



Office of Inspector General Semiannual Report to Congress

October 1, 2009 – March 31, 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 March 31, 2010. In the first section of this issue, we continue our review of the Postal Service's progress towards its strategic goals: "focus on what matters most to customers," "leverage our strengths," and "embrace change." These goals are mapped out in the Postal Service's 5-year strategic plan for 2009 – 2013. The second section highlights investigations conducted to prevent and detect fraud, waste, and misconduct and have a deterrent effect on 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 188 audit reports and management advisories, and the Postal Service accepted 88 percent (51 of 58) of the OIG's significant recommendations.

In addition, we conducted 1,992 investigations that led to 393 arrests and more than \$1.3 billion in fines, restitutions, and recoveries, of which nearly \$21.5 million went to the Postal Service. One pharmaceutical case contributed more than \$1.2 billion to the total fines, restitutions, and recoveries amount.

This report gives an abbreviated account on page 3 of a study we sponsored that found the Civil Service Retirement Pension fund overcharged the Postal Service by \$75 billion. As background, when the Post Office Department became the U.S. Postal Service in 1971, employees that belonged to the federal pension fund started contributing to the Postal Service. For employees who worked for both the Post Office Department and the Postal Service, the federal and the postal pension funds shared responsibility. However, the federal fund paid for retirements based on 1971 salaries, not final salaries. In essence, the federal fund collected full contributions, but paid only partial benefits.

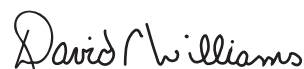
The Office of Personnel Management (OPM) developed the allocation method and has explained that these mischarges were done to respond to what it saw as the will of Congress expressed in a piece of 1974 legislation. However, the 1974 language was repealed by reform legislation in 2003, when large overpayments were discovered. If the \$75 billion is restored to the Postal

Service's pension fund, it could be used to pay down the Postal Service's retiree health care liabilities, ending the large payments required under the Postal Accountability and Enhancement Act of 2006 (PAEA, or the Postal Act of 2006).

Both houses of Congress asked me to testify on the Postal Service's current financial condition. In testimony, I noted that the Postal Service is moving in the right direction, but its velocity is insufficient to avoid an economic catastrophe that will severely challenge its viability. Following are several key areas noted in my testimony.

- Each year, the Postal Service pays \$7 billion more than is warranted for its benefit funds. Addressing this overcharge could allow needed time to plan and integrate large-scale cost reduction initiatives.
- The large network of post offices, plants, and administrative apparatus is financially burdensome. To its credit, the Postal Service has streamlined some of its network, reducing more than 130,000 employee positions since 2003 and cutting \$6 billion in costs for 2009 alone. The Postal Service must accelerate its infrastructure optimization plan, while balancing its commitment to service.
- The Postal Service's complex workforce rules do not always match mission requirements. The ebb and flow of mail in the processing plants suggests the need for more flexible staff willing to perform a wider range of duties.
- We, along with the Postal Service, have recognized the need for a simplified, modernized pricing structure. A simple pricing structure could be easier to use and allow more accurate charges to customers.

As the Postal Service strives to remain viable, the OIG — with the support of the Governors, Congress, and Postal Service management — will continue to play a key role in maintaining the integrity and accountability of America's postal service, its revenue and assets, and its employees.



David C. Williams
Inspector General

SUMMARY OF PERFORMANCE

October 1, 2009 – March 31, 2010

AUDITS

Reports issued	188
Significant recommendations issued	58
Total reports with financial impact	67
Funds put to better use	\$393,937,272
Questioned costs ¹	\$124,721,438
Revenue Impact	\$583,939
TOTAL FINANCIAL IMPACT²	\$519,242,649

INVESTIGATIONS³

Investigations completed	1,992
Arrests	393
Indictments/informations	350
Convictions/pretrial diversions ⁴	428
Administrative actions	1,042
Cost avoidance	\$101,132,992
Fines, restitutions, and recoveries ⁵	\$1,302,632,341
Amount to Postal Service ⁶	\$21,496,041

OIG HOTLINE CONTACTS

Telephone calls	46,540
E-mail	14,440
Virtual Front Office calls	9,210
Standard Mail	1,212
Voice mail messages	493
Facsimile – FAX	358
National Law Enforcement Communications Center	286
TOTAL CONTACTS	72,539

¹ Includes unsupported costs of \$14,683,806.

² The Postal Service agreed to recommendations or proposed alternative corrective actions that, if implemented, could result in more than \$519 million 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 includes \$1,295,200,100 from one pharmaceutical investigation.

⁶ Amount to Postal Service includes \$15,075,934 from one pharmaceutical investigation.

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ASSESSING PROGRESS TOWARD STRATEGIC GOALS

ASSESSING PROGRESS TOWARD STRATEGIC GOALS

In this section, the Office of Audit (OA) assesses the Postal Service's progress toward its strategic goals articulated in its *Vision 2013: Five-Year Strategic Plan for 2009-2013*, published in October 2008. These goals are to focus on what matters most to customers, leverage Postal Service strengths, and embrace change. OA also discusses the issues of regulatory studies and reporting obligations, and preserving accountability. In addition, Risk Analysis Research Center (RARC) research and white papers are presented.

GOAL 1: FOCUSING ON WHAT MATTERS MOST TO CUSTOMERS

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

while simultaneously working to cut costs. The following examples represent work we conducted to help the Postal Service improve operational efficiencies related to customer service and to decrease the risk of revenue loss.

Processing Standard Mail and Pension Checks at the Albany P&DC

The Postal Service uses a system of color-coding to facilitate timely movement of Standard Mail. The mail is color-coded to easily identify the intended day of delivery.

MANAGEMENT RESPONSE TO AUDIT WORK

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

OIG STUDY: CSRS PENSION FUND OVERCHARGED BY \$75 BILLION

When the Post Office Department transformed into the U.S. Postal Service in 1971, the Postal Service and federal government agreed to share the cost of Civil Service Retirement System (CSRS) pension benefits for employees who worked for both entities. However, the federal government paid benefits as if the employees retired in 1971 at their 1971 salaries, not their final salaries at retirement. The Postal Service picks up the remaining costs, which includes inflationary salary increases and cost-of-living allowances since 1971. In essence, the federal fund collects full contributions but pays only partial benefits.

The OIG's white paper, "The Postal Service's Share of CSRS Pension Responsibility," undertaken in conjunction with the actuarial consulting firm, the Hay Group, argues that this method of sharing the costs is inequitable. The costs of pension benefits should be based on employee years of service. For example, if an employee worked half of his or her career with the Postal Service and half with the Post Office Department, the Postal Service should pick up half of the cost of the pension payouts, and the federal government should pick up the other half. Currently, the study shows the Postal Service could be responsible for 70 percent of the pension of an employee who worked only 50 percent of his or her career with the Postal Service. The white paper estimates that if the federal government's pension fund was charged the appropriate share of payments to retirees, there would be \$75 billion more in the Postal Service's pension fund.

This is not the first time the Postal Service has been overcharged for its pension payments. In 2002, it was determined the Postal Service would overfund CSRS by \$78 billion. Legislation in 2003 corrected this overfunding. Then it was determined the Postal Service was overcharged \$27 billion for CSRS military service credits. In 2006, these funds were returned to the Postal Service by Congress, and the surplus was used to fund retiree health care liabilities.

The white paper has garnered significant attention from postal stakeholders and the news media. If the \$75 billion is restored to the Postal Service's pension fund, it could be used to pay down the Postal Service's retiree health care liabilities, ending the large payments required under the Postal Accountability and Enhancement Act of 2006 (PAEA, or the Postal Act of 2006). Fixing the overcharge will also allow the Postal Service to address its real challenges and implement its plan at a safer pace.

This is the third study sponsored by the OIG that delves into the financial entanglements between the Postal Service and the federal government — generally at the expense of the Postal Service. The other two reports focused on the Postal Service's congressionally mandated retiree health care prefunding payments "Estimates of Postal Service Liability for Retiree Health Care Benefits," and the Postal Service's interaction with the federal budget, "Federal Budget Treatment of the Postal Service."

GOAL 1: FOCUSING ON WHAT MATTERS MOST TO CUSTOMERS

Auditors assessed the internal controls at the Albany Processing and Distribution Center (P&DC) and determined that opportunities exist to improve color-coding, as well as the counting and reporting of delayed mail. Further, auditors determined that mail was not properly color-coded to ensure the oldest mail was processed first, delayed mail was not always properly reported, and the oldest mail on hand was not always accurately reported. We recommended that management provide sufficient

oversight, continue color-code training, and direct the color-code coordinator to conduct periodic reviews of the process. Furthermore, based on a review of mail condition reporting documents during November and December 2009 (and subsequent investigative work), auditors found that some of the reports were inaccurate.

In addition, we completed a review on significant delays for the delivery of pension checks in New York, which entered the mailstream at the Albany P&DC. Auditors found pension checks were delayed due to poor internal controls, subsequently the checks were processed and delivered late to customers. The Postal Service took immediate actions to rectify the problem, including expediting replacement checks and letters to creditors.

OIG RESEARCH & WHITE PAPERS

In addition to extensive audits and reviews, on occasion OA and the OIG’s Risk Analysis Research Center (RARC) sponsor academics and subject matter experts to conduct research and analysis on Postal Service issues and topics. The results of the analyses are published in research and white papers. What is the difference between the two types of papers?

Research Papers analyze a perspective and present the author’s interpretation or evaluation. The author of a research paper surveys a field of knowledge to find the best possible information in that field. The result is a paper with academic writing that summarizes analyses and findings to inform the reader.

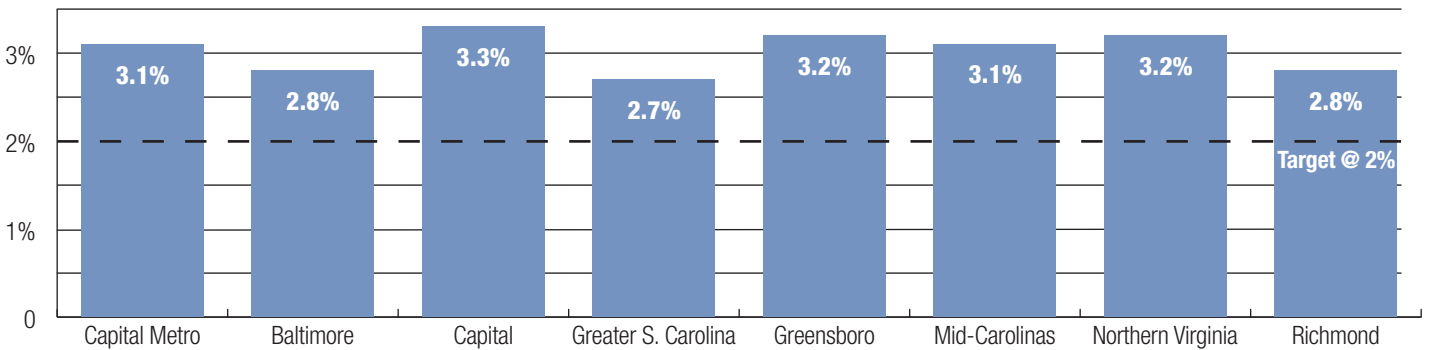
White Papers are authoritative reports often used to address issues and present solutions. White papers serve to educate readers and to help with decisions about a particular topic or subject. A White paper is also used to explain complex technical topics. In some instances, these papers provide unbiased information and analysis regarding a business issue or problem.

Both research and white papers can be found on the OIG’s Internet site: www.uspsaig.gov.

Plant-Verified Drop Shipment Controls

Plant-verified drop shipment (PVDS) allows mailers to have their Standard Mail, Periodicals, and Package Services mail verified and postage added at one postal facility and then allows the mailer to drop ship verified mail directly to the Post Office destination facility to obtain postage discounts. In fiscal years (FY) 2008 and 2009, revenue from destination-entered Standard Mail was \$15.3 billion and \$13 billion, respectively. We conducted on-site observations and interviews at selected facilities and reviewed PVDS documentation and determined that controls were not adequate to ensure that the Postal Service received all revenue due from PVDS. Management initially disagreed with our recommendations, but stated that they plan to require drop shippers to barcode their mail. Under this plan, there would be electronic documentation at origin facilities, which could be accessed and verified. The change will be enacted in Intelligent Mail Release 6 (June 2011).

Capital Metro Area Pieces at Risk Report



In March 2007, the Postal Service established "At-Risk and Out-of-Sequence Goals." Achieving these goals is critical for Postal Service performance and cost management success. As shown in Chart 1, each district in the Capital Metro Area exceeded the DBCS pieces at risk target of 2 percent of total pieces handled.

Reducing Pieces at Risk

We assessed opportunities, in the Capital Metro Area, to reduce Delivery Bar Code Sorter (DBCS) mailpieces at risk of not reaching their destination in the allocated time. The primary component of mailpieces at risk is rejected mail that results in manual rehandling. The Postal Service's annual pieces at risk target for DBCS mail is 2 percent of total pieces handled. For the 2-year period ending September 30, 2009, Capital Metro pieces at risk averaged 3.1 percent, which was 55 percent higher than the target. Capital Metro processing plants did not achieve the pieces at risk target because electronic technicians and maintenance supervisors were unaware of the management maintenance order used to diagnose and reduce DBCS pieces at risk. In addition, not all DBCS staff was properly trained, and maintenance supervisors did not ensure preventive maintenance routines were completed properly to bring at risk pieces within operational quality standards.

As a result, the Capital Metro Area incurred excess mailpiece rejects that required manual processing, costing about \$1 million for the 2-year period ending September 30, 2009. The Capital Metro Area can avoid incurring an additional \$1.1 million over the next 2 years by addressing these issues.

GOAL 2: LEVERAGING THE POSTAL SERVICE'S STRENGTHS

The Postal Service's second strategic goal concentrates on building the reach and capability of its network by using information technology to enhance products and performance, and by empowering employees to build the business.

Our work in this area assisted the Postal Service in identifying opportunities to improve transportation efficiency, optimize the mail processing network, control facility and operational costs, and maximize the cost-effectiveness of contracts.

Network Rationalization Initiatives

The Postal Act of 2006 encouraged the Postal Service to streamline its networks. The Postal Service has been challenged to plan, develop, and implement rationalization initiatives. The most immediate challenge is to dramatically reduce costs and eliminate inefficiencies fast enough to enable the Postal Service to meet its financial obligations, while complying with its universal service obligation. Additional challenges include:

- Opposition to infrastructure changes.
- Resistance to First-Class Mail service downgrades.
- Facilities with long-term leases.

- Workforce inflexibilities.
- Facility data consistency and reliability.
- Lack of a comprehensive network plan.

Our review of Postal Service progress in streamlining the network between FYs 2005-2009 disclosed that the Postal Service made progress reducing its mail processing and transportation infrastructure. Management closed 68 airport mail centers and 12 remote encoding centers, and continues to realign bulk mail center operations. We also reported that the Postal Service has made limited progress in implementing area mail processing (AMP) consolidations in the P&DC network — 268 P&DC nationwide. The Postal Service initiated 98 AMP studies since FY 2005; however, it only implemented 26 consolidations (12 were implemented after our review) of which two resulted in a facility closure. See the list on the next page.

Management uses both a bottom-up and top-down approach for identifying AMP consolidation candidates. However, most of the AMP proposals are generated using the bottom-up approach and result in partial consolidations of originating mail rather than a facility closure. Developing objective criteria and implementing an annual top-down methodology would provide a more consistent and defensible approach to AMP consolidations, which may reduce stakeholder resistance and accelerate the AMP consolidation process. To remain financially viable, the Postal Service must continue to effectively streamline the mail processing and transportation network and optimize the workforce.

A map of AMP reviews and a summary table outlining audits conducted (noting the main issues identified) and consolidations implemented since 2005 follow on next page.

Area Mail Processing Consolidations

The Postal Service manages one of the world's largest and most complex distribution and transportation networks. Plant consolidations are one of three core elements of network streamlining. The following reports were issued during the reporting period due to congressional requests.

Lakeland and Manasota P&DCs. We concluded that there was a valid business case that Area Mail Processing (AMP) consolidations increase efficiency, reduce processing costs, and improve service in support of the Postal Service's network streamlining efforts. Auditors assessed compliance with established policies and the operational impact of consolidating the Lakeland and Manasota P&DC mail processing operations into the Tampa P&DC. The AMP proposals were generally supported and in compliance with established policies. However, implementation of the Manasota P&DC consolidation was delayed 6 months due

GOAL 2: LEVERAGING THE POSTAL SERVICE'S STRENGTHS

AMPs Implemented — October 1, 2005, to March 30, 2010*

#	Losing Facility	State	Gaining Facility	State
1	Marina P&DC	CA	Los Angeles and Long Beach P&DCs	CA
2	Bridgeport P&DF	CT	Stamford P&DC	CT
3	Canton P&DC	OH	Akron P&DC	OH
4	Greenburg PO	PA	Pittsburgh P&DC	PA
5	Kansas City P&DC	KS	Kansas City P&DC	MO
6	Marysville P&DF	CA	Sacramento P&DC	CA
7	Mojave PO	CA	Bakersfield P&DC	CA
8	Monmouth P&DC	NJ	Trenton and Kilmer P&DCs	NJ
9	Newark P&DC	NJ	DBVD and Northern Metro P&DCs	NJ
10	Northwest Boston P&DC	MA	Boston P&DC	MA
11	Olympia P&DF	WA	Tacoma P&DC	WA
12	Pasadena P&DC	CA	Santa Clarita and Industry P&DCs	CA
13	St. Petersburg P&DC	FL	Tampa P&DC	FL
14	Waterbury P&DF	CT	Southern Connecticut P&DC	CT
15	Lakeland P&DC	FL	Tampa P&DC	FL
16	Long Beach P&DC	CA	Santa Ana P&DC	CA
17	Staten Island P&DF	NY	Brooklyn P&DC	NY
18	Portsmouth P&DC	NH	Manchester P&DC	NH
19	Flint P&DC	MI	MI Metroplex P&DC	MI
20	Binghamton P&DF	NY	Syracuse P&DC	NY
21	Cape Cod P&DF	MA	Brockton P&DC	MA
22	Watertown PO	NY	Syracuse P&DC	NY
23	Queens P&DC	NY	Brooklyn P&DC	NY
24	Western Nassau P&DC	NY	Mid-Island P&DC	NY
25	Winchester PO	VA	Dulles P&DC	VA
26	Oxnard P&DF	CA	Santa Clarita P&DC	CA

*Marina P&DC AMP was completed in July 2005. It was included on the above list to show the two P&DC closures completed by Postal Service.

*The Kansas City, KS, P&DC was the second closure.

to the consolidation of other P&DC originating operations into the Tampa P&DC. Therefore, the Manasota P&DC AMP proposal did not capture volume and workhour data from the Lakeland P&DC consolidation into the Tampa P&DC. The volatility of mail volume can impact projections when implementation is not immediate, increasing the risk of including outdated data in the proposal.

Dallas P&DC. The consolidation of the Dallas P&DC outgoing mail operations to the North Texas P&DC was a prudent business decision. Our analysis showed adequate capacity exists at the North Texas P&DC to process increased mail volume. We also found that the consolidation would improve customer service, minimally impact employees, and improve overall efficiency. As a result of this consolidation, the Postal Service could save more than \$11.9 million annually.

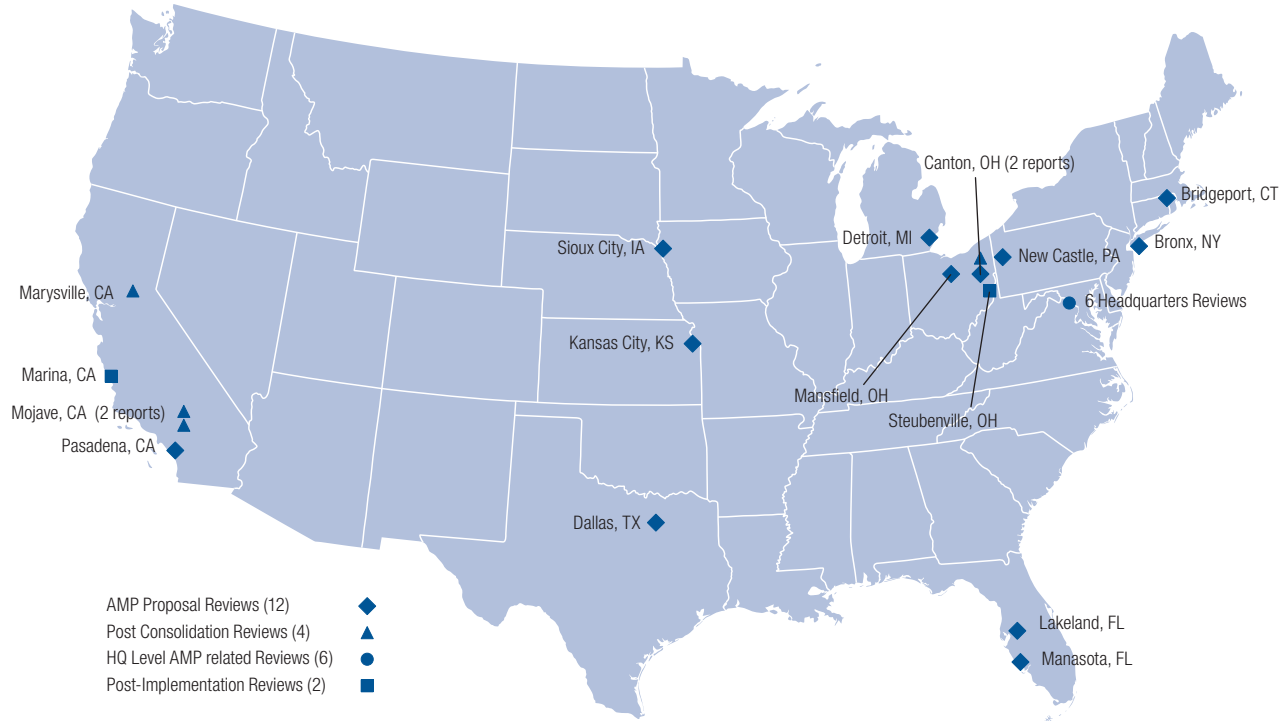
New Castle P&DF. We examined the proposed consolidation of outgoing mail processing operations from the New Castle Processing and Distribution Facility (P&DF) into the Pittsburgh P&DC. Our audit revealed that the consolidation was a prudent business decision because

it minimally impacted employees, improved service, and reduced costs through increased efficiency. Additionally, the Postal Service addressed community concerns and the AMP consolidation estimates appeared reasonable.

Use of the Carrier Optimal Routing System

Implemented in October 2005, the Postal Service's Carrier Optimal Routing (COR) system helps establish safer, more efficient routes; and reduce workhours and delivery costs. OA found that while the COR system was used to perform more than 15,000 route adjustments nationally; the Postal Service had not completed an additional 39,237 routes to optimize lines of travel and reduce delivery costs. The districts were unable to fully utilize the COR system because it was not user-friendly, the data preparation process was labor intensive and time consuming, and district personnel were not always selected and trained to operate the COR system. Auditors reported more than \$221 million in significant funds that could be put to better use if changes were made in these areas.

A Map of AMP Reviews



Area Mail Processing Issues

Report Number	Report Issue Date	Project Description	Savings Accuracy	Data Accuracy and Support	Service Impacts	Oversight and/or approval	Stakeholder Communication	AMP Guidance and Process
NO-AR-05-004	12/08/04	Mansfield, OH AMP	✓		✓			
NO-AR-05-013	09/22/05	Canton, OH AMP	✓		✓			
NO-AR-06-001	12/21/05	AMP Guidelines — Headquarters				✓		✓
EN-AR-06-001	09/26/06	Pasadena, CA AMP	✓	✓	✓	✓	✓	✓
NO-AR-06-010	09/30/06	Bridgeport, CT AMP	✓	✓				
EN-AR-07-001	11/09/06	Sioux City, IA AMP	✓	✓	✓		✓	✓
EN-AR-07-002	12/05/06	Service Implications of AMP — Headquarters		✓	✓	✓	✓	✓
NO-AR-07-003	03/30/07	Steubenville, OH PIR		✓		✓		
EN-MA-07-001	06/26/07	AMP Initiation Process — Headquarters						✓
EN-AR-07-003	07/18/07	Bronx-Morgan, NY AMP	✓		✓			
EN-AR-07-004	08/14/07	Marina, CA PIR	✓	✓				✓
EN-MA-08-001	09/25/07	Automated AMP Worksheets — Headquarters						✓
EN-AR-08-001	01/14/08	Kansas City, KS AMP	✓	✓	✓			✓
EN-AR-08-003	04/16/08	Marysville, CA Consolidation		✓	✓	✓		
EN-AR-08-005	07/17/08	Detroit, MI AMP	✓		✓		✓	
EN-AR-08-006	09/17/08	Mojave, CA Consolidation			✓	✓		
EN-AR-09-001	02/04/09	AMP Communication — Headquarters					✓	✓
NO-AR-09-011	09/22/09	Canton Consolidation Review						
EN-AR-10-001	01/07/10	Status on the Rationalization Initiative — Headquarters				✓		✓
EN-MA-10-002	01/21/10	Mojave Mail Processing Changes						✓
NO-AR-10-002	02/01/10	New Castle, PA AMP						
EN-AR-10-003	02/12/10	Manasota, FL AMP		✓				✓
EN-AR-10-004	02/12/10	Lakeland, FL AMP						
NO-AR-10-003	02/24/10	Dallas, TX AMP	✓		✓		✓	

This chart depicts systemic issues/problems that were identified during consolidation reviews. (The individual checks represent an area needing improvement.)

GOAL 2: LEVERAGING THE POSTAL SERVICE'S STRENGTHS

Surface Transportation

Network transportation has two surface transportation components: Postal Vehicle Services (PVS), which uses Postal Service employees, vehicles and facilities, and highway contract routes (HCR), which are contracted transportation. In FY 2009, the Postal Service spent about \$1.2 billion 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 Chicago.

PVS Transportation. Auditors assessed whether select PVS vehicle operations at the Cardiss Collins P&DC were effective and economical. The audit determined that the Postal Service could more effectively manage PVS transportation processes and schedules, thereby reducing driver workhours and associated fuel use and damage claims and saving significant funds.



Auditors determined that the Postal Service could more effectively manage Postal Vehicle Services (PVS) transportation processes and schedules, thereby reducing driver workhours and associated fuel use and damage claims and saving significant funds.



During our audit of mail transport equipment in the Eastern Area, we observed unauthorized possession of approximately 250 Postal Service pallets in Philadelphia, PA, on November 3, 2009.

HCR Transportation — Greater Chicago Mail Processing Facilities.

We assessed whether HCR contracts were effective and economical. Auditors concluded that the greater Chicago mail processing facilities could improve the effectiveness of scheduled HCRs by canceling or modifying 68 trips, thereby reducing contract and fuel costs over the term of existing HCR contracts. The Postal Service could eliminate these trips without negatively affecting on-time service because trip mail volume was low and mail could be consolidated on other trips. Management agreed with the recommendations, but did not agree with our estimated savings because they are reviewing all operations in the Chicago metropolitan area, and all actual savings will be based on negotiations with contractors.

Mail Processing and Transport Equipment

The Postal Service uses many types of equipment to process

and transport the mail. Mail transport equipment (MTE) consists of various types of containers used to hold mail during processing and transportation within or between Postal Service facilities, its contractors, its mailers, and other external customers. Following are two audits conducted in this area.

Mail Processing Equipment. We assessed the management and disposition of excess mail processing equipment (MPE) in the Portland, OR, District and concluded that the Postal Service could improve its processes and internal controls in this area. Auditors found that Portland District management did not properly and promptly dispose of excess Carrier Sequence Bar Code Sorter (CSBCS) machines, and did not adequately maintain MPE inventory. As a result, there is an increased risk of loss and misstated value of MPE in financial records. In addition, the Postal Service may have missed an opportunity to recover partial lease costs for a facility used to store excess MPE. We recommended management ensure that MPE is accurately documented in databases and personnel responsible for the management and accountability of MPE receive training and adhere to established policies and procedures. We also recommended management reconsider subleasing the Albany, OR, Detached Carrier Unit facility to offset lease costs.

Mail Transport Equipment. We assessed the effectiveness of the Postal Service's management and control of MTE, including distribution, flow, security, and inventory management focusing on the Pacific and Eastern Areas. The audit determined that the Pacific and Eastern Areas did not always ensure compliance with inventory and accountability processes nor ensure assets were always safeguarded. Auditors concluded that weak controls in the Pacific and Eastern Areas resulted in the loss or misuse of MTE assets. In addition, the situation could present a danger to public safety and security if assets are not properly safeguarded, and reflect poorly on the Postal Service brand and public image.

Powered Industrial Vehicle Management System

Powered vehicles are used in postal plants to move mail from incoming trucks, to equipment to be sorted, and back to the trucks for delivery. The Powered Industrial Vehicle Management System (PIVMS) monitors this motorized equipment in the plants and assists in managing equipment operator workhours, identifying opportunities to reduce vehicle inventory, and ensuring internal controls over safety and security. We assessed whether PIVMS was performing economically and efficiently at the Tampa and Indianapolis P&DCs.

Tampa P&DC. We determined that the use of PIVMS at the Tampa P&DC contributed significantly to its success in realizing efficiency improvements. Our audit also revealed that the Tampa P&DC reduced vehicle equipment and transferred excess equipment effectively from the Tampa P&DC to elsewhere in the Southeast Area. In addition, management implemented more controls than those offered by the PIVMS, such as requiring powered equipment operators to use a conventional metal key to start the vehicles, in addition to their PIVMS badges. Since the Tampa P&DC used the PIVMS as intended, we did not make any recommendations.

Indianapolis P&DC. We found management used the PIVMS to identify employees involved in vehicle accidents and evaluate equipment operator staffing levels. However, PIVMS was not used to manage equipment operator productivity, schedule preventive maintenance, monitor vehicle battery usage, or identify opportunities to reduce vehicle inventory. Better use of PIVMS could result in significant savings to the Postal Service.

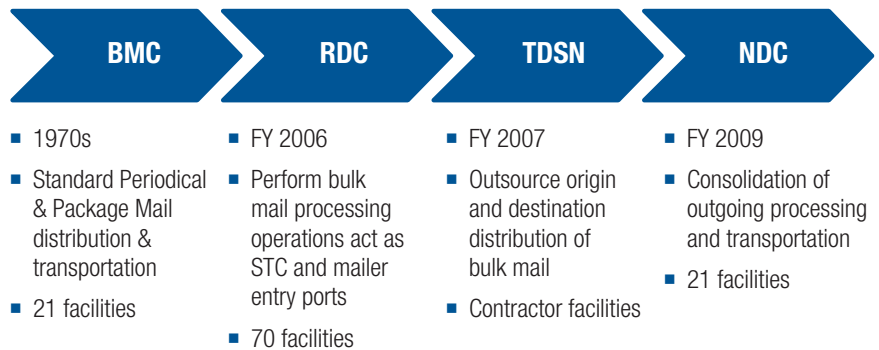
Network Distribution Center

In the 1970s, the Postal Service developed a network of 21 bulk mail centers (BMCs) to support mail distribution and transportation for Parcel Post, Standard Mail, and Periodicals. With mailers entering more mail near final destination, declining mail volume, and a changing mail mix, much of the mail previously processed at the BMCs has diminished. In 2006, the Postal Service began evaluating various network design alternatives to streamline the BMC network. Due to economic and regulatory changes, the 2006 regional distribution centers concept and the 2007 Time-Definite Surface Network (TDSN) concept were halted. Early in 2009, the Postal Service began developing an internal re-engineering effort focused on transforming BMCs into network distribution centers (NDCs). NDCs would consolidate the processing and dispatching of mail to achieve economies of scale and greater operational efficiency, as well as reduce workhours and transportation cost.

In May 2009, the Postal Service began Phase 1 activation of the NDC concept. The core principle is to fill containers and trucks early in the network and to dispatch them as deep into the network as possible. NDC Phase 1 activation took place in the Northeast, New York Metro, and Eastern Areas. Three BMCs (Philadelphia, Springfield [MA], and New Jersey) and 42 P&DC and P&DFs that transport mail to these three NDCs were impacted in the Phase 1 activation.

Our audit of the NDC Phase 1 activation determined that the planning process appeared adequate, the execution of the

BMC History



plan generally went well, and the impact on operations was mostly positive. However, OA found that management could enhance the planning process by completing customer supplier agreements and the employee excessing process earlier in the activation. Management could also include specific milestones in the Readiness Assessment Checklist.

Inbound International Mail

Foreign Postal Administrations (FPA) pay the Postal Service to sort and dispatch inbound international mail at one of five International Service Centers (ISC) located in New York, Miami, Chicago, Los Angeles, and San Francisco. Inbound international mail is foreign-originating mail destined for delivery in the U.S.

Auditors analyzed data at the Los Angeles ISC and found that volume data used to bill FPAs for inbound international letter post, Parcel Post, and Express Mail service was not always accurate and properly supported. Specifically, proper source documentation was not always available and weights and piece counts were not always correct. Management initiated software change requests (SCRs) in August 2008 to correct these issues, but after 1 year these SCRs were still outstanding. As a result, the Postal Service underbilled foreign countries by nearly \$163,000 for international mail service for 4 months between October 1, 2008, to January 31, 2009. We recommended management expedite approved SCRs to enable the



Early in 2009, the Postal Service began developing an internal re-engineering effort focused on transforming bulk mail centers into network distribution centers. Depicted here is the interior of a bulk mail center.

GOAL 2: LEVERAGING THE POSTAL SERVICE'S STRENGTHS

International Reconciliation System to reconcile data and provide valid dispatch-level data for billing.

City Delivery Efficiency Review — San Francisco

Delivery operations are the Postal Service's largest cost center, accounting for about 45 percent of salary expenses and workhours. Although workhour usage has been reduced in delivery operations, these reductions have not kept pace with declining mail volume. For example, we found that efficiency could be improved at the San Francisco Napoleon Street Station by eliminating time wasting practices. We recommended a reduction of 54,975 workhours at this station to achieve an associated economic impact of about \$2.1 million annually.

Rural Delivery Christmas Operations

Regular rural carriers receive supplemental Christmas overtime pay when they exceed their route's established time during the Christmas holiday mailing season. Due to the decline in mail volume, we concluded that there is no longer a need for supplemental Christmas overtime hours during this period. We made recommendations that would reduce the operating cost of Christmas rural delivery.

Carrier Sequence Bar Code Sorters

The Postal Service primarily uses two types of equipment to sort letter mail into walk sequence. They are the high-speed delivery barcode sorters (DBCS) machines in the plants and

the carrier sequence barcode sorters (CSBCS) machines in the associate offices. Our evaluation of the Mid-Carolinas District determined a business case exists for the continued use of CSBCS machines in some associate offices. While the district had reduced 11 CSBCS machines during our audit, we determined an additional 10 CSBCS machines could be eliminated, saving more than \$3 million in mail processing and maintenance hours.

Enterprise Architecture

The existing enterprise architecture (EA) framework within Information Technology (IT) has not reached a level of maturity to facilitate repeatable, defined, managed, and optimized processes and systems. The Postal Service (as an enterprise) is not using its resources and technologies to best achieve its business goals.

Human Resources Shared Service Center

The Human Resources Shared Service Center (HRSSC) provides a wide range of services to address personnel issues for postal employees nationwide. The Information Technology department, located at the HRSSC, provides help desk services by administering the HRSSC Remedy application and troubleshooting problems.

Our audit found general controls surrounding the HRSSC information technology environment are not operating as intended. Specifically, management can improve controls over security management, physical access, configuration management, and contingency planning. Management generally agreed with the recommendations, but disagreed with the recommendations to designate a security control officer, and to revise the timeframe for the antivirus notification on the Interactive Voice Response servers. Additionally, management did not agree that HRSSC personnel were not trained on policy requirements. Without adequate controls, management increases the potential for undetected and unmitigated security risks that could result in unauthorized disclosure of sensitive data.

Maximizing the Cost-Effectiveness of Contracts

We issued two contract-related audit reports during the reporting period. One audited a proposal for direct labor and indirect labor rates for future pricing actions for an indefinite delivery quantity contract; the other verified billed, direct labor hours. These audits were provided to contracting officers for their consideration in future negotiations for obtaining the best terms for the Postal Service and for effectively managing these contracts.



The Postal Service primarily uses two types of equipment to sort letter mail into walk sequence. There are the high-speed delivery barcode sorters (DBCS) machines in the plants and the less efficient carrier sequence barcode sorter (CSBCS) machines in the associate offices.

The proposal audit disclosed that the contractor submitted inadequate cost or pricing data. In addition, the contractor's accounting system continued to be inadequate for accumulating and billing costs under Postal Service contracts. In a previous report, we noted that the contractor's accounting system was not acceptable for an award of a prospective contract. The contractor began implementing corrective actions based on our recent recommendations for improvement to its accounting system.

GOAL 3: EMBRACING CHANGE

The Postal Service needs to embrace change to ensure that it is relevant and responsive to customer needs. This strategic goal focuses on using the full potential of the Internet, being a sustainability leader, and collaborating to grow the business. Evolving customer needs, shaped by the Internet and a new generation of customers, are redefining expectations for service and convenience.

Sustainability

We assessed the Postal Service's compliance with energy and recycling policies at 88 field sites during FY 2009. In this review, seven of these sites met basic energy standards, showing some improvement for energy awareness. Consistent with our previous review of another 90 sites, questionnaire responses indicated that most of the sites can improve basic building maintenance, such as setting prescribed temperatures, installing occupancy sensors, and taking measures to reduce domestic water use. To be more effective, we believe that the Postal Service can take further advantage of technology advancements namely, remote building management systems. We previously reported that remote building management systems automate control settings and provide a return to the Postal Service of up to 31 percent. Also, reinforcing awareness of energy policies should encourage more facilities to meet basic standards and reduce energy consumption through the use of low- or no-cost energy saving practices.

As it relates to recycling awareness, the data collected also showed some improvements. Specifically, 25 of the 88 sites we visited met basic standards. However, consistent with our prior review, many field sites were still placing recyclable material in trash dumpsters and could still improve awareness communications with employees to be more effective.

Revenue Generation in Supply Management

Supply Management's primary objective is lowering costs through effectively managing the supply stream, not generating revenue. However, the Postal Service is seeking to generate revenue wherever it can and has asked that all

Postal Service organizations take an innovative approach to revenue generation. Viewing suppliers as potential customers and offering them Postal Service solutions to meet their needs adds value to the supply chain. As such, Supply Management developed a goal to further identify opportunities that contribute to Postal Service revenue.

We assessed how the Postal Service is leveraging buying power to generate revenue and found that several Supply Management portfolios have revenue generating efforts underway that leverage its significant buying power. One promising collaborative effort is the Supplier Sales Lead Program (SSLP) which evaluates opportunities for reinvigorating supplier sales leads and leveraging existing relationships with the Postal Supplier Council.

We also provided Supply Management with a commissioned benchmarking study that identified private sector and foreign post best practices for leveraging the supplier base to generate revenue. Our report made recommendations to strengthen the support for the SSLP and consider program expansion. In addition, we recommended that policies and procedures be developed to encourage and enhance revenue generating activities in the supply chain.

REGULATORY STUDIES AND REPORTING OBLIGATIONS

The Postal Act of 2006 requires the Postal Service to conduct certain regulatory studies and mandates a number of reporting obligations. The Postal Service uses special financial studies to attribute costs to the various categories of mail, special services, and to develop workshare cost avoidance estimates. We assessed the management of these special studies and found that controls are generally adequate to ensure that they are updated with recurring data inputs. However, controls over updating the studies with non-recurring financial and operational data could be improved.

The oldest of 13 one-time studies, the Postmaster Variability Study, was completed in 1984; additionally seven other one-time studies conducted in the 1990s may need to be updated. Updating non-recurring data inputs used in cost models could help the Postal Service develop more accurate worksharing cost avoidance estimates. For example, a 5 percent change in postmaster variability will increase or decrease the estimate of the portion of costs that are volume variable (as opposed to institutional) by about \$39.9 million over a 2-year period.

From 18 other cost models and analyses, we examined the Periodicals Destination Entry Cost Avoidance Model and found that 24 data inputs developed in the 1990s may no



As it relates to recycling awareness, the data collected showed some improvements. Specifically, 25 of the 88 sites we visited met basic standards. However, many field sites were still placing recyclable material in trash dumpsters and could still improve awareness communications with employees to be more effective.

THE IMPACT OF THE POSTAL SERVICE'S NEW PRICING INITIATIVES

PAEA (Postal Act of 2006) ushered in a new era of enhanced pricing flexibility and gave the Postal Service profit incentives. The Postal Service, its regulators, and mailers all face new choices in determining how they will adapt:

- The Postal Service must determine how to use its new pricing flexibility to retain earnings.
- The regulator must determine how to balance the Postal Service's pricing flexibility against other regulatory goals such as ensuring a level playing field.
- Mailers have new opportunities to work with the Postal Service to create customized pricing agreements.

RARC retained John C. Panzar Ph.D., professor of economics, to perform foundational research of Postal Service pricing initiatives in this new environment. Dr. Panzar's theoretical analysis revealed key insights to understanding pricing and marketing initiatives under price cap regulation. The research paper, "Postal Service Pricing Policy after PAEA," explores and informs the pricing policy debate and offers specific findings in the areas of workshare discounts, quantity discounts, and channel-based discounts. Dr. Panzar also provides his opinion about reasons for potential antitrust implications.

Workshare Discounts. Historically, the Postal Service has generally set workshare discounts equal to the cost the Postal Service avoids when performing workshared activities. On the contrary, Dr. Panzar believes the Postal Service faces a strong economic incentive to set workshare discounts below the costs those activities avoid. In Panzar's opinion, this is permissible under PAEA, but it would break with long-standing practice and invite antitrust scrutiny.

Quantity Discounts. The author's research found that quantity discounts, such as negotiated service agreements, can be lucrative for the Postal Service. If the customers receiving these discounts are not in competition with other, less-favored customers, quantity discounts are a "win-win," as the price cap automatically protects everyone. However, if customers are in competition, those who do not get quantity discounts are disadvantaged and may seek antitrust relief.

Channel-Based Discounts. Under PAEA, channel-based discounts are allowed. The discounts are based on alternate distribution channels, such as postage meter or Internet transactions. These types of discounts are attractive to the Postal Service because they reduce costs; however, in some instances, they are likely to produce winners and losers among customers.

In summary, Dr. Panzar suggests these new pricing initiatives can be profitable for the Postal Service; but in his opinion because they may exclude customers or produce winners and losers, there is a potential antitrust implication, which is something the Postal Service has never had to consider.

longer represent current operating conditions. This older data was also used in other cost models.

Additionally, we found the Postal Service complied with the regulatory mandate to list the special studies and discuss whether the studies reflected current operating conditions. The Postal Regulatory Commission plans to complete a strategic rulemaking during FY 2010 that should assist the Postal Service in prioritizing updates of the studies and data.

PRESERVING ACCOUNTABILITY

During this period we audited Postal Service installations and the financial statement. We also assessed the accuracy of management data to help preserve the integrity of Postal Service processes and personnel. By focusing on key vulnerabilities of Postal Service installations, auditors show how the Postal Service can further protect the integrity of the mailstream.

Field Financial Audits

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

Post Offices and Business Mail Entry Units. During this reporting period, we issued 123 individual and two capping reports summarizing our Post Office and Business Mail Entry Unit (BMEU) audits. Our overarching conclusion was that financial transactions were reasonably and fairly presented in the accounting records and that generally, internal controls were in place and effective. However, we identified 12 Post Offices and five BMEUs where major controls were not effective. Additionally, we reported a significant nationwide deficiency related to business mail acceptance at BMEUs for the third consecutive year. Although it was not completely remediated in FY 2009, the Postal Service has made progress to correct the deficiency and to comply with future Sarbanes-Oxley Act of 2002 requirements. We will continue to monitor and report the Postal Service's progress on the key financial reporting controls.

Cost and Revenue Analysis. We issued a report summarizing Cost and Revenue Analysis test observations. Auditors found the Postal Service generally conducted the statistical tests in accordance with established policies and procedures. However, we found the most frequent type of test errors were data collectors not using marking slips to identify mail being tested. In addition to testing errors, we found that data collectors did not always follow procedures for protecting data collection equipment.

Financial Risk Models

To identify current and emerging business mail financial risks, OA developed the following financial risk models. These models use predetermined risk factors to rank the 74 Postal Service districts from highest to lowest financial risk. Auditors run and analyze these models quarterly for internal use.

Cost and Controls Model. The Costs and Controls model identifies areas for audit and, in isolated instances, identifies fraudulent financial activities. Using this as the basis for initiating their work, auditors recently completed financial risk-based audits in the Bay Valley District, Los Angeles District, Greater South Carolina District, Northern New Jersey District, Gateway District, Capital District, and New York Metro Area. These risk-based audits continue to disclose non-compliance with Postal Service policies over cash, stamps, money orders, disbursements, financial accounting and reporting, miscellaneous expenses, and payroll.

Business Mail Entry Unit Model. Using the Business Mail Entry Unit (BMEU) model as the basis for initiating audit work, auditors recently completed financial risk-based audits in the Arizona, Connecticut, Kentuckiana, Los Angeles, and Northland Districts. These risk-based audits disclosed non-compliance with Postal Service policies over mail acceptance processes.

Vending Model. OA developed a vending risk model to monitor the Postal Service's phase out of stamp vending machines from Post Offices and retail locations. The model ranked the Postal Service's districts by five financial risks associated with vending operations. Using the risk model results, we initiated vending audits in the Rio Grande and Los Angeles Districts. These audits identified units that had not properly closed out vending and had undeposited cash. In March 2010, we issued a management advisory which reported as of January 2010, that although all vending operations should have been closed out, 402 units had more than \$1.8 million in stamp stock balances and five units had more than \$16,000 in undeposited cash.

Financial Audits

We performed separate audits of selected financial activities and accounting records at the Postal Service headquarters and at the three Information Technology and Accounting Service Centers (IT/ASC) located in St. Louis, MO; Eagan, MN; and San Mateo, CA. We also conducted audits of the Governors' travel and miscellaneous expenses, Postal Service officers' travel and representation expenses, and information system general controls at the IT/ASCs and the Raleigh, NC, Information Technology Service Center.

For these audits, we did not propose any adjustments, but we did identify various control deficiencies that were not significant to the overall financial statements and did not affect the overall adequacy of internal controls. Since the Postal Service took corrective action during our audits, we provided no recommendations.

Information Systems General Controls

We evaluated security management, access controls, configuration management, and segregation of duties as they related to operating systems and database platforms for selected applications, data, and the computer infrastructure at the Postal Service information technology centers. These general computer controls provided reasonable assurance that computer-processed data was complete, validated for accuracy, and secure; data integrity controls were in place; and business practices complied with Postal Service policies, procedures, and standards. We provided recommendations in prior audit reports during FY 2009 to assist management in improving information technology operations in the areas of operating system, network, and database access controls; security over sensitive data transmissions; and physical security.

Imprudent Purchases

We audited the Postal Service's compliance with the Management Instruction on Expenses for Internal and External Events and followed up our previous audit report on SmartPay® Purchase Card spending. Our audit disclosed imprudent purchases and non-compliance with the meals and events policy. This policy describes procedures for purchase and payment of official Postal Service business internal and external event-related expenses. Internal events are non-routine meetings such as conferences,



During this reporting period, we issued 123 individual and two capping reports summarizing our Post Office and Business Mail Entry Unit audits.



OA developed a vending risk model to monitor the Postal Service's phase out of stamp vending machines from Post Offices and retail locations.

POSTAL SERVICE'S FINANCIAL CONDITION

In an economy that has seen the reported end of the recent recession, the Postal Service continues to see a decline in mail volume and revenues. This is due to a combination of continued lagging retail activity across many sectors and the continued diversion of mail activity to electronic platforms, a migration which accelerated during the economic downturn. The Postal Service has initiated unprecedented cost cutting in recent years, saving \$6.1 billion in 2009. This effort has included cutting work hours, making contract adjustments, and significantly decreasing capital spending.

One area of focus has been the 10-year payment schedule required to fund retiree health benefits, which includes average annual payments of \$5.6 billion, represent 8.2 percent of total operating revenues, and exceed the highest net income ever achieved in the Postal Service. A large part of the Postal Service's current debt is a direct result of making these payments. The Postal Service has sought Congressional relief in the form of restructuring the payments to the retiree health benefits fund, flexibility in closing Post Offices, and the ability to deliver mail less than 6 days per week.

The overall operating loss for FY 2009 was \$3.8 billion. During FY 2010, mail volumes are expected to decline an additional 10 billion pieces, in addition to the 25.6 billion piece decline in FY 2009. Total mail volume in Quarter 1, FY 2010 was down 8.9 percent compared to the same period last year.

In addition, the Postal Service reported a \$263 million net loss from Operations for Quarter 1, FY 2010. While this is down from a net loss from Operations of \$380 million in Quarter 1 of FY 2009, the first quarter of the fiscal year is historically the most profitable for the Postal Service.

Without substantial cost reductions, the FY 2010 loss could be significantly greater than FY 2009, which was impacted by legislative relief in regard to the retiree health care benefit payment. The net loss for FY 2010 is projected to be more than \$7 billion. Legislative action reduced the 2009 payment to the Postal Service Retiree Health Benefit Fund (PSRHBF) by \$4 billion but did not address the longer term PSRHBF payment schedule. At the end of FY 2009, the Postal Service had \$10.2 billion in debt outstanding, a \$3 billion increase from FY 2008.

The Postal Service is expected to borrow up to their annual ceiling of \$3 billion for projected debt of \$13.2 billion at the end of FY 2010. This would bring the Postal Service close to their allowable debt ceiling of \$15 billion and limit their ability to borrow in FY 2011. The Postal Service has substantial scheduled cash payments in September and October 2010, including \$5.5 billion due to the PSRHBF on September 30, 2010. In addition, approximately \$1.1 billion is due in October 2010 to the Department of Labor (DOL) for workers' compensation liability. Based on the current borrowing capacity and projections of cash available from operations, the Postal Service will likely have sufficient cash available for ongoing operations in 2010. However, substantial uncertainty exists as to whether the Postal Service will have sufficient cash available to fund the \$5.5 billion retirement health benefit payment and the October DOL obligations while maintaining sufficient liquidity to meet its financial obligations in 2011.

training sessions, briefings, postal employee recognition and appreciation events that are attended mainly by Postal Service employees. External events are official business events such as marketing events; stamp, facility and other official dedication ceremonies; conferences; forums; workshops and training events; tradeshow; community service activities; and hosting business meals attended by employees, customers, and other external stakeholders.

Based on our review of judgmentally selected transactions, we identified more than \$54,000 in imprudent purchases and more than \$792,000 in purchases that were not made in accordance with Postal Service policy.

Money Orders

As a follow-up to our 2008 audit of no-fee money orders, our most recent audit disclosed continued misuse of no-fee money orders by individual Post Offices nationally. This audit disclosed that employees used no-fee money orders for convenience when other payment methods were prescribed and, in isolated instances, to commit fraud. In addition, employees did not maintain adequate documentation to support the use of no-fee money orders and input incorrect reason codes when processing transactions. Nationwide, we determined that units have misused more than \$4.86 million in no-fee money orders over the last 2 years. Specifically, units issuing these no-fee money orders did not follow Postal Service policy that limits the use of no-fee money orders for purchases to a one-time local expense, not to exceed \$500. We reported this amount as unrecoverable, unsupported questioned costs.

NO FEE MONEY ORDERS

Postal Service policy limits the use of no-fee money orders for purchases to a one-time local expense, not to exceed \$500.

Absenteeism

The Deputy Postmaster General asked us to determine if the Postal Service's absenteeism rate is comparable with private and federal sector rates and, if not, to determine the potential causes. In addition, we were asked to compare sick leave usage by postal employees who are 3 to 4 years from retirement in the Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS). OIG auditors concluded that the Postal Service's total absenteeism rate for major benefits is comparable to the total absenteeism rate of the federal sector, but higher than that of the civilian sector. We identified two potential causes for the difference between the Postal Service and the civilian sector absenteeism rates. First, the Postal Service offers more leave benefits than the civilian sector, and second, they offer fewer incentives for employees to accumulate leave. Additionally, we found that some supervisors were not complying with attendance control

procedures related to unscheduled absences. We also determined that CSRS and FERS retirees used comparable amounts of sick leave in the years preceding retirement.

Ethics Program

At the request of the prior chairman of the Audit and Finance Committee of the Board of Governors, we reviewed the Postal Service's ethics program. We assessed whether the ethics program is properly designed and operationally effective. Auditors identified areas that, if addressed, would increase the operational effectiveness of the program and enhance its current design. Management disagreed with our recommendation to revise the procedures to ensure Corporate Personnel Management communicates relevant information related to ethics standards violations, violations of criminal conflict of interest statutes, and applicable disciplinary actions to the designated agency ethics official.

Table 1: Comparison of Absenteeism Rates for Major Leave Benefits (Percentage)

	Sick Leave	Annual Leave	Holiday	Personal Leave	Subtotal Major Leave
Postal Service	4.14	8.28	3.21	N/A19	15.63
Federal Sector	3.69	8.15	3.50	N/A	15.34
Private Industry	1.49	4.28	2.98	0.58	8.3220
State and Local Governments	2.45	5.91	4.18	0.72	12.0221

Source: Postal Service payroll data for FY 2008; OPM federal agency data for CYs 2001–2005 (average); BLS occupational equivalent rates for private industry and state and local governments from December 2008 Employment Cost Index.

Note: The absenteeism rates are the average percentage of leave used per employee based on a 2,080 work-hour year.

The Postal Service's total absenteeism rate for major leave benefits is equivalent to the OPM federal sector rate, almost double the Bureau of Labor Statistics rate for private industry, and almost 4 percent higher than the Bureau's state and local government rates. Depicted in Table 1.

DATA MINING GROUP

Data mining plays an increasingly important role in transforming rapidly growing business data into useful, actionable information.

The RARC's Data Mining Group pursues in-depth analyses in the core areas of health care fraud, financial fraud, contract fraud, and internal mail theft. Through the use of independent study, proven data mining methods and techniques, and analytical tools, the group identifies and extracts non-obvious patterns and relationships within data to inform the work of auditors and special agents. The results complement and enhance the planning and initiation of audits and investigations.

Team members consist of multidisciplinary experts in law enforcement, investigative analysis, and data extraction. The group combines this expertise with outreach to internal and external stakeholders to identify and enrich analyses that address emerging issues and critical challenges.

During this reporting period, the Data Mining Group developed a state-of-the-art, statistical model that identified historical indicators of Office of Workers' Compensation Programs (OWCP) claimant fraud. They extracted hidden, systemic patterns of potential embezzlement activity in detailed retail revenue and expense data. They also initiated a pioneering study of supplies, services, and payment data to isolate suspicious, fraudulent contract activity. Lastly, the Data Mining Group merged mailer data with postal operations data and pinpointed processing operations and carrier routes with significant mail loss.

EXTERNAL PEER REVIEW OF THE OFFICE OF AUDIT

During the period, the external peer review of OA was completed. Our system of quality control was determined to be suitably designed and complied with to provide reasonable assurance of conformity with applicable professional standards in all material respects. However, the review team did find some matters warranting our attention, and we addressed these issues with an increased emphasis on specific controls. Additionally, during the course of the peer review, the team uncovered a disturbing finding that resulted in an investigation and disciplinary action against an employee.



INVESTIGATIONS

INVESTIGATIONS

To protect the mail and to maintain the integrity of postal processes 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 against the Postal Service. 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

Embezzlements

Special agents employ various investigative techniques to uncover embezzlements. These embezzlements may involve postal employees stealing money from cash drawers, using sophisticated schemes to manipulate postal money orders or money order funds, or falsifying financial retail records. When employees are found to be responsible for missing postal funds, they are reported to management for appropriate administrative action. In cases that warrant criminal prosecution, offenders not only face the loss of their jobs but may face jail time and court-ordered restitution. Following are examples of financial fraud cases we investigated during this reporting period.

- A \$236,000 shortage in a Texas Post Office led to an OIG investigation that identified two sales and services associates (SSAs) as suspects. In November, the second of the two Texas SSAs pled guilty to theft of U.S. property. The first SSA had pled guilty in July 2009 and was sentenced to 5 years' probation and ordered to pay \$29,000 in restitution. Our investigation showed that both SSAs failed to pay for postal money orders they issued to themselves, family, friends, and creditors. The SSAs admitted to stealing money orders since 2006, and both resigned after being interviewed by our agents. Sentencing in the second SSA's case is scheduled for April 2010. Additionally, the postmaster was issued a downgrade to part-time flexible clerk for "Unacceptable Performance" by not ensuring compliance with Postal Service policies and procedures on financial integrity; record keeping and reporting; and maintaining the security of the facility.
- A Virginia customer service supervisor was sentenced in January to 12 months and 1 day in federal custody, followed by 3 years' probation, after he pled guilty to a scheme to steal and cash postal money orders. The supervisor, and a co-conspirator who was not a postal employee, stole stacks of old, outdated money orders and also a money order imprinter kept in a locked filing cabinet in his Post Office. Special agents were notified after unsold money orders showed up as having been

cash. The two conspirators cashed 254 money orders totaling more than \$127,000. The co-conspirator pled guilty and was sentenced to 24 days' incarceration and 4 months of home confinement followed by 5 years' probation. The former supervisor was ordered to pay \$127,000 in restitution to the Postal Service. The supervisor resigned from the Postal Service.

- A \$156,000 money order scam by an Oregon SSA led to an 18-month sentence in federal prison, followed by 3 years' supervised release, and an order to pay more than \$156,000 in restitution to the Postal Service. The sentence followed a guilty plea to theft of government property. Our investigation revealed that for nearly 2 years the SSA stole cash and money orders by falsely issuing refunds to cover the money orders she issued without remitting payment. She explained that the money was used to pay her mortgage, to remodel her husband's house, and to assist her children with their financial needs. However, at sentencing she changed her story and said she used the stolen money to gamble and provide support for her adult children. The SSA resigned from the Postal Service.

Voyager Credit Card

The Postal Service uses about 219,000 vehicles — one of the largest fleets in the U.S. — to deliver mail across the nation. Through a partnership with U.S. Bank and Voyager Fleet, the Postal Service issues one credit card per vehicle for refueling, routine maintenance, and vehicle washing and polishing. Under no circumstances are postal employees or contractors allowed to disclose their personal identification numbers (PINs) to non-postal entities, utilize the card for personal use, exceed the daily purchase limit without proper authorization, or transfer purchasing authority to a non-postal entity. However, some dishonest postal employees, contractors, and other individuals misuse these credit cards for personal gain. Special agents investigated 29 cases of Voyager credit card fraud in this reporting period, resulting in 18 arrests and 14 administrative actions. Following is an example of one such case.



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.



Video surveillance captured the mail handler catching and reeling in fish, casting out fishing lines, and rigging bait, all while collecting federal workers' compensation benefits.

In November, two Michigan brothers who were both Postal Service HCR drivers, along with a non-employee conspirator, each pled guilty in federal court to Conspiracy to Defraud the United States of \$102,000. All three were indicted in September 2009, after our investigation determined that the brothers were using Voyager cards for personal use. One of the cards was assigned to their father's Postal Service contract to carry mail. The brothers also conspired with a local farmer to sell large quantities of diesel fuel. The brothers' father failed to notify the Postal Service after he became aware that his sons had made large unauthorized purchases using the Voyager card assigned to him. The brothers and the conspirator were arrested in October. The father's contract to carry the mail was terminated in November. Sentencing is pending.

Tort Claims

The Postal Service established the Tort Claims Program to monitor and resolve claims filed against the Postal Service by customers seeking compensation for injuries or losses incurred while using postal facilities. According to an agreement with the Postal Service's Law Department, special agents investigate tort

claim cases involving suspected fraud and cases for which the U.S. Attorney's Office has requested an investigation. Following is an example of one such case.

After our investigative work, a Florida claimant, who filed a \$1 million tort claim against the Postal Service, agreed to a \$6,000 settlement for property damages in November. The initial claim alleged multiple injuries were sustained in an accident, after a mail truck ran into the claimant's vehicle. Our investigation however, revealed the claimant continued

to work at her hair salon while alleging to be injured. She was observed styling, washing, and blow drying a client's hair, giving a pedicure, and sweeping the floor with no apparent discomfort.

WORKERS' COMPENSATION FRAUD

In FY 2009, the monetary and medical benefits paid by the Postal Service to workers' compensation claimants (employees who sustained job-related injuries) totaled nearly \$1.1 billion and its estimated total liability for future workers' compensation costs is more than \$8.5 billion. Administered by the DOL, the OWCP provides direct compensation to providers, claimants, and beneficiaries. The Postal Service later reimburses the OWCP in a process known as "charge-back billings." The OIG's mission for workers' compensation fraud investigations is both proactive and reactive. Depending on the case type, special agents focus on the prevention and deterrence of workers' compensation fraud. They also focus on detecting and investigating an allegation of a fraudulent claim. The results of our investigative efforts during this reporting period included \$99.8 million in cost savings or avoidances, 25 arrests, and 99 administrative personnel actions, including removals, suspensions, and letters of warning.

Claimant Fraud

Unfortunately, a small percentage of postal employees attempt to defraud the workers' compensation program. Criminal prosecutions are an effective deterrent to fraud and may permanently prevent the payment of additional compensation. Cases that may require administrative action are referred to the Postal Service and the DOL. Special agents work closely with 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 March, a former New Hampshire mail handler who had relocated to Florida, was sentenced to 12 months' probation after he pled guilty in federal court to false statements or fraud to obtain federal workers' compensation benefits. In 2002, the mail handler filed a total disability workers' compensation claim for an alleged on-the-job injury to his back. Our investigation determined that the mail handler was self-employed and operating a fishing charter business. Video surveillance captured the mail handler catching and reeling in fish, casting out fishing lines, and rigging bait. As a result of the investigation, the DOL terminated the mail handler's benefits resulting in a cost avoidance of more than \$900,000 for the Postal Service.

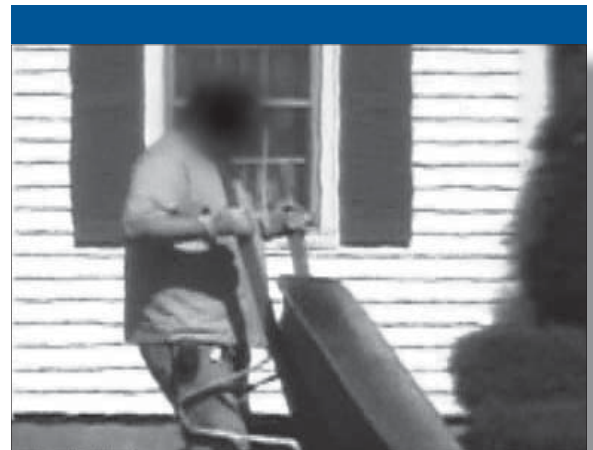
- After a 7-day jury trial in January, a New York custodian was found guilty on four felony counts of making false or fraudulent statements to obtain federal employee's compensation. The custodian alleged partial disability from a work-related back injury in 1992, and had received approximately \$87,000 in workers' compensation payments. Video surveillance conducted by our agents showed the custodian repeatedly exceeding his medical restrictions. We watched the custodian plow and shovel snow; rake leaves; dig, load and carry buckets of dirt; climb ladders; and mow lawns. The DOL removed the custodian from the periodic rolls, realizing a savings of about \$260,000 for the Postal Service. He was also terminated from the Postal Service as a result of the investigation. Sentencing is scheduled for May 2010.
- A county judge sentenced a Utah rural carrier in December, to 60 days of home confinement, 3 years' probation, and ordered her to pay restitution of more than \$13,000 to the DOL for credit to the Postal Service. Pursuant to the information filed against her, the carrier pled guilty to one count of fraud in November. Prior to these actions, our investigation determined that the rural carrier, who claimed to be totally disabled from an on-the-job back injury, was working as a real estate agent. The investigation was initiated when the rural carrier mailed bulk mail postcards advertising her services as a licensed real estate agent. The DOL terminated the rural carrier's benefits, realizing a savings of more than \$1.6 million for the Postal Service. The rural carrier resigned from the Postal Service.

OWCP Medical Provider Fraud

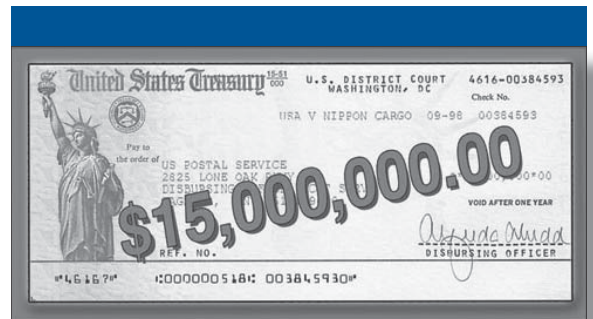
The workers' compensation program is also subject to fraud and abuse by medical providers used by postal employees injured on the job. A few seek to take advantage of this program by submitting false bills, colluding with claimants to extend benefits or falsifying claim documents. When evidence of abuse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

Following are two such cases.

- To update a case reported in the previous semiannual report, on November 5, 2009, the Postal Service received nearly \$15 million in criminal restitution due to the OIG's participation in an investigation against a pharmaceutical company that promoted the sale of specific prescription drugs for conditions not approved by the Food and Drug Administration (FDA). The company was ordered to pay a criminal fine of nearly \$1.2 billion and a criminal forfeiture of \$105 million, for a total criminal resolution of \$1.3 billion to the federal government. This is the largest criminal fine ever imposed in the U.S. for any matter. The pharmaceutical products were prescribed and provided to the DOL-OWCP, Medicare, Medicaid, and other government insurance recipients. The company also agreed to pay an additional \$1 billion, plus interest, to settle civil liability arising from the illegal promotion of these products. In August 2009, the Postal Service was awarded nearly \$1.4 million as part of the civil settlement in this case (which reflects the actual harm experienced by the Postal Service). The OIG has filed an application with the FDA to obtain a portion of the forfeited amount.



After a 7-day jury trial in January, a New York custodian was found guilty on four felony counts of making false or fraudulent statements to obtain workers' compensation benefits.



In November 2009, the Postal Service received nearly \$15 million in criminal restitution due to the OIG's participation in an investigation against a pharmaceutical company that promoted the sale of specific prescription drugs for conditions not approved by the Food and Drug Administration.

JOINT YEAR-LONG WORKERS' COMPENSATION FRAUD INITIATIVE

The OIG and U.S. Postal Inspection Service launched a joint year-long initiative to combat workers' compensation fraud. The new initiative began operations on February 1, 2010, and is planned to last through the end of the calendar year. The investigative initiative is an intensely-focused effort to identify fraudulent claimants and protect those with legitimate injuries and illnesses. It builds on the prevention and awareness campaign launched by the OIG in September 2009, and is expected to further prevent or reduce workers' compensation fraud.

According to Inspector General David Williams and Chief Postal Inspector William Gilligan, this initiative is an opportunity for the two organizations to collaborate and work with the Postal Service's Health and Resource Management staff to focus on protecting the Postal Service's integrity and financial health.

- In January, a New Orleans physician was indicted on one count of health care fraud and one count of aiding and abetting. The physician agreed to pay \$750,000 in restitution. Our investigation revealed the physician was engaging in a health care scheme to defraud the OWCP by billing it for services rendered to patients at a time when his office was closed due to the aftermath of Hurricane Katrina. From January 2004 to January 2009, the physician treated 47 postal employees with 62 injury claims. The physician submitted more than \$1.7 million in bills to the OWCP, of which more than \$1 million was allegedly fraudulent. Sentencing is pending.

WORKERS' COMPENSATION FRAUD INVESTIGATIVE RESULTS

October 1, 2009 – March 31, 2010

- 379 fraud investigations resolved
- \$99.8 million in compensation payments avoided
- 25 arrests
- 17 indictments
- 21 convictions
- 99 personnel actions taken by management



In January, a Minnesota mail processing clerk was removed from the Postal Service after admitting to stealing nearly 16,000 Best Buy Reward Zone Certificates from customers across the U.S. to redeem them for nearly \$200,000 of Best Buy merchandise.

DELAY, DESTRUCTION, AND THEFT OF MAIL BY EMPLOYEES

The Postal Service is consistently ranked by the Ponemon Institute as America's "most trusted federal agency." It's ranked that way because of the integrity of its employees. Unfortunately, a small number of postal employees and contractors abuse the public's trust by delaying, destroying, or stealing mail. It's our responsibility to identify these dishonest individuals and take proper investigative steps to have them prosecuted or refer them to management for administrative action.

Theft of Mail by Employees

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

- A California Air Mail Facility ramp clerk was sentenced in October to 90 days' imprisonment, 5 years' probation and ordered to pay \$10,585 in restitution and a \$30,000 fine after pleading guilty to theft and obstruction of mail. The restitution was payable to three victims and the fine was payable to the Postal Service. While under our agents' surveillance, the clerk rifled 34 Express Mail envelopes resulting in the theft of \$11,900 and \$5,000 worth of blank money orders. During an interview with special agents, the clerk — with 38 years of service — admitted to stealing jewelry and cash from the mail. She stated she specifically targeted packages that appeared to contain either money going through the mail, or jewelry that she could sell for cash in order to pay bills, give to family members, and to use for gambling. The clerk was removed from the Postal Service.
- In January, a Minnesota mail processing clerk was removed from the Postal Service after admitting to stealing nearly 16,000 Best Buy Reward Zone Certificates from customers across the U.S. to redeem them for nearly \$200,000 of Best Buy merchandise. The investigation determined that the clerk (who sometimes served as an acting supervisor) also sold fraudulently obtained Best Buy merchandise to fellow postal employees, including four supervisors who received letters of discipline. Agents executed a federal search warrant at the clerk's residence and seized 371 fraudulently purchased electronic items that required a six-ton postal truck to transport from the employee's residence. They also seized nearly 2,600 Best Buy Reward Zone mail pieces. An Information was filed against the clerk charging him with theft of mail. He was arrested, arraigned, and pled guilty in September 2009. Sentencing is pending.

- A California mail handler, responsible for stealing more than 1,000 parcels, pled guilty to theft of mail and in March was sentenced to 24 months' imprisonment on each of the two counts against her, to be served concurrently, and ordered to pay restitution to the victims of more than \$38,000. Upon release from imprisonment, she will be on 3 years' probation. The mail handler said the parcels she stole contained jewelry and clothes that she pawned for cash. She also admitted to stealing approximately 400 video games from the mail, which she sold at a retail video game store for cash. She said she kept some of the jewelry for herself or gave stolen mail items to her family and friends as gifts. Searches of the mail handler's vehicle and residence turned up sleeves of video games, along with jewelry, watches, and a ring all stolen from the mail; plus receipts for sales of the video games. She estimates collecting up to \$9,000 from this scheme.

Delay or Destruction of Mail by Employees

Special agents also investigate postal employees who delay, desert, or dump mail. The following cases were investigated during this period.

- In December, prosecution of a Michigan city carrier was deferred per an agreement, part of which required the carrier to resign from the Postal Service. In August 2009, we observed the carrier transferring what appeared to be mail from his postal vehicle to his personal vehicle. Special agents then went to the carrier's residence where they recovered more than 20,000 pieces of mail, some dating to August 2008. In September 2009, the carrier was arrested on a federal warrant and charged with delay and theft of mail. The city carrier resigned in December 2009.
- A Florida highway contract route (HCR) carrier was sentenced in December, to 3 years' probation and 100 hours of community service after pleading guilty to delay and destruction of mail. The carrier failed to deliver mail entrusted to her, took mail to her residence, and burned some of the mail in her backyard. A search of the carrier's residence resulted in the recovery of approximately 40 large containers of various classes of mail, including First-Class Mail. Our special agents also found suspected marijuana and drug paraphernalia. Postal management terminated the carrier's contract and the Postal Service is pursuing costs of nearly \$7,000, due to the contractor defaulting on the contract.

IDENTITY THEFT

When criminals steal someone's identifying information — such as a name, date of birth, or SSN — and use it to fraudulently apply for credit or take over someone's credit or bank accounts, they are committing identity theft. Special agents investigate certain identity theft cases where there is postal employee involvement. Here is an example of one such case worked in this area.

In December, an Ohio rural carrier was sentenced to 28 months' imprisonment, 4 years' supervised release, and ordered to pay more than \$18,000 in restitution. The carrier had previously pled guilty to an 11 count indictment charging her with identity theft, credit card fraud, and mail theft. Our investigation revealed that the rural carrier was committing identity theft by soliciting and stealing credit cards, and credit card convenience checks, from customers on her route. She stole the information to purchase items for herself and make cash advances of more than \$18,000. To cover her theft, the rural carrier intercepted any letters to customers concerning these credit cards, as well as packages ordered on the Internet in postal customers' names. As part of her plea agreement, the rural carrier resigned from the Postal Service in September 2009.

CONTRACT FRAUD

The sheer volume and huge dollar value of contracts provides opportunities for contractors and employees to defraud the Postal Service. Today the Postal Service manages billions in contracts, ranging from multi-million



Special agents went to a Michigan city carrier's residence where they recovered more than 20,000 pieces of mail, some dating to August 2008.

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 62 contract fraud investigations, resulting in 13 arrests and more than \$1 million in funds returned to the Postal Service. Following are examples of recent contract fraud investigations by special agents.

- Based on our investigation, in December a Texas hub-and-spoke contractor who performed terminal handling services and Christmas contracts at airport terminals, entered into a \$775,000 civil settlement agreement with the Postal Service through the U.S. Attorney's Office. The investigation centered on false claims for payment and payment retention by the contractor under various terminal handling service contracts. We found that the contractor was fraudulently charging the Postal Service for employee hourly wages when those employees were working on non-postal contracts located within the same facility. Additionally, the contractor fraudulently charged the Postal Service contract hourly rates in excess of the rates actually paid to its contract employees.
- In October, a landlord withdrew a false equitable adjustment claim against the Postal Service. As background, in the early 1990s, the landlord and the Postal Service entered into a 10-year lease with a 5-year renewal option and second 5-year negotiated option for a Virginia postal facility. In February 2008, the landlord submitted an equitable adjustment claim that we determined was false and had already been paid for in the common area maintenance payments. The resulting settlement agreement allowed the Postal Service to retain more than \$15,000 from monies that were being withheld from rental payments and ultimately resulted in a savings to the Postal Service of more than \$514,000.
- In September 2009, an Ohio HCR contractor pled guilty to 6 misdemeanor counts of theft for failing to obtain workers' compensation insurance on Postal Service HCR contracts. The contractor was sentenced to 180 days incarceration that was suspended, and ordered to pay restitution of \$30,000 to the Ohio Bureau of Workers' Compensation. Our investigation disclosed that the Postal Service paid the contractor more than \$20,000 to obtain workers' compensation insurance on his five postal contracts. During an interview with Special Agents, the HCR contractor admitted that although he was paid by the Postal Service to obtain workers' compensation insurance, he failed to do so.

OFFICIAL MISCONDUCT

Postal Service employees are guilty of misconduct when they:

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

Illegal drugs in the workplace can negatively impact employee productivity and safety, affect employee judgment, increase stress levels, and lead to acts of violence or hostility. Use and sale of narcotics on duty by employees can also contribute to other crimes such as theft, embezzlements, and fraudulent workers' compensation claims. Special agents are charged with investigating postal employees selling narcotics while on postal property or while on duty. Our efforts in dealing with illegal drugs in the workplace focus on detection, investigation, and prevention. Detection of illegal drug sales, distribution, and usage in the workplace is the first step in this overall approach. Employees selling or distributing illegal drugs are vigorously investigated and prosecution is pursued.

For the 6-month period, special agents investigated 67 cases of postal employees suspected of possessing or using illegal drugs on duty, and 23 employees were removed from the Postal Service.

Following are examples of cases the OIG investigated involving employee misconduct.

- In January, a sales, services, and distribution associate (SSDA), who was also the treasurer of an American Postal Workers Union (APWU) Local in Georgia, was sentenced in federal court to 5 years' probation and ordered to pay more than \$16,000 in restitution to the APWU. The SSDA had previously pled guilty to embezzling those APWU funds as established during a joint OIG and DOL Office of Labor Management Standards investigation. The SSDA was removed from the Postal Service.
- In November, a postmaster relief in Texas pled guilty (along with two non-Postal Service co-conspirators) to one count of conspiracy to possess with intent to distribute more than 100 kilograms of marijuana. Sentencing is pending. The joint investigation with federal and state investigators linked the employee to a narcotics smuggling operation that used a Texas Post Office to ship parcels containing narcotics to locations

throughout the U.S. The postmaster relief accepted some parcels while on the clock and entered the Post Office after hours on days when she did not work to mail other drug parcels. She was also issued a Letter of Demand from the Postal Service for a \$1,172 shortage identified in her Post Office. The shortage was attributed to the postmaster relief entering the Post Office after hours and printing postage meter labels for parcels containing narcotics. The postmaster relief was removed from the Postal Service. A Minnesota city carrier, who pled guilty in December to state charges of possession and selling drugs, was sentenced to two concurrent year-and-a-day sentences on each of the felony counts. However, his sentencing was reduced to serving 6 months in a workhouse and 10 years' probation. The carrier was removed from the Postal Service. The investigation, conducted jointly with the Minnesota Bureau of Criminal Apprehension and the Drug Enforcement Administration (DEA), revealed that while on the clock the carrier was found to be in possession of drug paraphernalia, marijuana, and methamphetamines. The carrier admitted to using drugs while on the clock and to selling portions of drugs he purchased to offset the cost of his personal drug use. A search warrant of the carrier's residence recovered approximately 130 marijuana plants, drug paraphernalia, scales, and chemicals and equipment typically used in the manufacture of methamphetamines.

- In January, two Massachusetts city carriers pled guilty in federal court to drug conspiracy and possession charges. One carrier was sentenced to 18 months' imprisonment, to be followed by 36 months of supervised release while the second was sentenced to 8 months' imprisonment, with 36 months of supervised release. Both city carriers were removed from the Postal Service. A joint investigation with the DEA into drug activity at a General Mail Facility determined that the carriers were selling drugs while on the clock and on postal property. Both were arrested in October 2008 pursuant to federal criminal complaints for conspiracy to possess with intent to distribute and Distribution of Oxycodone. The city carriers were indicted on the same charges in January 2009.

EXECUTIVE INVESTIGATIONS AND INTERNAL AFFAIRS

OIG conducts criminal and administrative investigations of Postal Service executives, and OIG and Postal Inspection Service personnel, as well as whistleblower reprisal investigations.

Whistleblower Reprisal Activity

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

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

Allegations received:	110
OIG investigations initiated:.....	30
Investigations closed with no finding of retaliation or deferred to other adjudicative body:.....	14
Allegations closed with no action:.....	71
Open investigations:.....	25
OIG found reprisal:	1



A Minnesota city carrier, who pled guilty in December to state charges of possession and selling drugs, was sentenced to two concurrent year-and-a-day sentences on each of the felony counts.

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 October 1, 2009 – March 31, 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

Vision Categories	Number of Reports	Funds Put to Better Use	Questioned Costs	Unsupported Questioned Costs	Revenue Impact
Focusing on What Matters Most to Customers	5	\$22,388,109	\$1,011,280	—	\$162,581
Leveraging the Postal Service's Strengths	24	\$371,474,330	\$112,642,332	\$9,046,661	—
Embracing Change	1	—	—	—	—
Regulatory Studies and Reporting Obligations	2	—	—	—	—
Preserving Accountability	156	\$74,833	\$11,067,826	\$5,637,145	\$421,358
TOTAL	188	\$393,937,272	\$124,721,438	\$14,683,806	\$583,939

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.

Reports With Quantifiable Potential Monetary Benefits

	Funds Put to Better Use	Questioned Costs	Unsupported Questioned Costs	Revenue Impact
FOCUSING ON WHAT MATTERS MOST TO CUSTOMERS				
Delivery				
City Delivery Efficiency Review — San Francisco Napoleon Street Station; DR-AR-10-002; 12/18/2009	\$21,308,433	—	—	—
Engineering				
Capital Metro Area: Reducing Pieces at Risk; DA-AR-10-001; 2/26/2010	\$1,079,676	\$1,011,280	—	—
Fiscal Year 2009 U.S. Postal Service Financial Statements Audit				
Los Angeles International Service Center — Inbound International Mail; FT-AR-10-001; 10/13/2009	—	—	—	\$162,581
LEVERAGING THE POSTAL SERVICE'S STRENGTHS				
Delivery				
Continuing Use of Carrier Sequence Barcode Sorter Machines at Delivery Units; DR-AR-10-004; 3/31/2010	\$3,011,956	—	—	—
Rural Delivery Christmas Operations; DR-AR-10-003; 3/16/2010	\$2,955,524	—	—	—
Use of the Carrier Optimal Routing System; DR-AR-10-001; 10/15/2009	\$221,337,796	\$101,820,325	—	—
Human Resources and Security				
Grievance Overpayments in the Baltimore District; HR-AR-10-001; 3/8/2010	—	\$1,669,669	—	—
Saved Grade Status and Temporary Assignments — Postal Service Headquarters; HM-MA-10-001; 12/22/2009	—	\$67,629	\$67,629	—
Network Optimization				
Excess Mail Processing Equipment in the Portland District; EN-AR-10-002; 1/11/2010	\$520,538	\$46,206	—	—
Network Processing				
Dallas Processing and Distribution Center Outgoing Mail Consolidation; NO-AR-10-003; 2/24/2010	\$114,041,172	—	—	—
Powered Industrial Vehicle Management System at the Indianapolis Processing and Distribution Center; NO-AR-10-004; 3/29/2010	\$7,913,246	—	—	—
Supply Management				
Office Supplies National Contract Compliance; CA-AR-10-002; 12/3/2009	\$51,388	\$9,014,558	\$8,979,032	—
Transportation				
Handling and Transportation of Large and Lightweight First-Class Mail Parcels; NL-MA-10-001; 1/28/2010	\$47,890	\$23,945	—	—
Highway Contract Route Transportation — Greater Chicago; NL-AR-10-003; 3/1/2010	\$3,325,251	—	—	—
Postal Vehicle Service Transportation Routes — Cardiss Collins Processing and Distribution Center; NL-AR-10-002; 12/28/2009	\$18,269,569	—	—	—
PRESERVING ACCOUNTABILITY				
Field Financial				
Capital District Financial Risk Audit; FF-AR-10-075; 1/19/2010	—	\$20,434	\$15,774	—
Elmwood Station Financial Risk; FF-AR-10-026; 11/30/2009	—	\$7,763	—	—
Evaluation of Locally Issued Salary Advances; FF-AR-10-122; 3/17/2010	—	\$333,816	\$78,900	—

	Funds Put to Better Use	Questioned Costs	Unsupported Questioned Costs	Revenue Impact
Fiscal Year 2009 Financial Accountability Risk Audit Elizabeth Main Post Office — Elizabeth, NJ; FF-AR-10-050; 12/16/2009	—	\$10,511	\$10,511	\$3,028
Fiscal Year 2009 Los Angeles District Financial Risk; FF-AR-10-028; 12/3/2009	—	\$104,540	\$90,851	\$145,611
Gateway District Financial Accountability Risk Audit; FF-AR-10-047; 12/15/2009	—	\$170,631	\$165,068	—
Imprudent Purchases and Management Instruction on Expenses for Internal and External Events; FF-AR-10-025; 12/3/2009	—	\$792,022	—	—
New York Metro Area Financial Accountability Risk Audit; FF-AR-10-013; 11/13/2009	—	\$110,962	\$19,157	\$3,553
Parkmoor Station Financial Risk; FF-AR-10-027; 12/1/2009	—	\$9,913	—	—
Use of No-Fee Money Orders Follow-Up Audit; FF-AR-10-033; 12/4/2009	—	\$4,855,832	\$4,685,936	—
Vending Operations Closure and Financial Risk; FF-MA-10-001; 3/10/2010	—	—	—	\$16,742
Financial Reporting				
Controls Over Money Orders; FT-AR-10-009; 2/22/2010	—	\$367,550	\$367,550	\$165,166
Fiscal Year 2009 Postal Service Financial Statements Audit				
St. Louis Information Technology and Accounting Service Center; FT-AR-10-006; 1/28/2010	\$74,833	\$49,089	—	—
Fiscal Year 2010 Financial Installation Audit				
Baltimore Main Office Window — Baltimore, MD; FF-AR-10-071; 1/7/2010	—	\$49,670	\$48,845	—
Bear Creek Station — Houston, TX; FF-AR-10-098; 2/17/2010	—	\$1,032	\$1,032	\$679
Boca Raton Business Mail Entry Unit — Boca Raton, FL; FF-AR-10-085; 2/1/2010	—	—	—	\$1,800
Burbank Downtown Station — Burbank, CA; FF-AR-10-110; 3/1/2010	—	\$10,710	\$10,710	—
Burlington Business Mail Entry Unit — Essex Junction, VT; FF-AR-10-102; 2/19/2010	—	—	—	\$8,494
Canoga Park Main Post Office — Canoga Park, CA; FF-AR-10-113; 3/3/2010	—	\$1,977	\$1,977	—
Castle Shannon Branch — Pittsburgh, PA; FF-AR-10-090; 2/3/2010	—	\$1,448	\$1,448	—
Cedar Park Main Office — Cedar Park, TX; FF-AR-10-124; 3/15/2010	—	\$3,838	\$555	—
Chester Post Office — Chester, PA; FF-AR-10-129; 3/17/2010	—	\$4,009	\$4,009	\$194
Church Street Station — New York, NY; FF-AR-10-011; 11/9/2009	—	\$15,824	\$13,962	—
Cincinnati Main Office Station — Cincinnati, OH; FF-AR-10-039; 12/7/2009	—	\$16,633	\$16,633	—
Dallas Main Post Office — Dallas, TX; FF-AR-10-009; 11/6/2009	—	\$948	\$821	\$3,157
Denver Capitol Hill Station — Denver, CO; FF-AR-10-038; 12/7/2009	—	\$5,359	\$5,359	—
Eagle Station Post Office — Bloomington, IL; FF-AR-10-106; 3/2/2010	—	\$5,967	\$3,936	—
Frayser Station — Memphis, TN; FF-AR-10-094; 2/5/2010	—	\$2,830	\$2,830	—
Hanover Business Mail Entry Unit — Hanover, NH; FF-AR-10-079; 1/20/2010	—	—	—	\$10,376
Houston General Post Office Window Main Office — Houston, TX; FF-AR-10-100; 2/18/2010	—	\$1,004	\$88	—
Huntington Beach Main Post Office — Huntington Beach, CA; FF-AR-10-096; 2/8/2010	—	\$6,264	\$6,264	—
Irvine Main Post Office — Irvine, CA; FF-AR-10-103; 2/23/2010	—	\$1,444	—	—
Kent Business Mail Entry Unit — Kent, OH; FF-AR-10-076; 1/14/2010	—	—	—	\$4,161
LAX Main Office Station — Los Angeles, CA; FF-AR-10-126; 3/15/2010	—	\$6,864	—	—

APPENDIX A

	Funds Put to Better Use	Questioned Costs	Unsupported Questioned Costs	Revenue Impact
Long Beach Business Mail Entry Unit — Long Beach, CA; FF-AR-10-069; 1/7/2010	—	—	—	\$1,846
Manassas Main Office Window — Manassas, VA; FF-AR-10-070; 1/7/2010	—	\$2,826	\$2,826	—
Medina Main Post Office — Medina, OH; FF-AR-10-091; 2/3/2010	—	\$502	\$502	\$1,639
Midway Main Office Window — San Diego, CA; FF-AR-10-086; 2/1/2010	—	\$11,502	—	—
Newport Post Office — Newport, MN; FF-AR-10-128; 3/17/2010	—	—	—	\$2,250
Oakland Business Mail Entry Unit — Oakland, CA; FF-AR-10-040; 12/7/2009	—	—	—	\$7,663
Orange Main Post Office, Orange, CA; FF-AR-10-002; 10/30/2009	—	\$16,973	\$696	—
Orangeburg Business Mail Entry Unit — Orangeburg, NY; FF-AR-10-036; 12/7/2009	—	\$10,790	\$10,790	—
Plano Business Mail Entry Unit — Plano, TX; FF-AR-10-064; 12/30/2009	—	—	—	\$1,288
Portland Business Mail Entry Unit — Portland, OR; FF-AR-10-097; 2/16/2010	—	—	—	\$16,440
Raleigh Business Mail Entry Unit — Raleigh, NC; FF-AR-10-095; 2/8/2010	—	—	—	\$19,208
Tustin Main Post Office — Tustin, CA; FF-AR-10-001; 10/30/2009	—	\$7,325	\$903	—
Tyler Business Mail Entry Unit — Tyler, TX; FF-AR-10-077; 1/15/2010	—	—	—	—
Village Station — Los Angeles, CA; FF-AR-10-130; 3/18/2010	—	\$60,473	\$60,473	\$1,585
Wellshire Station — Denver, CO; FF-AR-10-016; 11/13/2009	—	\$3,995	\$3,995	—
West Palm Beach Business Mail Entry Unit — West Palm Beach, FL; FF-AR-10-053; 12/17/2009	—	—	—	\$5,626
West Palm Beach Main Office Window Unit — West Palm Beach FL; FF-AR-10-056; 12/21/2009	—	\$3,538	\$3,538	\$852
West Seattle Station — Seattle, WA; FF-AR-10-043; 12/9/2009	—	\$1,206	\$1,206	—
Human Resources and Security				
Postal Service Absenteeism; HM-AR-10-001; 2/18/2010	—	\$3,979,812	—	—
TOTAL	\$393,937,272	\$124,721,438	\$14,683,806	\$583,939

Report Listing

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

For the period October 1, 2009 – March 31, 2010

FOCUSING ON WHAT MATTERS MOST TO CUSTOMERS

Delivery

City Delivery Efficiency Review —
San Francisco Napoleon Street Station;
DR-AR-10-002; 12/18/2009

Engineering

Capital Metro Area: Reducing Pieces at Risk;
DA-AR-10-001; 2/26/2010

Fiscal Year 2009 U.S. Postal Service Financial Statements Audit

Los Angeles International Service Center —
Inbound International Mail;
FT-AR-10-001; 10/13/2009

Network Optimization

Color-Coding of Standard Mail and Mail Condition Reporting at the Albany Processing and Distribution Center; NO-AR-10-005; 3/31/2010

Sales & Services

Plant-Verified Drop Shipment Controls;
MS-AR-10-001; 2/9/2010

LEVERAGING THE POSTAL SERVICE'S STRENGTHS

Delivery

Continuing Use of Carrier Sequence Barcode Sorter Machines at Delivery Units;
DR-AR-10-004; 3/31/2010

Rural Delivery Christmas Operations;
DR-AR-10-003; 3/16/2010

Use of the Carrier Optimal Routing System;
DR-AR-10-001; 10/15/2009

Human Resources and Security

Grievance Overpayments in the Baltimore District;
HR-AR-10-001; 3/8/2010

Saved Grade Status and Temporary Assignments — Postal Service Headquarters;
HM-MA-10-001; 12/22/2009

Network Optimization

Excess Mail Processing Equipment in the Portland District; EN-AR-10-002; 1/11/2010

Lakeland Processing and Distribution Center Consolidation; EN-AR-10-004; 2/12/2010

Manasota Processing and Distribution Center Consolidation; EN-AR-10-003; 2/12/2010

Mojave Post Office Mail Processing Changes;
EN-MA-10-002; 1/21/2010

Network Distribution Center Phase 1 Activation;
EN-MA-10-001; 11/6/2009

Status Report on the Postal Service's Network Rationalization Initiatives;
EN-AR-10-001; 1/7/2010

Network Processing

Dallas Processing and Distribution Center Outgoing Mail Consolidation; NO-AR-10-003; 2/24/2010

New Castle Processing and Distribution Facility Outgoing Mail Consolidation;
NO-AR-10-002; 2/1/2010

Powered Industrial Vehicle Management System at the Indianapolis Processing and Distribution Center; NO-AR-10-004; 3/29/2010

Powered Industrial Vehicle Management System at the Tampa Processing and Distribution Center;
NO-AR-10-001; 12/14/2009

Supply Management

NCR Government Systems, LLC's Billed Direct Labor Hours for FY 2009;
CA-CAR-10-002; 3/30/2010

Office Supplies National Contract Compliance;
CA-AR-10-002; 12/3/2009

Proposal Submitted by Western Industrial Contractors Incorporated;
CA-CAR-10-001; 3/12/2010

Revenue Generation Efforts in Supply Management; CA-AR-10-001; 11/9/2009

Transportation

Handling and Transportation of Large and Lightweight First-Class Mail Parcels;
NL-MA-10-001; 1/28/2010

Highway Contract Route Transportation — Greater Chicago; NL-AR-10-003; 3/1/2010

Management of Mail Transport Equipment — Eastern Area; NL-AR-10-004; 3/17/2010

Management of Mail Transport Equipment — Pacific Area; NL-AR-10-001; 10/22/2009

Postal Vehicle Service Transportation Routes — Cardiss Collins Processing and Distribution Center;
NL-AR-10-002; 12/28/2009

EMBRACING CHANGE

Engineering & Facilities

Sustainability: Promoting Energy and Recycling Compliance Fiscal Year 2009;
DA-MA-10-001; 1/28/2010

REGULATORY STUDIES AND REPORTING OBLIGATIONS

Cost, Revenue, and Rates

Management of Special Studies;
CRR-AR-10-002; 3/19/2010

Statistical Testing at Postal Service Districts;
CRR-AR-10-001; 1/28/2010

PRESERVING ACCOUNTABILITY

Field Financial

Capital District Financial Risk Audit;
FF-AR-10-075; 1/19/2010

Elmwood Station Financial Risk;
FF-AR-10-026; 11/30/2009

Evaluation of Locally Issued Salary Advances;
FF-AR-10-122; 3/17/2010

Fiscal Year 2009 Financial Accountability Risk Audit Elizabeth Main Post Office — Elizabeth, NJ;
FF-AR-10-050; 12/16/2009

Fiscal Year 2009 Los Angeles District Financial Risk; FF-AR-10-028; 12/3/2009

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Gateway District Financial Accountability Risk Audit; FF-AR-10-047; 12/15/2009

Greater South Carolina District Financial Risk Audit; FF-AR-10-049; 12/16/2009

Imprudent Purchases and Management Instruction on Expenses for Internal and External Events; FF-AR-10-025; 12/3/2009

New York Metro Area Financial Accountability Risk Audit; FF-AR-10-013; 11/13/2009

Parkmoor Station Financial Risk; FF-AR-10-027; 12/1/2009

Statistical Tests for Fiscal Year 2009 — Cost and Revenue Analysis; FF-AR-10-015; 11/20/2009

Use of No-Fee Money Orders Follow-Up Audit; FF-AR-10-033; 12/4/2009

Vending Operations Closure and Financial Risk; FF-MA-10-001; 3/10/2010

Financial Reporting

Controls Over Money Orders; FT-AR-10-009; 2/22/2010

Opinion on the Postal Service's Special Purpose Financial Statements; FT-AR-10-003; 11/16/2009

Postal Service Sarbanes-Oxley Information Technology Fiscal Year 2009 Preparatory Testing; FT-AR-10-011; 2/26/2010

U.S. Postal Service Ethics Program; FT-AR-10-010; 2/23/2010

Fiscal Year 2009 Financial Installation Audit

Business Mail Entry Units; FF-AR-10-051; 12/22/2009

Post Offices, Stations, and Branches; FF-AR-10-045; 12/14/2009

Fiscal Year 2009 Postal Service Financial Statements Audit

Eagan Information Technology and Accounting Service Center; FT-AR-10-004; 11/20/2009

Postal Service Board of Governors' Travel and Miscellaneous Expenses for Fiscal Year 2009; FT-AR-10-002; 11/5/2009

Postal Service Officers' Travel and Representation Expenses for Fiscal Year 2009; FT-AR-10-007; 2/2/2010

San Mateo Information Technology and Accounting Service Center; FT-AR-10-008; 2/11/2010

St. Louis Information Technology and Accounting Service Center; FT-AR-10-006; 1/28/2010

Washington, DC, Headquarters; FT-AR-10-005; 11/30/2009

Fiscal Year 2010 Financial Installation Audit

Abilene Permit Business Mail Entry Unit — Abilene, KS; FF-AR-10-117; 3/8/2010

Akron Main Office Station — Akron, Ohio; FF-AR-10-031; 12/1/2009

Albuquerque Mountain Run Post Office Express — Albuquerque, NM; FF-AR-10-114; 3/3/2010

Allendale Business Mail Entry Unit — Allendale, NJ; FF-AR-10-052; 12/16/2009

Anaheim Business Mail Entry Unit — Anaheim, CA; FF-AR-10-044; 12/9/2009

Arroyo Grande Post Office — Arroyo Grande, CA; FF-AR-10-118; 3/8/2010

Avoca Post Office — Avoca, NY; FF-AR-10-004; 11/3/2009

Babylon Post Office — Babylon, NY; FF-AR-10-131; 3/19/2010

Baltimore Main Office Window — Baltimore, MD; FF-AR-10-071; 1/7/2010

Bear Creek Station — Houston, TX; FF-AR-10-098; 2/17/2010

Bloomfield Business Mail Entry Unit — Bloomfield, IN; FF-AR-10-135; 3/26/2010

Boca Raton Business Mail Entry Unit — Boca Raton, FL; FF-AR-10-085; 2/1/2010

Boston Business Mail Entry Unit — Boston, VA; FF-AR-10-081; 1/22/2010

Boulder Valmont Station — Boulder, CO; FF-AR-10-108; 2/25/2010

Bountiful Business Mail Entry Unit — Bountiful, UT; FF-AR-10-073; 1/8/2010

Breckenridge Business Mail Entry Unit — Breckenridge, CO; FF-AR-10-048; 12/11/2009

Brunswick Business Mail Entry Unit — Brunswick, ME; FF-AR-10-112; 3/3/2010

Burbank Downtown Station — Burbank, CA; FF-AR-10-110; 3/1/2010

Burlington Business Mail Entry Unit — Essex Junction, VT; FF-AR-10-102; 2/19/2010

Byron Center Business Mail Entry Unit — Byron Center, MI; FF-AR-10-134; 3/24/2010

Canoga Park Main Post Office — Canoga Park, CA; FF-AR-10-113; 3/3/2010

Castle Shannon Branch — Pittsburgh, PA; FF-AR-10-090; 2/3/2010

Cedar Park Main Office — Cedar Park, TX; FF-AR-10-124; 3/15/2010

Cedar Rapids Business Mail Entry Unit — Cedar Rapids, IA; FF-AR-10-066; 1/13/2010

Chester Business Mail Entry Unit — Chester, PA; FF-AR-10-123; 3/15/2010

Chester Post Office — Chester, PA; FF-AR-10-129; 3/17/2010

Church Street Station — New York, NY; FF-AR-10-011; 11/9/2009

Cincinnati Main Office Station — Cincinnati, OH; FF-AR-10-039; 12/7/2009

Crosstown Station — Memphis, TN; FF-AR-10-087; 2/1/2010

Dallas Main Post Office — Dallas, TX; FF-AR-10-009; 11/6/2009

Danville Business Mail Entry Unit — Danville, PA; FF-AR-10-127; 3/16/2010

Dayton Business Mail Entry Unit — Dayton, OH; FF-AR-10-068; 1/7/2010

De Pere Post Office — De Pere, WI; FF-AR-10-029; 11/30/2009

Denver Capitol Hill Station — Denver, CO; FF-AR-10-038; 12/7/2009

Eagle Station Post Office — Bloomington, IL; FF-AR-10-106; 3/2/2010

East Aurora Post Office — East Aurora, NY; FF-AR-10-006; 11/4/2009

East Pittsburgh Post Office — East Pittsburgh, PA; FF-AR-10-099; 2/17/2010

Elberon Branch — Long Branch, NJ; FF-AR-10-136; 3/29/2010

Elgin Post Office — Elgin, IL; FF-AR-10-105; 2/24/2010

Eureka Downtown Station — Eureka, CA; FF-AR-10-003; 11/2/2009

Everett Business Mail Entry Unit — Everett, WA; FF-AR-10-060; 12/23/2009

Fort Branch Post Office — Fort Branch, IN; FF-AR-10-139; 3/31/2010

Frayser Station — Memphis, TN; FF-AR-10-094; 2/5/2010

Gilbertsville Post Office — Gilbertsville, KY; FF-AR-10-057; 12/22/2009

Glendale Business Mail Entry Unit — Glendale, CA; FF-AR-10-046; 12/10/2009

Gloversville Business Mail Entry Unit — Gloversville, NY; FF-AR-10-120; 3/10/2010

Gonzales Business Mail Entry Unit — Gonzales, TX; FF-AR-10-054; 12/17/2009

Grangeville Business Mail Entry Unit — Grangeville, ID; FF-AR-10-065; 12/30/2009

Hanover Business Mail Entry Unit — Hanover, NH; FF-AR-10-079; 1/20/2010

Hazel Green Post Office — Hazel Green, KY; FF-AR-10-023; 11/18/2009

Hicksville Business Mail Entry Unit — Hicksville, NY; FF-AR-10-074; 1/11/2010

Hicksville Post Office — Hicksville, NY; FF-AR-10-055; 12/17/2009

Homewood Business Mail Entry Unit — Homewood, IL; FF-AR-10-083; 1/28/2010

Houston General Post Office Window Main Office — Houston, TX; FF-AR-10-100; 2/18/2010

Huntington Beach Main Post Office — Huntington Beach, CA; FF-AR-10-096; 2/8/2010

Independence Post Office — Independence, CA; FF-AR-10-092; 2/3/2010

Irvine Main Post Office — Irvine, CA; FF-AR-10-103; 2/23/2010

James C. Brown Jr. Post Office — Las Vegas, NV; FF-AR-10-042; 12/9/2009

Kent Business Mail Entry Unit — Kent, OH; FF-AR-10-076; 1/14/2010

Lady Lake Villages Station — Lady Lake, FL; FF-AR-10-116; 3/8/2010

LAX Main Office Station — Los Angeles, CA; FF-AR-10-126; 3/15/2010

Leesburg Business Mail Entry Unit — Leesburg, FL; FF-AR-10-021; 11/16/2009

Lexington Business Mail Entry Unit — Lexington, SC; FF-AR-10-041; 12/8/2009

Lindstrom Post Office — Lindstrom, MN; FF-AR-10-093; 2/5/2010

Logan Post Office — Logan, UT; FF-AR-10-138; 3/30/2010

Long Beach Business Mail Entry Unit — Long Beach, CA; FF-AR-10-069; 1/7/2010

Lorton Post Office — Lorton, VA; FF-AR-10-022; 11/17/2009

Louisville Business Mail Entry Unit — Louisville, KY; FF-AR-10-067; 1/4/2010

Macon Business Mail Entry Unit — Macon, GA; FF-AR-10-062; 12/29/2009

Madison Post Office — Madison, WI; FF-AR-10-034; 12/3/2009

Manassas Main Office Window — Manassas, VA; FF-AR-10-070; 1/7/2010

Medina Main Post Office — Medina, OH; FF-AR-10-091; 2/3/2010

Middletown Post Office — Middletown, IN; FF-AR-10-061; 12/28/2009

Midlothian Post Office — Midlothian, VA; FF-AR-10-014; 11/13/2009

Midway Main Office Window — San Diego, CA; FF-AR-10-086; 2/1/2010

Minneapolis Commerce Station — Minneapolis, MN; FF-AR-10-089; 2/2/2010

Mishawaka Business Mail Entry Unit — Mishawaka, IN; FF-AR-10-088; 2/2/2010

Mokena Post Office — Mokena, IL; FF-AR-10-104; 2/23/2010

Montgomery Business Mail Entry Unit — Montgomery, AL; FF-AR-10-019; 11/16/2009

Mount Pleasant Business Mail Entry Unit — Mount Pleasant, IA; FF-AR-10-072; 1/8/2010

Mountain Home Business Mail Entry Unit — Mountain Home, AR; FF-AR-10-125; 3/15/2010

Newport Post Office — Newport, MN; FF-AR-10-128; 3/17/2010

Norfolk Business Mail Entry Unit — Norfolk, VA; FF-AR-10-133; 3/23/2010

North Kingstown Business Mail Entry Unit — North Kingstown, RI; FF-AR-10-078; 1/20/2010

Oakland Business Mail Entry Unit — Oakland, CA; FF-AR-10-040; 12/7/2009

Orange Main Post Office, Orange, CA; FF-AR-10-002; 10/30/2009

Orangeburg Business Mail Entry Unit — Orangeburg, NY; FF-AR-10-036; 12/7/2009

Pahrump Business Mail Entry Unit — Pahrump, NV; FF-AR-10-063; 12/30/2009

Panama City Beach Station — Panama City Beach, FL; FF-AR-10-111; 3/2/2010

Paris Post Office — Paris, KY; FF-AR-10-005; 11/13/2009

Perryville Business Mail Entry Unit — Perryville, MO; FF-AR-10-084; 2/1/2010

Plano Business Mail Entry Unit — Plano, TX; FF-AR-10-064; 12/30/2009

Plantation Branch — Plantation, FL; FF-AR-10-137; 3/30/2010

Plantsville Post Office — Plantsville, CT; FF-AR-10-101; 2/18/2010

Portland Business Mail Entry Unit — Portland, OR; FF-AR-10-097; 2/16/2010

Princeton Post Office — Princeton, IN; FF-AR-10-032; 12/3/2009

Prineville Business Mail Entry Unit — Prineville, OR; FF-AR-10-082; 1/25/2010

Quinby Station — Florence, SC; FF-AR-10-037; 12/7/2009

Quincy Business Mail Entry Unit — Quincy, IL; FF-AR-10-059; 12/23/2009

Raleigh Business Mail Entry Unit — Raleigh, NC; FF-AR-10-095; 2/8/2010

Redwood City Business Mail Entry Unit — Redwood City, CA; FF-AR-10-007; 11/5/2009

Rehoboth Beach Business Mail Entry Unit — Rehoboth, DE; FF-AR-10-035; 12/3/2009

Rexburg Main Post Office — Rexburg, ID; FF-AR-10-017; 11/13/2009

San Antonio General Mail Facility Station — San Antonio, TX; FF-AR-10-020; 11/16/2009

Shelton Post Office — Shelton, NE; FF-AR-10-119; 3/10/2010

Sherwood Business Mail Entry Unit — Sherwood, OR; FF-AR-10-080; 1/22/2010

Spencer Business Mail Entry Unit — Spencer, IA; FF-AR-10-010; 11/9/2009

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St. Albans Station Post Office — Jamaica, NY;
FF-AR-10-012; 11/12/2009

Stockton Business Mail Entry Unit — Stockton, CA;
FF-AR-10-024; 11/19/2009

Tampa Main Office Window Unit — Tampa, FL;
FF-AR-10-115; 3/8/2010

Thurmont Business Mail Entry Unit —
Thurmont, MD; FF-AR-10-107; 2/24/2010

Tipp City Post Office — Tipp City, OH;
FF-AR-10-121; 3/11/2010

Tustin Main Post Office — Tustin, CA;
FF-AR-10-001; 10/30/2009

Tyler Business Mail Entry Unit — Tyler, TX;
FF-AR-10-077; 1/15/2010

Village Station — Los Angeles, CA;
FF-AR-10-130; 3/18/2010

Waverly Post Office — Waverly, NY;
FF-AR-10-008; 11/5/2009

Wellshire Station — Denver, CO;
FF-AR-10-016; 11/13/2009

West Palm Beach Business Mail Entry Unit —
West Palm Beach, FL; FF-AR-10-053; 12/17/2009

West Palm Beach Main Office Window Unit —
West Palm Beach FL; FF-AR-10-056; 12/21/2009

West Seattle Station — Seattle, WA;
FF-AR-10-043; 12/9/2009

Wheeling Business Mail Entry Unit — Wheeling, IL;
FF-AR-10-058; 12/22/2009

Williamsburg Business Mail Entry Unit —
Williamsburg, VA; FF-AR-10-109; 2/26/2010

Wrightsville Business Mail Entry Unit —
Wrightsville, GA; FF-AR-10-018; 11/16/2009

Human Resources and Security

Postal Service Absenteeism;
HM-AR-10-001; 2/18/2010

Information Technology

Database and Network Access Controls at
the Information Technology and Accounting
Service Centers — IS General Controls;
IS-AR-10-001; 12/14/2009

Enterprise Architecture Within Information
Technology; IS-AR-10-004; 1/19/2010

Fiscal Year 2009 Information Systems
General Computer Controls Capping Report;
IS-AR-10-005; 3/31/2010

General Control Review of Human
Resources Shared Service Center;
IS-AR-10-002; 12/22/2009

Mainframe Access Controls at the Eagan, MN
and San Mateo, CA Information Technology
and Accounting Service Centers;
IS-AR-10-003; 12/29/2009

Windows Access Controls at the Information
Technology and Accounting Service Centers —
IS General Controls FY 2009;
IS-AR-10-006; 3/24/2010

Supply Management

Supplier Risk Mitigation in the Supplies Portfolio;
CA-AR-10-003; 1/7/2010

APPENDIX B

Findings of Questioned Costs

For the period October 1, 2009 – March 31, 2010

Office of Inspector General

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	4	\$5,109,983	\$62,131
Reports requiring management decision that were issued during the reporting period	47	\$124,721,438	\$14,683,806
TOTAL	51	\$129,831,421	\$14,745,937
Reports for which a management decision was made during the reporting period (i & ii)	44	\$128,587,669	\$14,618,769
(i) Dollar Value of disallowed cost		\$45,946,144	\$5,272,187
(ii) Dollar value of cost not disallowed		\$82,641,525	\$9,346,582
Reports for which no management decision was made by the end of the reporting period Negotiations are ongoing	7	\$1,243,752	\$127,168
Reports for which no management decision was made within 6 months of issuance (See Note 1 for a list of individual reports)	2	\$693,246	\$62,131
Reports for which no management decision was made within 1 year of issuance (See Note 2 for a list of individual reports)	1	\$475,322	—

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

Subject	Report/Case Number	Report Date	Questioned Costs	Unsupported Costs Included in Questioned Costs
Termination Settlement Proposal Submitted by C.R. Daniels, Incorporated	CA-CAR-09-019	7/24/2009	\$336,849	—
Firm Fixed Price Proposal Submitted by Evogen, Incorporated	CA-CAR-09-020	7/30/2009	\$356,397	\$62,131
TOTAL			\$693,246	\$62,131

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
Termination for convenience settlement proposal submitted by Northrop Grumman Electronic Systems	CA-CAR-09-011	3/16/2009	\$475,322	—
TOTAL			\$475,322	—

APPENDIX C

Recommendations That Funds Be Put to Better Use

For the period October 1, 2009 – March 31, 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	13	\$ 393,937,272
TOTAL	13	\$ 393,937,272
Reports for which a management decision was made during the report period (i & ii)	13	\$ 393,937,272
(i) Value of recommendations agreed to by management	—	\$ 246,880,239
(ii) Value of recommendations that were not agreed to by management	—	\$ 147,057,032
Reports for which no management decision was made by the end of the reporting period	—	—
Reports for which no management decision was made within 6 months of issuance <i>(See Note 1 for a list of individual reports)</i>	—	—
Reports for which no management decision was made within 1 year of issuance <i>(See Note 2 for a list of individual reports)</i>	—	—

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

None for this report period

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

None for this report period

APPENDIX D

Reported Non-Monetary Benefits

For the period October 1, 2009 – March 31, 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	13
Number of customer service audits conducted	Number of Audits	16
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	\$312,250,505
Physical Safety and Security		
Dollar value of physical assets (plant, computer equipment, vehicles, and so forth) at risk of loss due to inadequate physical protection	Dollar Value	—
Recommendations that address the safety and security of Postal Service employees and/or the work environment	Number of Recommendations	—
Number of employee/facility safety and security audits conducted	Number of Audits	18
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	—
Number of data security/IT security audits conducted	Number of Audits	17
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	\$1,020,873
Disbursements at Risk		
Dollar value of disbursements made where proper Postal Service internal controls and processes were not followed	Dollar Value	\$11,484
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	14
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	\$676,667
Dollar value of data used to support management decisions that is not fully supported or completely accurate	Dollar Value	\$180,329,459

APPENDIX E

Reports with Significant Recommendations Pending Corrective Actions

For the period October 1, 2009 – March 31, 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. TID: October 2010
HM-AR-06-004	5/19/2006	Postal Service's Injury Compensation Programs' Controversion and Challenge Process in Selected Areas R-2 — Provide sufficient oversight of injury compensation control offices by including steps to validate the proper tracking and monitoring of controverted and challenged claims in the Human Resource Information System and the Claim Control Register in their Area Program reviews. TID: June 2010
HM-AR-06-006	8/29/2006	Postal Service's Grievance-Arbitration Service Centers R-8 — Automate the processing and payment of arbitrator invoices using an existing Postal Service electronic purchasing system. TID: September 2012
EN-AR-07-002	12/5/2006	Service Implications of Area Mail Processing Consolidations R-4 — Revise the Collection Point Management System to track changes to collection box pick-up times. TID: September 2010
SA-AR-07-002	3/30/2007	Postal Service Security Controls and Processes for the Capital Metro Area R-1 — Provide consolidated standard operating procedures and guidance to assist in performing duties and responsibilities consistently and in a timely manner. TID: June 2010 R-4 — Establish requirements for mandatory security training including periodic refresher training, for responsible security personnel at the area-, district-, and facility-levels. TID: June 2010 R-5 — Develop performance measures to assess the achievement of security goals. TID: June 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: June 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. Ensure the upgraded system captures costs by facility, district/performance cluster, and area office, as well as the costs for identified key categories. TID: September 2010
IS-AR-07-016	8/20/2007	Audit of Database Administration Practices R-2 — Establish policies and procedures for the protection and use of sensitive data in the test, development, and production environments. TID: March 2010
IS-AR-07-017	8/29/2007	Separation of Duties at the Eagan, Minnesota; San Mateo, California; and St. Louis, Missouri Information Technology and Accounting Service Centers R-1 — Assess the risk of the duties of all Information Technology and Accounting Service Center positions for the purpose of assigning these positions as sensitive. TID: September 2010 R-4 — Coordinate with the Postal Inspection Service to ensure the proper clearance level is attributed to employees. TID: March 2010

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
FT-AR-08-005	1/24/2008	<p><i>New York International Service Center — Inbound International Mail</i></p> <p>R-1 — Establish and communicate policies and procedures to address the complete processing and billing cycle for inbound international mail. TID: April 2010</p> <p>R-3 — Direct International Accounting Branch and appropriate systems personnel to establish controls to ensure that foreign postal administrations are correctly billed for all valid dispatches, including dispatch numbers used more than once in a calendar year. TID: April 2010</p>
CRR-AR-08-002	2/12/2008	<p><i>Security Review of the Electronic Verification System</i></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: April 2010</p>
IS-AR-08-009	3/14/2008	<p><i>Update Processes for Active Directory and CA-ACF2</i></p> <p>R-1 — Review the manager roles in the two systems to determine how these roles can be integrated. TID: September 2010</p> <p>R-2 — Review the capabilities and establish requirements for tracking employees assigned to detail positions and how to pass on timely and accurate data to another system. TID: September 2010</p>
FF-AR-08-131	3/19/2008	<p><i>Fiscal Year 2007 Financial Installation Audits — Business Mail Entry Units</i></p> <p>R-2 — Provide proper management oversight and instructions to schedule periodic verifications when Periodicals mailings are received during non-business hours. TID: April 2010</p>
CRR-AR-08-003	3/31/2008	<p><i>Application Controls Review of the Electronic Verification System</i></p> <p>R-2 — Strengthen the edit rules in the Product Tracking System to enforce the requirements for destination entry discounts. TID: June 2010</p>
FT-AR-08-010	3/31/2008	<p><i>Fiscal Year 2007 Postal Service Financial Statements Audit — St. Louis Information Technology and Accounting Service Center</i></p> <p>R-2 — Modify policies and procedures to include the destination facility validation in the highway extra trips payment process. TID: April 2010</p>
DA-AR-08-006	6/4/2008	<p><i>Flats Sequencing System: Production First Article Testing Readiness and Quality</i></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 the initial Maintenance Diagnostic and Support System and the Program Control System functionalities are available for First Article Testing and develop a schedule for future design releases. TID: January 2011</p> <p>R-7 — Ensure that the supplier follows the quality control plan and the configuration control process and validates that the first five production systems are built to the same drawing configuration. TID: May 2010</p>
EN-AR-08-004	7/16/2008	<p><i>Miami Airport Mail Center Outsourcing</i></p> <p>R-1 — Perform a post-implementation review to determine the cost savings from the Miami Airport Mail Center outsourcing initiative. TID: April 2010</p>
FF-MA-08-001	7/21/2008	<p><i>Fiscal Year 2008 — Use of No-Fee Money Orders</i></p> <p>R-2 — Evaluate the feasibility of restricting the use of no-fee money orders for local purchases in order to reduce the Postal Service's exposure to financial loss. TID: June 2010</p>
SA-AR-08-008	7/23/2008	<p><i>Leased Facility Maintenance Responsibility in the Great Lakes Area</i></p> <p>R-2 — Require the Great Lakes Facilities Service Office to collect the \$62,625 in recoverable supported questioned costs. TID: January 2013</p>

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
SA-AR-08-009	7/23/2008	<p>Postal Service Continuity of Operations for the Great Lakes Area</p> <p>R-1 — Update contact information of key continuity of operations personnel at least semiannually, or more often as changes occur. TID: June 2010</p> <p>R-2 — Complete continuity of operations training, including Postal Alert and Notification System training. TID: June 2010</p> <p>R-3 — Identify and prioritize essential functions. TID: June 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: June 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: June 2010</p> <p>R-6 — Establish specific guidance for identifying and selecting alternate facilities, to include, at a minimum, the number of alternate facilities that should be identified, and criteria regarding location, mail volume, and mail capacity. TID: June 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: June 2010</p>
SA-AR-08-010	7/24/2008	<p>Postal Service Continuity of Operations for the Pacific Area</p> <p>R-1 — Establish a formal review process to ensure continuity of operations plans are completed, updated annually, and maintained in the Postal Alert Notification System, as required. TID: June 2010</p>
SA-AR-08-013	8/22/2008	<p>Security Clearances for Postal Service Employees</p> <p>R-1 — Establish and implement a policy to periodically assess the risks associated with the duties of all Postal Service positions to determine which positions require a security clearance. TID: September 2010</p> <p>R-2 — Revise the <i>Administrative Support Manual</i>, as appropriate, to reflect changes to the list of positions requiring a security clearance. TID: September 2010</p>
CRR-AR-08-006	8/25/2008	<p>Controls Over the International Reconciliation System</p> <p>R-2 — Ensure all significant issues identified during Customer Acceptance Test are corrected before placing the software release into production. TID: April 2010</p> <p>R-4 — Promptly incorporate edit requirements provided by the end-user into International Reconciliation System functionality. TID: April 2010</p>
IS-AR-08-016	8/29/2008	<p>Identity Theft Potential in the Change of Address Process</p> <p>R-1 — Update the Internet and Telephone Change of Address applications to eliminate acceptance of anonymous prepaid credit cards. TID: January 2011</p>
IS-AR-09-001	10/8/2008	<p>Electronic Travel Voucher System Controls</p> <p>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: September 2010</p> <p>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: September 2010</p> <p>R-3 — Customize the Electronic Travel Voucher System Controls (ETVS) to require the traveler to input a value in the room tax field (even if the room tax is zero) or provide the traveler with a check box to indicate taxes not applicable in cases where the lodging stay is tax exempt. TID: September 2010</p> <p>R-4 — Customize the ETVS to remove the option to combine room rate and room taxes into a single entry. TID: September 2010</p>
NO-AR-09-001	12/3/2008	<p>Powered Industrial Vehicle Management System at the Louisville, Kentucky Processing and Distribution Center</p> <p>R-1 — Ensure the Powered Industrial Vehicle Management System at the Louisville P&DC functions as intended and produces efficiency improvements. TID: September 2009</p>

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DA-AR-09-002	12/24/2008	Radio Frequency Identification Technology: Asset Management. R-1 — Explore opportunities to employ radio frequency identification technology to reduce the amount of losses in pallet inventories. TID: April 2010
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 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 — Consult with senior level management to further update the Management Instruction, <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 2010
DR-AR-09-004	1/30/2009	Vehicle Warranty Claims Process R-5 — Collaborate with vehicle manufacturer's to ensure the Postal Service receives detailed warranty reimbursement data to allow reconciliation. TID: April 2010
CA-AR-09-002	2/18/2009	The Postal Service's Certification Process for Non-Mail Freight Transportation Invoices R-1 — Develop and implement written procedures for the independent review of invoices to confirm the receipt of goods and services, and to ensure accurate payment. TID: May 2010
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. TID: June 2010
DA-AR-09-005	3/31/2009	Recycling Opportunities — Pacific Area R-1 — Provide additional recycling training to maintenance and operations personnel responsible for conducting recycling activities and expand recycling programs throughout the area. TID: April 2010 R-2 — Improve awareness of policies and procedures that; require appropriately designated site personnel to certify the tonnage of recyclable material and trash collected by contractors. TID: April 2010 R-3 — Improve awareness of policies and procedures that; require accurate recording of recycling revenues. TID: April 2010
IS-AR-09-006	3/31/2009	Intelligent Mail Barcode Project Planning and Application Development Life Cycle R-1 — Establish an incremental approach for approval and funding for future project releases. TID: June 2009 R-3 — Ensure the Certification and Accreditation process is completed and all residual risks are identified and mitigated before deploying the IMB Full Service-Seamless Acceptance Service Performance Release 1 application. TID: December 2009
MS-AR-09-006	3/31/2009	Intelligent Mail/Seamless Acceptance Project Management R-1 — Quantify strategic benefits to the Postal Service and mailers. TID: October 2009 R-4 — Incorporate effort-based workhour requirement estimates into work plans for future project releases. TID: September 2009 R-5 — Develop a risk management plan to address project risks. The plan should define a process for conducting risk management activities. TID: None R-6 — Develop a procurement plan consistent with the Postal Service's purchasing guidelines to manage procurements related to the project. TID: September 2009

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DA-AR-09-007	4/7/2009	<p>Custodial Maintenance: New York District</p> <p>R-1 — Update staffing packages to eliminate redundancies in cleaning operations, to include a reduction in cleaning frequencies as allowed by <i>Handbook MS-47</i>. TID: June 2010</p> <p>Reducing cleaning frequencies from 7 to 4 days would allow for a reduction in labor hours in excess of 118,000 hours at the 12 sites reviewed. This equates to a reduction in complement of approximately 68 positions and a savings of approximately \$38.5 million over 10 years. Because this amount is avoidable, we will report this amount in our <i>Semiannual Report to Congress</i> as funds put to better use. TID: June 2010</p> <p>R-2 — Review the benefits of extending contract eligibility to larger postal facilities for inclusion in the next collective bargaining agreement beginning November 21, 2010, and subsequently utilize contract staffing to fill custodial positions lost through attrition. TID: June 2010</p>
NO-MA-09-002	5/8/2009	<p>Assessment of Overall Plant Efficiency</p> <p>R-1 — Reduce 22.9 million workhours by FY 2011 with an associated economic impact of \$969 million. We will report \$969 million in unrecoverable questioned costs in our <i>Semiannual Report to Congress</i>. TID: October 2012</p>
MS-AR-09-008	5/28/2009	<p>Postal Service Mail Processing Equipment's Ability To Read Postage On First-Class Mail Letters</p> <p>R-1 — Develop and disseminate national Standard Operating Procedures for processing and handling Advanced Facer Cancellor System bypass letters to include procedures for identifying shortpaid and unpaid postage. TID: January 2010</p> <p>R-2 — Use limited duty and light duty personnel to assist with identifying and processing shortpaid and unpaid letters. TID: August 2009</p> <p>R-3 — Determine the feasibility of modifying the Advanced Facer Cancellor System (AFCS) to include postage due and fraudulent postage detection software (including detection of reused stamps). These modifications should be considered for upcoming AFCS deployments. TID: June 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 — Re-evaluate the phosphorescence coding methodology to include raising the coding denomination from the 10-cent stamp to the current First-Class Mail card postage. This modification should be considered for upcoming Advanced Facer Cancellor System deployments. TID: June 2011</p> <p>R-6 — Determine the causes of shortpaid and overpaid Postage Validation Imprinter labels on First-Class Mail letters and develop awareness training for retail employees. TID: None</p>
CA-AR-09-005	6/1/2009	<p>Supply Management's Oversight of Delegations of Authority</p> <p>R-2 — Place minimum control requirements in the Delegations of Authority (DOA) letters that reflect principles that are critical to ensuring due diligence and oversight; however, they did not document and implement a process to ensure delegatee compliance. Remind delegates of their responsibility to ensure compliance with their delegation of authority letters and require delegates to certify they have instituted a system of controls and oversight to ensure:</p> <ul style="list-style-type: none"> ▪ Best value determinations are performed and documented. ▪ Annual reports are developed and provided to Supply Management detailing financial activities, including the number of contracts or agreements entered into and associated expenditures. ▪ Annual ethics training is completed and documented for staff involved in administering contracts or agreements. TID: December 2010 <p>R-3 — Place minimum control requirements in the DOA letters that reflect principles that are critical to ensuring due diligence and oversight; however, they did not document and implement a process to ensure delegatee compliance. Require the Travel, Retail, and Temporary Services Category Management Center to develop procedures for collecting reports required under the delegations of authority and for reviewing delegates' control and oversight systems to ensure the delegation of authority letter minimum control requirements are met. If minimum control requirements are not met, discontinuation should be considered, with the results and justification documented in an oversight file. TID: December 2010</p>

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DR-AR-09-007	6/30/2009	Vehicle Maintenance Facilities Scheduled Maintenance — National Capping Report R-4 — Establish an effective process for ensuring vehicle maintenance facility management and vehicle Post Office management include all contract and repair maintenance costs in the Vehicle Maintenance Accounting System or its replacement. TID: April 2010
NL-AR-09-005	7/17/2009	Postal Vehicle Service Transportation — Philadelphia Bulk Mail Center R-2 — Phase out the additional 8,750 postal vehicle service workhours that management agreed were in excess of the workload. TID: July 2010 R-3 — Ensure the bulk mail center managers periodically assess workload and staffing requirements to maintain appropriate postal vehicle service staffing levels. TID: October 2010
NO-AR-09-007	7/23/2009	Powered Industrial Vehicle Management System at the Oakland Processing and Distribution Center R-1 — Ensure the Oakland Processing and Distribution Center uses the Powered Industrial Vehicle Management System to the fullest extent possible to manage operations and continue to improve mail processing efficiency by reducing 38,000 workhours in tow and forklift operations by FY 2011, with an associated economic impact of over \$14.5 million present value dollars in savings occurring over 10 years. TID: December 2011
NL-AR-09-007	7/31/2009	Air Networks — Federal Express Transportation Agreement — Southeast Area R-1 — Use surface transportation to the extent possible for mail that does not require air transportation to meet Postal Service on-time standards. TID: April 2010 R-2 — Transport mail to the maximum extent possible using the service-responsive capacity of passenger airlines under contract with the Postal Service. TID: April 2010 R-3 — Sort mail into bypass containers as appropriate. TID: April 2010
NL-MA-09-001	8/5/2009	Management Advisory — Fuel Management Initiatives for Surface Network Operations — Fuel Purchasing Strategy R-2 — Ensure appropriate allocation of contracting, operational, and financial resources at all levels to support the timely implementation of the National Fuel Purchasing Strategy. TID: June 2010 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, which includes project goals, performance measures, baselines and target dates, changes to target dates, and documented reasons for changes. TID: June 2010 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: June 2010 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: June 2010
DA-AR-09-011	8/13/2009	Custodial Maintenance: Nationwide R-1 — Update staffing packages to eliminate duplication in cleaning operations, including an adjustment of cleaning frequencies as determined by local conditions. TID: April 2010 R-2 — Conduct a Lean Six Sigma process improvement initiative in conjunction with the American Postal Workers Union to identify non-value tasks in the current custodial standard and negotiate revisions. TID: June 2010
CRR-AR-09-006	8/19/2009	Electronic Verification System Rejected Transactions 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
DA-AR-09-012	9/4/2009	Flats Sequencing System: First Article Retest Results R-1 — Install and test only one additional Flats Sequencing System until the system demonstrates operational stability and successfully passes the field acceptance test. TID: May 2010

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NO-AR-09-012	9/25/2009	<p>Sunday Mail Processing Operations</p> <p>R-1 — Reduce 83,000 workhours, based on FY 2008 usage, by the end of FY 2010 with an associated economic impact of approximately \$38 million over a 10-year period. TID: October 2011</p>
DR-AR-09-009	9/28/2009	<p>Delivery Vehicle Fuel Management</p> <p>R-1 — Consider as part of the Postal Service's National Fuel Purchasing Strategy 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. TID: June 2010</p>
DR-AR-09-010	9/28/2009	<p>Management of Delivery Point Sequencing Percentage Increases for City Delivery — Nationwide Review</p> <p>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</p> <p>R-3 — Develop and execute an action plan to mitigate low city Delivery Point Sequencing percentages in delivery units. TID: December 2010</p> <p>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</p>
EN-AR-09-005	9/28/2009	<p>Performance Goals for Market-Dominant Products</p> <p>R-1 — Document the methodology used to develop future performance goals for market-dominant products. TID: August 2010</p> <p>R-3 — Ensure future annual service performance goals are published within 30 days after approval. TID: April 2010</p>
NL-AR-09-009	9/28/2009	<p>Vehicle Management — National Trailer Lease Renewal — Capping Report</p> <p>R-1 — Develop a policy to require areas to establish a comprehensive process to routinely identify trailer requirements and manage trailer inventory and use, including a process to routinely determine whether trailers are improperly used for storage. TID: June 2010</p>
IS-AR-09-013	9/29/2009	<p>Business Partner Connectivity — Leased Line Firewalls</p> <p>R-1 — 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: April 2010</p> <p>R-2 — Modify <i>Handbook AS-805, Information Security</i>, to designate the portfolio managers responsible for informing the Network Connectivity Review Board when a business partner connection is no longer required. TID: October 2011</p> <p>R-3 — Modify <i>Handbook AS-805, Information Security</i>, to designate the portfolio managers responsible for periodically reviewing and validating business partner connectivity to Postal Service networks. TID: October 2011</p> <p>R-6 — Modify <i>Handbook AS-805D, Information Security Network Connectivity Process</i>, to require the Network Connectivity Review Board to inform Database Support Services of all business partner connection requests to Postal Service databases. TID: October 2011</p>
SA-AR-09-008	9/29/2009	<p>Postal Service Aviation Security Capping</p> <p>R-1 — Implement nationwide recommendations 2 and 3 in the aviation security report for critical Postal Service facilities. Specifically, strengthen internal controls requiring management reviews to ensure corrective actions are taken to improve the performance of noncompliant offices. TID: June 2010</p> <p>R-2 — Implement nationwide to 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: June 2010</p>

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NL-AR-09-010	9/30/2009	<p><i>Fuel Management Consumption Strategies for Surface Network Operations</i></p> <p>R-1 — Revise the fuel consumption strategy for surface network operations covering Postal Service and HCR transportation to ensure that it is comprehensive and implements the industry best practices identified in our audit. TID: September 2010</p> <p>R-2 — Assess and implement all opportunities for owned, leased, and contracted vehicles to use technology to reduce wind resistance and identify the most viable advanced aerodynamics options consistent with industry best practices and adjust contracts as appropriate to account for the reduced fuel need TID: September 2010</p> <p>R-3 — Establish and implement tire inflation maintenance requirements for the owned heavy-duty vehicle fleet, as well as leased and contracted vehicles consistent with industry best practices. Adjust contracts as appropriate to account for the reduced fuel need. TID: September 2010</p> <p>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: September 2010</p>
NL-AR-09-011	9/30/2009	<p><i>Air Networks — Chicago O'Hare Airport Mail Center Operations</i></p> <p>R-1 — Enforce existing productivity standards for the sack sorter operation and establish and enforce appropriate productivity standards for the platform operation to reduce workhours and increase efficiency. TID: June 2010</p> <p>R-2 — Provide adequate supervision over the sack sorter and platform operations to include ensuring that volume and workhour reporting requirements are followed. TID: June 2010</p> <p>R-3 — Ensure staff is scheduled commensurate with the mail flow and volume for Express Mail and Automated Package Processing System operations and adjust operational workhours accordingly. TID: June 2010</p> <p>R-4 — Provide adequate levels of supervision for Express Mail and Automated Package Processing System operations and ensure employees properly charge their workhours to the correct operations. TID: June 2010</p>
DR-AR-10-001	10/15/2009	<p><i>Use of the Carrier Optimal Routing System</i></p> <p>R-1 — Resolve system and application problems with Web Carrier Optimal Routing (WebCOR) and implement the web-based program nationwide. TID: June 2010</p> <p>R-2 — a. Select and train at least four individuals as COR system Subject Matter Experts as mandated by Postal Service Headquarters. b. Complete the Data Preparation Process to include using current PS Forms 3999, <i>Inspection of the Letter Carrier Route</i>. c. Complete all route adjustments using the COR system. TID: May 2010</p> <p>R-3 — Mandate districts to track and monitor vehicle mileage changes in the COR system. TID: June 2010</p>

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NL-AR-10-001	10/22/2009	<p>Management of Mail Transport Equipment — Pacific Area</p> <p>R-1 — Reinforce national Mail Transport Equipment (MTE) policies and procedures and the area's MTE standard operating procedures (SOP) requiring plant managers to provide sufficient priority, resources, training and oversight to effectively manage MTE, including:</p> <ul style="list-style-type: none"> ▪ Designating and training of MTE coordinators, ensuring that sufficient time and resources are allocated to perform all of the duties required by the SOP, and ensuring that controls are established for monitoring MTE coordinators' activities and results. ▪ Conducting weekly "on hand" inventory counts of MTE at all plants as required by the SOP. TID: April 2010 <p>R-2 — Revise the Pacific Area MTE SOP to address all necessary MTE controls, including:</p> <ul style="list-style-type: none"> ▪ Requiring major mailers to provide weekly inventory counts that will form the basis for an estimated MTE inventory within the Pacific Area. ▪ Addressing accountability controls, including authenticating Postal Service customers, validating customer MTE needs, and tracking and reconciling MTE loaned to mailers and other external customers. ▪ Addressing security controls to safeguard MTE, including securing MTE in restricted areas; ensuring MTE is not exposed to the elements; preventing mailers and other external customers from having free access inside the facility and outside areas; and securing the facility's perimeter. TID: April 2010 <p>R-3 — Reinforce that the Distribution Networks Office assign sufficient area resources to monitor the management of MTE and compliance with all SOP requirements, including ensuring complete and reliable weekly inventory counts, following up on incomplete or questionable inventory counting and reporting, and providing necessary guidance and training to designated plant MTE personnel. TID: April 2010</p>
FF-AR-10-033	12/4/2009	<p>Use of No-Fee Money Orders Follow Up Audit</p> <p>R-1 — Provide training to retail associates and local unit management on use of reason codes, payment processes, and closeout procedures. TID: July 2010</p> <p>R-2 — Reinforce procedures regarding the proper use of no-fee money orders in ready accessible messaging to sales and service associates. TID: July 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: July 2010</p> <p>R-4 — Instruct local units to maintain supporting documentation for no-fee money order transactions for the required retention period. TID: July 2010</p>
DR-AR-10-002	12/18/2009	<p>City Delivery Efficiency Reviews San Francisco Napoleon Street Station</p> <p>R-1 — Reduce workhours by 54,975 at the Napoleon Street Station by the end of FY 2014, 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 Services Center</p> <p>R-1 — Recommend the chief postal inspector, Postal Inspection Service, to coordinate with the vice president, Employee Resource Management, to designate as sensitive those positions at the Human Resources Shared Service Center that require access to personally identifiable information. TID: December 2010</p> <p>R-2 — Recommend the chief postal inspector, Postal Inspection Service, initiate appropriate security clearance investigations for all employees in sensitive positions at the Human Resources Shared Service Center. TID: September 2010</p> <p>R-5 — Revise <i>Handbook AS-805, Information Security</i>, to clarify the approval process for wireless access points on the Postal Service network. TID: June 2010</p> <p>R-6 — Coordinate with the director, Information Technology Operations, to ensure proper approval and documentation of all wireless access points at the Human Resource Shared Service Center. TID: December 2010</p>

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NL-AR-10-002	12/28/2009	<p>Postal Service Vehicle Service Transportation Routes Cardiss Collins Processing and Distribution Center</p> <p>R-1 — Ensure Cardiss Collins P&DC managers follow prescribed fleet management procedures for making postal vehicle service schedules effective, including conducting schedule and vehicle utilization. TID: July 2010</p> <p>R-2 — Eliminate 43,264 workhours already agreed to by local and area management from postal vehicle service trip schedules. TID: October 2010</p>
EN-AR-10-001	1/7/2010	<p>Status Report on the 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>
IS-AR-10-004	1/19/2010	<p>Enterprise Architecture within Information Technology</p> <p>R-1 — Direct the vice president, Information Technology Solutions, and manager, Information Technology Solutions, and manager, Information Technology Strategy and Architecture, to establish and document goals, strategies, and objectives that outline sponsorship and commitment to implementing Enterprise Architecture. TID: March 2010</p> <p>R-3 — Request the Executive Committee to provide the Enterprise Architecture Committee with the level of authority commensurate with its responsibility to effectively govern all Postal Service information technology solutions per the Enterprise Architecture Policy. TID: June 2010</p>
DA-MA-10-001	1/28/2010	<p>Sustainability: Promoting Energy and Recycling Compliance (FY 2009)</p> <p>R-1 — Increase the effectiveness of energy and recycling policies by issuing written guidance to installation managers, encouraging the use of more remote building management systems. TID: September 2010</p> <p>R-2 — Issue written guidance to installation managers to provide periodic service talks to employees to reinforce awareness of energy and recycling policies. TID: June 2010</p>
MS-AR-10-001	2/9/2010	<p>Plant-Verified Drop Shipment Controls</p> <p>R-1 — Update <i>Publication 804, Drop Shipment Procedures for Destination Entry</i>. TID: June 2010</p> <p>R-2 — Provide scales. TID: June 2010</p> <p>R-3 — Provide training. TID: December 2010</p> <p>R-4 — Provide an electronic PS Form 8125, <i>Plant-Verified Drop Shipment (PVDS) Verification and Clearance</i>. TID: December 2012</p>
EN-AR-10-003	2/12/2010	<p>Manasota Processing and Distribution Center Consolidation</p> <p>R-1 — Ensure the implementation activities of processing and distribution consolidations begin immediately after area mail processing proposal approval and require headquarters' approval when implementation is delayed more than 3 months. TID: May 2011</p>
HM-AR-10-001	2/18/2010	<p>Postal Service Absenteeism</p> <p>R-1 — Provide refresher training to supervisors to ensure they are aware of unscheduled leave policies and procedures and the importance to follow them. TID: September 2010</p> <p>R-2 — Establish and implement internal controls to evaluate and ensure supervisor's compliance with unscheduled leave policies and procedures (for example, performance and accountability measures of periodic management reviews). TID: July 2010</p> <p>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</p>
NO-AR-10-003	2/24/2010	<p>Review of the Dallas Processing and Distribution Center Outgoing Mail Consolidation</p> <p>R-1 — Consolidate the Dallas Processing and Distribution Center (P&DC) outgoing mail operation into the North Texas P&DC by FY 2011. This will result in an annual savings of \$11,997,208 for a total economic impact of \$114,041,172 over 10 years. TID: December 2011</p>

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
NL-AR-10-003	3/1/2010	<p>Highway Contract Route Transportation — Greater Chicago</p> <p>R-1 — Ensure managers follow prescribed contract procedures for making highway contracts effective and economical, including the continual monitoring and adjustment of trips based on need. TID: None</p> <p>R-3 — Verify elimination of the 42 trips within the identified highway contract routes, already agreed to by local and area management. TID: None</p> <p>R-4 — Reassess the remaining 20 trips, and cancel or modify the trips as indicated by the reassessment, or document the reasons for retaining the trips. TID: May 2010</p>
FF-MA-10-001	3/10/2010	<p>Vending Operations Closure and Financial Risk</p> <p>R-1 — Investigate all remaining stamp stock balances and close and zero out the vending accountabilities. TID: February 2010</p> <p>R-2 — Identify and deposit all undeposited cash associated with the vending accountabilities. TID: None</p> <p>R-3 — Provide a periodic status to the vice president, Retail Products and Services, and vice president, Delivery and Post Office Operations, until all remaining vending accountabilities are closed and zeroed out and cash associated with the vending accountabilities is deposited. TID: None</p>
DR-AR-10-003	3/16/2010	<p>Postal Service Christmas Rural Delivery Operations</p> <p>R-1 — Eliminate the supplemental Christmas Overtime Pay Provision, Article 9.2(k), set forth in the NRLCA Agreement expiring in November 2010 and any subsequent National Rural Letter Carrier Association (NRLCA) agreements. TID: November 2010</p>
NL-AR-10-004	3/17/2010	<p>Management of Mail Transport Equipment — Eastern Area</p> <p>R-1 — Reinforce national Mail Transport Equipment (MTE) policies and procedures contained in the <i>Postal Operations Manual</i> (POM) that require facility managers to provide sufficient priority, resources, training, and oversight to effectively manage MTE, including: Designating and training MTE coordinators or equivalents, ensuring that sufficient time and resources are allocated to perform all of the duties the postal operations manager requires, and ensuring that management establishes controls for monitoring MTE coordinators' or equivalents' activities and results and conducting weekly "on hand" inventory counts of MTE at all major facilities and mailers to promote better management of MTE and provide for the estimated MTE inventory within the Eastern Area. TID: July 2010</p> <p>R-2 — Develop area standard operating procedures that complement and reinforce the <i>Postal Operations Manual</i> and fully address all necessary MTE controls, including addressing accountability controls, such as validating customer MTE needs, and tracking and reconciling MTE loaned to mailers and other external customers. TID: June 2010</p>
CRR-AR-10-002	3/19/2010	<p>Management of Special Studies</p> <p>R-1 — Develop a plan for the timely update of the Postmaster Variability Study. TID: May 2010</p>
IS-AR-10-006	3/24/2010	<p>Windows Access Controls at the Information Technology and Accounting Service Centers — IS General Controls FY 2009</p> <p>R-3 — Conduct a comprehensive review of the domain controller configurations to ensure compliance with applicable Windows security standards. TID: April 2010</p>
NO-AR-10-004	3/29/2010	<p>Powered Industrial Vehicle Management System at the Indianapolis Processing and Distribution Center</p> <p>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.</p>

Report Number	Issue Date	Report Title, Recommendation Summary R = Recommendation number TID = Target Implementation Date
DR-MA-09-001	3/26/2009	<p>Management of City Letter Carriers' Street Performance</p> <p>R-1 — Revise existing Postal Service policies and Standard Operating Procedures to reduce the number of required Delivery Operations Information System reports from eight to four to aid supervisors in managing carrier street performance. TID: October 2011</p> <p>R-2 — Modify the Delivery Operations Information System Route/Carrier Daily Performance Analysis Report to show "exceptions" — for example, only actual route times varying from projected route times. TID: October 2011</p> <p>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: April 2010</p>
DR-AR-10-004	3/31/2010	<p>Continuing Use of Carrier Sequence Barcode Sorter Machines at Delivery Units</p> <p>R-1 — Reduce 10 carrier sequence barcode sorters at selected associate offices as well as the associated workhours. TID: June 2010</p>

APPENDIX F

Significant Management Decisions in Audit Resolution

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

Plant-Verified Drop Shipment Controls

MS-AR-10-001

2/9/2010

Recommendation 4

Provide an electronic reporting solution whereby Postal Service Form 8125, Plant-Verified Drop Shipment (PVDS) Verification and Clearance, information at the destination facility can be compared with the information at the origin location. Discrepancies or incomplete forms should be investigated.

APPENDIX G

*Investigative Statistics**

For the period October 1, 2009 – March 31, 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	668	187	168	199	368		\$1,015,704	\$194,813	384
Injury Compensation Fraud ^{1 & 2}	379	25	17	21	99	\$99,795,914	\$1,295,828,533	\$17,316,589	154
Official Misconduct	548	47	32	74	321	—	\$760,096	\$80,825	329
Financial Fraud	335	121	120	127	238	\$1,000	\$3,744,708	\$2,845,797	273
Contract Fraud	62	13	13	7	16	\$1,336,078	\$1,283,300	\$1,058,017	23
TOTAL	1,992	393	350	428	1,042	\$101,132,992	\$1,302,632,341	\$21,496,041	1,163

* 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 \$1,295,200,100 from one pharmaceutical investigation.² Amount to Postal Service includes \$15,075,934 from one pharmaceutical investigation.

APPENDIX H

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

For the Period October, 1 2009 – March 31, 2010

Type of Scheme	Complaints Filed	Consent Agreements	FROs	Cease & Desist Orders
Charity	1	—	—	1
Contests/Sweepstakes	11	11	—	11
Coupon Fraud	1	1	—	1
False Billings	29	1	5	15
Internet Auction	2	2	—	2
Merchandise:				
Failure to Furnish	6	3	1	4
Failure to Pay	2	2	—	2
Misrepresentation	6	3	2	5
Miscellaneous	27	31	2	24
Work at Home	8	6	2	5
TOTAL	93	60	12	70

Other Administrative Actions

Administrative Action Requests	116
Temporary Restraining Orders Requested	1
Temporary Restraining Orders issued	1
Cases Using Direct Purchase Authority	—
Civil Penalties (Section 3012) Imposed	—
Test Purchases	—
Withholding Mail Orders Issued	18
Voluntary Discontinuances	—

Administrative Subpoenas Requested by the Postal Inspection Service

There were no requests during the reporting period.

Financial Reporting on Investigative Activities

Type	
Personnel	\$ 140,376,905
Nonpersonnel	30,898,204
TOTAL	\$171,275,109
Capital obligations	(\$1,023,726)

APPENDIX I

Closed Congressional and Board of Governors' Inquiries

For the Period October, 1 2009 – March 31, 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. As of January, the OIG discontinued processing inquiries on behalf of the Postal Inspection Service.

Inspector General Investigations (46)

Requestor	Allegation/Concern	Major Findings	Closure Date
Senator, Iowa	Request for investigation into private entity's offer of a special mortgage to the Postmaster General; chief postal inspector engaged in various forms of official misconduct.	The investigation was closed after the Senator withdrew request for an inquiry into the matter.	10/05/09
Representative Maryland	Mail delivery issues.	The investigation found no evidence of mail theft or tampering by postal employees, but we noted and reported problems with the system mail forwarding.	10/29/09
Representative, Washington	Complainant never received international mail package.	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.	11/19/09
Representative, New York	Postal Service divulged confidential information about complainant's patented biohazard detection process to a competitor, which eventually led to a contract award.	The investigation found no evidence of an improper release of confidential information by the Postal Service. We noted that infringement claims are resolved through well established patent law procedures.	1/22/10
Representative, New Hampshire	Management manipulated time and attendance records to avoid paying overtime and falsify work hour usage at three locations.	The investigation, widened to five locations, substantiated the allegations, finding management intentionally changed time and attendance records causing postal employees to be underpaid. The investigation also revealed a flaw in the postal time and attendance system, causing unintentional short pay. We calculated shortages of nearly \$30,000. We forwarded management our findings for action.	10/15/09
Representative, Maryland	Files on a complainant's union computer were deleted in retaliation for the complainant reporting misuse of postal property to the OIG.	An investigation substantiated the allegation of misuse of property; we did not substantiate the allegation that computer files were intentionally deleted, due to absence of controls over the computer and its location.	10/14/09
Senator, Virginia	Non-receipt of Priority Mail sent from Virginia to New York.	The investigation found no evidence of mail tampering, delay, or theft by postal employees.	3/15/10
Senator, Virginia	Priority Mail sent from Virginia to New York was not received.	There was no evidence found of mail tampering, delay, or theft by postal employees.	3/15/10
Senator, Washington	Non-receipt of a package mailed from Virginia to Texas.	Evidence indicated a now-former postal employee could be responsible. Agents were unable to locate the package. We forwarded our findings to the U.S. Attorney and management for action deemed appropriate.	2/23/10
Representative, Virginia	Hostile work environment; unfair employment practices; intentional mail delay by management at a Virginia Post Office.	The investigation did not substantiate the allegations. The complainant also filed a grievance through the local union regarding the allegedly unfair employment practices, therefore the OIG will not interfere with the administrative process.	10/07/09
Senator, California	A postal manager sexually harassed an employee and assaulted a union president.	The Postal Inspection Service previously investigated and did not substantiate the allegations. We conducted an investigative review and found no irregularities or failings in the Inspection Service investigation. The complainants also filed Equal Employment Opportunity (EEO) complaints, therefore the OIG will not interfere in this administrative process.	12/28/09

Requestor	Allegation/Concern	Major Findings	Closure Date
Senator, Wyoming	New information about a reported theft of a registered mail pouch.	The Postal Inspection Service conducted an investigation in 2003 that did not produce determinative evidence of whether the theft occurred internally or externally. A new OIG investigation found no conclusive evidence to identify a suspect.	10/26/09
Representative, California	Non-receipt of mail; employee misconduct.	The investigation did not substantiate the allegations.	10/15/09
Representative, Texas	Non-receipt of mail addressed to a Post Office box at a Texas Post Office.	The investigation found no evidence indicating postal employees were responsible for theft of the mail. We referred the allegations to the Postal Inspection Service based on indications the theft may have occurred externally.	2/26/10
Representative, New York	Non-receipt of a package scanned as delivered.	The investigation found no evidence indicating postal employees stole the package and no evidence of a systemic problem with lost or stolen mail in his area.	10/05/10
Representative, Pennsylvania	A congressional survey the complainant mailed was defaced and returned.	The investigation did not uncover definitive evidence that a postal employee tampered with the survey. We provided findings to management and requested they conduct stand-up talks (training reminders) on this type of crime.	10/07/09
Senator, Massachusetts	Whistleblower reprisal; the OIG did not respond to complainant's prior report of whistleblower reprisal.	The investigation did not substantiate the allegations.	3/12/10
Representative, New York	Theft of a parcel mailed internationally.	Complaint withdrawn after package arrived at its destination.	10/15/09
Representative, Mississippi	Management falsified documents and delayed processing of injury compensation claim at a Mississippi Post Office.	The investigation revealed no evidence substantiating the allegations. We did not investigate several allegations already addressed through the grievance and/or EEO processes.	3/30/10
Representative, Florida	Estimated 5,200 pieces of a representative's mail were found among the 100,000+ pieces of mail hoarded, rifled, and/or destroyed by a rural carrier.	We located the mail and briefed the representative of the impact within her congressional district.	10/14/09
Representative, New York	Theft of a check in the mail and subsequent attempts to compromise complainant's account.	The investigation did not substantiate the allegation of internal mail theft. Due to indications of external theft, we referred the matter to the Postal Inspection Service.	12/03/09
Senator, Illinois	Non-receipt of financial statements and checks sent to a Post Office Box.	The investigation found no evidence mail had been sent by the institutions and there was no evidence of mail theft.	11/06/09
Representative, Virginia	Mail tampering and theft of the contents of a package that was opened and resealed.	The investigation did not substantiate the allegations that postal employees stole the contents of the package.	11/09/09
Senator, Georgia	Non-receipt by intended recipient of an insured package received at a South Carolina Post Office.	The investigation found no evidence that postal employees stole the package. The Postal Service reimbursed the complainant for the insured amount.	3/09/10
Senator, Florida	Mail delay and tampering by management at a Florida facility.	The investigation did not substantiate the allegation of mail delay but found a manager had opened the mail piece. We forwarded our findings to management for action deemed appropriate.	12/08/09
Representative, Illinois	A package containing personal identification documents were stolen from the mail.	We found a letter carrier had stolen multiple items, including the complainants. We presented our findings to the U.S. Attorney for prosecution and to management for whatever action deemed necessary.	1/26/10
Representative, Illinois	Complainant received no commemorative plaque for service after separating from the OIG.	A plaque was ordered and shipped to the requestor.	10/28/09
Senator, Idaho	A letter carrier mishandled complainant's mail and returned it to sender without permission.	The investigation found no evidence of misconduct by the postal employee. The postal employee followed postal policy by returning mail after complainant's curbside box filled to capacity.	1/19/10
Senator, California	Package containing prescription drugs was rifled and stolen from complainant's mailbox.	Investigation found no evidence of mail theft by postal employees. We provided the allegations to the Postal Inspection Service because of incidents of external mail theft in the area.	11/09/09

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Requestor	Allegation/Concern	Major Findings	Closure Date
City Council Vice President, Alabama	Non-receipt of money orders mailed to the complainant.	Agents determined the money orders had not been negotiated, but could not account for their whereabouts; agents found a refund was delayed because of incorrect data entered in the Postal Service Money Order Imaging System.	12/22/09
Representative, Mississippi	Inconsistent mail delivery.	The investigation revealed the mail delivery issues resulted from letter carrier's misapplication of Change of Address (COA) policy. The findings were forwarded to management for action deemed appropriate.	1/20/10
Senator, Missouri	Contents missing from a package mailed by a vendor.	Investigation did not find evidence indicating a postal employee stole the contents Agents were unable to locate the contents at any of the postal facilities that handled the package.	12/22/09
Senator, Maryland	Complainant believed she was the subject of an OIG investigation of workers' compensation benefits use.	Review found no record of a current OIG investigation.	11/17/09
Senator, Colorado	Delay of union mail; postal management condoned supervisor's threats and intimidation of employees.	The investigation found no evidence of intentional mail delay. The Postal Service Human Resource office was already conducting an inquiry into the allegations of threats and intimidation, therefore, we did not intervene.	1/20/10
Representative, Maryland	Non-receipt of mail after filing a COA form; mail tampering.	The investigation found the complainant was receiving all of his mail at his new address. The investigation also determined the tampering occurred accidentally after a letter was incorrectly delivered to the wrong address and accidentally opened by a third party.	2/22/10
White House	Non-receipt of packages that arrived at a New Jersey Post Office according to delivery confirmation information.	Agents could not investigate the matter fully after multiple unsuccessful attempts to reach complainant.	1/27/10
White House	Government employee tampered with international mail.	Investigation did not substantiate the allegation and found the damage to mailpieces consistent with damage caused by Postal Service sorting machines.	2/22/10
Representative, California	Non-receipt of checks mailed to a political organization's Post Office box.	An on-going investigation had focused on a postal employee who appeared to be intentionally discarding First-Class-Mail. Based on box holder information about more than 100 similar cases, we expanded our investigation and confirmed much of the missing mail entered the facility during times the employee was on duty. We informed management of our findings.	3/12/10
Senator, Ohio	Letter carrier stole letters complainant mailed to elected officials.	The letter carrier was no longer employed with the Postal Service for reasons unrelated to the complaint. The complainant experienced no mail delivery issues after the employee's departure and the investigation found no evidence of systemic delivery problems in the area.	1/22/10
Senator, Tennessee	Theft of a gift card in the mail; the OIG did not respond to the original hotline complaint.	Investigators had conducted a timely investigation, but could not determine the identity of the suspect and, therefore, could not conclude a postal employee was responsible.	3/09/10
Representative, New Jersey	Postal management made an unauthorized disclosure from the complainant's personnel file.	The investigation did not substantiate the allegation and we could not determine how other parties had received the information.	3/17/10
Representative, Texas	Non-receipt of packages that tracking information showed had arrived at a Florida Post Office.	Our previous investigation and work with local law enforcement agencies did not reveal the location of the package or the reason for its disappearance.	2/23/10
Representative, California	Mail tampering and theft of franked mail.	The investigation found no evidence of mail tampering or theft by postal employees, based on the limited evidence available.	3/22/10
White House	Mail tampering.	Investigation found no evidence of mail tampering by postal employees, but noted it was part of a large amount of rifled, abandoned mail and likely the result of external crime.	3/15/10
Representative, Florida	Management falsified Express Mail tracking data to inflate performance statistics, and delayed Express Mail delivery.	As in an earlier investigation at the same site, our investigation found evidence substantiating the allegations. We again forwarded our findings to management.	3/22/10

Requestor	Allegation/Concern	Major Findings	Closure Date
Representative, Pennsylvania	Propriety of OIG agent request for medical documentation on a postal employee.	The agent provided official OIG documentation when making a request for voluntary production of records. Due to the concern from the medical provider, the agent provided a subpoena for the records.	2/23/10

General Counsel (13)

Requestor	Allegation/Concern	Major Findings	Closure Date
Representative, New Jersey	Complainant sought assistance returning to work from an extended leave status.	Review showed the complainant failed to respond to notices from management regarding his extended leave and he was therefore not allowed to return to work. Management later agreed to allow the complainant to return to his position.	10/19/09
Senator, Ohio	Delay of mail at an Ohio facility.	Review found the Postal Service district office was working to resolve the problem.	10/22/09
State Representative, Connecticut	Favoritism in applying the no-smoking policy at a Connecticut facility.	Management acknowledged impermissible smoking may have occurred, but would not occur again.	11/02/09
Senator, Maryland	Maryland facility supervisor improperly changed employee's leave status.	Review found the complainant filed a formal complaint and request for pay adjustment with postal management.	11/04/09
Representative, Pennsylvania	A postal manager discussed the complainant's medical information on the workroom floor.	Review found earlier Postal Inspection Service work did not substantiate the allegation.	12/29/09
Representative, Pennsylvania	Hostile work environment; management failed to effectively resolve problems with a disruptive employee.	Review found management took appropriate steps to respond the workplace issues.	12/29/09
Senator, Pennsylvania	A postal manager discussed the complainant's medical information on the workroom floor.	Review found earlier Postal Inspection Service work did not substantiate the allegation.	12/29/09
Representative, Pennsylvania	A tenant paid rent with a counterfeit postal money order.	The Postal Service determined the money order was not counterfeit and reimbursed the complainant.	10/22/09
Representative, Tennessee	Complainant's mail discarded in a field; potential mail theft.	Review found no evidence that mail theft or mail box tampering had occurred.	12/07/09
White House	Mail delivery issues.	The correspondence provided was no longer legible. We notified the complainant and provided a contact number in case assistance was needed.	12/28/09
Representative, New York	Request for information about an OIG investigation.	We provided the information as requested.	12/18/09
Chairman, House Subcommittee	Request for the inspector general's testimony before the Subcommittee.	The inspector general testified as requested.	3/25/10
Representative, Texas	The OIG wrongfully terminated complainant and denied him a fair and neutral hearing.	The complainant earlier elected administrative relief with other agencies, in which our agency is fully cooperating.	3/02/10
Representative, California	Concerns about the calculation of expense and benefits associated with the consolidation and relocation of staff and operations from the Mojave facility.	Sierra Coastal District management's analyses and business case supporting the changes to destinating mail processing operations at Mojave were reasonable. Management prepared a business case to move most of the destinating mail processing operations out of Mojave. We found that several potential service standard downgrades could result from the changes, but management stated they made operational and transportation changes to ensure no service performance downgrades occurred.	1/22/10
Representatives and Senators, Pennsylvania	Concerns about consolidation of two Pennsylvania facilities.	The OIG advised audit work has been slated for later this fiscal year.	10/30/09
Representative, West Virginia	Fraudulent processes and delays in Priority Mail shipments at a West Virginia facility.	The review did not identify any fraudulent or unusual activities and noted the transfer of Priority mail processing operations from Huntington to Charleston is authorized to improve operational efficiency.	11/06/09
Senator, Texas	Management at a Texas facility engaged in unfair employment practices and violated federal law in the use of stand-by time.	OA reviewed the information provided by complainant for consideration in future audit plans in the area of human resources.	12/12/09
State Representative, Florida	Closure of retail postal facilities in central Florida.	OA has not reviewed the specific criteria or processes the Postal Service uses to evaluate potential stations for closure. We provided information about the Postal Service's criteria which include factors such as mail volume and retail transaction trends.	1/04/10

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Requestor	Allegation/Concern	Major Findings	Closure Date
Chairman, House Committee	Request for investigation of an incident involving significant delays in the delivery of New York pension checks.	The review found check delays (up to 11 days) resulted from their treatment as Standard, not First-Class Mail and that Standard Mail was not being timely processed. Review also found the Postal Service took immediate action to locate, process, and deliver the pension checks as well as to expedite replacement checks and send letters to creditors once the matter was noticed.	1/28/10

Inspector General Audits (6)

Requestor	Allegation/Concern	Major Findings	Closure Date
Representative, California	Concerns about the calculation of expense and benefits associated with the consolidation and relocation of staff and operations from the Mojave facility.	Sierra Coastal District management's analyses and business case supporting the changes to destinating mail processing operations at Mojave were reasonable. Management prepared a business case to move most of the destinating mail processing operations out of Mojave. We found that several potential service standard downgrades could result from the changes, but management stated they made operational and transportation changes to ensure no service performance downgrades occurred.	1/22/10
Representatives and Senators, Pennsylvania	Concerns about consolidation of two Pennsylvania facilities.	The OIG advised audit work has been slated for later this fiscal year.	10/30/09
Representative, West Virginia	Fraudulent processes and delays in Priority Mail shipments at a West Virginia facility.	The review did not identify any fraudulent or unusual activities and noted the transfer of Priority mail processing operations from Huntington to Charleston is authorized to improve operational efficiency.	11/06/09
Senator, Texas	Management at a Texas facility engaged in unfair employment practices and violated federal law in the use of stand-by time.	OA reviewed the information provided by complainant for consideration in future audit plans in the area of human resources.	12/12/09
State Representative, Florida	Closure of retail postal facilities in central Florida.	OA has not reviewed the specific criteria or processes the Postal Service uses to evaluate potential stations for closure. We provided information about the Postal Service's criteria which include factors such as mail volume and retail transaction trends.	1/04/10
Chairman, House Committee	Request for investigation of an incident involving significant delays in the delivery of New York pension checks.	The review found check delays (up to 11 days) resulted from their treatment as Standard, not First-Class-Mail and that Standard Mail was not being timely processed. Review also found the Postal Service took immediate action to locate, process, and deliver the pension checks as well as to expedite replacement checks and send letters to creditors once the matter was noticed.	1/28/10

Postal Inspection Service Investigations (27)

Requestor	Allegation/Concern	Major Findings	Closure Date
Representative, Ohio	Fraudulent filing of a Change of Address (COA) form.	A postal inspector previously reviewed the complaint and found no evidence of a fraudulent COA filing.	10/15/09
Senator, Virginia	Mail fraud scheme.	A postal inspector reviewing the allegations found the complainant was the victim of an international fraud scheme. The inspector was unable to develop viable investigative leads in the continental U.S. Should further leads develop, inspectors will revisit the incident.	12/28/09
Senator, Texas	Postal employee alleged a coworker's spouse threatened assault; alleged improper relationship between a supervisor and employee.	Investigation did not substantiate the allegations, and found postal inspectors had addressed the issues and advised complainant before he contacted the senator.	10/16/09
Senator, Michigan	Complainant requested reinstatement as a postal inspector.	Review found complainant voluntarily resigned from the Postal Inspection Service; there was a hiring freeze; and complainant was not entitled to reinstatement under postal regulations.	10/22/09

Requestor	Allegation/Concern	Major Findings	Closure Date
Senator, Pennsylvania	Fraudulent request for wire transfer.	Allegations forwarded to Criminal Investigations Service Center for review.	10/05/09
Senator, Alaska	Theft of a parcel from a Post Office mail box section; surveillance system not operating properly.	Inspectors found few leads to pursue; inspectors do not maintain a surveillance system.	10/19/09
Representative, Ohio	Request for investigation of the death of a postal employee occurring during performance of job duties.	Request withdrawn.	12/03/09
Representative, Pennsylvania	Mail fraud scheme.	Allegations forwarded to Criminal Investigations Service Center for review.	10/20/09
Senator, Maryland	Mail fraud scheme.	Allegations forwarded to Criminal Investigations Service Center for review.	10/08/09
Senator, Maryland	External mail theft first reported in 2007.	Complainant advised there are no continuing problems. The inspector confirmed complainant's mailbox was secured and functioning properly.	10/20/09
Senator, Maryland	Attempt to fraudulently obtain a Post Office box in complainant's name.	An inspector reviewed and found no evidence to support the allegation.	11/18/09
Senator, Alaska	Receipt of an opened mail piece placed in a plastic bag with instructions to contact state troopers.	Returned rifled mail included notifications of suspected or known mail activity. The Postal Inspection Service participated in a multi-agency investigation with the Alaska State Troopers into mail theft and related crimes, resulting in state prosecution of six individuals and pending federal charges against others.	11/30/09
Representative, Pennsylvania	Fraudulent billing by a health provider.	The matter is considered Medicare fraud rather than mail fraud, and the FBI has asserted jurisdiction over these cases.	11/23/09
Representative, New York	Mail theft and fraudulent filing of COA forms.	A postal inspector reviewed and found a local law enforcement agency was investigating the matter, and provided additional information for that investigation.	11/02/09
State Representative, Pennsylvania	Mail fraud scheme.	A postal inspector reviewed the mailing. As it originated outside the U.S. and resulted in no loss for the complainant, only action will be to add to database for systemic review.	10/29/09
Representative, Pennsylvania	Threatening mailings from a collection agency for purported debts.	Inspectors notified the Federal Trade Commission of the potential Fair Debt Collection Practices Act violation and were reviewing potential postal jurisdiction over other aspects of the agency activities.	11/04/09
Representative, Wisconsin	Mail fraud scheme.	The mail was not used to support the scheme and therefore it is outside of Postal Inspection Service jurisdiction. The inspector forwarded the allegations to the Federal Trade Commission.	11/17/09
Representative, Indiana	Postal inspectors retained documents provided for an investigation.	Documents returned.	11/02/09
Representative, Pennsylvania	Hundreds of unsolicited magazine subscriptions were entered in complainant's name, possibly as a form of harassment.	After declinations of prosecution at the federal and local levels, the inspector conducted investigative activity intended to deter further harassment.	11/17/09
Representative, Wisconsin	A municipal employee attempted to close the complainant's personal Post Office box at a Wisconsin Post Office.	A postal inspector reviewed and did not substantiate the allegations.	11/23/09
Senator, Maryland	Unsolicited mailing regarding Medicare benefits.	Review found the mailing came from a company with a valid postal permit for commercial mailings. Review did not find indications of deceit.	11/16/09
Representative, California	Concern about the security and fee associated with the Postal Service's Internet-based COA process and non-postal websites offering similar services.	The review found several websites offering COA services properly represented themselves as official Postal Service websites and therefore violated no federal mail fraud laws. A postal inspector also noted the \$1 fee for Internet COA filing is a security measure to capture electronic information about the requestor, should any issues arise.	11/13/09
Representative, Maryland	Mail fraud scheme.	Allegations forwarded to Criminal Investigations Service Center for review.	11/30/09

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Requestor	Allegation/Concern	Major Findings	Closure Date
Representative, New York	Receipt of threatening mail.	A postal inspector reviewed the mailings and determined they did not fall within the precise meaning of the threatening mail statute, 18 USC § 876. Because the mailing was harassing, the Inspector suggested filing a report with the local law enforcement agency.	12/07/09
Representative, Florida	Unauthorized COA filed.	The review showed a temporary COA order was placed and deleted 2 months later, and the matter was forward to an identity theft team for possible criminal investigation. The inspector requested all residual mail at the temporary address be returned to the complainant.	11/23/09
Representative, California	Mail fraud scheme.	A postal inspector reviewed the mailing and noted pending complaints against the company.	11/24/09
Representative, California	Fraudulent billing by a collection agency.	Use of e-mail, rather than U.S. Mail, to advance the scheme appears to place it outside Postal Inspection Service jurisdiction.	11/23/09

Referrals (8)

Requestor	Allegation/Concern	Referred To	Closure Date
Representative, Pennsylvania	Complainant requests reconsideration of a decision to cancel a lease.	Postal Service Government Relations Office	10/19/09
Representative, Pennsylvania	External mail theft.	Postal Inspection Service	12/30/09
Representative, Georgia	Mail fraud.	Postal Inspection Service	12/30/09
Senator Georgia	Mail fraud.	Postal Inspection Service	12/30/09
Senator, California	Request for a response to constituent letter to the chief postal inspector concerning a threat at a California facility.	Postal Inspection Service	12/14/09
Representative, Indiana	Request for information about the consolidation of letter carrier routes in a congressional district.	Postal Service Government Relations Office	2/09/10
Senator, California	Request for a Postal Inspection Service document.	Postal Inspection Service	2/19/10
Representative, Maryland	Lack of management response to an OIG investigation into employee misconduct.	Postal Service Government Relations Office	3/22/10

SUPPLEMENTAL INFORMATION

Freedom of Information Act

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

For the period October 1, 2009 – March 30, 2010

Requests	Number of Requests
Carryover from prior period	10
Received during period	150
Total on hand during period	160

Actions	Number of Requests
Processed during the period	152
Requests denied in full	14
Requests denied in part	59
Requests granted in full	8
No records	11
Requests referred	41
Requests withdrawn	13
Fee-related reasons	—
Records not reasonably described	—
Not a proper FOIA request for some other reason	5
Not an agency record	—
Duplicate request	1

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	9.5

Workplace Environment

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

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

Activities

For the period October 1, 2009 – March 31, 2010

Complaints received	Total
Carryover from prior period	37
Complaints received from OIG Hotline, Congress, governors, management, internal, and other	293
Total on hand during this period	330

Workplace environment actions	Total
Complaints reviewed and closed during the period	302
Referred to Postal Service management	107
Referred to Office of Investigations	25
Referred to Postal Inspection Service	8
Referred to Office of Audit	1
Summary of findings to Congress/BOG/Postal Service management	4
Referred to database for statistical analysis and possible systemic review	157
Complaints pending at the end of the period	83

Acronym Guide

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

AMP: area mail processing	NDC: network distribution center
APWU: American Postal Workers Union	OWCP: Office of Workers' Compensation
ASC: Accounting Service Centers	P&DC: processing and distribution center
BMC: bulk mail center	P&DF: processing and distribution facility
BMEU: Business Mail Entry Unit	PAEA: Postal Accountability and Enhancement Act of 2006 (also known as The Postal Act of 2006)
COR: Carrier Optimal Routing	PIR: Process Improvement Review
CSBCS: Carrier Sequence Bar Code Sorter	PIVMS: Powered Industrial Vehicle Management System
DBCS: Delivery Bard Code Sorter	PSRHBF: Postal Service Retiree Health Benefit Fund
DOL: U.S. Department of Labor	PVS: Postal Vehicle Services
FPA: foreign postal administrations	RDC: regional distribution center
HCR: highway contract route	SCR: software change requests
HRSSC: Human Resources Shared Service Center	SSA: sales and services associate
ISC: International Service Centers	SSDA: sales, services, and distribution associate
MPE: mail processing equipment	SSLP: Supplier Sales Lead Program
MTE: mail transport equipment	TDSN: time-definite surface network
NALC: National Association of Letter Carriers	

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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
- Injury compensation fraud
- Embezzlements and financial crimes
- Contract fraud
- Kickbacks
- Computer crimes
- Narcotics
- Employee misconduct
- Internal affairs and executive investigations
- Whistleblower reprisals

Contact: 888-USPS OIG

www.uspsoig.gov



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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