



Office of Inspector General Semiannual Report to Congress

April 1 — September 30, 2010



MISSION STATEMENT

The mission of the U.S. Postal Service Office of Inspector General (OIG) 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 September 30, 2010. In the first section of this issue, we highlight audits and reviews that address risks in the strategic, financial, and operational areas of the U.S. 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 OIG counterparts to identify problems and collaborate on solutions. These efforts have resulted in significant savings opportunities. During this period, we issued 165 audit reports and management advisories, and the Postal Service accepted 94 percent (141 of 149) of the OIG's significant recommendations.

In addition, we conducted 1,991 investigations that led to 453 arrests and more than \$672 million in fines, restitutions, and recoveries, of which more than \$27 million went to the Postal Service.

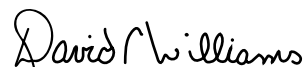
The Postal Service has reached a critical point in its history. It faces tremendous challenges to remain financially sound and meet its mission.

While the Postal Service is finding its role in the digital age, there are near-term actions needed for sustainability and to increase its readiness to enter a period of change. These include optimizing the network of plants and Post Offices; assessing the cost-effectiveness of contracts; improving internal controls in financial systems, resolving the benefit program inequities; offering new postal product and services

In September, we issued a report that summarizes the results of four OIG reports identifying overfunding issues in employees' and retirees' benefit funds. If our proposals to recover the overfunded amounts were placed in effect, the Postal Service could potentially recover \$142.4 billion. In addition, the Postal Service would no longer need to make the required payments to the Postal Service Retiree Health Benefits Fund (retiree health fund) — an average of \$5.6 billion per year.

The Postal Service can use these reports to come up with a legislative strategy when working with Congress, the Office of Personnel Management (OPM), and the Office of Management and Budget (OMB) to develop a fiscally responsible legislative proposal granting relief from the Postal Accountability and Enhancement Act (Postal Act of 2006) requirements to prefund retiree health benefits.

The OIG — with the support of the Governors, Congress, and Postal Service management — will continue to play a key role in helping to maintain 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

April 1 — September 30, 2010

AUDITS

Reports issued	165
Significant recommendations issued	149
Total reports with financial impact	43
Funds put to better use	\$11,502,017,298
Questioned costs ¹	\$57,179,926,121
Revenue Impact	\$1,956,617,687
TOTAL FINANCIAL IMPACT²	\$ 70,638,561,106

INVESTIGATIONS³

Investigations completed	1,991
Arrests	453
Indictments/informations	466
Convictions/pretrial diversions ⁴	507
Administrative actions	1,096
Cost avoidance	\$126,185,995
Fines, restitutions, and recoveries ⁵	\$ 672,064,407
Amount to Postal Service	\$27,117,893

OIG HOTLINE CONTACTS

Telephone calls	45,332
E-mail	13,524
Virtual Front Office calls	9,156
Standard Mail	1,071
Voice mail messages	513
Facsimile – FAX	385
National Law Enforcement Communications Center	282
TOTAL CONTACTS	70,263

¹ Includes unsupported costs of \$5,919,236,174.

² The Postal Service agreed to recommendations or proposed alternative corrective actions that, if implemented, could result in more than \$70 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 under fines, restitution, and recoveries.

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OFFICE OF AUDIT

AUDIT WORK BY RISK CATEGORY

The Office of Audit (OA) uses a risk-based planning approach to identify audit work that will provide the best value to the Postal Service. This process identifies key areas to focus on, and then assigns work via risk deployment. For this reporting period, we highlight audits and reviews that address risks in the strategic, financial, and operational areas.

STRATEGIC RISK

The Strategic Risk category covers issues that impact the Postal Service's overarching strategic direction. Strategic risk factors are those affecting the Postal Service's ability to be effective and efficient, and ensure that its products and services are self-sustaining and balance legal considerations and stakeholder views. The following audit work addresses strategic risk issues.

Postal Accountability and Enhancement Act Price Cap Impacts

The Postal Accountability and Enhancement Act (Postal Act of 2006) expedited the rate-making process and introduced price predictability; however, the act impacts the

Postal Service's ability to appropriately cover costs within certain mail classes and provide sufficient profit margins to cover institutional costs. While the act provided additional flexibility in managing product lines, some of its objectives, factors, and requirements are contradictory and present a compliance challenge for the Postal Service. One mandate requires each class of mail to cover its cost, while another mandate limits rate increases to the change in inflation, which was negative in FY 2009. In the current environment, the price cap is particularly daunting when there is no inflation and mail volume is declining. Specifically, seven domestic market-dominant products and services did not cover their costs or contribute to covering institutional costs in FY 2009. Revenue loss resulting from these seven products could total about \$1.5 billion in FY 2010. Even if

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.

Pension / Retirement / Health Benefits / CSRS Overpayment

The Postal Service is currently facing severe fiscal challenges. Congress recognizes these challenges and the issues associated with prefunding certain liabilities and urged the Postal Service to coordinate with the U.S. Office of Personnel Management (OPM) and the Office of Management and Budget (OMB) to develop a fiscally responsible legislative proposal granting a limited measure of relief from the Postal Act of 2006.

The OIG issued reports identifying overfunding in the pension and retiree health care funds that the Postal Service can use when working with OPM and OMB. If proposals to recover the overfunded amounts were placed in effect, the Postal Service could potentially recover \$142.4 billion. In addition, the Postal Service would no longer be required to prefund the Postal Service Retiree Health Benefits Fund (retiree health fund) at an average of \$5.6 billion per year. Also, the Postal Service could prefund pensions and retirees' health benefits at benchmarked levels, pay existing retirees' health insurance premiums from the retiree health fund, and extinguish its debt to the U.S. Department of the Treasury. Further, the proposals could provide significant levels of cash for operations and allow the Postal Service to continue optimizing its infrastructure at a more reasonable pace and minimize the impact on current employees. These proposals include the following:

- Recover the \$75 billion overfunding to the Civil Service Retirement System (CSRS) and use the funds to extinguish the Postal Service's \$10 billion debt to the treasury and finance retiree health care.
- Reduce prefunding levels to benchmarked standards of 80 percent for pensions and 30 percent for retiree health care.
- Recover overfunding of Federal Employees Retirement System (FERS) pension contributions of \$5.5 billion.
- Reduce the projected health care inflation rate to the industry standard of 5 percent.

Addressing these issues would significantly improve the Postal Service's financial condition, and allow it to continue its transformation envisioned by the Postal Act of 2006.

management had used all its available banked-rate authority in FY 2009, the Postal Service could have captured only about \$1.75 million of the \$1.5 billion revenue shortfall.

Allowing the Postal Service to apply the price cap to a larger base, such as the market-dominant level instead of each mail class, would give additional flexibility for the Postal Service to cover the cost of its products and services. If the increase in inflation in FY 2008 was applied to the market-dominant category as a whole for the FY 2009 price increase, the Postal Service could have generated additional revenue of about \$424 million.

Management took corrective action to convey a legislative change request to the oversight committees to change the application of the price cap from individual mail classes to the market-dominant basket as a whole. However, management disagreed with the recommendation to provide a detailed transparent plan with established milestones for each product to cover costs, stating that such a plan would pre-suppose the actions of the Board of Governors which has a statutory duty to balance all relevant considerations in establishing prices.

Revenue Generation

The Postal Service has the opportunity to generate additional revenue by offering new postal and non-postal products and services. The combination of transactions moving to the Internet and the recent recession has led to an unprecedented decline in mail volume and a resulting decline in revenue for the Postal Service. Additionally, the Postal Act of 2006 prohibits the Postal Service from offering nonpostal products and services.

We suggested 10 strategic opportunities for the Postal Service to generate additional revenue from new postal and nonpostal products and services. The Postal Service should further evaluate these opportunities to diversify by expanding its product and service offerings to ensure its financial viability. While several of the recommended changes may require legislative changes, implementing these suggestions could result in \$9.7 billion in additional revenue for the Postal Service annually, while providing improved service to its customers.

Stations and Branches Optimization

To assess the Stations and Branches Optimization Consolidation (SBOC) Initiative to consolidate retail facilities, we reviewed some of the 3,600 stations and branches under the administration of main Post Offices. The Postal Service uses one closure process for Post Offices and another for stations and branches. Both federal law and Postal Service policies set forth regulations and procedures to close a Post Office. In contrast, the Postal Service uses an expedited process to close stations and branches, which are not specifically covered by statute.

Auditors concluded the SBOC Initiative is a viable option for the Postal Service to reduce costs in the retail network, but opportunities exist to improve the process. Specifically, the Postal Service could improve SBOC Initiative communication and coordination with stakeholders to develop accurate and reliable facility data. In addition, the Postal Service needs to raise stakeholders' confidence that it will make decisions in a transparent, equitable, and fact-based manner by integrating a strategic approach and establishing clear criteria for evaluating closure decisions.

Revenue Generation Opportunities

Products/Services That Can Be Offered Under Current Legislation

- 1 Unaddressed mail service.
- 2 Post Office box customer information.
- 3 Selling advertising space in Postal Service outlets and on delivery vehicles.
- 4 Enhanced online ordering and package delivery.

Products/Services That May Require Legislation Change

- 5 Digital identity; secure e-mail service.
- 6 Comprehensive micro-logistics service provider.
- 7 Entertainment: DVD/video games fulfillment.
- 8 In-person service center for community and government services.
- 9 Bill payment at Postal Service outlets.
- 10 Banking services.

Based on feedback from industry representatives and international posts, we identified 10 potential revenue generating opportunities that could result in significant revenue impact in the long term. Note: While some initiatives may not be feasible in the short term due to the Postal Service's current financial situation, they could represent significant revenue potential in the long term.



The Postal Service currently has eight area and 74 district offices as depicted on this current Postal Service map.

Processing & Distribution Center Consolidations

Following are summaries of audits on area mail processing consolidations requested by congressional representatives whose concerns included possible transfer or loss of jobs, continued effectiveness of mail operations, continued quality of service, justifiable cost savings and adequate efficiency methods in place, and public transparency. The representatives asked the OA to determine whether the Postal Service had a valid business case for consolidating mail processing operations at the following locations.

Lima, OH, Processing & Distribution Facility. We determined that a business case exists to support consolidating the Lima, OH, Processing and Distribution Facility’s (P&DF’s) mail operations into the Toledo P&DC mail operations. Specifically, we found that sufficient capacity exists at the Toledo P&DC to process the Lima P&DF’s mail volume. In addition, customer service was expected to be maintained, no employees would lose their jobs, and mail processing efficiency was expected to improve. Furthermore, prior consolidation of the Lima P&DF’s Saturday outgoing mail volumes into the Toledo P&DC’s outgoing mail volumes over the past 6 years has produced favorable results. We determined that management needs to better communicate the effects of and reasons for the proposed consolidation, and address physical security concerns at the Toledo P&DC.

Dallas P&DC Outgoing Mail Consolidation. We found that adequate capacity existed at the North Texas P&DC to

process the increase in mail volume from the Dallas P&DC, and substantial savings could be gained. Management agreed with our recommendations and is taking steps to consolidate the Dallas P&DC outgoing mail operations into the North Texas P&DC by FY 2011.

Area and District Field Structure

The Postal Service has significant opportunities to reduce costs by consolidating its field structure. Management should develop a comprehensive plan to guide future field structure decisions and explore the viability of relocating area offices to headquarters. At a minimum, this plan would provide a method to evaluate and define an economic, efficient, and effective field structure to oversee the Postal Service’s universal service mission.

Although the Postal Service recently consolidated one area and six district offices, we identified the following three other options, done separately or in combination, to consolidate its field structure further:

- Eliminate 14 offices by consolidating districts that have offices within 50 miles of another district office.
- Eliminate four area and 32 district offices by consolidating those offices whose workhours and mail volume are both below the mean mail volume and workhours.
- Eliminate duplicative staff positions and better position area management to work strategically with headquarters by relocating all area offices to headquarters.

STRATEGIC RISK

We could not fully evaluate the effectiveness of the recent area and district consolidations because consolidations were limited and management did not have documentation of the data used to make the decisions. However, the headquarters, area, and district management staff we interviewed believed that the consolidations went smoothly and did not negatively impact operations.

Benchmarking with Presort Bureaus

We benchmarked letter and flat-mail processing at the Postal Service with some presort bureaus. As background, a presort mailer sorts its own mail in ZIP Code order before presenting the mail to the Postal Service. A presort bureau presorts and commingles mail for other companies. Some larger presort bureaus have equipment similar to the Postal Service's and provide an opportunity to identify best practices in mail processing operations.



Highlighting excess space in the New York District, these photos depict two facilities with excess interior space. The Morgan P&DC, top photo, is a Postal Service-owned plant with three vacant floors. The Radio City Station, bottom photo, is another owned facility, which houses delivery and retail operations with one vacant floor. Both are located near other Postal Service facilities also maintaining excess space.

We determined that presort bureaus are better able to handle fluctuations in mail volume and economic changes because they used a standardized process when notifying employees of network changes, such as plant closures. Additionally, presort bureaus are not subject to binding union contracts. We observed the consistent use of automated and mechanized tray takeaway systems at presort facilities and little dependence on the manual movement of trays; while at postal facilities, we observed employees moving trays manually between processing operations, sometimes bypassing automated or mechanized alternatives.

Presort managers at presort bureaus, base workforce schedules on mail volume, have employees cross crafts between processing and mail handling, and generally pay their employees lower wages than the Postal Service pays its employees. Conversely, Postal Service employees work full-time schedules independent of volume availability and do not cross crafts. Increasing workforce scheduling flexibilities and

developing multi-functional employees could decrease the Postal Service labor costs.

Delivery Barcode Sorters Equipment Utilization

Delivery Barcode Sorter (DBCS) standard operating procedures recommend using mail volume levels when determining staffing and the number of machines to operate. The procedures outlined in these standards are key to reducing excess capacities or overproduction, increasing productivity, and controlling costs. However, we found that in the Capital Metro Area, plants routinely staff and operate DBCS machines unnecessarily using traditional approaches. DBCS excess capacities exist because plants in the Capital Metro Area do not adhere to work distribution standards. We determined that the Capital Metro Area could have deactivated 55 of its 72 DBCS machines during FYs 2008 and 2009, respectively, and still have met service requirements. Deactivating excess DBCS machines would have saved the Capital Metro Area several million dollars annually.

Facility Optimization

We audited the New York, Northern New Jersey, and Chicago districts to assess whether the Postal Service has additional facility optimization opportunities for the Postal Service. We found that in these districts, the Postal Service has 5.1 million square feet in excess of what the current workload suggests is needed.

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 made progress in optimizing its existing space, it can do more to dispose of excess interior space in a timelier manner. 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.

We also conducted an audit of the Postal Service process for selling real estate assets. We found that the Postal Service did not optimize its revenue on real estate sales because internal controls over real estate disposals needed strengthening. We determined that the Postal Service needed to update procedures to include a net present value (NPV) or cost benefit comparison of alternatives prior to the sale of real estate assets. Further, enhancing procedures that govern optimization by designating scenarios and exceptions that may apply in the sale of properties was needed. Management agreed to enhance facility optimization tools to include net present value comparisons

of optimization alternatives. In addition, management recently revised the charter for the Realty Asset Executive Committee to clarify its purpose and strengthen its scope.

Delivery Vehicle Replacement Strategy

The majority of the Postal Service’s long-life vehicles (LLV) delivery fleet is nearing the end of its 24-year life expectancy. Due to limited capital resources, the Postal Service has delayed its planned purchase of delivery vehicles until FY 2018; however, the Postal Service is expected to continue to face the same capital challenges at that time.

We assessed whether the Postal Service has a viable and effective vehicle replacement strategy and found that the Postal Service has successfully maintained its LLV delivery vehicle fleet in safe working condition for more than 20 years. They attribute this success to a robust preventive maintenance program, as well as a “fix as fails” strategy that we found to be operationally viable and generally cost effective.

However, analysis of delivery vehicle costs shows that this strategy would not be cost effective for fleet vehicles the Postal Service will have to replace soon. These vehicles consist of 19,257 LLVs, with an average annual maintenance cost in excess of \$5,600 for FYs 2008 and 2009. Incurring maintenance costs at this rate, the “fix as fails” strategy costs \$342 million more than it would cost to purchase new vehicles. We recommended that the Postal Service replace maintenance-intensive vehicles beginning in FY 2011, reemphasize service life and maintenance reinvestment guidelines to vehicle maintenance and district managers, and monitor maintenance-intensive delivery vehicles at the area level.

Flats Sequencing System

We conducted the following audits related to Flats Sequencing System (FSS) machines that sort flat mail (oversized letters, magazines, advertisements, and so forth) in delivery order.

Program Status and Projected Cash Flow. On two previous occasions, the FSS failed to meet contract performance requirements. The Postal Service continued to work with the supplier to improve system performance and reliability at the Dulles, VA, Processing Center. The audit found that the Postal Service’s revised performance projections do not use current actual machine performance and the projected gain of at least \$872 million from the FSS appears optimistic. In addition, significant changes in assumptions for FSS machines and measurement criteria have been made since the original investment approval.

These changes make it challenging for the Postal Service to measure project success.

We recommended that the Postal Service use actual machine performance and operational target data to more accurately report the progress of the FSS program’s financial outcomes in compliance reports such as the Investment Highlights report. Management agreed with the recommendation to use actual machine performance data for compliance reports, but took exception to certain findings and our recommendation to use operational target data. Management included financial outcomes based on actual performance in the Quarter III investment highlights report.

Operational Issues. We assessed the effects of the FSS on delivery operations in the Columbus, OH, and Mid-America Districts. We found five Columbus and six Mid-America District delivery units improved delivery operations during the FSS full production implementation. Columbus units cut operating costs by more than \$500,000 and Mid-America units cut operating costs by more than \$600,000. Both districts reduced city carrier office hours, manual distribution clerk workhours, and city carrier routes.

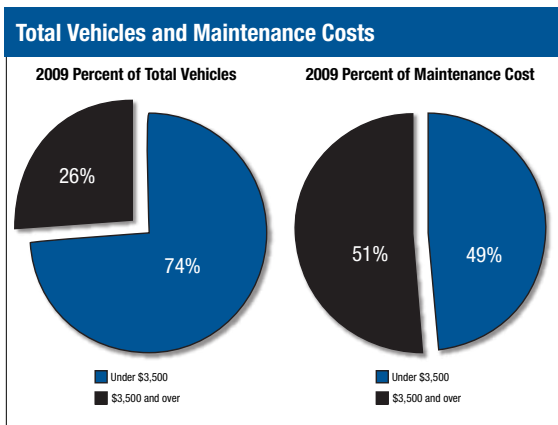
Although the FSS improved delivery operations, the delivery units in each district received more than 8.5 million flat mailpieces that were not processed on the FSS because the mailpieces did not meet flat mail automation requirements. Also, each district received about 2 million mailpieces that were not carrier routed and required manual sorting and casing to put them in delivery walk sequence. As a result, the Postal Service missed the opportunity to further reduce workhour costs.

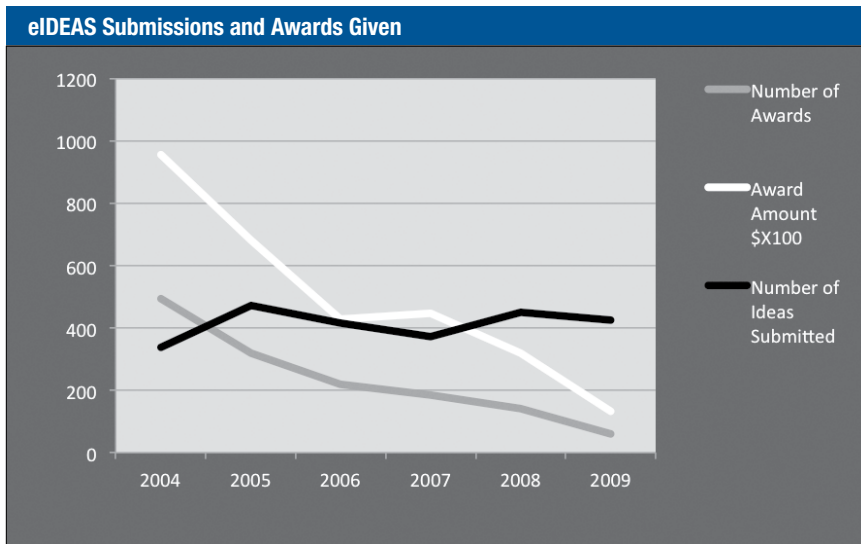
Postal Service Patent Management

Intellectual property is an intangible property created by individuals or organizations that can be owned, transferred, leased through licensing agreements, divided or



Postal Service vehicles are being completely reassembled to include frame, engine, transmission, and body shell. Available data shows 613 vehicle frames were replaced in FY 2008 and 2,250 frames in FY 2009.





Since FY 2004, the number of eIDEAS submissions has increased and the number of awards has decreased, along with the corresponding payouts.

improved. A patent is a protection of intellectual property. Properly managed, patents can be used to negotiate contracts and business deals, resolve disputes, enhance market share, and produce revenue. The Postal Service's general counsel identifies and protects its intellectual property. To assess the commercial significance of Postal Service patents, we contracted with an intellectual property management company to perform an initial evaluation of three of the 97 U.S. patents identified as active and owned by the Postal Service. For the selected patents, we found the opportunity to leverage patents to generate significant new revenue.

eIDEAS Timeliness and Transparency

The eIDEAS program is a web-based application that allows Postal Service employees to submit ideas online or at one of the kiosks located in processing plants. We determined that the eIDEAS program was not timely and management's resulting actions were not transparent. The eIDEAS program guide stipulates that evaluators assess ideas within 7 days of submission, but level 1 evaluators took more than 2 years to process employee ideas, while level 2 and level 3 evaluators took more than 1 year and almost 7 months, respectively, to process ideas. While the number of ideas submitted has grown by 26 percent from FYs 2004 to 2009, the number and value of awards has declined by more than 88 percent. Furthermore, a survey of employees who submitted ideas, revealed that untimely evaluations, insufficient management commitment and communication, and insufficient program transparency were perceived as inhibitors to the program's success.

FINANCIAL RISK

The Financial Risk category includes issues that have a clear financial impact, particularly those related to cost control and revenue generation. The greatest opportunities to reduce financial risks are in the areas of maximizing the cost-effectiveness of contracts, and improving internal controls in financial systems, processes, and benefit programs.

The Postal Service faces a critical financial risk as it, like other companies, deals with the economic slowdown affecting the nation. While the Postal Service made progress in reducing costs, the possibility of further declines in volume mean that it is still confronted by a major challenge to find ways to cut costs and increase revenues

Contracting Issues

During this reporting period, we assessed Postal Service controls over contract payment terms, noncompetitive contracts, and Electronic Data Interchange (EDI) contract payments. We found opportunities for improvement in controls in all areas.

Contract Payment Terms. We assessed whether the Postal Service receives consideration when contract payment terms are less than net 30 days to compensate for the opportunity cost associated with early payment. The Postal Service did not receive early payment consideration for 10 of 14 contracts reviewed. The 10 contracts totaled nearly \$9 billion; consequently, the Postal Service incurred an opportunity cost of \$19.3 million. Management agreed with the recommendation to revise the Postal Service's guidance to include the business rationale and associated documentation in the contract file when less than 30-day payment terms are negotiated. However, management disagreed with the finding and monetary impact, stating that the Postal Service received value in other ways during negotiations for the contract reviewed.

Noncompetitive Contracts. At the request of Senators Susan M. Collins (ME) and Claire McCaskill (MO), we assessed Postal Service compliance with its policies controlling noncompetitive contracts, and compared them with Federal Acquisition Regulation (FAR) policies and private sector practices. Congress directed the Postal Service to operate outside of the federal procurement regulatory environment for efficiency. Although this provided increased contracting freedom and flexibility, necessary safeguards to balance these freedoms and ensure protection of the Postal Service's interests were not consistently established or followed. While the Postal Service has recently strengthened its noncompetitive

purchasing policy, additional controls are needed to ensure that the Postal Service's interests are protected. Specifically, steps need to be taken to:

- Strengthen the oversight and transparency of the Postal Service's noncompetitive purchasing.
- Maximize competition.
- Ensure best value.
- Avoid any actual or apparent conflicts of interest in the contracting process.

We also found that the Postal Service cannot readily identify its noncompetitive contract universe and was not consistently complying with existing controls for justifying and approving noncompetitive contracts.

Electronic Data Interchange Contract Payments.

We audited the controls over EDI payments for Highway Contract Route (HCR), utility and telecommunication invoices to assess whether Postal Service officials properly certified electronic payments to ensure that goods and services are received prior to payment. We found that Postal Service officials need to improve their oversight of electronic payments and that they did not certify about \$5.6 billion in electronic payments. Our audit also found \$7.6 million in HCR contract payments made more than 30 days after the contract closed and \$1.2 billion in HCR payments made without an assigned contracting officer to oversee them.

Management did not state agreement with our recommendation to develop an oversight mechanism, and to identify contracting officers and notify them to oversee and administer HCR payments. They did, however,

plan to take corrective actions. Management disagreed with our recommendation to develop and implement written procedures for receiving invoices for annual HCR services and verifying that services were rendered prior to payment. Management said the Postal Service has a streamlined payment process in place for HCR contracts and a system to automatically pay HCR suppliers at contracted rates. Management believes they have adequate compensating controls in place. However, management did say they would work to strengthen the control process.

Maximizing the Cost-Effectiveness of Contracts

On behalf of OA, the Defense Contract Audit Agency conducted 11 contract-related audit reports covering various Postal Service contracting activities during the reporting period. These audits identified unsupported and questioned costs of \$511,906. This information was provided to contracting officers for their consideration in negotiating the best terms for the Postal Service and to effectively manage contract terms. The following are examples of this work:

- An audit of labor costs on a contract for the National Customer Support Center disclosed more than \$500,000 in unsupported questioned costs. The contractor could not provide resumes for 24 of their employees and

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 whitepapers have included the CSRS pension responsibility, worksharing, financial implications of declining mail volumes, pricing policies in a Postal Accountability and Enhancement Act environment, and optimizing the postal retail network.

Financial Implications of Declining Mail Volumes

Annual mail volume peaked in 2006 at 213 billion pieces. Since then, mail volume has declined. It is difficult to determine how much of this drop is due to the recent economic downturn, but many postal experts consider that a period of long-term volume decline has begun. Can the Postal Service remain solvent at much lower volume levels?

The RARC asked George Mason University's (GMU's) School of Public Policy to look at the financial sustainability of the Postal Service at lower mail volume levels. The results of GMU's analysis can be found in the OIG whitepaper "Implications of Declining Mail Volumes for the Financial Sustainability of the Postal Service." GMU researchers created a model to analyze the financial position of the Postal Service at many different volumes. The results of their analysis suggest the outlook for the Postal Service is optimistic. The Postal Service is financially sustainable down to volume levels of 100 billion pieces per year. However, changes to the Postal Service's cost or revenue structure will be needed.

The model can run "what if" scenarios, showing how various cost-reduction initiatives can lessen the need for rate increases at specific volume levels. GMU researchers analyzed the financial effects of options such as switching to 5-day delivery, optimizing the retail network, and increasing productivity. They also examined how the cost structure of the Postal Service will change if volume declines. At lower volume levels, delivery will become a much larger share of total costs, and any cost burdens unrelated to delivering the mail will be significantly more difficult to bear.

GMU's analysis is encouraging. It provides hope that the Postal Service can remain solvent at lower volume levels, if it is allowed to act.

another seven employees did not meet the minimum experience and/or education requirements for the labor category for which they were billing.

- A floor check audit disclosed weaknesses in a contractor’s timekeeping system. The contractor’s employees were not properly completing timesheets nor complying with company policies and procedures. The contractor’s management did not adequately review timesheets and the labor distribution payroll records did not reconcile with timesheets.

Grievance Settlements and Payments

We initiated this audit to determine whether internal controls over grievance settlements and payments were effective. The Postal Service pays millions of dollars in grievance settlements (\$250 million in FY 2008 and \$179 million in FY 2009). We found that management controls over grievance settlements and disbursements need to be strengthened. Specifically, we reviewed 600 grievance payments and disbursements and found 234 (or 39 percent) were not supported by adequate documentation. Missing were signed Grievance Arbitration Tracking System decision letters that document the reason for the settlement; the Grievance Form, which explains the original grievance; and documentation that explained how management determined the amount of the payment.

Further, we found that oversight of the grievance settlement process was inconsistent among the districts. Supervisors are authorized to settle grievances at any amount; and although some postal managers had implemented a consultation process for grievance settlements, others believed oversight of grievances before settlement and

documentation of any consultation would violate union contracts. Management agreed with our findings and recommendation to develop and implement an internal control plan for grievance settlements and payments to ensure consistency among districts and compliance with contractual agreements.

Postal Service Employee Benefits

Senator Susan M. Collins (ME) asked OA to update the OIG’s 2007 employee benefits program comparability data and determine what the savings would be if the Postal Service changed its Federal Employees’ Group Life Insurance (FEGLI) and Federal Employees Health Benefits (FEHB) program contribution rates to match the federal government. Auditors concluded that the Postal Service has reduced its FEHB contribution rate by 1 percent per year from 2008 to 2010 with similar reductions planned in 2011 and 2012. However, its FEGLI and FEHB contribution rates are still higher than those of the federal government. We determined the Postal Service can save approximately \$705 million in calendar year 2011, if it matches the federal government’s FEGLI rate and uses the federal government formula to calculate its FEHB contribution rates.

Advertising Costs

We assessed whether advertising costs were accurately reported to the Postal Regulatory Commission (PRC) and whether Priority Mail advertising costs were shifted to other products. We reviewed statutory requirements and met with PRC, Law Department, and Finance managers to discuss reporting criteria. We determined that, following passage of the Postal Act of 2006, management did not

issue written instructions clarifying how to allocate advertising costs to various products and services. During FY 2009, advertising managers changed their procedures for allocating advertising costs without notifying finance personnel of the change. The new procedures did not follow the PRC’s established cost methodology. Finance managers corrected most, but not all, of these misallocations, resulting in a misstatement of advertising costs reported to the PRC. The remaining misallocations understated Priority Mail advertising costs by \$5.6 million, which made the product appear to be more profitable.

Grievance Issue Categories	Proportion
Overtime Assignment	11.91%
Overtime Work	13.20%
Performance of Bargaining Unit Work	7.55%
Cross Craft Assignment	6.20%
Employees Not on Overtime List	6.29%
Hours of Work	4%
Article 8 Overtime	6.64%
No Issue Available	3.13%
Equitable Distribution of Overtime	2.47%
Grievance-Arbitration Procedure	2.23%
Prohibition of Unilateral Action	1.37%
Other Issues	35.02%

We developed a point estimate with a 95 percent confidence level for each grievance issue that occurred 10 times or more in our sample. We combined the remaining issues in the other issues category. This table is our projection of the makeup of all grievances settled in FYs 2008 and 2009.

OPERATIONAL RISK

The Operational Risk category focuses on issues related to the day-to-day operations of the Postal Service. These risk factors potentially affect the Postal Service's ability to provide timely, reliable delivery and customer service across all access points. Operational risk factors involve the quality of postal services and the end-to-end service performance of all mail, as well as the assurance that postal products and services meet customer expectations by being responsive, consistent, and easy to use.

Assessment of Overall Plant Efficiency

We assessed efficiency by benchmarking each plant's productivity (volume per workhour) against the median productivity level. We determined management has not yet fully adjusted workhours in response to changes in workload, nor achieved all possible efficiencies in mail processing operations provided by opportunities such as the introduction of additional automation. The Postal Service could improve efficiency by reducing more than 16.2 million workhours by the end of FY 2012. This would allow the Postal Service to achieve at least median productivity levels in the processing network and avoid significant costs.

City Delivery Efficiency Reviews

The OA initiated a series of audits nationwide to assess the overall efficiency of city delivery operations and identify opportunities to reduce operating costs. We audited the Southeast Area's Atlanta District and the Pacific Area's Bay Valley and Los Angeles Districts, located in California.

We found that the three districts were not operating at peak efficiency and could reduce city delivery operating costs. Although several factors contributed, the two primary causes were insufficient review and oversight of unit offices' operation, and inadequate coordination with mail processing facilities to ensure mail was timely received and was in a condition that promoted office operating efficiency. We recommended that these districts reduce more than 608,000 workhours, and periodically evaluate units' operating efficiency and staffing to determine whether further workhour adjustments are necessary based on workload.

Postal Vehicle Service Transportation

Network transportation has two surface transportation components: Postal Vehicle Service (PVS), which uses Postal Service employees, vehicles and facilities, and HCRs, which are contracted transportation. In FY 2009, the Postal Service spent about \$1.2 billion dollars on PVS operations covering more than 130 million miles, and more than

\$3 billion on HCR transportation covering more than 1.6 billion miles. The following audits were conducted in this area:

PVS Scheduling and Staffing. We assessed whether scheduling and staffing of PVS operations at the Atlanta District were efficient, effective, and economical. Based on this audit, the Atlanta District began taking steps to more efficiently and effectively manage PVS transportation processes and schedules, thereby reducing labor and related costs. Additionally, we concluded that the Postal Service could further reduce PVS costs by utilizing alternate schedules to include split days off and expanding the use of part-time drivers for PVS operations where possible. In response to this report, management stated that there are 21 pilot sites that include the use of split days off, split shifts, and mixed duty assignments to increase productivity. Additionally, management stated that they have a plan to increase workforce flexibility to improve operational efficiency and the effectiveness of PVS.

PVS Operations. Auditors assessed whether PVS vehicle operations at the Southern Maryland P&DC were effective and economical. They concluded that Southern Maryland P&DC management could more effectively manage PVS transportation processes and schedules, thereby reducing more than 10,000 driver workhours and related costs. In addition, management could consolidate or eliminate eight HCR trips. Also, we assessed whether PVS operations at the Washington, DC, Network Distribution Center (NDC) were effective and economical and concluded that workhours assigned to yard activities did not match productivity standards. The audit concluded that Washington NDC management could phase out about 7,000 workhours by following productivity standards, thereby saving about \$2.8 million over a 10-year period.

Review of Vehicle Parts Program

We assessed the Postal Service's purchasing and inventory management processes. We found that although the process had significantly reduced costs for vehicle parts, the Postal Service did not always pay the lowest price for vehicle parts and vehicle part assets that were at risk in some Vehicle Maintenance Facility (VMF) units. These conditions occurred due to inadequate processes, unclear purchasing



Based on our 12 PVS audits, the Postal Service has been taking steps to more efficiently and effectively manage PVS transportation processes and schedules, thereby reducing labor and related costs.

OPERATIONAL RISK

policies, and resource constraints, as well as insufficient internal controls to secure vehicle parts assets in some VMF inventory stockrooms.

We recommended that the Postal Service establish a process to analyze similar vehicle parts from the two consignment suppliers to aid in negotiations with suppliers. This would ensure that the Postal Service receives the lowest available cost on vehicle parts. We also recommended management communicate consistent clear policy to VMF personnel on purchasing vehicle parts and re-emphasize stockroom policies and procedures that include separation of duties.



We found that although the Postal Service has taken a number of steps to enhance MTE management over the last 2 years, opportunities exist at the headquarters' level to more effectively manage and control MTE nationwide.

Automated Package Processing System

Electronic Conditional Based Maintenance (eCBM) requires that maintenance hours be aligned with machine usage and establishes an expected level of maintenance based on machine throughput. During a 2-year period ending September 30, 2009, Postal Service facilities equipped with Automated Package Processing System (APPS) machines

exceeded estimates for preventive maintenance by 85,958 workhours. The most frequent causes for excessive workhours were jams occurring due to mail processed not meeting proper specifications according to size and weight and the inability to incorporate the eCBM checklist for dual-sided APPS systems.

As a result of our recommendations, management agreed to provide stand-up service talks to all managers and all APPS employees, and revise the eCBM task list to accommodate work requirements to include dual sided APPS configurations. Management also agreed to establish a control to track preventive maintenance hours to assist field sites in managing performance within 20 percent of eCBM requirements.

Mail Transport Equipment

Mail transport equipment (MTE) are containers of various types used to hold mail during processing and transportation within or between Postal Service facilities, its contractors, its mailers, and other external customers. The Postal Service also loans MTE to mailers and other external customers as a courtesy to convey mail to and from postal installations. Postal Service policy requires routine audits of mailers and postal facilities to ensure that MTE is not misused or misappropriated and the quantity on hand is adequate.

We found that although the Postal Service has taken a number of steps to enhance MTE management over the last 2 years, opportunities exist at the headquarters' level to more effectively manage and control MTE nationwide. Specifically, management could provide updated, comprehensive policy, guidance, and oversight that support MTE operational requirements. Management could also develop a nationwide comprehensive inventory system for identifying and tracking all MTE throughout the network and for effectively determining annual MTE purchase requirements. In addition, management could ensure areas have sufficient resources to monitor the management of MTE in the field or at mailer facilities, as well as ensure appropriate compliance with national MTE requirements. We concluded that if comprehensive controls over MTE had been in place at facilities and mailers, the Postal Service could have spent significantly less for MTE in FYs 2008 and 2009 and could ensure that only needed MTE is purchased in the future.

FedEx Transportation Agreement

We conducted the following audits of the FedEx Corporation's (FedEx) Transportation Agreement.

Use of Contract Transportation. In FY 2009, the Postal Service paid FedEx to transport about 1.3 billion pounds



We found that Postal Service headquarters needs to strengthen nationwide processes, guidance, and monitoring in implementing the FedEx Transportation Agreement.

of mail. We assessed whether the Postal Service's use of the FedEx Day-Turn network was effective and economical in the Capitol Metro, Eastern, Great Lakes, and Northeast Areas. Our audit found that from October 2006 through April 2009, these areas incurred costs by using FedEx to sort mail unnecessarily and by moving mail that could have been moved on less costly surface transportation or passenger airlines. Management did not agree with all of our estimated savings; however, management said their corrective actions should reduce or eliminate their exposure to any funds wasted.

FedEx National Analysis. We assessed national issues related to processes, guidance, and oversight in implementing the FedEx Transportation Agreement and operations associated with the Day-Turn network. We focused on systemic or significant issues identified in our prior FedEx Transportation Agreement audits of the eight Postal Service areas.

We found that Postal Service headquarters needs to strengthen nationwide processes, guidance, and monitoring in implementing the FedEx Transportation Agreement. Specifically, to avoid unnecessary transportation costs we determined that management could more effectively do the following:

- Monitor and avoid transportation of surface mail classes on FedEx.
- Validate the accuracy of mail capacities provided by commercial carriers.

- Ensure carriers comply with providing the capacities.
- Address local officials' concerns over the ability of carriers to handle provided capacities.
- Adjust mail volume arrival profiles for Terminal Handling Services (THS) locations, or adjust mail tender times to FedEx to ensure THS contractors have sufficient time to build planned bypass containers.
- Reinforce existing policies and procedures for processing and assigning mail, for building by-pass containers, and for tendering mail to FedEx; and standardize oversight at THS contract sites to monitor FedEx operations and ensure local compliance with established processes and procedures.

First-Class and Standard Mail Workshare Discounts

We assessed whether the Postal Service bases First-Class Mail and Standard Mail workshare discounts for presort letters on current cost inputs. We determined that presort letter cost models for First-Class Mail and Standard Mail contain inputs that may not reflect current operating conditions. Of the 288 inputs the models use, 13 were last updated prior to FY 2008. Our audit also found that to obtain more favorable letter rates some mailers reconfigured their flats into letter-sized booklets; however, these reconfigured letters are sometimes processed as flats instead. Management agreed with our recommendation to determine the feasibility of updating the 13 First-Class Mail

An Assessment of Worksharing

For more than 30 years, the Postal Service has offered workshare discounts. Worksharing is a form of outsourcing where mailers perform certain mail processing, handling and transportation activities in exchange for reduced postage prices. Over the years, worksharing has evolved into a complex program affecting most mail volume and driving fundamental Postal Service operations.

Worksharing also has a crowded field of influential stakeholders with widely differing views on how it should operate. To some, worksharing liberated the Postal Service's supply chain to the private sector, increased efficiency, grew mail volume, and allowed the Postal Service to tailor pricing to its customers' needs. To others, worksharing exposed the Postal Service to revenue risks, provided subsidies to big mailers, and sacrificed postal jobs to unfair competition.

While much of the discussion surrounding worksharing is very complicated and open to interpretation, much can still be said to inform the debate. The RARC explored worksharing and discussed this important topic with stakeholders in the mailing community. The OIG's whitepaper "Assessment of Worksharing" reveals that in many ways worksharing has been a resounding success in the United States and a model for posts in other countries to emulate. Yet, there are still problems to be addressed and opportunities to be explored. Some of the key findings include the following:

- Worksharing has rapidly grown to dominate the Postal Service's business and today represents more than 80 percent of mail volume.
- The Postal Service provided \$15 billion worth of discounts for work that saved \$14.8 billion in avoided costs in fiscal year 2008.
- The Postal Service's ability to retain earnings may create an incentive to set discounts to be less than the Postal Service's avoided costs, especially in areas where discounts greatly exceed mailer cost. Historically, workshare discounts have been set equal to the mail processing, handling and transportation costs avoided by the Postal Service.
- The Postal Service's worksharing program is recognized as the largest, most sophisticated, and most transparent in the world.

The time is right for the Postal Service, the PRC, and the stakeholder community to reexamine and reevaluate certain principles supporting worksharing in order to prepare it for the next 30 years.

FY 2008 Worksharing Cost Avoidances and Discounts (In billions)

Class of Mail	Cost Avoidance	Discount
Standard Mail	\$7.9	\$8.3
First-Class Mail	4.1	4.2
Periodicals	2.0	1.7
Package Services	0.8	0.8
Total	\$14.8	\$15.0

Worksharing involves 80 percent of current mail volume, allowing the Postal Service to avoid \$14.8 billion in costs and provide \$15 billion in discounts to mailers (see Table). Combined, workshered Standard Mail and First-Class Mail saved the Postal Service \$12 billion (with \$7.9 billion and \$4.1 billion, respectively) and account for 81 percent of the total cost avoided by worksharing.

and Standard Mail cost inputs and to create a prioritized list for completing the updates. Although management disagreed with our recommendation to undertake a study to identify needed changes to the letter cost models due to the volume of reconfigured letters and the percentage of those processed as flats, they are aware of the issue and are pursuing an alternate solution.

FY 2009 Standard Mail Volume Incentive Program

We evaluated the Standard Mail Volume Incentive Program (Summer Sale) to determine whether the objective to increase volume and revenue was achieved and if the process used to establish the customers' mailing history was a valid and accurate method. From July through September, the Postal Service ran the FY 2009 Summer Sale program to increase volume during a typically light mail volume period and to increase revenue.

We determined that the Postal Service did not always use independent, reliable, and complete data to calculate the \$24.1 million in net revenue contribution and the increased volume it reported from the FY 2009 Summer Sale. This occurred because the Postal Service relied on certain customer-provided data to determine customer thresholds that was a key component in evaluating revenue and volume increases. Additionally, the Postal Service did not accurately track expenses incurred by employees working on the FY 2009 Summer Sale project.

Management generally agreed with our recommendation to develop a process to obtain accurate and verifiable customer mailing data that dependably measures and reports on the effect of customer incentive programs. Management also agreed to develop a method to more accurately track employees' time spent working on projects. However, management did not believe the report reflected the intangible benefits the Summer Sale provided,

including the promotion of customer business, retention of customers, and rewarding loyal customers.

Efficiency of Retail Customer Service Operations

We assessed the overall efficiency of retail customer service operations. Although management eliminated about 56 million retail customer service workhours since FY 2006, they have not yet fully adjusted workhours in response to changes in workload. The ratio of earned workhours (workhours supported by workload) divided by actual workhours has remained unchanged at about 84 percent since 2006. The FY 2009 national goal was 97.7 percent.

Opportunities exist to eliminate retail customer service workhours. We recommended that the Postal Service implement best practices for retail customer service operations at all facilities, and explore opportunities to consolidate business mail acceptance operations at Post Offices, stations, and branches. We also recommended that management periodically evaluate operating efficiency by assessing performance against productivity targets and adjusting resources in response to workload changes. For example, management could re-deploy employees to facilities where there is sufficient workload to support the workhours.

PostalOne! Outage

PostalOne! is the Postal Service's primary system for recording business mail revenue. On February 5, 2010, the PostalOne! system was unavailable for 4 days because of an erroneous computer command. We assessed how the PostalOne! outage impacted Postal Service operations and revenue collection. Our audit disclosed that the February 2010 PostalOne! outage impacted mail acceptance operations and revenue collection efforts nationwide. Certain mail acceptance business controls that relied on PostalOne! operational availability were not effective during the outage and the Postal Service did not have effective alternative action plans to ensure that these key mail acceptance controls were in place and followed. While the Postal Service implemented a set of manual procedures, commonly called a contingency plan, these procedures did not sufficiently take the place of business controls that depend on a functioning PostalOne! system. Postal Service management disagreed and stated that the contingency plan they implemented during the outage provided manual processes that mitigated the short-term impact and risks. However, management agreed to update their contingency plan to align with key financial controls.

A Framework to Optimize the Retail Network

The Postal Service has a vast legacy retail network that includes 36,000 Post Offices, stations, branches, and contract locations. Yet the Postal Service's current network may not necessarily meet the needs of the ways people live and work now. In fact, there are mounting financial pressures and an emerging consensus in the postal community on the need to review the Postal Service's retail network. One possible strategy is to optimize the network both to reduce costs and improve service.

The RARC worked with Dr. Anthony Yezer, a well-known real estate economist, to describe how the Postal Service's retail network would operate if it were optimally reorganized. The goal was to provide a thorough, objective, transparent modeling approach that would guide planners in making decisions about the network and allow stakeholders to review the decision process.

The optimal retail model is discussed in the OIG whitepaper "Analyzing the Postal Service's Retail Network Using an Objective Modeling Approach." The results show that, overall, the Postal Service's network has too many retail facilities located too closely together. In larger cities, the number and size of retail facilities seems to be about right. In some high-density downtown areas, there may even be too few facilities. In smaller towns and rural areas, however, the misalignment is more acute. The model suggests there are likely too many facilities and they are spaced too close together. The findings suggest that fewer larger retail facilities that are better staffed and are open longer hours could better serve the public while increasing revenue and reducing costs.

Recent reports by the Postal Service and the Government Accountability Office have raised the issue of rethinking the provision of retail services. As the Postal Service and its stakeholders consider retail modernization, the work presented in the OIG white paper can make a contribution to policymakers wrestling with these important issues.

Information Technology

The following audits show how the Postal Service can strengthen security to further preserve the integrity of its information and resources.

Modem Security. We determined whether controls over modems are adequate to protect information resources at a Postal Service Information Technology Service Center. Modem security is essential to preserve the integrity and confidentiality of the Postal Service network. Unsecured or unauthorized modems may provide malicious users undetected access to Postal Service information resources. While security controls over modems are adequate to protect information resources at this facility, management can improve controls over modems by performing required modem security assessments and properly accounting for modems. Management agreed with the recommendations and will perform annual vulnerability assessments of all identified modems within the infrastructure and will reconcile and maintain an approved inventory of modems.

UNIX Operating System Master Controls. We conducted this audit in support of the Postal Service's regulatory requirement to comply with the Sarbanes-Oxley Act of 2002. We audited whether the Postal Service's UNIX operating system environment (hosting applications supporting the financial statements) complies with information technology controls. We tested UNIX servers

and workstations and concluded that the UNIX operating system environment, hosting applications supporting the financial statements, generally complies with these controls. However, management can improve preventive and detective security controls, and thereby, preserve the Postal Service brand. Management agreed with our recommendations and began remediating configuration-related vulnerabilities during the audit.

Access Controls over the Electronic Data Distribution Infrastructure. We evaluated access controls over the Electronic Data Distribution Infrastructure (EDDI) to supplement an OIG investigation associated with alleged unauthorized access to and modification of EDDI servers and files. EDDI servers — essentially workstations that share files — facilitate the automated delivery of address data, mail sort programs, and application software updates required to maintain current mail processing and handling equipment nationwide. Infrastructure access controls help prevent unauthorized modification to, or unavailability of, the data or systems that provide the Postal Service with the capability to deliver mail efficiently. We concluded that EDDI access controls are ineffective. Management agreed with the recommendations to improve preventive access controls to preserve the Postal Service brand.

Public Key Infrastructure. We performed this audit at the request of Postal Service management to ensure that external Public Key Infrastructure (PKI) services continue

OPERATIONAL RISK

to operate at a level to remain cross-certified with the U.S. Government’s Federal Bridge Certification Authority. We assessed whether the Postal Service effectively managed its external PKI services to comply with established guidance. PKI is the combination of software, encryption technologies, processes, and services that enables an organization to secure its communications and business transactions. PKI relies on the exchange of digital certificates between authenticated users and trusted resources. While the Postal Service generally managed its external PKI services in compliance with established guidance, we identified inconsistencies between the Postal Service’s Certificate Policy, Certification Practice Statements, and operations in the external PKI environment. Management agree with our recommendation to develop procedures to ensure reviews of applicable policies and processes are performed following changes to the Postal Service external PKI environment.

Network Security Assessment. We audited whether network security controls at the National Customer Support Center (NCSC), and associated sites, adequately provide for the confidentiality, integrity, and availability of Postal Service information resources. The Memphis NCSC supports the Postal Service with a quality address database, a change of address system, and customer address products to facilitate the timely and cost-effective coding, sorting, and delivery of mail. In FY 2009, NCSC products and services generated more than \$100 million in revenue. We concluded that management can improve information security at the NCSC. Based on our audit results, management began remediating patch and

configuration-related vulnerabilities during the audit. Management agreed with our findings and had a target completion date of the end of September 2010. In addition, management is coordinating with the Corporate Information Security Office to verify the configuration of the vulnerability management software to ensure

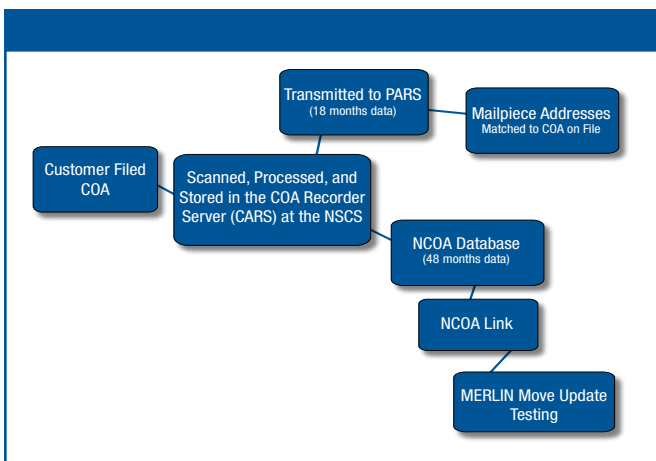
it performs web server assessments according to Postal Service policy.

Certification and Accreditation Process. We assessed whether the Postal Service’s implementation of the certification and accreditation (C&A) process was effective and timely in identifying and mitigating risks associated with critical applications. This formalized process assesses threats, defines security requirements and controls, tests security solutions, and evaluates the security controls and processes throughout an online application’s life cycle. Auditors found that management deployed some production applications before completing the C&A process. We were unable to locate completed C&A documentation packages for any of the 60 applications in the Technical Solution Life Cycle Artifacts or Corporate Information Security team document libraries. We also found Enterprise Information Repository (EIR) data instrumental to the C&A process were inconsistent, inaccurate, or missing, thereby rendering the EIR information unreliable. Management agreed with our recommendations to ensure the C&A process is completed for all critical applications and applications are recertified when required; to mitigate high residual risks for all critical applications; to update and validate information in the EIR; and, to maintain C&A documentation in a centralized location.

Function 4 Overtime Workhours

We assessed whether postal officials effectively managed Function 4 workhours to reduce overtime costs, and found that they did. Overall Function 4 overtime workhours decreased from 17.5 million in FY 2008 to 9.2 million in FY 2009. However, unauthorized overtime workhours as a percentage of total overtime workhours increased from FY 2008 to FY 2009. We estimated that in FYs 2008 and 2009, the Postal Service incurred unsupported questioned costs totaling \$79.6 million for unauthorized overtime workhours.

Management agreed with our recommendation to reiterate to first line supervisors the importance of providing supervisory oversight of the badge control and clock ring process. They also agreed with our recommendation to re-emphasize the importance of adjusting the Time and Attendance Collection System (TACS) timely to reflect changes in employees’ scheduled tours of duty and to record authorized overtime in the TACS in a timely manner to reduce the amount of unauthorized overtime recorded on the TACS Unauthorized Overtime Report. However, management disagreed with our recommendation to implement an automated solution to prevent employees from clocking in before and out after their scheduled tours of duty without supervisory approval. They stated that the primary purpose of the TACS is to accurately record hours worked by employees in order to pay them in compliance



The Postal Service assesses Move Update compliance at acceptance using a performance based verification (PBV) process. The Mail Evaluation Readability Lookup Instrument (MERLIN™) uses change of address (COA) information to perform the assessment. The chart depicts the flow of COA information to MERLIN.

with the Fair Labor Standards Act and applicable Postal Service labor contracts. Management indicated that the responsibility for verifying clock rings and ensuring employees' clock rings align with scheduled and authorized work is best charged to supervisors. They believe the use of the TACS reports offers the most effective and efficient method of managing clocking activity.

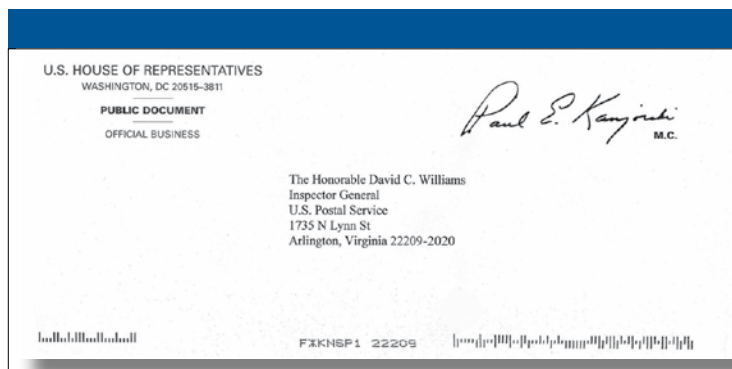
Move Update Program and Investigations

We assessed internal controls over the Move Update program to determine if the Postal Inspection Service conducted Move Update investigations according to Postal Service policies and procedures. We found that although the costs associated with undeliverable as addressed mail exceeded an estimated \$1.5 billion, and the discounts associated with Move Update compliance exceeded \$3.5 billion for FY 2008, the Postal Service did not establish a sufficient method to evaluate compliance with Move Update standards at acceptance until 2009 — 12 years after Move Update began. Even with this new compliance effort, many mail acceptance facilities do not have the necessary processing equipment to be able to assess compliance.

We also found that the 21 investigations we reviewed were all treated as administrative cases, rather than criminal or civil cases. Thus, law enforcement officers who receive special pay and benefits conducted these administrative investigations when non-law enforcement personnel could have done this work more economically, and in a less intimidating environment. Lastly, nine of 21 cases reviewed resulted in settlement agreements. In our analysis we found that two of the settlements combined issues unrelated to Move Update (such as a complaint made by the mailer against the Postal Service). These control weaknesses and inconsistent treatment of compliance issues have resulted in significant revenue at risk for the Postal Service, mailer frustration, and mailer concerns regarding a negative impact on their brand. Further, the Postal Service is at risk of losing significant future revenue from mailers who are threatening to stop using the mail to communicate with their customers.

Revenue for Official Mail U.S. House of Representatives

The Postal Service accepts, processes, and delivers franked mail sent under an authorized individual's signature, or facsimile signature, without prepayment of postage. Title 39, U.S. Code, Chapter 32, Penalty and Franked Mail, establishes the franked mail privilege for the vice president and members of Congress. Based on concerns raised by the House of Representatives mailroom, we audited the processes for accepting, verifying, and collecting revenue for official mail from the U.S. House of Representatives.



The Postal Service accepts, processes, and delivers franked mail sent under an authorized individual's signature, or facsimile signature, without prepayment of postage.

Additionally, we assessed the controls over transferring the House bulk mailing transactions between the associated computer systems. We concluded that the Postal Service's process for verifying and accepting franked mail at the Southern Maryland Business Mail Entry Unit did not fully comply with Postal Service mail acceptance policy. Further, the Eagan Accounting Service Center could improve the controls over transferring bulk mailing transactions between computer systems to ensure invoices provided to the House are complete and accurate.

Data Mining Successes

Data mining continues to play an important role in transforming rapidly growing business data into useful, actionable information. During this reporting period, the RARC's Data Mining Group continued to develop data mining methods and analytical tools, but emphasized delivering results in the areas of health care fraud, financial fraud, internal mail theft, and contract fraud. These results led to investigative outcomes and the planning and initiation of investigations. The Data Mining Group accomplished the following results:

- Provided updated analyses of potential, recent claimant fraud activity based on the Office of Workers' Compensation Program analytical model and refresh of monthly data. The group also developed the first release of an innovative reporting tool allowing expert, health care analysts to identify and extract suspicious patterns and relationships within provider data.
- Delivered specific referrals of potential embezzlement activity at local facilities based on tools, algorithms, and up-to-date retail revenue and expense data.
- Delivered ranking reports and referrals pinpointing processing operations and carrier routes with significant mail loss based on an analytical database, routines, and updated mailer and postal operations data. One notable, new technique analyzed a large retail company's data to successfully address the potential theft of stored value cards.
- Completed a pioneering study to isolate and score suspicious, fraudulent activity within supplies, services, and mail equipment contracts.

The Data Mining Group is committed to developing data mining methods and analytical tools that provide useful leads for OIG investigators.



OFFICE OF INVESTIGATIONS

INVESTIGATIONS

The Postal Service is consistently ranked by the Ponemon Institute as America's "most trusted federal agency." Among the reasons for this ranking is the integrity of its employees. Unfortunately, a small number of postal employees and contractors betray that integrity and abuse the public's trust in the Postal Service.

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 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

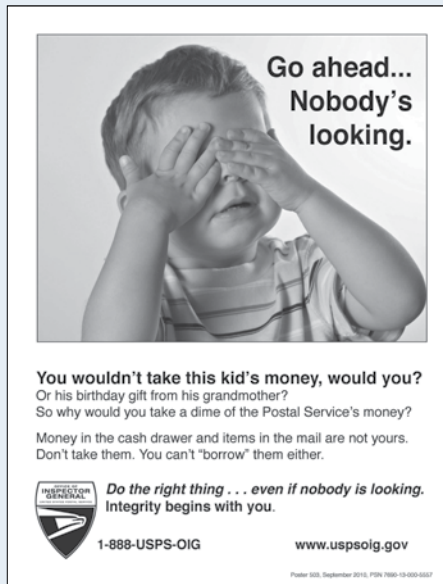
A large portion of the \$68 billion in revenue generated by the Postal Service last year is handled at the 36,400 postal retail locations. Employees who embezzle funds, kite or otherwise misuse money orders, or steal and misuse postal-issued credit cards receive investigative attention from our special 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. Following are examples of embezzlement cases we investigated during this reporting period.

- In September, the U.S. Attorney's Office for the Western District of Oklahoma announced that a former small town postmaster pled guilty to charges of embezzling nearly \$650,000 in postal funds and failing to pay income taxes on the ill-gotten gains. At sentencing, the now former postmaster faces up to 10 years in prison, a \$250,000 fine, and restitution. As part of his plea, the defendant agreed to pay restitution to the Postal Service in the amount of \$642,808. In addition, he agreed to pay back taxes to the IRS for tax years 2005 through 2008. We initiated an investigation after management reported a postmaster's failure to properly account for a corporate check submitted in payment of a permit mailing. Our investigation determined the postmaster failed to account for more than the one check. From October 2005 through September 2009, the postmaster used his position of trust to embezzle postal funds by failing to credit customer accounts for the full amount of checks submitted in payment of bulk mailings. The postmaster embezzled the difference by purchasing money orders in his own name, which he then used for his own personal benefit. The postmaster admitted to the embezzlement and submitted his resignation after 40 years with the Postal Service.
- A New York finance supervisor was removed, in April, from her position with the Postal Service after she was sentenced to 6 months in prison. Our investigation began in June 2009, after a Postal Service manager reported to us that a New York City station had failed to submit daily remittances for an entire week. Our investigation revealed the finance supervisor, who was responsible for preparing and submitting the remittances, called in sick immediately after the missing remittances had been discovered and reported to the OIG as missing. An arrest warrant was issued and the supervisor surrendered to our special agents. In September 2009, the finance supervisor pled guilty in federal court to embezzlement, admitting she stole \$121,000 in postal funds. In March, the supervisor was sentenced to 6 months' imprisonment, 3 years' supervised release, and ordered to pay restitution of \$121,000 to the Postal Service.
- In July, a sales and service associate (SSA) in Puerto Rico pled guilty in federal court to the misappropriation of postal funds and theft of public money. The charges stemmed from an OIG investigation that disclosed the SSA had been falsely manipulating his computer terminal to void postal money orders that had actually been issued to customers. The amount of the embezzlement was identified as more than \$154,000. In May, the SSA was removed from his position with the Postal Service. Sentencing in the criminal case is pending.
- In another Puerto Rico case, after a 3-week trial, in December 2009, four former SSAs entered guilty pleas in federal court. The ex-employees had been accused

Financial Fraud Awareness Posters Distributed to all Postal Facilities



This year's awareness and crime prevention campaign targeted a crime that costs the Postal Service millions of dollars each year — financial fraud and embezzlements. To reach all postal employees, the campaign kicked off with a paycheck stuffer sent to more than 600,000 postal employees. In addition, a companion poster was distributed to 33,000 postal facilities for display on workroom floor bulletin boards and a screen saver was pushed out to 150,000 Postal Service computers.

The theme of the campaign is, "Don't think about taking or 'borrowing' the Postal Service's money." The campaign's message and call to action are clear — "Do the right thing... even if nobody is looking." Those who steal or embezzle postal funds hurt the Postal

Service financially and run the risk of losing their job, benefits, and could face jail time for their offenses.

in a 189-count indictment of embezzlement of public funds, false entries, and the fraudulent issuance of postal money orders. The charges resulted from an OIG investigation that identified a loss of nearly \$100,000 in postal funds. Following their guilty pleas, the four SSAs were removed from their positions with the Postal Service. In June, two of the former SSAs were sentenced to 18 months in a community confinement center, 5 years' probation, and 200 hours of community service. The remaining two SSAs were sentenced to 30 days home confinement, 5 years' probation, and 100 hours of community service. All together, the four defendants were ordered to pay more than \$93,000 in restitution to the Postal Service.

- An Iowa SSA was sentenced, in July, to 1 year in federal prison after pleading guilty to embezzling more than \$240,000 from the Postal Service. Our investigation was initiated after data analysis revealed a large amount of refunds had been issued through a retail unit. The SSA admitted to falsely issuing refunds that she converted to her personal use and resigned from her position with the Postal Service. In addition to her sentence, the SSA was ordered to make full restitution of more than \$243,000 to the Postal Service.
- In September, a former lead sales SSA, in Oregon, was sentenced to 18 months incarceration in a federal facility, 3 years' supervised release, and ordered to pay

more than \$200,000 in restitution to the Postal Service. The former employee pled guilty in March 2009, after an OIG investigation revealed she had falsely issued more than 700 postal money orders that she converted to personal use. The scope of the illegal activity occurred from February 2007 through December 2008. Some of the money had been used to pay credit card bills and purchase vehicles. The SSA has been removed from 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 disclosure of personal identification numbers (PINs) 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 63 cases of Voyager credit card fraud in this reporting period, resulting in 38 arrests and 25 administrative actions. The following is an example of one such case.

- In May, a Houston city carrier pled guilty in federal court to one count of theft of government property. The charge related to nearly \$18,000 in unauthorized Voyager card charges. The city carrier resigned from his position with the Postal Service following our investigation, which included surveillance of the city carrier selling the fuel to individuals in exchange for cash. In July, the former employee was sentenced to 3 years' probation and ordered to pay nearly \$18,000 in restitution to the Postal Service.

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 is an example of one such case.

- A civil tort claim was filed against the Postal Service in California after an accident involving a postal vehicle. The claimant alleged in the lawsuit to have suffered extensive and permanent damage to her nervous system as a result of the accident. Our surveillance showed the claimant shopping, lifting her grandchildren, and engaging in normal day-to-day activities. Due to our special agent's investigation, the case was settled, resulting in a savings to the Postal Service of \$135,000.

WORKERS' COMPENSATION FRAUD

In FY 2010, the monetary and medical benefits paid by the Postal Service to workers' compensation claimants (employees who sustained job-related injuries) totaled more than \$1.1 billion and its estimated total liability for future workers' compensation costs is more than \$11.4 billion. Administered by the U.S. Department of Labor (DOL), the Office of Workers' Compensation (OWCP) provides direct compensation to providers, claimants, and beneficiaries. The Postal Service later reimburses the OWCP in a process known as "charge-back billings."

Proactive OIG prevention campaigns create an awareness of workers' compensation fraud. Special agents detect and investigate allegations of fraudulent claims. Successful investigations of fraud result in significant long-term savings to the Postal Service. Investigative efforts during this reporting period resulted in nearly \$99 million in cost savings or avoidances, 29 arrests, and 118 administrative personnel actions, including removals and suspensions and termination of benefits.

Claimant Fraud

The workers' compensation program exists for employees who are legitimately injured while on duty. The program provides benefits to injured employees and their families while the employee is unable to work. Postal employees who attempt to defraud OWCP with false claims are criminally prosecuted to permanently prevent payment of additional compensation. 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.

- In July, our investigation of a former Florida rural carrier led to an 18-month federal prison sentence, 3 years' probation, and obligation to pay more than \$193,000 in restitution. The rural carrier pled guilty to a 17-count indictment charging her with workers' compensation fraud, making false statements and theft. The carrier had alleged total disability from a work-related neck injury and received in excess of \$142,000 in workers' compensation payments. Our investigation determined the carrier was earning income as a real estate agent and property manager. A subsequent search warrant led



A Florida letter carrier alleged total disability from a work-related neck injury. However, our investigation determined the carrier was earning income as a real estate agent and property manager. A search warrant led to the recovery of photographs and video that depicted the carrier actively hiking, snow skiing, bicycling, bungee jumping, dancing, horseback riding, and scuba diving.

to the recovery of photographs and video that depicted the carrier actively hiking, snow skiing, bicycling, bungee jumping, dancing, horseback riding, and scuba diving. The DOL terminated the rural carrier's compensation benefits, realizing a savings of more than \$1.4 million for the Postal Service.

- After pleading guilty, in September, a former New York SSA was sentenced to 2 months' incarceration, 3 years' probation, and ordered to pay restitution of \$33,884. The SSA had alleged total disability, as a result of a work-related injury to his lower back, and had received approximately \$127,000 in workers' compensation payments. A joint investigation with the Social Security Administration OIG revealed the SSA was performing activities that were inconsistent with the capabilities he communicated to his physician, the DOL, the Postal Service, and the Social Security Administration. Video surveillance conducted by special agents show the associate landscaping his yard, pushing a fully loaded wheelbarrow weighing more than 225 pounds, building a flagstone retaining wall, mowing his lawn, lifting a lawn mower, and carrying heavy objects. The DOL terminated

DELAY, DESTRUCTION, AND THEFT OF MAIL BY EMPLOYEES

the associate's benefits, realizing a savings of more than \$1 million for the Postal Service.

- In June, a federal judge sentenced a former California city carrier to 3 months' home detention, 5 years' probation, and ordered him to pay restitution of more than \$50,000. The carrier pled guilty to false statement or fraud to obtain federal employees' compensation in February. Our investigation determined that the carrier, who claimed to be totally disabled from an on-the-job shoulder injury, was earning income as the owner and operator of an assisted living facility. As a result of our investigation, the DOL terminated the city carrier's compensation benefits, realizing a cost savings of about \$862,000 for the Postal Service.
- After a 5-day jury trial in April, an Ohio mail processing clerk was found guilty in federal court of workers' compensation fraud, making false statements, and mail fraud. In February 2004, the clerk filed a total disability workers' compensation claim for an alleged on-the-job injury to her knee. Video surveillance conducted by our agents showed the clerk repeatedly exceeding her medical restrictions. We watched the clerk shopping for extended periods of time, lifting objects, climbing stairs, and performing yard work. The DOL terminated the clerk's compensation benefits, resulting in a cost avoidance of more than \$900,000 for the Postal Service. The clerk was terminated from the Postal Service as a result of her conviction.

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. Following are two case examples.

- After a 2-day jury trial in April, a Texas massage therapist was found guilty on one count of making false statements related to a health care matter and nine counts of health care fraud. The massage therapist was sentenced to 78 months' imprisonment and ordered to forfeit \$1.6 million in assets. Upon release from imprisonment, she will be on 3 years' probation. Our investigation revealed the massage therapist was engaging in a health care scheme to defraud the OWCP by presenting herself as a physical therapist and billing for patient services that were not rendered. The therapist received payment from OWCP of more than \$1.5 million, of which only \$191,345 was determined to be for actual massage therapy services.
- In March, an Illinois chiropractor was indicted on 18 counts of health care fraud. The chiropractor's staff

(physician and one medical biller) were indicted on one count of health care fraud. In June, the chiropractor's second medical biller pled guilty to one count of health care fraud. Our investigation revealed the chiropractor, who owned and operated a chiropractic facility, in conjunction with his staff executed a scheme to defraud the OWCP by submitting bills for fraudulent medical services. From January 2001 to November 2007, the chiropractor and his staff submitted bills to the OWCP in excess of \$4.5 million and were paid more than \$2.1 million for medical services allegedly provided to more than 300 postal employees. Of the monies paid, only \$1,501 was determined to be for actual chiropractic services. The chiropractor and his staff also provided patients falsified disability ratings, resulting in \$9.3 million in unwarranted schedule awards. Sentencing is pending for the physician and two medical billers. Criminal resolution for the chiropractor is pending.

WORKERS' COMPENSATION FRAUD INVESTIGATIVE RESULTS

April 1 — September 30, 2010

- 407 fraud investigations resolved
- \$98.8 million in compensation payments avoided
- 29 arrests
- 35 indictments
- 23 convictions
- 118 personnel actions taken by management

DELAY, DESTRUCTION, AND THEFT OF MAIL BY EMPLOYEES

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

Theft of Mail by Employees

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

- In August, a Missouri mail processing clerk pled guilty to five counts of theft of mail and one count of fraud in connection with access devices. The clerk was responsible for rifling Standard Mail containing Best Buy Reward Zone certificates over the past 4 years and using them to purchase electronics and other items for personal use totaling nearly \$3,000 in certificates. A federal search warrant on the clerk's residence yielded laptop computers, digital telephones, iPods, computer hard drives, digital cameras, and video game consoles purchased with the stolen reward certificates.

Also recovered during the search were Netflix and Blockbuster DVDs, various gift cards, driver's licenses, First-Class Mail, postal money orders, and debit cards in the names of postal customers. The clerk admitted to rifling First-Class Mail containing bank cards and their corresponding PIN numbers. Using this information, the clerk was able to make cash withdrawals from Automated Teller Machines, stealing nearly \$29,000 in cash from bank customers. The clerk resigned from the Postal Service. Sentencing is pending.

- In August, a Washington, DC, city carrier was sentenced to 25 months of incarceration and ordered to pay more than \$130,000 in restitution for theft of Treasury checks, DC Government checks, and identity theft. The carrier and two co-conspirators pled guilty in July. The carrier stole more than \$100,000 in checks, which she sold to a nonemployee co-conspirator. In February 2010, during a joint surveillance operation with the Postal Inspection Service, the U.S. Secret Service, and the DC OIG, investigators observed the city carrier mishandling checks belonging to other carrier routes. After the carrier was observed passing the checks to a co-conspirator, she was subsequently arrested and interviewed by agents. During the interview, the city carrier admitted to stealing checks from the Post Office over a 2-year period. She confessed to providing the checks to a friend and receiving approximately \$500 per check. The friend gave the checks to runners, who cashed the checks at various check-cashing establishments using fraudulent driver's licenses. A criminal complaint was filed against the carrier in February 2010. She resigned from the Postal Service in July 2010.
- In June, a California general expeditor was found responsible for the theft of more than 100 parcels containing pharmaceuticals. She was sentenced to 5 months in prison for each of the two counts against her, to be served concurrently, 6 years' probation, and ordered to pay more than \$9,300 in restitution after pleading guilty to theft of mail and delay or destruction of mail in January 2010. While under OIG agents' surveillance, the expeditor rifled parcels in the back of a parked truck, emerging with pill bottles in her pants pockets and shirt. During an interview with our special agents, she admitted stealing parcels containing pharmaceuticals from the mail for at least 4 years. She said she only stole parcels containing Vicodin to support her addiction. The expeditor resigned from the Postal Service.

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 August, an Alabama temporary letter carrier pled guilty to one count of delay of mail and was sentenced to 12 months' probation. A tip from a citizen led our special agents to a dumpster at a local gas station. They reviewed footage from the gas station's video surveillance system and observed a postal vehicle backing towards the dumpster. We recovered more than 250 pieces of mail from the dumpster. The carrier resigned from the Postal Service following this investigation.
- A Georgia rural letter carrier pled guilty, in May, to obstruction of mail. During a surveillance operation, special agents observed the carrier throwing mail into a dumpster. We detained the rural carrier and recovered more than 600 pieces of mail from the dumpster, including Netflix DVDs and other First-Class Mail. The rural carrier admitted to discarding mail into the same dumpster on several occasions over a 2-month period. The rural carrier acknowledged that throwing the mail away was unlawful; however, he wanted to be done for the day. The rural carrier was ordered to serve 12 months' supervised probation, and to pay \$500 in fines and \$182 in restitution to Netflix. The rural carrier was removed from the Postal Service in March 2010.



A federal search warrant on a clerk's residence yielded laptop computers, digital telephones, iPods, computer hard drives, digital cameras, Netflix and Blockbuster DVDs, video game consoles, and much more. Sentencing is pending.

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 66 contract fraud investigations, resulting in 6 arrests and more than \$ 46.1 million in monetary benefits to the Postal Service. Following are summaries of a Risk Alert we issued and some of the contract fraud cases we investigated:

A Contract Fraud Risk Alert was issued to the Postal Service detailing issues of HCR contractors not maintaining workers' compensation insurance. The OIG provided specific actions to take to improve the control environment that included specific certification and documentation requirements to better protect the interests of the Postal Service.

- In July the Postal Service realized a cost avoidance of more than \$19.8 million after a mail equipment contractor submitted a modified Request for Equitable Adjustment (REA) related to an OIG investigation. This ongoing investigation determined the initial REA did not contain adequate supporting documentation to substantiate the damages claimed by the contractor. The investigation continues into the modified REA filed by the contractor subsequent to the OIG's investigative findings to date.
- A joint investigation with the FBI and U.S. Department of Transportation OIG resulted in a postal contract air cargo carrier pleading guilty in August 2010 and paying a \$38 million criminal fine for its role in a conspiracy to fix prices in the air transportation industry. In August, the court ordered the defendant to pay 10 percent of the criminal fine, equaling \$3.8 million, directly to the Postal Service. The investigation resulted in a one-count felony charge filed in U.S. District Court for the District of Columbia, alleging the company engaged in a conspiracy to fix the cargo rates charged to customers, including the Postal Service, for air cargo shipments from at least July 2004 until at least February 2006. From October 2003 through June 2009, the Postal Service had paid the contractor in excess of \$205 million to transport cargo internationally and in excess of \$2 million to transport cargo domestically. The parties conspired by agreeing on certain components of cargo rates for shipments on certain routes to/from the U.S.
- The Postal Service realized a recovery of more than \$4.4 million as a result of the OIG's participation in a multi-agency investigation against a Massachusetts company for violating the False Claims Act and the Federal Anti-kickback Act. A civil complaint, initially filed in the Eastern District of Arkansas in 2006 but transferred to the U.S. District Court for the Eastern District of Virginia in 2009, alleged the company misrepresented its commercial pricing practices and fraudulently induced U.S. Government agencies, including the Postal Service, to enter into contracts with prices that were higher than they would have been had the false misrepresentations not been made. The complaint also alleged the company engaged in an illegal kickback scheme designed to influence the government to purchase the company's products.

The parties reached a settlement agreement that was filed in the U.S. District Court for the Eastern District of Virginia in May. In July, the Postal Service realized an additional recovery of more than \$99,000. This was a result of the OIG's participation in a second investigation into this company for the sale of defective computer platforms for the storage of data to U.S. Government agencies, including the Postal Service. The second multi-agency investigation was settled in a civil settlement approved by the U.S. District Court for the Eastern District of Virginia.

- In April, a Civil False Claims Act complaint, which had been filed on behalf of the Postal Service by the U.S. Department of Justice in the U.S. District Court, Northern District of Texas, was settled via a Settlement Agreement. Our investigation determined that since approximately 2003, a Postal Service HCR contractor filed more than 337 false or fraudulent fuel use certification claims with the Postal Service for payment associated with the contract, which led to the filing of the civil complaint. Fuel use certification forms were the means by which the contractor requested and received increases in compensation under its contracts with the Postal Service. As a result of the settlement, the Postal Service received a financial recovery of \$970,000 and realized a cost avoidance of more than \$284,000 associated with additional improper claims submitted by the contractor that had not yet been paid but were identified by our investigation.
- An Ohio HCR contractor pled guilty, in August, to six misdemeanor counts of attempted workers' compensation fraud on Postal Service HCR contracts. The contractor received a 6-month suspended sentence on each count, was ordered to serve probation, and pay \$6,500 in restitution. The investigation determined that beginning in 2005, as part of the contract, the Postal Service paid the contractor to maintain a workers' compensation policy that was never obtained.

OFFICIAL MISCONDUCT

Postal Service employees are guilty of misconduct when they do the following:

- 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 108 cases of employees selling, possessing, or using illegal drugs on duty; made 37 arrests; and the Postal Service took 47 administrative personnel actions. Following are examples of cases the OIG investigated involving employee misconduct.

- In June, a distribution window clerk (DWC), who was also a secretary-treasurer for an American Postal Workers Union (APWU) Chapter in New Mexico, was sentenced in federal court to 2 years' probation and ordered to pay more than \$6,000 in restitution to the APWU. The investigation, conducted jointly with The Office of Labor-Management Standards of the DOL revealed that the DWC embezzled union funds and falsified the union's annual report to the DOL. The DWC was arrested and pled guilty to falsification of an annual report filed by a union. The DWC retired from the Postal Service.
- A Florida rural carrier, along with one non-Postal Service co-conspirator, pled guilty, in April, to conspiracy with intent to distribute more than 500 grams of cocaine. The investigation, conducted jointly with the Osceola County Bureau of Investigation, the Drug Enforcement Administration (DEA), and the Postal Inspection Service, revealed that the rural carrier distributed parcels containing illegal narcotics. The parcels were sent from Puerto Rico to nonexistent addresses along the carrier's route. The carrier would intercept the parcels and pass them to the non-Postal Service co-conspirator. Both subjects were arrested and the carrier was removed from the Postal Service. In August, the rural carrier was sentenced in federal court to 7 years and 3 months' confinement to be followed by 5 years' supervised release. The non-Postal Service co-conspirator received a mandatory minimum sentence of 10 years' confinement to be followed by 8 years' supervised release.
- In June, a city carrier in Pennsylvania was sentenced in federal court to serve 1 year and 1 day in prison, followed by 2 years' supervised release, and ordered to pay restitution of more than \$41,000 to the IRS. This investigation, conducted jointly with the DEA, the IRS, and the U.S. Immigration and Customs Enforcement, revealed the city carrier was involved in a scheme to fraudulently acquire federal income tax refund checks. The carrier worked with non-postal co-conspirators who used compromised birth certificates and Social Security numbers to file fraudulent tax returns. Accordingly, the carrier provided destination mailing addresses from his postal route, intercepted the tax refund checks from the mail, and received cash payments from his co-conspirators in exchange for the checks. The carrier pled guilty to conspiracy to defraud the government with respect to claims, and was removed from the Postal Service. One of the co-conspirators pled guilty to defraud the government and is awaiting sentencing. The other

co-conspirator is currently a fugitive.

- A California customer service supervisor (CSS), in June, was sentenced in Federal court to 10 months' home confinement, 3 years' probation, and ordered to pay a \$2,000 fine. This investigation, conducted jointly with the State Department, revealed that the CSS used her postal position to fraudulently obtain a passport to enable her brother to enter the U.S. The CSS acquired a third party's driver's license information and naturalization certificate and used the postal passport application process to submit the fraudulent passport application. The CSS provided the passport to her brother, who then entered the U.S. illegally on several occasions. In October 2009, the CSS was indicted and arrested for making a false statement in a passport application. An administrative decision regarding the CSS is pending.



A Florida rural carrier, along with one non-Postal Service co-conspirator, pled guilty, in April, to conspiracy with intent to distribute more than 500 grams of cocaine.

EXECUTIVE INVESTIGATIONS AND INTERNAL AFFAIRS

OI 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:	106
OIG Investigations initiated.....	24
Investigations closed with no finding of retaliation or deferred to other adjudicative body.....	20
Allegations closed with no action:.....	53
Open investigations:.....	15
OIG found reprisal:	0



APPENDICES

APPENDICES

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

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

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

APPENDIX A

Reports Issued to Postal Service Management

For the period April 1 — September 30, 2010

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

Risk Factors	Number of Reports	Funds Put to Better Use	Questioned Costs	Unsupported Questioned Costs	Revenue Impact
Strategic	20	\$1,297,315,729	\$49,818,069,592	—	\$1,956,322,664
Operational	42	\$441,774,646	\$1,514,662,329	\$79,646,787	\$229,610
Financial	103	\$9,762,926,923	\$5,847,194,200	\$5,839,589,387	\$65,593
TOTAL	165	\$11,502,017,298	\$57,179,926,121	\$5,919,236,174	\$1,956,617,867

Fiscal Year 2010 Summary

For the period October 1, 2009 — September 30, 2010

	Number of Reports	Funds Put to Better Use	Questioned Costs	Unsupported Questioned Costs	Revenue Impact
TOTAL	353	\$11,895,954,570	\$57,304,647,559	\$5,933,919,980	\$1,957,201,806

Definitions:

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

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

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

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

APPENDIX A

Reports with Quantifiable Potential Monetary Benefits

	Funds Put to Better Use	Questioned Costs	Unsupported Questioned Costs	Revenue Impact
STRATEGIC RISK				
Capital Investments				
Civil Service Retirement System Overpayment by the Postal Service; CI-MA-10-001; 6/18/2010	—	\$49,808,000,000	—	—
Cost, Revenue, and Rates				
Impact of Postal Accountability and Enhancement Act Price Caps; CRR-AR-10-005; 9/27/2010	—	—	—	\$1,954,822,664
Engineering and Facilities				
Capital Metro Area: Delivery Barcode Sorters Equipment Utilization; DA-AR-10-002; 5/7/2010	—	\$9,639,036	—	—
Facility Energy: Metering Technologies; DA-AR-10-006; 7/2/2010	\$1,691,740	\$210,522	—	—
Facility Optimization: Chicago District; DA-AR-10-009; 8/25/2010	\$23,517,019	—	—	—
Facility Optimization: New Jersey District; DA-AR-10-008; 8/25/2010	\$157,963,990	—	—	—
Facility Optimization: New York District; DA-AR-10-010; 8/25/2010	\$446,258,222	—	—	—
Delivery Vehicle Replacement Strategy; DA-AR-10-005; 6/16/2010	\$342,127,370	—	—	—
Facilities Optimization Controls Over the Selling of Assets; DA-AR-10-004; 6/1/2010	—	\$220,034	—	\$1,500,000
Field Financial				
Area and District Office Field Structure; FF-AR-10-224; 9/17/2010	\$289,000,000	—	—	—
Network Optimization				
Southeast Area Processing and Distribution Center Consolidations; EN-AR-10-006; 9/17/2010	\$33,984,345	—	—	—
Stations and Branches Optimization and Consolidation; EN-AR-10-005; 8/17/2010	\$2,773,043	—	—	—
OPERATIONAL RISK				
Delivery				
City Delivery Efficiency Review – Atlanta District; DR-AR-10-009; 9/24/2010	\$27,374,309	—	—	—
City Delivery Efficiency Review – Bay-Valley District; DR-AR-10-007; 8/26/2010	\$79,016,988	—	—	—
City Delivery Efficiency Reviews – Los Angeles District; DR-AR-10-006; 7/1/2010	\$105,056,064	—	—	—
Flats Sequencing System – Columbus, OH, District; DR-MA-10-002; 9/17/2010	—	\$155,157	—	—
Flats Sequencing System Operational Issues; DR-AR-10-005; 7/1/2010	—	\$852,336	—	—
The Effects of the Flats Sequencing System on Delivery Operations – Mid-America District; DR-MA-10-001; 9/23/2010	—	\$145,515	—	—
Vehicle Parts Program; DR-AR-10-008; 9/24/2010	\$9,257,751	\$8,230,719	—	—
Engineering and Facilities				
Automated Package Processing System Equipment Maintenance Opportunities; DA-AR-10-003; 5/13/2010	\$2,434,878	\$3,496,679	—	—

	Funds Put to Better Use	Questioned Costs	Unsupported Questioned Costs	Revenue Impact
Field Financial				
Fiscal Year 2010 PostalOne! Outage; FF-AR-10-205; 8/5/2010	\$355,107	—	—	—
Network Processing				
Assessment of Overall Plant Efficiency 2010; NO-MA-10-001; 6/11/2010	—	\$743,961,610	—	—
Sales & Service				
Electronic Postmark Program License Fees; MS-MA-10-001; 9/2/2010	—	—	—	\$229,610
Premium Pay at Bedford Park Computerized Forwarding System Unit; MS-AR-10-006; 8/30/2010	—	\$155,062	—	—
Function 4 Overtime Workhours; MS-AR-10-002; 4/26/2010	—	\$79,646,787	\$79,646,787	—
Efficiency of Retail Customer Service Operations; MS-AR-10-004; 7/28/2010	—	\$613,695,129	—	—
Transportation				
Air Networks – Federal Express Transportation Agreement – Capital Metro, Eastern, Great Lakes, and Northeast Areas; NL-AR-10-005; 5/25/2010	\$170,587,930	\$35,265,247	—	—
Management of Mail Transport Equipment – National Analysis; NL-AR-10-009; 9/29/2010	—	\$29,058,088	—	—
Postal Vehicle Service Transportation Routes – Southern Maryland Processing and Distribution Center; NL-AR-10-006; 7/14/2010	\$4,756,261	—	—	—
Postal Vehicle Service Transportation Routes – Washington Network Distribution Center; NL-AR-10-007; 8/4/2010	\$2,791,349	—	—	—
Postal Vehicle Services – Scheduling and Staffing - Atlanta District; NL-AR-10-008; 9/29/2010	\$40,144,009	—	—	—
FINANCIAL RISK				
Financial Reporting				
Summary of Substantial Overfunding and Postal Service Pension and Retiree Health Care Funds; FT-MA-10-002; 9/30/2010	\$8,708,458,327	—	—	—
Territorial Cost of Living Allowance; FT-AR-10-012; 8/16/2010	—	\$11,944	—	—
Fiscal Year 2010 Financial Installation Audit				
Airway Road Finance Station Post Office – Dayton, OH; FF-AR-10-221; 8/31/2010	—	\$3,076	\$3,076	—
Bridgeville Business Mail Entry Unit – Bridgeville, PA; FF-AR-10-161; 5/11/2010	—	—	—	\$2,222
Caldwell Post Office – Caldwell, NJ; FF-AR-10-171; 5/24/2010	—	\$1,127	\$1,127	—
Fort Point Station – Boston, MA; FF-AR-10-187; 6/24/2010	—	\$3,223	\$3,223	—
Hammonton Post Office – Hammonton, NJ; FF-AR-10-162; 5/14/2010	—	\$1,593	\$1,593	—
Imperial Beach Post Office – Imperial Beach, CA; FF-AR-10-157; 4/28/2010	—	\$2,211	—	—
James A. Farley Business Mail Entry Unit – New York, NY; FF-AR-10-209; 8/3/2010	—	—	—	\$2,688
Kilmer Lobby Branch – Edison, NJ; FF-AR-10-202; 7/19/2010	—	\$4,848	\$4,848	—
Lebanon Junction Business Mail Entry Unit – Lebanon Junction, KY; FF-AR-10-173; 6/2/2010	—	—	—	\$27,910
Manchester Business Mail Entry Unit – Manchester, NH; FF-AR-10-201; 7/19/2010	—	—	—	\$8,510
Midland Business Mail Entry Unit – Midland, MI; FF-AR-10-219; 8/26/2010	—	—	—	\$14,009
Morrisville Post Office – Morrisville, PA; FF-AR-10-186; 6/22/2010	—	\$625	\$625	\$631

APPENDIX A

	Funds Put to Better Use	Questioned Costs	Unsupported Questioned Costs	Revenue Impact
Nashville Post Office – Nashville, IN; FF-AR-10-185; 6/17/2010	—	\$4,550	\$4,550	—
Owings Mills Post Office – Owings Mills, MD; FF-AR-10-191; 7/1/2010	—	\$3,248	\$3,248	\$3,814
Philadelphia Main Office Station – Philadelphia, PA; FF-AR-10-213; 8/10/2010	—	\$74,786	\$74,786	—
Pottstown Business Mail Entry Unit – Pottstown, PA; FF-AR-10-168; 5/24/2010	—	—	—	\$4,205
Randolph Post Office – Randolph, MA; FF-AR-10-208; 8/2/2010	—	\$4,500	—	—
Richardson Business Mail Entry Unit – Richardson, TX; FF-AR-10-166; 5/19/2010	—	—	—	\$1,604
Human Resources and Security				
Employee Benefit Programs; HR-MA-10-001; 9/30/2010	\$705,425,522	—	—	—
Grievance Settlements and Payments; HR-AR-10-003; 7/1/2010	—	\$27,782,853	\$27,782,853	—
Use of Employees in Rehabilitation Status; HR-AR-10-002; 5/27/2010	\$349,043,074	—	—	—
Supply Management				
Audit of Tom Roberts Realty U.S. Postal Service Contract; CA-CAR-10-010; 7/28/2010	—	\$73	—	—
Bowe, Bell and Howell Proposal for the Mail Evaluation Readability Lookup Instrument (MERLIN) Maintenance Support FY 2010; CA-CAR-10-004; 6/17/2010	—	\$8,320	\$8,320	—
Certification Process for Electronic Payments; CA-AR-10-006; 9/30/2010	—	\$5,587,653,734	\$5,580,067,649	—
Contract Payment Terms; CA-AR-10-004; 5/27/2010	—	\$12,189,632	\$12,189,632	—
Labor Costs in the Northrop Grumman Information Systems Contract 2DPSCM05-B-3035; CA-CAR-10-005; 6/22/2010	—	\$503,513	\$503,513	—
Postal Service Purchasing Policies; CA-AR-10-005; 9/20/2010	—	\$218,940,344	\$218,940,344	—
TOTAL	\$ 11,502,017,298	\$57,179,926,121	\$5,919,236,174	\$1,956,617,867

Report Listing

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

For the period April 1 — September 30, 2010

STRATEGIC RISK

Capital Investments

Civil Service Retirement System Overpayment by the Postal Service; CI-MA-10-001; 6/18/2010

Cost, Revenue, and Rates

Impact of Postal Accountability and Enhancement Act Price Caps; CRR-AR-10-005; 9/27/2010

Engineering and Facilities

Capital Metro Area: Delivery Barcode Sorters Equipment Utilization; DA-AR-10-002; 5/7/2010

eIDEAS Timeliness and Transparency; DA-MA-10-003; 8/3/2010

Facility Energy: Metering Technologies; DA-AR-10-006; 7/2/2010

Facility Optimization: Chicago District; DA-AR-10-009; 8/25/2010

Facility Optimization: New Jersey District; DA-AR-10-008; 8/25/2010

Facility Optimization: New York District; DA-AR-10-010; 8/25/2010

Flats Sequencing System: Program Status and Projected Cash Flow; DA-AR-10-007; 7/27/2010

Postal Service Patent Management; DA-MA-10-004; 8/31/2010

Congressional Inquiry New Construction Project, Waterloo, IA; DA-MA-10-002; 6/25/2010

Delivery Vehicle Replacement Strategy; DA-AR-10-005; 6/16/2010

Facilities Optimization Controls Over the Selling of Assets; DA-AR-10-004; 6/1/2010

Field Financial

Area and District Office Field Structure; FF-AR-10-224; 9/17/2010

Network Optimization

Benchmarking Best Practices with Presort Bureaus; EN-MA-10-004; 6/7/2010

Des Moines Network Distribution Center Congressional Request; EN-MA-10-003; 5/4/2010

Southeast Area Processing and Distribution Center Consolidations; EN-AR-10-006; 9/17/2010

Stations and Branches Optimization and Consolidation; EN-AR-10-005; 8/17/2010

Network Processing

Consolidation of Lima Processing and Distribution Facility Mail Operations Into the Toledo Processing and Distribution Center; NO-AR-10-007; 7/2/2010

Sales and Service

Revenue Generation Strategic Report; MS-MA-10-002; 9/28/2010

OPERATIONAL RISK

Cost, Revenue, and Rates

Controls Over System for International Revenue and Volume, Outbound and International Origin-Destination Information System; CRR-AR-10-006; 9/23/2010

Cost and Revenue Analysis Reporting Model; CRR-AR-10-003; 7/27/2010

Delivery

City Delivery Efficiency Review – Atlanta District; DR-AR-10-009; 9/24/2010

City Delivery Efficiency Review – Bay-Valley District; DR-AR-10-007; 8/26/2010

City Delivery Efficiency Reviews – Los Angeles District; DR-AR-10-006; 7/1/2010

Flats Sequencing System – Columbus, OH, District; DR-MA-10-002; 9/17/2010

Flats Sequencing System Operational Issues; DR-AR-10-005; 7/1/2010

The Effects of the Flats Sequencing System on Delivery Operations – Mid-America District; DR-MA-10-001; 9/23/2010

Vehicle Parts Program; DR-AR-10-008; 9/24/2010

Engineering & Facilities

Automated Package Processing System Equipment Maintenance Opportunities; DA-AR-10-003; 5/13/2010

Field Financial

Fiscal Year 2009 Standard Mail Volume Incentive Program; FF-AR-10-196; 7/16/2010

Fiscal Year 2010 PostalOne! Outage; FF-AR-10-205; 8/5/2010

Revenue for Official Mail from the House of Representatives Mailroom; FF-AR-10-210; 8/6/2010

Human Resources & Security

Allegations of Inappropriate Methodologies in a San Francisco Investigation; SA-MA-10-002; 9/29/2010

Postal Service Security Clearance Requirements for Air Transportation Contractors; SA-MA-10-001; 4/29/2010

Move Update Program and Investigations; SA-AR-10-001; 5/12/2010

Information Technology

L'Enfant Badge Access Controls; IS-AR-10-012; 8/4/2010

Modem Security at the Raleigh Information Technology Service Center; IS-AR-10-009; 5/19/2010

Access Controls Over the Electronic Data Distribution Infrastructure; IS-AR-10-011; 7/29/2010

Certification and Accreditation; IS-AR-10-008; 5/4/2010

External Public Key Infrastructure Services – Fiscal Year 2010; IS-AR-10-013; 9/15/2010

Network Security Assessment of the National Customer Support Center; IS-AR-10-007; 4/19/2010

Controls Over Payment Card Transaction Data; IS-AR-10-014; 9/23/2010

Securing Sensitive Data on Postal Inspection Service Laptops; IS-MA-10-001; 9/2/2010

UNIX Operating System Master Controls; IS-AR-10-010; 7/22/2010

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Network Processing

Assessment of Overall Plant Efficiency 2010; NO-MA-10-001; 6/11/2010

Charlottesville Processing and Distribution Facility Consolidation; NO-AR-10-008; 8/3/2010

Color-Coding of Standard Mail and Mail Condition Reporting at the Austin Processing and Distribution Center; NO-AR-10-010; 9/3/2010

Color-Coding of Standard Mail and Mail Condition Reporting in the Northland District; NO-AR-10-006; 6/9/2010

Internal Controls over Powered Industrial Vehicles at Sites Without the Powered Industrial Vehicle Management System; NO-AR-10-009; 8/31/2010

Sales & Service

Electronic Postmark Program License Fees; MS-MA-10-001; 9/2/2010

Premium Pay at Bedford Park Computerized Forwarding System Unit; MS-AR-10-006; 8/30/2010

Function 4 Overtime Workhours; MS-AR-10-002; 4/26/2010

Staten Island and Brooklyn Business Mail Entry Units Mail Verification Procedures; MS-AR-10-005; 8/30/2010

First-Class and Standard Mail Workshare Discounts; MS-AR-10-003; 7/2/2010

Efficiency of Retail Customer Service Operations; MS-AR-10-004; 7/28/2010

Transportation

Air Networks – Federal Express Transportation Agreement – National Analysis; NL-AR-10-010; 9/29/2010

Air Networks – Federal Express Transportation Agreement – Capital Metro, Eastern, Great Lakes, and Northeast Areas; NL-AR-10-005; 5/25/2010

Management of Mail Transport Equipment – National Analysis; NL-AR-10-009; 9/29/2010

Postal Vehicle Service Transportation Routes – Southern Maryland Processing and Distribution Center; NL-AR-10-006; 7/14/2010

Postal Vehicle Service Transportation Routes – Washington Network Distribution Center; NL-AR-10-007; 8/4/2010

Postal Vehicle Services - Scheduling and Staffing – Atlanta District; NL-AR-10-008; 9/29/2010

FINANCIAL RISK

Cost, Revenue, and Rates

Advertising Cost Reporting; CRR-AR-10-004; 8/18/2010

Field Financial

Statistical Tests for Fiscal Year 2010; FF-AR-10-222; 9/14/2010

Financial Reporting

Compliance with Bank Secrecy Act; FT-AR-10-014; 9/30/2010

Independent Report on Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the Office of Personnel Management; FT-AR-10-013; 9/22/2010

Federal Employees Retirement System Overfunding; FT-MA-10-001; 8/16/2010

Summary of Substantial Overfunding and Postal Service Pension and Retiree Health Care Funds; FT-MA-10-002; 9/30/2010

Territorial Cost of Living Allowance; FT-AR-10-012; 8/16/2010

Fiscal Year 2010 Financial Installation Audit

Airway Road Finance Station Post Office – Dayton, OH; FF-AR-10-221; 8/31/2010

Anchorage Business Mail Entry Unit – Anchorage, AK; FF-AR-10-189; 6/30/2010

Bardstown Business Mail Entry Unit – Bardstown, KY; FF-AR-10-214; 8/10/2010

Barneveld Post Office – Barneveld, WI; FF-AR-10-217; 8/19/2010

Bolingbroke Post Office – Bolingbroke, GA; FF-AR-10-183; 6/17/2010

Boyertown Business Mail Entry Unit – Boyertown, PA; FF-AR-10-199; 7/13/2010

Bridgeville Business Mail Entry Unit – Bridgeville, PA; FF-AR-10-161; 5/11/2010

Burlington Post Office – Burlington, KS; FF-AR-10-172; 6/2/2010

Caldwell Post Office – Caldwell, NJ; FF-AR-10-171; 5/24/2010

Camp Wood Post Office – Camp Wood, TX; FF-AR-10-203; 7/22/2010

Chanhassen Business Mail Entry Unit – Chanhassen, MN; FF-AR-10-170; 5/24/2010

Columbus Business Mail Entry Unit – Columbus, GA; FF-AR-10-176; 6/9/2010

Driggs Post Office – Driggs, ID; FF-AR-10-193; 7/6/2010

Dunn Business Mail Entry Unit – Dunn, NC; FF-AR-10-142; 4/6/2010

Elkhart Business Mail Entry Unit – Elkhart, IN; FF-AR-10-198; 7/13/2010

Fitchburg Business Mail Entry Unit – Fitchburg, MA; FF-AR-10-190; 7/1/2010

Fort Gay Post Office – Fort Gay, WV; FF-AR-10-160; 5/6/2010

Fort Point Station – Boston, MA; FF-AR-10-187; 6/24/2010

Fort Worth Business Mail Entry Unit – Fort Worth, TX; FF-AR-10-223; 9/20/2010

Franklin Square Business Mail Entry Unit – Franklin Square, NY; FF-AR-10-150; 4/21/2010

Fullerton Business Mail Entry Unit – Fullerton, CA; FF-AR-10-140; 4/6/2010

Glenwood Springs Post Office – Glenwood Springs, CO; FF-AR-10-184; 6/17/2010

Hammonton Post Office – Hammonton, NJ; FF-AR-10-162; 5/14/2010

Harpersfield Post Office – Harpersfield, NY; FF-AR-10-143; 4/7/2010

Hazelwood Business Mail Entry Unit – Hazelwood, MO; FF-AR-10-145; 4/7/2010

Hazelwood Post Office – Hazelwood, MO; FF-AR-10-144; 4/7/2010

Hudson Business Mail Entry Unit – Hudson, MA; FF-AR-10-215; 8/19/2010

Imperial Beach Post Office – Imperial Beach, CA; FF-AR-10-157; 4/28/2010

Jacksonville Business Mail Entry Unit – Jacksonville, FL; FF-AR-10-164; 5/17/2010

Jacksonville Main Office Postal Store – Jacksonville, FL; FF-AR-10-163; 5/17/2010

James A. Farley Business Mail Entry Unit – New York, NY; FF-AR-10-209; 8/3/2010

Joelton Post Office – Joelton, TN; FF-AR-10-194; 7/8/2010

Jonesboro Business Mail Entry Unit – Jonesboro, AR; FF-AR-10-216; 8/19/2010

Kailua Kona Business Mail Entry Unit – Kailua Kona, HI; FF-AR-10-158; 5/4/2010

Kalispell Business Mail Entry Unit – Kalispell, MT; FF-AR-10-206; 8/2/2010

Kerkhoven Post Office – Kerkhoven, MN; FF-AR-10-211; 8/6/2010

Kilmer Lobby Branch – Edison, NJ; FF-AR-10-202; 7/19/2010

Lansing Business Mail Entry Unit – Lansing MI; FF-AR-10-218; 8/24/2010

Le Mars Post Office – Le Mars, IA; FF-AR-10-153; 4/23/2010

Lebanon Junction Business Mail Entry Unit – Lebanon Junction, KY; FF-AR-10-173; 6/2/2010

Lexington Main Post Office – Lexington, KY; FF-AR-10-146; 4/9/2010

Lihue Business Mail Entry Unit – Lihue, HI; FF-AR-10-154; 4/23/2010

Lilbourn Post Office – Lilbourn, MO; FF-AR-10-149; 4/20/2010

Long Island City Business Mail Entry Unit – Long Island City, NY; FF-AR-10-167; 5/20/2010

Lynchburg Business Mail Entry Unit – Lynchburg, VA; FF-AR-10-212; 8/10/2010

Madelia Business Mail Entry Unit – Madelia, MN; FF-AR-10-151; 4/21/2010

Manchester Business Mail Entry Unit – Manchester, NH; FF-AR-10-201; 7/19/2010

Margaret L. Sellers Business Mail Entry Unit – San Diego, CA; FF-AR-10-141; 4/6/2010

Midland Business Mail Entry Unit – Midland, MI; FF-AR-10-219; 8/26/2010

Midtown Station Business Mail Entry Unit – Ocean City, MD; FF-AR-10-152; 4/22/2010

Morrisville Post Office – Morrisville, PA; FF-AR-10-186; 6/22/2010

Mount Pleasant Post Office – Mount Pleasant, IA; FF-AR-10-169; 5/24/2010

Nashville Post Office – Nashville, IN; FF-AR-10-185; 6/17/2010

New Albany Post Office – New Albany, MS; FF-AR-10-200; 7/19/2010

Newburgh Main Post Office – Newburgh, IN; FF-AR-10-177; 6/8/2010

Owings Mills Post Office – Owings Mills, MD; FF-AR-10-191; 7/1/2010

Park Hills Post Office – Park Hills MO; FF-AR-10-159; 5/5/2010

Philadelphia Main Office Station – Philadelphia, PA; FF-AR-10-213; 8/10/2010

Philomath Post Office – Philomath, OR; FF-AR-10-165; 5/18/2010

Plainview Branch, Plainview, NY; FF-AR-10-220; 8/31/2010

Portland Downtown Station Post Office – Portland, ME; FF-AR-10-156; 4/26/2010

Pottstown Business Mail Entry Unit – Pottstown, PA; FF-AR-10-168; 5/24/2010

Prestonsburg Business Mail Entry Unit – Prestonsburg, KY; FF-AR-10-197; 7/13/2010

Randolph Post Office – Randolph, MA; FF-AR-10-208; 8/2/2010

Reidsville Business Mail Entry Unit – Reidsville, NC; FF-AR-10-178; 6/9/2010

Richardson Business Mail Entry Unit – Richardson, TX; FF-AR-10-166; 5/19/2010

Ridgeland Business Mail Entry Unit – Ridgeland, SC; FF-AR-10-188; 6/28/2010

Rome Post Office – Rome, NY; FF-AR-10-155; 4/26/2010

San Jose Business Mail Entry Unit – San Jose, CA; FF-AR-10-147; 4/19/2010

Sandusky Post Office – Sandusky, MI; FF-AR-10-182; 6/16/2010

Shakopee Business Mail Entry Unit – Shakopee, MN; FF-AR-10-204; 7/28/2010

Slayton Business Mail Entry Unit – Slayton, MN; FF-AR-10-195; 7/12/2010

Stillwater Post Office – Stillwater, MN; FF-AR-10-192; 7/6/2010

Waianae Post Office – Waianae, HI; FF-AR-10-148; 4/20/2010

Weatherford Business Mail Entry Unit – Weatherford, TX; FF-AR-10-180; 6/11/2010

Westbury Business Mail Entry Unit – Westbury, NY; FF-AR-10-181; 6/15/2010

Wilton Business Mail Entry Unit – Wilton, NH; FF-AR-10-175; 6/4/2010

Yazoo City Business Mail Entry Unit – Yazoo City, MS; FF-AR-10-174; 6/4/2010

Human Resources and Security

Employee Benefit Programs; HR-MA-10-001; 9/3/2010

Employee Layoff Provisions; HR-MA-10-002; 9/30/2010

Grievance Settlements and Payments; HR-AR-10-003; 7/1/2010

Use of Employees in Rehabilitation Status; HR-AR-10-002; 5/27/2010

Supply Management

Accenture Labor Floor Check for Fiscal Year 2009; CA-CAR-10-013; 9/28/2010

Audit of Tom Roberts Realty U.S. Postal Service Contract; CA-CAR-10-010; 7/28/2010

Bowe, Bell and Howell Proposal for the Mail Evaluation Readability Lookup Instrument (MERLIN) Maintenance Support FY 2010; CA-CAR-10-004; 6/17/2010

Modified Financial Capability Risk Assessment – BrightKey, Inc.; CA-CAR-10-012; 8/25/2010

Certification Process for Electronic Payments; CA-AR-10-006; 9/30/2010

Contract Payment Terms; CA-AR-10-004; 5/27/2010

Detailed Financial Capability Risk Assessment North American Conveyor, Inc.; CA-CAR-10-006; 7/9/2010

Modified Financial Capability Risk Assessment BrightKey, Inc.; CA-CAR-10-007; 7/12/2010

Labor Costs in the Northrop Grumman Information Systems Contract 2DPSCM05-B-3035; CA-CAR-10-005; 6/22/2010

Modified Financial Capability Risk Assessment of OfficeMax, Inc.; CA-CAR-10-009; 7/28/2010

Modified Financial Capability Risk Assessment – Pitney Bowes, Inc.; CA-CAR-10-008; 7/28/2010

Postal Service Purchasing Policies; CA-AR-10-005; 9/20/2010

Ruhl & Ruhl Commercial Company U.S. Postal Service Contract; CA-CAR-10-011; 8/4/2010

Ryder Integrated Logistics, Incorporated Key Performance Indicators for Calendar Year 2008; CA-CAR-10-003; 4/29/2010

APPENDIX B

Findings of Questioned Costs

For the period April 1 — September 30, 2010

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	7	\$1,243,752	\$127,168
Reports requiring management decision that were issued during the reporting period	34	\$57,179,926,121	\$5,919,236,174
TOTAL	41	\$57,181,169,873	\$5,919,363,342
Reports for which a management decision was made during the reporting period (i & ii)	38	\$57,180,357,629	\$5,919,363,342
(i) Dollar Value of disallowed cost		\$51,424,841,558	\$219,102,457
(ii) Dollar value of cost not disallowed		\$5,755,516,071	\$5,700,260,885
Reports for which no management decision was made by the end of the reporting period Negotiations are ongoing	3	\$812,244	—
Reports for which no management decision was made within 6 months of issuance (See Note 1 for a list of individual reports)	—	—	—
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:

None for this report period

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 April 1 — September 30, 2010

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

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

Description	Number of Reports	Dollar Value
Reports for which no management decision was made at the beginning of the reporting period	—	—
Reports issued during the reporting period	21	\$11,502,017,298
TOTAL	21	\$11,502,017,298
Reports for which a management decision was made during the report period (i & ii)	20	\$11,468,032,953
(i) Value of recommendations agreed to by management	—	\$ 9,416,026,433
(ii) Value of recommendations that were not agreed to by management	—	\$ 2,052,006,520
Reports for which no management decision was made by the end of the reporting period	1	\$ 33,984,345
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

Reported Non-Monetary Benefits

For the period April 1 — September 30, 2010

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	55
Number of customer service audits conducted	Number of Audits	25
SAFEGUARDING ASSETS		
Assets or Accountable Items at Risk		
Inadequate internal controls put the value of assets or accountable items (such as cash and stamps) at risk of loss	Dollar Value	\$1,112,483,223
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	17
Number of employee/facility safety and security audits conducted	Number of Audits	25
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	\$364,090,402
Number of data security/IT security audits conducted	Number of Audits	21
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	\$ 752,289,397
Disbursements at Risk		
Dollar value of disbursements made where proper Postal Service internal controls and processes were not followed	Dollar Value	\$9,506
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	28
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	\$75,007,596
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	\$431,088,520
Potential Additional Revenue		
Revenue the Postal Service could potentially generate for goods delivered or services rendered based on suggested improvements	Dollar Value	\$9,734,237,193

	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	—
Dollar value of data used to support management decisions that is not fully supported or completely accurate	Dollar Value	\$910,965,964

APPENDIX E

Reports with Significant Recommendations Pending Corrective Actions

For the period through September 30, 2010

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

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
NO-AR-05-011	6/17/2005	Efficiency of the Los Angeles International Service Center R-1 — Reduce mail processing workhours by 85,000, based on FY 2004 workhours. This will produce a cost avoidance of approximately \$26.1 million, based on labor savings over a 10-year period. TID: October 2010*
HM-AR-06-006	8/29/2006	Postal Service's Grievance-Arbitration Service Centers R-8 — Use electronic commerce to process arbitrator invoices, thus reducing the number of steps required for invoice payment. This would be consistent with Postal Service principles, which state electronic commerce with suppliers is a major enabler of transactional cost reductions. TID: September 2012*
SA-AR-07-002	3/30/2007	Postal Service Security Controls and Processes for the Capital Metro Area 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: June 2010 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: December 2010
SA-AR-07-003	5/9/2007	Postal Service Security Controls and Processes for the Pacific Area 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: December 2010
HM-AR-07-002	5/16/2007	Postal Service's Workplace Safety and Workplace-Related Injury Reduction Goals and Progress 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: <ul style="list-style-type: none"> ▪ Non-injury accidents. ▪ Injury accidents. ▪ Type of injury. ▪ Type of illness. ▪ Per employee. TID: September 2011
IS-AR-07-016	8/20/2007	Audit of Database Administration Practices R-2 — Establish policies and procedures for protecting and using sensitive and business-controlled sensitive data in test, development, and production environments. TID: March 2011

* Management has implemented our recommended corrective action.

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
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: March 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, Confirmation Services Technical Guide, to require mailers to utilize a secure file transfer method when transmitting manifests for electronic verification to the Postal Service. TID: November 2011</p>
FF-AR-08-131	3/19/2008	<p>Fiscal Year 2007 Financial Installation Audits – Business Mail Entry Units</p> <p>R-2 — Provide proper management oversight and instructions to schedule periodic verifications when Periodicals mailings are received during non-business hours. TID: May 2011</p>
FT-AR-08-010	3/31/2008	<p>Fiscal Year 2007 Postal Service Financial Statements Audit – St. Louis Information Technology and Accounting Service Center</p> <p>R-2 — Modify policies and procedures to include the destination facility validation in the highway extra trips payment process. TID: October 2010*</p>
DA-AR-08-006	6/4/2008	<p>Flats Sequencing System: Production First Article Testing Readiness and Quality</p> <p>R-4 — Develop a recovery schedule to ensure the Preliminary Production Baseline Technical Data Package will be available before the production First Article Test begins. TID: September 2010*</p> <p>R-5 — Ensure that 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: January 2011</p> <p>R-7 — Ensure that supplier(s) follow the quality control plan and the configuration control process and validate that the first five production systems are built to the same drawing configuration. TID: June 2011</p>
FF-MA-08-001	7/21/2008	<p>Fiscal Year 2008 – Use of No-Fee Money Orders</p> <p>R-2 — Evaluate the feasibility of restricting the use of no-fee money orders for local purchases to reduce the Postal Service's exposure to financial loss. TID: March 2011</p>
SA-AR-08-008	7/23/2008	<p>Leased Facility Maintenance Responsibility in the Great Lakes Area</p> <p>R-2 — Require the Great Lakes Facilities Service Office to collect \$62,625 in recoverable supported questioned costs. TID: January 2013*</p>
SA-AR-08-009	7/23/2008	<p>Postal Service Continuity of Operations for the Great Lakes Area</p> <p>R-1 — Update the contact information of key continuity of operations personnel at least semiannually, or more often as changes occur. TID: December 2010</p> <p>R-2 — Complete continuity of operations training, including Postal Alert and Notification System training. TID: December 2010</p> <p>R-3 — Identify and prioritize essential functions. TID: December 2010</p> <p>R-4 — Establish a formal review process to ensure continuity of operations plans are completed, updated annually, and maintained in the Postal Alert and Notification System, as required. TID: December 2010</p> <p>R-5 — Establish an area emergency management coordinating committee to provide oversight and assistance to district and facility emergency management teams in establishing, implementing, and reviewing emergency management plans. TID: December 2010</p> <p>R-6 — Establish specific guidance for identifying and selecting alternate facilities including, at a minimum, the number of alternate facilities that should be identified, and criteria regarding location, mail volume, and mail capacity. TID: December 2010</p> <p>R-7 — Require personnel responsible for continuity of operations at primary and alternate facilities to conduct tests and exercises to ensure alternate facilities can effectively process the primary facilities' mail. TID: December 2010</p>

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Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
SA-AR-08-010	7/24/2008	Postal Service Continuity of Operations for the Pacific Area R-1 — 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	Security Clearances for Postal Service Employees R-1 — Establish and implement a policy to periodically assess risks associated with the duties of all Postal Service positions to determine which positions require a security clearance. TID: March 2011 R-2 — Revise the Administrative Support Manual, as appropriate, to reflect changes to the list of positions requiring a security clearance. TID: March 2011
IS-AR-08-016	8/29/2008	Identity Theft Potential in the Change of Address Process R-1 — Update the Internet and Telephone Change of Address applications to eliminate acceptance of anonymous prepaid credit cards. TID: December 2010
IS-AR-09-001	10/8/2008	Electronic Travel Voucher System Controls R-1 — Revise <i>Postal Service Handbook F-15, Travel and Relocation</i> , to require travelers to arrange for lodging at the prevailing government lodging rate, whenever practical. TID: March 2011 R-2 — Revise <i>Postal Service Handbook F-15, Travel and Relocation</i> , to require travelers to obtain prior approval and justify exceeding the government lodging rate within the notes on the electronic voucher. TID: March 2011 R-3 — Customize the Electronic Travel Voucher System Controls (ETVS) to require the traveler to input a value in the room tax field (even if the room tax is zero) or provide the traveler with a check box to indicate taxes not applicable in cases where the lodging stay is tax exempt. TID: March 2011 R-4 — Customize the ETVS to remove the option to combine room rate and room taxes into a single entry. TID: March 2011
FF-AR-09-055	12/26/2008	Fiscal Year 2008 Financial Installation Audits — Post Offices, Stations, and Branches R-5 — Issue guidance to the field to destroy all copies of Postal Service Form 1096 receipts and determine when all forms have been destroyed. TID: February 2012
FT-MA-09-001	1/13/2009	Postal Service Management Instruction — Expenses for Internal and External Events R-2 — Further update Management Instruction FM-640-2008-1, <i>Expenses for Internal and External Events</i> , to require that all expenses associated with internal and external events be included in a unique general ledger account(s). TID: September 2011
IS-AR-09-004	2/20/2009	Access Controls in the Enterprise Data Warehouse 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, <i>Application Information Security Assurance (ISA) Process</i> . TID: December 2010
DR-MA-09-001	3/26/2009 (reissue date)	Management of City Letter Carriers' Street Performance R-1 — Revise existing Postal Service policies and standard operating procedures to reduce from eight to four the number of required Delivery Operations Information System reports to aid supervisors in managing carrier street performance. TID: October 2011 R-2 — Modify the <i>Delivery Operations Information System Route/Carrier Daily Performance Analysis Report</i> to show "exceptions" (such as the only actual route times varying from projected route times). TID: October 2011 R-5 — Deploy additional Global Positioning System technology for 400 motorized city routes in the Chicago District for more effective monitoring and tracking during street delivery. TID: August 2010

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MS-AR-09-006	3/31/2009	<p><i>Intelligent Mail/Seamless Acceptance Project Management</i></p> <p>R-1 — Quantify strategic benefits to the Postal Service and mailers. TID: October 2009</p> <p>R-4 — Incorporate effort-based workhour requirement estimates into work plans for future project releases. TID: September 2009</p> <p>R-5 — Develop a risk management plan to address project risks. The plan should define a process for conducting risk management activities. TID: None</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><i>Mail Processing Equipment's Ability To Read Postage On First-Class Mail Letters</i></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: September 2010</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 stamp. 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: August 2009</p>
CA-AR-09-005	6/1/2009	<p><i>Supply Management's Oversight of 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 them to certify they have instituted a system of controls and oversight to ensure: <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. TID: December 2010 </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 that delegation of authority letter minimum control requirements are met. If minimum control requirements are not met, discontinuation should be considered, with the results and justification documented in an oversight file. TID: December 2010</p>
NL-MA-09-001	8/5/2009	<p><i>Fuel Management Initiatives for Surface Network Operations – Fuel Purchasing Strategy</i></p> <p>R-3 — Ensure adequate consideration of project management principles and best practices outlined in the report in planning and implementing the national fuel purchasing strategy, including development of a project management plan with project goals, performance measures, baselines and target dates, changes to target dates, and documented reasons for changes. TID: November 2010</p> <p>R-4 — Develop a risk mitigation plan to address major project risks to help achieve the stated goals of the national fuel purchasing strategy. TID: November 2010</p> <p>R-5 — Develop measurement factors to monitor achievement of the stated goals of the national fuel purchasing strategy and consider including these factors as part of the National Performance Assessment plan, as appropriate. TID: November 2010</p>
CRR-AR-09-006	8/19/2009	<p><i>Electronic Verification System Rejected Transactions</i></p> <p>R-1 — Develop and implement requirements to identify and track all rejected electronic verification system transactions to ensure mailers correct and resubmit the transactions for processing. TID: November 2010</p>

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NO-AR-09-012	9/25/2009	Sunday Mail Processing Operations R-1 — Reduce 83,000 workhours by the end of FY 2010 with an associated economic impact of approximately \$38 million over a 10-year period. TID: October 2011
DR-AR-09-009	9/28/2009	Delivery Vehicle Fuel Management R-1 — Consider expansion of mobile fueling for city and rural delivery units with 30 or more routes using Postal Service-owned vehicles, as well as other delivery units as necessary, as part of the Postal Service’s national fuel purchasing strategy. TID: September 2010
DR-AR-09-010	9/28/2009	Management of Delivery Point Sequencing Percentage Increases for City Delivery – Nationwide Review R-2 — Require district officials to prioritize and execute tasks, such as updating address databases, monitoring and removing M-records; identifying and resolving sortation issues; and handling non-Delivery Point Sequencing mail in their delivery units. TID: December 2010 R-3 — Develop and execute an action plan to mitigate low city Delivery Point Sequencing percentages in delivery units. TID: December 2010 R-4 — Ensure accountability of Delivery Point Sequencing (DPS) Improvement team members for completing assigned tasks to increase and sustain city delivery DPS percentages and reduce operating costs. TID: December 2010
EN-AR-09-005	9/28/2009	Performance Goals for Market-Dominant Products R-1 — Document the method used to develop future performance goals for market-dominant products. TID: January 2013
IS-AR-09-013	9/29/2009	Business Partner Connectivity – Leased Line Firewalls R-1 — Collaborate with executive sponsors to review and validate all business partner connections to Postal Service information resources and notify the Network Connectivity Review Board to terminate connections no longer required. TID: June 2011* R-2 — Designate the portfolio managers responsible for informing the Network Connectivity Review Board when a business partner connection is no longer required. TID: October 2011* R-3 — Designate the portfolio managers responsible for periodically reviewing and validating business partner connectivity to Postal Service networks. TID: October 2011*
SA-AR-09-008	9/29/2009	Postal Service Aviation Security Capping Report R-1 — Strengthen internal controls requiring management reviews to ensure corrective actions are taken to improve the performance of noncompliant offices. TID: November 2010 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: November 2010
NL-AR-09-010	9/30/2009	Fuel Management Consumption Strategies for Surface Network Operations R-1 — Revise the fuel consumption strategy for surface network operations covering Postal Service and HCR transportation to ensure that it is comprehensive and implements the industry best practices identified in our audit. TID: October 2010 R-2 — Assess and implement all opportunities for owned, leased, and contracted vehicles to use technology to reduce wind resistance, 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: October 2010 R-3 — Establish and implement tire inflation maintenance requirements for postal-owned heavy-duty vehicle fleet, leased, and contracted vehicles consistent with industry best practices. Adjust contracts, as appropriate, to account for the reduced fuel need. TID: October 2010 R-5 — Evaluate HCR routes and, where feasible, implement speed limit requirements consistent with industry best practices, without negatively impacting service and adjust contracts as appropriate to account for the reduced fuel need. TID: October 2010

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DR-AR-10-001	10/15/2009	<p>Use of the Carrier Optimal Routing System</p> <p>R-1 — Resolve the system and application problems with Web Carrier Optimal Routing (WebCOR) and implement the web-based program nationwide. TID: October 2010</p> <p>R-2 — 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; and complete all route adjustments using the COR system. TID: December 2010</p> <p>R-3 — Ensure area officials mandate districts to track and monitor vehicle mileage changes in the COR system. TID: January 2011</p>
FF-AR-10-033	12/4/2009	<p>Use of No-Fee Money Orders Follow-Up Audit</p> <p>R-1 — Instruct area and district management to provide training to retail associates and local unit management on use of reason codes, payment processes, and closeout procedures. TID: December 2010</p> <p>R-2 — Reinforce procedures regarding proper use of no-fee money orders in readily accessible messaging to sales and service associates. TID: December 2010</p> <p>R-3 — Create a change in Point-of-Service to require supervisory approval in order for a no-fee money order to be issued, or develop other controls that would enhance supervisory oversight of the issuance of no-fee money orders. TID: December 2010</p> <p>R-4 — Instruct local units to maintain supporting documentation for no-fee money order transactions for the required retention period. TID: December 2010</p>
DR-AR-10-002	12/18/2009	<p>City Delivery Efficiency Review – San Francisco Napoleon Street Station</p> <p>R-1 — Reduce workhours by 54,975 at the San Francisco Napoleon Street Station with an associated economic impact of more than \$21.3 million over 10 years. TID: December 2012</p>
IS-AR-10-002	12/22/2009	<p>General Control Review of Human Resources Shared Service Center</p> <p>R-1 — Designate as sensitive those positions at the Human Resources Shared Service Center (HRSSC) that require access to personally identifiable information. TID: March 2011</p> <p>R-2 — Initiate appropriate security clearance investigations for all employees in sensitive positions at the HRSSC. TID: March 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: May 2011</p>
NL-AR-10-002	12/28/2009	<p>Postal Vehicle Service Transportation Routes – Cardiss Collins Processing and Distribution Center</p> <p>R-1 — Ensure that Cardiss Collins P&DC managers follow prescribed fleet management procedures for making Postal Vehicle Service (PVS) 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 PVS trip schedules. TID: October 2010</p>
EN-AR-10-001	1/7/2010	<p>Status Report on Postal Service's Network Rationalization Initiatives</p> <p>R-1 — Develop and document specific criteria to identify consolidation opportunities in the plant network. TID: December 2010</p> <p>R-2 — Develop a periodic (annual) review process using a top-down methodology to ensure consistency in identifying consolidation opportunities. TID: March 2011</p>
DA-MA-10-001	1/28/2010	<p>Sustainability: Promoting Energy and Recycling Compliance Fiscal Year 2009</p> <p>R-1 — Issue written guidance to installation managers to encourage the use of more remote building management systems. TID: March 2011</p>
MS-AR-10-001	2/9/2010	<p>Plant-Verified Drop Shipment Controls</p> <p>R-4 — Provide an electronic reporting solution whereby PS Form 8125, Plant-Verified Drop Shipment 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>

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EN-AR-10-003	2/12/2010	Manasota Processing and Distribution Center Consolidation 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
HM-AR-10-001	2/18/2010	Postal Service Absenteeism R-1 — Provide refresher training to supervisors to ensure they are aware of unscheduled leave policies and procedures and the importance of following them. TID: September 2010* R-2 — Establish and implement internal controls to evaluate supervisors' compliance with unscheduled leave policies and procedures (such as performance and accountability measures or periodic management reviews). TID: July 2010* R-3 — Require supervisors and labor relations specialists to use the Enterprise Resource Management System to record employees' inability to meet position requirements, corrective actions taken, and grievance data. TID: July 2010*
NO-AR-10-003	2/24/2010	Dallas Processing and Distribution Center Outgoing Mail Consolidation R-1 — Consolidate the Dallas P&DC outgoing mail operation into the North Texas P&DC by no later than FY 2011. TID: December 2011
NL-AR-10-003	3/1/2010	Highway Contract Route Transportation – Greater Chicago R-3 — Verify elimination of 42 trips within the identified HCRs, already agreed to by local and area management. TID: November 2010 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
DR-AR-10-003	3/16/2010	Rural Delivery Christmas Operations 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
NO-AR-10-004	3/29/2010	Powered Industrial Vehicle Management System at the Indianapolis Processing and Distribution Center R-1 — Use the PIVMS to the fullest extent possible to manage operations and continue to improve mail processing efficiency by reducing 20,000 workhours in tow and forklift operations by FY 2013. TID: September 2013*
IS-AR-10-007	4/19/2010	Network Security Assessment of the National Customer Support Center R-1 — Use the Postal Service's patch and configuration management processes to identify and remediate missing patches and configuration issues. TID: September 2010
SA-MA-10-001	4/29/2010	Postal Service Security Clearance Requirements for Air Transportation Contractors 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. When contract personnel do not have or maintain appropriate security clearances, there is an increased security risk to employees, customers, the mail, critical assets, and the general public. TID: September 2010 R-2 — Establish a process to periodically assess air transportation contractor compliance with Postal Service security requirements to mitigate security risks. TID: September 2010

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IS-AR-10-008	5/4/2010	<p>Certification and Accreditation Process</p> <p>R-1 — Provide Corporate Information Security the authority necessary to enforce and execute the responsibilities for managing the Certification and Accreditation (C&A) process. TID: March 2011</p> <p>R-2 — Update Handbook AS-805, Information Security, to require mandatory annual training on the C&A 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 C&A process. This training should also be available to all executive sponsors. TID: July 2011</p> <p>R-4 — Hold portfolio managers accountable for completing the C&A 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 C&A process for all critical applications currently in production, as required by Handbook AS-805, Information Security. TID: March 2011</p> <p>R-6 — Ensure portfolio managers work with 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 a policy to designate a central repository for storing the C&A documentation. TID: July 2011</p> <p>R-11 — Update Handbook AS-805, Information Security, to designate a single entity responsible for uploading the C&A information in the central repository for all critical applications. TID: March 2011</p> <p>R-12 — Input the C&A documentation for all critical applications into the central repository. TID: March 2011</p> <p>R-13 — Update Handbook AS-805, Information Security, to designate a single entity for updating and validating the C&A information in the Enterprise Information Repository for all critical applications. TID: December 2010*</p>
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: May 2011</p> <p>R-2 — Ensure standards for determining Move Update compliance are consistent and clearly communicated to mailers. TID: Audit resolution</p> <p>R-3 — Establish mandatory comprehensive training for responsible personnel to ensure appropriate assessment of revenue deficiencies. TID: Audit resolution</p> <p>R-4 — Review the overstated revenue deficiency to determine whether the amount should be reduced. TID: Audit resolution</p> <p>R-5 — Limit the use of postal inspectors to Move Update investigations with expectations of civil or criminal prosecution. TID: Audit resolution</p>
NL-AR-10-005	5/25/2010	<p>Air Networks – FedEx Transportation Agreement – Capital Metro, Eastern, Great Lakes, and Northeast Areas</p> <p>R-1 — Use surface transportation to the extent possible for mail that does not require air transportation to meet the Postal Service's on-time standards. TID: October 2010</p> <p>R-2 — Transport mail to the maximum extent possible using the service-responsive capacity of passenger airlines under contract with the Postal Service. TID: December 2010</p> <p>R-3 — Sort mail into bypass containers as appropriate. TID: December 2010</p>

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CA-AR-10-004	5/27/2010	Contract Payment Terms R-1 — Revise the Postal Service’s Supplying Principles and Practices, Section 5 12.2, Payment Time Frame, and other sections as necessary, to add 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: February 2011
NO-MA-10-001	6/11/2010	Assessment of Overall Plant Efficiency 2010 R-1 — Reduce 16.2 million workhours by FY 2012. TID: December 2012
DA-AR-10-005	6/16/2010	Delivery Vehicle Replacement Strategy R-1 — Replace maintenance intensive vehicles beginning in FY 2011. TID: December 2010 R-2 — Reemphasize to vehicle maintenance and district managers the reinvestment threshold, the importance of completing PS Forms 4587, to include cumulative costs, and the need to obtain required approvals as detailed in Handbook PO-701. TID: December 2010 R-3 — Monitor maintenance intensive delivery vehicles at the area level. TID: December 2010
CI-MA-10-001	6/18/2010	Civil Service Retirement System Overpayment by the Postal Service 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 otherwise realize the benefit of this overpayment to the Postal Service. TID: Contingent on Congress; no target date can be provided.
DR-AR-10-006	7/1/2010	City Delivery Efficiency Review – Los Angeles District R-1 — Reduce the district’s workhours by 298,260 to achieve an associated economic impact of more than \$105 million over 10 years. TID: October 2010
DR-AR-10-005	7/1/2010	Flats Sequencing System Operational Issues R-1 — Track and monitor Flats Sequencing System processing operations to reduce labor hours associated with additional manual sorting of unworked flat mail sent to delivery units. R-1 — Track and monitor Flats Sequencing System processing operations to reduce labor hours associated with additional manual sorting of unworked flat mail sent to delivery units. TID: None R-2 — Require plant and district managers to coordinate efforts in reviewing, updating, and complying with their Integrated Operating Plans to ensure sequenced flat mail arrives timely to delivery units. TID: September 2010
HR-AR-10-003	7/1/2010	Grievance Settlements and Payments R-1 — Develop and implement an internal control plan for grievance settlements and payments to ensure consistency among districts and compliance with contractual agreements. Such a plan should include, at a minimum, requirements for maintaining adequate supporting documentation; training for managers who have the authority to resolve disputes in the grievance procedures; requirements for periodically monitoring Grievance and Arbitration Tracking System reports and alerts; and procedures to ensure that negotiated settlement payments are valid, accurate, and properly allocated among the grievants. TID: None
NO-AR-10-007	7/2/2010	Consolidation of Lima Processing and Distribution Facility Mail Operations Into the Toledo Processing and Distribution Center R-1 — Move forward with the consolidation of the Lima, OH, P&DF mail operations into Toledo, OH, P&DC. TID: February 2011
DA-AR-10-006	7/2/2010	Facility Energy: Metering Technologies R-1 — Install time-of-use metering at eligible processing and distribution centers by December 31, 2010. TID: December 2010
NL-AR-10-006	7/14/2010	Postal Vehicle Service Transportation Routes – Southern Maryland Processing and Distribution Center R-3 — Reassess the remaining 3,249 workhours identified in our audit and eliminate them as indicated by the reassessment, or document the reasons for retaining them. TID: October 2010
IS-AR-10-010	7/22/2010	UNIX Operating System Master Controls R-1 — Review and update system permissions to ensure developers possess read-only privileges to files in the production environment. TID: September 2010

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CRR-AR-10-003	7/27/2010	Cost and Revenue Analysis Reporting Module R-1 — Incorporate access controls such as password protection in the modules containing computer programming code. TID: October 2010
MS-AR-10-004	7/28/2010	Efficiency of Retail Customer Service Operations R-1 — Implement best practices for retail customer service operations at all facilities. TID: October 2011 R-2 — Explore opportunities to consolidate business mail acceptance operations at Post Offices, stations, and branches. TID: October 2011 R-3 — Periodically evaluate operating efficiency by assessing performance against productivity targets and adjusting resources in response to workload changes. TID: October 2010 R-4 — Re-deploy employees, as appropriate, to facilities where there is sufficient workload to support the workhours. TID: October 2011
IS-AR-10-011	7/29/2010	Access Controls Over the Electronic Data Distribution Infrastructure R-1 — Enable system-level audit logging (including system, event, error, and web logs) on EDDI servers. TID: October 2010 R-2 — Manage user accounts and configure password controls according to Handbook AS-805, Information Security, requirements. TID: October 2010 R-3 — Obtain approval through eAccess to use shared user accounts within the EDDI environment. TID: October 2010
IS-AR-10-012	8/4/2010	L'Enfant Headquarters Badge Access Controls 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: October 2010
NL-AR-10-007	8/4/2010	Postal Vehicle Service Transportation Routes – Washington Network Distribution Center R-1 — Verify the phasing out of 6,968 workhours that management agreed were in excess of the workload. TID: July 2010 R-2 — Ensure that Network Distribution Center managers periodically assess PVS workload and staffing requirements to maintain appropriate staffing levels. TID: September 2010
FF-AR-10-210	8/6/2010	Revenue for Official Mail from the House of Representatives Mailroom R-1 — Coordinate with the U.S. House of Representatives mailroom and the Southern Maryland BMEU to develop and implement processes to verify postage claimed for individually franked mailpieces, such as establishing alternate mailing system agreements. TID: October 2010
FT-MA-10-001	8/16/2010	Federal Employees Retirement System Overfunding 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 FERS surplus is extinguished. TID: September 2011 R-2 — Coordinate with the OPM 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 R-3 — Pursue legislative action to define future distribution of significant surpluses. TID: September 2011 R-4 — Coordinate with the OPM to create a sub-account within the Civil Service Retirement and Disability Fund exclusive to the Postal Service. TID: September 2011

APPENDIX E

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
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: January 2011</p> <p>R-2 — Improve the reliability and usefulness of retail facilities data by validating, correcting, and updating information in the database. TID: January 2011</p> <p>R-3 — Develop measurable criteria to mitigate inconsistencies in evaluating factors used for determining feasibility to discontinue operations. TID: January 2011</p> <p>R-4 — Process and approve or disapprove discontinuance proposals in a timely manner. TID: January 2011</p>
CRR-AR-10-004	8/18/2010	<p>Advertising Cost Reporting</p> <p>R-1 — Coordinate with the Law Department and Segment Advertising to develop adequate guidance, controls, and processes to ensure reporting of advertising costs is done in compliance with PRC-approved costing methodology and correct any remaining misstatements in FY 2010 advertising costs. TID: September 2010</p> <p>R-2 — Develop an approval process to ensure changing advertising cost allocation methodologies is done in accordance with PRC-approved costing methodology. TID: September 2010</p> <p>R-4 — Develop and implement detailed system requirements for the Tracker System to provide project management information that ensures ability to appropriately attribute advertising costs. TID: December 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 — Postal Service policy requires installation heads to report excess space without providing the necessary guidance to effectively accomplish this task. TID: March 2011</p> <p>R-2 — The excess space reporting system does not track metrics such as dates or space conditions to allow for the prioritization of disposal actions. TID: March 2011</p>
DA-AR-10-008	8/25/2010	<p>Facility Optimization: Northern New Jersey District</p> <p>R-1 — Ensure 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 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>
DR-AR-10-007	8/26/2010	<p>City Delivery Efficiency Review – Bay-Valley District</p> <p>R-1 — Reduce the district’s workhours by 223,011 to achieve an associated economic impact of more than \$7.9 million annually or \$79 million over 10 years. TID: January 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. In its Five-Year Strategic Plan, the Postal Service conveys its desire to generate new revenue by leveraging its strengths; however, it does not reference intellectual property or patents. TID: March 2011</p>
MS-MA-10-001	9/2/2010	<p>Electronic Postmark Program License Fees</p> <p>R-1 — Develop a process to monitor and validate licensees’ Electronic Postmark usage. TID: December 2010</p> <p>R-3 — Initiate actions to collect past due Electronic Postmark license fees. TID: September 2010</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 Postal Inspection Service laptops. TID: March 2011</p> <p>R-2 — Install full disk encryption on all new Postal 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: March 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 them. 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-10-222	9/14/2010	<p>Statistical Tests for Fiscal Year 2010</p> <p>R-1 — Verify that district statistical program managers track data collector performance and take appropriate actions in response to performance issues. TID: October 2010</p>
FF-AR-10-224	9/17/2010	<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 these 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: September 2011</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 P&DF into the Mid-Florida P&DC and take action to eliminate excess space in the Mid-Florida P&DC. TID: December 2011</p> <p>R-2 — Determine alternate uses for excess space at the Birmingham P&DC and annex. TID: June 2011</p>

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
CA-AR-10-005	9/20/2010	<p><i>U.S. Postal Service Purchasing Policies</i></p> <p>R-1 — Establish a competition advocate within the Postal Service to independently review and approve justifications for non-competitive 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: December 2010</p> <p>R-2 — Immediately discontinue contracting with former Postal Service executives until adequate controls are implemented. Such controls should address the appropriate duty and function of former executives in contracted positions, ensure no former executive is paid more than the equivalent of their previous Postal Service rate of pay if contracted non-competitively, and require a thorough cost and price analysis of proposed rates. TID: October 2010</p> <p>R-3 — Review the need for and propriety of all existing contracts with former executives. TID: December 2010</p> <p>R-4 — Amend the Administrative Support Manual to emphasize the importance of compliance with all policies, circulars, and instructions pertinent to encouraging competition and managing non-competitive purchases. TID: December 2010</p> <p>R-5 — Take steps to ensure full and accurate tracking and public reporting of non-competitive contracting actions. Data reported should include, but not be limited to, total dollars committed both competitively and non-competitively; and the contractor, dollar value, and non-competitive justifications for non-competitive contracts. The tracking mechanism should be able to identify when a non-competitive 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-7 — Require that non-competitive purchase contract files include a determination by the contracting officer (CO) that prices are fair and reasonable and a CO's certification that the justification is accurate and complete to the best of their knowledge and belief. A detailed analysis supporting these certifications should be part of the noncompetitive purchase documentation. TID: December 2010</p> <p>R-8 — Require Supply Management officials approving non-competitive contracts to review purchases for potential or apparent conflicts of interest and evaluate any potential conflicts through the agency's ethics official before approval. The opinion and recommendations of the agency ethics official should be documented in the contract file. In addition, any person found to have an actual or apparent conflict of interest should not be allowed to participate in negotiations with the contractor. TID: February 2011</p> <p>R-9 — Institute an oversight mechanism to ensure and track compliance with updated non-competitive contracting policies. TID: March 2012</p>
IS-AR-10-014	9/23/2010	<p><i>Controls Over Payment Card Transaction Data</i></p> <p>R-1 — Finalize and implement a Payment Card Industry remediation plan that includes all associated costs, resources, and milestones needed to achieve and maintain Payment Card Industry-Data Security Standards compliance. TID: September 2013</p> <p>R-2 — Identify and maintain a listing of current service providers who have access to or process, transmit, or store cardholder data and who provide payment card-related products, software, and support. TID: January 2011</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> <p>R-5 — Notify the acquirer, credit card associations, and credit card companies regarding the status of the Postal Service's Payment Card Industry compliance in accordance with the contract agreements. TID: December 2010</p>

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
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-1 — Develop a quarterly shortpaid postage report for outbound First-Class Mail and Priority Mail International and provide it to Global Business Systems and Intelligent Mail Planning and Standards. TID: October 2010</p> <p>R-2 — Implement procedures to use System for International Revenue and Volume, Outbound, and International Origin-Destination Information System test results to monitor shortpaid postage at each international service center. TID: January 2011</p> <p>R-3 — Establish revenue protection procedures at the Chicago and San Francisco International Service Centers. TID: February 2011</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-10-009	9/24/2010	<p>City Delivery Efficiency Review – Atlanta District</p> <p>R-1 — Reduce the Atlanta District's workhours by 87,212 to achieve an associated economic impact of more than \$2.7 million annually or \$27 million over 10 years. TID: October 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: February 2011</p>
CRR-AR-10-005	9/27/2010	<p>Impact of Postal Accountability and Enhancement Act Price Caps</p> <p>R-2 — Develop a detailed transparent plan, with established milestones, for each individual product to move towards coverage of their costs and a contribution to overhead costs. TID: None</p>
NL-AR-10-010	9/29/2010	<p>Air Networks – Federal Express Transportation Agreement – National Analysis</p> <p>R-1 — Continue to 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: March 2011</p> <p>R-2 — Continue to 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: March 2011</p> <p>R-3 — Adjust mail volume arrival profiles or FedEx tender times where possible to ensure Terminal Handling Services contractors have time to build planned by-pass containers. TID: March 2011</p> <p>R-4 — Standardize postal oversight at Terminal Handling Services operations to ensure adequate on-site Postal Service representation to monitor FedEx operations and ensure local compliance with established processes and procedures. TID: March 2011</p> <p>R-5 — Reinforce existing policies and procedures and provide additional guidance and training as necessary for processing and assigning mail to FedEx building bypass containers, and ensuring mail arrives at Terminal Handling Services locations to meet FedEx contract mail tender time requirements. 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: March 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: March 2011</p>

APPENDIX E

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 MTE policies and procedures in the Postal Operations Manual (POM) and Postal Handbook PO-502, Container Methods, which address MTE inventory and accountability controls, including validating customer MTE needs and tracking and reconciling MTE loaned to mailers and other external customers. TID: March 2011</p> <p>R-2 — Continue pursuing implementation of a planned automated MTE management system and ensure its functionality for inventory and accountability processes and for enhancing the Postal Service's visibility into MTE internally and at mailers. TID: March 2011</p> <p>R-3 — Reestablish an on-hand MTE volume count process, both internally and externally, until an automated MTE management system is fully developed, deployed, and operational. TID: March 2011</p> <p>R-4 — Ensure that Area Distribution Networks Offices have appropriate resources assigned responsibly to monitor and manage MTE and maintain compliance with Postal Operations Manual requirements. TID: March 2011</p> <p>R-5 — Document the current process for identifying annual, routine MTE 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 MTE is purchased. TID: March 2011</p>
NL-AR-10-008	9/29/2010	<p>Postal Vehicle Services - Scheduling and Staffing - Atlanta District</p> <p>R-1 — Implement changes identified during the zero-base review and verify removal of the 23,920 workhours of savings achieved, which we estimate to be \$12.6 million over 10 years. TID: December 2010</p> <p>R-2 — Fully utilize the flexibility under the existing American Postal Workers Union (APWU) Collective Bargaining Agreement work rules to increase the use of split-days off for PVS drivers within the terms of the current Memorandum of Understanding and maximize the use of part-time, regular PVS drivers where possible. TID: December 2010</p> <p>R-3 — Consider negotiating and modifying work rules as necessary in the upcoming renewal of the APWU Collective Bargaining Agreement to include increasing the allowable percentage of all types of part-time employees to allow maximum use of part time regular employees in facilities with PVS operations. TID: December 2010</p> <p>R-4 — Consider negotiating and modifying work rules as necessary in the upcoming renewal of the APWU Collective Bargaining Agreement to include providing permanent flexibility to schedule split days off for employees in facilities with PVS Operations. TID: December 2010</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 the receipt of invoices for annual HCR services and to verify services were rendered prior to payment. TID: Audit Resolution</p> <p>R-4 — Identify and notify contracting officers to oversee and administer all HCR payments in the Postal Service Accounts Payable Excellence system. TID: October 2010</p> <p>R-5 — Review the \$7.6 million in payments made more than of 30 days after contract end dates and collect overpayments. TID: October 2010</p> <p>R-6 — Provide detailed, consistent training for all designated officials on their roles and responsibilities and usage of the Utility Management System. TID: February 2011</p> <p>R-7 — Regularly reconcile payments made for utility services to identify and collect overpayments. TID: December 2010</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: March 2011</p>

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
FT-MA-10-002	9/30/2010	<p data-bbox="505 365 1300 390">Summary of Substantial Overfunding and Postal Service Pension and Retiree Health Care Funds.</p> <p data-bbox="505 411 1325 436">R-1 — Develop a comprehensive legislative strategy to recover overfunded amounts. TID: <i>September 2011</i></p> <p data-bbox="505 457 1487 535">R-2 — Aggressively pursue and carefully review all available data related to CSRS, FERS, 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>

APPENDIX F

Significant Management Decisions in Audit Resolution

For the period April 1 — September 30, 2010

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.

**Move Update Program and Investigations
SA-AR-10-001**

5/12/2010

- Recommendation 1 We recommend the vice president, Business Mail Entry and Payment Technologies, in coordination with the vice president, Pricing, enhance the Move Update program to comprehensively verify compliance at mail acceptance and ensure collection of proper postage.
- Recommendation 2 We recommend the vice president, Business Mail Entry and Payment Technologies, in consultation with the vice president, Pricing, ensure standards for determining Move Update compliance are consistent and clearly communicated to mailers.
- Recommendation 3 We recommend the chief postal inspector and the vice president, Business Mail Entry and Payment Technologies; establish mandatory comprehensive training for responsible personnel to ensure revenue deficiencies are appropriately assessed.
- Recommendation 4 We recommend the Western Area finance manager review the overstated revenue deficiency to determine whether the amount should be reduced.
- Recommendation 5 We recommend the chief postal inspector limit the use of postal inspectors to Move Update investigations with expectations of civil or criminal prosecution.

**Controls over System for International Revenue and Volume, Outbound and International Origin-Destination Information System
CRRAR10006**

9/23/2010

- Recommendation 2 We recommend the Global Business vice president and managing director direct the International Operations executive director to implement procedures to use the System for International Revenue and Volume as well as the Outbound and International Origin-Destination Information System test results to monitor shortpaid postage at each International Service Center.

**Certification Process for Electronic Payments
CA-AR-10-006**

9/30/2010

- Recommendation 3 We recommend the Supply Management vice president direct the Transportation Portfolio manager to develop and implement written procedures for the receipt of invoices for annual HCR services and to verify services were rendered prior to payment.

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 of our audit organization that began in April 2009. Below is a listing of the recommendations made by the DOD OIG that have not been fully implemented as of the semiannual period ending September 30, 2010, and the status of those recommendations:

Recommendation 1	<p>We recommend that the assistant inspector general for OA update its policies and procedures to ensure compliance with generally accepted government auditing standards and applicable legal and regulatory requirements.</p> <p>Status: Not fully implemented. OA has updated all policies and procedures as of October 25, 2010. Our Office of General Counsel is currently reviewing the policies prior to posting.</p>
Recommendation 4 (a)&(b)	<p>We recommend that the assistant inspector general for OA (a) require a one-time review of completed training recorded in employee training logs; and (b) follow up on missing certificates of completion to ensure evidence of completed training is included in employee training logs.</p> <p>Status: Not fully implemented. As agreed to in our response, we initiated a one-time review of the completed training recorded in employee training logs in April 2010, and this review is ongoing. We anticipate completing the review by January 2011.</p>
Recommendation 5.2(d)	<p>We recommend that the assistant inspector general for OA improve reporting in performance reports by (d) publishing management comments in field financial reports or capping reports.</p> <p>Status: Not fully implemented. Although we disagreed with publishing management comments in field financial reports or capping reports because these reports are issued in final only, we agreed on a process with the Postal Service to reissue the final report with management comments, if management disagreed with the finding(s) or recommendation(s). Accordingly, to ensure compliance with government auditing standards, we revised our financial installation audit report template on October 22, 2010, to reflect this process in our scope thereby fully addressing the intent of this recommendation.</p>

A copy of this quality control review report, in its entirety, can be viewed on our website at www.uspsaig.gov/USPSOIG_Peer_Review_Report.pdf.

External Peer Reviews

None conducted during this period.

Office of Investigations

Internal Peer Reviews

On September 8, 2008, the Department of Homeland Security (DHS) issued a quality control review of our investigative agency and determined that our internal safeguards and management procedures was in compliance with the quality standards established by the President's Council on Integrity and Efficiency (PCIE) and the Executive's Council on Integrity and Efficiency (PCIE) and the U.S. Attorney General.

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. During the next semiannual reporting period, we will issue a letter to the SSA OIG on the review results.

APPENDIX H

APPENDIX H

Investigative Statistics*

For the period April 1 — September 30, 2010

	Investigations Completed	Arrests	Indictments/Informations	Convictions/Pretrial Diversions**	Admin. Action Taken	Cost Avoidance	Fines, Restitution, & Recoveries	Amt. to USPS (from previous column)***	To Mgmt. for Admin. Action
Theft, Delay, or Destruction of Mail by Employees or Contractors	760	229	227	264	417		\$1,230,964	\$150,329	456
Injury Compensation Fraud ¹	407	29	35	23	118	\$98,842,707	\$525,418,286	\$4,060,478	134
Official Misconduct	386	57	45	57	327	\$47,326	\$1,534,449	\$129,398	409
Financial Fraud	372	132	140	151	201	\$1,060,643	\$3,046,785	\$2,814,710	269
Contract Fraud ²	66	6	19	12	33	\$26,235,319	\$140,833,923	\$19,962,978	46
TOTAL	1,991	453	466	507	1,096	\$126,185,995	\$672,064,407	\$27,117,893	1,314

* 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 \$520 million from one pharmaceutical investigation.

² Amount under Fines, Restitution, and Recoveries includes \$87.5 million from one investigation.

For the period October 1, 2009 — September 30, 2010

	Investigations Completed	Arrests	Indictments/Informations	Convictions/Pretrial Diversions**	Admin. Action Taken	Cost Avoidance	Fines, Restitution, & Recoveries	Amt. to USPS (from previous column)***	To Mgmt. for Admin. Action
Theft, Delay, or Destruction of Mail by Employees or Contractors	1428	416	395	463	785		\$2,246,668	\$345,141	840
Injury Compensation Fraud ^{1 & 2}	786	54	52	44	217	\$198,638,622	\$1,821,246,819	\$21,377,067	288
Official Misconduct	934	104	77	131	648	\$47,326	\$2,294,544	\$210,223	738
Financial Fraud	707	253	260	278	439	\$1,061,643	\$6,791,493	\$5,660,506	542
Contract Fraud ³	128	19	32	19	49	\$27,571,397	\$142,117,223	\$21,020,995	69
TOTAL	3,983	846	816	935	2,138	\$227,318,988	\$1,974,696,747	\$48,613,932	2,477

* 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 \$1.8 billion from two pharmaceutical investigation.

² Amount under Amt. to Postal Service (from previous column) includes \$15 million from one pharmaceutical investigation.

³ Amount under Fines, Restitution, and Recoveries includes \$87.5 million from one investigation.

APPENDIX I

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

For the period April 1 — September 30, 2010

Type of Scheme	Complaints Filed	Consent Agreements	FROs	Cease & Desist Orders
Advance fee	1	1	—	1
Charity	1	1	—	1
Contests/sweepstakes	8	6	—	8
Coupon fraud	6	6	—	6
False billings	6	5	—	19
Lotteries (foreign and domestic)	9	8	—	10
Merchandise:				
Failure to furnish	7	7	—	9
Failure to pay	9	9	—	9
Misrepresentation	5	3	—	12
Miscellaneous	24	27	—	27
Work at home	4	4	—	7
TOTAL	80	60	—	109

Other Administrative Actions

Administrative Action Requests	120
Temporary Restraining Orders issued	—
Cases Using Direct Purchase Authority	—
Civil Penalties (Section 3012) Imposed	\$111,000
Test Purchases	—
Withholding Mail Orders Issued	40
Voluntary Discontinuances	—

Administrative Subpoenas Requested by the Postal Inspection Service

There were three requests during the reporting period.

Financial Reporting on Investigative Activities for the Postal Inspection Service

Type	
Personnel	\$141,312,905
Nonpersonnel	\$34,900,054
TOTAL	\$176,212,959
Capital obligations	\$7,102,036

APPENDIX J

Closed Congressional and Board of Governors' Inquiries

For the period April 1— September 30, 2010

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 (44)

Requestor	Allegation/Concern	Major Findings	Closure Date
Representative, Michigan	Non-receipt of checks sent to the complainant's business as payment.	The investigation found no evidence of mail theft or tampering by postal employees. A State police agency found a person external to the Postal Service was responsible for the thefts and the matter was referred to a State Attorneys' Office for prosecution.	7/8/10
Representative, New York	Non-receipt of bank notes purchased in an auction.	The investigation found no evidence of mail theft or tampering by postal employees. We referred the allegations to the Postal Inspection Service based on indications the theft occurred externally.	5/20/10
Representative, Maryland	Mail tampering; theft of collectors coins from a package.	The investigation found no evidence of mail tampering, delay, or theft by postal employees. Postal management worked with the complainant to develop a secure method of delivering his packages.	4/19/10
Senator, New York	Non-receipt of package; Postal Service refused to reimburse complainant for the insured amount of the package.	The investigation found no evidence of mail tampering, delay, or theft by postal employees. The investigation also found the Postal Service reimbursed the complainant for the insured amount of the package.	6/21/10
Senator, Maryland	Mail tampering; theft of collectors coins from a package.	The investigation found no evidence of mail tampering, delay, or theft by postal employees. Postal management worked with the complainant to develop a secure method of delivering his packages.	4/19/10
Chairman, Senate Committee	Fraud, waste, and abuse by a Postal Service vice president.	A previous OIG investigation did not substantiate allegations related to the Vice President. We conducted a new investigation based on additional allegations. The investigation did not substantiate any of the allegations.	4/5/10
Representative, Virginia	Whistleblower reprisal.	An OIG investigation showed the case did not meet the four necessary elements of whistleblower reprisal. The complainant failed to show that a protected communication was the basis for the disciplinary action.	5/3/10
Senator, California	Postal employees conspired to steal complainant's retirement funds and frame the complainant for crimes.	The investigation did not substantiate the allegations.	5/20/10
Senator, California	Theft of checks and a credit card sent in the mail.	The investigation found no evidence of mail theft or tampering by postal employees. A local police agency determined a person external to the Postal Service was most likely responsible for the thefts.	4/15/10
Representative, Kentucky	Manager created a hostile work environment, engaged in favoritism, and violated postal policy regarding substance abuse on postal property.	The investigation did not substantiate the allegations. Postal management briefed employees on postal substance abuse policy.	7/19/10
Senator, South Carolina	Non-receipt of international Registered Mail containing money.	The investigation found no evidence of mail tampering, delay, or theft by postal employees. Working with the International Mail and Mail Recovery Centers, our agents were unable to trace the package after its arrival at the International Service Center.	7/20/10

Requestor	Allegation/Concern	Major Findings	Closure Date
Representative, Pennsylvania	Non-receipt of money orders and a package.	The investigation found no evidence of mail tampering, delay, or theft by postal employees. The investigation found the company which issued the money orders reimbursed the complainant.	4/16/10
Representative, Alaska	OIG agents misused their position and acted unprofessionally when investigating complainant.	We conducted an internal investigation and forwarded our findings to the OIG management for action deemed appropriate.	8/3/10
Representative, Alaska	Package mailed from Florida arrived opened and missing contents.	The investigation determined it was likely the loss occurred while the package was under postal control; however, we found no evidence of mail tampering or theft by postal employees. Working with the Mail Recovery Center, our agents were unable to locate the contents package.	4/26/10
Senator, Wyoming	Postal employees discarded mass mailings and overcharged complainant for mass mailing permits; postmaster did not comply with mass mailing policy.	Investigation found no evidence employees discarded mail. We also determined the complainant was properly charged for several years of mass mailing permits previously unpaid, and the postmaster acted in accordance with mass mailing policy.	7/5/10
Representative, Indiana	Non-receipt of insurance bills led to termination of complainant's policy.	Investigation found no evidence of mail tampering, delay, or theft by postal employees. An OIG agent worked with the complainant's insurance company to have his policy reinstated.	5/6/10
Alderman, Chicago City Council	Non-receipt of package mailed internationally.	Investigation found no evidence of misconduct by postal employees. We were unable to determine the location of the package because it was mailed without tracking information.	6/3/10
Senator, Iowa	Postal employees tampered with or stole letters mailed to Texas.	Investigation did not substantiate the allegations. Working with the Mail Recovery Center, our agents were unable to locate the letters or their contents.	7/8/10
Senator, Texas	Management disciplined complainant for refusal to follow instructions that violated postal policy and procedure; whistleblower retaliation.	Investigation found the complainant filed a grievance through the local union and complaints before the Equal Employment Opportunity Commission (EEOC) and the Merit Systems Protection Board (MSPB). The OIG does not interfere in Postal Service administrative processes or matters under the jurisdiction of other agencies absent exceptional circumstances, which were not present in this case.	8/17/10
White House	Whistleblower reprisal.	Previous OIG investigation showed the case did not meet the four necessary elements of whistleblower reprisal. The complainant failed to show management took adverse action against him.	6/22/10
Senator, Texas	Postmaster intentionally delayed Express Mail and created a hostile work environment.	The investigation found no evidence the postmaster intentionally delayed or instructed employees to delay Express Mail. The investigation also found the hostile work environment had been addressed through a change in the postmaster's duty location.	8/12/10
Representative, Maryland	Non-receipt of a book contained in a package mailed to Florida.	Investigation did not substantiate the allegation. The investigation determined the lightweight package used was likely damaged by mail processing machines, which caused the package to open and separate from the book. Our agents worked with the Mail Recovery Center, but were unable to locate the book.	6/7/10
Senator, Maryland	Non-receipt of packages containing a necklace, gift cards, and computer accessories.	Investigation found no evidence of misconduct by postal employees. We were unable to determine the location of the package because it was mailed without tracking information. Our agents worked with the Mail Recovery Center, but were unable to locate the complainant's items. Because the complainant was unable to provide any information about the gift card, our agents were unable to determine if it had been redeemed.	7/5/10
Senator, Kansas	Postal employees tampered with and removed contents of one package and did not deliver another.	Investigation found no evidence of mail theft or tampering by postal employees. The investigation determined both packages were damaged by Postal Service sorting machines, causing them to be separated from some or all of their contents. Our agents worked with the Mail Recovery Center, but were unable to locate the complainant's missing items.	7/22/10

APPENDIX J

Requestor	Allegation/Concern	Major Findings	Closure Date
State Senator, New York	A postal employee tampered with mail and fraudulently filed a change of address.	Review found the matter was outside the jurisdiction of the OIG, as the postal employee retired.	6/14/10
Senator, New Mexico	Non-receipt of a package containing a firearm.	Investigation found no evidence of mail tampering or theft by postal employees, but found postal employees did not follow policy when processing the package. Management briefed employees on the importance of following processing procedure to ensure accountability for lost mail.	8/13/10
Representative, South Carolina	Non-receipt of a package the Postal Service purportedly delivered while the complainant had mail on hold.	Investigation did not substantiate the allegations and found evidence the complainant received the package.	8/13/10
Two Representatives, New Hampshire	Management falsified time and attendance records, resulting in a theft of employee hours at two New Hampshire facilities.	The investigation did not substantiate the allegation management intentionally falsified time and attendance records. The investigation did find numerous instances where management failed to follow postal policy and procedure when altering time and attendance records. We forwarded our findings to management for action deemed appropriate.	9/15/10
Senator, Indiana	Hostile work environment; excessive discipline and favoritism.	Review found no basis for formal investigation. The complainant pursued the matter through a Postal Service administrative process.	6/22/10
Representative, Kansas	Status of 2007 OIG investigation into allegations of mail theft.	Complainant had contacted the Postal Service and the Postal Inspection Service, but not the OIG. A review was unable to elicit information on results of those contacts or develop new leads.	6/22/10
Senator, Texas	Postal Service improperly withheld money from complainant's paycheck.	Investigation found no evidence of misconduct or error by postal employees and that the complainant received documentation supporting the withholdings.	8/12/10
Representative, Colorado	Postmaster engaged in misconduct and mismanagement.	Investigation found some allegations were administrative in nature and presented issues not within the mission of the OIG, and referred these allegations to postal management. Investigation did not substantiate the remaining allegations.	9/14/10
Senator, Florida	Management intentionally delayed Express Mail and falsified tracking information to prevent the Postal Service from incurring penalties.	Investigation substantiated the allegation a postal manager instructed an employee to scan an Express Mail package as "attempted delivery" when no delivery attempt had been made. We forwarded our findings to management for action deemed appropriate.	9/17/10
Senator, Virginia	Non-receipt of bill payments made with postal money orders.	Review found the addressee received the money orders but misplaced them, resulting in the complainant's account showing bill payments were past due.	6/23/10
Representative, Virginia	Theft of a postal money order.	Review found the money order was never cashed, and the Postal Service provided the complainant with instructions on how to request a refund.	7/19/10
Senator, Maryland	Non-receipt of several letters and checks.	Investigation found no evidence of mail tampering or theft by postal employees and found it was likely a person external to the Postal Service stole the mail.	9/2/10
Senator, California	Several boxes of collectible items arrived opened, missing contents, and filled with mail not belonging to senders.	The investigation found no evidence of mail tampering or theft. Damage most likely occurred within mail processing equipment, after which postal employees attempted to repack and reseal the boxes. Loose items found in processing equipment are sent to the Mail Recovery Center. The complainant received several missing items from the Mail Recovery Center.	9/14/10
Senator, Vermont	Whistleblower reprisal.	An OIG investigation showed the case did not meet the four necessary elements of whistleblower reprisal. The complainant failed to show that management took adverse action against her.	9/24/10

Requestor	Allegation/Concern	Major Findings	Closure Date
Representative, Pennsylvania	Non-receipt of bank statements.	Investigation found no evidence of mail tampering or theft by postal employees and found the complainant belatedly received several of the missing bank statements. The investigation determined it likely a person external to the Postal Service was responsible for the mail delivery issues.	9/13/10
Senator, Florida	Postal Service official made a false statement.	Investigation did not substantiate the allegation.	8/26/10
Representative, Texas	Postmaster disposed of package containing rare perishable goods.	Review found the postmaster acted in accordance with postal policy.	7/22/10
Representative, Illinois	Non-receipt of a package postal employees left unsecured in complainant's apartment building.	Investigation determined it likely the letter carrier left the package unsecured in the vestibule of the apartment building. We reported these findings to management for action deemed appropriate.	9/21/10
Representative, Illinois	Tracking information for package indicated attempted delivery, yet postal employees could not locate the package when complainant attempted to retrieve it from the Post Office.	Investigation found no evidence of misconduct but determined no delivery had been attempted and the package was misplaced at the post office. Package was eventually located.	9/21/10
Ranking Member, Senate Subcommittee	Request for a detailee from the OIG Office of Investigations with extensive contract fraud experience.	Proposed detailing an OIG criminal investigator.	9/22/10

General Counsel (13)

Requestor	Allegation/Concern	Major Findings	Closure Date
Ranking Member, Senate Committee; Ranking Member, Senate Subcommittee	Report any instances when the Postal Service resisted and/or objected to, or restricted OIG activities or access to information from October 1, 2009 to April 8, 2010. Report all audits and investigations not disclosed to the public from January 1, 2009 to April 30, 2010.	Provided information as requested.	6/15/10
Representative, Pennsylvania	OIG agents violated complainant's Health Insurance Portability and Accountability Act (HIPAA) rights during a healthcare fraud investigation by contacting his physician without his consent or allowing his attorney to be present during the conversation.	Review found the agent acted in accordance with OIG policy and federal law regarding healthcare fraud investigations. The OIG is permitted to conduct legitimate law enforcement inquiries as a health oversight agency under the HIPAA, and charged with preventing fraud, waste, and abuse in the Postal Service under the Inspector General Act of 1978.	4/27/10
White House	Hostile work environment and discrimination against minority employees at two Oregon facilities.	Two previous OIG reviews, previously communicated to complainant, addressed the issues.	4/29/10
Representative, Indiana	Postal Service erroneously returned mail to sender in 2007, causing the complainant not to receive notice about matters pending in court.	Review found the Postal Service acknowledged responsibility for the mistakenly returned mail and remedied the situation by providing an explanation letter for the complainant to present to the court.	5/27/10
Senator, New Mexico	Postal managers and employees engaged in misconduct during the course of a hearing before the EEOC.	The OIG does not interfere in postal administrative processes or matters under the jurisdiction of other agencies absent exceptional circumstances, which were not present in this case. The alleged misconduct is under the jurisdiction of the EEOC OIG.	5/27/10
Senator, Pennsylvania	OIG agents violated complainant's HIPAA rights during a healthcare fraud investigation by contacting his physician without his consent or allowing his attorney to be present during the conversation.	Review found the agent acted in accordance with OIG policy and federal law. The OIG is permitted to conduct legitimate law enforcement inquiries as a health oversight agency under the HIPAA, and is charged with preventing fraud, waste, and abuse in the Postal Service under the Inspector General Act of 1978.	6/15/10
Representative, Pennsylvania	Request for acknowledgment form OIG agents used when contacting complainant's physician during an investigation.	Provided a redacted copy of the form.	7/6/10
Chairman, House Committee	Request for an unredacted report of an OIG investigation.	Provided an unredacted copy of the report.	6/29/10

APPENDIX J

Requestor	Allegation/Concern	Major Findings	Closure Date
Senator, Colorado	Improper removal.	Investigation found the complainant filed a complaint before the MSPB. The OIG does not interfere in Postal Service administrative processes or matters under the jurisdiction of other agencies absent exceptional circumstances, which were not present in this case.	7/28/10
Senator, New York	Request for status of appeal of complainant's termination of employment with the OIG and a pending Equal Employment Opportunity complaint before the Postal Service.	Provided requested information.	7/27/10
Representative, Colorado	Postmaster eliminated mail delivery routes, placing complainant's business address on an auxiliary route that received diminished mail delivery and pickup service.	Review found complainant's business address was temporarily on an auxiliary address; however, such routes do not receive diminished service. Postal officials determined it likely complainant's letter carrier did not pick up mail on days where there was no mail to deliver, in accordance with postal policy; they advised the complainant how to request mail pick-up.	8/18/10
Senator, Texas	FOIA request for records of OIG investigation into supervisory falsifications of time and attendance records by named individuals.	Provided a FOIA determination which found releasing records would be improper without a waiver from third parties named in the request.	8/23/10
Representative, Virginia	Lack of federal prosecution of former postal executive despite gravity of OIG investigative findings of misconduct.	Charging decisions in investigations of criminal conduct are made by the U.S. Department of Justice, which declined to accept this case for prosecution.	8/30/10

Inspector General Audits/Risk Analysis Research Center Reports (12)

Requestor	Allegation/Concern	Major Findings	Closure Date
Ranking Member, Senate Committee; Chairman, Senate Subcommittee	Request for information relating to an OIG investigation of Postal Service sole-source contracting and a review of Postal Service procurement policies and regulations in order to maximize competition and ensure the best value for Postal Service contracts.	Review of Postal Service procurement policies found additional controls were necessary to strengthen oversight and transparency of noncompetitive purchasing. The review found additional controls would maximize competition, ensure best value, and avoid conflicts of interests in contracting.	9/20/10
Ranking Member, Senate Committee	Concerns about consolidation of two Ohio facilities.	Review determined a business case supported the consolidation, finding: sufficient capacity to process mail at one facility, customer service would be maintained, no career postal employees would lose their jobs, processing efficiency would improve, and prior consolidation of mail from the facility in question produced favorable results.	7/2/10
Senator, Iowa	Fraud, waste, and abuse at an Iowa facility. Large number of employees in disabled or limited duty status. Mismanagement enabled postal employees to watch television in the facility while on official duty, and management improperly deconstructed processing equipment for sale.	The review did not substantiate the allegations. Auditors found a reasonable amount of postal employees were in a disabled or limited duty status, postal employees followed policy regarding use of the television, and management properly allowed deconstruction of equipment for sale. However, the review found management did not complete proper paperwork for equipment disposal and therefore enhanced controls were needed to minimize risk of improper disposal of equipment in the future.	8/19/10
Senator, Ohio	Concerns about consolidation of two Ohio facilities.	Review determined a business case supported the consolidation, finding: sufficient capacity to process mail at one facility, customer service would be maintained, no career postal employees would lose their jobs, processing efficiency would improve, and prior consolidation of mail from the facility in question produced favorable results.	7/2/10
Representative, Ohio	Concerns about consolidation of two Ohio facilities.	Review determined a business case supported the consolidation, finding: sufficient capacity to process mail at one facility, customer service would be maintained, no career postal employees would lose their jobs, processing efficiency would improve, and prior consolidation of mail from the facility in question produced favorable results.	7/2/10

Requestor	Allegation/Concern	Major Findings	Closure Date
Ranking Member, House Committee	Report all open recommendations from prior audits and monetary benefits associated with them; which open and unimplemented recommendations the OIG considers most important; number of recommendations accepted and implemented after January 2009. Request for Inspector General (IG) opinion about improvements to the IGA.	OIG compiled and provided the requested information.	4/16/10
Representative, Virginia	Concerns about consolidation of two Virginia facilities.	Review determined a business case supported the consolidation, finding: sufficient capacity to process mail at one facility, customer service would improve, no full-time postal employees would lose their jobs, processing efficiency would improve, and estimates used to build the business case for the consolidation were reasonable.	8/3/10
Ranking Member, Senate Subcommittee	Request for review of Postal Service area and district office consolidations to determine if opportunities exist to consolidate further and increase efficiency.	Review identified several additional opportunities to reduce costs through further consolidations of districts located within 50 miles of another district, eliminate offices whose work hours and mail volume are below mean levels, eliminate duplicative staff positions, and better position area management strategically by relocating area offices at headquarters.	9/20/10
Ranking Member, Senate Committee; Ranking Member, Senate Subcommittee	Request for IG testimony on the Postal Service's current financial crisis and future viability.	The Inspector General testified at a public hearing.	4/15/10
Ranking Member, House Committee; Ranking Member, House Subcommittee	Request for answers to additional questions for the record following the Inspector General's April 15 testimony.	Provided requested responses.	5/24/10
Senator, Iowa	Construction of a new facility was wasteful and inefficient.	Review found the construction plans for the new facility were adequately justified and found no cost overrun during execution of the plans at the time of the review.	7/1/10
Representative, Ohio	Request for an OIG audit report on the consolidation of two Ohio facilities.	Provided requested report. Review determined a business case supported the consolidation, finding: sufficient capacity to process mail at one facility, customer service would be maintained, no career postal employees would lose their jobs, processing efficiency would improve, and prior consolidation of mail from the facility in question produced favorable results.	7/7/10

Referrals (12)

Requestor	Allegation/Concern	Major Findings	Closure Date
Representative, Pennsylvania	Postal manager acted unprofessionally, refused to call the police, and improperly touched the complainant during an altercation at a Pennsylvania Post Office.	Postal Inspection Service.	6/24/10
Representative, Oklahoma	Request for assistance obtaining a hearing before the EEOC.	Postal Service Government Relations Office.	5/24/10
Representative, Missouri	Request for assistance with a dispute about replacing a key to complainant's mailbox.	Postal Service Government Relations Office.	6/1/10
Representative, Virginia	Complainant felt threatened by fellow employee against whom he previously filed a complaint.	Postal Inspection Service.	6/16/10
Representative, Virginia	Mail fraud scheme.	Postal Inspection Service.	6/16/10
Representative, Pennsylvania	Chicago postal facility allows customers to waste postal material when packing parcels.	Postal Inspection Service.	8/3/10

APPENDIX J

Requestor	Allegation/Concern	Major Findings	Closure Date
Senator, Florida	Management created hostile work environment by denying sick leave without justification and disciplining the complainant for using sick leave.	Postal Service Government Relations Office.	7/26/10
Representative, California	Hostile work environment at a California facility.	Postal Service Government Relations Office.	8/12/10
Representative, Florida	Hostile work environment at a Florida facility.	Postal Service Suncoast District Office.	9/10/10
Representative, Virginia	Government Accountability Office report addressing how postal worker benefits and the collective bargaining process affect postal finances.	Government Accountability Office.	9/21/10
Representative, Texas	Misuse of government credit cards; hostile work environment at a Texas facility.	Postal Service Southwest Area Office.	9/10/10
Senator, Texas	Misuse of government credit cards; hostile work environment at a Texas facility.	Postal Service Southwest Area Office.	9/10/10

SUPPLEMENTAL INFORMATION

Freedom of Information Act

The OIG's Freedom of Information Act (FOIA) Office operates independently of, but frequently coordinates with, its counterparts at the Postal Service and the Postal Inspection Service. The FOIA Office receives requests for records from the public, the media, and postal employees. The FOIA, according to the Department of Justice, "generally provides that any person has a right, enforceable in court, to obtain access to federal agency records, except to the extent that such records (or portions of them) are protected from public disclosure by one of nine exemptions."

For the period April 1 — September 30, 2010

Requests	Number of Requests
Carryover from prior period	8
Received during period	211
Total on hand during period	219

Actions	Number of Requests
Processed during the period	211
Requests denied in full	16
Requests denied in part	81
Requests granted in full	11
No records	25
Requests referred	66
Requests withdrawn	7
Fee-related reasons	—
Records not reasonably described	—
Not a proper FOIA request for some other reason	1
Not an agency record	4
Duplicate request	—

Balance	Number of Requests
Balance at the end of the period (pending)	8

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

Workplace Environment

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

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

Activities

For the period April 1 — September 30, 2010

Complaints received	Total
Carryover from prior period	16
Complaints received from OIG Hotline, Congress, governors, management, internal, and other	292
Total on hand during this period	308

Workplace environment actions	Total
Complaints reviewed and closed during the period	345
Referred to Postal Service management	96
Referred to Office of Investigations	13
Referred to Postal Inspection Service	8
Referred to Office of Audit	—
Summary of findings to Congress/BOG/Postal Service management	2
Referred to database for statistical analysis and possible systemic review	226
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	NALC: National Association of Letter Carriers
APWU: American Postal Workers Union	NCSC: National Customer Support Center
C&A: certification and accreditation	NDC: network distribution center
CSRS: Civil Service Retirement System	NPV: net present value
CSS: customer service supervisor	OA: Office of Audit
DBCS: Delivery Barcode Sorter	OI: Office of Investigations
DOL: U.S. Department of Labor	OWCP: Office of Workers' Compensation
DEA: Drug Enforcement Administration	P&DC: processing and distribution center
DWC: distribution window clerk	P&DF: processing and distribution facility
eCBM: Electronic Conditional Based Maintenance	PAEA: Postal Accountability and Enhancement Act of 2006 (also known as the Postal Act of 2006)
EDDI: Electronic Data Distribution Infrastructure	PKI: Public Key Infrastructure
EDI: Electronic Data Interchange	PRC: Postal Regulatory Commission
EIR: Enterprise Information Repository	PVS: Postal Vehicle Services
FEGLI: Federal Employees' Group Life Insurance	RARC: Risk Analysis Research Center
FEHB: Federal Employees Health Benefits	SBOC: Stations and Branches Optimization Consolidation
FSS: Flats Sequencing System	SSA: sales and services associate
GMU: George Mason University	TACS: Time and Attendance Collection System
HCR: highway contract route	VMF: Vehicle Maintenance Facility
LLV: long-life vehicles	
MTE: mail transport equipment	

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

Who do I call?

Office of Inspector General

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

Contact: 888-USPS OIG
www.uspsoig.gov



Postal Inspection Service

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

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



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