

APPENDIX D: MANAGEMENT'S COMMENTS

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SUBJECT: Draft Audit Report – New Approaches to Reduce Costs
 (Report Number FF-AR-11-DRAFT)

Please accept this document in direct response to your draft audit report entitled New Approaches to Reduce Costs (Report Number FF-AR-11-DRAFT). After careful review of your recommendations we have made the following determinations in each of the categories identified including, investigative activities, contracting, postage costs, and benefits.

Reduce Postal Service Costs for Investigative Activities

Recommendation:

1. Evaluate the efficiencies of consolidating all investigative activities into a single law enforcement agency within the U.S. Postal Service, to include eliminating duplicate management and support functions and program overlap.

Response:

The consolidation of investigative activities into a single law enforcement agency within the U.S. Postal Service is not a concern at this time. While the United States Postal Inspection Service (USPIS) and the Office of the Inspector General United States Postal Service (OIG) may share some investigative jurisdiction for internal crimes there is no duplication of investigations as ensured by the current designation of functions.

Furthermore, the investigative jurisdiction of the U.S. Postal Inspection Service is broader than the investigative jurisdiction of the USPS Inspector General. For example, the investigations of questionable solicitations by mail-order firms that may deceive the public would be outside of the IG function as would security functions, the mailing of narcotics and other criminal misuse of the mails by non-employees. Likewise external mail theft, robbery, burglary and assaults are all investigative activities outside the purview of traditional Inspector General investigative activity. All of these programs are integral to maintaining public trust in the Postal Service and its products and ensuring employee safety and security.

The mission and priorities of the (USPIS) and the (OIG) need to be acknowledged. Independence is the hallmark of an Inspector General and serves as the cornerstone of the entire Inspector General system. For the Inspection Service, integration of investigative and protective efforts with USPS programs and operations is imperative in order to ensure brand integrity and continued public confidence in the mail. The Postmaster General has authority over the investigative priorities of the U.S. Postal Inspection Service and can direct investigative efforts as needed to support USPS programs and operations in the enforcement of laws regarding property in the custody of the Postal Service, property of the Postal Service, the use of the mails, and other postal offenses.

In September of 1996 the GAO produced a Report to the Chairman, Subcommittee on the Postal Service, Committee on Government Reform and Oversight, House of Representative entitled *Inspectors General: A Comparison of Certain Activities of the Postal IG and Other IGs*. In the report, it is noted that because of the dual responsibilities exercised when the Chief Postal Inspector was also the Inspector General, the Postal IG was not organizationally independent of law enforcement operations and could not perform audits of those operations in accordance with required standards.

The report also noted that in four other federal departments, the IGs are organizationally independent from the offices and bureaus responsible for their departments' major law enforcement operations and do audit them according to generally accepted government auditing standards. A shifting of certain investigative responsibilities from the Inspector General to the Inspection Service in order to achieve efficiencies may allow the IG to focus more on the oversight of law enforcement operations while conducting less criminal investigations.

The designation of functions between the USPIIS and OIG was revisited 5 years ago. If the Inspector General desires to transfer certain investigative activities back under the Inspection Service this could be considered; however, the current designation of functions serves the agency well.

Target Implementation Date: None

Responsible Official: Guy Cottrell, Chief Postal Inspector

Recommendation:

2. Evaluate the savings that would come from discontinuing investigations related to areas not inherently related to Postal Service mission and operations, such as mail fraud involving a small number of mailpieces associated with a crime in which other law enforcement agencies have primary jurisdiction.

Response:

The Postal Service rejects the premise that the Inspection Service carries out investigations not inherently related to the USPS mission. The Postal Service retained the services of Giuliani Security & Safety (GSS) while it was engaging in a process to gain efficiencies and generate revenue as mail volume is decreasing. The PMG recognized it was an opportune time for the Inspection Service to reevaluate its priorities, the existing use of its resources as well as identifying better ways to manage the organization. Since the beginning of FY 09 Inspector complement has been reduced from 1754 to 1400, a reduction of 20%. Regarding the work performed by the Inspection Service, GSS found, "[a]most without exception all of the work performed by the Inspection Service has a relationship in one form or another to the Postal Service, its employees, facilities, the mail itself, or its customers and consumers."

Background Information

Among the salient findings of the GSS report was that the Inspection Service is regarded within the Postal Service and among the law enforcement community as a highly competent and respected organization. Regarding the work performed by the Inspection Service, GSS found, "[a]most without exception all of the work performed by the Inspection Service has a relationship in one form or another to the Postal Service, its employees, facilities, the mail itself, or its customers and consumers."

Mail Fraud investigations, for the most part, strike at the very core of the Postal Service's core business, ensuring integrity and product branding. This was validated during the GSS study which also made recommendations regarding the focus of our mail fraud investigations. We

have, as a result, re-focused our mail fraud efforts especially with regard to our consumer fraud program, who are customers of the Postal Service. The comments in the OIG draft report regarding the FBI's role in mail fraud investigations do not accurately reflect the true nature of this work.

The OIG took but one sentence from the U.S. Attorney's Manual – there are several chapters addressing mail fraud and the section which the OIG quotes is simply the first sentence of one chapter. That paragraph continues, "the Postal Inspection Service of the United States Postal Service may initiate mail or wire fraud investigations...the investigations are usually continued by the agency initiating the investigation. Reports of investigation are disseminated directly to the appropriate United States Attorney." The fact that another agency shares jurisdiction does not mean the US Postal Service should cede their role. For instance the Inspector General shares the ability to investigate with other agencies as well and has worked with the FBI, IRS and the DOL OIG on matters of shared jurisdiction.

Additionally, as a matter of law, the power and authority vested in Postal Inspectors is exercised "in the enforcement of laws regarding property in the custody of the Postal Service, property of the Postal Service, the use of the mails, and other Postal offenses..." Further, as a matter of law, the Attorney General of the United States, in coordination with the Postmaster General can authorize Postal Inspectors to investigate violations of other statutes, as long as they have a detrimental effect upon the operations of the Postal Service.

On page two of the draft audit report, the OIG claims, "[t]he Inspection Service conducts investigations that are not inherently related to the Postal Service operations or mission." As noted above, the GSS report contradicts this assessment and found all Inspection Service activities relate to the mission of the Postal Service. Thus, there is no basis for the claim that 34% of Inspection Service investigative activities do not support the protection of the Postal Service, its assets and mail system. Further, while the OIG acknowledges some benefits are difficult to assess, there is no accounting for Inspection Service efforts enhancing brand image and integrity and public trust in the mail.

Additionally, Congress continues to recognize the Postal Service and Inspection Service role in protecting its citizens and customers from victimization through mail fraud and other schemes. On February 17, Representative Ted Deutch introduced H.R. 773, the Seniors Financial Fraud Prevention Act of 2011, a bill to establish an office with the Federal Trade Commission to prevent fraud targeting seniors. The measure states the newly created office will monitor the market for mail, telemarketing, television and Internet fraud targeting seniors. H.R. 773 says the office will consult with the Attorney General, Health and Human Services, the Postmaster General, and the Chief Postal Inspector to provide consumer education. Additionally, procedures will be established within the office to record complaints, which will be referred to appropriate entities, including appropriate law enforcement agencies, for potential law enforcement action.

In the GSS report, one recommendation was to "amend the current mission statement of the USPIS to explicitly state that *supporting the USPS* is the key purpose for the USPIS." As a result of this recommendation, the Inspection Service changed the language of their mission statement and it was subsequently approved by the Postal Service. The Inspection Service's new mission statement is "The mission of the U.S. Postal Inspection Service is to support and protect the U.S. Postal Service and its employees, infrastructure, and customers; enforce the laws that defend the nation's mail system from illegal or dangerous use; and ensure public trust in the mail."

The tremendous respect of the US Postal Service as "the Most Trusted Government Agency" is due in part to the fine efforts of the Postal Inspection Service. With our ability to deliver correspondence and serve commerce to all American households comes a corresponding duty to ensure we enforce the laws that defend the nation's mail system from illegal or dangerous use.

Target Implementation Date: Recommendation rejected.

Responsible Official: Guy Cottrell, Chief Postal Inspector

Reduce Security Force Costs through Contracting

Recommendation:

3. Conduct a review to evaluate the benefits of contracting for armed security services.
4. If the review supports contracting for security, implement a strategy to utilize contract staffing to supplement or replace Postal Service security force positions.

Response:

The Inspection Service initiated a comprehensive review of its Postal Police Force operations prior to the issuance of the OIG Draft Audit Report. The Inspection Service regularly engages in reviews of its operations to ensure it effectively achieves its mission in a manner which is cost effective. The Inspection Service agrees to include in its current review, an evaluation of the benefits of contracting for armed security services.

While we agree with the spirit of the recommendation, we are not in total agreement with the premise or methodology upon which the recommendation was made. In sum, it does not appear the loaded hourly rates for craft and supervisory Postal Police Officers (PPO) accurately reflect the actual rates received by these employees in that the rates cited in the draft report are higher than are currently paid.

Further, we do not agree with the methodology utilized in determining the number of work hours which could be saved by contracting out armed security services. The report did not reflect the individual differences in security needs at the various work sites. Additionally, we do not, at this point, agree that the comparison to a Department of Labor, Guard II accurately reflects all of the duties performed by PPOs.

Finally, the draft report did not indicate the legal and labor relations-related ramifications of totally contracting out these services. The craft PPOs are members of a collective bargaining unit recognized by the National Labor Relations Board. The craft employees are covered by a no-layoff clause, so even assuming services were contracted out, their employment is guaranteed, regardless of the position they hold, which would affect the purported savings. Additionally, the report did not consider the legal costs related to the protracted litigation and potential liability the Postal Service would face from the action of attempting to replace a duly recognized collective bargaining unit with contracted employees on a wholesale basis.

Target Implementation Date: Once the Inspection Service completes its current review, it will offer specific comments relative to the recommendation contained in the report.

Responsible Official: Anthony J. Vegliante, Chief Human Resources Officer and Executive Vice President