

OIG Uncovers \$384,394 Fraud by Houston Postal Contractor

U.S. Postal Service Office of Inspector General (USPS OIG) Forensic Examiner's proactive initiative determined a postal contractor was underpaying the Postal Service for the waste paper and cardboard it picks up. The contractor was also charging the Postal Service to haul away recyclables when payment for this service was already included in the contract.

The company contracted with the Houston District to pick up waste paper and cardboard for recycling. (The company paid the Postal Service to do this and then sold the recyclables.) The contract specified that the company would use a certain price index, which determined the cost per ton it would pay the Postal Service for the paper. The contract also specified that the company would not charge the Postal Service separate hauling fees.

USPS OIG Special Agents found that the contractor was underpaying the Postal Service, and charging separate hauling fees. They met with postal contracting officials, who agreed with the findings. On December 1, 2006, postal contracting officials issued a letter of demand to the contractor for \$316,674. In the letter, postal officials noted the contractor was paying the Postal Service less than it should have been paying for the waste paper.

On December 12, 2006, the Forensic Examiner computed an additional \$3.5 million that the Postal Service would have lost, over the potential 10-year life of the contract, had the contractor continued to underpay for the paper and charge for hauling fees.

The contractor agreed to USPS OIG findings, on December 21, 2006, and found additional monies owed. The contractor issued a check to the Postal Service for \$384,394. The contractor also agreed to audit all of its other locations with recycling contracts to ensure that the Postal Service is properly reimbursed.