural letter carriers to carry mail on contract routes, a violation of 18 U.S.C. § 440.	Review found management addressed the allegation through an administrative process. We noted that management and union officials agreed that the alleged practice would violate the law and federal ethics regulations.	10/14/10
Senator, Florida	International Registered Mail package was significantly delayed and arrived missing its contents.	The investigation found no evidence of postal employee misconduct. Investigators were unable to determine what caused the package to be misrouted through India, but tracking information indicated the package was in good condition throughout US Postal Service processing.	1/24/11
Senator, California	Mail tampering and delay.	The complainant refused to allow investigators access to his evidence of tampering. We were unable to develop investigative leads substantiating the allegations.	12/20/10
Ranking Member, Senate Committee	Request for investigation of possible ethics violations at U.S. Postal Service.	Allegations not substantiated.	3/31/11
Senator, New York	Management willfully delayed mail; whistleblower reprisal.	Investigation found no evidence of mail delay. The investigation also determined the complaint did not meet the four necessary elements of whistleblower reprisal, specifically failure to show a protected communication to the OIG.	3/8/11
Senator, Virginia	Non-delivery of a package sent to a post office box.	Investigation found no evidence postal employees stole or discarded the package, nor could they account for the package which had been logged as arrived. Management worked with the addressee to ensure packages sent to the his post office are delivered securely.	2/24/11
Senator, Maryland	Damaged letters indicating attempted mail tampering and theft.	Investigation did not substantiate the allegations. The investigation determined the letters were likely damaged by postal sorting machines.	3/3/11
Senator, South Carolina	Non-delivery of a greeting card containing cash.	Investigation found a postal employee most likely stole the gift card. We forwarded our findings to management for administrative action, and to a local law enforcement agency for judicial action.	3/3/11
Representative, Texas	Management directed employees to discard Undeliverable Bulk Business Mail without sorting out First-Class Mail and Periodicals.	Investigation found a manager directed employees to discard Undeliverable Bulk Business Mail without sorting First-Class Mail and Periodicals. We referred our findings to management.	2/24/11
Representative, Virginia	A postal employee was in a non-duty, non-pay status for an unduly long period during an OIG investigation.	The investigation, conducted between July and December, substantiated the charges against the postal employee. We referred our findings to the United States Attorney.	1/24/11
Senator, Iowa	Postal employees vandalized coworker's property in retaliation for terminating his union membership.	Investigation found no evidence that the vandalism occurred at the hands of postal employees, and we referred the matter to local law enforcement.	2/24/11

APPENDIX J

Requestor	Allegation/Concern	Major Findings	Closure Date
Senator, New Mexico	Non-receipt of various bills, banking information, and checks.	Investigation substantiated the allegations and found a former postal employee was most likely responsible for the delivery problems. The employee left the Postal Service after questioning. We forwarded our findings to the U.S. Attorney, who denied prosecution.	2/8/11
Senator, New York	Request for status of appeal of complainant's termination of employment with the OIG.	Review found the deciding official previously provided the requested information.	12/21/10
Senator, Florida	A manager sexually harassed the complainant.	Investigation did not substantiate the allegation, but found the complainant and manager maintained a sexual relationship while both were employees of the Postal Service. We forwarded our findings to management for action deemed necessary.	3/10/11
Senator, Missouri	Mail tampering and theft.	Investigation did not substantiate the allegations. The investigation determined the complainant's package was likely overfilled and split open during parcel sortation. Efforts to locate the contents at the Mail Recovery Center were unsuccessful.	3/28/11
Senator, Florida	Theft of a cell phone from a package.	The investigation found no evidence indicating employee theft.	3/22/11
Representative, Georgia	Non-delivery of a firearm mailed to California.	Investigation initially found no evidence of postal employee involvement, but later found a postal contractor was likely responsible for the theft. We noted that mail was routinely not secured and remained accessible on Sundays and advised Postal Inspection Service, which has jurisdiction over installation security.	3/1/11
Ranking Member, Senate Subcommittee	Request for briefing on the OIG's investigative program on Federal Employee's Compensation Act fraud.	Briefed committee staff as requested.	1/24/11
Representative, Michigan	Manager improperly rejected a bid for a contract to clean postal facilities.	Investigation did not substantiate the allegation. The investigation found the manager acted in accordance with postal contracting policy.	3/31/11
Representative, California	Wrongful discharge because of a disability.	Review found the matter was outside the jurisdiction of the OIG.	3/17/11

General Counsel (9)

Requestor	Allegation/Concern	Major Findings	Closure Date
Representative, Florida	Complainant wished to withdraw complaint sent to the OIG Hotline.	Review found the complainant's request was fully addressed.	10/7/10
Representative, West Virginia	Consolidation plans for two West Virginia facilities would expose operations to terrorist attacks.	The complainant provided no credible basis for his assertions. We noted the role of the Postal Inspection Service in maintaining the security of facilities and the mail.	10/14/10
Senator, Florida	Request for investigative findings under the Freedom of Information Act.	Processed request and provided records in accordance with the FOIA.	11/22/10
Ranking Member, House Committee; Ranking Member, Senate Subcommittee	Request for bi-annual reports on all closed investigations, evaluations, and audits not disclosed to the public, to support congressional oversight activities.	Provided requested available information.	1/14/11
Representative, Iowa	Request for an OIG report of investigation.	Provided a redacted copy of report previously released under the FOIA.	2/17/11
Senator, New York	Mismanagement and misconduct at a New York facility; employee fraudulently obtained full-disability retirement benefits.	The Postal Service Government Relations Office previously addressed the allegations of mismanagement and misconduct; the allegation relating to retirement benefits falls under the OPM OIG jurisdiction. We declined further work.	2/2/11
Chairman, House Committee	Request for detailed information on the postal FOIA performance during the previous 5 years.	Provided the requested information for the OIG separately.	2/15/11

Requestor	Allegation/Concern	Major Findings	Closure Date
Chairman, House Committee	Request for a briefing on the conformance of OIG blogging and other use of social media with federal laws and rules.	Provided the requested information in a briefing to committee staff.	2/18/11
Senator, Texas	Theft of cash from a letter; Postal Service failed to adequately process an appeal of complainant's indemnity claim.	The Postal Service Government Relations Office earlier addressed the complainant's indemnity claim. The OIG Office of Investigations reviewed the mail theft allegation and declined to undertake formal work. We retained the allegation in our database for possible future systemic review.	3/21/11

Inspector General Audits/Risk Analysis Research Center Reports (7)

Requestor	Allegation/Concern	Major Findings	Closure Date
Senator, California	Concerns about consolidation of Marysville and West Sacramento facilities.	Review determined a business case supported the consolidation, finding sufficient capacity to process mail at one facility, customer service would improve, no career postal employees would lose their jobs, processing efficiency would improve, service improved and mail delays were reduced, environmental impacts were minimized through transportation reductions, and contingency plans for emergencies were in place.	11/23/10
Representative, Georgia	Concerns about consolidation of the Columbus and Macon facilities.	Review determined a business case supported the consolidation, finding adequate capacity to process mail at one facility, customer service was maintained, limited numbers of employees were impacted, and efficiency improved.	2/14/11
Representative, California	Request for a review of the National Reassessment Program and the administration of the Pay for Performance system.	The Office of Audit initiated work in October 2010. Work on the National Reassessment Program was suspended pending a class-action lawsuit involving postal employees affected by the program. Audit work on the Pay for Performance program is ongoing.	3/17/11
Representative, West Virginia	Management intentionally delayed mail and wasted resources to bolster the case for moving mail from that location.	Review did not substantiate the allegations. The review did not find evidence of delayed mail. We found sufficient city and rural carrier staffing to support mail delivery, and overtime usage in line with district and national averages.	2/23/11
Chairman, House Committee	Request the OIG evaluate the financial impact of the McNamara-O'Hara Services Contract Act on the Postal Service.	Provided requested information in a briefing to committee staff.	2/25/11
Representative, Kansas	Request for OIG to provide, for the record of the hearing before the House Appropriations Subcommittee on Financial Services and General Government, information on the significance of an anticipated Postal Regulatory Commission (PRC) advisory opinion on the Postal Service ability to implement 5-day delivery service.	We advised that, regardless of the PRC opinion, appropriations language limits the Postal Service from implementing 5-day delivery service without congressional action.	3/4/11
Chairman, House Subcommittee	Request for OIG to provide, for the record of the hearing before the House Appropriations Subcommittee on Financial Services and General Government, information on the differences between the OIG and PRC estimates on the Postal Service overpayment of Civil Service Retirement System liabilities.	We advised, inter alia, that the difference is that the OIG methodology splits the pension costs evenly based on years of service while the PRC splits costs based on the CSRS pension formula, under which later years of service earn a higher benefit and generate higher pension costs.	3/4/11

Referrals (15)

Requestor	Allegation/Concern	Referred To	Closure Date
Representative, Texas	Misrepresentation; a writer falsely claimed to be a union official in a letter to a congressional office.	U.S. Postal Inspection Service	10/1/10
Senator, Maryland	Monetary value of annual Postal Service contract awards to small and disadvantaged businesses.	Government Relations Office, U.S. Postal Service	10/5/10
Representative, Pennsylvania	Mail theft and delay by a person external to the Postal Service.	Postal Inspection Service	10/13/10
Representative, Pennsylvania	Mail fraud scheme.	Postal Inspection Service	11/12/10
Representative, Florida	Request for assistance in obtaining pay and benefits withheld while in a non-pay status.	Government Relations Office	12/1/10
Representative, Michigan	Mail fraud scheme.	Postal Inspection Service	12/2/10
Representative, Florida	Mail fraud scheme.	Postal Inspection Service	12/2/10
Representative, Ohio	Person believed to be external to the Postal Service tampered with and stole mail.	Postal Inspection Service	12/22/10
White House	Person believed to be external to the Postal Service tampered with and stole mail.	Postal Inspection Service	12/29/10
Senator, Hawaii	Further investigation of mail not delivered to a governmental official. A previous OIG investigation found no postal misconduct.	Postal Inspection Service	1/10/11
Representative, Virginia	Request for assistance in filing an Equal Employment Opportunity complaint with the Postal Service.	Government Relations Office	1/13/11
Representative, Florida	Postal Inspector incurred damages because the Postal Inspection Service and postal contractor Cartus failed to process his relocation benefits in accordance with postal policy.	Government Relations Office	3/3/11
Representative, Alabama	Request for assistance obtaining retirement pay.	Government Relations Office	3/3/11
Representative, Missouri	Non-receipt of a reward for participation in a Postal Inspection Service investigation.	Postal Inspection Service	3/10/11
Senator, Maryland	External theft and rifling of mail.	Postal Inspection Service	3/21/11

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 October 1, 2010 — March 31, 2011

Requests	Number of Requests
Carryover from prior period	6
Received during period	194
Total on hand during period	200

Actions	Number of Requests
Processed during the period	194
Requests denied in full	17
Requests denied in part	70
Requests granted in full	6
No records	22
Requests referred	64
Requests withdrawn	6
Fee-related reasons	—
Records not reasonably described	—
Not a proper FOIA request for some other reason	5
Not an agency record	4
Duplicate request	—

Balance	Number of Requests
Balance at the end of the period (pending)	6

Processing Days	Number of Days
Median processing days to respond to a FOIA request	4

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 October 1, 2010 — March 31, 2011

Complaints received	Total
Carryover from prior period	17
Complaints received from OIG Hotline, Congress, Governors, management, internal, and other	284
Total on hand during this period	301

Workplace environment actions	Total
Complaints reviewed and closed during the period	268
Referred to Postal Inspection Service	2
Referred to Office of Audit	1
Referred to Office of Investigations	5
Referred to Workplace Environment	51
Referred to Hotline	3
Summary of findings to Congress/BOG/Postal Service management	60
Referred to FOIA	—
Referred to AIG for Investigations	—
Referred to database for statistical analysis and possible systemic review	146
Complaints pending at the end of the period	4

Acronym Guide

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

APPS: Automated Package Processing System

APWU: American Postal Workers Union

C&A: certification and accreditation

CSRS: Civil Service Retirement System

CSS: customer service supervisor

DBCS: Delivery Barcode Sorter

DOL: U.S. Department of Labor

DEA: Drug Enforcement Administration

DWC: distribution window clerk

eCBM: Electronic Conditional Based Maintenance

EDDI: Electronic Data Distribution Infrastructure

EDI: Electronic Data Interchange

EIR: Enterprise Information Repository

FEGLI: Federal Employees' Group Life Insurance

FEHB: Federal Employees Health Benefits

FSS: Flats Sequencing System

GMU: George Mason University

HCR: highway contract route

LLV: long-life vehicles

MTE: mail transport equipment

NALC: National Association of Letter Carriers

NCSC: National Customer Support Center

NDC: network distribution center

NPV: net present value

OA: Office of Audit

OI: Office of Investigations

OWCP: Office of Workers' Compensation Programs

P&DC: processing and distribution center

P&DF: processing and distribution facility

PAEA: Postal Accountability and Enhancement Act of 2006
(also known as the Postal Act of 2006)

PKI: Public Key Infrastructure

PRC: Postal Regulatory Commission

PVS: Postal Vehicle Services

RARC: Risk Analysis Research Center

SBOC: Stations and Branches Optimization Consolidation

SSA: sales and services associate

TACS: Time and Attendance Collection System

VMF: Vehicle Maintenance Facility

The following are among the many trademarks owned by the United States Postal Service: United States Postal Service®, U.S. Postal Service®, USPS®, First-Class Mail®, usps.com®, Click-N-Ship®, Automated Postal Center®, APC®, Express Mail®, Priority Mail®, Standard Mail®, Parcel Post®, Media Mail®, Customized MarketMail®, Intelligent Mail®, Parcel Select®, Express Mail International®, Quick, Easy, Convenient®, United States Postal Service Office of Inspector General™, Post Office™, Postal Service™, Signature Confirmation™, Certified Mail®, Delivery Confirmation™, Registered Mail™, ZIP Code™, Carrier Pickup™, Priority Mail International®, First-Class Mail International®, Premium Forwarding Service®, Forever Stamp® and Postmaster General™.

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/>



U.S. POSTAL SERVICE OFFICE OF INSPECTOR GENERAL
1735 N. Lynn Street, Arlington, VA 22209-2020
1-888-USPS-OIG (1-888-877-7644) Fax: 703-248-2291 www.uspsoig.gov

