

Office of Inspector General

December 15, 2006

Senator Charles E. Grassley, Chairman  
United States Senate Committee on Finance  
135 Hart Senate Office Building  
Washington, DC 20510-1501

Dear Mr. Chairman:

In your May 31, 2005, letter to the Office of Inspector General (OIG), you inquired about efficiencies and cost savings initiatives within the Postal Service, and whether savings went to the rate payers. In March 2006 we provided you with a report detailing savings derived from the already completed initiatives. As a follow-up we are providing you with information regarding an additional cost savings initiative identified, resulting from the transition of certain jurisdiction from the U.S. Postal Inspection Service (USPIS) to the OIG. At the time of our March 2006 report, the transition was not complete. However, in January 2007, the transition will be completed and the savings identified. As we agreed, we are providing the information concerning that initiative and the savings that will result.

The Postal Service has the opportunity to realize additional organizational efficiencies

and cost savings based on the recent transition of investigative jurisdiction for the

internal crimes program from the USPIS to the OIG. This transition should improve the

effectiveness of both organizations, will provide the OIG the investigative jurisdiction

Congress intended, and will result in estimated cost savings of \$50 million annually.

With the creation of an independent OIG in 1996, Congress intended for the Postal Service to transfer all congressionally mandated OIG audit and investigative functions to the new OIG. However, only the audit function was transferred at that time, and the USPIS continued its internal investigative function. The OIG also created its own investigative office, pursuant to the mandate of the 1996 amendments to the Inspector General Act of 1978 (the Act). The Act clearly requires the OIG to investigate internal matters and report on the conditions affecting the integrity of the workforce to the agency head and to Congress.

To resolve the jurisdictional issues, the OIG and USPIS undertook several actions. First, we agreed to form a strategic alliance with USPIS in 2004 to ensure

compliance

with the Act by involving the OIG in employee investigations. In a second phase, the two organizations agreed on exclusive jurisdictional responsibilities and identified shared work in a Memorandum of Understanding (MOU) dated April 29, 2005.

On March 10, 2006, the Chairman of the Board of Governors and the Postmaster General signed a memorandum announcing the completion of the transfer of investigative jurisdiction for Postal Service employees from the USPS to the OIG.

By

January 2, 2007, the OIG will have full responsibility for the investigation of internal crimes, including employee misconduct and internal mail theft investigations, as required by the Act. Responsibility for security and external crimes investigations remains with the USPS.

Lastly, in April 2006, the Chairman of the Board of Governors and the Postmaster General issued a memorandum articulating principles for implementing the transition.

Among them, the Postmaster General requested that the OIG conduct these investigations with fewer resources than the USPS had used. We estimate that the USPS' cost to conduct the work being transferred to the OIG was \$110 million annually.

The OIG will conduct the work with fewer personnel at an estimated cost of \$60 million.

Thus, as a result of the transition, the Postal Service will save an estimated \$50 million annually.

The transition of internal crimes will provide the OIG with full investigative jurisdiction as

intended by the Act, increase efficiency, and improve service to stakeholders. In early

2007, the OIG plans to conduct a review of cost savings related to the transition of the

internal crimes program from the USPS to the OIG. We will assess the actual savings

and determine whether the USPS appropriately reduced its costs to allow the Postal Service to realize the maximum savings.

If you have any questions or need additional information, please contact me, or have

your staff contact Scott Wilson, Deputy Inspector General, at (703) 248-2100.

Sincerely,

David C. Williams  
Inspector General

cc: L. Malcolm, USPS