Semiannual Report

TO THE CONGRESS

UNITED STATES POSTAL SERVICE · OFFICE OF INSPECTOR GENERAL

OFFICE OF INSPECTOR GENERAL

October 1, 1997 - March 31, 1998

UNITED STATES POSTAL SERVICE

A Message from the Inspector General

This has been a rewarding period for the United States Postal Service (USPS), its customers and employees. Under the leadership of Postmaster General Marvin Runyon, the Postal Service has met or exceeded key business objectives for service, financial performance, and workplace improvements. Through their combined efforts, the Office of Inspector General (OIG) and the Inspection Service provided valuable and timely audit and investigative assistance to the Postal Service.

Today, the Postal Service faces many significant challenges, including issues such as providing universal service in a competitive market and ensuring a safe and secure workplace. Despite the efforts of management, violence in the workplace, unfortunately, continues to exist. Recent incidents have undermined employee confidence and resulted in trauma or the tragic loss of life. The entire Postal Service is deeply troubled by these events and is seeking ways to prevent recurrences.

Through our audit and investigative efforts, we are helping the Postal Service address these challenges. Working with our stakeholders, we identified 10 significant issues facing the Postal Service, including: workplace violence, workers' compensation, labor management relations, service delivery, financial management, systems automation, rate-making, electronic commerce, data integrity and Year 2000. We are addressing these issues and, with the hiring of additional staff, will provide greater coverage in future work.

Karla W. Corcoran
Inspector General

We have just completed our first year of operations, hiring experienced, diverse staff from the private sector, the Postal Service, and other federal agencies. We are continuing to learn more about the Postal Service. In the past 6 months, we completed our first Five-Year Strategic Plan and Annual Performance Plan, which will focus our efforts. While continuing to build our organization, we performed proactive audit and investigative work and issued reports in areas such as Year 2000, vehicle management, fuel purchases, advertising expenses, and management systems.

As an integral part of the OIG's mission, the Inspection Service will continue to assist the OIG in conducting audits and investigations. In addition, postal inspectors will continue to perform their traditional role of enforcing over 200 postal-related statutes. During the past 6 months, the Inspection Service provided invaluable audit and investigative support to the OIG. The Inspection Service also prepared its Five-Year Strategic Plan, which focuses on major Postal Service operations. Having reached its adjusted complement based on the creation of a new OIG, the Inspection Service has begun recruiting and training new inspectors to maintain approved staffing levels.

In this period, the OIG Hotline received over 12,000 inquiries, an average of nearly 93 inquiries per workday. Also, numerous letters were received from Members of Congress relating to labor management, core business and information technology issues. These calls and letters are valuable sources of information on potential audit and investigative areas and represent the voices of our most valuable customers, the American public and Postal employees.

We are excited to present this Semiannual Report to Congress which highlights significant activities and accomplishments of the OIG and the Inspection Service from October 1, 1997 through March 31, 1998. We have restructured the report to focus on Postal Service's CustomerPerfect! goals: the voices of the customer, the employee, and the business. Submission of this report fulfills the OIG reporting requirements of the Inspector General Act and the Inspection Service requirements under the Mail Order Consumer Protection Act.

During this reporting period, the Inspection Service performed the majority of our audit and investigative work. Our combined efforts resulted in audit reports that identified over $158.2 million in questioned and unsupported costs and over $16.6 million in funds put to better use. We also issued seven management advisory reports. In addition, investigations resulted in the arrests of 5,109 individuals, and 4,387 individuals were convicted on charges from this and prior fiscal years. Generally, Postal Service management was responsive to our recommendations to enhance postal processes.

While much of our energy is spent on today's challenges, we are looking to the future and will continue to dedicate our resources to high-risk areas and emerging issues. We will continue to assist management in strengthening its processes, reducing costs, and preventing and detecting fraud, waste and mismanagement.

We remain impressed by the dedication, professionalism, and commitment of Postal Service management and employees in assuring Postal Service goals are met. The successes that we have achieved are attributable to a team effort with the Governors, Congress, management, employees, and the Inspection Service. We would also like to thank Postmaster General Marvin Runyon for his support to our new organization and wish him continued success in the future.

We are eager to contribute to improvements in Postal Service operations and excited about responding to future challenges.

Karla W. Corcoran

Karla W. Corcoran
Inspector General
April 30, 1998

The OIG management committee displayed the mementos that were given to all OIG staff members at the January 13, 1998 recognition ceremony. From left to right: Sylvia Owens, Assistant Inspector General (AIG) for Revenue and Cost Containment; Norman Hancock, AIG for Customer; Karla Corcoran, Inspector General; Thomas Coogan, General Counsel; Colleen McAntee, AIG for Performance; and Ronald Merryman, AIG for Strategic Planning and Quality. Billy Sauls, AIG for Employee, did not join the OIG until a month after this photograph was taken.

Executive Summary

During the past 6 months, the Office of Inspector General (OIG) and Inspection Service continued their efforts in helping the United States Postal Service (USPS) achieve its *CustomerPerfect!* goals. During this time period USPS reported the following successes:

- Achieved the third highest net income in history and, for the third straight year, a surplus of more than $1 billion;
- Set new on-time performance records for First Class Mail;
- Delivered mail at the rate of 191 billion pieces per year to 130 million delivery points;
- Reduced workers' compensation expenses by $531 million;
- Added new or expanded retail merchandise and postal store services; and
- Announced a market test for the first personal computer-generated secure postage.

The following highlights the OIG's and the Inspection Service's successes in assisting USPS in meeting its *CustomerPerfect!* goals: the Voices of the Customer, the Employee and the Business.

OIG AND INSPECTION SERVICE ACCOMPLISHMENTS

These are the combined accomplishments of the OIG and the Inspection Service; the majority of these services during this period were performed by the Inspection Service.

Voice of the customer:

Helped USPS improve customer satisfaction by:

1) Assessing its performance in providing value and meeting expectations; and
2) Increasing customer confidence in the use of the mail.

We serve our customers by:

Listening

- Answered over 12,000 calls to our national toll free Hotline; and
- Addressed Congressional inquiries relating to labor-management, core business and information technology issues.

Responding

- Issued OIG subpoenas for workers' compensation, conflicts of interest, financial/revenue investigations;
- Targeted suspects involved in the delivery or distribution of pornographic materials, and mail bombs, or in the theft, delay or destruction of mail;
- Seized $5.7 million in cash and other assets relating to narcotics trafficking and money laundering;
- Arrested 682 suspects on mail fraud charges including investment scams, telemarketing fraud, health care and insurance-related fraud, identity takeovers and other mail fraud schemes; and
- Analyzed forensic and technical evidence to identify violators of postal statutes.

Voice of the employee:

Helped the USPS improve employee and organizational effectiveness and ensure employee safety.

We addressed labor/management issues by:

Protecting

- **Whistleblowers:** In response to a report, the Deputy Postmaster General advised no retaliatory

OIG agents arrested an individual for theft of OIG electronic equipment.

action be taken against employees making allegations to the OIG;

- **Inspectors:** Independently reviewed the concerns of a postal inspector, who was the subject of an internal affairs investigation;
- **Employees:** Investigated 660 assaults or credible threats against employees and made 237 arrests. Investigated 90 robberies committed against employees at postal facilities, letter carriers and motor vehicle service operators. Fifty-six employees were investigated for narcotics violations; and
- **Workplace:** Participated in National Threat Assessment and Crisis Management Teams to assess workplace environments and solutions to employee behavioral problems.

Voice of the business:

Improved USPS financial self-sufficiency, prevent loss of revenue and assets, and reduce costs.

We addressed the voice of the business by:

Investigating

- **Employee Embezzlements:** Identified 386 postal employees at all levels involved in embezzling approximately $1.1 million in postal funds;
- **Revenue Deficiencies:** Identified over $17.4 million in revenue deficiencies relating to counterfeiting and mail fraud;
- **Workers' Compensation Claims:** Conducted workers' compensation fraud investigations, which identified numerous violations; and
- **Counterfeit Postage Stamps:** Detected counterfeit postage stamps created and used by two firms using color copiers.

Evaluating

- **Financial Statement Opinion:** Assisted independent certified public accountant that issued unqualified opinion on FY 1997 financial statements;
- **Year 2000:** Helped USPS recognize the need for additional expertise and corporate-wide involvement to accurately assess and address the Year 2000 challenges;
- **Tray Management:** Reviewed an unexpected system shutdown and found that improvements were needed to prevent personnel from terminating the program and disrupting the movement and staging of mail in a processing plant;
- **Renovation:** Reviewed a renovation project in Chicago and recommended improvements in project management, contractor performance and other safety and environmental issues;
- **Vehicle Management:** Reviewed the accounting system and recommended strengthening contract management, project management and system security areas;
- **Advertising Agency Invoices:** Identified methods to improve the receipt and examination of supporting documentation to fully justify payment of invoices submitted by advertising agencies;
- **Fuel Purchases:** Recommended that a quality assurance program be established and that improvements are needed for compliance with the Clean Air Act;
- **Medical Payments:** Found that additional financial benefits could be gained by using medical error detection software to reduce unwarranted charges for workers' compensation medical payments; and
- **External First Class Measurement System (EXFC):** Postal Service employees identified EXFC reporters and test pieces, in an effort to advance mail to EXFC destinations and thwart measurement system.

LEGISLATIVE REVIEWS

Reviewed existing and proposed legislation and regulations relating to USPS programs and OIG operations, including H.R. 22, the Postal Reform Act of 1997, and H.R. 2584, the Health Care Fraud Prevention Act of 1997.

ORGANIZATIONAL INFRASTRUCTURE

Major accomplishments achieved by the OIG and the Inspection Service in building and managing their organizations include:

- **Staff:** OIG hired 52 additional staff for a total complement of 161 diverse and talented team members. The Inspection Service has reached its Fiscal Year 2002 target levels and has begun hiring new inspectors;
- **Space:** Acquired permanent office space for OIG headquarters staff in Rosslyn, Virginia, and temporary office space for OIG's four field sites;
- **Identification:** Issued official badges and credentials to all OIG employees;
- **Technology:** Equipped OIG staff with integrated computer work stations;
- **Internet:** Established an OIG "home page" on the Internet to provide additional information about the agency;
- **Planning:** OIG and the Inspection Service individually published their Five-Year Strategic Plans and OIG completed its Annual Performance Plan; and
- **"Firsts":** Issued the first OIG subpoena, made first arrest, and obtained first conviction.

TOP TEN MANAGEMENT ISSUES FACING THE POSTAL SERVICE:

As a result of reaching out to our stakeholders, we identified the following significant issues:

1. Violence in the Workplace
2. Labor Management Relations
3. Workers' Compensation
4. Service Delivery
5. Financial Management
6. Systems Automation
7. Rate-making
8. Electronic Commerce
9. Data Integrity
10. Year 2000

DID YOU KNOW?

What are the OIG's "values?"

The OIG's values are teamwork, leadership, creativity, communication, and conceptualization, and are incorporated into a 360-degree employee evaluation system nicknamed "TLC^2."

We are working in each of these areas and will continue to address these issues in future reviews.

CHALLENGES FACING THE OIG

Congress has repeatedly asked the OIG community to include in the semiannual report those significant challenges facing OIG management. Our challenges include:

- **Financial Statement Audit Responsibility:** The Inspector General Act and Postal Service legislation are not consistent with respect to financial statement audit responsibility.
- **Volume of Requests:** OIG received over 12,000 Hotline and Congressional inquiries primarily related to labor-management issues. To individually address each concern from a workforce in excess of 800,000 employees, OIG would need to significantly increase its projected staffing.
- **Hiring:** Recruiting additional quality staff; and
- **Infrastructure:** Developing OIG's management information, communication and reporting systems while continuing to do substantive audits and investigations.

The following sections provide additional details on the combined accomplishments of OIG and the Inspection Service during this reporting period.

Overview

OFFICE OF INSPECTOR GENERAL

The Office of Inspector General (OIG) was established as a separate, independent entity within the USPS on September 30, 1996. Karla Corcoran was sworn in as the first Inspector General on January 6, 1997, reporting directly to the USPS Governors. Previously, the Chief Postal Inspector served as the Inspector General, reporting directly to the Postmaster General. In order to ensure a seamless transition between the Inspection Service and the independent OIG, the Governors approved a designation of functions that is fully described beginning on page 14.

OIG's mission is to:

* Conduct and supervise audits and investigations relating to the programs and operations of the USPS;
* Promote economy, efficiency, and effectiveness in the administration of, and to prevent and detect fraud and abuse in, the programs and operations of the USPS;
* Provide oversight of Inspection Service activities; and
* Inform the Governors, Postal management, and Congress about problems and deficiencies relating to USPS programs and operations.

OIG's purpose is to strengthen and enhance the USPS through audits, investigations, and consulting services that will contribute to:

* Improving operations and services;
* Achieving CustomerPerfect![1] goals; and
* Promoting process, results, and employee integrity.

This OIG is different from other OIGs. Although similar to the rest of the OIG community because it provides independent audit and investigative coverage of USPS programs and operations, this OIG operates in a different environment.

* First, OIG faces a significant continuing challenge because it lacks personnel and pay systems.
* Second, OIG continues to face the challenge of conducting substantive audits and investigations while still devoting a majority of resources to infrastructure issues. These issues include areas such as hiring 220 team members, acquiring office space and equipment in five locations, and developing policies and procedures to conform to a unique culture.
* Third, the learning curve for this OIG has been challenging. While the staff has audit and investigative experience, OIG staff need to become more familiar with USPS. USPS is a complex, unique organization that employs one of the world's largest civilian workforces—over 800,000 employees, and operates under a mixed identity of government and business.
* Fourth, it will remain an ongoing challenge to inform employees, management, unions, and other customers about OIG and how it differs from the Inspection Service.

Organizational Structure

The OIG structure (see chart, p. 7) meets the requirements of the law and parallels the Postal Service's CustomerPerfect! structure. OIG is organized into teams to address the Voices of the Customer, the Employee, and the Business. The Assistant Inspector General (AIG) for

[1] CustomerPerfect! is a quality process management system that builds customer satisfaction and excellence into every process and procedure of the Postal Service. Its focus is to put into place specific goals, performance targets, and strategies in three broad categories called "voices" — the Voice of the Customer, the Voice of the Employee, and the Voice of the Business.

Customer serves the Voice of the Customer, the AIG for Employee serves the Voice of the Employee, and the AIGs for Revenue and Cost Containment and Performance serve the Voice of the Business. The AIG for Strategic Planning and Quality and the General Counsel to the Inspector General support the entire OIG in its efforts to serve the three voices.

OIG Organization

Team descriptions and notable accomplishments are as follows.

General Counsel

General Counsel Tom Coogan and the legal staff provide independent and specialized legal advice to the Inspector General and OIG staff. This team researches legal issues, processes subpoenas, reviews legislation, coordinates Congressional and external relations, handles Freedom of Information Act (FOIA) requests, and serves as a liaison with USPS and Department of Justice legal staffs.

Notable Accomplishments

* Issued first OIG subpoena in November 1997;
* Transitioned subpoena authority from Inspection Service to OIG; and
* Processed 430 subpoena requests and 18 FOIA requests.

Strategic Planning and Quality

The AIG for Strategic Planning and Quality, Ronald Merryman, and his team develop and monitor long-range strategies and quality processes, coordinate internal computer systems and support, provide forensic and technical services, and evaluate electronic commerce.

Notable Accomplishments

* Completed the Strategic Plan for FYs 1998-2002 and the Annual Performance Plan for FY 1998;
* Established the OIG internet webpage (www.uspsoig.gov);
* Installed OIG's Local Area Network (LAN);
* Developed an awards program for OIG;
* Conducted new employee orientation sessions;
* Obtained access to law enforcement databases from other federal agencies; and
* Qualified all criminal investigators with firearms.

Revenue and Cost Containment

The AIG for Revenue and Cost Containment, Sylvia Owens, fulfills the role of the AIG for Investigations. The Revenue and Cost Containment team performs investigations, audits, and reviews of contracts, facilities, revenue generation, revenue protection, and workers' compensation.

OIG's vision is a constellation of talented people making a difference through teamwork, service, and innovation. OIG values teamwork, leadership, communication, creativity, and conceptualization.

On January 13, 1998, Inspector General Karla W. Corcoran recognized members of the transition team who helped create the new OIG.

Postmaster General Marvin Runyon administered the oath of office to two new OIG employees

Notable Accomplishments

- Made first arrest, resulting in conviction;
- Recommended contractor for debarment;
- Facilitated reinstatement of improperly fired employee;
- Received search warrant authority from the Attorney General;
- Developed profiles of potential areas susceptible to embezzlements;
- Developed a long-range marketing plan targeting high-risk areas; and
- Developed contract database for trend analysis.

Performance

The AIG for Performance, Colleen McAntee, serves the role of the AIG for Audit. The Performance team does audits, reviews, and investigations of programs and operations of the USPS, including developmental and financial statement matters, to ensure that program operations are conducted economically and efficiently, and that financial statements present fairly the position of the USPS.

Notable Accomplishments

- Informed all employees, through the Postal Bulletin, that OIG has unrestricted access to all documents and records;
- Obtained read-only access to all accounting and all Inspection Service systems;
- Provided immediate review of a shutdown of one Time Management System;
- Identified opportunities for management to improve compliance with the Inspector General Act reporting requirements; and
- Partnered with the Inspection Service on year-end internal financial statement opinion audit, and began transitioning financial statement work to OIG.

Customer

The AIG for Customer, Norman Hancock, and his team provide information and technical assistance to OIG and external customers, conduct sensitive investigations, provide oversight of the Postal Inspection Service, and maintain the Hotline operation for reporting fraud, waste, abuse, and mismanagement.

Notable Accomplishments

- Handled more than 12,000 inquiries to Hotline;
- Identified opportunities for improving Inspection Service's internal affairs review process;
- Completed sensitive investigations of two high-level officials;
- Opened investigations involving allegations of misconduct by other senior officials; and
- Provided consulting services to management on vehicle maintenance facility reviews.

Employee

The AIG for Employee, Billy Sauls, and his team provide internal administrative, human resources, and policy support. Also, the team conducts reviews of labor management issues and Postal information systems.

Notable Accomplishments

- Hired a contractor to screen and perform preliminary assessments of candidates for 220 positions;
- Obtained office space for headquarters and three field locations;
- Identified opportunities to improve planning for the Year 2000 conversion; and
- Retained services of expert statistical consultant to support OIG projects by designing sampling techniques and projecting results of OIG findings.

Challenges Facing OIG

In the prior semiannual report, OIG identified four major challenges—systems development, communications, training, and responsiveness. During this reporting period, OIG identified additional challenges—financial statements, ability to address the volume of Hotline and Congressional requests, hiring talented and qualified staff in a short time frame, and managing infrastructure while more than doubling staff size. A discussion of these challenges follows.

- **System Development and Access:** OIG implemented interim systems and continues to design permanent, state-of-the-art management information and case management systems. In addition to OIG systems development, OIG is in the process of obtaining full access to all USPS systems.

Michael S. Coughlin
Deputy Postmaster General

UNITED STATES
POSTAL SERVICE

March 19, 1998

OFFICERS

SUBJECT: Respecting Employee Rights

A recent incident has been brought to my attention wherein a supervisor at a postal operating facility took action to remove an employee for alleging to the Office of the Inspector General (OIG) actions on the part of local management in violation of the Code of Ethical Conduct. The employee's allegations were furthermore reviewed by the supervisor whose behavior was called into question in the complaint and who concluded, not surprisingly, the allegations were without merit. A subsequent review of the facts by the OIG substantiated the employee's allegations and corrective actions are now underway to ensure a fair resolution of this troublesome situation.

I am advising you of this incident since it illustrates why it is important to reaffirm two statements of principle that are so obviously right and to which every postal manager and supervisor are honor bound to respect, namely:

1. No retaliatory action is to be taken against any postal employee for alleging to the Office of the Inspector General wrongdoing of any sort within the organization. While this is specifically written into Section 7(c) of the Inspector General Act, I would expand its application to include as well similar disclosures to responsible members of USPS management and the Inspection Service.

2. The integrity of the internal review process must not be compromised in any way through the direct involvement in it by a postal official with a self-interest in the outcome of the investigation. This means, among other things, that there will not be a direct reporting relationship between the investigating, proposing and deciding officials responsible for acting upon the allegations.

While these statements are surely self-evident to the large majority of postal managers and supervisors, they need to be continually reaffirmed so long as abuses such as the one cited above continue to happen. I am therefore counting on each of you to convey the message embodied in this letter to your managers and supervisors.

475 L'Enfant Plaza SW
Washington DC [illegible]
202-268-2525
Fax [illegible]

As a result of an OIG investigation, Deputy Postmaster General Michael Coughlin sent this letter to Postal officials reaffirming employee rights.

- **Communications:** Increasing Postal stakeholders' understanding of the OIG organization, mission, role, and responsibilities remains a challenge. OIG seeks additional opportunities to meet with customers and explain its role and mission. During this reporting period, OIG addressed, among others:

  - The Coordinating Committee of U.S. Attorneys;
  - The National Executive Leadership Conference;
  - The Postal Security National Revenue Assurance Conference;
  - The Afro-American Postal League United for Success;
  - The National Association of Postmasters of the United States Convention; and
  - The Association of Directors of Investigation.

DID YOU KNOW?

Does the IG work for the PMG?

No, the OIG is independent of postal management. The Inspector General is appointed by, and reports directly to, the nine presidentially appointed Governors of the USPS.

- **Training:** To increase knowledge of Postal operations, OIG participated in Postal Forums and attended various conferences in areas such as workers' compensation, labor relations, and electronic intercepts. OIG also identified some of the concerns of its customers through liaison efforts and fraud awareness briefings. All OIG employees attended a training session on creative problem solving. The training, which reinforced creativity, one of OIG's core values, was held on January 13, 1998, in conjunction with the first annual OIG anniversary and recognition ceremony. To further educate OIG employees, Deputy Postmaster General Michael Coughlin addressed the group and discussed the challenges facing the USPS. Training will remain a continuing challenge as OIG hires more employees and expands our audit and investigative work into more Postal operations and activities.

- **Responsiveness:** OIG is committed to providing timely and effective responses to the Governors, Congress, management, and employees. OIG provides timely information to the Governors through monthly reports, and the Postmaster General, Deputy Postmaster General, and Chief Operating Officer through monthly meetings. As OIG's mission becomes more widely understood and the number of requests increases, responding in a timely manner will remain a challenge.

- **Financial Statement Audit Responsibility:** The Inspector General Act and Postal Service legislation are not consistent with respect to financial statement audit responsibility. Under the Postal Reorganization Act and the Governors' bylaws, the Board of Governors is responsible for ensuring that the financial statements are audited. The Inspector General Act, however, assigns responsibility for all audits to the Inspector General.

- **Volume of Hotline and Congressional Requests:** During this reporting period, OIG received over 12,000 Hotline and Congressional inquiries. Many of these requests addressed individual labor-management concerns. Hotline calls are assessed and tracked for systemic reviews, but a very small proportion of individual calls results in audits or investigations. To individually address each labor-management concern from a workforce in excess of 800,000 employees, OIG would need to significantly increase its projected staffing.

- **Hiring:** Hiring staff remains a daunting challenge. To assist us in hiring 220 of the brightest and the best professionals, OIG has contracted with a consulting firm. OIG is particularly proud

Deputy Postmaster General Michael Coughlin addressed OIG employees at the OIG's recognition ceremony.

of the diversity of talent it has already recruited: 44 percent of staff are minorities and 50 percent are women. Further, OIG staff possess outstanding technical credentials such as certified public accountants, certified internal auditors, certified fraud examiners, certified information systems auditors, certified cost estimators/analysts, and attorneys.

- **Managing Infrastructure:** Most OIGs were created through combining existing internal audit and investigative functions with operating infrastructure. This OIG, in contrast, began with literally nothing but the Inspector General and a vision. Building systems, acquiring equipment, and developing policies and procedures has been a monumental task. At the same time, customers' expectations have to be met, and the workload continues to increase rapidly. Building an organization while developing high-quality products that add value to the USPS will continue to be a balancing act for at least the next few years.

DID YOU KNOW?

What is the OIG's primary responsibility?

The primary responsibility of the OIG is to prevent, detect and report fraud, waste and program abuse and to promote efficiency in the programs and operations of the USPS.

Challenges Facing Postal Management

Stakeholders, including USPS management, unions, and employee/management associations, have helped us to identify the following challenges:

Labor Management

- **Violence in the Workplace:** USPS widely acknowledges concerns about violence in the workplace. OIG audits and reviews will focus on the root causes that may lead to violence, and will evaluate ways that USPS might reduce the potential for incidents of violence in the workplace. Inspection Service reviews will also concentrate on preventing workplace violence and will include security reviews of individual facilities.

- **Workers' Compensation:** The USPS has substantial workers' compensation future liability cost exceeding $5.1 billion. Total injury-related cash outlays for fiscal year 1997 were approximately $562 million. OIG efforts will be directed toward providing management with systemic information to help reduce the incidence of job-related injuries, ensuring the integrity of the entire process, and performing healthcare provider fraud investigations and reviews. The Inspection Service will concentrate on investigating fraudulent individual claims for compensation.

- **Labor-Management Relations:** With over 800,000 employees, the Postal Service is one of the country's largest employers. Currently, the Postal Service has over 100,000 grievances at the regional or national level awaiting arbitration, which indicates that labor-management relations need improvement. OIG has the designated responsibility for the labor relations area and will review issues such as discipline, training, staffing, recruitment, retention, grievance and appeals process, and overall workplace relationships. The Inspection Service will assist OIG in performing these reviews as needed.

Service delivery is a core business process.

Core Business

- **Service Delivery:** The timely, accurate, secure, and consistent delivery of USPS products directly affects the use of services by its customers. This is vital to maintaining and expanding the USPS customer base and meeting its statutory responsibilities. OIG will provide independent assessments in areas such as consistent and accurate service, ease of use, and access to service. In addition, the OIG will assist USPS by providing independent validation and evaluation of customer surveys and focus groups. The Inspection Service will continue to focus on areas such as local and area service audits and mail service disruptions, security and integrity of mail in transit, risk analyses of conditions inside and outside Postal facilities, deterring mail theft, and burglary countermeasures.

- **Financial Management** USPS is developing a variety of new initiatives to expand products that have growth potential, and to defend products and services threatened by competition. OIG will review new USPS initiatives and cost management efforts by providing independent financial analyses and reviews to validate the integrity of the data used in projections and decision-making processes. In addition, OIG will examine the adequacy of internal controls relating to financial systems and will review revenue generation initiatives. The Inspection Service will prepare and issue individual financial audit reports of installations and district accounting offices.

- **Systems Automation** Management states that upgrading facilities and automating processes with new technology are key ingredients to the Postal Service's success in cost management. OIG will review proposals to automate systems to ensure that the projected cost savings are sound and management proposals are based on proven technology.

- **Rate-making** In a competitive market, the Postal Service wants a process for changing prices, products, and service features that is both timely and protects the interests of the public. The Postal Service believes its capability to respond quickly to competitive influences is crucial to its ability to operate in a break-even manner. The OIG has the designated responsibility for the rate-making area and will monitor and review the Postal Service input to the rate-making process.

- **Electronic Commerce** The USPS faces potential loss of revenue due to increased use of e-mail and electronic financial transactions instead of First-Class mail. For example, the USPS estimates that it could lose annual revenues of up to $500 million with the federal government's switch to electronic funds transfer of paychecks and benefit payments. As more customers move to electronic commerce, the loss of Postal Service revenues could be substantial. OIG will evaluate USPS proposals to compensate for lost business and its efforts to reengineer USPS processes to incorporate electronic commerce into daily operations. OIG will also review this area, as well as others, for potential intrusions into computer systems. Based upon Postal Service's reengineering efforts with electronic commerce, the Inspection Service is determining its role in this new product area.

Information Technology

- **Data Integrity:** Data integrity is key to the success of the USPS decision-making process. Decision-making has substantial financial and labor management implications and must be based upon sound, reliable data. OIG will provide independent analysis and validation of key data elements and will review the USPS information management and data processing systems.

Postal Inspectors, October 26, 1912.

- **Year 2000:** The USPS has identified a minimum of 411 systems with Year 2000 issues. The USPS estimates that Year 2000 issues will be addressed in a timely manner and at a reasonable cost. The OIG will audit USPS efforts to ensure a smooth transition to the Year 2000.

POSTAL INSPECTION SERVICE

For more than two centuries, the role of the Postal Inspection Service has been to preserve the public's trust in Postal services and products. Today, over 200 statutes related to crimes against the U.S. Mail, the USPS, and Postal employees and customers are enforced by the Postal Inspection Service. The mission of the Postal Inspection Service has been refined over the years by Congress, statutes related to the U.S. Mail, creation of a separate OIG, and by the needs and requirements of the USPS and its customers.

The Postal Inspection Service meets its wide-ranging responsibilities through a nationwide complement of 4,500 employees, which includes approximately 2,200 Postal Inspectors, 1,400 uniformed Postal Police Officers, and 900 professional support associates. Postal Inspectors and Postal Police Officers have statutory authority of arrest and to carry firearms.

Through its criminal investigations and audits, the Postal Inspection Service provides a vital service to the American public, as well as a substantial return on the investment made by the Postal Service.

Organization of the Postal Inspection Service

The mission of the U.S. Postal Inspection Service is to ensure the integrity of the mail and the Postal Service by providing investigative, security, audit, and preventive services, and by enforcing statutes that protect the mail, Postal employees, customers, and assets.

The Chief Postal Inspector, appointed by the Postmaster General in consultation with the USPS Board of Governors, reports to the Postmaster General. The National Headquarters office of the Postal Inspection Service is organized into functional groups that report to Deputy Chief Inspectors for Audit, Criminal Investigations, Professional Standards and Resource Development, and Administrative Support. The Postal Inspection Service comprises 23 field divisions, which report directly to two Deputy Chief Inspectors for Field Operations.

Field offices are supported by five Operations Support Groups, and by Postal Inspection Service Forensic Laboratories at five strategic sites support field investigations with state-of-the-art technology. Postal Inspection Service offices are linked nationally via the Inspection Service Data Base Information System, with on-line connections to the National Law Enforcement Telecommunications System and the National Crime Information Center.

Postal Inspectors throughout the United States conduct criminal investigations, perform audits, serve warrants and subpoenas, make arrests for Postal offenses, and present evidence to prosecutors for criminal and civil action. Day and night, Postal Inspectors respond to emergencies involving Postal crimes, natural disasters, or other problems affecting the USPS.

Uniformed Postal Police Officers (PPOs) provide security around the clock at Postal facilities where risk, vulnerability, and history demonstrate the need for their presence. PPOs at facility control centers monitor robbery and burglar alarms to provide protection for Postal employees, property, and assets. PPOs also escort high-value shipments, such as Federal Registered mail and Postal remittances.

Postal Inspection Service professional and technical employees, including forensic specialists, program analysts, financial analysts, and others, play a vital role in supporting the audit, criminal investigation, and security functions of the Postal Inspection Service. They perform a variety of tasks, including:

- Developing and maintaining management systems;
- Providing forensic examinations of evidence;
- Developing, procuring, and deploying electronic security and surveillance equipment;
- Publishing policy, reports, manuals, handbooks, and consumer publications;
- Providing photographic, video, and graphics support;
- Providing direct contact with Congress and the public; and
- Supplying administrative support.

Postal Inspectors nationwide work cooperatively with the Department of Justice and other federal, state, and local law enforcement agencies on joint efforts. Postal Inspection Service expertise is recognized internationally: Inspectors are assigned to the U.S. National Central Bureau of Interpol in Washington, D.C., and to Interpol headquarters at Lyon, France. The Chief Postal Inspector chairs the Postal Security Action Group (PSAG) of the Universal Postal Union (UPU). PSAG has established these priorities:

- Prevent customer injuries resulting from dangerous goods in the mail;
- Prevent the loss or theft of mail entrusted to world Postal administrations by customers;
- Prevent revenue and asset losses of world Postal administrations; and
- Preserve customers' confidence in the mail.

U.S. Postal Inspectors are active members of such committees as the:

- Securities and Commodities Fraud Working Group;
- Organized Crime Council;
- International Policy Committee of the International Association of Chiefs of Police.

- Economic Crimes Council;
- National Health Care Anti-Fraud Association;
- Financial Crimes Enforcement Network;
- International Association of Financial Crimes Investigators;
- Asset Forfeiture Policy Advisory Group; and
- National Law Enforcement Explosives Committee.

Postal Inspectors work with the Child Exploitation and Obscenity Section of the Department of Justice and the National Center for Missing and Exploited Children on child pornography cases, and with the Standing Working Party on Offenses Against Minors, an international organization sponsored by Interpol.

DESIGNATION OF FUNCTIONS BETWEEN THE OFFICE OF INSPECTOR GENERAL AND THE INSPECTION SERVICE

The Governors approved a designation of duties and responsibilities between OIG and the Inspection Service. This designation maximizes each organization's capabilities while maintaining their legislated roles and responsibilities. The designation also provides opportunities for partnering between OIG and the Inspection Service. OIG and the Inspection Service have worked cooperatively to ensure a smooth transition of responsibilities as OIG increases its staff. This is evidenced in the jointly developed audit workload plan for FY 1998. OIG and the Inspection Service will partner on audits and investigations to enable both organizations to maximize their capabilities and strengths. OIG's long-range goal is to assume all designated functions within a 5-year period.

Audits

Office of Inspector General: OIG conducts all systemic reviews. This includes Postal-wide performance issues, systems development work, contract administration, labor-management issues, and revenue generation initiatives. OIG also reviews new facilities construction over $10 million; leases, repairs, and alterations over $1 million; and USPS rate-making processes. OIG also conducts financial statement audits above the district level, performs oversight of Inspection Service activities, and coordinates with the Governors-appointed independent certified public accountant.

Inspection Service: The Inspection Service conducts performance audits at the local and area level, pre-award and post-award contract audits, and financial audits at the installation and district level. It also reviews new facilities construction under $5 million, and leases, repairs, and alterations under $1 million.

Investigations

Office of Inspector General: OIG investigates briberies, kickbacks, conflicts of interest, false claims, and matters involving USPS executives. It also conducts service-wide investigations of the USPS and worker's compensation issues at the provider level. OIG will conduct or work jointly with the Inspection Service on significant embezzlement cases and injury claims arising from allegations of USPS negligence. OIG also operates the Hotline for reporting Postal crimes, fraud, waste, abuse, and mismanagement.

Inspection Service: The Inspection Service is responsible for investigating and enforcing over 200 Postal-related federal statutes. It strives to keep the mail safe from attack and to protect Postal employees and USPS assets. The Inspection Service is responsible for investigating assaults or threats against employees, robberies and burglaries, narcotics incidents, employee embezzlements under $100,000, false claims, internal and external thefts, individual workers' compensation fraud, mail bombings, pornography mailings, money laundering, and mail fraud. It operates five forensic and technical laboratories, conducts internal affairs investigations of non-executives, and provides emergency response on cases involving executives.

DID YOU KNOW?

Where will OIG offices be located?

Our first five offices will be located in Rosslyn, VA, Minneapolis, MN, St. Louis, MO, Dallas, TX, and San Mateo, CA.

Designation of Functions

Office of Inspector General*	Inspection Service
Audit	
• Financial statements, including: - Overall opinion audits - Quality reviews of Inspection Service work • Postalwide performance reviews • Contract audits, except pre-award & post-award audits • Developmental audits	• Installation & district financial audits • Area, district, & local performance reviews • Pre-award & post-award contract audits • Service investigations
• Facility audits, including: - Facilities construction contracts of $10 million or more - Right of first choice on contracts between $5 - $10 million - Leases of $1 million or more - Repair & alterations of $1 million or more	• Facility audits, including: - Facilities construction contracts of $5 million or less - Contracts between $5 - $10 million not performed by OIG - Leases under $1 million - Repair & alterations under $1 million
• Revenue focused audits (international mail)	• Revenue cases, including:
Investigations	
• Revenue cases, including: - Bribery, kickbacks, conflicts of interest - Systemic reviews	- Revenue loss detection - Shares with OIG on revenue task force & other groups
• Workers' compensation cases, including: - Program oversight - Provider cases	• Workers' compensation recipient cases
• Tort claims, including: - Serious incidents - Liability reports	• Tort claims
• Embezzlements (conduct/partner on cases of $100,000 or more)	• Embezzlements under $100,000
• Expenditure cases, including: - Bribery, kickbacks, and conflicts of interest - Systemic reviews	• Expenditure cases including: - Cases referred by OIG - IMPAC card cases - Local purchases or procurements
• Conduct/partner on cases involving executives	• Emergency response on cases involving executives
• Inspection Service internal affairs: - Executives	• Inspection Service internal affairs: - Non-executives
• Forensic & technical services	• Forensic & technical services
	• Internal & external crimes • Employee protection • Security • Fraud & prohibited mailings

Additional OIG work:

• Oversight of the Inspection Service • Postal rate-making programs & operations • Revenue generation • Labor management • Electronic commerce • OIG subpoenas • Intrusion detection

* OIG has oversight responsibility for Inspection Service functions. The Inspector General [illegible] with the Inspection Service [illegible] audits and investigations, pursuant to the Inspector General Act.

Goals and Accomplishments

OIG and the Inspection Service Strategic Plans, FY 1998-2002, parallel the USPS Strategic Plan by providing a structure to support efforts to address the needs of the Voices of the Customer, the Employee, and the Business. USPS, OIG, and Inspection Service goal statements are summarized in the chart below.

Goal Category	USPS Goal Statement	OIG External Goal Statement	OIG Internal Goal Statement	Inspection Service Goal Statement
Voice of the Customer	Improve customer satisfaction by offering superior customer value in each market and customer segment that we target.	Improve customer satisfaction by assessing USPS performance in providing customer value and meeting public service responsibilities.	Improve OIG customer satisfaction by providing timely, value-added services to the Governors, Postal management, Congress, employees, and customers.	Increase customer confidence in the use of the mail. Improve Postal Service performance.
Voice of the Employee	Improve employee and organizational effectiveness by having the right people in the right place with the right tools at the right time to consistently provide superior customer value and ensure commercial viability in a dynamic market.	Improve employee and organizational effectiveness by assessing USPS performance in having the right people in the right place with the right tools at the right time in a quality workplace environment.	Improve OIG employee and organizational effectiveness by building an organization that encourages, rewards, and fosters dedication, teamwork, excellence, and productivity.	Ensure employee safety. Enhance the Inspection Service workplace environment to improve organizational performance.
Voice of the Business	Improve financial performance to assure commercial viability as a service provider for the worldwide movement of messages, merchandise and money.	Improve USPS financial self-sufficiency by assessing its business strategies and performance.	Improve OIG performance by adopting the most efficient, effective, and innovative business practices.	Prevent loss of revenue and assets. Reduce costs. Improve Inspection Service technological capabilities.

Efforts are designed to:

- **Provide customer value;**
- **Meet the public's expectations; and**
- **Increase customer confidence in the use of the mail.**

Significant activities during this reporting period included the following:

HOTLINE INQUIRY VOLUME CONTINUED TO RISE

OIG's national toll-free hotline number (1-888-USPS-OIG) is staffed from 7:00 a.m. - 7:00 p.m., Monday through Friday. After hours, a recording refers emergency calls or takes messages. OIG employees analyze and refer complaints for appropriate attention. To increase efficiency and Postal customer service satisfaction, we implemented a caller-directed menu that allows callers to route their query to the appropriate office for response.

During the 6-month period ending March 31, 1998, the OIG Hotline received more than 12,000 inquiries, an average of nearly 93 inquiries per workday. Of these, 11,249 were telephone calls and 850 were letters or faxes. Nineteen percent of the telephone inquiries were directly related to OIG matters, while a much higher percentage of the written inquiries (69 percent) were related to OIG issues. The bulk of OIG-related inquiries involved employee and labor-management issues. Of the remaining inquiries, nearly half were referred to the Postal Inspection Service, while the rest were miscellaneous questions about employment information, mail service, etc.

Threats and any other potentially violent work situations are routed immediately to the Postal Police Control Center for action 24 hours a day. During this reporting period, the Control Center received 72 emergency calls routed by OIG's Hotline. These calls were evaluated and immediately forwarded to local area inspectors for appropriate attention. Examples of the allegations referred included a Postal employee with a rifle displayed in a private vehicle parked on Postal property, a Postal employee who threatened to bring snacks to work and poison other employees, and an employee threatened by a customer and ex-convict concerning missing mail.

Matters often come to the attention of OIG which do not warrant an OIG investigation or audit. In many of these cases, OIG will request appropriate attention by Postal management and then review the outcome. OIG is very careful to respect the confidences of employee complaints. These coordinated efforts between OIG and Postal manage-ment have effected positive results in many situations. Examples include:

Hotline Helps Resolve Back-Pay Claim

- A former employee contacted the Hotline regarding a back-pay issue he claimed to have been trying to resolve since 1986. The former employee alleged a payment was due him in conjunction with the settlement of a class action lawsuit. As a result of the complainant contacting OIG, the Postal Service General Counsel conducted a review and determined the former employee was eligible for a portion of the settlement proceeds. A check was mailed to the complainant for the amount he was due.

Hotline Facilitates Pay Adjustment

- A current employee contacted the Hotline alleging difficulty in obtaining a pay adjustment. The employee claimed to be entitled to overtime pay as a result of an arbitration decision. A review of pay records by the Postal Service's Finance Office determined the employee was entitled to a pay adjustment. Subsequently, an adjustment was processed and included in the employee's paycheck.

Alleged Property Damage by USPS Corrected through Call to Hotline

- A caller contacted the Hotline alleging a Postal facility created water run-off, which was creating property damage to an adjacent individual's residence. A site survey was conducted by the Postal Service to assess the alleged drainage problems. The survey identified a potential problem with water drainage around the facility. As a result, the Postal Service will dig a diversion ditch to prevent any possible water flow onto the individual's property.

Hotline Referral Initiated Executive Investigation

An investigation revealed that a Postal executive had used his position to influence the initial hiring of a casual employee with whom he had a personal relationship. In addition, it was determined that the executive had influenced subordinate employees to assist the casual employee in obtaining a career status position with USPS. The executive also provided gifts, including financial support, to the employee. This case was initiated as a result of an OIG Hotline referral.

Inquiries from Members of Congress

OIG also received 42 formal letters and numerous informal inquiries and follow-up calls from Members of Congress. Many of these requests asked OIG to investigate employment issues relating to an individual or a small group of individuals. To learn about labor-management issues, OIG selectively performed fact-finding reviews of areas with numerous complaints. While these individual fact-finding reviews increased our understanding, OIG does not have the

OIG received numerous inquiries from Members of Congress.

resources to evaluate individual labor-management concerns of a workforce of more than 800,000 employees. Instead, efforts are focused on systemic reviews, which will be more beneficial to the USPS and its employees.

Among the requests received was a letter from Congressman Dick Armey, Majority Leader, asking OIG to identify the 10 most significant issues facing the Postal Service. OIG's response is discussed in the Overview section of this report (see pages 5 and 13).

Alert OIG Purchaser Identifies Contractor's Pricing Discrepancy

The Postal Service currently has a contract for the Acquisition of Desktop Extended Processing Technology (ADEPT). The contract includes an extensive price list for various pieces of computer equipment and services. OIG made purchases from this contract in setting up its office. While making these purchases, staff discovered different prices in the contract for the same parts. The different prices were identified on four sizes of memory chips. Each different memory chip had a list with a choice of three different prices. For example, the contract's price list included $552, $700, and $800 for the largest chip, although there was no difference in the parts; the prices were simply listed as separate line items under the contract. Based on USPS purchases to date, $16,000 has been refunded. The Postal Service renegotiated contract prices based on this finding.

Mail Theft Schemes Thwarted by Postal Inspectors

In many instances, mail is stolen to obtain personal identification information, which criminals then use to fraudulently order checks, credit cards, or other financial instruments. Cases that illustrated the serious problems associated with mail theft included:

- Co-owners of a Pennsylvania trucking company were sentenced in January 1998 in federal court for theft or receipt of stolen mail. The women held various contracts for over-the-road transport of mail from facilities in Pennsylvania. Rather than haul the mail to its destination, they stored it in a tractor-trailer parking area. Pittsburgh Division Postal Inspectors recovered over 432,000 pieces of predominantly First-Class mail, dating as far back as December 1996. The women were each sentenced to 5 months in a work release program, 5 months of home detention, and 36 months' probation, and were ordered to pay restitution of $75,488.

- In January 1998, a ramp service agent who worked for a commuter airline at Atlanta's airport was arrested. Inspectors recovered over 100,000 pieces of opened First-Class mail during the investigation.

- In February 1998, Postal Inspectors investigating the reported theft of parcels at the Newark airport identified 10 suspects for mail theft. A Postal customer helped solve the case when his laptop computer, stolen from an Express Mail shipment, was connected to a phone line, and the user tried to log on. Postal Inspectors determined that the user had been given the laptop as a gift by her boyfriend, who was a cargo agent at a Newark airline. The boyfriend admitted to the theft, and Inspectors identified nine others, all ground handling employees at Newark, as suspects. As a result of the investigation, the airline dissolved a multimillion-dollar contract with the USPS, and federal prosecution is pending.

Organized Crime Involved in Mail Theft

- A joint investigation by Postal Inspectors with agents of the Federal Bureau of Investigation (FBI) and the United States Secret Service led to the indictment of 15 Russian gang members in New York for Racketeer Influenced and Corrupt Organization (RICO) Act violations. The gang was stealing outgoing mail from private businesses in Manhattan. Members opened more than 150 bank accounts in New York, New Jersey, Massachusetts, Ohio, Maryland, Washington D.C., and Florida to negotiate stolen corporate checks and used credit card numbers obtained from the mail. Losses totaled approximately $1.7 million. Twelve defendants pleaded guilty, two fled to Russia and the last member, who was the protector for the gang, was convicted in October 1997. The gang was also involved in extortion, kidnapping, and murder-for-hire.

- Inspectors are developing initiatives with the Departments of Justice and Treasury to disrupt Nigerian criminal enterprises. Major initiatives included the development of a comprehensive information-sharing network. In October, Inspectors arrested a Nigerian national in St. Petersburg, Florida, who used his employment as a custodian at a children's hospital to access records and obtain personal credit card information of over 200 individuals. He ordered credit cards in their names and had them mailed to addresses he controlled, such as commercial mail receiving agencies. Inspectors and local police who identified and arrested the man recovered picture identifications of him from New Jersey, New York, Virginia, Washington D.C., Florida, and England. In December 1997, Inspectors arrested a Nigerian who allegedly was conducting credit card fraud involving four mail drops. Inspectors who searched his residence found thousands of computer printouts and receipts pertaining to victims, several fraudulently obtained credit cards and hundreds of credit card applications, personal checks, and credit history reports.

- Two individuals were sentenced in a Maryland federal court to 52 and 24 months in prison, respectively, and 5 years' probation each, and were ordered to pay a total of $234,800 in restitution. One worked for a realty company, where he obtained personal and financial information on customers. He ordered credit cards in their names, had the cards mailed to vacant properties, and then recovered and illegally used the cards. Inspectors who executed a search warrant on his residence found numerous pieces of stolen mail, copies of 286 completed credit card applications, 110 blank credit card applications, credit reports, records of numerous personal identifiers, and fraudulent pieces of identification.

DID YOU KNOW?

Do OIG investigators have full law enforcement authority?

Yes, OIG Special Agents are authorized to carry firearms, serve subpoenas, execute search warrants, and make arrests.

Employees Guilty of Mail Theft

- In November, a mail handler at the Dallas Bulk Mail Center (BMC) was sentenced to 15 months in federal prison for stealing boxes containing blank personal checks and selling them to several fences and forgers. Bank and merchant losses attributable to the employee are at least $155,000. In Fort Lauderdale, Florida, Inspectors arrested a carrier following an undercover investigation. The carrier stole a significant number of checks and sold them at 45 percent of their face value, requesting payment in cash or marijuana (he had a previous drug-related arrest). A clerk at the Washington, D.C., Processing and Distribution Center was caught stealing business reply mail for the enclosed checks. He admitted he had been stealing mail two to three times a week to support his $100-a-day drug habit.

- In October 1997, a Yonkers, New York, Postal clerk was arrested by Inspectors for stealing between 15 and 20 credit cards a week for the past 6 months to support his $600-a-day cocaine habit. At the time of his arrest, the employee had 32 stolen credit cards in his possession. A police records check disclosed he was sentenced to lifetime parole in 1991 after serving a 15-years-to-life prison term for the criminal sale of a controlled substance. He was returned to prison for parole violation. The clerk was hired in 1992. Follow-up attention is being given to determine why he was hired with a prison record.

- A New Jersey carrier was arrested for stealing business checks and credit cards from the mail. Losses to date total nearly $500,000. The carrier provided the checks to a man who was arrested by the FBI for conspiracy in the World Trade Center bombings. The man laundered the checks through bank accounts opened by two brothers, and the money was allegedly used to fund terrorists involved in the World Trade Center bombings. The brothers are leaders of a "family" of the "Arabic Mafia" (a Palestinian group) operating in northern New Jersey. In February 1998, the brothers were convicted after an 8-day trial for theft or receipt of stolen mail, money laundering and conspiracy.

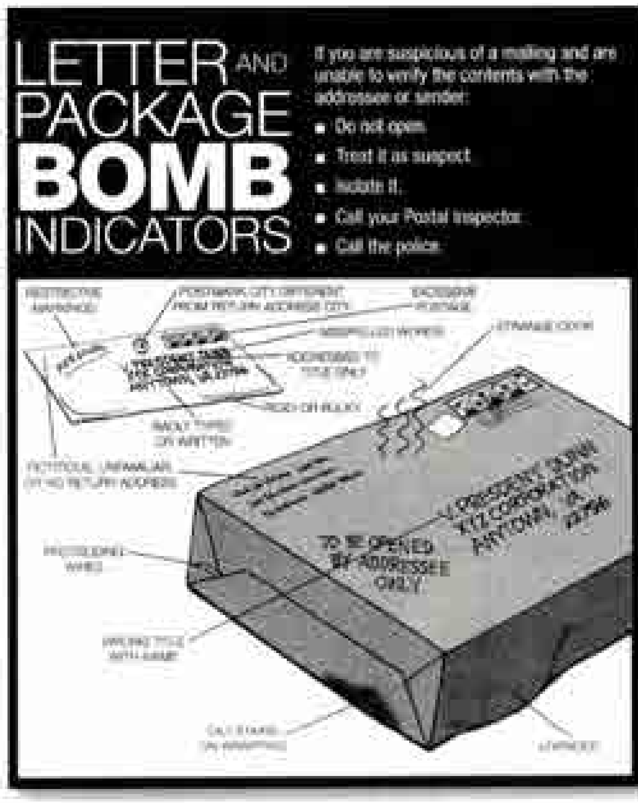
Mail Bombings Investigated

- On December 10, 1997, Inspectors, along with Bureau of Alcohol, Tobacco and Firearms and FBI agents and local police, arrested a Philadelphia man who had been wanted since 1994 for planting pipe bombs, one of which was placed in a Postal collection box. He also was suspected of mailing extortion letters, and making terrorist and anti-Semitic threats against political figures, churches, schools, day-care centers and government entities. This self-described neo-Nazi is being held on charges of arson, ethnic intimidation, terrorist threats and extortion.

- On January 22, 1998, the Unabomber suspect entered a guilty plea to federal charges returned against him in California and New Jersey. This case was reported in earlier semiannual reports and received worldwide media attention. The plea will result in a mandatory sentence of life without the possibility of release, a fine of $3.25 million and restitution for losses caused by his wrongful conduct. Any proceeds earned by the defendant for his writings or interviews will be used as restitution for victims. If he should withdraw the plea before sentencing on May 15, 1998, the indictments against the suspect will be reinstated, along with the government's notice of intent to seek the death penalty.

- On February 6, a Santa Ana, California man was critically injured after opening a Priority Mail package intended for his roommate. Inspectors quickly identified a suspect and arrested him the next day. The suspected bomber was indicted by a federal grand jury on March 24 on charges related to the mailing of this explosive device. The victim was in critical condition, and the suspect was held without bond pending trial.

- On March 26, 1998, a man already serving a life sentence for rape and murder was sentenced to 51 years and 10 months' imprisonment for mailing a letter bomb in October 1995 from prison to a federal judge in Chicago who had denied his appeal. On March 27, a man was sentenced to 8 years in prison for mailing bomb threats to the Carterville, Illinois Post Office; the federal courthouse in Benton, Illinois, a U.S. District Court judge, and 32 others in the Southern District of Illinois. Alert Postal employees at the Marion, Illinois Post Office identified the man after receiving a notice from Postal Inspectors to be on the lookout for certain distinctive mailings.



Elements to look for in a mail bomb.

Mail Used Illegally to Distribute Child Pornography and Sexually-Oriented Advertisements

The Inspection Service has a significant role in investigations involving child pornography trafficking and the disruption of the sexual abuse of children. In December 1997, Attorney General Janet Reno and the president of the

National Center for Missing & Exploited Children sent letters to the Inspection Service expressing their appreciation of its work. (See letter from Attorney General, right.)

- ★ A Florida man was sentenced to 10 years in prison and 3 years' probation after Postal Inspectors proved he had enticed juvenile females to perform sex acts with an adult male in child pornography movies he produced and mailed. The children were offered $20 a minute to perform the acts.

- ★ A high school psychologist, who used the mail to distribute child pornography, was sentenced in a Harrisburg, Pennsylvania, federal court to 18 months in prison and 2 years' probation, and was fined $1,000. He will serve his federal sentence following the 2 1/2 to 7-year state sentence he received for molesting his stepson.

- ★ The former principal of a Macon, Georgia, elementary school and his co-defendant, a former assistant superintendent, were sentenced to 37 and 42 months' imprisonment, respectively, and 3 years' probation each. The men were also ordered to forfeit their home, car and the video equipment used to record their sexual molestation of young boys.

Attorney General Janet Reno wrote this letter to Postmaster General Marvin Runyon in December 1997, commending the U.S. Postal Inspection Service for its work in protecting child pornography investigations: "Had it not been for the tireless dedication of individual postal inspectors, numerous offenders who not only trafficked in child pornography, but who also sexually abused children, would have never been brought to light... the Postal Inspection Service plays a pivotal role in ensuring that our national mail system is not used by those who seek to victimize children..."

Narcotics Arrests Yielded Significant Seizures

Postal Inspectors, working with other law enforcement agencies, arrested 834 individuals during this reporting period for trafficking drugs and laundering drug money via the mail. Seizures of contraband narcotics from the mail during this period included 6,900 pounds of drugs and $5.7 million. Narcotics cases included:

- ★ St. Louis Division Postal Inspectors and local law enforcement arrested seven suspects incident to a controlled delivery of an Express Mail parcel containing methamphetamines. Forty-one firearms were seized at the time of the arrests. In December 1997, San Diego and Indianapolis Postal Inspectors arrested a suspect on charges of mailing 30 Express Mail parcels containing methamphetamines. Inspectors previously arrested the individuals who had received the parcels.

- ★ An indictment was unsealed in Montgomery, Alabama, accusing 15 suspects of distributing cocaine via the mail from the Virgin Islands. The group allegedly used Express Mail to ship the drugs to the United States. Nine of the 15 suspects were arrested in the Virgin Islands, four more were arrested in Alabama and Georgia, and two remain at large. Another suspect was arrested in Montgomery for laundering drug proceeds through a car dealership he owns. Seizures included over $1.3 million in cash, a grocery store, a trucking business, a beauty salon, several vehicles, a boat, two kilos of cocaine, and firearms.

- ★ A man was sentenced to 35 years in an Indiana prison for trafficking cocaine via Express Mail. He was previously arrested numerous times in New York on charges related to narcotics distribution and will be extradited to New York to face charges of attempted murder of a police officer. In another case, a Mississippi man was sentenced to life in federal prison for using the mail to traffic in crack cocaine. It was his third felony conviction. Two of his accomplices were sentenced to prison terms of 105 months and 87 months, respectively. In Charlotte, North Carolina, a man was sentenced to 12 1/2 years in prison and 5 years' probation and his codefendant was sentenced to 10 years in prison and 5 years' probation for selling over one kilo of crack cocaine via the mail.

- A multi-agency investigation in West Virginia resulted in the indictment of 41 individuals nationwide for the distribution of marijuana by Express Mail and other means. The proceeds were sent via Postal money orders and wire transfers. Twenty-five of the 41 individuals indicted were arrested in October in New York, California, West Virginia, and Jamaica. The individual believed to be the organizer of the operation and a bodyguard for his Jamaican drug gang was sentenced on March 18, 1998, to 33 years and 9 months in prison and 5 years' supervised release.

- On December 29, 1997, Chicago Division Inspectors arrested an individual who received an Express Mail parcel from Thailand. The parcel contained four elephant statues, each filled with approximately 850 grams of heroin.

- In two parcel interdictions, one in November 1997 and another in March 1998, Inspectors in Los Angeles seized 827 pounds of marijuana and $709,211. Inspectors in New York coordinated their efforts with Inspectors in Los Angeles to conduct two other mass interdictions, seizing a total of 117 parcels containing 898 pounds of marijuana.

DID YOU KNOW?

If the OIG is the USPS "Watchdog," who watches over the OIG?

Congressional Oversight Committees, the General Accounting Office, the President's Council on Integrity and Efficiency Integrity Committee, and peer reviews by other OIGs ensure OIG performance and integrity.

Millions of Dollars Stolen Through Mail Fraud

The Inspection Service investigates a variety of mail fraud schemes to preserve the confidence and trust that businesses and the public place in the U.S. Mail. Significant schemes investigated included:

- On March 18, 1998, a noted journalist was arrested on charges of creating an entire archive of forged documents that he sold to collectors nationwide for $7 million.

- Two men were charged with mail fraud and other crimes after it was disclosed they acquired approximately $7 million by providing aliens with counterfeit Immigration and Naturalization Service documents and U.S. visas to gain residency status. The duped aliens paid from $10,000 to $12,000 each for the fake documents. Three of the men's associates have already pleaded guilty to charges related to the scheme, and another was sentenced to 30 months in prison and 2 years' supervised release.

- The president of a New York company pleaded guilty to three securities frauds in which victims lost an estimated $15 million. Twelve others in the case were arrested. Postal Inspectors arrested the president of a Southern California firm. The company acted as a third-party administrator for customers who wished to make their own investment decisions on individual retirement accounts (IRAs). Clients' assets were pooled in money market accounts, and allegedly the president misappropriated $11.4 million of the clients' funds.

- A former staff attorney of the Securities and Exchange Commission's (SEC) Office of Enforcement was sentenced in January to 18 months in prison. An investigation disclosed that, after 7 years at the SEC, the attorney left to join a company he was investigating to help its two principals manipulate the stock price of a publicly-traded company. Also in New York, the operator of a phony investment scheme was sentenced to 51 months in prison and 3 years' probation, and was ordered to pay $3.3 million in victim restitution. The man induced his victims, many of whom were close friends or family members, to allow him to invest their money in what he promised was a "fully guaranteed" account that would pay 18 percent interest. The account did not exist, and he instead used the money to support a lavish lifestyle.

- Seven individuals were indicted in Springfield, Missouri, in an investment fraud that scammed at least 2,000 customers in Missouri, Arkansas and Texas of approximately $8.4 million. The defendants solicited funds for investment with their firm, promising customers high returns for their money.

but they allegedly used clients' funds for personal profit. Elsewhere, two trading specialists were arrested as the result of a complaint filed in a New York City federal court. They realized at least $2.5 million in profits from trades based on inside information. In November, eight New Jersey stockbrokers were indicted for their part in an alleged $106 million securities fraud.

Telemarketing Fraud Targeted Senior Citizens and Others

The Inspection Service is involved in a major effort with the American Association of Retired Persons, states' attorneys, and others to combat telemarketing and sweepstakes fraud. These crimes disproportionately target senior citizens. Recent investigations of schemes against the elderly included:

- In Los Angeles, a telemarketer was arrested on charges that he ran a fraudulent business that enticed senior victims to mail in over $2 million, falsely promising they would receive valuable prizes. The telemarketer, who pleaded guilty on March 16, 1998, had television and acting experience and convinced his victims he was an elderly gentleman. Twelve others in the case had already pleaded guilty.

- In Pennsylvania, five individuals were convicted of defrauding elderly victims, most of whom were widows, of over $500,000 in a nationwide sweepstakes telemarketing scam. The group posed as representatives of a well-known sweepstakes award committee and instructed victims they had won prizes requiring they send cashier's checks via Express Mail or wire. All five received sentences ranging from 5 to 30 months' imprisonment and were ordered to pay restitution totaling $60,115.

- A disbarred New York attorney living in Florida, who was the ringleader of several telemarketing scams, was sentenced in a New Jersey federal court to 9 years in prison and 3 years' probation, and was fined $10,000. His schemes victimized over 5,000 individuals. One of his co-conspirators was also sentenced in December in a Florida federal court to 8 years and 1 month in prison and 3 years' probation, and was ordered to pay restitution of $1.9 million. Other co-defendants await sentencing.

DID YOU KNOW?

Do OIG evaluators and investigators work together?

Yes. Evaluators and investigators work together on audits, investigations, and other matters such as evaluations and inspections.

- The Arizona Telemarketing Task Force, comprising Postal Inspectors, Phoenix police and agents from the FBI and the Internal Revenue Service (IRS), arrested five individuals in March 1998 who allegedly collected $299 each in advance fees from thousands of senior citizens by promising "guaranteed" credit cards and debt consolidation loans. The group grossed over $1.8 million since August 1996, but none of their customers received any cards or loans.

- The operator of another telemarketing scheme used a particularly heinous approach in scamming elderly citizens who were swindled in previous schemes. He told them he was a Postal Inspector or a federal prosecutor and assured them he could refund their money—if they would first mail in 15 percent of their total losses. The operator pleaded guilty to 16 counts and was sentenced to 10 years in prison and 3 years' probation, and was ordered to pay $140,638 in restitution to his victims. Inspectors found he had continued his fraudulent solicitation even after being sent to prison on a state offense.

- A Florida telemarketer, who pleaded guilty to charges in December, owned a network of telemarketing companies that sold catalog shopping "memberships." Approximately 112,000 victims lost over $17 million in the scheme. A total of $863,000 was returned to victims, and the investigation is continuing.

Mail Used to Defraud Health Care System

- As the result of an investigation by Inspectors, 11 individuals were indicted in Miami for Medicare fraud, mail fraud, and money laundering. The group set up four shell corporations and submitted approximately $3.75 million in false Medicare claims. Elsewhere, a Beverly Hills, California, doctor was indicted on 20 counts of mail fraud. He submitted at least 1,600 false bills to Medicare.

- An individual was sentenced in East St. Louis, Illinois, to 366 days in federal prison and 3 years' probation, and was ordered to pay $30,000 restitution for his role in a false-billing scheme for lab tests that were never conducted. The Illinois Department of Public Assistance was defrauded of $1.4 million. After an Inspection Service investigation in Springfield, Massachusetts, a mental health care executive was sentenced to 300 days in jail and 3 years' probation, and was ordered to pay $529,245 restitution. He was part of an over $3 million health care fraud against the Department of Health and Human Services conducted in six states and the District of Columbia. An accomplice was also sentenced in February 1998 to 18 months in prison and 3 years' probation, and was ordered to pay $881,741 in restitution. Four others were previously sentenced to prison and probation and ordered to pay restitution.

- Postal Inspectors and an agent from the Criminal Investigation Division of the IRS arrested 15 individuals in October after a 16-count federal indictment was unsealed in Billings, Montana, charging them in an $18 million mail fraud conspiracy to submit false claims to Medicare. The charges include a $15 million money-laundering scheme. A trial date was set for September 1998.

DID YOU KNOW?

What is the OIG hotline number?

The number to call for reporting fraud, waste and abuse is 1-888-USPS-OIG or 1-888-877-7644

- In North Carolina, a man was sentenced to 87 months in federal prison for mail fraud, money laundering and false claims. An investigation revealed that he and his codefendants operated a multifaceted health care scam in the Carolinas that involved mailing over 11,000 false claims to Medicare and private insurance companies. He created 13 shell companies and numerous bank accounts, using a number of addresses at commercial mail receiving agencies to conduct the fraud. Another of the co-defendants in the case fled the country in April 1997 prior to his indictment, but Inspectors received information in March 1998 that he was in Austin, Texas. Inspectors apprehended him without incident, and he is being held without bond pending removal to North Carolina.

Money Laundering Schemes and Other Financial Scams Used Mail Illegally

- One man pleaded guilty and a co-conspirator is expected to be indicted on charges that they accessed their company's computer to print over 500 fraudulent checks worth about $16 million. The co-conspirator allegedly set up accounts in Estonia and Switzerland to launder the money, which the two men planned to split. Maryland area banks, whose employees coincidentally had been trained by Postal Inspectors to be on the lookout for money laundering activities and counterfeit checks, first discovered that the men's checks were unauthorized.

- A Nevada man and two co-conspirators were indicted on 41 counts of mail fraud, money laundering and conspiracy in a "get-rich-quick" scam that involved 3.5 million mailings, 500 seminars and 112 workshops. Allegedly the victims were charged between $595 and $795 for misleading information about the availability of government loans, grant programs and services the men would provide. Thousands of people lost an estimated $5.8 million.

- Minneapolis Inspectors and IRS special agents executed search and seizure warrants on the business locations and residences of three operators of various "work-at-home" schemes. The men are accused of mailing over 2.5 million unsolicited brochures requesting "money-back, guaranteed" fees of $39 to $49 for fraudulent opportunities to make money at home. Losses to date exceed $2 million, and the investigation is continuing.

- A man who fraudulently acquired the National Hockey League's New York Islanders team pleaded guilty in New York to mail, wire and bank fraud. Victims included the team owners, banks in Boston and Texas, and a Texas partnership.

Injunctions and Other Civil Procedures Used to Protect Consumers

When immediate relief to protect the consumer is warranted, the USPS has a number of enforcement options available, including the withholding of mail until proper identification is provided and the person's right to receive the mail is established. In addition, the USPS may seek a Temporary Restraining Order (TRO) and a Preliminary Injunction from a U.S. District Court judge to detain mail until administrative proceedings conclude

A judge may also hold a hearing on alleged fraudulent activity and issue a restraining order or injunction enjoining the operation.

An example of an effective use of a TRO to prevent further fraud is one that was issued in November by a federal judge against four individuals and their companies. Four bank accounts were also frozen. The individuals induced elderly victims to mail them $360 each to store their medical profiles in a database for use in an emergency. Of the 20,000 victims who signed up for the service, only 10 percent were entered in the database.

Operators in Canada are increasingly running telemarketing and sweepstakes schemes against victims in the United States, and the Inspection Service is using a number of innovative initiatives to reduce these cross-border crimes. Postal Inspectors from the Newark Division obtained a TRO last December against three Canadians and their four telemarketing companies. The three individuals subsequently agreed to a civil settlement in which they gave up $500,000 in assets for restitution to victims in the United States. Two of the three also pleaded guilty before a Canadian judge; one was sentenced to 2 years in prison and 2 years' probation, and the other was sentenced to 1 year of probation. A hearing is scheduled for the third defendant.

DID YOU KNOW?

What is the OIG's website address?

HYPERLINK
http://www.uspsoig.gov
www.uspsoig.gov

International Postal Security Efforts Supported

Postal Inspectors teamed with Philippine Inspectors and law enforcement officials to arrest nine suspects in Manila, including three employees of Philpost. The suspects are part of a ring that steals domestic and international mail to find checks and bank statements used in identity takeovers. A search incident to the arrests yielded extensive evidence, including stolen mail, bank statements, personal checks, bank books, wire transfer records, credit reports, credit cards, ATM cards, 14 stolen passports, and fake pieces of identification. The stolen mail came from 12 countries, including the United States.

Inspectors teamed with Panamanian National Police and the Air Force Office of Special Investigations to arrest three Panamanian civilian Army Post Office (APO) employees for stealing APO mail. The suspects picked up mail addressed to the Army and Air Force Exchange Service (AAFES) at Tocumen International Airport in Panama City and drove it to a personal residence, where they opened "attractive" pieces to look for checks or financial documents. A search of the residence disclosed a number of mail sacks containing small parcels and 12 outside pieces, and a search of three other residences resulted in the recovery of an estimated $27,000 worth of merchandise addressed to the AAFES.

Efforts are designed to:

- **Improve employee and organizational effectiveness by assessing USPS performance in having the right people in the right place with the right tools at the right time;**
- **Ensure employee safety by reducing vulnerability of employees to robberies through criminal investigations, security systems and awareness programs;**
- **Prevent and investigate assaults/credible threats; and**
- **Enhance the workplace environment for OIG and Inspection Service employees to improve organizational performance and to promote positive workplace relationships.**

Significant activities during the reporting period included:

Postal Management Retaliated Against Employee for Alleging Wrongdoing

The OIG Hotline received information from a Postal worker at a Postal facility. He alleged improprieties with a landscaping contract the facility had awarded to the son of his supervisor. The complainant was fired because he had made allegations about his supervisor to OIG. The complainant contacted OIG and alleged he was unfairly issued a letter of removal in retaliation for filing a complaint with OIG and his Congressman. The Inspector General Act specifically prohibits retaliation against any employee for complaining or disclosing information to an OIG representative. An inquiry found that management, through the supervisor, took retaliatory action by firing the complainant for disclosing information about these contracting irregularities to OIG. While OIG was conducting its inquiry, the complainant was reinstated. As a result of this incident, the Deputy Postmaster General issued a notice on March 19, 1998, advising Postal officers of OIG's review. (See page 9) (Retaliation and Contract Irregularities, March 31, 1998)

OIG Reviews Inspection Service Disciplinary Case

An OIG review addressed the Inspection Service's handling of an internal affairs case and administrative leave monitoring. OIG initiated a review based upon a complaint questioning the Inspection Service's actions in its internal investigation of a Postal Inspector. The complainant had been placed on paid administrative leave for about 12 years and believed management intended to continue his administrative leave status until retirement. The Inspection Service had already launched an examination of the issue. OIG monitored the actions on the case and reviewed disciplinary actions taken against the complainant. The OIG review identified opportunities for improvement in the handling of internal affairs cases and the monitoring of administrative leave. (Management Advisory Report, Handling of Internal Affairs Case, March 9, 1998)

Reviewed Postmaster General's Request for Legal Fees Reimbursement

At the request of the Governors, the OIG reviewed the Postmaster General's request for reimbursement of legal fees relating to an ethics investigation and concluded that:

- The Postmaster General had been provided with appropriate ethics advice by the General Counsel, USPS Law Department;
- The investigation was not unduly delayed by the Inspection Service; and
- It was reasonable for the Postmaster General to request reimbursement of attorney's fees. (Memorandum to Governors, February 13, 1998)

Postal Employees Endangered by Assaults and Threats

- On December 19, 1995, in Las Vegas, a former employee, who learned he had lost the final arbitration of his removal, shot and killed the labor relations specialist who was the advocate for the USPS in the proceedings. The shooter was convicted of first-degree murder on December 5, 1997, and sentenced to life without the possibility of parole. Testimony during the trial disclosed he had also planned to kill the two supervisors responsible for his removal.

- On December 19, 1997, a Milwaukee employee shot and killed a fellow employee, wounded two others, and then took his own life. On December 24, 1997, a disgruntled former employee held seven employees hostage at a Denver facility for 10 hours. Fortunately, the employees were released without serious physical injury following extensive hostage negotiations. The former employee explained his motive was to find and "get even with" two supervisors whom he felt had ruined his life. He was indicted in January 1998 on seven counts of kidnapping and one count of unlawful use of a firearm, and is being held in a federal prison.

- In a case involving a threat made by one employee against another, a former custodian at the Uncasville, Connecticut Post Office pleaded guilty in federal court to mailing a threatening communication. The custodian was issued a letter of removal for falsifying time records and leaving the post office unsecured. His former postmaster subsequently received an anonymous letter threatening his life and that of his family. Sentencing is scheduled for April 1998.

- A non-employee who attempted to assault three Postal Police Officers with a razor as they escorted him from the Morgan General Mail Facility in New York City was sentenced to 33 months in prison. He has an extensive criminal background that included numerous arrests associated with violence.

Employees Endangered by Robberies

- A man found guilty of robbing and murdering a motor vehicle service operator in January 1993 was sentenced in March 1998 to life in prison without parole. He was also sentenced to 25 years on related gun charges, to be served consecutively, and ordered to pay $81,000 in restitution, to be taken from his prison wages. One of two men who robbed and shot a letter carrier assigned to the North Miami, Florida, Post Office was also sentenced in March to 25 years in prison. A second suspect was previously sentenced to 2 years in jail for a felony. The carrier fortunately survived the attack. Inspectors arrested the two men less than a week after the incident, which occurred in January 1996.

- In March 1998, a man convicted of the armed robbery of the Lynwood, California, Main Post Office and the attempted robberies of the Long Beach East Station office in February and March 1996 was sentenced to 15 1/2 years in prison. His sentence is to run consecutively with a 20-year sentence he received in St. Louis for robbing two grocery stores.

- On the evening of January 9, 1998, a contract driver was hijacked from the rear platform of the Port Chester, New York, Post Office by armed robbers who got away with $45,861 in cash and checks from Postal remittances. During the crime scene processing, Inspectors found a beeper near the contract vehicle and used it to trace one of the suspects to a motel, where they arrested him at 5:00 a.m. on January 10. On January 23, Inspectors arrested a second suspect, and on March 11, they arrested a third suspect who is believed to have fired a round from his gun and then placed the gun in the driver's mouth. The investigation is continuing, and additional arrests are anticipated.

- One of two armed robbers who stole $25,100 in official remittances from a Postal driver and a clerk at a Birmingham, Alabama, facility was sentenced to 75 months in federal prison and 60 months of probation. The other robber was previously sentenced to 130 months in prison and 60 months of probation. Both men were ordered to pay $25,100 in restitution.

- A highway contract route driver was robbed in November 1997 by a man armed with a pistol. The robber entered the Postal truck, hit the driver in the head with the pistol and took $39,000 in cash from the truck and from the Trujillo Alto, Puerto Rico, Post Office. In December, a window clerk alerted Postal Inspectors and local police that two men had just submitted an altered money order that was on a list of those stolen from the Trujillo office. Both suspects were arrested and are being held without bail.

- A bank teller was indicted on various charges in March 1998 related to his involvement in the armed robberies of letter carriers in Southern California. The teller was allegedly a member of a ring of bank tellers who cashed over $100,000 worth of checks stolen from letter carriers on their routes.

voice of the business

Efforts are designed to:

- **Improve USPS financial self-sufficiency by assessing its business strategies and performance;**
- **Prevent loss of revenue and assets;**
- **Strengthen internal controls; and**
- **Reduce costs.**

Some significant activities during the reporting period included:

External First Class (EXFC) Measurement System Compromise Investigated

As the result of an Inspection Service investigation into the alleged compromise of the Price Waterhouse EXFC Measurement System within the Appalachian District, investigative memoranda were provided to Postal management concerning the conduct of 17 employees. The investigation disclosed that Postal Service employees made extensive efforts to identify EXFC reporters and test pieces, and used this information to advance mail to EXFC destinations. Some employees also engaged in efforts to obstruct the Inspection Service investigation. A related audit report of systemic issues will be issued shortly.

DID YOU KNOW?

What standards are used as the OIG conducts audits and investigations?

By law, the OIG follows General Accounting Office standards in audits. In investigations and inspections, the OIG follows the standards set forth by the President's Council on Integrity and Efficiency.

Financial Opinion Rendered on FY 1997 Statements

In November 1997, the Inspection Service rendered its opinion on the FY 1997 National Consolidated Trial Balance of the USPS in a report to Postal management. In the opinion of the Inspection Service, the account balances reported in the National Consolidated Trial Balance were fairly stated in all material aspects and on a basis consistent with prior years, which conformed with the general classification of Postal Service accounts. Opportunities for improvement in internal controls at individual information service centers were reported to management throughout the year. OIG monitored the Inspection Service's work in this area to facilitate transition of the financial statement audit work to OIG in FY 1998.

In January 1998, the independent public accountant issued an unqualified opinion. In addition, a management letter, issued in February 1998, identified some concerns, which the Postal Service is in the process of correcting, including:

- Accuracy of data used in Economic Value-Added calculations;
- Validity of workers' compensation data provided by Department of Labor; and
- Methodology used by USPS to capitalize leases.

Year 2000 Initiative Audit Issued

The Year 2000 (Y2K) problem faces government agencies and private businesses worldwide, and the USPS is no exception. The problem is rooted in the way dates are recorded and processed in many computer systems. For the past several decades, systems have typically used two digits to represent the year to conserve data storage space and to reduce operating costs. Unfortunately, with the new century, the year 2000 will be indistinguishable from the year 1900 in many systems and application programs. This situation can create serious problems when dates are used to perform calculations, comparisons, or to sort data.

This audit, the first in a series of reviews dealing with the Y2K problem, found that USPS did not recognize the scope of the problem in a timely manner. As a result, correcting the problem has grown more challenging for the USPS. Further, the review found that the Y2K problem was regarded as an Information Systems concern and not a USPS-wide challenge. Therefore, all Vice Presidents were not engaged in or committed to solving the Y2K problem. The Deputy Postmaster General concurred with all the findings and recommendations and noted that "Significant progress has been made over the past several months to bring more business management focus and executive accountability, augment the Program Management Office with world-class suppliers, and put more rigor into the policies and procedures." (Year 2000 Initiative, March 31, 1998)

OIG Completes First Arrest and Conviction

OIG special agents arrested a contract employee who stole electronic equipment during OIG's relocation from Washington, D.C. to Rosslyn, Virginia. The individual was on parole at the time of the theft and has since pleaded guilty.

Tray Management System Shutdown Investigated

On February 12, 1998, an unexpected shutdown of the Tray Management System (TMS) occurred at a Postal facility. TMS automates movement and staging of mail between mail sorting operations in a processing plant. TMS components include conveying equipment, staging devices, interfaces to operations, and controls for moving trays of mail.

An investigation into the shutdown was based on an allegation that unknown persons had gained access to the TMS software. OIG staff with technical expertise found that a contract technician had logged into the system, then left without securing the terminal to work on another problem. While the cause of the shutdown could not be determined, contract employees and USPS personnel surmised that someone accessed the terminal and terminated the program. The contractor could not provide documentation regarding events on the system. OIG's report on the incident recommended that Postal management ensure compliance with existing procedures, especially access controls, system logs, passwords, and physical security. (Tray Management System Security Incident, March 5, 1998)

Chicago Post Office Renovation Project Reviewed

The USPS built a new mail Processing and Distribution Center to replace the Chicago Main Post Office in 1995. However, due to space shortages and operational changes at the new center and the need to use the Amtrak platforms located at the Sugar House/Chicago Truck Terminal, USPS officials decided to renovate 151,000 square feet of the 240,000 square-foot Sugar House building. An audit of the renovation project found:

* Management of Sugar House project costs and contract modifications could have been more effective;
* The contractor selection documentation did not fully support decisions made during the selection process; and
* The administration, surveillance, and enforcement of the Sugar House construction contractor's performance were not always effective. Holding the contractor liable for poor performance and the architectural and engineering firm responsible for errors, the Postal Service could save at least $185,000.

In addition, reviewers identified concerns regarding safety and environmental issues and contracting officials took immediate corrective actions to resolve these issues. Management's actions taken or planned were generally responsive to the issues raised in the report. (The Sugar House Renovation Project, March 30, 1998)

Audit Reporting and Follow-up Process Addressed

The Inspector General Act of 1978 requires organization heads to submit semiannual reports to Congress regarding management actions taken in response to audit recommendations. A review of the USPS system for tracking and reporting the status of audit recommendations found the current process could be enhanced. The report suggested that the Postmaster General designate a management official outside of an audit or inspection organization to manage the audit follow-up tracking process within the USPS. OIG also identified opportunities for management to enhance its semiannual report. Management generally concurred with the suggestions and agreed that the Vice President, Controller will have overall responsibility for the tracking system. (Enhancement of United States Postal Service Audit Reporting and Follow-up System, March 31, 1998)

Postal vehicles are a familiar sight all over the United States

Advice Provided on Vehicle Maintenance Performance Review

As a result of a request for assistance by management, OIG issued an advisory letter with suggestions concerning observations at a Southeast Area Vehicle Maintenance Facility. Suggestions concerning sampling procedures and inventory testing were provided to the Southeast Area Manager. (Vehicle Maintenance and Performance Review, March 20, 1998)

Improvements Suggested for Vehicle Management Accounting System Conversion Effort

The Vehicle Management Accounting System (VMAS) is used to manage and track maintenance on USPS vehicles. In 1995, the original VMAS contract was awarded for approximately $450,000 to complete one of four modules. By September 1997, the VMAS contract had grown to almost $2 million to complete all four modules.

A review of VMAS identified several problems in the areas of contract and project management and system security and operations. For example, VMAS contained duplicate parts records and vehicle inventories were incomplete. The report suggested the Postal Service hire an independent information systems consultant to evaluate VMAS. In response to the report, information systems' personnel indicated many of the defects OIG identified were corrected. (Vehicle Management Accounting System Conversion Effort, March 31, 1998)

DID YOU KNOW?

Can a postal employee get in trouble for reporting fraud, waste, or mismanagement to OIG?

No. By law, postal management may not retaliate against an employee who reports wrongdoing to the OIG.

Review Revealed Advertising Agencies' Invoices Lack Sufficient Information

Management requested assistance in determining whether it was receiving sufficient information from advertising firms to support their requests for reimbursement. A review of paid invoices totaling $6.5 million found that supporting documentation was insufficient, inaccurate, or not provided to justify payment for more than $1.7 million in charges for time and material, travel, printing, and production. Management accepted OIG's suggestions to strengthen management controls, and is taking corrective action, including notifying the advertising agencies that they are required to follow USPS travel guidelines. (Review of Advertising Agencies' Invoices, March 31, 1998)

Improvements at Stamp Operations Recommended

During an inspection of the Kansas City Stamp Fulfillment Services Center and the Stamp Distribution Network, which have a stamp inventory with a retail value over $3.5 billion, OIG noted several conditions requiring management's attention. The evaluators found weaknesses in stamp inventory and security. In its response, management stated the new security system became fully operational in January 1998, and noted that the current backlog of obsolete stamp stock will be eliminated by the end of the fiscal year. (Kansas City Fulfillment Services Center, March 30, 1998)

Changes Recommended in Fuel Receiving Practices and Procedures

The USPS purchases approximately 480 million gallons of fuel annually for its air and ground transportation at an approximate cost of $525 million. Fuel is purchased on a decentralized basis at the field level. A review of fuel receiving practices and procedures identified a lack of fuel quality assurance testing and a lack of procedures to ensure that proper fuel blends are used to comply with the Clean Air Act.

OIG suggested implementing a comprehensive quality assurance program that included: (a) testing to ensure that the USPS receives the quality of fuel purchased; and (b) ensuring compliance with environmental laws and regulations. USPS agreed and will take appropriate action to implement these suggestions. (Fuel Test Implementation and Environmental Compliance, March 31, 1998)

Best Practices Identified in Workers' Compensation Medical Payments

A national performance audit of the workers' compensation medical payments program, completed in February 1998, focused on determining the best medical cost-containment practices in the workers' compensation programs of state governments and private industry. Inspectors concluded that the USPS could realize financial benefits by using medical error-detection software to reduce unwarranted charges and by taking advantage of lower medical costs provided through preferred provider organizations. Management agreed with the recommendations and is considering a third recommendation to evaluate the benefits of integrated management processes offered by third party administrators. The USPS is already using some of the "best practices" offered by these administrators.

Carrier Sequence Bar Code Sorter (CSBCS) Savings Identified

This audit identified opportunities for improvement that could yield potential annual savings of approximately $187 million in three primary areas: redeploying idle machinery in the Pacific Area; increasing standardized performance expectations and strengthening program-enabling areas, particularly preventive maintenance guidelines. The audit concluded that the CSBCS program proved successful in a relatively short time, resulting in a positive financial impact for the USPS. At most sites, CSBCS equipment processed mail efficiently and effectively, providing the opportunity to capture workhour savings by increasing delivery point sequenced mail volumes and reducing the need for manual processing. Management agreed to implement the recommendations.

Mail Transport Equipment (MTE) Shortage Caused Delays in Mail Processing

At the request of USPS management, the Inspection Service initiated a rapid review of excess MTE in November, including sacks, trays, pallets, and other containers, after mail processing facilities and mailers reported that shortages of MTE were causing delays in mail processing. Inspectors conducted the review from November 22 – November 24, at approximately 570 Postal and mailer facilities nationwide. The results were reported upon completion, and a final report was issued on November 28, a week after the review was initiated.

Indictments Handed Up in Expenditure Scheme

In Chicago, a vehicle maintenance supervisor and her boyfriend were indicted in a scheme involving bribery, kickbacks, false invoices, contract steering, and obstruction of justice. The supervisor, who was the contracting officer's representative, directed work to a vehicle repair facility she owned with her boyfriend. Losses to the USPS were estimated at $800,000. The scheme was successful for a period due to lack of management oversight, absence of the necessary separation of duties, and failure to adhere to purchasing and contracting regulations.

Guilty Plea Entered in False Invoices Case

A Postal employee pleaded guilty in March 1998 to conspiring with the manager of an auto painting business to submit false invoices for work that was never performed. The manager had a contract with the USPS to paint collection boxes from March 9 through November 5, 1996. It was the Postal employee's job to deliver the boxes to the painter. The two men billed the USPS for more work than was performed and split the extra money between them. Sentencing is set for June 1998, and prosecution is pending for the painter.

DID YOU KNOW?

How do I request a copy of an OIG report?

To request a copy of an OIG report, please write to our office, and we will process your request within 20 days, as required by the Freedom of Information Act.

Employees Embezzled Funds

- The former postmaster of the Lancaster, Kentucky Main Post Office, an employee since 1977, was arrested for embezzling over $270,000 in funds paid by a company for its permit imprint mailings. She pleaded guilty to charges of misappropriation of Postal funds, money laundering, and tax evasion. She was sentenced to 1 year and 9 months in prison and 3 years' probation, and was ordered to pay restitution of $259,564.

- Inspectors identified a Postal accountant in Washington, D.C. as responsible for preparing at least 12 fraudulent disbursement forms totaling over $257,000. Prosecution is pending for the employee, who had 31 years of service. A window clerk at Flushing, New York, was arrested for embezzling money orders totaling over $137,000. The Inspection Service's forensic laboratory in New York provided the key to solving the case by identifying the clerk's fingerprints on eight money order forms. In January, a Postal vending technician was sentenced to 5 months in a community correction center, 5 months' home detention, and 3 years' probation accompanied by mental health counseling, and was ordered to pay $190,820 in restitution of funds he had embezzled.

- A supervisor at the Youngstown, Ohio Main Post Office reported that one of her philatelic window clerks had a shortage in her accountability of $135,037. The clerk claimed she was the victim of a "sneak theft," although she had not previously reported it. The clerk, who was a 29-year Postal employee, was removed from service on January 23, 1998. Prosecution is pending.

- A West New York, New York window clerk pleaded guilty in federal court to embezzling $117,838 in money order funds. Sentencing is scheduled for April. A clerk in Flushing, New York, pleaded guilty in federal court to embezzling $137,000 in money order funds. In Manhattan, New York, a station manager was arrested for embezzling over $125,000 in Postal funds that were designated to cover bus tokens for carriers' transportation between their routes and the station. The operator of a contract Postal station in Gastonia, North

Carolina, was identified for allegedly embezzling over $144,000 in Postal money order funds over a 4-month period.

- The manager of a Postal contract station in Rockford, Illinois, was suspected of embezzling approximately $188,850. The office had a total accountability of $206,785, and the manager admitted she was able to conceal the shortage for over a year because she was always notified in advance when an audit would occur.

- The station manager and a window clerk from the Brentwood Postal Station in North Carolina were each found guilty on March 12, 1998, of making false statements. An investigation of the office was initiated in September 1995 after employees reported a burglary had occurred, with stamp losses of $88,032. Inspectors found that the burglary report was an attempt to cover up embezzlement committed by the employees over a 2-year period.

DID YOU KNOW?

Does the OIG do work in addition to audits and investigations?

Yes, the OIG does work in related areas such as management consulting services. Consulting services may involve finding answers to questions, developing solutions to problems, recommending courses of action, or formulating an opinion. USPS management may request consulting services from the OIG at any time.

Businessman Guilty of Counterfeiting Meter Impressions

A Southern California businessman was found guilty after an investigation disclosed that he had counterfeited $77,857 of postage meter impressions on mail. He was sentenced to 9 months' home detention and 3 years' probation, and was ordered to pay full restitution and a $20,000 fine.

Fraud Settlement Netted USPS $424,000

After paying for several large mailings using checks the mailer knew would not clear, a Hillside, New Jersey, company filed for reorganization in 1994 under Chapter 11 of the U.S. Bankruptcy Code, protecting itself from creditors. The Postal Service learned in 1995 that it was one of more than 100 unsecured creditors filing claims against the mailer, and managers realized that, at most, they could recover about two cents to the dollar (approximately $18,000) from the lost funds. Postal Inspectors produced convincing evidence for the federal court that the mailer should have known that funds were unavailable to cover the checks. The court approved a settlement of $424,000 to the USPS.

Unqualified Software Caused Revenue Deficiencies

Mailers may be eligible for lower postage rates if they use approved software to prepare and address their mail. Inspectors identified a $363,770 revenue deficiency that resulted when a company used address lists they purchased from a supplier who relied on unqualified software. Another large company paid the USPS almost $1.4 million during November to settle a similar revenue deficiency. A subsidiary of the company had coded its automation rate mailings with software that was not current.

USPS Employee Accepted Mailings without Paid Postage

The president of an Austin, Texas, mailing business, which prepared numerous political mailings, was sentenced to 5 months in prison, 5 months in a halfway house, and 3 years' probation, and was ordered to pay restitution of $750,000. The president had bribed a Postal employee to accept mailings without paying for postage.

Prison Sentences Imposed for Counterfeit Meter Impressions

In Philadelphia, five brothers who operated a mailing service company were ordered in December 1997 to pay restitution of the $543,999 in postage meter impressions they had counterfeited and $5,000 each in fines. Two of the brothers were sentenced to 4 months in prison and 3 years' probation each, and the other three were sentenced to 6 months' home detention and 3 years' probation each.

Indictments Handed up for Lottery Scheme

Six individuals were indicted in Florida in December 1997 on 12 counts, including mail fraud, mailing lottery-related matter, money laundering, and counterfeiting postage meter stamps. Inspectors found the group had collected nearly $1.5 million in lottery subscriptions and sweepstakes participation fees from over 4,200 victims in 118 countries and their international mailings bore counterfeit postage meter impressions that were made with rubber stamps. Losses to the USPS are believed to be over $400,000.

A message from the Inspector General

The Postal Service is moving forward in serving the communications needs of our Nation by improving performance, achieving new records for service and creating new products. My staff and I are committed to assisting the Postal Service in achieving these goals.

During the past year, we have had the unique opportunity of establishing an organization that can significantly contribute to the mission, programs and operations of the Postal Service. One of my major goals is to introduce innovative methods that help improve the processes of the Postal Service. Accordingly, my staff will engage in proactive efforts with postal employees and management, offer consulting services, and participate in joint projects with the Postal Inspection Service.

An innovative work environment requires creative personnel to evaluate new systems and methods, investigate complex financial operations and ensure the integrity of financial and operational data. This approach requires personnel committed to teamwork and to joint initiatives in audits and investigations. The Office of Inspector General for the Postal Service includes people who share this vision.

These are exciting times in the Postal Service. Innovations are frequent and necessary to meet the challenges we face today and tomorrow. The Office of Inspector General will help the Postal Service meet these challenges.

Sincerely,

Karla W. Corcoran

Office of Inspector General:

The Office of Inspector General (OIG) of the United States Postal Service (USPS) was created by statute in 1996. The Inspector General is appointed by and reports directly to the nine Presidentially-appointed Governors of the Postal Service. Prior to 1996, the Postal Inspection Service had functioned as the Office of Inspector General.

Mission:

OIG operates under the mandate of the Inspector General Act of 1978, as amended. Under the Act, OIG conducts independent audits and investigations of USPS programs and operations to ensure the efficiency and integrity of the postal system. We also keep the Governors, postal management, and Congress fully and currently informed about identified problems and deficiencies and the progress of corrective actions.

Vision:

OIG will be acknowledged as a constellation of talented people making a difference through

★ teamwork

★ service

★ innovation

Purpose:

Our audits, investigations and consulting services will strengthen and enhance the USPS by contributing to:

- improving operations and services,
- achieving *CustomerPerfect!* goals, and
- promoting process and employee integrity.

Oversight Role:

OIG has oversight responsibility for all activities of the Postal Inspection Service. The Postal Inspection Service is a major Federal law enforcement agency that traces its history to pre-revolutionary America.

Strategy:

OIG will provide the Governors with relevant, timely, objective, and independent audit, investigative, and consulting services that will add value to the Governors' decision-making processes. We evaluate and audit postal operations, conduct systemic reviews, protect postal revenue, and ensure the integrity of financial statements and other data vital to decision-making processes. Our investigators apprehend violators of the law and work closely with prosecutors and other law enforcement agencies. Their work also includes crime prevention. OIG criminal investigators are authorized to carry firearms, make arrests, and investigate postal crimes. OIG is also authorized to have access to all USPS records, take sworn statements, and issue subpoenas. Evaluators, auditors, and criminal investigators frequently work together as teams on joint initiatives for increased efficiency.

OIG Organization:

Operations of the OIG and the Postal Inspection Service

The OIG and the Postal Inspection Service are committed to working together to benefit the Postal Service, its employees and customers. To prevent duplication of effort and ensure the optimum use of resources, the OIG and Inspection Service perform the following functions:

Inspector General:

- Financial opinion audits
- Contract audits
- Developmental audits
- Postal-wide performance and systemic issues
- New facilities construction audits
- Revenue focused audits (International Mail)
- Bribery, kickback and conflict of interest investigations
- Workers' compensation investigation monitoring and systemic reviews
- Embezzlements
- Cases involving executives
- Computer forensics
- Oversight of Inspection Service
- Revenue generation initiatives
- Rate-making reviews
- Electronic commerce initiatives
- Labor-management reviews
- Inspector General Hotline

Inspection Service:

- Installation/District financial audits
- Area, District and local performance audits
- Service investigations
- Pre-award and post-award contract audits
- New facilities construction audits
- Revenue loss detection investigations
- Workers' compensation investigations
- Embezzlements
- Internal crimes
- External crimes
- Protection of employees
- Fraud and prohibited mailings
- Security
- Forensic and technical services

For more information contact:

Office of Inspector General
1735 N. Lynn Street
Arlington VA 22209-2020
OIG Hotline: 888-644-4470
Phone: 703-248-2100
Fax: 703-248-2256
Internet: ignet@uspsoig.gov

March 1999

To report postal fraud, waste or abuse, call the OIG Hotline: 1-888-USPS-OIG

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UNITED STATES
POSTAL SERVICE

1735 N. Lynn Street
Arlington VA 22209-2020

Office of INSPECTOR GENERAL

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Employee Assistance Recognized

In February 1998, the president of a commercial mail receiving agency in Arlington, Virginia, was sentenced to 30 days in jail, 3 months' electronic home detention, and 3 years' supervised probation and fined $18,000 after pleading guilty to counterfeiting postage meter stamps on customer's mail. A postal service clerk was awarded $1,000 for her assistance in alerting Postal Inspectors to the counterfeit postage meter scheme. Below the clerk and her supervisor were presented with certificates of appreciation for their assistance. (See photograph, below)

Bad Checks for Stamps Resulted in Prison Sentence

A man was sentenced in March 1998 to serve 11 years in prison and pay restitution of $7,744. The man bought stamps at various post offices in Las Vegas, using checks backed by insufficient funds, then sold the stamps to support a drug habit.

Workers' Compensation Fraud Uncovered

- The widow of a Post Office Department employee who died in 1940 continued to receive benefits. She died in 1982; however, her daughter, who was then 52 years old, continued to receive benefits by repeatedly certifying that her mother was alive, although children are not entitled to benefits beyond age 18. The daughter fraudulently collected over $200,000 in workers' compensation benefits. Termination of the benefits and prosecution are being sought.

- Inspectors arrested a La Crosse, Wisconsin, casual letter carrier based on four federal counts related to workers' compensation fraud. She was hired on January 24, 1994, and claimed she suffered an injury on February 8. Her doctor allowed her to return to work in March, but she alleged another injury on March 26, 1994, for which benefits were ultimately approved. The carrier and her husband then moved to Illinois and operated a home roofing and siding business, where Inspectors witnessed her on a ladder installing siding. She also received food stamps and public aid by failing to disclose earnings or workers' compensation. In addition, her husband received workers' compensation benefits from two employers for alleged injuries. The carrier also failed to disclose on her application for Postal employment three earlier workers' compensation claims in 1992 and 1993 with a previous employer. Her benefits were discontinued, saving the USPS an estimated $357,208 in future payments.

- A former New York City mail handler, who relocated to Southern California, was sentenced to 6 months in prison and 3 years' probation, and was ordered to pay $221,508 in restitution after receiving benefits for 35 years as a result of an accident he staged. He illegally claimed an ex-wife as a dependent and failed to report outside earnings, such as those he received from a doughnut shop he owned.

- A West Palm Beach, Florida, clerk was indicted for workers' compensation fraud. She received benefits since 1991 for Charcot-Marie-tooth syndrome allegedly brought on by working at a multi-position letter-sorting machine. She and her husband ran a tool repair business. Termination of her workers' compensation benefits will save the USPS an estimated $924,373.

- A Fort Lauderdale, Florida, clerk was indicted for workers' compensation fraud after receiving benefits since 1978. The woman admitted to working 90 to 100 hours weekly, 7 days a week, at an antique business she opened in 1993.

- A former letter carrier was found guilty after a 2-day trial in an Aberdeen, Mississippi, federal court. The carrier alleged he felt threatened by a fellow employee, resulting in a claim of total disability due to chronic depression, severe anxiety, and post-traumatic stress disorder. He was running a commercial lawn care business. Permanent termination of his benefits will result in estimated savings of $955,678.

- In Mobile, Alabama, a former Postal clerk was sentenced to 5 months in jail, 5 months' home confinement, and 2 years and 2 months' probation, and was ordered to pay restitution of $79,653. He alleged he suffered a totally disabling back injury in

1981 and received no outside income, but Inspectors found he was employed as a funeral director for approximately 10 years. His conviction ends further benefits, saving the USPS an estimated $699,192.

- An injured mail handler was videotaped lifting a camper shell (see photograph, above) on sale in his front yard. Since incurring an on-the-job injury on May 1, 1978, the mail handler had received injury compensation pay. When undercover Postal Inspectors inquired about a camper shell for sale, the mail handler demonstrated his lifting ability by lifting the 112-pound shell. Later the inspectors showed the video to the employee's physician, who then stated that the mail handler was able to return to work. The employee refused to comply, and the Department of Labor terminated his compensation. Consequently, the employee resigned and the Postal Service saved $86,434 in compensation payments.

- A Mobile, Alabama, carrier was sentenced to 1 year in prison and 3 years' probation. She claimed to have been injured in an accident in her Postal vehicle, but an investigation disclosed she was not in the vehicle when it was hit.

- A letter carrier in Tinley Park, Illinois, filed for workers' compensation benefits in November 1987 as a result of her claim of an on-the-job injury to her neck. She was videotaped at a health club performing strenuous exercises on a rowing machine, a treadmill, a cross-country trainer, and an exercycle, as well as doing sit-ups, pull-ups and parallel bar dips, and lifting weights designed to exercise the chest, hips, torso, back and legs. Inspectors showed the tapes to her doctor, who had restricted her from lifting more than 10 pounds. He re-examined her and declared her fit for a limited-duty assignment, which she refused. Two other doctors confirmed the carrier fit for limited duty, but she refused the offers. The Department of Labor gave her a 15-day extension to accept a job offer without penalty, but the carrier failed to respond and her compensation was terminated in March 1998, resulting in estimated cost savings to the Postal Service of $742,349.

Tort Investigations Reduced Settlements Paid by USPS

A woman involved in a motor vehicle accident with a Postal vehicle in Staten Island, New York, filed a claim of $3.5 million for alleged injuries to her neck, back, arms, and legs. At the request of the U.S. Attorney's office, Inspectors conducted an investigation that included serving subpoenas, interviewing witnesses, and conducting and videotaping surveillances. As a result, the judge ruled in favor of the USPS, stating that the videotapes contradicted testimony by the plaintiff's doctor and severely undermined the credibility of the plaintiff.

In another New York case, a woman filed a $1 million personal injury claim, stating that she sustained neck and back injuries when a Postal vehicle struck her parked car as she sat in it. After a witness stated that the vehicle was empty, the judge awarded the plaintiff $1,881 to cover property damage to her vehicle.

Counterfeit Postage Stamps Seized

In December 1997, a search warrant was executed on an advertising firm in Fountain Valley, California, after USPS managers reported that numerous envelopes bearing counterfeit 32-cent Yellow Rose stamps were found at the Santa Ana and Anaheim Processing and Distribution Centers. Inspectors arrested the owner of the firm after seizing 11 sheets of paper bearing approximately 900 counterfeit stamps as well as the computer, scanner, printer, and other items believed to be used in creating the counterfeit stamps.

A search warrant was executed on a stamp vending business in Cordova, Tennessee, after Postal employees identified counterfeit stamps on mail rejected by facer-canceller machines during processing. Inspectors suspected the owner of the business counterfeited between 10,000 and 15,000 32-cent stamps using a color copier, and sold counterfeits in his vending machines. All 225 stamp vending machines operated by the business were seized, and the investigation is continuing.

Legislative and Regulatory Review

The following section summarizes OIG reviews of existing and proposed legislation and regulations relating to USPS. These reviews are intended to assist the Postal Service and Congress by providing independent analyses of these issues. These reviews also are required by the Inspector General Act. This portion of the report summarizes significant legislation and regulations reviewed between October 1, 1997, and March 31, 1998.

PROPOSED LEGISLATION

H.R. 22 The Postal Reform Act of 1997.

In a previous semiannual report, OIG reviewed H.R. 22, The Postal Reform Act of 1997. During this reporting period, Congress proposed revisions that have not yet been incorporated into H.R. 22. Three of the proposed revisions would directly affect OIG. First, the Inspector General would be appointed by the President instead of the Governors. Second, the Inspector General would be responsible for the financial statement audit. Third, investigative activities of the Inspection Service would be reported in OIG semiannual reports.

H.R. 2434 To Establish Counseling Programs for Disabled and Retired Police Officers.

This bill would establish counseling programs for law enforcement officers who retire or will retire on disability due to employment-related injuries. This bill would be funded by appropriations and would benefit disabled OIG and Inspection Service law enforcement officers and their immediate families.

H.R. 2441 The Employee Fairness Act of 1997.

This bill would allow a federal employee to file a discrimination complaint directly with the Equal Employment Opportunity Commission (EEOC) instead of first filing with his or her agency. The bill could affect the USPS by increasing the number of EEOC filings by USPS employees.

H.R. 2584 Health Care Fraud Prosecution Act of 1997.

Title I of this bill would amend the federal criminal code for health care providers to require patient restitution and criminal forfeiture of the proceeds of health care fraud. Title II would establish the Health Care Fraud and Abuse Commission. The bill could reduce costs by deterring fraud through the imposition of stronger penalties on convicted health care providers.

H.R. 2648 Act to Abolish Child Pornography.

Current legislation makes it illegal to possess three pieces of child pornography that is mailed, shipped, or transported in interstate or foreign commerce, including by computer. This bill would reduce that number to one, thus better protecting children, ensuring the sanctity of the U.S. Mail, and making it easier to prosecute persons using the mail for transporting child pornography.

H.R. 2720 Repeal of the Davis-Bacon Act and Partial Repeal of the Copeland Act

This bill would repeal the Davis-Bacon Act, which requires that construction contract labor rates be set at wage rates determined by the Department of Labor. This bill would also partially repeal the Copeland Act, which makes it unlawful to threaten anyone employed in the construction of facilities financed by the United States. The bill could affect the cost of Postal contracts involving the construction or alteration of Postal facilities.

H.R. 2721 Second Amendment Protection Act of 1997.

This bill would repeal the Brady Handgun Violence Prevention Act and the Public Safety and Recreational Firearms Use Protection Act. It would make it easier for individuals to acquire high-powered firearms and eliminate background checks. Although the bill is not directed specifically at the USPS, it could lead to an increase in the number and severity of Postal crimes and violence.

H.R. 2747 Compliance with a Subpoena.

This bill would require federal employees to testify in third-party litigation unless the head of the agency objects in writing to the court. The bill would override *United States ex rel. Touhy v. Ragen*, a Supreme Court decision which has been used to exempt federal employees from testifying in litigation not involving the federal government. This bill could require the Postal Service to submit written statements when objecting to an employee's testimony. When an agency head does not submit a written objection, employees could be testifying in private civil cases instead of performing their governmental duties.

H.R. 2883 Government Performance and Results Act Technical Amendments of 1997.
This bill would amend strategic plan requirements for federal agencies and the USPS. A separate assessment by the OIG would be required on the systems and procedures underlying each strategic plan, performance plan, and performance report. This bill could significantly increase workload requirements for the OIG.

H.R. 2890 Criminal Sentences for Electronic Surveillance by Federal Employees.
This bill would add a new mandatory minimum penalty when a federal employee violates the electronic surveillance laws. The penalty would be a minimum of 6 months imprisonment. This bill could have a greater effect on law enforcement agencies such as OIG and the Inspection Service because they conduct electronic surveillance.

H.R. 2948 Workplace Religious Freedom Act of 1997.
This bill would amend Title VII of the Civil Rights Act of 1964 to establish provisions for religious accommodation in employment, including USPS. Refusing to reasonably accommodate an employee could be considered an unlawful employment practice. This bill could affect USPS costs and productivity depending upon the number of people needing such accommodation.

H.R. 3032 Construction Subcontractors Payment Protection Enhancement Act of 1998.
This bill would amend the Miller Act, which requires contract surety bonds on federal construction contracts that exceed $100,000. This bill could affect USPS construction contracts and contracting officers' responsibilities.

H.R. 3081 Hate Crimes Prevention Act of 1997.
This bill would add a new criminal statute for individuals who engage in hate crimes. The crime would have a maximum penalty of 10 years imprisonment. The bill would add a new statute enforceable by the Postal Service for mailing of firearms and explosive devices incident to a hate crime.

S. 1296 Postal Financing Reform Act of 1997.
This bill would reform laws relating to USPS finances by permitting the USPS to operate outside of the federal financing system. Among other things, it would allow the Postal Service to borrow or invest outside of the Department of the Treasury. This bill would substantially alter USPS financing.

S. 1350 State and Local Authority to Regulate Telecommunications Facilities.
This bill would allow state or local governments to regulate the placement, construction, or modification of personal communications towers. This bill could affect the USPS, which places communication towers on Postal property for revenue generation.

S. 1368 Medical Information Privacy and Security Act.
This bill would ensure privacy of personal medical information and impose criminal and civil penalties for unauthorized use. It would require prior approval by the patient before release of personal medical information. This bill could affect the manner in which federal investigators obtain health care information and records.

S. 1389 Special Stamps for Prostate Cancer Research.
H.R. 2545 Special Stamps for Prostate Cancer Research.
These companion bills would amend Title 39, United States Code, and require that USPS create special postage stamps which would allow Postal patrons to contribute to prostate cancer research funding. The stamps would have a special rate of postage equal to the regular First-Class rate, plus a differential up to 25 percent. The Postal Service would track and remit the differential less reasonable costs to the National Institutes of Health, at least twice yearly, for prostate cancer research.

REGULATIONS

Final Rules

During this reporting period, the USPS published final rules on the following topics:

Access of Handicapped Persons to Postal Services, Programs, Facilities, and Employment - Filing and Processing Discrimination Complaints
The final rule amends procedures for filing and processing complaints by handicapped persons, to ensure that Postal programs and services are provided in a non-discriminatory fashion. The regulations are easier for both Postal customers

and employees to understand and follow. (62 *Federal Register* 66996, December 23, 1997)

Freedom of Information Act Amendments.
The final rule amends regulations relating to the availability of Postal records to the public. The changes were required by the Electronic Freedom of Information Act Amendments of 1996. The amendments:

* Address the availability of electronic records on the USPS world wide web home page (http://www.usps.gov) after November 1, 1997;
* Provide that the requester may choose to receive the records in paper or electronic format;
* Extend the USPS period for response from 10 to 20 working days as of October 2, 1997;
* Establish a new procedure for expedited processing; and
* Change the annual reporting period from a calendar year to a fiscal year beginning on October 1, 1997. (63 *Federal Register* 6480, February 9, 1998)

Expansion of Global Priority Mail.
Global Priority Mail is an expedited airmail letter service for delivery of items up to four pounds. USPS increased the number of post offices that accept Global Priority Mail. Additionally, the USPS increased the number of destination countries to 34 and added variable rates depending upon weight, for items weighing up to four pounds. (63 *Federal Register* 3814, January 27, 1998)

International Surface Airlift.
International Surface Airlift (ISAL) is a bulk mail service for shipping of publications, advertising mail, catalogs, directories, books, other printed matter, and small packets. The amendments make changes for ISAL preparation requirements that should reduce operating costs. In addition, the amendments permit rate discounts based on the place of mailing, availability of transportation, and the volume of mail. (63 *Federal Register* 3642, January 26, 1998)

Administrative Offsets Proceedings Initiated Against Former Employees of the Postal Service.
An administrative offset is the withholding of money payable by the USPS to a former Postal employee in order to satisfy a debt a former employee owes. Under the revised rules, the USPS Minneapolis Accounting Service Center will initially assert the claim. The employee should seek reconsideration of the claim from the former employee's Postmaster/Installation Head. Under the previous rules, the Inspection Service initially asserted the claim and addressed employees' requests for reconsideration. (62 *Federal Register* 63278, November 28, 1997)

Reimbursement for Sale of Abandoned Property
This new rule provides that a person submitting a valid claim for property held by the Postal Service, as evidence, that has been sold, will be reimbursed the same amount as the last appraised value of the property prior to its sale. (63 *Federal Register* 8126, February 18, 1998)

Board of Governors Bylaws Amendments - Chief Postal Inspector.
A recent bylaw repealed the requirement for concurrence by the Governors of the transfer or removal of the Chief Postal Inspector. Under the new bylaw, the Postmaster General now only needs to notify the Governors and both Houses of Congress in writing about the reasons for the removal or transfer of the Chief Postal Inspector. (62 *Federal Register* 61914, November 20, 1997)

Interim Rules

During this reporting period, the USPS published the following interim rules:

Global Package Link Charges.
Global Package Link (GPL) service is designed to provide fast, economical, international delivery of merchandise. The regulatory changes provide a discount for packages delivered by a mailer to a GPL processing facility and add a surcharge for packages transported by USPS from mailers located more than 500 miles from a GPL processing facility. (62 *Federal Register* 56074, October 29, 1997)

Global Package Link to Canada.
Global Package Link (GPL) to Canada currently offers an Air Courier, a Ground Courier, and a Ground Gateway service. The Air Courier Service will be renamed GPL Premium. The Ground Courier service will be renamed GPL Standard. The Ground Gateway Service will be discontinued. The new pricing for GPL Standard is based on origin and destination.(62 *Federal Register* 58912, October 31, 1997)

Global Package Link Service to Japan.
Global Package Link current size allowances to Japan are increased to U.S. domestic limits, which are 70 pounds and 108 inches (length and girth combined). (63 *Federal Register* 9420, February 25, 1998)

Global Priority Mail Flat-Rate Box.
The interim rules pertain to a new Global Priority Mail prepaid flat-rate box. The weight limit for Global Priority Mail is four pounds. Previously, Global Priority letter service only offered two sizes of flat-rate envelopes. Mailers can now use the new flat-rate box. (63 *Federal Register* 5458, February 3, 1998)

Proposed Rules

During this reporting period, the USPS proposed rules on the following topics:

Privacy Act Modification to a System of Records. The USPS proposed to modify routine uses on two existing systems of records: USPS 050.040, Finance Records—Uniform Allowance Program, and USPS 050.020, Finance Records—Payroll System. Routine uses allow the USPS to disclose information about individuals. (63 *Federal Register* 3774; January 26, 1998)

Use of Postage Meter License Application Information. This rule would clarify and expand the sources and uses of information on meter license applications from meter users and authorized meter manufacturers received by the USPS. The USPS may use the information in the administration of postage meter and related activities. (63 *Federal Register* 8893, February 23, 1998)

Conduct on Postal Service Property. The proposed rule would prohibit the following: smoking in Postal lobbies and offices; solicitation of signatures on petitions, polls, or surveys on Postal property; leafleting, picketing, demonstrating, public assembly, and public address in lobbies and other interior areas of Postal buildings open to the public; placement of tables, chairs, freestanding signs or posters, structures, or furniture of any type anywhere on Postal premises; and storage of weapons and explosives on Postal property, except for official purposes. (62 *Federal Register* 61481, November 18, 1997)

RECENT SIGNIFICANT COURT DECISIONS

During this reporting period, the following decisions that affect OIG, The Inspection Service, and USPS were decided:

Hudson v. United States, 118 S. Ct. 488, 1997 U.S. LEXIS 7497, 139 L. Ed. 2d 450, 66 U.S.L.W. 4024 (December 10, 1997). The Supreme Court held that a defendant is not subject to double jeopardy just because the Government prosecutes criminally and also sanctions civilly and administratively. This ruling improves opportunities for the USPS to recover damages for fraud uncovered during audits and investigations.

LaChance v. Erickson, 118 S. Ct. 753, 1998 U.S. LEXIS 636, 139 L. Ed. 2d 695, 66 U.S.L.W. 4073 (January 21, 1998). The Supreme Court held that a federal agency may sanction an employee for making a false statement in response to a charge of employment-related misconduct. This ruling should deter employees from misleading investigators.

Brogan v. United States, 118 S. Ct. 805, 1998 U.S. LEXIS 648, 139 L. Ed. 2d 830, 66 U.S.L.W. 4111 (January 26, 1998). The Supreme Court held that the mere denial of wrongdoing by the wrongdoer, in response to a question by an investigator, can be a criminal false statement. This ruling should encourage wrongdoers to provide only truthful information during an investigation.

Appendices

Appendix A

Reports Issued to Postal Management

Contract Audits (AC) are conducted to ensure efficiency, effectiveness and economy in the procurement process

Case Number	Contractor or Facility	Questioned Costs	Unsupported Costs	Recommendation That Funds Be Put to Better Use
[illegible]	Sandvik Sorting Systems, Inc.	$0	$0	[illegible]
[illegible]	Sandvik Sorting Systems, Inc.	0	0	946,147
[illegible]	Sandvik Sorting Systems, Inc.	0	0	1,544,452
[illegible]	Sandvik Sorting Systems, Inc.	0	0	[illegible]
[illegible]	Sandvik Sorting Systems, Inc.	0	0	855,166
[illegible]	Sandvik Sorting Systems, Inc.	0	0	826,066
[illegible]	Sandvik Sorting Systems, Inc.	0	0	911,022
[illegible]	Midwest Conveyor Company, Inc.	0	0	135,190
[illegible]	Midwest Conveyor Company, Inc.	0	0	167,714
[illegible]	Control Logic	0	0	0
[illegible]	Control Logic	0	0	0
[illegible]	K & T Electrical Contractors, Inc.	0	0	481,503
[illegible]	Siemens ElectroCom, L.P.	0	0	66,372
[illegible]	North American Conveyor, Inc.	0	0	117,217
[illegible]	Motion Systems, L.C.	0	0	0
[illegible]	Learning Systems International	0	0	26,241
[illegible]	Adrian Porter, Ltd.	0	0	104,755
[illegible]	Siemens ElectroCom, L.P.	0	0	[illegible]
[illegible]	Siemens ElectroCom, L.P.	0	0	254,116
[illegible]	Siemens ElectroCom, L.P.	0	0	24,329
[illegible]	Motion Systems, L.C.	0	0	892,256
[illegible]	Fong & Chan Architects	0	0	0
[illegible]	Siemens Energy & Automation, Inc.	0	0	1,461,422
[illegible]	Weyerhaeuser Company	29,316	0	0
[illegible]	MillCon Gas Services Corporation	14,922	0	0
[illegible]	Korte Construction Company	0	0	0
[illegible]	PJ Electronic Corporation	150,000,000	6,241,716	0
[illegible]	Ironstone Grading, Inc.	15,455	6,934	0
[illegible]	K & P Builders, Inc.	12,300	0	0
[illegible]	Stern Stewart & Company	0	0	0
[illegible]	Marriott Corporation	11,246	0	0
[illegible]	Morgand, Inc.	16,740	0	0
[illegible]	The Austin Company	93,186	0	0
[illegible]	Kelly L. Sparks	0	0	0
[illegible]	Pinnacle Technologies, Inc.	0	0	0
[illegible]	Raymond Daring	0	0	0
[illegible]	Learning Systems International	0	0	0
[illegible]	Bergi Construction, Inc.	0	0	0

Case Number	Contractor or Facility	Questioned Costs	Unsupported Costs	Recommendations That Funds Be Put to Better Use
187-1227795-AC(1)	Daniel, Mann, Johnson & Mendenhall	0	0	0
190-1198727-AC(2)	Aramark Services, Inc.	54,077	0	0
192-1222194-AC(1)	Ernst & Young, LLP	0	0	0
193-1218159-AC(2)	Siemens ElectroCom, LP	0	0	0
194-1223627-AC(2)	Siemens ElectroCom, LP	0	0	0
189-1224261-AC(2)	Frankel & Company	0	0	0
193-1224704-AC(2)	Lee Hill, Inc.	0	0	0
405-1234774-AC(2)	Santa Ana Industrial Services	7,495	0	0
Total		$132,265,485	$7,962,591	$10,682,141

Financial Opinion Audits (AD) are annual reviews of financial transactions, assets and controls at the three information service centers (ISCs) and selected field installations. Physical, personnel and data security controls are reviewed to determine whether they are effective and comply with Postal policies.

Case Number	Location	Subject
001-1196377-AD(1)	San Mateo, CA 94497	FY97 ISC Opinion Audit
001-1220198-AD(1)	St. Louis, MO 63177	FY97 ISC Opinion Audit
001-1220362-AD(1)	Minneapolis, MN 55401	FY97 ISC Opinion Audit
001-1217093-AD(1)	Washington, DC 20260	Review of Officers' Travel
001-1217004-AD(1)	Washington, DC 20260	Review of Board of Governors' Expenses
004-1193449-AD(1)	Washington, DC 20260	Imprest Fund Audit
004-1222495-AD(1)	New York, NY 10116	Imprest Fund Audit
004-1223531-AD(1)	Washington, DC 20005	Imprest Fund Audit
004-1223967-AD(1)	Kearny, NJ 07032	Imprest Fund Audit

Financial Installation Audits (AFI) are performed at offices chosen through a random selection process. Offices are randomly selected from a list of all offices and stratified by projected revenue. During the reviews, internal controls are evaluated and assets are verified to determine the reliability of the Postal Service's financial system.

Case Number	Location
011-1221563-AF(1)	San Jose, CA 95125
011-1222017-AF(1)	Brooklyn, NY 11256
011-1222645-AF(1)	St. Petersburg, FL 33730
011-1222996-AF(1)	Buffalo, NY 14240
011-1222995-AF(1)	New Brunswick, NJ 08901
011-1222997-AF(1)	Bensenville, IL 60106
011-1222998-AF(1)	Arlington Heights, IL 60004
011-1223030-AF(1)	Hackensack, NJ 07606
011-1223105-AF(1)	Worth, IL 60482
011-1223342-AF(1)	Albany, NY 12288
011-1223340-AF(1)	Corinth, MS 38834
011-1223417-AF(1)	Lynchburg, VA 24506
011-1223475-AF(1)	Toledo, OH 43601
011-1223660-AF(1)	Pittsburgh, PA 15290
011-1223723-AF(1)	Phoenix, AZ 85026
011-1223726-AF(1)	Fullerton, CA 92631
011-1223737-AF(1)	San Diego, CA 92199
011-1224026-AF(1)	Rancho Cordova, CA 95670
011-1224166-AF(1)	Shawnee Mission, KS 66222
011-1224285-AF(1)	Houston, TX 77201
011-1224291-AF(1)	Austin, TX 78710
011-1225068-AF(1)	Macon, GA 31213

Case Number	Location
012-1222644-AF(1)	Winter Haven, FL 33880
012-1223038-AF(1)	Peapack, NJ 07977
012-1223060-AF(1)	Culver City, CA 90230
012-1223101-AF(1)	Oak Lawn, IL 60454
012-1223411-AF(1)	Easton, MD 21601
012-1223422-AF(1)	Thurmont, MD 21788
012-1223474-AF(1)	Lebanon, OH 45036
012-1223717-AF(1)	Orange, CA 92867
012-1224028-AF(1)	Rome, NY 99512
012-1224029-AF(1)	Pleasanton, CA 94566
012-1224129-AF(1)	Vandalia, IL 62471
012-1224168-AF(1)	Ballwin, MO 63011
012-1229947-AF(1)	Millville, NJ 08332
013-1222046-AF(1)	Lady Lake, FL 32159
013-1223048-AF(1)	Cantonment, FL 32533
013-1223264-AF(1)	Middletown, MA 22346
013-1223317-AF(1)	Drew, MS 38737
013-1223330-AF(1)	Martin, TN 38237
013-1223336-AF(1)	Peoria, AZ 85345
013-1223425-AF(1)	Rockville, NC 27325
013-1223426-AF(1)	Pasadena, MD 21122
013-1224172-AF(1)	Macon, MO 63552
013-1224174-AF(1)	Mount Vernon, MO 65712
013-1224500-AF(1)	Ferriday, LA 71334
013-1224501-AF(1)	Rockdale, TX 76567
013-1226658-AF(1)	Maple Shade, NJ 08052
013-1228239-AF(1)	Lowell, IN 46356
013-1228740-AF(1)	Spencer, IN 47460
014-1223034-AF(1)	Barranquitas, PR 00794
014-1223426-AF(1)	Scottsville, VA 24590
014-1223436-AF(1)	Midway, KY 40347
014-1223479-AF(1)	Byron, GA 31008
014-1223704-AF(1)	Ossining, NY 99040
014-1224182-AF(1)	Sutton, NE 68979
014-1224192-AF(1)	Oblong, IL 62449
014-1224193-AF(1)	Stanton, NE 68779
014-1224474-AF(1)	New London, IA 52645
015-1223427-AF(1)	Compton, MD 20627
015-1223632-AF(1)	Valley, WA 99181
015-1223719-AF(1)	South Butler, NY 13154
015-1224308-AF(1)	Savanna, OK 74565
015-1224309-AF(1)	Pyatt, AR 72672
015-1224310-AF(1)	Oakwood, OK 73658
015-1224476-AF(1)	Butler, MO 64730
015-1225194-AF(1)	Denton, GA 31532
015-1225195-AF(1)	[illegible] Mills, AL 36726
015-1225752-AF(1)	Columbus, IN 46232

District Accounting Office Audits (AF2) are conducted to evaluate district accounting office controls and the security provided for computers. The audits supplement financial installation audits.

Case Number	Location
210-1222958-AF(2)	Miami, FL 33152
210-1222944-AF(2)	Edison, NJ 08899
210-1222986-AF(2)	Buffalo, NY 14240
210-1223166-AF(2)	San Jose, CA 95101
210-1223351-AF(2)	Santa Clarita, CA 91380
210-1221855-AF(2)	Phoenix, AZ 85026
210-1222598-AF(2)	Carol Stream, IL 60199
210-1222653-AF(2)	Tampa, FL 33622
210-1223248-AF(2)	Albany, NY 12288
210-1223744-AF(2)	San Diego, CA 92199
210-1224286-AF(2)	Houston, TX 77201
210-1225197-AF(2)	Macon, GA 31213
210-1235403-AF(2)	Royal Oak, MI 48068

Expenditure Investigations (EI) are performed to identify fraud, waste and abuse in procurement activities and improve the integrity of procurement processes. The investigations are conducted based on requests from management, customer complaints and independent selections.

Case Number	Location	Subject
195-1216615-EI(1)	Chicago, IL 60701	Procurement Activity Review
195-1216617-EI(1)	Chicago, IL 60666	Procurement Activity Review
195-1216626-EI(1)	Lansing, MI 48924	Procurement Activity Review
195-1217422-EI(1)	Philadelphia, PA 19104	Procurement Activity Review
195-1217447-EI(1)	Memphis, TN 38173	Procurement Activity Review
195-1219040-EI(1)	Pittsburgh, PA 15290	Procurement Activity Review
195-1219240-EI(1)	Wetumpka, AL 36092	Procurement Activity Review
465-1225852-EI(1)	Woodbine, NJ 08270	Expenditure Review
465-1225901-EI(1)	West Chester, PA 19380	Expenditure Review
505-1217572-EI(1)	Oakland, CA 94615	Facility Review
568-1199910-EI(1)	Washington, DC 20260	IMPAC Credit Card Review
568-1212554-EI(1)	Spokane, WA 99202	Postal Service Purchasing Contracts Review
568-1219714-EI(1)	Montague, CA 94558	Postal Service Purchasing Contracts Review
568-1225916-EI(1)	Bellmawr, NJ 08099	IMPAC Credit Card Review

Financial Investigations (FI) are designed to protect postal financial assets from internal theft or misuse. The investigations also assess risks and evaluate internal controls to prevent financial loss.

Case Number	Location
217-1199728-FI(2)	Detroit, MI 48233
217-1205933-FI(2)	Middletown, VA 22645
217-1217699-FI(2)	New Orleans, LA 70113
217-1219568-FI(2)	Byram, MS 39209
217-1219768-FI(2)	Edison, NJ 08901
217-1219828-FI(2)	Golden, MS 38847
217-1219632-FI(2)	Chapmanville, WV 25508
217-1222375-FI(2)	Robbins, TN 37852
217-1220479-FI(2)	St. Louis, MO 63155
217-1221078-FI(2)	Lake Placid, FL 33852
217-1224200-FI(2)	San Antonio, TX 78284
217-1223721-FI(2)	Ft. Worth, TX 76161
217-1221909-FI(2)	Okolona, MS 38860
217-1221963-FI(2)	Elmwood, TN 38560
217-1222064-FI(2)	Bumpus Mills, TN 37028
217-1222154-FI(2)	La Vergne, TN 37086
217-1222262-FI(2)	Camp, MO 64633
217-1222261-FI(2)	Camden, MO 63828
217-1222263-FI(2)	Cameron, MO 64217

Case Number	Location
013-1222064-FI(2)	Wolf Island, MO 63881
013-1222263-FI(2)	Oran, MO 63743
013-1222583-FI(2)	Dupo, IL 62239
013-1222584-FI(2)	Okawville, IL 62271
013-1222822-FI(2)	El Paso, TX 79910
013-1223675-FI(2)	Hillsboro, IL 62049
013-1224131-FI(2)	Wood River, IL 62095
013-1225425-FI(2)	Rouses Point, NY 12979
013-1227171-FI(2)	Glendale, AZ 85028
013-1240331-FI(2)	Greenville, MS 38701
013-1241248-FI(2)	Erie, PA 16515
013-1241249-FI(2)	Brownsville, MA 02317
013-1242511-FI(2)	Dennisport, MA 02639
013-1243864-FI(2)	Westerly, RI 02891
013-1244889-FI(2)	Bellevue, WA 98009
013-1246851-FI(2)	Milton-Freewater, OR 97862
830-1247069-FI(1)	Auburn, CA 95603
830-1241122-FI(1)	Auburn, WA 98002
830-1233912-FI(1)	Redwood City, CA 94063
839-1229570-FI(2)	Buffalo, NY 14201
843-1216440-FI(1)	Everett, WA 98201
843-1228202-FI(1)	Wenatchee, WA 98801

Facility Program Audits (FPA) provide independent appraisals of facility-related functions to assist postal management in minimizing financial and operational risk.

Case Number	Location	Subject
FI-AR-99-001	Chicago, IL 60606	The Sugar House Renovation Project
099-1199873-FPA(1)	Philadelphia, PA 19101	New Construction Owned Project Review
232-1203422-FPA(1)	Atlanta, GA 30340	Facility Service Office Review
232-1211566-FPA(1)	Chicago, IL 60606	Facility Service Office Review
232-1211248-FPA(1)	Denver, CO 80237	Facility Service Office Review
239-1228921-FPA(1)	San Francisco, CA 94080	Pacific Area Lease Review

Performance Audits (PA) focus on national systems and procedures and field operations. The audits provide independent evaluations of major activities, identify and capture operational savings and alert management to areas where service and efficiency can be improved.

Case Number	Location
PS-AR-99-001	Year 2000 Initiative
020-1204520-PA(1)	National Audit on Marketing & Customer Research
021-1200464-PA(1)	National Audit on Metered Postage Administration & Revenue Collection
023-1209847-PA(1)	National Audit on Automation Impact on Flat Distribution
024-1200008-PA(1)	National Audit on Carrier Sequence Bar Code Sorter
027-1200241-PA(1)	National Audit on Facility Planning, Improvement and Approval Process
028-1203887-PA(1)	National Audit on Economic Value Added
029-1199113-PA(1)	National Audit on OWCP Medical Payments Review
036-1217962-PA(2)	Periodical Mail Service Review, New York, NY 10001
038-1219113-PA(2)	Review of Non-Distribution Emerging Process, Washington, DC 20260
044-1209554-PA(2)	Grievance & Arbitration Review, Philadelphia, PA 19101
045-1196257-PA(2)	Review of HQ Accounts, Pasadena, CA 91107
045-1199291-PA(2)	External First-Class Program & Process Review, Boston, MA 02210
050-1225703-PA(2)	Mail Preparation Review, Boston, MA 02210
050-1210181-PA(2)	Return to Sender Mail Review, Denver, CO 80202
050-1217544-PA(2)	External First-Class Mail Review, Denver, CO 80202
050-1222496-PA(2)	Political Campaign Mail Review, Ft. Worth, TX 76161
092-1222666-PA(3)	Remote Encoding Center, Kearny, NJ 07032
092-1224613-PA(3)	External First-Class Mail Review, Philadelphia, PA 19101
112-1211232-PA(3)	Outgoing Mail Operations Review, New York, NY 10116
112-1224462-PA(3)	Priority Mail Operations Review, Memphis, TN 38173
113-1216508-PA(3)	Express Mail Operations Review, Washington, DC 20001

Case Number	Location
114-1211033-PA(3)	Registered Mail Operations Review, San Francisco, CA 94188
114-1212238-PA(3)	Mail Operations Review, Memphis, TN 38173
114-1223969-PA(3)	Delivery Vehicle Utilization Review, Birmingham, AL 35224
115-1215494-PA(3)	Vehicle Utilization Review, Atlanta, GA 32324
119-1208069-PA(3)	External First-Class Mail Review, Houston, TX 77251
119-1214905-PA(3)	Sick Leave Review, St. Louis, MO 63155
110-1224974-PA(3)	Priority End-to-End Review, Seattle, WA 98111

Revenue Investigations (RI) ensure that postal revenue is properly assessed and collected. Priority is given to investigating alleged schemes to avoid payment of postage and to identify, pursue and seek actions against violators through civil, administrative, and criminal remedies.

Case Number	Location	Subject
061-1214694-RI(1)	Pittsburgh, PA 15290	Postage Meters
061-1224536-RI(1)	Boston, MA 02210	Postage Meters
061-1233096-RI(1)	Irvine, NJ 79830	Postage Meters
062-1157461-RI(1)	Southfield, MI 48037	Nonprofit Mail
062-1177522-RI(1)	Minneapolis, MN 55439	Nonprofit Mail
062-1177528-RI(1)	Minneapolis, MN 55439	Nonprofit Mail
062-1177530-RI(1)	St. Louis Park, MN 55426	Nonprofit Mail
062-1177531-RI(1)	West Allis, WI 53214	Nonprofit Mail
062-1177532-RI(1)	Burnsville, MN 55309	Nonprofit Mail
062-1184435-RI(1)	Alexandria, VA 22314	Cooperative Mailing
062-1201794-RI(1)	Santa Fe Springs, CA 90670	Nonprofit Mail
062-1205449-RI(1)	Milwaukee, WI 53225	Nonprofit Mail
062-1208733-RI(1)	Pittsburgh, PA 15290	Nonprofit Mail
062-1208141-RI(1)	Chicago, IL 60612	Standard Mail
062-1211957-RI(1)	Bellmawr, NJ 08099	Nonprofit Mail
062-1218502-RI(1)	Shepherdsville, KY 40165	Periodical Mail
062-1218503-RI(1)	Shepherdsville, KY 40165	Periodical Mail
062-1218505-RI(1)	Shepherdsville, KY 40165	Periodical Mail
062-1222366-RI(1)	Royal Oak, MI 48068	Standard Mail
062-1222449-RI(1)	Boston, MA 02210	Standard Mail
062-1222271-RI(1)	Warren, MI 48090	Standard Mail
062-1222968-RI(1)	Cordova, TN 38018	Standard Mail
062-1224363-RI(1)	Columbus, OH 43216	Nonprofit Mail
062-1226304-RI(1)	Charleston, WV 25301	Nonprofit Mail
062-1226028-RI(1)	Cincinnati, OH 45219	Nonprofit Mail
062-1226212-RI(1)	St. Louis, MO 63155	Standard Mail
062-1226445-RI(1)	Cincinnati, OH 45219	Standard Mail
062-1226446-RI(1)	Cincinnati, OH 45219	Nonprofit Mail
062-1226821-RI(1)	New Castle, PA 16108	Standard Mail
062-1226530-RI(1)	San Bernardino, CA 92403	Nonprofit Mail
062-1226646-RI(1)	Pleasant Hill, CA 94523	Nonprofit Mail
062-1226690-RI(1)	Little Falls, MN 56345	Nonprofit Mail
062-1227308-RI(1)	St. Paul, MN 55121	Nonprofit Mail
062-1227399-RI(1)	Merrifield, VA 22116	Standard Mail
062-1227548-RI(1)	Southfield, MI 48076	Standard Mail
062-1228671-RI(1)	Boston, MA 02210	Standard Mail
062-1229958-RI(1)	Fullerton, CA 92834	Standard Mail
062-1229081-RI(1)	Shakopee, MN 55379	Standard Mail
062-1229082-RI(1)	Hopkins, MN 55343	Nonprofit Mail
062-1229309-RI(1)	Chicago, IL 60607	Bulk Mail Entry Unit Review
062-1231119-RI(1)	Howard Lake, MN 55349	Nonprofit Mail
062-1234443-RI(1)	Mason, OH 45040	Nonprofit Mail
062-1236551-RI(1)	Gainesville, GA 30501	Standard Mail
063-1231210-RI(2)	Washington, DC 20004	Nonprofit Mail
064-1209021-RI(1)	Boston, MA 02210	First-Class Mail
064-1224012-RI(1)	Boston, MA 02130	Nonprofit Mail
064-1162380-RI(1)	Willowbrook, IL 60527	First-Class Mail
064-1195246-RI(1)	Miami, FL 33152	Permit Verifications
064-1209278-RI(1)	Berkeley, CA 94710	Bypass Mail
064-1215502-RI(1)	Jacksonville, FL 32277	First-Class Mail

Case Number	Location	Subject
064-1214006-RI(1)	Stockton, CA 95202	Postage Meters
064-1220407-RI(1)	Lake Zurich, IL 60047	First-Class Mail
064-1221432-RI(1)	Charlottesville, VA 22903	First-Class Mail
064-1221664-RI(1)	Boston, MA 02210	Bypass Mail
064-1226621-RI(1)	Boston, MA 02210	First-Class Mail
064-1229155-RI(1)	Houston, TX 77202	Standard Mail
064-1231199-RI(1)	Ft. Worth, TX 76137	First-Class Mail
064-1231282-RI(1)	Avon, MA 02322	Business Reply Mail
064-1231736-RI(1)	Columbus, OH 43228	First-Class Mail
064-1237691-RI(1)	Dallas, TX 75201	First-Class Mail
065-1215484-RI(1)	Clarksville, TN 37040	Periodical Mail
065-1215651-RI(1)	Kalamazoo, MI 49001	Periodical Mail
065-1218491-RI(1)	Shepherdsville, KY 40165	Periodical Mail
065-1218496-RI(1)	Shepherdsville, KY 40165	Periodical Mail
065-1218497-RI(1)	Shepherdsville, KY 40165	Periodical Mail
065-1219739-RI(1)	Chicago, IL 60607	Periodical Mail
065-1222792-RI(1)	Bemidji, MN 56601	Periodical Mail
065-1223277-RI(1)	Cincinnati, OH 45234	Standard Mail
065-1223281-RI(1)	Cincinnati, OH 45234	Periodical Mail
065-1223909-RI(1)	Canton, OH 44711	Periodical Mail
065-1224779-RI(1)	Texarkana, TX 75501	Periodical Mail
065-1224848-RI(1)	Waterloo, IA 50701	Periodical Mail
065-1225903-RI(1)	Austin, TX 78710	Periodical Mail
065-1226045-RI(1)	Bettendorf, IA 52722	Periodical Mail
065-1226867-RI(1)	Louisville, KY 40232	Periodical Mail
065-1227217-RI(1)	Austin, TX 78714	Periodical Mail
065-1227221-RI(1)	Austin, TX 78714	Periodical Mail
065-1227224-RI(1)	Austin, TX 78714	Periodical Mail
065-1227394-RI(1)	Austin, TX 78714	Periodical Mail
065-1227400-RI(1)	Austin, TX 78710	Periodical Mail
065-1227639-RI(1)	Austin, TX 78710	Periodical Mail
065-1227908-RI(1)	Austin, TX 78710	Periodical Mail
065-1228321-RI(1)	Grand Rapids, MI 49599	Periodical Mail
065-1229366-RI(1)	Trenton, TN 38382	Periodical Mail
065-1229434-RI(1)	Minneapolis, MN 55401	Periodical Mail
065-1231382-RI(1)	Portland, OR 97208	Periodical Mail
065-1233899-RI(1)	Spokane, WA 99299	Periodical Mail
065-1233886-RI(1)	Milwaukee, WI 53204	Periodical Mail
065-1233918-RI(1)	Portland, OR 97208	Periodical Mail
065-1233919-RI(1)	Spokane, WA 99202	Periodical Mail
065-1235608-RI(1)	Little Rock, AR 72231	Periodical Mail
065-1236668-RI(1)	Stevensville, MT 59870	Periodical Mail
066-1203627-RI(1)	Lansdale, PA 19446	Plant Load Review
066-1210821-RI(1)	Plattsburgh, NY 12901	Standard Mail
066-1222968-RI(1)	Helena, AL 35080	Postage Meters
066-1224736-RI(1)	Plainview, TX 79073	Standard Mail
066-1225191-RI(1)	Las Vegas, NV 89199	Bulk Mail Entry Unit Review
066-1227368-RI(1)	St. Petersburg, FL 33732	Nonprofit Mail
066-1230160-RI(1)	Montgomery, AL 36116	First-Class Mail
066-1230291-RI(1)	Houston, TX 77202	Nonprofit Mail
067-1188502-RI(1)	St. Paul, MN 55164	Fourth-Class Mail
067-1218258-RI(1)	Mountain Lakes, NJ 07046	Plant Load Review
067-1220767-RI(1)	Anchorage, AK 99502	Bypass Mail
067-1223398-RI(1)	South St. Paul, MN 55075	Manifest Mailing System Review
068-1226198-RI(1)	Memphis, TN 38127	Postage Meters
068-1198706-RI(1)	Portland, ME 04102	Direct Mail
068-1217268-RI(1)	Texarkana, TX 75501	Business Mail Entry Unit Review
069-1134258-RI(2)	Windsor, CT 06006	Back Pay Awards
069-1188871-RI(2)	Jersey City, NJ 07098	Inbound Verification Procedures
069-1221531-RI(2)	Chicago, IL 60669	Postage Meters
069-1228326-RI(2)	Arlington, VA 22209	Postage Meters
069-1234254-RI(2)	Newark, NJ 07101	Non-Sufficient Funds Checks
069-1235964-RI(2)	Richmond, VA 23255	Express Mail Corporate Account
069-1237785-RI(2)	San Diego, CA 92121	Postage Meters
090-1194087-RI(1)	Columbia, SC 29201	Official Mail Accounting System

Case Number	Location	Subject
295-1224804-RI(1)	Indianapolis, IN 46224	Official Mail Accounting System
295-1229668-RI(1)	Bellmawr, NJ 08099	Official Mail Accounting System
295-1232408-RI(1)	Capitol Heights, MD 20790	Official Mail Accounting System
295-1234912-RI(1)	Philadelphia, PA 19101	Official Mail Accounting System
295-1234913-RI(1)	Lancaster, PA 17602	Official Mail Accounting System
295-1234914-RI(1)	Harrisburg, PA 17107	Official Mail Accounting System
295-1222284-RI(1)	Boston, MA 02205	Official Mail Accounting System
295-1226525-RI(1)	Long Beach, CA 90809	Official Mail Accounting System
295-1226526-RI(1)	Monrovia, CA 91016	Official Mail Accounting System
295-1226527-RI(1)	Riverside, CA 92507	Official Mail Accounting System
295-1226734-RI(1)	San Bernardino, CA 92403	Official Mail Accounting System
295-1226737-RI(1)	San Bernardino, CA 92401	Official Mail Accounting System
295-1230268-RI(1)	Bellmawr, NJ 08099	Official Mail Accounting System
295-1193282-RI(1)	Albany, NY 12224	Official Mail Accounting System
295-1155500-RI(1)	Washington, DC 20071	Official Mail Accounting System
295-1219612-RI(1)	Richmond, VA 23232	Official Mail Accounting System
391-1214292-RI(1)	San Francisco, CA 94111	Postage Meters
384-1155997-RI(1)	Boston, MA 02205	Nonprofit Mail
394-1229595-RI(1)	Boston, MA 02202	Business Reply Mail
394-1229244-RI(1)	Boston, MA 02230	International Surface Airlift Mailings
398-1229121-RI(1)	Tire Hill, PA 15959	Library Rate Eligibility
398-1230921-RI(1)	Detroit, MI 48233	Address Correction Service
495-1232246-RI(1)	Claremont, CA 91711	Postage Meters
562-1174292-RI(1)	Philadelphia, PA 19101	Postage Meters
638-1154293-RI(1)	Philadelphia, PA 19101	Bulk Mail Procedures Review
650-1227396-RI(1)	Lancaster, PA 17602	Non-Sufficient Funds Checks
923-1231595-RI(1)	Bala Cynwyd, PA 19004	Business Mail Entry Unit Review
923-1219901-RI(1)	Bloomington, IL 61701	Bulk Mail Entry Unit Review
923-1225538-RI(1)	Malvern, PA 19355	Bulk Mail Entry Unit Review
923-1234605-RI(1)	Philadelphia, PA 19101	Business Mail Entry Unit Review
923-1233779-RI(1)	Fredonia, KS 66736	Business Mail Entry Unit Review
924-1171403-RI(1)	Wheeling, WV 26003	Permit Verifications

Service Investigations (SI) involve the evaluation of service performance. The investigations also protect Postal customers and respond to congressional inquiries.

Case Number	Location	Subject
071-1228189-SI(2)	Point Pleasant Beach, NJ 08742	Working Conditions
071-1229182-SI(2)	Columbus, OH 43216	Mail Service Review
071-1232978-SI(2)	Providence, RI 02904	Mail Service Review
071-1234263-SI(2)	Philadelphia, PA 19101	Mail Service Review
072-1115811-SI(2)	Philadelphia, PA 19101	Observations of Mail Conditions
072-1119199-SI(2)	Marion, IL 62922	Mail Service Review
072-1220915-SI(2)	Philadelphia, PA 19101	Mail Service Review
072-1221595-SI(2)	Kansas City, MO 64111	P&DC Mail Processing Review
072-1226541-SI(2)	Philadelphia, PA 19101	Mail Service Review
072-1226596-SI(2)	Philadelphia, PA 19101	Mail Service Review
072-1227604-SI(2)	Garfield, OH 44125	Mail Service Review
072-1229087-SI(2)	Manasquan, NJ 08736	Working Conditions
073-1225099-SI(2)	Philadelphia, PA 19101	Christmas Mail Observations
073-1229632-SI(2)	St. Louis, MO 63199	Christmas Mail Observations
073-1229113-SI(2)	New Brunswick, NJ 08906	Christmas Mail Observations
073-1193231-SI(2)	Detroit, MI 48232	Christmas Mail Observations
201-1224417-SI(2)	Philadelphia, PA 19101	Observations of Mail Conditions
290-1222022-SI(2)	San Diego, CA 92199	Mail Service Review

Management Advisories are consulting services performed by the Office of Inspector General.

Report Number	Subject	Questioned Costs	Unsupported Costs	Recommendation That Funds Be Put to Better Use
CA-MA-99-001	Fuel Tax Implementation and Environmental Compliance	$0	$0	$0
CA-MA-99-002	Irregularities at the Greensboro, NC Bulk Mail Center	0	0	0
[illegible]	Review of Advertising Agencies' Invoices	0	1,714,241	0
[illegible]	Vehicle Maintenance and Performance Review	0	0	0
[illegible]	Tray Management System Security Incident	0	0	0
[illegible]	Vehicle Management Accounting System Conversion Effort	0	0	0
[illegible]	Enhancement of USPS Audit Reporting and Follow-up Process	0	0	0
[illegible]	Kansas City Fulfillment Services Center	0	0	0
[illegible]	Request for Legal Fees Reimbursement	0	0	0

Other Investigations are other reviews performed by the Office of Inspector General.

Case Number	Location	Subject
[illegible]	Oklahoma City, OK	Report of Investigation
[illegible]	Atlanta, GA	Handling of Internal Affairs Case

Contract Audit Findings and Settlements

Description	Number of Reports	Questioned Costs
Reports for which no management decision was made at the beginning of the reporting period	23	$9,740,457*
Reports requiring a management decision that were issued during the reporting period	12	$15[illegible]**
Total	35	$163,977,533
Reports for which a management decision was made during the reporting period (i + ii)	9	$2,627,083
(i) Dollar value of disallowed costs (ii) Dollar value of costs not disallowed		$1,641,524 $985,559
Reports for which no management decision was made by the end of the reporting period. Negotiations are ongoing.	26	$161,350,450
Reports for which no management decision was made within 6 months of issuance (See note 1, below)	4	$1,126,490
Reports for which no management decision was made within one year of issuance (See note 2, page 49)	13	$2,097,554

*A total of $1,395,228 was subtracted from the beginning total because the amount was included in an Advisory Report for which no management action was necessary.

** Includes $1,714,041 from Management Advisory IG-MA-98-003

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

Case Number		Questioned Costs
152-1220955-ACL11	Smithsonian Institution	$1,022,439
152-1223091-ACL11	The Boldt Corporation	47,094
183-1234057-ACL11	UNARCO Material Handling	39,887
190-1237424-ACL11	Kelo Inc.	19,077
Total		$1,126,496

Note 2 - Reports for which no management decision was made within one year of issuance:

Case Number		Questioned Costs
192-1167306-AC-13	Smithsonian National Postal Museum	349,720
192-1207297-AC-13	Rock Flake Industrial Development	35,356
193-1131224-AC-13	A.B. Lithographers	38,378
193-1199226-AC-13	PGBI, aka King Printers	190,774
194-1171741-AC-13	Grandeal Steel Rule & Die Corporation	67,390
194-1184229-AC-13	King Cases, Inc.	333,962
194-1203149-AC-13	King Cases, Inc.	34,542
194-1203150-AC-13	King Cases, Inc.	247,133
194-1203153-AC-13	King Cases, Inc.	42,948
192-1182814-AC-23	Direct Source 678, Inc.	404,418
195-1199520-AC-23	Arlones Testing and Engineering	37,951
192-1123181-AC-23	Electro-Cam Automation, L.P.	37,374
192-1203188-AC-23	Foster Associates, Inc.	601

Total: $2,050,554

Appendix C

Recommendations That Funds Be Put to Better Use

Description	Number of Reports	Dollar Value
Reports for which no management decision was made at the beginning of the reporting period	58*	$[illegible]*
Reports requiring a management decision that were issued during the reporting period	23	$[illegible]
Total	81	$136,996,178
Reports for which a management decision was made during the reporting period (i + ii + iii)	21	$[illegible]
(i) Value of recommendations implemented by management		$[illegible]
(ii) Value of recommendations that management did not concur		$[illegible]
(iii) Value of recommendations that management did not agree to compliance	[illegible]	$0
Reports for which no management decision was made by the end of the reporting period	60	$[illegible]
Reports for which no management decision was made within 6 months of issuance (See note 1, page 51)	[illegible]	$[illegible]
Reports for which no management decision was made within 1 year of issuance (See note 2, page 51)	[illegible]	$[illegible]

*A total of $[illegible] and one report was added to the beginning total as it was not included in prior report

Note 1 - Reports for which no management decision was made within six months of issuance:

Case Number		Recommendations That Funds Be Put to Better Use
021-1136614-PA11	International Audit	$1,219,030
181-1191297-AC11	Accu-Sort Systems, Inc.	12,312,313
181-1224341-AC11	Key Handling Systems, Inc.	129,326
181-1224343-AC11	Key Handling Systems, Inc.	134,283
181-1224346-AC11	Key Handling Systems, Inc.	336,329
181-1224350-AC11	Key Handling Systems, Inc.	722,353
181-1209542-AC11	ElectroCom Automation, L.P.	283,626
181-1211032-AC11	SELECT Steel Erectors Company, Inc.	195,571
181-1211036-AC11	SELECT Steel Erectors Company, Inc.	192,816
181-1211026-AC11	SELECT Steel Erectors Company, Inc.	258,472
181-1211235-AC11	SELECT Steel Erectors Company, Inc.	290,104
181-1211236-AC11	SELECT Steel Erectors Company, Inc.	855,456
181-1211514-AC11	Siemens ElectroCom, L.P.	20,151
181-1212404-AC11	Carter Control Systems, Inc.	18,038
181-1212407-AC11	Carter Control Systems, Inc.	21,578
181-1212414-AC11	Carter Control Systems, Inc.	13,073
181-1212417-AC11	Carter Control Systems, Inc.	10,595
181-1212598-AC11	Siemens ElectroCom, L.P.	1,490,865
181-1213317-AC11	Motion Systems, L.C.	491,132
181-1213318-AC11	Motion Systems, L.C.	545,992
181-1213329-AC11	Motion Systems, L.C.	561,050
181-1213330-AC11	Motion Systems, L.C.	132,622
181-1213332-AC11	Motion Systems, L.C.	569,632
181-1213335-AC11	Motion Systems, L.C.	318,565
181-1214204-AC11	Midwest Conveyor Company, Inc.	62,337
181-1214321-AC11	Midwest Conveyor Company, Inc.	44,112
181-1214767-AC11	R.J.J. Research, Inc.	13,952
181-1215321-AC11	Siemens ElectroCom, L.P.	39,308
181-1217426-AC11	South Coast Software, Inc.	28,989
181-1215345-AC11	Carter Control Systems, Inc.	32,342
181-1216054-AC11	Motion Systems, L.C.	468,177
181-1217444-AC11	RCF Economic and Fina	62,312
181-1217791-AC11	Mutlock, Inc.	175,827
181-1218347-AC11	Siemens Electrocom, L.P.	190,298
181-1219032-AC11	Siemens Electrocom, L.P.	22,032
Total		$23,014,320

Note 2 - Reports for which no management decision was made within one year of issuance:

Case Number		Recommendations That Funds Be Put to Better Use
181-1220519-AC11	Mid-West Conveyor Company, Inc.	$364,581
181-1201991-AC11	ElectroCom Automation, L.P.	338,700
181-1205699-AC11	Fanuc Robotics North America, Inc.	280,906
181-1165961-AC11	ElectroCom Automation, L.P.	8,170,460
181-1172571-AC11	Kone Crane, Inc.	174,473
181-1124199-AC11	Price Waterhouse	1,334,077
181-1191291-AC11	Coreco, Inc.	155,978
181-1162309-AC11	ElectroCom Automation, L.P.	2,299,224
181-1192509-AC11	ElectroCom Automation, L.P.	89,268
181-1184507-AC11	ElectroCom Automation, L.P.	9,178,987
181-1195101-AC11	ElectroCom Automation, L.P.	34,478
Total		$23,741,544

Unresolved Reports and Resolution of Findings

Description	Number of Reports	Number of Findings
Reports Unresolved at Beginning of Period		
-Reports Issued Before 4/1/97	[illegible]	18
-Reports Issued Prior Period Ending 9/30/97	11	50
Total	45	68
Reports Issued This Period Ending 3/31/98	149	340
TOTAL REPORTS (See note 1 below)	197	408
Reports Resolved		
-Issued Before 4/1/97	7	12
-Issued Prior Period Ending 9/30/97	28	36
-Issued This Period Ending 3/31/98	92	211
TOTAL RESOLVED	127	259
Reports Unresolved As of 3/31/98		
-More Than 1 Year 4/1/97 (See note 2, page 13)	6	8
-More Than 6 Months 9/30/97 (See note 3, page 13)	[illegible]	14
-Less Than 6 Months	62	[illegible]
TOTAL UNRESOLVED	72	153
-Reports Resolved With Sign-offs on Formal Management Decisions	2	2
-Reports Resolved Where Management Did Not Agree to Implement All Findings	1	[illegible]

Note 1) Contract Audit (AC) activity is included in Appendices A&B.

Note 2 - List of reports pending more than 1 year:

Case Number	Condition
113029-AI(1)	FY 1994 Financial Opinion Audit, San Mateo, CA – Management is preparing instructions on P&D report comments to place more accountability at local offices for reconciliation procedures.
115645-AI(1)	FY 1995 Financial Opinion Audit, San Mateo, CA – Management has established a method to capitalize Associate Office Infrastructure equipment and has established a policy to capitalize equipment against budget finance numbers. Management continues to develop a Direct Vendor Distribution capital equipment purchase process.
116859-AI(1)	Internal Control Audit of USPS Licensing – The Stamp group is developing a new licensing agreement that clearly states that guaranteed minimums are cumulative throughout the life of the contract and is resolving issues on paying royalties for products sold to the Postal Service.
120919-AC(1)	BMC Social and Recreational Fund – Management began implementing recommendations on accountability, recordkeeping and annual audits.
112480-AI(1)	FY 1996 Financial Opinion Audit, San Mateo, CA – A management decision regarding fleet cards, available through a General Services Administration contract, will be made in FY 1999.
115961-SI(1)	Chicago Central Facility, Chicago, IL – Management has not implemented recommendations on mail flow and delayed First-Class Mail.

Note 3 - List of reports pending more than 6 months:

Case Number	Condition
115654-FA(1)	International Surface Airlift Mail, Jersey City, NJ – Management has not implemented recommendations to establish sack weight requirements, develop formal acceptance and payment procedures, initiate a process to identify acceptance cities, update dispatch documentation, and ensure guidelines are established for the Electronic Marketing and Reporting System.
119997-RI(1)	International Surface Airlift Mail, Elk Grove Village, IL – Management has not implemented recommendations to establish a system which ensures that mailing statements are promptly and properly documented.
119447-EI(1)	Procurement Manual Process Deviations, Bellmawr, NJ – Management is implementing recommendations to ensure evaluation processes and selection decisions are properly documented.
119759-AI(1)	Office Accountability, Lancaster, WI – Management is in the process of developing procedures relating to the administration of employee accountabilities and the unit reserve.
119652-AI(1)	EDP Controls, San Mateo, CA – Management is in the process of developing procedures to test critical applications, and provide off-site storage for critical files.
121798-FA(1)	Executive Overtime Usage, Washington, DC – Management has not implemented all recommendations regarding contractual commitments, leave control and employee scheduling.
121323-BI(1)	Improper Insert, Farm and Dairy Magazine, Youngstown, OH – Revenue deficiency was appealed and is still under review by the Rates and Classification Service Center.

Summary of Actions Under 39 USC 3005 and 3007

October 1, 1997 - March 31, 1998

Type of Scheme	Complaints Filed	Consent Agreements	FROs	Cease and Desist Orders
Advance fee	[illegible]	[illegible]	4	[illegible]
Boiler room/Telemarketing	[illegible]	[illegible]	[illegible]	[illegible]
Contests/Sweepstakes	[illegible]	[illegible]	[illegible]	[illegible]
Coupon fraud	[illegible]	[illegible]	[illegible]	[illegible]
Directory solicitations	1	1	[illegible]	[illegible]
Distributorships	[illegible]	[illegible]	[illegible]	[illegible]
Employment	[illegible]	[illegible]	[illegible]	[illegible]
False billings	[illegible]	[illegible]	[illegible]	[illegible]
Fraud against government agencies	[illegible]	[illegible]	[illegible]	[illegible]
Fraud against U.S. Postal Service	[illegible]	[illegible]	[illegible]	[illegible]
Insurance	[illegible]	[illegible]	[illegible]	[illegible]
Investments	[illegible]	[illegible]	[illegible]	[illegible]
Loans	[illegible]	[illegible]	[illegible]	[illegible]
Lotteries	[illegible]	[illegible]	[illegible]	[illegible]
Medical	[illegible]	[illegible]	[illegible]	[illegible]
Memberships	[illegible]	[illegible]	[illegible]	[illegible]
Merchandise:				
Failure to furnish	[illegible]	[illegible]	[illegible]	[illegible]
Failure to pay	[illegible]	[illegible]	[illegible]	[illegible]
Misrepresentation	[illegible]	[illegible]	[illegible]	[illegible]
Miscellaneous	[illegible]	[illegible]	[illegible]	[illegible]
Solicitations	[illegible]	[illegible]	[illegible]	[illegible]
Travel	[illegible]	[illegible]	[illegible]	[illegible]
Work at home	[illegible]	[illegible]	[illegible]	[illegible]
Total	94	42	59	48

Other Administrative Actions

Administrative Action Requests	94
Temporary Restraining Orders Requested	6
Temporary Restraining Orders Issued	6
Preliminary Injunctions Requested	3
Preliminary Injunctions Issued	4
Cases Using Direct Purchase Authority	0
Refusals of Direct Purchase Authority	0
Civil Penalties (Section 3012) Imposed	0
Expenditures Incurred for:	
Test Purchases	0
Expert Testimony	0
Witness Travel	0
Withholding Mail Orders Issued	109

Scheme Definitions

Advance fee. Obtaining fees purporting to secure buyers or obtain loans.

Boiler rooms/Telemarketing. An office or suite of offices with banks of telephones and telephone solicitors who use high pressure techniques to persuade consumers to respond to bogus offers.

Contest/Sweepstakes. Schemes in which the respondent is required to pay a fee to obtain prizes of money, gifts or other items of value. "Prizes" are either never shipped or are inferior to what was promised.

Coupon fraud. Redeeming cents-off coupons or manufacturers' rebates when no merchandise was actually purchased; establishing fictitious stores, clearing houses or addresses; submitting counterfeit coupons or rebates by consumers.

Directory solicitations. Fraudulent solicitations in the guise of invoices for advertisement or renewal in business directories.

Distributorships. Pyramid schemes in which it is mathematically impossible for all participants to recoup their investments. The emphasis is not on the sale of the product, but on getting others to participate.

Employment. Soliciting money for information or assistance on obtaining nonexistent or misrepresented jobs.

False billings. Mailing solicitations in the guise of billings.

Fraud against government agencies. Any scheme that attempts to defraud a U.S. government agency except the U.S. Postal Service.

Fraud against U.S. Postal Service. Any scheme that attempts to defraud the U.S. Postal Service.

Insurance. Investigation of insurance-related fraud involving false claims, false advertising on the availability of insurance or the collection of premiums for nonexistent policies.

Investments. Misrepresented opportunities to invest in commodities, gems, metals, stocks, bonds, certificates of deposit, mutual funds, IRAs, coins, stamps, art etc.

Loans. Mailings soliciting money for information on nonexistent or misrepresented loans.

Lottery. Advertisements seeking money or property by mail for participation in schemes to win prizes through chance.

Medical. Sales by mail of misrepresented health products or services, including fraudulent medical degrees.

Memberships. Failure to provide services advertised in connection with organization membership.

Merchandise failure to furnish. A mail order operator that does not provide ordered merchandise.

Merchandise failure to pay. Mail order merchandise that is acquired without providing payment.

Merchandise misrepresentation. Mail order merchandise or services are materially misrepresented in advertising.

Miscellaneous. Any other scheme not described in a specific category.

Solicitations. Fraudulent solicitations of funds through the mail for alleged charitable, religious, nonprofit/memorial groups and similar causes or organizations.

Travel. Fraudulent vacation or travel opportunities.

Work at home. Schemes, such as envelope stuffing, that do not provide home employment.

Criminal Statistics Midyear 1998

Type of Crime	Arrests	Convictions*
Revenue & Asset Protection Program		
Expenditure investigations	11	3
[illegible]	142	126
Workers' Compensation fraud	55	22
Revenue investigations	51	40
Robbery	80	33
Burglary	150	122
Miscellaneous External Crimes (includes money order offenses, theft other than theft, vandalism and arson)	219	179
Assaults Against Employees (includes threats and assaults against on-duty postal employees)	258	203
Employee Narcotics Cases (includes employees and non-employees selling narcotics on postal property)	7	16
Mail Theft by Employees (includes theft and possession of stolen mail)	229	211
Mail Theft by Non-Employees or Contractors (includes theft and possession of stolen mail)	2,218	1,809
Miscellaneous Employee Crimes (includes theft of postal property and sabotage of equipment)	136	83
Bombs/Explosive Devices	42	33
Mailing of Controlled Substances (includes narcotics, steroids, drug-related proceeds and drug paraphernalia)	514	220
Mailing of Child Pornography, Obscenity or Sexually Oriented Advertisements	107	75
Mailing of Miscellaneous Nonmailables (includes hazardous material, firearms and weapons, intoxicants, explosives other than bombs, extortion and false documents)	12	10
Mail Fraud	957	875
Total	5,104	4,387

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

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*References are to Public Law 100-504, the 1988 Amendments to the Inspector General Act of 1978.

Notes

Notes

Notes

OFFICE OF INSPECTOR GENERAL

To Report Potential Fraud, Waste or Abuse, Call

The OIG Hotline at
1-888-USPS-OIG
(1-888-877-7644)

THE OIG HOTLINE IS A NATIONWIDE, TOLL-FREE NUMBER.
ALL CALLS ARE CONFIDENTIAL. YOU MAY REMAIN ANONYMOUS.

You May Also Contact the OIG Hotline By Sending Your Allegation To:

USPS OIG Hotline
1735 North Lynn Street
Arlington, VA 22209-2020

Or By Sending A Telefax To:
1-703-248-2259

United States Postal Service
Office of Inspector General
1735 North Lynn Street
Arlington, VA 22209-2020
703-248-2100