OVERSIGHT OF THE U.S. POSTAL SERVICE: INSPECTOR GENERAL OF THE U.S. POSTAL SERVICE, GOVERNORS OF THE U.S. POSTAL SERVICE

HEARING

BEFORE THE

SUBCOMMITTEE ON THE POSTAL SERVICE

OF THE

COMMITTEE ON
GOVERNMENT REFORM
AND OVERSIGHT
HOUSE OF REPRESENTATIVES

ONE HUNDRED FIFTH CONGRESS

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OVERSIGHT OF THE U.S. POSTAL SERVICE: INSPECTOR GENERAL OF THE U.S. POSTAL SERVICE, GOVERNORS OF THE U.S. POSTAL SERVICE

WEDNESDAY, MARCH 19, 1997

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON THE POSTAL SERVICE,
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:05 p.m., in room 2154, Rayburn House Office Building, Hon. John McHugh (chairman of the subcommittee) presiding.

Present: Representatives McHugh, Fattah, and Davis.

Staff present: Dan Blair, staff director; Robert Taub, Heea Vazirani-Fales, Steve Williams, and Jane Hatcherson, professional staff members; Jennifer Tracey, clerk; and Cedric Hendricks, minority professional staff member.

Mr. MCHUGH. The hearing will come to order. Good afternoon. I want to welcome you to the first oversight hearing of the Subcommittee on the Postal Service for the 105th Congress. At the outset, I want to pay particular welcome to our new ranking member, the gentleman from Pennsylvania, Mr. Chaka Fattah. I have no doubt that it's due to his great influence that we have been elevated to the full committee room and we appreciate that.

This is an exciting opportunity for us. We do have, I think, a good mix and balance of people who have been involved on the subcommittee in prior years and those who are joining us for the first time. Those of you who have suffered through these hearings in the past may recall that I tried to repeatedly say that, while some of us may not have had a great length of service in this subcommittee, we're trying to make lemonade out of lemons and use our lack of intelligence, per se, forge it into an asset, and bring a fresh perspective.

I think that that has been helpful and has added to the process. And I feel very strongly about those who are joining the subcommittee for the first time. I look forward to their participation. I have a formal statement that I'd like to have submitted for the full record. But I would like to open up, with an abbreviated statement. As I mentioned, today does represent our first hearing in the 105th Congress.

Unfortunately, our prior session was rescheduled from last Wednesday due to the Postmaster General's unexpected illness. We certainly extend to him our best wishes for a full and speedy recov-

ery. We look forward to hearing from the Postmaster General at a later date, hopefully very soon. This afternoon we are pleased to welcome the new Postal Service Inspector General, Ms. Karla Corcoran, and the Governors of the Postal Service.

We all recognize that this is Ms. Corcoran's first appearance before the subcommittee, and it is our first opportunity to talk with her. The new office that Ms. Corcoran holds is the product of efforts to establish an independent Office of the Inspector General for the Postal Service that really came to a conclusion during the final session of the 104th Congress.

Ms. Corcoran was appointed to her position by the Governors this past January and has been working, I understand, very diligently on establishing the parameters of her new office. We all recognize that she is starting from scratch in terms of defining needed resources and areas of responsibility. I would want the record to show that she has this subcommittee, certainly this chairman's, full support as she proceeds with this complex and, probably, very delicate task.

Recognizing that Ms. Corcoran's time has truly been monopolized by the responsibilities of setting up her new shop, I hope she can highlight here today those areas she intends to review, including any investigative initiatives she might have made so far. We're also interested in hearing from Ms. Corcoran regarding her thoughts on ways her office can better facilitate labor and management relations in the Postal Service in the days ahead.

I also want to welcome our second panel of witnesses, the Governors of the Postal Service. As the governing body of that organization, ladies and gentlemen, you have tremendous responsibilities for helping to shape the course and direction of the largest agency in the Federal Government. And your job, I understand, is often a thankless one. Some of us on this subcommittee can relate to that at times.

Up until recently, you were reimbursed at the same level of compensation as your predecessors first appointed in 1970. So I think it's fair to note that, for whatever else may be said, no one can charge you with being in it for the money. We appreciate your interest in what we all know is an important activity in this great country. We also look forward to hearing from the Governors and the Inspector General detailing, for the subcommittee, the recently approved designation of functions between the Inspection Service and the IG.

I also understand that the Governors approved an interim budget for the IG, which will enable the office to employ the necessary personnel as well as equip itself appropriately. For the Governors, we hope that they, as well as the IG, can comment regarding ways to strengthen the ethics environment for the Postal Service. Recent news articles have, unfortunately, cast a shadow on the enforcement provisions regarding procurement and compliance with conflict of interest procedures.

Where we fail to observe these important requirements, there is an understandable loss of confidence on the part of the public and the institutions that wrongly divert attention and resources from the need to strengthen the ability of the Postal Service to perform its core mission. We all are aware of the tremendous crossroads at

which the Postal Service finds itself. The institution envisioned by the 1970 Postal Reform Act finds itself at an increasing disadvantage as the marketplace in which it operates dramatically changes and continues to change.

While this hearing is devoted to questions of oversight, the issue of postal reform is obviously inherent in determining what course the service shall take in the years to come. We urge the Governors today to give us their sense of the direction the Postal Service is going and what they believe the future may hold for this valued institution should the current statutory structure remain, and if Congress fails to consider what I, at least, believe are needed reforms.

So with that, we'd like to proceed with the hearing. But before doing that, I welcome the opportunity to yield to our new ranking member, the gentleman from Pennsylvania, for any comments he may wish to make at this time. Mr. Fattah.

[The prepared statement of Hon. John M. McHugh follows:]

Statement of the Honorable John M. McHugh, Chairman

Hearing before the Subcommittee on the Postal Service

March 19, 1996

Good morning and the subcommittee will come to order. I want to welcome everyone here this morning as the Subcommittee on the Postal Service conducts its first oversight hearing of the 105th congress. As the first meeting of the subcommittee, I want to welcome back our members from the previous Congress including vice chair Rep. Mark Sanford, fellow New Yorker and longtime postal observer Rep. Ben Gilman, and another fellow New Yorker Rep. Major Owens. I extend a warm welcome to new subcommittee members Rep. Steven LaTourette, Rep. Pete Sessions, Rep. Danny Davis, and new ranking Democrat Rep. Chaka Fattah. I look forward to working closely with all of you as this subcommittee proceeds with its working agenda for the next two years.

Today's hearing represents the first general oversight hearing of the year conducted by the subcommittee. Unfortunately, the hearing scheduled for last Wednesday with the Postmaster General and representatives from the General Accounting Office was postponed due to the temporary illness of the Postmaster General. I know everyone here today extends their best thoughts in wishing Mr. Runyon a speedy recovery from the flu. The subcommittee looks forward to hearing from these witnesses at a later date this year.

This morning I am pleased to extend our welcome to the new Postal Service Inspector General, Mrs. Karla Corcoran, and the Governors of the Postal Service. I recognize this is Mrs. Corcoran's first appearance before the subcommittee and this

hearing is the subcommittee's first opportunity to talk with the newly appointed Inspector General. The new office that Mrs. Corcoran holds is the product of my efforts to establish an independent office of Inspector General for the Postal Service. Formerly, the Inspector General served concurrently in a senior postal management position as the Chief Postal Inspector. In order to assure organizational independence of the Office of Inspector General, we separated the duties of this office from that of the Inspection Service to insure the mission of the IG office is not compromised by apparent or actual conflicts of interests. Hence, Congress rightly acted in establishing this new office with oversight responsibilities for the Postal Service.

Mrs. Corcoran was appointed to her position by the Governors this past January and has been involved in establishing the parameters of her new office. I recognize she is starting from scratch in terms of defining needed resources and areas of responsibility. I want the record to show that she has this subcommittee's full support as she proceeds with this complex and delicate task. Recognizing that Mrs. Corcoran's time has been monopolized by the responsibilities of setting up her new shop, I hope she can highlight for us the areas she intends to review including any investigative initiatives she has made so far.

I am also interested in hearing from Mrs. Corcoran regarding her thoughts on ways her office can better facilitate labor and management relations in the Postal Service. Poor relations between postal management and labor have long hampered Postal Service performance. For example, the GAO has identified for us that the number of grievances requiring formal arbitration has increased from 51,000 in 1993 to more than 90,000 last year. I have been frustrated these past two years that the GAO recommendation for a

labor and management summit has failed to take place. Noting that the IG Act expressly prohibits you from adversely affecting the collective bargaining process, I hope that Mrs. Corcoran can comment regarding her ideas on how her office could facilitate improvement in this critical area.

I want to welcome our second panel of witnesses, the Governors of the Postal Service. As the governing body of the Postal Service, you have tremendous responsibilities for helping shape the course and direction of the largest agency within the federal government. Your job is often a thankless one. You operate largely behind the scenes and serve in your posts on a part-time basis. Up until recently, you were still reimbursed at the same level of compensation as your predecessors first appointed in the early 1970s. I was pleased to support efforts to increase your compensation during the last Congress and your raise was long overdue.

This morning, I look forward to the Governors and the Inspector General detailing for the subcommittee the recently approved and designation of functions between the Inspection Service and the IG. I also understand that the Governors approved an interim budget for the IG which will enable the office to employ necessary personnel as well as equip itself appropriately. Some have raised the issue of budget neutrality and whether the funding for the new IG office should be subtracted form the budget of the Inspection Service, which formerly performed both functions. I believe it is naïve to think that the establishment of this new IG office will be budget neutral. In this case the sum of the two parts - those of the new IG office and that of the Inspection Service - will be greater than that of the predecessor. The IG has additional authorities that the Inspection Service did not perform and it is my intention that the Inspection Service be accorded the proper

resources for its important law enforcement function.

I hope the Governors and the IG can comment regarding ways to strengthen the ethics environment for the Postal Service. Recent news article have cast a shadow on the enforcement procedures regarding procurement and compliance with conflict of interest procedures. Failure to observe these important requirements shakes public confidence in the institution and allegations of criminal wrongdoing only divert attention and resources from the need to strengthen the ability of the Postal Service to perform its core mission.

As Governors, you are aware of the tremendous crossroads at which the Postal Service finds itself. The institution envisioned by the 1970 Postal Reform Act finds itself at an increasing disadvantage as the marketplace in which the Service operates has changed dramatically over the last quarter century. Back in 1970, few envisioned the acceptance and explosion of the alternative forms of communication. These alternatives now threaten to divert substantial amounts of the Service's core business. While this hearing is devoted to oversight issues, the issue of postal reform is inherent in determining what course the Service will take in the years to come. I urge the Governors today to give us a sense of the direction of the Postal Service is going and what they believe the future may hold for this valued institution should the current statutory structure remain if Congress fails to enact needed reforms.

Mr. FATTAH. Well, let me thank you, Mr. Chairman. And I do look forward, as do the other members of the minority on this subcommittee, to working with you as we seek to perform our role in terms of oversight. I want to welcome today's witnesses. I have a formal statement that I will have entered into the record. But I look forward to hearing from both the Inspector General and from the chairman and members of the Board of Governors.

This is a very important function that affects the everyday lives of Americans throughout our country. And it is an issue of extraordinary importance, I think, to Members of the Congress, that we provide a framework that's necessary for the Postal Service to continue to do its job and to do it well. Thank you.

[The prepared statement of Hon. Chaka Fattah follows:]

OPENING STATEMENT OF THE HON. CHAKA FATTAH
RANKING MEMBER, SUBCOMMITTEE ON THE POSTAL SERVICE
GENERAL OVERSIGHT HEARING
MARCH 19, 1997

Mr. Chairman, I am very pleased to have joined this subcommittee as its ranking member. In that capacity, I look forward to working with you and your staff over the next two years to ensure that the U.S. Postal Service delivers the mail in the most timely, cost effective, and secure manner possible.

I wish to thank you for convening today's hearing which, due to the unfortunate cancellation of the Postmaster General's appearance before us last week, will be the first of our general oversight hearings on the Postal Service.

Being new to this subject area, I recognize that I have much to learn about this very large and complex business organization. During the past several weeks, my staff and I have been meeting postal officials, labor representatives, those whose businesses heavily utilize the mails. We have sought to hear about their experiences -- both good and bad -- with the systems and processes used to move the mail. I believe that we have all gained much from these discussions. I plan to have more of them.

I wish to congratulate the Postal Service for the record-breaking progress being made with respect to its financial performance and its overnight service. I am very interested in finding out the reasons for this success and about how it will be sustained.

While there is news to celebrate, there is also news that provokes concern. The Postal Service has been losing market share in five of its six product lines. I understand that this is, in part, due to the increasing availibility and utilization of alternative communication methods. I am very interested in how the Postal Service will address these trends.

Of special interest to me throughout these hearings will be the Postal Service's procurement practices and its management operations. Their integrity and efficiency are of critical importance. I plan to monitor the extent to which minorities are participating and advancing in both of these areas.

Another area of interest to me is the state of labor/management relations within the Postal Service. I must say I find it distressing that the problems the General Accounting Office identified in this area in 1994 remain unresolved. In this regard, I look forward to talking personally with the Postmaster General and the presidents of the postal unions about moving from conflict toward cooperation and greater productivity.

Finally, Mr. Chairman, I look forward to hearing from today's witnesses. Both the Board of Governors and the new Inspector General shoulder great responsibility for ensuring the Postal service functions well and serves the public interest. If there are ways this subcommittee can be of assistance to them, I invite them to let us know.

Thank you.

Mr. MCHUGH. Well, I thank the gentleman, certainly. There will be no objection, I know, in having his full statement placed in the record. Let me restate how happy I am that you have joined us and how we're all looking forward to working with you toward the common good. We thank you for your comments.

With that, I would call forward Ms. Corcoran. Under the rules of the full committee, it's required that every witness except Members of Congress have to take an oath that they will present testimony that's truthful. So if you will raise your right hand and repeat after me.

[Witnesses sworn.]

Mr. MCHUGH. Let the record show that Ms. Corcoran and her two associates have responded in the positive. I will refer to Ms. Corcoran for the purposes of introduction as she may see fit. But before we do that, we do have another Member who has joined us, the gentleman from Illinois, the Hon. Danny Davis. I would happily defer to him for any opening comments if he chooses to make them at this time.

Mr. DAVIS. Thank you very much.

Mr. MCHUGH. We said awful nice things about you. We're sorry you missed it. But we thank the gentleman and welcome him to the subcommittee. And we're looking forward to working with you. So with that, Ms. Corcoran, the attention of the full room is yours. We look forward to your comments.

STATEMENTS OF KARLA W. CORCORAN, INSPECTOR GENERAL, U.S. POSTAL SERVICE, ACCOMPANIED BY THOMAS COOGAN, ACTING COUNSEL, U.S. POSTAL SERVICE; AND SYLVIA OWENS, DEPUTY ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS, U.S. POSTAL SERVICE

Ms. CORCORAN. Mr. Chairman and members of the committee, I appreciate the opportunity to appear before you today to discuss our progress in implementing the Inspector General legislation for the U.S. Postal Service. Joining me are Tom Coogan, my acting counsel, and Sylvia Owens, my Deputy Assistant Inspector General for Investigations.

With your permission, I would like to submit my full statement for the record and take this opportunity to briefly discuss our major accomplishments.

Mr. MCHUGH. Without objection. So ordered.

Ms. CORCORAN. Thank you, Mr. Chairman. Since 1988, the Postal Inspection Service has performed the functions of the Inspector General. However, late last year, Congress enacted legislation creating a new Office of Inspector General within the Postal Service. The law required the Postal Service Governors to appoint an independent Inspector General within 90 days. Further, the requirements necessary to establish an OIG were to occur no later than 60 days after the Inspector General's appointment.

I am proud to report that we met these challenging requirements. I was sworn in as Inspector General on January 6, 1997. One month later, I presented, and the Governors approved, a pay and benefits package for the organization. This was a necessary first step to begin recruiting and hiring qualified candidates. At the March Governors' meeting, I presented, and the Governors ap-

proved, our designation of audit and investigative functions. During this period, I also assembled a transition team of 12 people with diverse professional experiences from other Federal agencies and the Postal Service.

Our first priority was to enter into an interim Memorandum of Understanding with the Chief Postal Inspector. This ensured that the Inspection Service would continue to perform the responsibilities under the Inspector General Act. The agreement provides that these functions are to be assumed by my office as positions are filled. As directed in the legislation, we developed a pay and benefits package that is comparable to other OIGs.

Additionally, we decided to use pay bands similar to those used by the General Accounting Office. The use of pay bands was recognized by the National Performance Review as a better way to tie compensation to performance. Next, a transition team identified the functions to be performed by the OIG. We discussed Postal Service issues with congressional staff, General Accounting Office representatives and the Postal Service community, to obtain their perspectives.

We identified current Inspection Service functions that should be performed by the OIG. We also identified additional work, including oversight of the Inspection Service, that we will perform to meet the requirements of the Inspector General Act. The OIG will focus on functions that lend themselves to service-wide reviews. For example, the OIG will conduct all financial statement audit activities above the district level.

This allows the OIG to focus on key events leading to the consolidated annual financial statement. Additionally, the OIG will audit postal-wide performance issues, systems development, contract administration, and new facilities construction over $10 million. With respect to investigations, the OIG will have primary responsibility for bribery, kickback, conflict of interest and service-wide investigations.

We will also be actively involved in the workers' compensation program by issuing subpoenas, conducting investigations of health care providers, and partnering with the Inspection Service. In addition, we will conduct or partner significant embezzlement cases. All investigations involving Postal Service executives will be performed by the OIG.

We also identified a number of program areas where additional or expanded work is necessary. For example, the OIG will review the Postal Service's ratemaking processes, revenue generation initiatives and labor-management issues. Further, we will have a separate division responsible for overseeing the Inspection Service. This designation of functions meets the requirements and goals of the Inspector General Act.

It results in three categories of work: Inspector General work, Inspection Service work, and shared, but not duplicated work. Also, the designation of functions leverages resources and minimizes adverse impact on Inspection Service employees. We are now developing a Memorandum of Understanding with the Chief Postal Inspector to implement our individual and shared responsibilities.

My goal for the OIG is to have sufficient positions filled by June so we can initiate our own audits and investigations. To date, I

have hired the Deputy Assistant Inspector General for Investigations, Sylvia Owens, and the Director of Contract Audits, among others. In addition, we are giving priority to hiring staff that will enable us to issue subpoenas and staff the hotline.

Our next area of progress has been the development of an organizational structure to quickly implement the OIG's functions. We have developed an organizational structure with Assistant Inspectors General for Audit and Investigations. This complies with the Inspector General Act. The structure also supports the primary goals of the Postal Service. Now, I would like to turn to our progress in developing a budget for the OIG.

We used the designation of functions as the basis for developing our budget estimates. We are now refining these estimates and will provide a budget for the Governors' approval at their April meeting. The Governors recognized at the March meeting the need to fund operations in the interim, and approved a 60-day budget of $5 million. Additionally, at the March meeting, the Governors approved a resolution authorizing the office to conduct investigations of postal crimes, carry firearms, serve subpoenas and warrants, and make arrests.

In closing, I would like to acknowledge the support of the House and Senate staff, the Governors, and the employees of the Postal Service. In particular, I would like to thank Chief Inspector Ken Hunter and the employees of the Inspection Service for their assistance in helping us gain an understanding of the programs, activities, and functions of the Postal Service.

Thank you, Mr. Chairman. I would be happy to respond to your questions.

[The prepared statement of Ms. Corcoran follows:]

STATEMENT OF KARLA W. CORCORAN

INSPECTOR GENERAL, U.S. POSTAL SERVICE

BEFORE THE HOUSE SUBCOMMITTEE ON THE POSTAL SERVICE

COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT

MARCH 19, 1997

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, I APPRECIATE THE OPPORTUNITY TO APPEAR BEFORE YOU TODAY TO DISCUSS OUR PROGRESS IN IMPLEMENTING THE INSPECTOR GENERAL LEGISLATION FOR THE UNITED STATES POSTAL SERVICE. JOINING ME TODAY ARE THOMAS COOGAN, MY ACTING COUNSEL, AND SYLVIA OWENS, MY DEPUTY ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS.

SINCE 1988, THE POSTAL INSPECTION SERVICE HAS PERFORMED THE FUNCTIONS OF THE INSPECTOR GENERAL. HOWEVER, LATE LAST YEAR, CONGRESS ENACTED LEGISLATION CREATING A NEW OFFICE OF INSPECTOR GENERAL (OIG) WITHIN THE POSTAL SERVICE. THE LAW REQUIRED THE POSTAL SERVICE GOVERNORS TO APPOINT AN INDEPENDENT INSPECTOR GENERAL WITHIN 90 DAYS. FURTHER, MEASURES NECESSARY TO ESTABLISH AN OIG WERE TO OCCUR NO LATER THAN 60 DAYS AFTER THE INSPECTOR GENERAL'S APPOINTMENT. I AM PROUD TO REPORT THAT WE MET THESE CHALLENGING REQUIREMENTS.

I WAS SWORN IN AS INSPECTOR GENERAL ON JANUARY 6, 1997. ONE MONTH LATER, I PRESENTED AND THE GOVERNORS APPROVED A PAY AND BENEFITS PACKAGE FOR THE ORGANIZATION. THIS WAS A NECESSARY FIRST STEP TO BEGIN RECRUITING AND HIRING QUALIFIED CANDIDATES. AT THE MARCH GOVERNORS' MEETING, I PRESENTED AND THE GOVERNORS APPROVED OUR DESIGNATION OF AUDIT AND INVESTIGATIVE FUNCTIONS. DURING THIS PERIOD, I ALSO ASSEMBLED A TRANSITION TEAM OF 12 PEOPLE WITH DIVERSE PROFESSIONAL EXPERIENCES FROM OTHER FEDERAL AGENCIES AND THE POSTAL SERVICE.

OUR FIRST PRIORITY WAS TO ENTER INTO AN INTERIM MEMORANDUM OF UNDERSTANDING WITH THE CHIEF POSTAL INSPECTOR. THIS ENSURED THAT THE INSPECTION SERVICE WOULD CONTINUE TO PERFORM THE RESPONSIBILITIES UNDER THE INSPECTOR GENERAL ACT. THE AGREEMENT PROVIDES THAT THESE FUNCTIONS ARE TO BE ASSUMED BY MY OFFICE AS POSITIONS ARE FILLED.

THE TRANSITION TEAM ASSEMBLED THE PAY AND BENEFITS PACKAGE AND IDENTIFIED THE FUNCTIONS TO BE PERFORMED BY THE OIG AND THE INSPECTION SERVICE. THEY ALSO DEVELOPED AN ORGANIZATION TO PERFORM THOSE FUNCTIONS, AND ASSEMBLED THE FRAMEWORK FOR A BUDGET TO FUND THE OFFICE'S OPERATIONS.

PAY AND BENEFITS

AS DIRECTED IN THE LEGISLATION, WE DEVELOPED A PAY AND BENEFITS PACKAGE THAT IS COMPARABLE TO OTHER OIGS. ADDITIONALLY, WE DECIDED TO USE PAY BANDS SIMILAR TO THOSE USED BY THE GENERAL ACCOUNTING OFFICE. THE USE OF PAY BANDS WAS RECOGNIZED BY THE NATIONAL PERFORMANCE REVIEW AS A BETTER WAY TO TIE COMPENSATION TO PERFORMANCE.

DESIGNATION OF FUNCTIONS

NEXT, THE TRANSITION TEAM IDENTIFIED THE FUNCTIONS TO BE PERFORMED BY THE OIG. WE DISCUSSED POSTAL SERVICE ISSUES WITH CONGRESSIONAL STAFF, GENERAL ACCOUNTING OFFICE REPRESENTATIVES, AND POSTAL SERVICE EXECUTIVES TO OBTAIN THEIR PERSPECTIVE. WE IDENTIFIED CURRENT INSPECTION SERVICE FUNCTIONS THAT SHOULD BE PERFORMED BY THE OIG. WE ALSO IDENTIFIED ADDITIONAL WORK, INCLUDING OVERSIGHT OF THE INSPECTION SERVICE, THAT WE WILL PERFORM TO MEET THE REQUIREMENTS OF THE INSPECTOR GENERAL ACT.

THE DESIGNATION OF FUNCTIONS IS SHOWN IN EXHIBIT 1. THE OIG WILL FOCUS ON FUNCTIONS THAT LEND THEMSELVES TO SYSTEMIC REVIEWS. FOR EXAMPLE, THE OIG WILL CONDUCT ALL FINANCIAL STATEMENT AUDIT ACTIVITIES ABOVE THE DISTRICT LEVEL. THIS ALLOWS THE INSPECTOR GENERAL TO FOCUS ON KEY EVENTS LEADING TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENT. ADDITIONALLY, THE OIG WILL AUDIT POSTAL-WIDE PERFORMANCE ISSUES, SYSTEMS DEVELOPMENT, CONTRACT ADMINISTRATION, AND NEW FACILITIES CONSTRUCTION OVER $10 MILLION.

WITH RESPECT TO INVESTIGATIONS, THE OIG WILL HAVE PRIMARY RESPONSIBILITY FOR BRIBERY, KICKBACK, CONFLICT OF INTEREST, AND SERVICE-WIDE INVESTIGATIONS. WE WILL ALSO BE ACTIVELY INVOLVED IN THE WORKERS' COMPENSATION PROGRAM BY ISSUING SUBPOENAS, CONDUCTING INVESTIGATIONS OF HEALTH CARE PROVIDERS, AND PARTNERING WITH THE INSPECTION SERVICE. IN ADDITION, WE WILL CONDUCT OR PARTNER SIGNIFICANT EMBEZZLEMENT CASES. ALL INVESTIGATIONS INVOLVING POSTAL SERVICE EXECUTIVES WILL BE PERFORMED BY THE OIG.

WE ALSO IDENTIFIED A NUMBER OF PROGRAM AREAS WHERE ADDITIONAL OR EXPANDED WORK IS NECESSARY. FOR EXAMPLE, THE OIG WILL REVIEW THE POSTAL SERVICE'S RATE MAKING PROCESSES, REVENUE GENERATION INITIATIVES, AND LABOR-MANAGEMENT ISSUES. FURTHER, WE WILL HAVE A SEPARATE DIVISION RESPONSIBLE FOR OVERSEEING THE INSPECTION SERVICE.

WE ANALYZED THE TRANSFER OF FUNCTIONS WITH A FIVE-YEAR STRATEGIC PLAN IN MIND. THIS ANALYSIS RESULTED IN THE AUDIT AND INVESTIGATIVE WORKLOAD DISTRIBUTIONS SHOWN IN EXHIBITS 2 AND 3.

EXHIBIT 2 SHOWS THE UNIVERSE OF AUDIT WORK TO BE ACCOMPLISHED IN THE POSTAL SERVICE BY THE YEAR 2001. THE OIG WILL PERFORM APPROXIMATELY 60 PERCENT OF ALL AUDIT WORK, WHILE THE INSPECTION SERVICE WILL PERFORM APPROXIMATELY 40 PERCENT. AS YOU SEE, A SIGNIFICANT PORTION OF THE OIG AUDIT EFFORT WILL BE IN AREAS REQUIRING ADDITIONAL OR EXPANDED COVERAGE.

I BELIEVE HAVING THE INSPECTION SERVICE CONTINUE SOME OF ITS AUDIT FUNCTIONS IS PRUDENT BECAUSE IT TAKES ADVANTAGE OF THE AVAILABLE RESOURCES AT THE INSPECTION SERVICE'S DISPERSED DUTY STATIONS. IT FURTHER ENABLES US TO FOCUS ON SERVICE-WIDE ISSUES. WE STILL HAVE OVERSIGHT OF THE INSPECTION SERVICE'S AUDITS AND RETAIN THE RIGHT TO CONDUCT ANY WORK WE CONSIDER NECESSARY.

EXHIBIT 3 SHOWS THE DISTRIBUTION OF INVESTIGATIVE WORKLOAD DURING THE SAME FIVE-YEAR PERIOD. THE INSPECTION SERVICE WILL CONTINUE TO CONDUCT INVESTIGATIONS OF CRIMES SUCH AS MAIL THEFT, POSTAGE METER FRAUD, MAIL BOMBS, ASSAULTS, AND HOMICIDES. IN ADDITION TO CONDUCTING OUR OWN INDEPENDENT INVESTIGATIONS, THE OIG WILL PARTNER WITH THE INSPECTION SERVICE ON INVESTIGATIONS THAT ADDRESS ISSUES OF MUTUAL CONCERN, SUCH AS AVIATION SECURITY. AS WITH AUDIT, THE OIG HAS OVERSIGHT OF THE INSPECTION SERVICE INVESTIGATIONS AND RETAINS THE RIGHT TO CONDUCT ANY WORK WE CONSIDER NECESSARY.

THIS DESIGNATION OF FUNCTIONS MEETS THE REQUIREMENTS AND GOALS OF THE INSPECTOR GENERAL ACT. IT RESULTS IN THREE CATEGORIES OF WORK--INSPECTOR GENERAL WORK, INSPECTION SERVICE WORK, AND SHARED, BUT NOT DUPLICATED WORK. ALSO, THE DESIGNATION OF FUNCTIONS LEVERAGES RESOURCES AND MINIMIZES ADVERSE IMPACT ON INSPECTION SERVICE EMPLOYEES.

FURTHER, THIS DESIGNATION IS COMPARABLE TO THAT PERFORMED IN OTHER OIGS THAT HAVE OVERSIGHT FUNCTIONS. FOR EXAMPLE, A SIMILAR DESIGNATION OF FUNCTIONS EXISTS BETWEEN THE DEPARTMENT OF THE TREASURY'S OIG AND THE INTERNAL REVENUE SERVICE'S OFFICE OF THE CHIEF INSPECTOR. WE ARE NOW DEVELOPING A MEMORANDUM OF UNDERSTANDING WITH THE CHIEF POSTAL INSPECTOR TO IMPLEMENT OUR INDIVIDUAL AND SHARED RESPONSIBILITIES.

MY GOAL FOR THE OIG IS TO HAVE SUFFICIENT POSITIONS FILLED BY JUNE 1997 SO WE CAN INITIATE OUR OWN AUDITS AND INVESTIGATIONS. TO DATE, I HAVE HIRED THE DEPUTY ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS AND THE DIRECTOR FOR CONTRACT AUDITS, AMONG OTHERS. IN ADDITION, WE ARE GIVING PRIORITY TO HIRING STAFF THAT WILL ENABLE US TO ISSUE SUBPOENAS AND STAFF THE HOTLINE.

ORGANIZATIONAL STRUCTURE

OUR NEXT AREA OF PROGRESS HAS BEEN THE DEVELOPMENT OF AN ORGANIZATIONAL STRUCTURE TO QUICKLY IMPLEMENT THE OIG'S FUNCTIONS. AS SHOWN IN EXHIBIT 4, WE HAVE DEVELOPED AN ORGANIZATIONAL STRUCTURE WITH ASSISTANT INSPECTORS GENERAL FOR AUDIT AND INVESTIGATIONS, WHICH COMPLIES WITH THE INSPECTOR GENERAL ACT. THE STRUCTURE ALSO SUPPORTS THE PRIMARY GOALS OF THE POSTAL SERVICE. THE EXECUTIVE TEAM WILL CONSIST OF SIX EXECUTIVES AND THE INSPECTOR GENERAL.

I BELIEVE THE ORGANIZATIONAL STRUCTURE WE HAVE PUT TOGETHER FOR THE OIG WILL ENABLE US TO PERFORM INVESTIGATIONS AND AUDITS, WHILE KEEPING THE GOVERNORS AND THE CONGRESS FULLY AND CURRENTLY INFORMED ABOUT POSTAL SERVICE PROGRAMS AND OPERATIONS.

BUDGET

NOW I WOULD LIKE TO TURN TO OUR PROGRESS IN DEVELOPING A BUDGET FOR THE OIG. WE USED THE DESIGNATION OF FUNCTIONS AS A BASIS FOR DEVELOPING OUR BUDGET ESTIMATES. WE ARE NOW REFINING THESE ESTIMATES AND WILL PROVIDE A BUDGET FOR THE GOVERNORS' APPROVAL AT THEIR APRIL MEETING. THE GOVERNORS RECOGNIZED AT THEIR MARCH MEETING THE NEED TO FUND OPERATIONS IN THE INTERIM AND APPROVED A 60-DAY BUDGET OF $5 MILLION.

ADDITIONALLY, AT THE MARCH MEETING, THE GOVERNORS APPROVED A RESOLUTION AUTHORIZING THE OFFICE TO CONDUCT INVESTIGATIONS OF POSTAL OFFENSES, CARRY FIREARMS, SERVE SUBPOENAS AND WARRANTS, AND MAKE ARRESTS.

IN CLOSING, I WOULD LIKE TO ACKNOWLEDGE THE SUPPORT OF THE HOUSE AND SENATE STAFF, THE GOVERNORS, AND THE EMPLOYEES OF THE POSTAL SERVICE. I WOULD ALSO LIKE TO THANK THE DEPARTMENT OF THE TREASURY, NATIONAL AERONAUTICS AND SPACE ADMINISTRATION, FEDERAL DEPOSIT INSURANCE CORPORATION, DEPARTMENT OF THE AIR FORCE, AND THE NATIONAL INSTITUTES OF HEALTH FOR THEIR ASSIGNMENT OF HIGHLY EXPERIENCED PERSONNEL TO SERVE ON THE TRANSITION TEAM.

IN PARTICULAR, I WOULD LIKE TO THANK CHIEF POSTAL INSPECTOR KENNETH HUNTER AND THE EMPLOYEES OF THE INSPECTION SERVICE FOR THEIR ASSISTANCE IN HELPING US GAIN AN UNDERSTANDING OF THE PROGRAMS, ACTIVITIES AND FUNCTIONS OF THE POSTAL SERVICE. WE COULD NOT HAVE ACCOMPLISHED AS MUCH HAD IT NOT BEEN FOR THE INSPECTION SERVICE'S COOPERATIVE EFFORTS.

THANK YOU MR. CHAIRMAN. I WILL BE HAPPY TO RESPOND TO YOUR QUESTIONS.

EXHIBIT 1

DESIGNATION OF FUNCTIONS

INSPECTOR GENERAL

AUDITING

- Financial Statement: Overall Opinion; Quality reviews of IS work
- Postal-wide Performance
- Contracts, except pre-award and post-award
- All Developmental
- Facilities
  - Facilities Construction of $10M or more
  - Right of First Choice Between $5-$10M
  - Leases if $1M or more
  - Repair and Alterations of $1M or more
- Revenue Focused (International Mail)

INVESTIGATING

- Revenue
  - Bribery, Kickback, and Conflict of Interest; Systemic
- Worker's Compensation
  - IG Subpoenas
  - Monitors Programs
- Tort claims: serious incidents; liability report
- Embezzlements: Conduct/Partner on Cases of $100K or more
- Expenditure
  - Bribery, Kickback, and Conflict of Interest
  - Systemic/widespread conditions
- Conduct/Partner on Cases Involving Executives
- Inspection Service Internal Affairs
  - Executives
- Computer Forensics
- Hotline

ADDITIONAL OIG AUDITING AND INVESTIGATING FUNCTIONS

- Oversight of Inspection Service
- USPS Rate Making Programs and Operations
- Revenue Generation
- Labor Management
- Electronic Commerce

INSPECTION SERVICE

AUDITING

- Financial Statement: Installation and District
- Area, District and Local Performance
- Service Investigations
- Contracts, pre-award and post-award
- Facilities
  - Facilities Construction of $5 M or less
  - Between $5-$10M if not done by IG
  - Leases under $1M
  - Repair and Alterations Under $1M

INVESTIGATING

- Revenue
  - Revenue Loss Detection; Shares with IG on revenue task force/groups
- Worker's Compensation
  - Primary Responsibility of Conducting
- Tort Claims
- Embezzlement: Under $100K
- Expenditure
  - As Referred by IG
  - IMPAC Cards
  - Local Purchases/Procurements
- Emergency Response on Cases Involving Executives
- Internal/External Crimes, Protection of Employees, Security, Fraud and Prohibited Mailings
- Inspection Service Internal Affairs
  - Non-Executives
- Forensic and Technical Services

- NOTE: Inspector General has oversight responsibility for all Inspection Service functions; Inspector General retains the right to conduct or partner in audits investigations pursuant to the Inspector General Act.

Exhibit 2

Distribution of Workload
Audit Functions

Audit - FY 2001

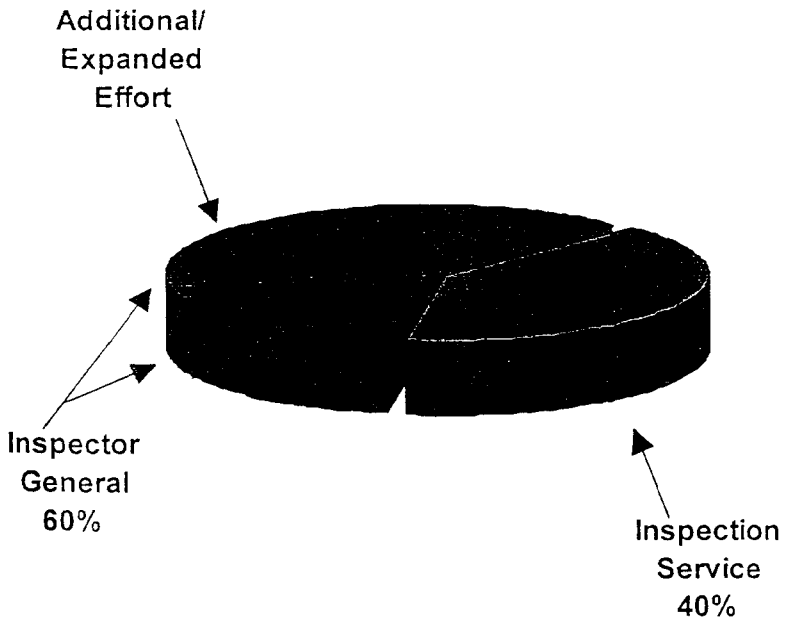


Exhibit 3

Distribution of Workload Investigative Functions

Investigations - FY 2001

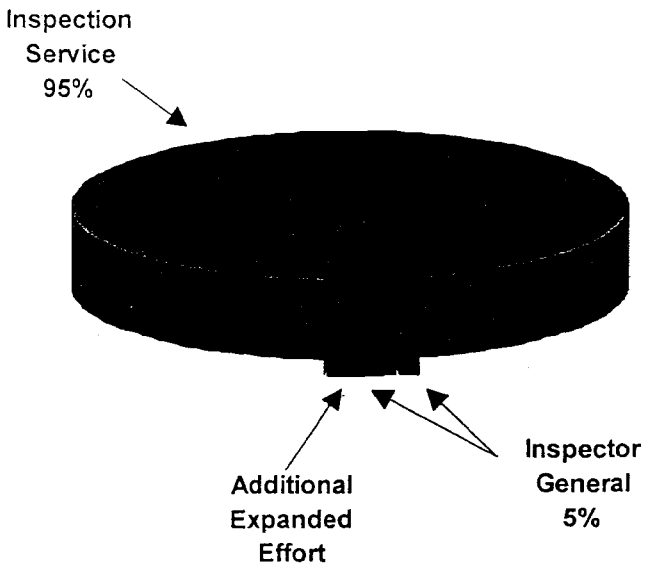
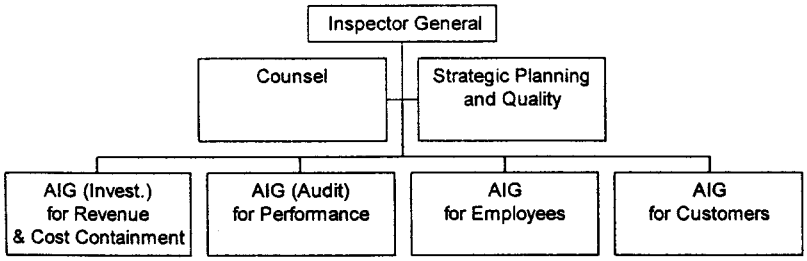


Exhibit 4

Office of Inspector General
Organization Structure



Mr. MCHUGH. Thank you, Ms Corcoran. We're looking forward to that opportunity. In consultation with the ranking member—as you heard the bells—we thought it would be best if we just recessed, hopefully for a brief period, while we go cast these votes, and then come back. So I apologize, but if you can bear with us, we'll try to return as quickly as possible.

[Recess.]

Mr. MCHUGH. We're going to reconvene the hearing. I apologize beforehand, the Murphy's law of legislation and votes is the minute you try to do something, they have votes. And we have two 10-minute votes coming up. So we're going to be off and on. It's just a fact of life. So if we could proceed with the permission of Mr. Fattah. I appreciate that. First of all, welcome.

Ms. CORCORAN. Thank you.

Mr. MCHUGH. The provision of this office was a part of the original Postal Reform Act that we introduced last year. We felt it was important enough to try to pursue an initiative separately along with some other questions that we feel very appropriately and very fortunately were passed. And we're very much looking forward to your office being established and going forward with what we think is some very important work.

And I want to state, again, what I tried to make clear last year. Our interest in creating this new office was not in any way intended to be a slight toward, particularly those individuals—Mr. Hunter, especially—involved in the combined office of years past. Quite the contrary, that particular gentleman has amassed an exemplary record in service to the post office and now the Postal Service. That is to be commended.

But we do feel that there are some important functions and some impressions of heightened propriety that the creation of your office—and, now, with you in that position—can further. I was very pleased to hear, both in your abbreviated statement and in your full statement that I had the opportunity to read several nights ago, what I take as a spirit of cooperation between the Inspection Service and your office as you try to work your way through what I intended to indicate in my opening statement must be a rather challenging chore, to draw lines of demarcation as to who does what.

You mentioned in your comments that you're working on an MOU with Mr. Hunter. We'd be pleased to hear how you're progressing with that. Have you encountered any difficulties to this point that may seem insoluble or of particularly difficult dimensions, and, also, when you think that MOU will be completed and executed?

Ms. CORCORAN. I expect the MOU to be completed about the time of the next board meeting, so, hopefully, we can present it to the board at the same time that we present the budget. We have not come across any problems in drafting the MOU thus far, mainly because we had worked out so many of the issues in the MOU while doing our designation of functions.

What we are doing with the MOU is just putting a lot of meat around the bones that is shown in the chart that is in the longer statement concerning the designation of functions. We're also out-

lining some notification requirements which will just make smooth operation between the two offices.

Mr. MCHUGH. When you say the next board meeting, you mean the April meeting?

Ms. CORCORAN. Yes, sir.

Mr. MCHUGH. So this is pretty fast track, then?

Ms. CORCORAN. We're hoping that it will be on a fairly fast track so that we can keep things moving.

Mr. MCHUGH. For the record, it's certainly not my intention to involve ourselves as a subcommittee directly in the issues that you're trying to resolve. But I would say that we are obviously very interested in ensuring that this new office is empowered to do those things that are consistent with the Inspector General Act, that we think are consistent with the objective of a Postal Service that is running as efficiently and smoothly as it can.

A part of that function, obviously, is your office's ability to operate as unfettered as possible. We're going to be very interested and paying close attention to these developments as they go forward. And so, I would say to you that if you ever feel there is a need for our having information on any matter, we would greatly appreciate that information, just as an open offer and not as a challenge or as a demand. But we think this is important work.

Ms. CORCORAN. Thank you. I appreciate that.

Mr. MCHUGH. If I could take it one step further. You are evolving a budget. I think the Governors acted very responsibly in issuing you the $5 million 60-day budget. But in terms of resource allocation—and I'm speaking for the Governors where I have no right to—but let me try to put myself in their position. Were I to ever be able to aspire to such high and lofty positions, I would be very concerned about the cost of the entire operation of the administration of the Postal Service.

This is a new function, and it's going to cost money. I would imagine they're trying to see what they can do to try and limit the increase of costs, vis-a-vis the old combined service. I've heard talk, for example, about the contemplation of a dollar for dollar tradeoff. In other words, every dollar that goes to your operation somehow, by necessity, has to be a dollar coming out of the old Inspection Service.

Have those kinds of issues been resolved as you work toward a full budget? Because, before you answer, let me say, I haven't aspired to such a lofty position. While I understand and even laud what I suspect is their intention to hold that down, it is certainly not the intention of this chairman to have such a dollar for dollar tradeoff, because I don't think that's possible.

I think your testimony states fairly clearly, in assigned percentages, the amount of new work that you're going to be doing, hopefully. So how is your budget talk going? Are we in a dollar-for-dollar tradeoff situation? And believe me—some of the Governors are shaking their heads. No, you'll get the chance to answer those. But I was curious as to Ms. Corcoran's observations.

Ms. CORCORAN. The way that my team has gone about putting together the budget has been to actually take a look at what we need to run our operation without real consideration of what the Inspection Service is doing. Because I work for the Governors and

the Inspection Service is working for management and the PMG, I have taken what I need to set up this operation and make it operate efficiently.

The thing we have done with the Inspection Service, and we are continuing to do, is try to look to see how we can minimize the impact on the Inspection Service by phasing in our budget over a 5-year period. But we do have a lot of startup cost and just things that you need to get an office running that will make it very hard to keep costs down a lot in terms of making it budget-neutral.

Mr. MCHUGH. Thank you for that. As I indicated prior to the gentleman from Pennsylvania's return, we understand there are going to be votes. He and his staff have been very gracious about allowing us to proceed under less than ideal conditions. So I don't want to hog this time. I'd be happy to yield to the gentleman for any questions he may have at this time, and, with that, say thanks, as well, for his cooperation.

Mr. FATTAH. Let me thank the chairman. I note that in your abbreviated testimony, you refer to the fact there were—it's on page 6 at the bottom—additional program areas where expanded work would be necessary. And one of them that you identify is labor-management issues, which is also indicated on your chart. If you could expound upon that for the benefit of the committee as to where you see, in terms of the program area, meaningful work being done?

Ms. CORCORAN. The Postal Service, with approximately 850,000 employees, certainly has the nucleus for looking for new ways to do things and different ways to do things. There has been talk over years by GAO and other people that there needs to be improvement in many of the processes. In the past, the Inspection Service has dealt with labor-management issues mainly through hotline inquiries. The purpose of this group will be to actually take an independent look at what is going on in the workplace, to try to see whether or not there are improvements that can be made to the environment.

Mr. FATTAH. Your previous service was with the Air Force. Is that correct?

Ms. CORCORAN. That is correct.

Mr. FATTAH. It's a very large organization in and of itself.

Ms. CORCORAN. That is correct.

Mr. FATTAH. And one of the things that the armed services have been quite successful at is to affirmatively include people into leadership ranks. One of the labor-management issues that I have some concerns—or questions, really—not concerns, because I don't know enough yet about the whole issue of affirmative inclusion in the operation, the leadership elements in the police station.

So hopefully, that will be one of the areas that you will give that you have some expertise from the Air Force—be able to follow suit with. Let me go back to the question about the budget that the chairman raised, the $5 million for the 60-day budget. Do you have any—I know that you're in the budget preparation process—but do you have any sense of what the outer limits are of what is going to be necessary for you to be fully staffed and at what point—I know that you suggest that in maybe 60 percent of the workload

by 2001—when do you plan on being fully engaged and at what round ballpark figure are we talking about?

Ms. CORCORAN. I plan to present that information to the Governors April 6th and 7th at their meeting. We are in the process of still formulating the information. I'd be more than happy to provide it to you at that time. We are in the process of trying to make sure that we have included everything. When you have a startup operation, it's fairly difficult to know exactly what numbers you need for some of these operations, because you don't have any history to base them on—like the labor-management area. So we're still trying to resolve some of those issues. And as soon as we have them resolved and presented to the Governors, I'd be more than happy to present them to you, as well.

Mr. FATTAH. Let me ask you one more question on this labor-management side, which is a big issue with the Postal Service as I've come to understand. One of the issues is that there's a significant case load backlog in the grievance procedures. And perhaps that's an area where some new thinking could apply itself to how that could be fast tracked in a way in which legitimate grievances could be heard over some reasonable period of time and resolved. That might be an area where there could be some usefulness for your office to engage itself in early on in this process.

Ms. CORCORAN. Thank you. We'll certainly put that on our list.

Mr. FATTAH. Mr. Chairman, I heard the bells go off again, so I'll yield back to you to get a few more——

Mr. MCHUGH. Thank you. I thank the gentleman. Let me take one of the things the ranking member brought up and pose it a little bit further, because you also mentioned in your comments about involving yourself in rate setting. How might such a function work in your estimation? What do you view as your role in the rate setting process?

Ms. CORCORAN. Much of the information that comes and is used by the Postal Rate Commission is actually generated within the Postal Service. In the 2½ months that I've been at the Postal Service, I've heard much discussion that there's not a lot of confidence that the data that they receive is valid, accurate, that the estimates and the modeling used is appropriate. So I see that within the four walls of the Postal Service, we will be looking at the data to ensure that it is valid and it is usable for—useful for what it needs to be used for.

Mr. MCHUGH. Listening to you, I almost thought that I gave you that answer. I want the record to show that I didn't. Because one of the things I, certainly, have been most concerned about—or, let me rephrase that—one of the things that I believe has been a primary obstacle to a better-running system from all sides—whether it be the Postal Service, whether it be the PRC, whether it be the customers—is that there is a great deal of question as to the veracity, validity, verifiability of data that are used in various processes. If you can help us through that one and uplift the acceptability by all parties interested in the process, you've made all of our efforts worthwhile.

So certainly this subcommittee is very supportive of your efforts in that regard. I think it's an important one and I'm delighted that you responded that way. As I said, we are going to be interrupted.

We're down to a 10-minute vote. So with the ranking member's agreement, we'll recess yet again and beg your indulgence. We'll be back as soon as we can. Thank you.

[Recess.]

Mr. MCHUGH. If we could come back to order, please. Just so everyone is aware, we have about another 10 minutes before a vote. So we'll be doing this again, because I know it's so much fun. It's hard to have any sense of continuity here. Ms. Corcoran, I apologize for the interruptions, but let's talk about your function as I expect there will be, to ensure that the contracting procedures with the Postal Service are proper. How do you view your—for lack of a better term—power to follow the money? In other words, do you see your duties stopping—as to questions of propriety—at the post office door, or do you feel that you have, where there are problems of questionable contracts, the power to go into those interests that were actually contracted with the Postal Service, as well?

Ms. CORCORAN. I see that it goes beyond the doors of the Postal Service. But Ms. Owens is an expert in contracting, which is one of the reasons I brought her on. So maybe you'd like to address the question?

Ms. OWENS. Sure. I don't know if I can say I'm an expert. I always try and shy away from that title. But I think in the area of contracting, certainly, there has been, historically, a lot of fraud, a lot of fraudulent things, a lot of product substitution. And because of that, I think we have to move, sometimes, outside of the doors of the post office to make sure that the customer is getting what we've contracted for as well as the right product at the right price. So I think there could be a lot of work outside the door, looking at the contracting process.

Mr. MCHUGH. Let us create a hypothetical where it may not be the question of where the contract with the Postal Service is receiving the product they envisioned, but, rather, where there was a contract between the Postal Service and an outside source that may have been questionable from both sides. In other words, there may have been—did you use the word "fraud?"

Ms. OWENS. I think I did.

Mr. MCHUGH. Well, let's use your word. That, rather than mine. Where there may be fraud or collusion. I'm not suggesting any circumstance, and I do not know of any, but I'm just saying, do you have the opportunity, the power and the prerogatives to pursue that outside contractor who may be involved in complicity or fraud of some nature?

Ms. OWENS. Yes, sir. We would. If it was—as long as it was on a contract with the post office—with the Postal Service. And certainly, if not, we would have the ability to refer it to some agency which would be able to follow it to its logical conclusion. But we would be able to. Yes.

Mr. MCHUGH. I appreciate your response. On an attendant issue, there have been over the years—and I suspect there will be into the future, as there are with all Federal agencies—reports by, for example, GAO and others, that have found problems with, if not accountability problems, with efficient use of resources to maximize results. The GAO issued a report, for example, raising what I think any reasonable person would agree were some serious concerns

about lost revenues on bulk mail. Would it be the role of this office, as you envision it, to followup on those kinds of reports—No. 1—and No. 2, to ensure that, even down the road where you may have taken remedial action, that standards continue to be maintained?

Ms. CORCORAN. Absolutely. That would be part of our role. It is management's job to take the corrective actions, but it is within the Office of the Inspector General's role to assure that those changes are appropriate and that they really fix the problem that was identified.

Mr. MCHUGH. One of the things that we were talking about the other night—and it has come up in discussions that we've had on the issue before—is that the Whistleblower Protection Acts, as it applies to the Postal Service, are not universal. It is our understanding, for example, that whistleblower protection in law is not extended to some administrative personnel. Has that been something you've had a chance to look at? And if it is, do you envision that to be a potential problem in terms of people feeling unfettered to come to you and share with you, without fear of recrimination, issues that they feel are just not right?

Ms. CORCORAN. We have had some discussions with the legal department about the Whistleblower Protection Act. I'm going to ask Mr. Coogan to address this issue further.

Mr. COOGAN. My understanding, Mr. Chairman, is that you are correct. The Whistleblower Protection Act that covers most other Federal agency employees does not cover Postal Service employees. Well, that may be a question that we can address, again, through the Law Department. However, the Inspector General Act itself has a provision that provides for whistleblower protection in cases of employee complainants. And certainly, the Inspector General's Office would treat all complaints as confidential to the extent possible and would look into allegations of reprisal and retaliation as a result of bringing those matters to the attention of the Inspector General.

Mr. MCHUGH. So your analysis is that, while there may not be specific protection, there are, perhaps, cross-references that protect certain employees because of their inclusion under other provisions of an act, and even if they're not, you're going to act in a way that would protect their interest?

Mr. COOGAN. Yes.

Mr. MCHUGH. I appreciate that. May I put before you a suggestion that, if I were an employee, I think I'd be less than anxious to come forward if I felt my only shelter would be found in a cross reference as legally appropriate as that might be? I am not an attorney, nor I suspect would I be one if I were over in the Postal Service. I would urge you to re-examine the coverage under Whistleblower Protection, particularly as it applies to what I understand are some of the administrative positions, and see if it might not be helpful to you. Also, if it might not be the right thing to do, as a matter of equity, to extend those acts to the employees on a primary reference so there aren't cross references.

This is not contained, for example, in the Postal Reform Act that we drew up. But we discussed it the other night, and it may be. I'd like to have your input on that, because we don't want to be

going down a road that's totally unnecessary. I think it merits some examination, so I'd appreciate that.

Ms. CORCORAN. We'll certainly go back and take a look at that and get back with the committee to let you know what needs to be done.

Mr. MCHUGH. Thank you. I yield back to the gentleman from Pennsylvania, the ranking member, Mr. Fattah.

Mr. FATTAH. Just a few more followup questions. The Inspection Service, as it relates to its on-going functions under the Memorandum of Understanding, to the degree that there are going to be functions phased out and picked up by your office, how is that going to effect present employees in the Inspection Service?

Ms. CORCORAN. That's probably a question that's really better addressed to the Chief Inspector and, perhaps, even the Governors. In part, it will depend on what they do concerning their budget and how they relate to that. There has been an agreement made that we will consider inspectors for positions. If they are the best person for that particular position, they will be brought on board with us. But we are not necessarily responsible for hiring those people. So how the transition will take place is something that's still being worked out.

Mr. FATTAH. Well, at the end of this road, there's still going to be an Inspection Service carrying out certain functions?

Ms. CORCORAN. Absolutely.

Mr. FATTAH. Right.

Ms. CORCORAN. They have program responsibility that includes mail theft, burglaries, homicides, much of the security of the postal buildings, as well as the people who are carrying the mail, and the mails themselves. And they still have all those program responsibilities that they need to handle.

Mr. FATTAH. Now, the auditing functions that they have now, you would not envision that they would have any of those?

Ms. CORCORAN. They are going to maintain some of their auditing functions as indicated in the designation of functions exhibit. Those are going to be at individual facilities. For example, under the financial statement audits, they are going to continue to do about 200 of those audits where they will be looking at individual post offices to see how well their internal controls work and the effectiveness of financial operations within those individual operations. Those will then be rolled up, and we will use them in our overall scope to look at how postal-wide operations are doing financially.

Mr. FATTAH. Let me thank you for your appearance here today. And let me also, just for the purposes of the record, give a mention of the fact that Congressman Clay, in earlier sessions of the Congress, had promoted this notion—he's the ranking member for the overall committee—of an independent IG. And it was through the good efforts of the chairman, the gentleman from New York, that in last year's Congress, we were able to get this accomplished. So I want to wish you well. And I'm sure that we'll be seeing each other again as we go down this road. Thank you.

Ms. CORCORAN. Thank you.

Mr. MCHUGH. I thank the gentleman for his comments. Indeed, in its infinite wisdom, I believe the House actually passed Con-

gressman Clay's IG bill at one point. We're following some pretty vague and ill-defined footsteps, and we appreciate the assist that Congressman Clay's earlier work lent us.

Let me return to try to better understand where you may be headed on your duties. I mentioned in my opening statement the question of ethics. The issue that comes to mind, at least when we were preparing that portion of the statement, specifically, was recently—in March—the Office of Government Ethics sent of letter to the Governors—to the General Counsel, Mary Elcano, stating that they—the office, OGE—viewed the Postal Service in compliance now with ethic standards.

That was an important development. Because it's also my understanding that prior to that there had been some serious concerns raised about the implementation of clearly defined, well understood, and rigorously conveyed ethical standards, particularly in the procurement area, raised by OGE. And indeed, while OGE normally reviews departmental ethics program once every 5 years, they felt it was necessary to review the ethical practices and standards of the Postal Service some six times in the last 6 years.

I think that demonstrates a prior level of concern. I commend the Postal Service for apparently, at least as of March, meeting that. I think it's fair to say that any program, be it one of Government ethic standards or be it one of work shop safety standards, needs oversight on a continuing basis to ensure that whatever is attained now is attained in the future as well. Is it your intention to monitor the ethics standards and practices as they apply through the concerns raised by OGE in the future, or is that something that you don't think you're going to be looking at?

Ms. CORCORAN. The General Counsel Office, as I understand it, is the responsible ethics official within the department. We may look at that in an overall, systemic type look within the Postal Service. However, it is OGE that routinely comes in and does these types of reviews and where ethics violations would be reported. Generally, they are the ones that would be coming in and doing these types of things. With the many issues that we have to deal with, that would probably not be one we'd deal with right now because of how the Office of Government Ethics has dealt with it.

Mr. MCHUGH. Yes? You wish to add anything, Mr. Coogan?

Mr. COOGAN. Well, Mr. Chairman, what I would add, also, is, as I'm sure you know, the President's Council on Integrity and Efficiency and the Executive Council work with the Office of Government Ethics. The IG's office also works closely with the Justice Department Public Integrity Section, and is very sensitive, of course, to these ethics issues. But in general, the IG's roles are not to be the program administrators of an ethics program, but rather to oversee the process and the procedures that should be followed in those programs.

Mr. MCHUGH. And you will be doing that latter function? Good. Well, let's go to something that probably is more in your line. Or, I should say, is it more in your line? Another instance was one of recent times where there were dramatic overexpenditures in the advertising accounts. One of the more frustrating parts of that scenario to those of us on this side of the room was that it became so significant before it was apparent that many up the line were

aware of it. Would it be your function to monitor expenditure accounts to ensure that, whether it's inadvertent, purposeful, whether the ends were totally justifiable or not, but that you do have dramatic over-expenditures occurring or any over-expenditures before they become dramatic? Is that a function that you'd be into or is that not more universal? Is that too specific?

Ms. CORCORAN. Again, we will be looking more at service-wide issues. Along with that, though, we certainly will be monitoring for trends or changes in data that would cause a question, and try to determine what are the reasons for those changes. So hopefully we would be aware of those before they became a problem. But like many other things, as you're auditing, if you're not in the right place at the right time, you don't necessarily find it. We would monitor and try to pick up on those types of things. I'm not aware of all the circumstances involved around that particular situation. And I'd need to look at that particular situation to see what could be done to improve the overall system. And once we get our people on board, we certainly will be looking at that.

Mr. MCHUGH. Thank you. Current law, as I understand it, requires that the Postal Service receive an independent certification of its financial statement, that that has been done for many years, as far as I'm aware, by Ernst and Young. I'm not suggesting that my comment is meant to indicate that there was any problem with Ernst and Young, that they have done anything but a credible job, but the requirement was placed in law for the Postal Service prior to that because there was no independent audit function, I assume. Well, now there is, obviously. So is it your intention? Do you think you meet the test of the law if you certified that financial statement, thereby internalizing that somewhat more?

Ms. CORCORAN. That certainly is what the CFO Act has done for the other IGs throughout Government. It's given them the opportunity to either certify it internally or to have an external CPA firm certify it. But certainly I will have the people on board doing the work, and they could certify the statements.

Mr. MCHUGH. I know professionally you could. I want to make sure I understand your meaning of the word "could." You could legally, you believe, meet the test of the law, as currently written, by certifying?

Ms. CORCORAN. No, sir. As it's currently written, my understanding of the law is that it must be by an independent certified public accounting firm.

Mr. MCHUGH. OK.

Ms. CORCORAN. Which, obviously, we are an internal independent organization.

Mr. MCHUGH. OK. However, were the law to be changed, it would merely put you in conformity with other agencies that have an audit verification mandate, and do it with an independent IG. Yes?

Ms. CORCORAN. Yes, sir.

Mr. MCHUGH. Thank you. Well, because of how we've gone we've taken up almost 1½ hours of your time and, as you've heard, we have another interruption. I'm not going to ask you to stay any further. We do appreciate that and Mr. Fattah agrees that we should dismiss you. It sounds so funny, doesn't it. But thank you for being

here. As I indicated earlier, we're looking forward to working with you, are anxious to work with you in helping you to meet any challenges that may arise, if it is appropriate in your view. We try not to get on the wrong side of an IG, despite of what you read in the newspapers. So, thank you and with that we will recess once again. When we return we will move on to the Board of Governors, who have all been waiting very patiently and we appreciate that. So we'll stand in recess. Thank you very much.

Ms. CORCORAN. Thank you.

[Recess.]

[Followup questions and responses follow:]

KARLA W. CORCORAN
INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

June 16, 1997

Honorable John M. McHugh
Chairman, Subcommittee on the Postal Service
Committee on Government Reform and Oversight
House of Representatives
Washington, DC 20515-6246

Dear Congressman McHugh:

In response to your April 3 request, enclosed are the responses to the follow-up questions submitted for the hearing record following my March 19 appearance before the Subcommittee on the Postal Service.

If I can be of any further assistance, please let me know.

Sincerely,

Karla W. Corcoran

Karla W. Corcoran

Enclosure

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QUESTIONS SUBMITTED IN WRITING TO KARLA CORCORAN, INSPECTOR GENERAL, U.S. POSTAL SERVICE, BY THE HONORABLE JOHN M. MCHUGH, CHAIRMAN, SUBCOMMITTEE ON THE POSTAL SERVICE, FOLLOWING TESTIMONY GIVEN BEFORE THE SUBCOMMITTEE ON MARCH 19, 1997

OIG AUDIT FUNCTIONS AND AUTHORITY

1. Should the Office of the Inspector General (OIG) have a greater role in certifying the USPS financial statements? For example, should the OIG select and oversee the independent public accounting firm that certifies the statement? If so, why and how should current law be changed?

2. Should the OIG coordinate all audits performed at the USPS? Should the audit proposed by USPS management regarding outsourcing priority mail be coordinated with the OIG?

RESPONSE:

OIG Should Control Certifying USPS Financial statements

The USPS OIG, like OIG's at other major agencies and federal corporations, should be given a greater role in the financial statements audit process than is currently provided by law. The OIG can be given a greater role in certifying the USPS financial statements by changing current law to amend 39 U.S.C. §2008(e) to provide that the USPS financial statements be audited by OIG or by an independent public accountant selected and overseen by OIG.

Currently, the selection of the outside auditor is reserved to the Board of Governors by the Board's bylaws under 39 C.F.R. §3.3(o). The requirement to select an independent public accounting firm to certify the accuracy of the USPS financial statements is found at 39 U. S. C. §2008(e). When Congress passed §2008(e) in 1972, statutory Inspectors General did not exist. Since that time, however, Congress has created an OIG in most federal agencies. Moreover, in many of those agencies, either pursuant to the Chief Financial Officer Act, 31 U.S.C. §501, or Government Corporation Control Act, 31 U.S.C. §9105, the OIG is expressly authorized to audit agency financial statements or to select and oversee the independent public accountant.

The current provisions of 39 U.S.C. §2008(e) should be repealed or amended for several reasons. First, pursuant to the Inspector General Act, as amended, 5 U.S.C. app.3, the Inspector General is responsible to conduct, supervise, and coordinate all audits of USPS programs and operations. The current provisions of 39 U.S.C. §2008(e) are inconsistent with this provision of the Inspector General Act (IG Act). Second, the current provisions of 39 U.S.C. §2008(e) provide for the selection of the independent public accounting firm by the Board of Governors. The Board of Governors includes the Postmaster General and Deputy Postmaster General who head USPS management. Management is responsible for the day-to-day operations of the USPS that are reflected in the USPS financial statements. To ensure independence and objectivity in the audit process, the OIG, which is not part of

USPS management, should control certifying the USPS financial statements or the selection and overseeing of independent public accountants, as necessary. Third, through passage and implementation of laws like the Government Corporation Control Act and the Chief Financial Officer Act, Congress has recognized the desirability of authorizing the OIG to audit agency financial statements. Amending 39 U.S.C. §2008(e) to expressly authorize OIG to audit or oversee the audit of the USPS financial statements would bring USPS in line with accountability standards imposed on other federal agencies. For these reasons, the current law should be changed to expressly authorize OIG to control certifying the USPS financial statements.

USPS management has expressed a preference for keeping the status quo, asserting that an independent public accounting firm's certification is widely accepted in the USPS business community. In addition, management asserts that USPS is to be operated as a privately owned business because it is a quasi-governmental organization. Further, management believes if USPS ever has stocks and bonds traded in the open market, the Securities and Exchange Commission will insist on an independent public accountant's audit. However, the Inspector General at other quasi-governmental entities, such as the FDIC, are authorized to conduct the audit, or select and oversee the independent public accountant. (If either the CFO Act or the Government Corporation Control Act are amended to include the USPS, changes may be needed to waive the salary caps on the Chief Financial Officer and to waive or change other provisions.) The position of USPS management also does not fully recognize that OIGs at most major federal agencies perform agency financial statements audits or select an independent public accountant to perform the work. Giving control of these audits to OIG will result in greater independence from USPS management and will provide OIG with an agency-wide view of USPS programs and operations. This work also will provide an excellent source of information for OIG to identify potential audits to include in its audit plan.

In order to carry out our responsibilities, the OIG has hired some of the key personnel who will be responsible for the financial statements audit work. Other personnel needed to conduct audits and provide oversight in this critical area are being interviewed. Our first area of focus will be to define the scope of work to be performed and to assess the work of the independent auditors and the Postal Inspection Service. As the OIG develops the experience base, gains familiarity with the accounting and information systems processes of the Postal Service, and assesses the audit methodology for the Fiscal Year 1997 financial statements, proposals on the substantive changes necessary to increase OIG involvement in the process will be developed. At a minimum, if the law is not changed to expressly authorize OIG to control certifying the USPS financial statements, the OIG should advise the Governors in their selection of the independent public accounting firm, and OIG should serve as the Contracting Officer Technical Representative and provide oversight.

OIG Should Coordinate All USPS Audits

The IG Act provides that the OIG by statute has primary responsibility for all USPS audit work. All audit work for the agency should be coordinated through the OIG to ensure that such work is not duplicated and that appropriate action is taken to correct audit findings. In formulating the delegation of functions between the OIG and the Postal Inspection Service, some audit responsibility was delegated to the Inspection Service for efficiency and to take advantage of its current deployment of resources in 165 locations. However, the OIG continues to have oversight of this work, ensures that it is conducted according to generally accepted government auditing standards and is involved in the development of the Inspection Service's audit workload plan.

Effective auditing requires the audit agency to have a sufficient degree of independence in carrying out its responsibilities. If it is the intent of management to have an independent assessment in accordance with generally accepted auditing standards, the OIG is the responsible group for such work. However, OIG responsibility for audit work does not preclude postal management from conducting operational and management reviews and using consulting services. If management intends to conduct an economy and efficiency performance audit of the proposed outsourcing of priority mail, the proposal should be coordinated through the OIG to prevent duplication. Resources are available through OIG for USPS management to obtain quality work at low cost, in a timely fashion, including a master audit contract developed and implemented by the General Accounting Office. The organizational structure of the new OIG will provide an increased capability to address management's audit needs and to provide for consulting services to management.

USPS COMPLIANCE WITH ETHICS STANDARDS

In its January 1996 report to Chairman McHugh, GAO reported that there have been long-standing problems in the Postal Service's ethics program that were attributed largely to a lack of support by top management and inadequate staff resources. Purchasing problems have been costly to the Postal Service as it has had to pay approximately $89 million for penalties and for unusable properties. The Postal Service made changes to improve major acquisition integrity by consolidating three independent purchasing units under a single purchasing executive. The Office of Government Ethics (OGE) made recommendations to properly train personnel and institute ethics awareness. The Postmaster General recognized that the purchasing process was compromised because officials chose to deviate from recognized policies.

1. As IG will you be reviewing how procurements and contracts are handled? Have you given thought as to which stage the ethics officer should become involved or conduct a review of either a purchase or contract that portends to provide financial reward to the Postal Service or the other party?

2. The ethical arguments being discussed presently regarding the Postmaster General has a broader representation than just focusing on one person. It is a situation that the institution must face as it expands into various arrangements with private corporations. Do you think that there should be a financial "trigger" in discussing commercial arrangements? Do you think that it should become a matter of policy that a potential business operation be reviewed by the ethics officer and compared with the financial holdings of the officers and Governors of the Postal Service for the perception of unfair advantage?

3. Would this trigger be a financial amount such as used in bringing issues before you for consideration?

4. The Postal Service has been allegedly lax in its enforcement of conflict of interest and compliance programs. What role will the OIG play in ensuring future compliance and to what extent will it be involved in the USPS procurement process?

5. Will the OIG coordinate all matters relating to conflicts of interest? In such cases, should the designated agency ethics official (the General Counsel) make referrals to the OIG rather than to the Public Integrity Section?

RESPONSE:

OIG Will Review How Procurements and Contracts Are Handled

USPS procurement and contracting processes will be subject to audit and investigative attention by the OIG. As with other USPS programs, this program would be prioritized and audit decisions made based on associated risks. Investigations of program abuse, if disclosed, would be conducted as appropriate.

The OIG will perform systemic reviews of USPS procurement and contracting processes. In addition, the OIG reserves the right to conduct individual reviews, for example, reviews covering specific contracts and contractors. We may also include ethics reviews in our audit plan, as prioritized with the rest of our audits.

As the OIG assessed the current workload of the Inspection Service, the need for additional audit work in the procurement and contracting area was identified. The majority of contract audit work performed was pre-award and post-award contract audits requested by management. Systemic-type reviews were not routinely conducted.

During Fiscal Year 1996, the Postal Service had more than 45,000 contractual actions, totaling approximately $7 billion. The value and frequency of transactions places the Postal Service at risk for fraud, waste and abuse in this program area. As a result, the OIG

has identified the contract audit area as a priority for hiring. The Director of Contract Audits and five of her staff members have already been hired, and additional staffing interviews are scheduled.

OIG Will Review Ethics Policy

In regard to the involvement of the ethics officer in the procurement process, the Postal Service currently has a standing cross-functional group which is referred to as the Ethics Advisory Council. This group considers and resolves ethics issues raised in the course of major procurements. The members represent the Vice President, Purchasing and Materials, and the General Counsel, both purchasing lawyers and ethics lawyers. The process is informal and is triggered whenever any of the members identify a significant potential ethics issue that needs to be considered. As a part of the OIG's systemic review of purchasing, the effectiveness of this approach will be evaluated.

Conflict of Interest Monitoring Does Not Use a Dollar Trigger

Recently the General Counsel of the Postal Service initiated an ongoing process for monitoring potential conflicts. It involves comparing the holdings of the Governors and Officers reflected in the most recent financial disclosure reports (SF-278) to matters being considered by management. The process does not currently use a dollar trigger. In applying 18 U.S.C. §208, the Office of Government Ethics has adopted regulations that fix *de minimis* amounts with respect to the value of investments that will be considered potentially troublesome under the law. No *de minimis* figure applies with respect to the amount of money involved in a contract or other particular matter before the agency may be allowed to participate.

The USPS focuses instead on when particular matters are likely to come before management at the Officer or Board level. Ethics attorneys in the Civil Practice Section compare schedules of Board and management committee meetings against a computerized holdings list, using a software program. According to the General Counsel, the Counsel's office coordinates regular meetings with client organizations to identify pending business that needs to trigger a conflict check. Also, the OIG was advised that the key staffs of the Officers screen the work coming up to their principals' level against any recusals that have been issued.

The limits of any screening procedures like these need to be kept in mind. The Government has no legal authority to require individual officers or employees to furnish up-to-date disclosures of their holdings. The annual SF-278 report is accurate only as of December 31 of the last report year. Because the filings are not due until May 15 of the following year, the reports may be up to 17 months old. Therefore, the OIG was advised that training has been provided, informing managers that they are personally responsible

under the conflict of interest laws for keeping track of their investments for purposes of avoiding conflicts in the matters which come before them.

OIG Will Perform Systemic Reviews

The process in use by the Postal Service will be subject to systemic review by the OIG. The OIG ordinarily will not review individual's disclosure filings. However, the OIG has the authority to conduct such reviews and will conduct such inquiries on a case-by-case basis. The effectiveness of the monitoring program established by the General Counsel's office will be within the scope of such a review. A systemic review will also assess training and conflict of interest awareness programs and will look at procedural matters such as "financial triggers." While the OIG will assess and provide recommendations, management will continue to have responsibility for monitoring and implementation. A systemic review of the entire purchasing process will be assessed against the risks believed to exist in other auditable areas and a decision will then be made on priority and scheduling.

OIG Coordination Regarding Conflicts of Interest

The OIG is responsible for coordinating all matters relating to criminal conflicts of interest. The General Counsel's office has agreed that when it becomes aware of ethics matters requiring investigation or referral to the Office of Government Ethics, it will work with the OIG. The OIG will make the referral as appropriate. This procedure was discussed with the Office of Government Ethics and the Department of Justice and both entities support this referral procedure.

REQUIREMENTS OF THE POSTAL IG ACT

The amendments to the Inspector General Act creating the Inspector General of the Postal Service require that the IG prepare a five year plan to be included as part of the annual Postal Service budget; it must be submitted at least every three years. The first plan must be prepared in time to be included with the annual budget next due to be submitted after the end of the six-month period beginning on the date of the appointment of the first Inspector General.

1. Given that this language would indicate that your submission must be completed in time to be included with the Postal Service's fiscal year 1999 budget submission that is given to the Congress in February 1998, at what stage are you in complying with this mandate?

2. At what stage is the OIG in preparation of the semi-annual report? Do you have staff on board to commence work on this project?

RESPONSE:

OIG Strategic Plan

The preparation of a five-year strategic plan is a significant challenge for the OIG. The planning necessary to take an organization from its formative stage to a fully mature structure requires vision and a thoughtful analysis. The vision for the new OIG has been shared with the staff and a strategic planning process is being developed. The OIG has one detailed member on staff with some experience in strategic planning initiatives. Another individual with this background has been detailed to the Office. These staff members were assigned to develop a process and begin the preparation of a preliminary plan. The work of the past five months including the designation of functions between the OIG and the Inspection Service, the budget, the hiring plan, and similar initiatives will provide the baseline for development of the strategic plan.

OIG Has Input in FY 1997 Semi-Annual Report

Under the terms of the Interim Memorandum of Understanding signed by the Inspector General and Chief Postal Inspector, the Inspection Service has the lead on drafting the semi-annual report until the OIG is prepared to assume this responsibility. The first semi-annual report for Fiscal Year 1997, released June 3, 1997, was drafted by the Inspection Service with input by the OIG. The audits and investigations work included in the report represents the efforts of the Inspection Service. The report includes a transmittal message from the Inspector General and a section discussing the status of establishing a new OIG in the Postal Service. An OIG staff member was actively involved with the Inspection Service during the drafting of the report. It is expected there will be a similar arrangement for preparation of the second semi-annual report for FY 1997. The OIG should be staffed to assume this responsibility in FY 1998. The Inspection Service will continue to be a contributor to the report.

NATIONAL CHANGE OF ADDRESS CONCERNS

Last Congress, Chairman McHugh and Representative Condit requested the GAO to issue a report on the Postal Service's oversight of the National Change of Address (NCOA) program. The program is intended to assist the Postal Service to deliver the mail quickly and efficiently. However, there is concern that there may be opportunity for potential misuse of the NCOA data, thereby prompting privacy concerns. The Postal Service's oversight of the NCOA program licensees and controls over the release of the data have been lax. There have been breaches of licensing provisions and violations of the federal privacy law. There appears to be a clash between how the Postal Service interprets the Privacy Act and provisions of the Postal Reorganization Act of 1970 and what the GAO

believes to be the boundaries of these Acts. In 1994, the USPS clarified and strengthened licensing agreements; it prohibited the creation of new-movers' lists that used to be common practice in the mail marketing industry. However, the USPS has not been clear nor consistent regarding prohibitions on using NCOA data to create such lists.

For example, the Postal Service is sending Welcome Kits to customers who submit an official Change of Address Card to the Postal Service. Statistics show that 19 million people move annually. Postal Service officials reportedly said that they believe that neither the Privacy Act nor the Postal Reorganization Act of 1970 limit licensees' use of address data that have been properly updated or corrected through the NCOA service.

1. Is this an issue that an OIG would investigate? Are you aware of the program? How much will it cost? Who is the contractor, if any? Is the Postal Service recouping its costs (in kind or monetarily) and how is it measured?

2. What is the potential for misuse of NCOA data in this project?

3. To what extent, if at all, does the inclusion of advertising in these Welcome Kits conflict with advertising mailers?

RESPONSE:

OIG Has Authority to Investigate NCOA Program

The National Change of Address (NCOA) Program would be subject to audit and investigative attention by the OIG. This program would be prioritized with other programs of the Postal Service and audit decisions made based on associated risks. Investigations of program abuse, if disclosed, would be conducted as appropriate.

As a result of the subcommittee questions, an OIG staff member interviewed a representative of Address Management, Operations Support Department, for further information and clarification of the NCOA service and "Welcome Kit" programs. According to Address Management, over 40 million change of address orders are received each year. As an important part of the enhanced change of address security procedures and to help contain fraud, the Postal Service sends a letter of acknowledgment of receipt of every Change of Address Order to the old address. After the date of the move, a follow-up Confirmation Notice Letter (CNL) is sent to the customer's new address to confirm that their mail forwarding order is being properly carried out.

Address Management advised that for individuals and families that make permanent moves (19 million new-address households each year), the CNL mailing has been expanded into a "Welcome Kit" as an added public service. The Kit is being tested nationally for a year.

In addition to the CNL, it also includes phone numbers of local public services like libraries, fire stations, DMV locations and voter registration information as well as commercial ads for move-related consumer items.

In regard to the cost to the Postal Service of the "Welcome Kit" program, Address Management advised that there is no cost. There are some program management, oversight and coordination expenses, but the costs for developing, printing, distribution and implementation of the "Welcome Kit" are borne by the Postal Service's commercial partner and participating advertisers. The contractor or commercial partner is Targeted Marketing Solutions, Inc., (TMSI). Address Management advised that the Postal Service has no costs of significance to recover. According to their information, the Postal Service will reduce the Change of Address process operating costs by about $10 million annually by no longer having to produce internally and mail 19 million CNLs. Under the terms of the agreement, TMSI and the advertisers fund the costs of printing and mailing the CNLs, which previously were paid from Postal Service revenues. Address Management believes there is a potential for realizing net positive revenue. (Note: The cost estimates and other operational information is unaudited data.)

Safeguarding of NCOA Files

The potential for misuse of NCOA was pursued with Address Management. According to the representative, the NCOA file is isolated from the "Welcome Kit" operation. The controls in place to safeguard this highly sensitive information include inspection and monitoring by the Postal Service of subcontractors and a requirement to promptly destroy the data after the CNLs are printed.

Conflict with Advertising Mailers

The position of Address Management is that the "Welcome Kit" does not conflict with the advertising industry, but rather complements what the industry offers. The "Welcome Kit" is a public service package sent to postal customers who have moved and requested that the Postal Service forward their mail. The Kit includes the move confirmation letter, public service information and commercial ads for move-related consumer products and services. It is sent to a customer only once to confirm the move. The opportunity for other advertisers to participate in this program exists. Meetings with the industry concerning this program have occurred and will continue.

An independent response based on verified data would require an audit of the NCOA and "Welcome Kit" programs. Audits of these programs were not conducted. As indicated, the programs, including adherence to laws, such as the Privacy Act, which regulate the gathering, maintenance, and disclosure of personal information by Government agencies,

and any subsequent legislative or regulatory changes, will be included in the OIG audit universe for consideration of risk associated with the programs.

GOVERNMENT PERFORMANCE AND RESULTS ACT (GPRA)

GPRA encourages greater accountability, requiring agencies to set goals and use performance measures for management and budgeting. Most federal agencies must submit, no later than September 30, 1997, their reports to OMB and Congress. Chapter 28, Title 39 provides that, no later than September 30, the Postal Service must submit to the President and Congress its strategic plan for program activities.

1. The Congress is adhering to the mandates of GPRA and will expect the Postal Service strategic plan for its program activities no later than September 30 of this year. Will the OIG be involved with the preparation of this document and oversee compliance with the law?

2. Have you been approached by the Postal Service for your oversight and expertise?

3. What do you see as the role of the OIG in the Postal Service's efforts to carry out GPRA?

RESPONSE:

OIG Will Evaluate the Postal Service's Compliance

Monitoring the Postal Service's requirement to comply with Government Performance and Results Act (GPRA), or "Results Act" as it is now often called, is an ongoing priority of the OIG community, and will be a priority of this office when adequately staffed. The OIG is fully aware that GPRA is one of the most far reaching management reform initiatives adopted by Congress. It has the potential to significantly enhance management effectiveness and improve the accountability of every major program in the Postal Service.

Congress needs assurance the Postal Service's strategic plan is consistent not only with the reporting requirements of the GPRA, but that decisions reflected in the plan drive operational decision-making. The process of establishing organizational goals must ensure they are definitive and results-oriented. While the need for active and full participation by the OIG is apparent, the new Postal OIG is not yet staffed to perform the full scope of evaluations. The OIG will, however, contribute to the GPRA effort by periodically monitoring the strategic planning process of the Postal Service during the design and implementation phases. For the next several months, while the OIG continues to focus on establishing the new office, progress toward GPRA compliance will be evaluated through

consultations with key Officers of the Postal Service and limited reviews of the draft strategic planning documents.

OIG and Postal Service Staff to Meet During Plan Development

In the short time the Postal OIG has been in existence, an understanding of the components of the Postal Service's CustomerPerfect! management system has been acquired. This comprehensive approach to managing the Postal Service has produced a meaningful framework to address GPRA requirements. A Business Environmental Assessment was completed in the Fall, 1996, and a strategic plan outline was prepared in February, 1997. Robert A. F. Reisner, Vice President, Strategic Planning, presented a draft comprehensive strategic plan to the Governors at their June 1997 meeting. Based on current information, USPS appears to be on target for meeting the September 30, 1997, deadline. The OIG will continue to monitor the plan during finalization.

OIG Will Evaluate Utility of Strategic Plan

A longer-term OIG approach to GPRA will be evaluating the utility of the strategic plan the extent to which it is used and relied upon by Postal Service leadership to link organizational goals to budget activities and performance measurement. The OIG's role will include evaluating the effectiveness of the Business Environmental Assessment, the reliability of data in Postal Service information systems and the accountability of managers throughout the Postal Service for successful performance. A product of future OIG evaluation processes should be the introduction of improvements to the strategic planning process.

SEMIANNUAL REPORTS ON INVESTIGATIVE ACTIVITIES OF THE POSTAL SERVICE

Section 3013 of Title 39 requires that the Postmaster General submit semiannual reports to the Board and then Congress regarding the investigative activities of the Postal Service. However, the Inspector General is responsible for the conduct and/or oversight of all investigations in the Postal Service.

1. Do you believe it is appropriate that this reporting requirement reflect the reporting requirements of the Inspector General Act to avoid duplication as well as any appearance problems of the IG reporting to the Postmaster General on its investigative activities? If so, how would you suggest amending the law, if at all?

2. Absent a legislative remedy, can this issue be addressed within the Postal Service through, for example, a memorandum of understanding among the Postmaster General, the

Board and the Inspector General? If so, how do you envision this agreement being accomplished and within what timeframe?

RESPONSE:

Section 3013 of Title 39 Should Be Amended

Section 3013 of Title 39 should be amended to require that investigative activities of the USPS be reported by the Inspector General in the semiannual report to Congress under the IG Act. The requirement of Section 3013 of Title 39 currently calls for a report to the Congress and the Board of Governors on the investigative activities remaining under the management responsibility of the Postmaster General, which would be the investigations conducted by the Postal Inspection Service. For operational efficiency, 39 U.S.C. §3013 should be amended to (1) avoid duplication of effort; (2) ensure independence and objectivity; and (3) ensure that the IG would not report investigative activity through the Postmaster General. This change would be consistent with the IG's oversight authority over the Inspection Service.

As an interim measure, the Inspection Service and OIG are drafting a memorandum of understanding, in part, to clarify that the IG will be responsible for this reporting requirement.

EXTENSION OF WHISTLEBLOWER PROTECTIONS TO POSTAL EMPLOYEES

During questioning by the Subcommittee, the Inspector General stated she would go back and more closely review what whistleblower protections are available for postal employees. Please provide for the record the available protections from retaliation for employees, who disclose waste, fraud or abuse in the Postal Service, and your recommendations for any legislative changes which might serve to effect that goal. Also, please provide for the record your analysis of the applicability and/or suitability of *qui tam* suits pursuant to the False Claims Act Amendments of 1986 as they would apply to the Postal Service. Please include in your analysis any case history of the utilization of this statutory cause of action. Should a recovery be made pursuant to the False Claims Act, would such money recovery go to the Treasury or to the Postal Service?

RESPONSE:

OIG Supports Whistleblower Protection at USPS

U.S. Postal Service workers should be protected from retaliation for disclosing waste, fraud, or abuse in Postal Service Programs and operations. Attachment 1 shows the variety of federal statutes under that which Congress has afforded whistleblower protection. See Miceli, Blowing the Whistle 251-259 (1992); 12 U.S.C. §1831(j) (employees of insured depository institutions and regulatory agencies); 41 U.S.C. §315 (employees of Government contractors). Section 7 of the Inspector General Act prohibits agency retaliation against employees who report fraud, waste, abuse, or mismanagement to the Inspector General. The Inspector General Act provision, however, does not expressly authorize remedies such as reinstatement, back pay, damages, or attorney fees. Congress should strengthen whistleblower protections for U.S. Postal Service employees and contractors who report fraud, waste, abuse, or mismanagement. Protections should cover employment applicants, employees, and employees of contractors, and remedies should include reinstatement, back pay, damages, and attorney fees. It is critically important for persons who report fraud, waste, and abuse to be protected from retaliation.

The OIG will support any effective approach that will enable OIG to better protect whistleblowers and enhance reporting of wrongdoing to OIG. Through its legal staff and the new labor-management group, the OIG, when staffed, will more fully pursue this issue and share their assessment with the Subcommittee. However an initial assessment by the OIG during workload discussions identified the current grievance/arbitration process in the Postal Service as an area of focus. Far too may grievances are filed in some locations, reflecting the need for an improved labor-management climate. This assessment resulted in the inclusion of a labor-management group within the OIG structure to look at systemic issues in this area.

The General Counsel's assessment is that applying the Whistleblower Protection Act could have a significant impact on employee discipline and the employment relationship in the Postal Service. Since postal reorganization, the Postal Service and its employees have been required to develop procedures for resolving workplace disputes, including reprisal complaints, under the auspices of the National Labor Relations Act. As is typical under that Act, the results include negotiated grievance/arbitration procedures under the various labor contracts with the postal unions. Employees defending against proposed workplace discipline often include allegations of reprisal for complaints against their supervisor as part of their defense. Only veterans' preference eligible employees (and certain non-bargaining-unit managers and employees) may now appeal proposed discipline (adverse actions) to the Merit Systems Protection Board, and many bargaining-unit employees with veterans' preference rights elect to follow the negotiated grievance/arbitration process instead.

According to the General Counsel, application of the Whistleblower Protection Act would open up the MSPB route for challenging discipline to all employees, upon inclusion of a claim of retaliation. For procedural reasons, access to the Whistleblower Protection Act could alter the current balance so that much of the grievance load now handled under the labor contracts would shift to the MSPB. Such a shift would lessen the importance of the current collective relationships and return the Postal Service's employment relations with its employees much more closely toward the standard government model.

OIG Supports USPS Receipt of False Claims Act Damages

The 1986 amendments to the False Claims Act, 31 U.S.C. §§3729-3733, made it easier for individuals, *i.e., qui tam* "relators," to bring suit on behalf of the United States against those who made false claims for payment to a Federal agency. *Qui tam* complaints are served on the Justice Department which forwards the complaint to the Inspector General for review and recommendation. The complaint is kept under seal until the United States decides whether to intervene in the action or decline. The defendant can be found liable for up to three times the amount of damages. In a *qui tam* action, the relator is entitled up to 30 percent of damages; in a False Claims Act case brought directly by the United States without a relator, the United States is entitled to 100 percent of damages. The U.S. Department of Justice, Civil Division, Commercial Litigation Branch, Fraud Section, has litigating responsibility. The Justice Department will arrange for the amount of actual damages to be credited to the defrauded agency; additional damages and penalties are deposited in the Treasury's General Fund. To maximize USPS revenues and deter wrongdoing, OIG supports USPS receipt of False Claims Act damages to the maximum extent possible.

It has been the Postal Service's position that the False Claims Act, including the *qui tam* provisions in 31 U.S.C. §3730, is applicable in postal matters, and that at least a portion of the money recovered by the Government in cases involving the Postal Service must be deposited into the Postal Service Fund. The General Counsel was not aware of existing compiled data on such *qui tam* suits. According to the General Counsel there was a recent *qui tam* action under the False Claims Act against a construction contractor (The Austin Company), for misbillings in connection with several government agencies including the Postal Service. About $1 million of the $4 million settlement of the case was allocated to, and collected, by the Postal Service, covering its actual damages and investigative expenses. The Department of Justice took the position that the punitive damages portion of the recovery must be deposited in the Treasury's General Fund.

TABLE 6–1

Federal Whistle-blowing Statutory Sections

Act	Coverage	Violations Covered	Standard	How Pursued	Statute of Limitations	EE Remedies	ER Sanctions
Civil Service Reform Act 5 USC 2302 as amended by the Whistle-blower Protection Act of 1989 5 USC 1201	EE or applicant for a position in competitive service, a career app'tee position in senior exec. serv. or pos. in the excepted serv. (with exceptions)	race, relig., sex, nat'l origin, age, handicap, marital status, pol. affil. discrim., or conduct which does not adversely affect perf. of EE or others; reprisal for appeal; personnel act. viol. merit system principles; coerce pol. act. or reprisal for failure to take pol. act.; solicit or consider recomm. or stmt. unless based on pers. know. or records & is relevant; obstruct, neg. infl., or give illegal preference to appl.; nepotism; disclose viol. of law, rule or reg., or mismgt., gross waste of funds, abuse of authority, sub. & spec. danger to pub. health or safety	reasonable belief	file complaint with the Office of Special Counsel, which shall investigate & where approp., bring petitions for stays, corrective act., file a complaint or make recommend. for discip. action to Merit Systems Protection Board, and disclose to Att'y Gen. or agency head	file with M.S.P.B. 60 days after termination of invest. by O.S.C. or 120 days after orig. complaint if not notified by O.S.C.	stay of personnel action; approp. corrective action, costs & att'y fees	removal, reduction in grade, debarment from fed. employment up to 5 yrs., suspension, reprimand or fine up to $1,000

Table 6–1 Federal Statutes (continued)

Act	Coverage	Violations Covered	Whistleblower Actions Covered[1]	Standard[2]	How Pursued[3]	Statute of Limitations	EE Remedies	ER Sanctions
Clean Air Act[4] 42 USC 7622 Comprehensive Env. Response. Compensation & Liab. Act (Superfund)[5] 42 USC 9610 Energy Reorganization Act[6] 42 USC 5851 Federal Surface Mining Act[7] 30 USC 1293 Occup. Safety & Health Act 29 USC 660[8] Safe Drinking Water Act[9] 29 USC 300-j-9 Solid Waste Disposal Act[10] 42 USC 6971 Surface Transportation Act[11] 49 USC 2305	any EE or person acting pursuant to EE's request	violation of purposes of Act	commencing, causing or testifying in proceeding under Act or assisting or participating in proceed. or action to carry out purposes of Act	EE who causes deliberate viol. of Act without direction of ER not covered	file complaint with Sec. of Labor; Sec. will notify person named in complaint, and complete invest. within stated time; if cause found & Sec. issues order which is not complied with, Sec. will file civil action in US dist. ct.	30 days after adverse job action	reinstatement, wages & benefits, compensatory dams., costs, expenses & att'y fees; if Sec. files suit in fed. ct., exemplary dams., injunctive relief; other appropriate relief	Sec. orders person who committed viol. to take affirm. action to abate viol.

Toxic Substances Control Act[12] 15 USC 2622 Water Pollution Control Act 33 USC 1367								
National Labor Relations Act 29 USC 158(a)(4)	EE having the right to unionize, etc., or not to unionize	unfair rep. by unions or interfer. w/ EE rts.; race, color, relig., sex or nat'l origin disc.; or disc.; disc. discharge on organ. membership; unfair labor prac., interfer. with organ. of EE incl. discrim., domination & refusal to barg.	filing charges or giving testimony under Act	NLRB's gen. couns. must make prima facie showing that protected conduct was motivating factor; ER has burden of demons. that same action would have occurred even in the absence of protected conduct	file charge at nearest NLRB office	6 mos. (unless in armed forces)	reinstatement, back pay, reimburse union & NLRB for exp. in investigating, prepar., present., & conducting case, att'y fees	cease & desist order, union access to plant bulletin bd's, ER notif. EE's of their rts., union access to EE in non-working areas during non-working time, etc.
Labor Management Relations Act 29 USC 158(a)(3)		viol. of contracts b/w ER & labor organ. rep. EEs, or between labor organs.			suit in US dist. ct.			

Table 6–1 Federal Statutes (continued)

Act	Coverage	Violations Covered	Whistleblower Actions Covered[1]	Standard[2]	How Pursued[3]	Statute of Limitations	EE Remedies	ER Sanctions
Fair Labor Standard Act 29 USC 215(a)(3)	non-exempt private and public EEs whose occup. relates to interstate commerce; (exempt EEs incl. salaried professionals, execs., admin., & outside sales EEs)	viol. of act	file complaint or cause proceed. or testify relating to Act, or service on indus. comm.		EE files own act. or for other EE for dams. in state or fed. ct.; rt. to be party plaintiff ends on Sec. of Lab. filing act. where legal & equit. relief sought; Sec. may bring act. to recover amt. of unpd. min. wages or overtime plus equal amt. of liq. dams.	2 yrs. after viol.; if willful viol., 3 yrs.	approp. legal or equitable relief incl. employment, reinstatement, promotion, backpay plus equal amount as liq. dams., att'y fees & costs	willful violator subject to fine up to $10,000 or imprison. up to 6 mo., or both; imprison..if prev. convicted of viol.; ct. may order civil remedies
Longshoreman's & Harbor Worker's Compensation Act 33 USC 948(a)	EE	EE claimed compensation from ER or testified in a proceeding under Act		person adjudicated to have filed false claim not protected	file claim with secretary after ER refuses to pay		reinstatement, lost wages unless no longer qualified to perform duties	fine of $1,000–$5,000 as determined by dep. comm'r., deposited in special fund; if not pd., suit in US dist. ct.;

					ER alone (not carrier) liable for penalties & pymts.
EE Retirement Income Security Act 29 USC 1132	participant, beneficiary or fiduciary of covered plan	administrator's failure to recover benes. due, to enforce rts., to clarify rts. to future benes. under plan's terms; breach of fiduc. duty: failure or refusal to comply with request for info. which admin. req'd to furnish to partic. or bene.; viol. of Act or terms of plan	complaint served on Sec. of Labor & Sec. of Treasury by certified mail; litigation subject to control of Att'y. Gen.; civil suit by Sec., participant, benef. or fiduciary	recovery of benefits due; clarification of future benes.; interest; enforce rts; injunctive relief or other approp. relief; att'y fees & costs	adm. who refuses to provide info. requested may be personally liable for up to $100/day from date of failure or refusal; liq. dams. not in excess of 20% of that allowed by fed. or state law

Table 6–1 Federal Statutes (continued)

Act	Coverage	Violations Covered	Whistleblower Actions Covered[1]	Standard[2]	How Pursued[3]	Statute of Limitations	EE Remedies	ER Sanctions
Federal Mine Health & Safety Act 30 USC 815(c)	miner, miners' rep., or applicant for employment in mine	interfere with exercise of stat. rts. of miner or rep. because s/he filed compl. related to Act incl. danger or safety or health viol. in mine; or EE is subject of med. eval. & potential transfer; or instituted proceed., testified, or exercised rt. under Act		not frivolous	file compl. w/ Sec., who investigates; if Sec. finds viol., Sec. files rpt. with Comm'n & suggests relief; Comm'n offers hearing then issues order; if Sec. decides no viol., EE may file before Comm'n	60 days after viol.; 30 days after Sec's. finding of no viol. to file with Comm'n	immed. reinstatement pending final order if Sec. finds complaint not frivolously brought, costs, expenses & att'y fees	Comm'n can require violator to abate viol.
Migrant and Seasonal Agricultural Workers Prot. Act 29 USC 1855	migrant or seasonal agricultural worker	discrim. in viol. of Act	file compl., institute or testify in proceed. or exercise of rt. for protection for self or others under Act	with just cause	file complaint with Sec., who investigates; if viol. determined, Sec. institutes action in US dist. ct.	180 days after adverse job action	all approp. relief incl. reinstatement with back pay or dams.; injunction	

Asbestos School Hazard Abatement Act 20 USCA 4018	state or local EE	asbestos problem in schl. bldgs. in juris. of agency	bringing to attention of public asbestos problems			
Safe Containers For International Cargo Act 46 USC 1506	reporting EE	violation of Act	reporting existence of viol. of Act to Sec. or his agents	file complaint with Sec. of Labor, who may inves.; if viol., Sec. files act. in US dist. ct.	60 days	injunction, reinstatement, backpay, other approp. relief
Title VII 42 USC 2000 e-4(a) Amended by Civil Rights Act of 1991[14]	any EE, applicant, union member or applicant[13]	unlawful employment practice within meaning of Act	opposition to practice unlaw. under Act, or charging, testifying, assisting, or partic. in any manner in invest, proceed. or hearing under Act	writ. charge submitted to EEOC or any design. rep. of Comm'n with stmt. disclosing whether proceed. have been commenced before state or local agency	180 days	injunction, reinstatement, hiring, backpay, other equitable relief; limited compensatory punitive damages for intentional discrimination

Table 6–1 Federal Statutes (continued)

Act	Coverage	Violations Covered	Whistleblower Actions Covered[1]	Standard[2]	How Pursued[3]	Statute of Limitations	EE Remedies	ER Sanctions
Age Discrimination in Employment Act 29 USC 623(d)	EE or applicant; union member or applicant[15]	violation of Act	oppos. any prac. lawful under Act or has made a charge, testified, assisted, or partic. in any manner in invest., proceed, or hearing under Act		suit by Sec. of Labor after conciliation fails, or suit by plaintiff after notice to Sec.	180 days to file notice with Sec.	appropriate legal or equit. relief incl. reinstatement, promotion, unpd. compen., att'y fees	liquidated damages for willful viol. equal to backpay
Job Training and Partnership Act 29 USC 1574(g)	participant, or any indiv. in connection w/ admin. of program (fed. fiscal controls & fund acctg. procedures)	viols. of Act; unlawful denial of benefit to which indiv. is entitled under Act or Sec's. reg.	filed complaint, instituted or testified in proceed. or investig. related to Act; unlaw. denied benefit		if Sec. determines viol., Sec. shall take action or order corrective measures	30 days	necessary corrective measures	

False Claims Amendments Acts of 1986 31 USC 287	any EE	false claims for fed. funds	investigating, initiating, testifying or assisting in action filed under Act	lawful actions	suit in US dist. ct. on behalf of gov't, notify Justice Dep't	reinstatement, 2 times back-pay, int., special dams. incl. costs & att'y fees; all relief necess. to make EE whole.

[1] The actions covered typically include "about to" commence, testify or assist in proceedings or actions.

[2] The F.S.M.A. and the S.T.A. do not exempt deliberate violators from coverage.

[3] Superfund, the F.S.M.A., the S.W.D.A., and the W.P.C.A. provide for an opportunity for a public hearing of record at the request of either party.

[4] Actions covered include actions for enforcement or administration of requirement under Act or implementation plan.

[5] No provision for suit in fed. dist. ct.; whistleblower acts covered incl. providing info. to state or fed. gov't; compensatory damages not mentioned.

[6] The E.R.A. whistleblower actions include activities under the Atomic Energy Act of 1954, as do the violations covered, and the standard.

[7] The F.S.M.A. does not provide for a suit in federal district court, and does not mention compensatory damages.

[8] Covered viols. incl. state health stnds; if Sec. determines viol., Sec. files act. in US dist. ct.; besides reinstate. & back pay, only remedy mentioned is "other appropriate relief."

[9] Whistleblower actions incl. acts. re state drinking water regs. or underground injection control programs; Sec. can order exemplary damages.

[10] Whistleblower actions incl. acts re implementation plans; no provision for suit in fed. dist. ct., & no mention of compensatory damages.

[11] The statute of lims. is 180 days; exemplary dams. are not mentioned in dist. ct. suit; Sec. can order immed. relief with the prelim. finding.

[12] The Secretary can order exemplary damages.

[13] Coverage also incls. any indiv. discrim. against by employment agency, jt. labor-mgt. comm. controlling apprenticeships or other training or retraining, incl. on-the-job training programs.

[14] The Americans with Disabilities Act, which is being phased in during 1992–1994, was also amended by the Civil Rights Act. The ADA, in a manner similar to Title VII, protects against discrimination on the basis of disability, a record of disability, or perceived disability.

[15] Employment agency, jt. labor-mgt. comm. controlling apprent. or other training or retrainng programs, prohib. from discrim. against "any indiv."

Mr. MCHUGH. We'll come back to order. The chairman of the Board of Governors tells me that, understandably, some of the Governors have time constraints because of scheduled airlines and such. We'll try to move as quickly as we can. The good news is that we now have about an hour before our next vote, so we should be able to make some progress. Again, let me welcome you all here today. As we started with the first panel and, I believe, as all of you are aware from prior appearances, it is the rule of the full committee that all witnesses presenting testimony are required to swear to an oath. So if you would rise, please.

[Witnesses sworn.]

Mr. MCHUGH. Thank you. The record will show that all five witnesses responded in the affirmative. With that and without further delay, I happily yield the microphone and the attention of the subcommittee to the chairman of the Board of Governors, the Honorable Tirso del Junco. Mr. Chairman, welcome.

STATEMENTS OF TIRSO DEL JUNCO, M.D., CHAIRMAN, BOARD OF GOVERNORS, U.S. POSTAL SERVICE; SUSAN E. ALVARADO, GOVERNOR, U.S. POSTAL SERVICE; BERT H. MACKIE, GOVERNOR, U.S. POSTAL SERVICE; EINAR V. DYHRKOPP, GOVERNOR, U.S. POSTAL SERVICE; AND S. DAVID FINEMAN, GOVERNOR, U.S. POSTAL SERVICE

Dr. DEL JUNCO. Thank you very much, Mr. Chairman. And good afternoon to you and all the Members. I'm Tirso del Junco, the chairman of the Board of Governors of the Postal Service. Joining me here today are Governor Alvarado, Governor Dyhrkopp, Governor Fineman and Governor Mackie. We are very pleased to be here to talk to you about the performance of the Postal Service over the last year. As the governing body of the Postal Service, the Board of Governors is comparable to the board of directors of a private corporation.

Nine members of the board are appointed by the President and confirmed by the Senate. The two other members of the Board are the Postmaster General and the Deputy Postmaster General. The Governors are chosen to represent the public interest in general, and not as representatives for a specific interest in using the Postal Service. They bring a wide variety of backgrounds and viewpoints to the service on this board. I would believe that this diversity helps us to guide the management of this unique and vital public establishment.

Even more than the typical outside directors of a private corporation, the Governors oversee the activities of executives and operating management within the organization. The board reviews business practices, directs and controls expenditures, and conducts long range planning and sets major policy on all postal matters. This, we believe, is an important public service. It requires each Governor to invest many hours each month in postal work. Serving as a Governor is, in a sense, a part-time job that requires full time attention.

In return, quite apart from financial compensation, we experience the satisfaction and the occasional frustration of guiding the operation of a complex organization with revenues in excess of $56 billion and more than 760,000 full-time employees. To help us meet

this obligation, the board is organized into four key committees dealing with audits, compensation, strategic planning and capital projects. Over time, we have continued to improve our by-laws, to sharpen the focus of these standing committees and, indeed, enhance the level of oversight we can bring to these crucial areas. We believe that in many areas our efforts have contributed to some notable successes.

The Postal Service has just completed its two best financial years in postal history with a total of about $3.4 billion of net income in these 2 past years. To put that figure into perspective, it is more than the total net income of all previous years of Postal Service operations. And in accordance with our directions—and I want to emphasize that—postal management has devoted a large chunk of that net income to the restoration of equity and recovery of prior years' losses.

Last year we reduced our negative equity by 37.4 percent, down to $2.6 billion. Together with previous gains, that means we have reduced our negative equity by more than half in 2 years. We have also directed management to proceed with the most ambitious capital investment program in postal history, totaling $14 billion over the next 5 years.

That's $14 billion with a "B." We are banking on these investments in facilities, technology and equipment. Together, with sustained efforts to control labor and transportation costs over time, we will bring a financially stable and productive Postal Service into the next century. And if our efforts continue to succeed, we will be able to keep postal rates stable and affordable while we do all this. With all our efforts to secure the financial health of the Postal Service, we cannot allow ourselves to lose site of the basic reason for the creation of this institution: to provide a maximum level of fundamental, universal public service.

For that reason we take particular pleasure in the fact that overnight delivery scores have been hitting record highs over the past 2 years, and we are well underway to meeting this year's goals of 92 percent on time performance. These achievements are particularly remarkable in light of the Postal Service's mind boggling work load; 603 million pieces of mail per day delivered to 128 million addresses 6 days per week, totaling more than 182 billion pieces of mail per year.

Or to put it another way, about 43 percent of the world entire mail volume. We recognize in the words of an old folk saying that "no condition is permanent." Simply maintaining recent levels of financial and service success will require constant vigilance and much more hard work. And improving upon them will require even a greater effort at all levels of the postal management.

There are two areas that will require our particular attention in the coming year. One is the improvement of 2 and 3 day services levels where improvement, indeed, is long overdue. The other is establishing long-term control over the more than 80 percent of postal costs that are linked to labor. But for today and the immediate future, we can report that the Postal Service is moving in the right direction. Over the next few years, the board will have even more tools to monitor and, when necessary, correct the actions of postal management. One of those tools, the Government Performance and

Results Act of 1993 will be coming into effect at the end of this fiscal year.

We will carefully scrutinize the strategic and performance plans that are being prepared under that legislation to help us direct the course of the postal management. In addition, over the coming months, we will be working with the new Inspector General of the Postal Service as she begins the operation of her office. The appointment of the new Inspector General, the approval of a pay and benefit package for her office, and the initial designation of functions between the inspection service and the Inspector General are only the beginning.

Establishing an office of such importance is by no means a turnkey operation, but, indeed, much more of a developmental process. We are very pleased with the progress of our new Inspector General, and want to make it clear that she will have our utmost confidence and support in this matter. I also want to say, Mr. Chairman, that the Governors remain committed to working with you, with the subcommittee, the Congress, the administration, postal management, and all the many and varied groups who have a stake in the continued health of the postal system as we approach this next century.

Thank you very much, Mr. Chairman. That concludes my prepared statement.

[The prepared statement of Dr. del Junco follows:]

STATEMENT OF TIRSO DEL JUNCO
CHAIRMAN, BOARD OF GOVERNORS
UNITED STATES POSTAL SERVICE
BEFORE THE
SUBCOMMITTEE ON THE POSTAL SERVICE
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT
HOUSE OF REPRESENTATIVES

March 19, 1997

Good afternoon, Mr. Chairman and members of the Subcommittee. I am Tirso del Junco, Chairman of the Board of Governors of the Postal Service. Joining me are Governors Alvarado, Daniels, Dyhrkopp, Fineman, and Mackie. We are pleased to be here today to talk about the performance of the Postal Service over the past year.

As the governing body of the Postal Service, the Board of Governors is comparable to the board of directors of a private corporation. Nine members of the Board -- the Governors -- are appointed by the President and confirmed by the Senate. The two other members of the Board are the Postmaster General and the Deputy Postmaster General.

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conducts long-range planning, and sets major policy on all postal matters. This, we believe, is important public service, and it requires each Governor to invest many hours each month in postal work. Serving as a Governor is, in a sense, a part-time job that requires full-time attention. In return, quite apart from financial compensation, we experience the satisfaction -- and the occasional frustration -- of guiding the operations of a complex organization with revenues in excess of $56 billion and more than 760,000 full-time employees.

To help us meet this obligation, the Board is organized into four key committees, dealing with audits, compensation, strategic planning, and capital projects. Over time, we have continually improved our bylaws to sharpen the focus of these standing committees, and enhance the level of oversight we can bring to these crucial areas.

We believe that in many areas, our efforts have contributed to some notable successes. The Postal Service has just completed its two best financial years in postal history, with a total of about $3.4 billion in net income. To put that figure into perspective, it is more than the total net income of all the previous years of Postal Service operations. And, in accordance with our directions, postal management has devoted a large chunk of that net income to the restoration of equity and recovery of prior years' losses. Last year, we reduced our negative equity by 37.4 percent, down to $2.6 billion. Together with previous gains, that means we have reduced our negative equity by more than half in two years.

We have also directed management to proceed with the most ambitious capital investment program in postal history, totaling $12 billion over the next 5 years. We are

banking on these investments in facilities, technology, and equipment, together with sustained efforts to control labor and transportation costs over time, to bring a financially stable and productive Postal Service into the next century. And, if our efforts continue to succeed, we will be able to keep postal rates stable and affordable while we do it.

With all our efforts to secure the financial health of the Postal Service, we cannot allow ourselves to lose sight of the basic reason for the creation of that institution -- to provide a maximum level of fundamental, universal public service. For that reason, we take particular pleasure in the fact that overnight delivery scores have been hitting record highs over the past two years, and are well on the way to meeting this year's goal of 92 percent on-time performance. These achievements are particularly remarkable in light of the Postal Service's mind-boggling workload -- 603 million pieces of mail per day, delivered to 128 million addresses six days per week, totaling more than 182 billion pieces of mail per year. Or, to put it another way, about 43 percent of the world's entire mail volume.

We recognize, in the words of an old folk saying, that "no condition is permanent." Simply maintaining recent levels of financial and service success will require constant vigilance and much hard work. And, improving upon them will require even more effort at all levels of postal management. Two areas that will require our particular attention in the coming year are the improvement of two- and three-day service levels where improvement is due, and establishing long-term control over the more than 80% of postal costs that are linked to labor. But, for today and the immediate future, we can report that the Postal Service is moving in the right direction.

Over the next few years, the Board will have even more tools at its disposal to monitor, and where necessary correct, the actions of postal management. One of those tools, the Government Performance and Results Act of 1993, will be coming into effect at the end of this fiscal year. We will carefully scrutinize the strategic and performance plans prepared under that legislation to help us direct the course of postal management.

In addition, over the coming months, we will be carefully watching as the new, independent Inspector General of the Postal Service begins the operations of her office. The appointment of the new Inspector General, the approval of a pay and benefits package for her Office, and the initial transfer of functions from the Inspection Service to the Inspector General are only the beginning. Establishing an office of such key importance is by no means a turnkey operation, but much more of an evolutionary process. It will require careful planning, and an extraordinary degree of cooperation between the staffs of the Inspector General and the Inspection Service. We are pleased with the progress of our new Inspector General, and want to make it plain that she will have our utmost confidence and support in this matter.

I also want to say, Mr. Chairman, that the Governors remain committed to working with you, with the Subcommittee, the Congress, the Administration, postal management, and all the many and varied groups who have a stake in the continued health of the postal system as we approach the next century.

Thank you, Mr. Chairman. That concludes my prepared statement.

Mr. MCHUGH. Thank you, Mr. Chairman. I would, as I hope would be a minimum act of courtesy, extend the opportunity for any of the other Governors to make a statement at this time, if they choose. Hearing none, we'll move on. Well, why don't we just start with the easy stuff. Can you update the subcommittee on any plans you might have to file a universal rate increase this year?

Dr. DEL JUNCO. Well, we are currently studying this very closely, and we have had presentations about the methodology procedures and the current financial situation. And we expect to address this in a pretty definite manner within the next 60 or 90 days. And it is indeed true that we're committed not to have a postal rate increase through 1997. But at the present time, until we review those figures, we can't commit any further.

Mr. MCHUGH. The record will show that Mr. del Junco exercised his vast ability in Republican politics and didn't really answer the question.

Dr. DEL JUNCO. I apologize——

Mr. MCHUGH. No, no. I understand what you're saying and——

Dr. DEL JUNCO. I would love to tell you it's going to be 1999, year 2000. But I do not want to mislead the committee or the public.

Mr. MCHUGH. Well, respecting the process you're in, and I do, I understand your response. I don't mean to be too facetious. Let me move to a subset of the question. You noted very accurately that your revenue picture over the last 2 years has been on the plus side, to say the least. You have made decisions, as you are required, to allocate those resources on the one hand, I presume, to consider forestalling a rate increase. On the other hand, as your testimony noted, to make, I think, very appreciable cuts into your negative equity and your fund balance's prior years' losses.

How do you decide which to do? How do you come about the process of saying, "Well, we're going to reduce prior years' losses and our negative net equity versus putting the money toward forestalling a rate increase?" Obviously you know. This is a subject of much debate amongst the postal community, as it should be. And it would be interesting, as well as helpful, to have you comment on that process because I know it's not an easy one.

Dr. DEL JUNCO. Congressman, this is a very complex issue—that is, the issue of negative equity and the restoration of that negative equity. I'll try to be as succinct as possible, and my fellow Governors probably will have to come in and help. But in 1994, we had reached a negative income of some $9 point plus billion. The Postal Rate Commission was pressing us very severely because this had come to very high figures.

We then entered into an agreement with the Postal Rate Commission that we would retire this negative income—equity over a period of 9 years. And therefore, this means that we must retire according to the agreement and because the law requires that we do not have a permanent negative equity at the rate of $900 million. And we've been doing so since 1994.

Our revenues have allowed us to do such a retirement. But as you proceed ahead, since the revenue remains stable and the cost increases because of commitments through our labor negotiations, our commitments to capital, and, indeed, the $900 million that we must pay back, this has been drawing progressively to the degree

that we cannot continue unless—and this is what, by the way—it brings us into the postal rate issue.

And this is why I cannot tell you exactly until those figures are presented to us, when and where the decision is going to be made. I think the impression is out there that we—No. 1—can engage into a negative equity ad infinitum, and—No. 2—that we don't—are not, and do not have to, by law, retire that negative equity. We are, right now, complying with the commitment that this board made to the Postal Rate Commission in 1994. I hope that answers the question.

Mr. MCHUGH. It does. I appreciate it. I believe you said you were going to defer to the other Governors if they wanted to make a comment.

Mr. MACKIE. Mr. Chairman, basically over the last 20 some years, we have used our surplus income to extend rate cases. And so, our equity continued to go more and more into the deficit. As a banker, I won't sleep well until we get our deficit down to even. And as our chairman mentioned, our income is fairly level while our expenditures continue to climb. And hopefully, this will all work and come together, you know, before our next rate case.

Mr. FINEMAN. Mr. Chairman, I would just like to emphasize one point, and that is, that at no time has the repayment of the negative equity been accelerated. And I think the public should understand that. We are trying to do this over a 9-year period of time, but we haven't accelerated the repayment of equity so that we would, therefore, be forced to have a rate increase. We are doing this in, what I think, would be a prudent manner.

Mr. MCHUGH. Am I correct, then, in the impression I'm getting, that it is your opinion were you to, say, forestall for a year any down payment on the retirement of your negative equity, that you would be in violation with the understanding of the PRC and would have consequences at your next rate hearing?

Dr. DEL JUNCO. Yes. You're absolutely correct. But over and above that, I want to point out that 8 years ago our interest, because of that negative equity, was something in the neighborhood of $700 million. That interest that in 1996 was only $250 million. So there is some pluses to begin to retire this equity, too. But I think it's essential to understand that we have made a commitment with the Postal Rate Commission, and rightfully so. I think their demands were just, were absolutely correct. I mean, there is a limit as to how far you can take this negative equity.

Mr. MCHUGH. Thank you for that. I appreciate the other Governor's response as well. Let me take a break from my questioning and yield to the gentleman from Pennsylvania, the ranking member.

Mr. FATTAH. Thank you, Mr. Chairman. Let me followup on the negative equity question with the chairman. I note that your financing of your debt is through the Federal financing bank. Does that represent the entirety of your debt obligations, Mr. Chairman?

Dr. DEL JUNCO. Yes. It is. I'm looking to my chief financial officer.

Mr. FATTAH. All right.

Dr. DEL JUNCO. I want to be sure that it's not something else out there.

Mr. FATTAH. Is that a limitation that is upon the board in terms of looking for debt instruments, or is that just a more useful entity?

Dr. DEL JUNCO. Well, it is my understanding that our capital expenditures cannot exceed $15 billion. We have tried to shrink that down. We have made some very, very large commitments in the last 24 months. And also, there is a limit as to how much we can spend per year—$2 billion.

Mr. FATTAH. $2 billion a year. I'm more interested in the use of the Federal financing bank, that entity versus, you know, some other vehicle for debt.

Dr. DEL JUNCO. Can I refer——

Mr. FINEMAN. I believe that it is statutory.

Mr. FATTAH. My staff is whispering to me that it's statutory.

Mr. FINEMAN. And let me just indicate to the chairman that I know in H.R. 22, which he's introduced, he would change that provision, I believe, and I think that that would allow—I speak for myself about this—but would allow for freedom for that Postal Service to do innovative financing.

Dr. DEL JUNCO. More flexibility.

Mr. FATTAH. And I also note that you have both a short-term credit facility and an overnight credit facility, the overnight at a higher interest, obviously, of $300 million or so. My question is—and maybe we'll have staff deal with this at some future point about the decision process that went into that now, let me go on. The chairman was asking about this whole issue of the decision to pay off debt versus other considerations that the board would have—and I guess I should first back up a minute and recognize my constituent, Governor Fineman, and to welcome him, and the rest of the Governors who are here.

And you said that, while you haven't moved the yard stick along, that you're paying this off within the 9 year window. Is it correct to assume that that means that you have within the 9 year window accelerated payments also, or just that you're operating within this window?

Mr. FINEMAN. I think it's fair to say that we're operating within this window, but we have not accelerated payments beyond. If we took one ninth of what that debt was at that period of time—we went before the Postal Rate Commission—part of the case that was presented to the Postal Rate Commission was that we would be repaying that debt. And we have, in effect, kept that pledge to repay that debt when we went before the commission as a result of the budget that we supplied to them.

Mr. FATTAH. Let me just say a couple things real quick—and I'm not a financial wiz—but, clearly, if you were able to operate in other ways in the market in terms of securing capital, you could do it at a better interest rate than what's represented here. But let me move on to some broader questions. I note through the chairman's opening statement that there's a lot to be thankful for. I mean, the Postal Service is doing well.

All of you should be credited for your involvement and you should be thanked for your service to the Nation. One of the things that is a concern, I think, for all of the Members of Congress—we all represent some number of the employees who work for you. And we hear form them from time to time. And one of the more press-

ing issues is this whole issue of labor-management relations. And I know that you have a tremendous enterprise that you're engaged in in which, in order to achieve the results that you've achieved over the last 2 years, that has taken a great deal of work, principally by these hundreds of thousands of employees who work for you.

And it has come to my attention that there is not only are there the normal complaints that we hear about, there's a major backlog in the grievance procedures of some almost 60,000 cases, some of which have been backlogged for a period of time. I see in the board structure that you have a number of committees. I assume this compensation committee is where most of these labor issues are dealt with, I'm not sure, based on the semantics that are used.

But I'm interested in whether or not there are other strategies that you have in terms of beyond making more money and working harder at what you're doing, to try to improve the overall relationships between the Postal Service and its employees, and whether there is some strategic game plan that you might want to share with this subcommittee?

Dr. DEL JUNCO. Well, we have had this on-going question about labor-management relations for many years. I have been on this board for 9 years, and this is an on-going attention. We have a vice-president in charge of labor management relations. In fact, he just addressed the board at the last board meeting. And there is—in fact, there are people on this very board who are extremely interested on the labor issue.

And I don't mind telling you that Governor Fineman continues to address this thing, as well as other members of the board. But on the other hand, we do not manage the grievance committee. We do not address individual problems of the individual labor, because that is not the function of the board. There are established procedures, a method to carry this as far as the 60,000 remaining complaints that we have there. I would hope that I could address that in writing and refer it to you so we could have a more concise——

Mr. FATTAH. Address it to the chairman, and he'll make sure that we all get it. Yes.

Dr. DEL JUNCO. Mr. Chairman, if you allow me, I would like to present you with a more explicit answer in writing.

Mr. MCHUGH. We would welcome that opportunity.

Ms. ALVARADO. Mr. Chairman, if I—Mr. Chairman, Mr. Chairman——

Dr. DEL JUNCO. Governor Alvarado.

Ms. ALVARADO. If I may, I would just like to say that this grievance procedure that you mentioned, Congressman Fattah, is something that the board has not been able to give adequate attention to until recently. And part of the reason is because we've been focused elsewhere in all those areas that you gave accolades to us for.

But it is not that it's not—it is not unimportant to us. In fact, I hope that through the compensation committee, of which I am a member, we can take a closer look at these labor-management issues, because our work force is our greatest resource. And happy workers are productive workers. And the fact of the matter is, is if there's a grievance problem, it brings everybody down.

And that productivity goes down, as well. So we are really looking into the cause of these and the proliferation of them, and we hope to get a handle on them through the compensation committee, initially, and before the full board, eventually.

Mr. FINEMAN. If I could just add for a minute. Mr. Chairman, I would say to you that I want to thank you for pushing the labor summit. I know that that has been something that has been considered for a long period of time. My basic feeling is that if there is communication between the labor unions and management, there is an opportunity to bring about change. If that communication stops, for whatever reason, there won't be an opportunity to bring about change.

So I want to congratulate you and thank you for doing that. But I'd like to—this in my own idea—I have my own feeling about this, and that is that one of the feelings that we've seen labor change particularly, municipal government change over the last 4 or 5 years—I think the Congressman would agree. And one of the reasons it has is because there's been a communication between people.

One of the things that's happened, when you're considering your omnibus legislation—I'm not sure this is the proper time, but I'll bring it up anyway—when you are considering that, one of the things that's occurred in industry, private industry, when there's been an endemic problem of labor-management relations, what they've considered at times—this is not radical—it's in the automobile industry, it's in the aviation industry—they've actually taken members of the labor unions and placed them on the boards.

It happens at Amtrack. In the telecommunications, as Governor Alvarado has whispered into my ear. And I think that it's obviously something different, but I think it's something that maybe this committee should consider when you're looking at the legislation.

Mr. FATTAH. Let me thank you for that suggestion. And it will be something that we will work with the chairman on, as he has an interest in getting this reform bill moved through the Congress. But this is an issue that is obviously of import. Because, even with the financial success you've had over the last 2 years, one of the pressures on the Postal Service is from competitors who want to, you know, continue to make headway in of your core business products.

And it would seem to me that productivity is connected to resolving some of these long-standing issues. This is not something that's just come up. This is something that has been with the Postal Service for a very, very long time. And it would seem to me that this board, since you've been so successful in attacking some of the other long-standing issues, that this is something that would deserve your attention as you go forward and as we approach the next century. I want to just thank the chairman and I'll yield back to him for a period of time.

Mr. MCHUGH. I thank the gentleman. First of all, let me respond very briefly to Governor Fineman's gracious comments. I appreciate that. The principle in my eyes of the labor-management summit was simply as you said, to talk. I'd like to believe that can't hurt. It should be noted, as to your suggestion about perhaps a reference

in H.R. 22 providing for a mandated labor representative on the board.

GAO, as I'm sure you're aware, is currently doing a study of the structure of the Board of Governors, looking at the wide range. I wouldn't be surprised if that issue were actually dealt with in that report, which, I'm told, will probably be put out by August. So it is an issue that is being considered. I'd like to yield to the gentleman, Mr. Davis from Illinois, if he might have any questions or comments at this time.

Mr. DAVIS. Thank you very much, Mr. Chairman. Mr. del Junco, let me, first of all, just commend you and the other Governors for the outstanding public work that I think you do. Also, let me acknowledge the presence of Governor Dyhrkopp from the great State of Illinois. And I'm delighted to see him. A few moments ago, we had testimony from the Inspector General which indicated that she, indeed, was on a fast rack in terms of identifying problems, recognizing need, and establishing new structures to try and deal with those. Are you satisfied that all of the problem areas or potential problem areas have been identified?

Dr. DEL JUNCO. There's no doubt that the accomplishments in these first 60 days are remarkable. I mean, to be able to put together this early days, her office. To be able to put together a budget which is going to be presented to us by—in a couple of weeks, April 7, is remarkable. I think that the board was extremely impressed with her presentation about her initial functions. But I am sure, as questions are brought out by the chairmen, and are brought out by other people within the system, those functions will be probably—will be expanded to cover other areas of great importance. So I do not want to lead anyone in this room to believe that this is the end of the project.

Mr. DAVIS. Well, I, too, have been tremendously impressed with that kind of success in a relatively short period of time. And it brought to mind whether or not, and the extent to which management personnel had been cooperative. Are you in a position to comment on that or would it require commentary from——

Dr. DEL JUNCO. I believe that, in her presentation to the board last month, and in every presentation, she has been very enthused and complimentary to the help that she has received from the inspectors and also from management at large. And so far, I am not aware of any major problems that have taken place.

Mr. DAVIS. I'm always interested in the level and fast pace of increased technology which we are experiencing as a Nation, and, perhaps even, as a society. And in the area of strategic planning, I'm wondering whether or not we feel that we're keeping pace with the ever-changing technology. Are we up to snuff in terms of our planning and are we going to be in a position to make the most effective use of that?

Dr. DEL JUNCO. The board is very sensitive to this. And if you look at our budget, we have, now, allocated some $14 billion, precisely, to help out with our automation and with our improvement in technology. We have an extensive R&D program in place. And indeed, because of this ever-changing turnover in technology, this represents an additional expense for us. Because we must keep up

with that technology if we are going to compete in the market place.

Mr. DAVIS. I noticed that there was a little bit of conversation with the gentleman from Pennsylvania relative to the whole question of satisfaction, employee satisfaction, the interaction, the interrelationships. Are we finding, for example, that technology is seriously reducing the level or manpower or manperson or womanperson needs that we have? I mean, that is something. I happened to go into a store the other night to make a purchase.

As a new Member of Congress I needed to purchase an ironing board and an iron. And I went into this particular store and discovered that I could do the whole thing without ever coming into contact with a person. And while I was pleased with that in terms of the efficiency, it sort of concerned me in terms of whether or not there were going to be ample need or opportunities for people to work.

Dr. DEL JUNCO. That's the ever-existing question that we have before us. I think that we must understand, as you first addressed, that this new world of advanced technology. It's equally necessary so we can keep the quality of service that people expect. I think it's fair to say that as the U.S. Postal Service has increased its technologies, has become more automated, and we've been able to deal with a larger volume of mail, no employee has been displaced or lost his job.

There has been some attrition. It is true that we do today—that we deliver 200 billion pieces of mail a year with about the same amount of personnel that we did 15 years ago. But this has not been at the expense of displacing any employee. But it is absolutely necessary for the Postal Service to keep up with the technology so we can deliver the quality of services that is required from us.

Mr. DAVIS. My final question—I know that we don't necessarily always look at competition as the motivator or driving force in terms of our own decisionmaking. But how do we compare, or how would you compare the efficiency of the Postal Service with that of those other entities that could be called competitors in this industry.

Dr. DEL JUNCO. I'm going to call—do you want to answer that?

Mr. FINEMAN. I'm not quite sure I know the numbers. But I wanted to get some numbers that are significant to your last question.

Dr. DEL JUNCO. That's right.

Mr. FINEMAN. And then I'll try to answer your second question for you.

Dr. DEL JUNCO. That's why I asked you.

Mr. FINEMAN. When the Postal Reorganization Act started, there were approximately 730,000 full-time employees. The volume was approximately 80 billion pieces of mail. In September 1996, there were approximately 760,000 full-time employees. And our volume was 180 billion pieces. So what you've seen is that as the volume has increased as a result of automation, we probably have, you know, gained a few employees, but we almost we're getting toward tripling—we're a little bit more than two and a half times what our volume is. And I think that that's significant. As to the so-called people who are competitors of ours, I don't have the numbers in

front of me, but I remember one statistic—and maybe there are some people here—within 1 day we deliver more mail than Federal Express will deliver in a year.

Mr. DAVIS. Well, thank you very much, Mr. Chairman. That concludes my questions and I would yield back any additional time I might have.

Mr. MCHUGH. Thank you very much, Mr. Davis. Let me follow on to the question about automation productivity. Have you been able to place a cost savings figure on the automation measures that you've made? Have you made estimates as to what your accrued savings have been?

Dr. DEL JUNCO. I don't have those figures with me. I'd like to answer them in a written form, Mr. Chairman.

Mr. MCHUGH. Certainly.

Dr. DEL JUNCO. It's just too specific. And I don't have those numbers. We have our return of investments on specific projects. But collectively, I don't have those numbers.

Mr. MCHUGH. If you could get that to us in the future, I think that would be of interest to the subcommittee, please. Tell me, what's the status of pack and send?

Dr. DEL JUNCO. Deceased. No. We have stopped the program, as you all know—that we've challenged.

Mr. MCHUGH. Deceased.

Dr. DEL JUNCO. And in that challenge, we lost our appeal. And at the present time, we have sent this back to our legal department for consideration. But the whole project has been closed down.

Mr. MCHUGH. I just want to make sure I understand. You're right—as I understand it, the PRC said this was a postal service, therefore subject to their review. This is the technical status, I believe, at least for the moment, unless you're making an announcement here today and I guess that's why I'm asking. Is it your intent to go before the PRC with a pack and send proposal?

Dr. DEL JUNCO. We are considering that. It's been sent to our lawyers, too. And if we do do anything with it, we will send it to the PRC and follow the due process. But the decision has not been made yet, Mr. Chairman.

Mr. MCHUGH. Will that be before or after you decide on the rate increase.

Dr. DEL JUNCO. I beg your pardon? Let's just not tie them together, because then we're really in trouble.

Mr. MCHUGH. OK. You heard me with the IG say that this is an oversight committee. You're aware of that and it's a responsibility we take very seriously. We pursued some questions about ethical reports from the Office of Government Ethics and such and she responded to that. I noted that, indeed, in March, OGE had issued a letter to you saying that your ethics program had now met what they feel were appropriate standards.

I commend you for that. There's obviously another ethics situation that is outstanding with regard to the Postal Service, and that is the questions which have arisen with respect to the awarding of a proposed sole source contract to place soda and soft drink vending machines in postal facilities. I think it's important for the record to say that this subcommittee is deeply concerned about that particular issue.

We also want to state that in response to that concern and in recognition of our oversight responsibilities, we wrote to the Justice Department asking for an update. They have responded. I think it's a fair summation to say that they noted to us this was an on-going investigation and that they believed it would be inappropriate at this time to disclose any particular information. I understand that position.

I, as chairman, certainly don't want to do anything to inappropriately and in an untimely fashion intrude upon a weighty matter in an on-going Justice Department investigation. So, while we're aware of the situation, and, while under normal circumstances, I think it would be an appropriate topic for discussion, given the Justice Department's position, it's not my intention to pursue specifics at this time. But we will be very much involved and carefully weighing whatever reports come out of Justice.

I am aware the Board has been advised that they are not subjects of the investigation, but that you have been or will be consulted in a witness role. I think that's important to note as well. But having said that, I think it, out of fairness, is appropriate to me to offer the opportunity for any of the members of the Board to comment on this situation should they choose. If they do not, I understand. But I would defer to you at this moment for that opportunity, Mr. Chairman or any of the other Members.

Dr. DEL JUNCO. Mr. Chairman, I have no comment at this time. I reserve the right to, in due time, to address the issue, too. But it's obvious, for very personal reasons, why I want to restrain myself from making any comments at this time.

Mr. MCHUGH. I appreciate that and I do understand. Governor Alvarado.

Ms. ALVARADO. Mr. Chairman, thank you for providing this opportunity. I just think it's important to point out, first of all, we appreciate your position on this matter. I think it's the correct one, since the investigation is on-going. I think it's important, though, to point out that we are, as a board, individually, and in whatever capacity called upon, cooperating fully with the Justice Department and its investigation. And at the appropriate time, deemed appropriate by you or the end of the on-going process, we'd be happy to answer any questions you have.

Mr. MCHUGH. I thank you for that. I would also note that there have been no accusations, no findings of guilt, and no official allegations, as I said, of any kind. So I'm certainly not suggesting that there are those kinds of circumstances there. But it is an issue that I didn't feel we could ignore. Yes, Mr. Chairman?

Dr. DEL JUNCO. I want to get clear for the record that the Postal Service is fully cooperating with the on-going investigation and that we are—we will continue to keep you informed. Our legal counsel has been advised, I understand has met with your staff. And he will continue on an on-going basis communicating with your staff.

Mr. MCHUGH. I appreciate that. And yes, for the record, we do and have welcomed that opportunity to discuss that. We look forward, most importantly, as the issue evolves, to pursue it further, because we are concerned. I'd be happy to yield to the ranking member for comment at this time.

Mr. FATTAH. Well, I just want to state for the record that I join in the chairman's concerns as they have been raised. I do want to draw a distinction between those remarks and my own in as much as—you know, this is Washington, and it seems as though on most days everybody is under investigation.

And I don't want to have it prejudged in any way, at least in my own mind. I think that it is a very open issue. And we should await all of the facts before rushing to any conclusions. I've read a lot of headlines, including today's, involving our own chairman—not our subcommittee chairman, but the chairman of the full committee—and Washington just seems to be full of headlines of people being investigated. I think it's very helpful to wait until the facts are in. And I think that the board, even though, I'm sure, this brings some level of discomfort, should in all of its actions not prejudge any of this, and to—because everyone deserves, I think, an appropriate presumption that they are acting in accordance with the law until proven otherwise. And we should not let headlines ruin people's careers. So I would just want to add my own remarks to that. I thank the chairman.

Mr. MCHUGH. I thank the ranking member. When I was addressing the question earlier to the Inspector General with respect to the development of a budget and the concern there is a perception that every dollar to her new office should be a dollar out of the Inspection Service. Mr. Chairman, you were nodding your head and I said that you'd have the opportunity to respond and this is that opportunity.

Dr. DEL JUNCO. Well, I believe that, first of all, there are new functions that she's assuming which are going to have to be underwritten. But I think the focus should not be necessarily on the budget of the IG. The board has already begun and is committed to fund those functions. However, it should be said that up to now, we have not had a report from the Inspection Service and we do not know how that's going to affect the Inspection Service function.

There is a number of audit functions that are going to be removed. And indeed, the board have talked about how would that affect the budget of the Inspection Service. And I believe that's what the—really, the issue is. As we transfer functions from the Inspection Service to IG, there is going to be a need for an adjustment. And we intend to have a report and a presentation from the Chief Inspector in the next 90 days. But first we want to identify the functions and the budget of the IG.

Mr. MCHUGH. I think that's a wise approach. I encourage you to go about this in a very prudent manner and I know you will. I just am concerned and I never heard it from any of you. But the proverbial talk on the street were suggestions that there was a predetermined policy on a one for one trade.

Dr. DEL JUNCO. The talk in Washington is sometimes awfully cheap.

Mr. MCHUGH. Sometimes a lot of other things, too. But that's true. Well, we're comforted by your response, Mr. Chairman, and appreciate that. Recognizing your time constraints, we won't be too much longer, I don't believe. In your comprehensive statement on postal operations for 1996, your annual report, I noted that—and others noted—your TFP—total factory productivity—was omitted,

and yet, as I understand it, it's a required part of the report. I was wondering why that oversight and omission of TFP occurred.

Dr. DEL JUNCO. This was an administrative oversight. I have addressed a letter to the Postmaster General requesting that an answer be submitted to you immediately, and that in future reports, I can assure that that will be addressed. You should be receiving a letter within the next 48, 72 hours. Governor Dyhrkopp wants to——

Mr. DYHRKOPP. We have been quite concerned about the matter. It should have been in the report. It wasn't in the report. The audit committee, which I'm chairman of, have asked for an investigation of it. We want to know why it was left out. Whose responsibility it was to have it in there. And who, if anybody, had it taken out. We're going to thoroughly investigate that matter and find out why that occurred.

Mr. MCHUGH. Thank you, Governors, for that. And we'll be looking for that letter. I'd be happy because of the time constraints of the Governors and their airline schedules to yield to either the ranking member or the gentleman from Illinois, if they have any followup questions. Mr. Davis.

Mr. DAVIS. I've got just one. Thank you very much. I've got just one followup. We talked about automation, and then it occurred to me that just a few days ago we were discussing whether or not we're equipped to handle breakdowns and what happens when the equipment doesn't work that we have relied so much upon. Are you satisfied with the contingency planning that you're doing to be in a position, should there be any equipment failure, to still have the kind of efficiency that we're looking for?

Dr. DEL JUNCO. It's hard for me, not being a part of management, to answer that question. But let me just say a couple of things. One: before any of that equipment is placed, there is a considerable amount of research, pilot programs, and subsequent to that, they have systems to assure that our—there is not a breakdown, as you say, where we cannot deliver the mail. These are precautions that are part of the system. And it doesn't matter what kind of automation we're talking—be at the level of the optical character readers or the remote controls or whatever—there are systems in place for that. And if you need more—a more specific answer, I will have management address that question for you.

Mr. DAVIS. Well, let me just say, Mr. Chairman, that I really appreciate the level at which you are in terms of the satisfaction. I know that sometimes, in some of the industries and businesses with which I've been involved, I've seen computers kind of break down and everything stops. And you can't get anything done.

Dr. DEL JUNCO. We can't afford that.

Mr. DAVIS. Thank you very much. And I certainly hope that you don't have that experience.

Mr. FATTAH. Mr. Chairman, I'll take one last shot, if I could, too.

Mr. MCHUGH. Mr. Fattah.

Mr. FATTAH. There was some earlier comment about competitors. And you referred, Governor Fineman, to FedEx. In reality, the U.S. Postal Service, as best as I can discern, doesn't have any competitors here domestically. There's nobody who is in the same business that you are in, in terms of universal service. And a part of the

issue for many of us to wrestle with is that since you don't have any competitors for what your primary public function is and that is to deliver mail to everyone no matter where they may be that on some of those functions for which you do bring in revenue through other activities, to what degree competition in other areas and some of the structures, the bureaucratic structures that we've set up, like ratemaking hurts your ability to offer a package are issues, really, that do need to be grappled with, because we don't want to be in a circumstance which is a reality in other places in this world, that you can't get mail sent to anywhere in the Nation.

And so, I think there are a lot of issues for us as policymakers to ponder. We look forward to working with you. But I'd be interested in any response from members of the Board of Governors on this whole issue that was raised.

Dr. DEL JUNCO. You know, there is an area which there's no competition, we have a monopoly, but there's other areas like priority mail and express mail and so on and packages and so on, in which the competition is extremely, extremely heavy. Our hands are tied down because of the price structure. We are not allowed to deduct—to any kind of portion of that fee.

And to be quite candid with you, we would love to have a greater amount of flexibility, where we can compete in the market place. It's interesting to me that Federal Express has got the contract at the White House, not only this administration. During the Republican administration they also had the contract. And the reason they have it is because they can discount the service. There are a lot of limitations that we have imposed upon us in the competitive areas that really, really does not allow us to bring in the revenues that we should be bringing in.

Mr. FINEMAN. Congressman, when you were making those remarks, I looked up at where you're sitting, next to Congressman McHugh, and what I said to myself is that we have to have the ability to deliver mail to every American. And when I looked at both of your districts—two places that are very different in America. Congressman McHugh represents one of the largest rural districts in America, and Congressman Fattah represents——

Mr. FATTAH. I'm not going to hold that against him.

Mr. FINEMAN. Right. And Congressman Fattah, obviously, represents portions of the inner city of Philadelphia. Those two places, unless we continue to have a viable postal service, those two places and your constituents really won't get mail on a regular basis and a uniform rate. And I think that that's what we really are here to protect.

Mr. FATTAH. Well, let me thank you for your presence. And we'll look forward to engaging on this and many other matters as we go forward. Let me thank the chairman for his indulgence.

Mr. MCHUGH. Thank you, Mr. Fattah. Let me again say that we're really delighted you're here and truly appreciate having both you and Mr. Davis with us through the whole hearing. I'm not accustomed, at this point in a hearing, looking around and seeing anybody but me. It's a nice change and I appreciate it. It's a wonderful change. With that, again, I understand you have airline schedules. We do have a number of questions that we'll be submitting for the record. I would certainly offer to the Members in at-

tendance and others of the subcommittee that they are welcome to submit written questions should they choose, that we would forward to you, Mr. Chairman, and the other Governors, in expectation of your response, as in the past. We thank you and echo the ranking member's comments about your presence here today.

Let me repeat our appreciation for the thankless task you do and for the great way in which you do it. On behalf of all Americans, we certainly welcome your high level of achievement and your sense of dedication. With that, I would note that we will stand adjourned in contemplation of two upcoming hearings—the next on April 16, involving ratemaking and after that, April 24th, where the Postmaster General will be rescheduled to have a hearing with him that was postponed.

So the subcommittee stands adjourned. Thank you.

[Whereupon, at 4:45 p.m., the subcommittee was adjourned.]

[The prepared statement of Hon. Benjamin A. Gilman and followup questions and responses follow:]

Remarks
Rep. Gilman
General Oversight of U.S. Postal Service

THANK YOU, MR. CHARIMAN.....

IT IS A PLEASURE TO BE HERE TODAY AS WE BEGIN A SERIES OF GENERAL OVERSIGHT HEARINGS OF THE U.S. POSTAL SERVICE, AND I WANT TO COMEND ALL OF THE HARD WORK THAT YOU AND YOUR STAFF PUT FORTH IN YOUR EFFORTS TO ENSURE THE CONTINUED HEALTH OF THE POSTAL SERVICE FOR YEARS TO COME....

IN ADDRESSING THE ISSUES THAT THE POSTAL SERVICE MUST CONFRONT IN THE COMING YEARS I ENDORSE EFFORTS TO ENABLE THE POSTAL SERVICE TO EFFECTIVELY COMPETE IN THIS CHANGING

COMMUNICATIONS ENVIRONMENT BY ALLOWING THE POSTAL SERVICE TO EFFICIENTLY SET PRICES AND INTRODUCE NEW COMMUNICATIONS PRODUCTS.

THIS HEARING WILL PROVIDE US WITH THE OPPORTUNITY TO DISCUSS, LEARN, AND ENGAGE IN A CONSTRUCTIVE DIALOGUE TO IMPROVE THE EFFICIENCY AND CUSTOMER SERVICE OF THIS INDISPENSABLE AGENCY . I AM CONFIDENT THAT WE CAN IMPROVE EFFICIENCY WHILE KEEPING SERVICE INTACT, MAINTAINING UNIVERSAL SERVICE AND HONORING THE COMMITMENTS WE HAVE MADE TO OUR POSTAL EMPLOYEES.

I WELCOME THE PANELISTS TO THE SUBCOMMITTEE AND I LOOK FORWARD TO HEARING THEIR TESTIMONY. THANK YOU MR. CHAIRMAN.

TIRSO DEL JUNCO, M.D.
CHAIRMAN
BOARD OF GOVERNORS

UNITED STATES POSTAL SERVICE

July 14, 1997

Honorable John M. McHugh
Chairman, Subcommittee on
the Postal Service
Committee on Government Reform and Oversight
B349C Rayburn House Office Building
U. S. House of Representatives
Washington, DC 20515-6147

Dear Mr. Chairman:

In response to your April 3 request, enclosed are the responses to the follow-up questions submitted for the hearing record following our March 19 appearance before the Subcommittee on the Postal Service.

We appreciated the opportunity to be able to respond to questions from you and your fellow committee members. As you know, we take our responsibilities as Governors of the Postal Service very seriously and certainly hope that this is reflected in the responses provided.

We look forward to our continued good working relationship.

Sincerely,

Tirso del Junco, M.D.
Chairman

Enclosures

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WASHINGTON DC 20260-1000
202-268-4800 FAX: 202-268-5472
213-666-5757

Questions Submitted in Writing to Dr. Tirso del Junco, Chairman, Board of Governors, U.S. Postal Service by The Honorable John M. McHugh, Chairman Subcommittee on the Postal Service, following the testimony on March 19, 1997

RESTORATION OF EQUITY

In both his written and oral statement, Chairman del Junco testified that the Postal Service had reduced its "negative equity by 37.4 percent, down to $2.6 billion. Together with previous gains, that means we have reduced our negative equity by more than half in two years." During oral questions presented by Chairman McHugh, however, Chairman del Junco stated that by 1994, the negative equity had reached some $9 billion and the USPS had entered into an agreement with the Postal Rate Commission for a schedule to retire this negative equity at a rate of approximately $900 million a year beginning in 1994.

1. Please reconcile the above statements for the Subcommittee by providing a table displaying the negative equity of the U.S. Postal Service at the time the agreement with the Rate Commission regarding equity restoration was reached with an accompanying schedule which shows the annual reduction in this negative equity position. Please include all payments and dates of such payments made by the Postal Service with regards to the restoration of equity.

ANSWER: The equity (positive or negative) of the Postal Service is comprised of capital contributions of the U. S. Government plus the cumulative net income or loss since operations commenced on July 1, 1971. Frequently, some confusion arises in distinguishing between the Postal Service's negative equity balance versus the accumulated operating deficit incurred since July 1, 1971. Negative equity was reduced to $2.6 billion at the end of fiscal year 1996 (See Attachment I). The $9 billion reference relates to the balance of cumulative losses at the end of fiscal year 1994, not negative equity.

Equity restoration occurs on the balance sheet of the U.S. Postal Service as it earns profits that offset losses of prior fiscal years'. The earning of profits is provided for through the rate setting process. The agreement referenced in my testimony relates to the Revenue Requirement filed by the Postal Service to support an increase in rates and includes a provision for the recovery of prior years' losses that represents one-ninth of the cumulative losses since Postal Reorganization. Essentially, the Revenue Requirement is designed to provide break-even financial results over a 12 month test year period plus the prior year loss recovery amount.

There are no "payments" associated with the restoration of equity. The actual net income of a fiscal year becomes the amount of prior years' losses recovered during that year and increases the equity balance. Attachment I provides a detail schedule of the changes in equity and cumulative losses as well as the prior year loss recovery calculation accepted in the last rate filing, Postal Rate Commission Docket No. R94-1.

2. Chairman del Junco testified that the Postal Service is complying with the commitment that the Board of Governors made to the Rate Commission regarding this payment schedule for the retirement of the negative equity. Does the Board anticipate accelerating these payments in an effort to pay off this debt more quickly than anticipated under the agreement.

ANSWER: On July 10, 1995, the Postal Service Board of Governors adopted a resolution to "plan for cumulative net income, in the period since implementation of the rates adopted in the most recent omnibus rate proceeding, to equal or exceed the cumulative prior years' loss recovery target for the same period. The cumulative prior years' loss recovery target is calculated by multiplying the test year amount for recovery of prior years' losses included in current rates by the number of years that will have elapsed since those rates were implemented." Although at

September 30, 1996, the Postal Service was ahead of this target, the Board has no plan to accelerate the cumulative goal of this resolution to restore equity more quickly. We expect that as we move towards the end of this rate cycle, the net incomes we earn will be less than the annual $936 million target. This means that over the course of the rate cycle, the prior years' loss recovery will approximate the cumulative target.

It should be noted that there are no payments associated with the restoration of equity. The recovery of prior year loss amount is incorporated in the setting of rates and represents approximately $.01 of the current price of a First-Class stamp. Because rates are set to cover expenses plus the prior year loss recovery amount, actual recovery is reflected in net income generated in any given year. Finally, the debt of the Postal Service is the result of many factors including its capital spending, working capital needs, cash generated from operations through depreciation and other sources as well as the cumulative profits and losses.

ETHICS ISSUES

The conflict of interest charges surrounding the current Postmaster General have a broader implication for the Postal Service. This situation highlights the concerns the Service must address if it further considers similar strategic arrangements or alliances with private corporations and is one the General Accounting Office has brought to light before.

1. Do the Governors feel that there should be a financial "trigger" for an automatic ethics review of any contract under consideration by the Postal Service? What would be the appropriate amount for such a "trigger?"

ANSWER: We recognize that strategic alliances between the Postal Service and private firms may involve a wide variety of considerations, not the least of which is ethics. In that regard, we do not believe that a financial trigger based on a contract amount is the proper ethics approach to such alliances.

A major concern is that a contract trigger might be interpreted by some as a "cut-off-point" below which there is a more relaxed ethics standard. An ethics obligation does not arise based on a contract floor. Whether a contract is worth $10 thousand or $10 million, the ethics obligation is the same. Federal law prohibits postal employees from personal and substantial participation in a particular matter where they have a known financial interest. It is the personal responsibility of each employee to comply with this law, identifying and avoiding conflicts of interests. In appropriate cases waivers, recusals, or divestitures can be given. To shift the ethical burden from an employee to a contract financial cut-off is not consistent with the regulatory scheme of the Office of Government Ethics (OGE).

We believe it is more appropriate for the Postal Service to continue to focus on the overall ethics program. A complete description of the Postal Service Ethics Program is provided as Attachment II.

2. How much information are the Governors given presently regarding possible ethics issues in procurements and contracts? Is a re-evaluation of the ethics policies at the U.S. Postal Service in order?

ANSWER: We have been kept abreast of the actions the Postal Service has taken to resolve the concerns noted by the GAO with regard to the postal procurement process, and the Postal Service ethics program. We believe that the major issues raised by GAO have been addressed in a systematic manner. Indeed, the Postal Service was informed by the Office of Government Ethics (OGE) in March 1997 that all their recommendations have been implemented and their review has been concluded. Ethics will continue to be a focus of attention in the Postal Service, but we do not believe that another general review is required at this time.

3. How much information have you received either from the Inspection Service, the Legal Department or the Justice Department regarding the Coca-Cola matter? Would you share with the Subcommittee what you have been advised, to date? Have you been satisfied with how this matter has been handled by the various parties involved?

ANSWER: We have retained Williams & Connolly as counsel. They are working closely with the Postal Service and the Department of Justice. They have met with the Subcommittee staff to discuss the investigation, and are available to provide additional information as needed.

4. Can you explain to the Subcommittee why you felt it was necessary to recently obtain outside legal counsel regarding the Coca-Cola matter, when as head of a federal agency you could have requested representation by the civil division of the Justice Department, which ordinarily would handle such representation? Have you been advised which Governors have been or will be called to give testimony before the Grand Jury?

ANSWER: In response to the Department of Justice probe into the Coca-Cola matter, the Chairman, after a discussion with the General Counsel, and in consultation with the Vice Chairman and Governor Fineman, decided to seek outside counsel. This decision was subsequently unanimously approved by the other Governors. The decision was based on the fact that the Postal Service Law Department did not have the legal expertise in criminal investigations to provide the necessary legal assistance. The Civil Division at the Department of Justice does not have expertise in criminal issues since it ordinarily represents government agencies in civil matters. Moreover, given that the Justice Department was conducting the investigation, it seemed inappropriate to have requested that they also represent the Postal Service. Accordingly, outside counsel, Williams & Connolly, was obtained.

Four Governors, Chairman del Junco, and Governors Alvarado, Fineman and McWherter have been called before the Grand Jury. At this time, we are not certain as to whether any other Governors will be called to appear.

POSTAL SERVICE GOVERNANCE

Currently, the Board of Governors of the U.S. Postal Service is comprised of nine presidentially-appointed and Senate-confirmed Governors who in turn appoint the Postmaster General and Deputy Postmaster General. The Board is charged with the duties and responsibilities as the head of the agency.

1. Do you feel there is any undue confusion or conflicts built into the U.S. Postal Service when the head of the Postal Service is not easily defined in one person? For example, some have proposed that the Postmaster General also serve as the chairman of the Board of Governors. Should statutory law be amended to provide that the presiding officer of the board also be the Postmaster General? I would appreciate any interested Governor with providing his or her thoughts on this important issue.

ANSWER: This has not been a problem for the past 25 years since Postal Reorganization. The Postmaster General is the Chief Executive Officer and responsible for directing the day-to-day operations of the Postal Service. The Board's responsibility is primarily one of oversight. The present process provides checks and balances consistent with the intent of the original legislation and appears to work well. We really see no need for a change in this regard.

2. In response to the recently enacted Postal Inspector General provisions, I understand the Board updated its bylaws to recognize the new status of the Inspector General. However, the Board retained the requirement that the Postmaster General can only remove or transfer the Chief Postal Inspector *with the concurrence of the Governors.* (The Inspector General Act Amendments of 1988 specifically mandated the concurrence of the Governors for removal

or transfer of the Chief Postal Inspector, who the Act designated to serve concurrently as Inspector General.) As you know, the Postal IG law enacted this past year established the position of Chief Postal Inspector as a statutory officer of the Postal Service, who like other officers, are appointed by and serve at the pleasure of the Postmaster General. Indeed, Title 39 of the United States Code now clearly specifies that this officer, like other postal officers, reports directly to and is under the general supervision of the Postmaster General. The only difference between the Chief Postal Inspector and other postal officers under the current law is the requirement of *notification* of the governors (and both Houses of Congress) should the Postmaster General decide to remove or transfer the Chief Postal Inspector.

a. Why did the governors retain this bylaws provision with respect to the Chief Postal Inspector? Do you see a conflict in retention of this authority by the Governors with the Act which clearly defines the subordinate role of the Chief Postal Inspector vis-a-vis the Postmaster General?

ANSWER: We recognize that under the law, as amended, the Chief Postal Inspector is appointed by, and serves at the pleasure of, the Postmaster General. Under the same statutory framework, however, the Governors are the head of the Postal Service. As such, we have broad discretionary powers to appoint and remove the Postmaster General, to delegate and revoke that officer's powers, and to direct the exercise of the power of the Postal Service. We believe that the requirement that the Governors concur with the removal or transfer of the Chief Postal Inspector is consistent with the broad scope of our authority, and with the limitations that authority places upon the independence of the Postmaster General.

b. If the Governors do not intend to change the bylaws, please explain the apparent shift in the position of the Governors regarding the removal or transfer of postal officers. Two years ago, former Board Chairman Winters stated in written responses to questions submitted for the record "(I)t was not the intent of the Governors to review the removal or transfer of a postal officer." See Attachment 1. Yet, the bylaws in question specifically single out the Chief Postal Inspector for this disparate treatment. While such treatment was warranted when former law mandated that the Chief Postal Inspector serve concurrently as the Inspector General, why did the Governors decide to retain this unique authority regarding removal or transfer of the Chief Postal Inspector? Do the Governors contemplate extending this "concurrence" requirement to other postal officer positions, such as the Judicial Officer or General Counsel?

ANSWER: The recently enacted statute specifically directs the Inspector General of the Postal Service, who is appointed by the Governors, to have oversight responsibilities for the activities of the Postal Inspection Service, and to "give particular regard" to the activities of the Inspection Service with a view toward avoiding duplication and insuring effective coordination and cooperation. In view of the special considerations that attend the relationship between the Inspector General and the Inspection Service, we believe that it is justified to apply a higher level of scrutiny than ordinary to decisions regarding the removal of the Chief Postal Inspector.

3. Current statute provides the Governors with the authority to hire and fire the Postmaster General. Have there been any formal discussions about the tenure of the current Postmaster General?

ANSWER: Yes. The Governors have at several meetings, some fairly recent, discussed the tenure of the Postmaster General. Succession planning for such a critical position is a paramount concern of the Governors and will continue to receive priority attention.

4. The Subcommittee would appreciate the views of the Governors on the following topics:

   a. Why did the governors retain this bylaws provision with respect to the Chief Postal Inspector? Do you see a conflict in retention of this authority by the Governors with the Act which clearly defines the subordinate role of the Chief Postal Inspector vis-a-vis the Postmaster General?

   b. At previous oversight hearings the Subcommittee heard that one of the hindrances to serving as a Governor was the salary, which was subsequently corrected by Congress. Are there any other operational or practical difficulties that are unique to the Governors that we should consider for legislative reform?

   c. Chairman del Junco noted in his testimony that serving as a Governor is a part-time job that requires full-time attention. Should Congress consider making these appointments full-time?

   d. The Subcommittee asked GAO to interview current and former Board members to obtain their views on the strengths and weaknesses of the Board's structure, and we are looking forward to their report this summer. Can you identify, for the Subcommittee, any concerns you have about the current Board structure and discuss any legislative changes you believe should be made to address those concerns?

   e. Current law provides for the Governors to be appointed to a nine year term. I would appreciate the Governors' thoughts regarding the length of this term and whether this time frame may be too long? If so, do any of you have a recommendation on what would be a suitable term?

ANSWER: The above questions present a series of issues which are part of the review being conducted by GAO which was initiated by your Subcommittee. As you are probably aware, all current Board members and a number of former Governors and Postmasters General have been interviewed by GAO auditors. Having reviewed the draft report, the position of the individual governors on the above issues are cited in the report which would more accurately reflect their views than attempting to provide an overall position of the Board.

GOVERNORS AND GOVERNANCE: SETTING POLICY

1. As you are aware, I have been urging for the past two years the Postal Service to fulfill a recommendation from the General Accounting Office that the Postal Service conduct a "summit" with its major employee unions and associations. Yet there always seems to be some conflict that prevents it from occurring. In the meantime, labor-management relations in the Postal Service have historically been poor and are showing no immediate signs of improvement. In fact, grievances at the step 3 level have risen from about 50,000 in 1993 to about 90,000 in fiscal 1996 an increase of about 80 percent.

   a. Are antagonistic relations between labor and management simply the price we pay for such a large, manual-intensive and time sensitive working environment?

ANSWER: While the Postal Service is large and still very labor intensive, in the Board's view, antagonistic relations between labor and management should never be accepted as the norm in any employment setting. As for backlogged grievances, there are a wide variety of causes: a very lengthy and complex labor agreement; the time-sensitive working environment that you mention, which sometimes compels management action without taking into account the requirements of the labor agreement; appeals orientation in a government work force which often means that everything is appealed; and a variety of practices and behaviors which seem to encourage litigation and discourage settlement.

b. Please provide for the Subcommittee the actions taken by the Governors to improve these long-standing problems.

ANSWER: The most promising opportunity we have to correct this situation is contained in the GAO report of October 1994 on labor relations in the Postal Service, and the Summit efforts which we currently have underway in an attempt to implement GAO recommendations and address the current problems. Recently management and the American Postal Workers' Union entered into an agreement to pilot different models of dispute resolution, including mediation. The stated purpose of the agreement was to address the backlogs, examine the methods by which disputes are resolved, and address the unlying causes of grievances.

c. How important do you, as Governors, feel it is for the Postal Service to get control of its discipline practices and, assuming you feel that the time it takes to handle these types of problems takes away from the time individuals could be using to fulfill their jobs and improving the Postal Service as a whole, what can a part-time Board of Governors do to make its influence felt on the matter?

ANSWER: The Governors feel this is an important area. While the Governors do not get involved in individual personnel matters, we are concerned about Labor/Management relations in the Postal Service. This not only impacts the organization's ability to make necessary changes brought about by automation but the increasing number of grievances and the resources necessary to process and clear the backlog is very costly to the Postal Service.

A part-time Board can, as it currently does, continue to provide oversight of postal activities, which includes the Labor Management area, and to stress to management the need to work more effectively with the unions and associations to resolve differences and improve overall relations. We fully intend to continue in this effort.

2. The Subcommittee is aware that a recent appointee (in 1996) as Postmaster of Atlanta, Georgia held a "swearing-in" ceremony that cost ratepayers $40,000. This, coming on the heels of the Chicago Postmaster's huge expenditure on redecorating her office a few years back causes the Subcommittee to question the standard practice in these matters. In what ways can the Board of Governors demand accountability for these types of abuses of ratepayer revenues?

ANSWER: The swearing in of a new Postmaster has historically been a community event where the public is invited to meet their new Postmaster. Also included in the event are media and local community leaders. The event may also include refreshments.

In the case of the Atlanta Postmaster, a special event was held introducing the first black female Postmaster for Atlanta. We are aware that the Inspector General's office is reviewing the costs of the swearing in ceremony at the request of your subcommittee staff.

Their office will respond separately with their findings. Once we have the results of their investigation, we will be better able to comment on this issue.

3. The concept of universal postal service has never been defined in law or otherwise, yet this concept is often raised as the defense for the continuation of the postal monopoly. To what extent should this concept be more formally defined? Would the Postal Rate Commission be an appropriate entity to have a hearing on the record or other rulemaking procedure in which a more concrete definition for this important concept could be produced? My understanding, for example, is that as a matter of the recently enacted Telecommunications legislation the Federal Communications Commission was tasked with conducting a process and making this type of definition.

ANSWER: In our view, the universal service obligations of the Postal Service are quite adequately expressed in those sections of the law that require the Postal Service to provide prompt, reliable, and efficient services to patrons in all areas and render postal services to all communities, both urban and rural, and serve as nearly as practicable the entire population of the United States. An additional element of universality is provided by the direction to maintain uniform rates for letter mail throughout the United States, its territories, and possessions. In our estimation, these provisions establish a broad framework of universal service, yet afford the Postal Service sufficient flexibility to shape its service offerings to meet local or specialized needs. We would be extremely reluctant to attempt a more concrete definition of the universal service requirement, out of a concern that such a definition would deprive the Postal Service of essential flexibility, or worse, be modified at some later date to deprive customers of service levels that they now receive.

4. Have you been given any presentation recently on what the future outlook for volumes and revenues are?

    a. If so, could you share with the Subcommittee what your internal data is telling you about the future. What we can expect, particularly, absent any changes or reforms of the present system?

ANSWER: Yes, we have been reviewing management's forecasts on a monthly basis as a part of our rate case planning process. In the absence of any changes or reforms, volumes and revenues are projected to grow approximately 3 percent annually in the short-term, assuming no rate increases. The prospects for long-term growth depend on competition in the mail delivery business and the growth of alternatives to mail. We expect, that competition and the growth of mail alternatives will continue to moderate growth for the foreseeable future.

    b. Similarly, what can you share with us about total factor productivity, the briefing you received in March about it, and why it has declined in each of the last three years, how that decline is being addressed and what directions the Governors have given regarding productivity? Also, how much weight or importance can we place on these figures?

ANSWER: Postal Service total factor productivity (TFP) numbers are based on methods similar to those employed by the Bureau of Labor Statistics to measure multi-factor productivity. TFP provides a good overall measure of performance over an extended period but there can be short-run TFP losses in order to gain long-run TFP gains. Further, TFP does not have a dimension for measuring increases in service quality, nor does it give full credit for management actions which control the growth of worker's compensation expense.

TFP has declined in each of the last three years. The full Board received briefings on TFP and regulatory reform as part of our March, 1997 meeting. We have also commissioned a detailed presentation of TFP for our next board meeting. We cannot give a complete answer at this time, but several explanations currently being discussed include the improvement of service performance and the short-run TFP decline associated with implementing new technologies. In addition, the Postal Service has made significant investments in improving customer satisfaction by, for example, supplying self-adhesive stamps, expanding window hours, increasing the availability of mailing supplies and providing additional mail transport equipment. These investments and other basic infrastructure investments reduce measured TFP.

A briefing was given by Postal Management to the joint session of the Capital Projects and Audit Committees of the Board during March, at which time Total Factor Productivity was discussed. It was decided, at that point, that because of the complexity of the indicator itself, the Board should be given a briefing by the outside firm who is the expert on, and provides the calculations for, Total Factor Productivity. The briefing was subsequently given at the open session of the Board's May meeting. The figures for Total Factor Productivity are to be used over a period of time to

compare Postal Service performance with the private sector. During the period from 1987 to 1994, when the last official figures for Multi-factor Productivity in the private non-farm business sector were released, the Postal Service performance exceeded that of the private sector. The recent declines in Total Factor Productivity reflect the investments in resources necessary to improve the quality of service demonstrated by our EXFC overnight performance but not reflected as an output in TFP. We expect positive Total Factor Productivity for this fiscal year.

5. At what stage in the process were you made aware of the cost overrun in the advertising and marketing budgets? Do you feel your financial policies and reporting procedures are adequate?

ANSWER: The Postmaster General first notified each Governor personally by telephone in mid August 1996, that the advertising budget for FY 1996 had been exceeded by roughly $75 million. He followed that up with an August 21, 1996, letter and exhibit which explained the cause for the overrun. However, at that time, it was assumed that the Marketing budget had not been exceeded. Subsequent to the phone call from the Postmaster General and prior to receipt of the August 21 letter, the Chairman, in a letter dated August 20, 1997, requested the Inspection Service conduct a full review of the advertising expenditures for FY 1996. The members became aware of the overrun of the Marketing budget at the conclusion of the Inspection Service review near the end of October 1996, after all of the FY 1996 expenditures were audited.

Management, through the Controller's office, has taken action to strengthen controls in this area and established a separate line item entry for advertising. This has given the governors greater assurance that there is a process in place to control and accurately report expenditures. We feel that this experience has heightened the interest of management at all levels in the organization.

We believe that our financial policies and reporting procedures are adequate when managers (regardless of department) fulfill their fiscal responsibility and authorize spending only to the limits of their authorized budget. That is, spending is authorized when work is requested; invoices for payment come at the discretion of the vendor doing the work. In view of the significant time lag between providing advertising services and billing for these services, our normal year-end accrual procedures to recognize expenses incurred but not yet paid are now being applied at the end of each interim reporting period.

6. Recently, the Washington Post ran a brief article regarding the salaries of postal executives and stated that the Governors indicated that they did not want any executives' salary to exceed the government's pay cap of $148,400. Do the Governors intend to limit this cap to salary alone or would it include the benefits received from the EVA bonus and other miscellaneous expenses and payments postal executives have received in the past?

ANSWER: Under the current salary cap of $148,400, it is the intent of the Governors that no employee's compensation, salary and bonuses paid under the Variable Pay Program which includes EVA, would exceed the salary cap. This includes not allowing banking of funds over the salary cap.

7. Please describe for the Subcommittee the work of the Board's four committees on Audits, Compensation, Strategic Planning and Capital Projects, who chairs them and when they were formed.

ANSWER: The Audit Committee was established by Resolution No. 71-15 dated April 6, 1971, and Governor Einar V. Dyhrkopp currently serves as Chairman of the Committee. The Committee's role has evolved over the years and is more clearly defined in Resolution No. 95-11, Charter of the Audit Committee, and is provided as Attachment III. The charter is being amended to add the role of the Office of the Inspector General.

The Compensation Committee was established by Resolution No. 95-3, dated February 7, 1995, (Attachment IV), and is chaired by Governor S. David Fineman. The Committee's duties are also spelled out in Resolution No. 95-11.

The Strategic Planning Committee was established by Resolution No. 94-2 dated February 8, 1994, and is chaired by Governor Sam Winters. The duties and responsibilities are also spelled out in the resolution, and is provided as Attachment V.

The Capital Projects Committee was established by Resolution 95-14 dated December 5, 1995, and is chaired by Governor Robert Rider. The duties and responsibilities like that of the other Committees, are spelled out in the subject resolution, and is provided as Attachment VI.

8. In Chairman del Junco's testimony he states the Governors' recognize that two areas of postal operations that require particular attention include improvement of two and three-day delivery service levels and establishing long-term control over the more than 80 percent of postal costs that are attributable to labor. What specific actions do the Governors anticipate on taking in these areas? What recommendations for changes in statutory language to effectuate your actions in these areas would the Governors suggest?

ANSWER: For the current year, we have put in place measurement systems to focus the various levels of our organization on this issue. We have been communicating within our organization the need to take steps now to make improvements in this service for the balance of this fiscal year. For fiscal year 1998, similar to what we have done to improve our overnight delivery service, we are establishing targets for the EXFC 2 and 3 day measurement to drive improvement in support of the timely delivery subgoal for the Voice of the Customer. As part of the deploy process under CustomerPerfect, area and performance clusters are analyzing their situations and making plans to achieve these targets including identifying the resources they need to make the improvements happen. Process management teams have been established to develop process indicators which will be used to focus attention on the processes and drive improvement in the level of service. We anticipate that achievement of these targets will be part of the variable pay program for the Fiscal Year 1998.

There is also a long-term plan to control the costs which includes the following strategies: reducing the labor intensity in our plant operations, reducing the cost per workhour, minimizing our transportation costs, and focusing on delivery efficiency improvements. These strategies are focused on taking actions to control the growth in costs over the next five years.

9. I understand that the Governors, at their March meeting, approved an interim 60-day budget for the new Office of Inspector General in the amount of $5 million. How did you arrive at that amount and from which postal account was it transferred? Since it is a sixty-day budget could you tell us the dates which are covered by this budget? Why was it necessary to approve an interim budget and were you prepared to approve a final budget for the OIG at your March meeting? What does the Board envision its role to be in overseeing the activities of the new Inspector General?

ANSWER: The dollar amount was first discussed with the Inspector General and then approved by the Governors at the March 1997 Board meeting. The funding for the Office of the Inspector General (OIG) will come from the general fund of the Postal Service. The budget was not a sixty-day budget but rather funding approval to cover existing and anticipated costs in establishing the OIG until a budget was presented. The 60-day time frame was more to allow the Inspector General adequate time to prepare a budget request for the current fiscal year. The Governors approved the designation of functions of the OIG at the March meeting and we were not prepared to approve a formal budget until after the functions were approved.

The interim budget for the Inspector General's office was allocated based on a general estimate of start-up costs needed to set up the office and to cover expected staffing requirements during the two month timeframe. Postal policy dictates that funds must be certified as available prior to committing expenses. Funds were transferred from available corporate funds held in the Postal Service servicewide account. For the record, the Governors approved the FY 1997 operating and capital budget of the OIG at our April meeting.

As the OIG is evolving, so is the Governors' role in overseeing the activities of the new office. We established Board Resolution No. 97-3, Attachment VII, to set some ground rules specific to the IG, however, we also recognize that this is an evolutionary process which will require more fine tuning as the OIG becomes more operational. In the interim, the Inspector General knows and understands that she has full access to the Chairman as well as any other Governor should the need exist. We, in turn, have full confidence in her ability to manage the day-to-day operations of her office.

10. Recent media reports have highlighted several Postal Service initiatives. As characterized by the press, these initiatives included (1) plans to let the cellular telephone industry erect towers at thousands of post offices across the nation, (2) plans to give Coca Cola exclusive rights to place soft drink machines in the Nation's post offices, and (3) plans to redesign post offices to include "pack and send" services in order to compete with private sector businesses such as "Mail Boxes, etc.," and "Parcel Plus." The Washington Post even reported that members of the Postal Service's Board of Governors complained that they had been "kept in the dark" by the Postal Service about its plans to erect telephone towers at post offices across the nation.

    a. Has the Board experienced any difficulties in getting thorough and timely information from management on planned initiatives or is information coming to the Board "after the fact?"

ANSWER: There have been isolated instances where the Board has been informed after the fact because the initiative did not meet the criteria for bringing projects to the Board at the time. Some of the projects were considered research and development projects, some did not meet the dollar threshold and a few others that, while the commitment of funds was relatively small, the potential liability met or exceeded the dollar threshold.

    b. Should the Board be more involved with new initiatives and, if so, what steps are being taken in that direction?

ANSWER: At our October 1996 Board meeting, the members approved a bylaw change to strengthen the program review process which was recently noted in the Federal Register (62 FR 18519, dated 4/16/97). We have also strengthened our review process through more effective use of our Strategic Planning Committee. We believe that the above changes will result in a more proactive involvement in new initiatives.

    c. Does the Board have enough staff to stay on top of, and evaluate, new Postal Service initiatives?

ANSWER: At the present time we feel our current staffing is adequate to meet our needs. In the past year we filled the Assistant Secretary position and added a secretarial position to further support the Office of the Governors. These moves basically doubled our staff from two to four employees to meet the increasing workload of the Board and the various committees of the Board. However, we will continue to assess the office workload and make changes as appropriate, should the need arise.

11. The Government Performance and Results Act of 1993 (GPRA) was enacted to improve the efficiency and effectiveness of Federal programs by establishing a system to set goals for program performance and to measure results. A requirement of the Act was that agencies develop a multi-year strategic plan articulating the fundamental mission(s) of the organization and laying out its long-term general goals for implementing that mission, including the resources needed to reach established goals.

    a. How, and to what extent, does the Board plan to be involved in developing the Postal Service's strategic plan as called for by the Government Performance and Results Act of 1993?

ANSWER: The Board regards the GPRA 5-year plan as a major part of its responsibility to review and approve Postal Service strategic planning and goal-setting efforts. We have been deeply involved in the development of this plan and will continue to do so until it is submitted to the President and Congress in September of this year.

Starting in February 1997, we asked the Vice President of Strategic Planning to attend each meeting of our Strategic Planning Committee (chaired by Vice Chairman Sam Winters) to provide updates on the status of preparations for the GPRA plan. This information is needed to ensure alignment of the strategic goals with the specific programs designed to achieve the goals. Additionally, Deputy Postmaster General Michael Coughlin, who is responsible for the strategic planning process, has briefed the full Board on the 5-year plan. It is expected that the 5-year plan will continue to be a subject of intense discussion in the monthly meetings of both Board groups through September 1997 when the plan is due.

During the March meeting the entire Board, in both closed and open sessions, reviewed the specific goals, subgoals, performance measure, and targets that are being developed using the Postal Service's CustomerPerfect! process for next year, FY 1998, and for five years out to FY 2002. There is a pay-for-performance program tied to the achievement of these goals and targets.

In May 1997, we reviewed an initial draft of the 5-year plan and provided detailed comments and recommendations to Postal Service management at our June 1997 meeting. We will continue our oversight of the 5-year plan through our review and comment on subsequent drafts.

    b. In what ways do the Governors envision the major stakeholders, such as unions and management associations, being involved in developing the Postal Service's strategic plan?

ANSWER: The Postal Service recognizes that a primary component of a strategic plan is a statement of mission and goals that is based on statutory requirements and shaped by stakeholder views.

To comply with this requirement, we believe it is necessary to go somewhat beyond our current avenues for receipt of suggestions from customers. In it's report of June 16, 1993, the Senate Committee on Governmental Affairs wrote. "In developing its strategic plan, the Postal Service shall advise the appropriate committees of Congress of the plan's perspective contents, and shall solicit and consider the views of other interested parties. The Committee recognizes that the Postal Service already provides substantial avenues for such input in regular meetings with groups of major mailers and other postal customers, and urges that there also be established and published a name and address for the receipt of suggestions and comments from the general public."

To comply with the spirit and intent of Congress, we published on April 2, 1997 a Notice in the *Federal Register* requesting comments from our customers and other stakeholders. A copy of the Notice is provided as Attachment VIII. This Notice will be distributed in multiple forums where the Postal Service communicates and meets with customers and stakeholders. This communication is intended to focus attention on long-range issues.

In addition, to following our ongoing effort to obtain views from customers and other interested parties, we will specifically reach out to key customer groups. In general, many of the focus groups and meetings were held at the National Postal Forum in May. In addition to customer groups, we will reach out to unions, management associations and employee groups.

We have several communications vehicles that will be employed to gather input, including employee publications, communications with customers, regular meetings with customers, our web page and speeches. When we obtain stakeholder, views we will conscientiously consider those views in shaping our strategic plans.

12. In the early 1980's, the Postal Service began an effort to move mail sorting from manual and mechanized sorting to automated sorting–an effort that is still underway. In fact, according to the Postal Service's FY 1997-FY 2001 Capital Investment Plan, USPS plans to spend $4.8 billion on "high return-on-investment" automation/mechanization projects during the 5 year period. However, at the same time billions are being spent on automation, postal employment figures seem to be going up instead of down. For example, from 1995 to 1996, the number of career Postal Service employees increased from 753,384 to 760,966, and the number of non-career employees increased from 121,588 to 124,908. Additionally, the Subcommittee understands that the Service's Total Factor Productivity has been declining in recent years.

    a. To what extent do the Governors expect the 5-year, $4.8 billion capital investment on automation/mechanization to improve the Postal Service's total factor productivity?

ANSWER: Thus far, our Automation Cost Savings Model (see answer to question 13b) estimates that our labor savings and cost avoidance since 1987 has been $8.4 billion in operations affected by automation; if the increase in allied labor operations is excluded, directly affected operations registered savings/avoidance of $11.9 billion. Including the investment incurred during that period, this had an estimated 1.5 percent impact on total factor productivity during that ten year period. During the period FY 1987 to FY 1996, we had 6 fiscal years with positive total factor productivity and again expect to have positive total factor productivity in FY 1997.

These productivity gains and automation savings were made in the face of a mail volume growth of almost 19 percent over the same period, and a 14 percent increase in the number of possible deliveries.

13. Two years ago, former Chairman Winters responded to questions for the record regarding the actual cost savings that can be directly attributable to automation. He stated such information was not available until a detailed national cost study was conducted for the automation program. Further, Chairman Winters noted that the dollar savings discussed in 1995 were not attributable solely to automation, and further, that no definitive data existed for isolating the effects of automation on postal productivity. In addition, he noted that the Governors had no overall plan to measure the Service's performance in reaching automation goals, because, rather than measuring its performance against a Corporate Automation Plan that may be updated on a regular basis, the Governors chose to measure performance against the projections in each Decision Analysis Report through which the Board approves each major outlay of automation funding.

a. How do the Governors measure the overall performance of the automation program for reaching its goal?

ANSWER: The goals of the automation program are set forth in the equipment and program Decision Analysis Reports (DARs) approved during the funding approval process. After full implementation of letter mail automation, national after-cost studies will be performed to determine the extent that projected savings/cost avoidance were actually realized. Such studies, and any subsequent audits, will provide the definitive answer on final automation performance.

In the meantime, to provide an interim estimate to help management in its further planning for postal automation, a Cost Savings Model has been developed. This model projects workhour savings/avoidance based on volume increases from the base year (1989). An assumption is made that an increase of 3 percent in volume would net a 3 percent workhour increase in the related Labor Distribution Codes (LDCs). The labor rate associated with the workhour variance, the difference between actual workhours from the LDCs, and the projected workhour increase due to volume increases, are all used to calculate the net avoidance/savings.

Additionally, budget reviews are performed periodically, checking whether savings projected and reflected in budget plans are being realized in the field, and making adjustments if they are not. Finally, the Inspection Service conducts periodic audits of various aspects of the automation program, looking at both operational, management and savings aspects of the program and its components.

b. In the hearing, Chairman del Junco stated he did not have any information in that regard but promised to provide it for the record. What are the actual savings in cost and gains in productivity the Postal Service has realized directly from automation?

ANSWER: Our automation Cost Savings Model estimates that, for the period from 1987 through the end of FY 1996, approximately $11.9 billion labor cost avoidance was realized in operations directly affected by automation.

During the period from FY 1987 through FY 1996, we can show that the hours in operations targeted to be impacted by the automation program were reduced by 64 million. During the same period, USPS' total piece productivity, which is the total number of mail pieces divided by the total number of workhours, improved from 107 pieces per hour to over 115 pieces per hour, an 8 percent increase.

Attachment I

RESTORATION OF EQUITY

Table A provides an analysis of the component parts of Postal Service equity from creation of the Postal Service through September 30, 1996. The third column, entitled total net capital deficiency, shows the equity balance of the U.S. Postal Service. A comparison of the $2.6 billion negative balance at September 30, 1996 to the $4.2 billion negative balance at September 30, 1995 reveals a reduction of 37.4 percent. Also, a comparison of the September 30, 1996 balance to the September 30, 1994 balance shows a reduction in negative equity of more than one-half during that two-year period.

TABLE A

	Capital Contributions of U. S. Government	Deficit Since July 1, 1971	Total Net Capital Deficiency
		($ millions)	
Initial Capital Contribution, July 1, 1971	1,723.7		1,723.7
Cumulative Net Loss, 7/1/71 – 9/30/93		(8,081.8)	(8,081.8)
Capital Contributions, 7/1/71 – 9/30/93:			
Public Law No. 94-421	1,000.0		1,000.0
All Other - net	310.4		310.4
Balance, September 30, 1993	3,034.1	(8,081.8)	(5,047.7)
Net Loss - FY 1994		(913.6)	(913.6)
Capital Equipment Transfers	(0.2)		(0.2)
Balance, September 30, 1994	3,033.9	(8,995.4)	(5,961.5)
Net Income - FY 1995		1,770.3	1,770.3
Capital Equipment Transfers	0.2		0.2
Balance, September 30, 1995	3,034.1	(7,225.1)	(4,191.0)
Net Income - FY 1996		1,567.2	1,567.2
Capital Equipment Transfers	0.3		0.3
Balance, September 30, 1996	3,034.4	(5,657.9)	(2,623.5)

Table B reflects data filed in Postal Rate Commission Docket No. R94-1 by the Postal Service as support for the Recovery of Prior Years' Losses Provision. This table shows that cumulative losses were expected to total $9.4 billion at September 30, 1994. The actual loss for fiscal year 1994 was about $430 million less than estimated, therefore, actual cumulative losses at September 30, 1994 were $8.995 billion as shown in Table A.

TABLE B

	($ millions)
Actual net deficit incurred from July 1, 1971 through September 30, 1993	8,081.8
Estimated net loss, 10/1/93 - 9/30/94	1,343.7
Subtotal, 7/1/71 - 9/30/94	9,425.5
Less: Amount received pursuant to Public Law No. 94-421	-1,000.0
Total recovery required	8,425.5
Annual Increment (1/9)	936.2

Attachment II

THE U.S. POSTAL SERVICE ETHICS PROGRAM

I. Legal requirements for agency ethics programs.

The Postal Service is required to administer an ethics program in conformity with the ethics laws and regulations applicable to the Executive Branch. Under the Ethics in Government Act of 1978, § 402, as amended, 5 U.S.C. App., and Executive Order 12,731, § 301,[1] general oversight and regulatory authority over agency ethics programs have been centralized in the Office of Government Ethics (OGE). In addition to establishing substantive ethics rules in the Standards of Ethical Conduct for Employees of the Executive Branch and certain other regulations, OGE has prescribed rules governing the mandatory content of agency ethics programs, primarily in 5 C.F.R. § 2638.202-203. These requirements divide program responsibilities between the agency head and a designated agency ethics official for each agency.

Under section 2638.202, the agency head is responsible for leadership, resources, and selection of a designated agency ethics official.

Under section 2638.203 of Title 5 C.F.R., the designated agency ethics official shall coordinate and manage the agency's ethics program, which consists of the following elements:

- liaison with OGE
- review of financial disclosure reports
- education and training programs (specific requirements in 5 C.F.R. § 2638.701-704)
- monitoring administrative actions and sanctions
- counseling
- record keeping
- periodic evaluations
- coordination with the Inspector General.

Section 224.47 of Title 39 of the Code of Federal Regulations establishes the General Counsel as the Postal Service's designated agency ethics official.

II. Postal Service Ethics Program.

In addition to Senior Vice President and General Counsel Mary Elcano, the Postal Service's Designated Agency Ethics Official ("DAEO"), other agency ethics officials include the Alternate Designated Agency Ethics Official ("Alternate DAEO"), Charles

[1] The President is empowered to establish employee conduct regulations by 5 U.S.C. § 7301. By virtue of 39 U.S.C. § 410(b)(1), this section and the regulations apply to the Postal Service.

D. Hawley, Senior Counsel for Ethics, Civil Practice Section, Law Department, and William R. Gilligan, Managing Counsel, Civil Practice Section. Wendy A. Hocking, an attorney and Team Leader for Ethics Training, along with several other attorneys and paralegals in the Civil Practice Section have received ethics training and share various ethics program responsibilities. A number of attorneys in the National Litigation, Legal Policy, and Corporate Law sections of the Law Department have received ethics training and are involved in the various aspects of the ethics program, primarily focused on client training. In addition, 23 people from Postal Service Headquarters serve as the designated ethics representatives for their departments, and receive special training in ethics matters on at least an annual basis

In the field, the ethics program is aided by the Managing Counsels in the Law Department's eight Field Offices. The Managing Counsels and selected field office staff administer the confidential financial disclosure process for field employees. Moreover, each Performance Cluster has designated Ethics Resource contacts, typically managers in the areas of Human Resources, Finance, and Administration, are designated Ethics Resource contacts.

Following is a summary of the ways in which the Postal Service's ethics program is administered to address each element defined by OGE.

A. Liaison with OGE. Liaison with OGE is provided within the General Counsel's office at several levels. The General Counsel has personally met with the Director of the Office of Government Ethics on several occasions. Both the Director and OGE's General Counsel came to the Postal Service to view the 1995 ethics training broadcast with Postal Service officers.

Day-to-day liaison with OGE is provided by the Alternate DAEO, Senior Counsel Charles Hawley; Managing Counsel of the Civil Practice Section, William Gilligan, and by Civil Practice staff attorney Wendy Hocking. Mr. Hawley frequently consults with OGE's General Counsel's office and with OGE's desk officer assigned to the Postal Service. He is an active member of the Interagency Ethics Council, meeting monthly with ethics officials from OGE and other agencies to compare notes and work on matters of common interest. Mr. Gilligan consults with OGE representatives on a frequent basis, and Ms. Hocking has been working closely with OGE's Associate Director for Education and her staff on training matters, as well as participating in the monthly meetings of the Interagency Ethics Council.

At the Postal Service's invitation, OGE's training unit provided ethics training for USPS headquarters departmental ethics representatives in March (topic: general

ethics) and will provide training in October (topic: collection and review of confidential financial disclosure reports) of 1997. OGE will also conduct an ethics workshop for the Law Department's Managers and ethics attorneys on May 1, 1997.

The Postal Service annually sends the maximum allowed representation (most recently 10 people) to OGE's 3-day Annual Ethics Conference, to learn about OGE requirements and recent developments in government ethics, participate in training seminars, and network with fellow government ethics professionals from OGE and from other Executive Branch agencies. The Postal Service's delegation has consisted primarily of ethics professionals from the headquarters and field components of the General Counsel's office, together with representation from Purchasing and from the Inspection Service.

Annually, the General Counsel's office has filed a required statistical report in the format specified by OGE, due at the end of January. This report provides OGE with data concerning agency programs in the areas of financial disclosure, training, counseling, and other matters.

B. Review of Financial Disclosure Reports. Two reports are collected from different groups of employees: (1) SF 278 (public report), and (2) OGE 450 (confidential report). The Postal Service's procedures for filing and review of these reports as developed since 1993 were codified in a Management Instruction that was issued and disseminated in January 1997.

1. SF 278. Public reports are required to be submitted by all employees serving in positions paid at a rate equal to 120 percent of the minimum rate for GS-15. (This filing threshold is currently $85,073). The reports are filed when an employee first enters such a position, annually thereafter in the spring, and again upon leaving the Postal Service. Corporate Personnel Operations notifies the filers, who return the completed reports to the Civil Practice Section of the General Counsel's Office, where they are reviewed and certified. Approximately 725 postal employees are currently required to file the public reports.

SF 278 is also used by nominees for Governor of the Postal Service. The Alternate DAEO reviews each of these reports in coordination with the Office of Government Ethics and the White House Counsel's office, prior to submission of a nomination to the Senate. Afterwards, the Alternate DAEO has provided an evaluation of the report if requested by the Senate committee considering the nomination. Once a Governor is confirmed, he or she submits an annual report which, though confidential by law, uses SF 278. These reports are reviewed by the Alternate DAEO.

Conflict Check Procedures. As explained in the Management Instruction on Financial Disclosure Report Procedures for the U.S. Postal Service that was issued in January 1997, federal criminal law prohibits postal employees from knowingly participating in any particular matter that will have a direct and predictable effect on their own financial interests, or those of certain family members, business associates, and organizations. It is the personal responsibility of each employee to comply with this law, and to identify and avoid conflicts of interest. Employees receive training regarding their ethics obligations, and are encouraged to seek information and advice with regard to ethics matters from the DAEO, Alternate DAEO, and other agency ethics officials.

To assist employees in detecting potential conflicts between certain postal business matters and the reported holdings (as required by SF 278 forms) of the postal Governors, the Postmaster General, and the Deputy Postmaster General, the General Counsel has developed a process for performing conflict checks. Up-to-date information is obtained monthly from the Marketing, Finance, and Purchasing areas, and from the Board's Secretary and various management committees, with respect to business matters being contemplated or pursued by the Postal Service. The Civil Practice Section then performs conflict checks prior to management meetings and the monthly Board of Governors meeting. Software has been installed that allows conflict of interest checks to be performed by searching databases of individuals' coded financial information for "hits" with business names. If a search should reveal a match, the individual is contacted immediately and advised to recuse himself or herself from all official matters pertaining to that business until the situation can be fully analyzed.

In addition to the computerized checking process, Law Department ethics staff have initiated screening processes to ensure that executives who have executed recusal statements do not participate in postal business that involves or affects any of their actual or imputed holdings. The screening process involves making the direct reports and staff of the executives aware of the recusal statement and the businesses listed therein so that postal matters involving those businesses will not come before the executives until and unless it is determined that there will be no actual or apparent conflict, or a waiver is received allowing participation in the matter.

As an added means of detecting potential conflicts of interest, all the Law Department sections coordinate regular meetings with their client organizations to identify pending and proposed postal business matters and the parties involved in them. Conflict checks are then performed using this information, and matters

appearing to involve a potential conflict for a governor or officer will be identified, researched, and resolved at an early stage. Whenever appropriate, the General Counsel will seek waivers and certificates of divestiture from OGE for postal officials.

2. OGE 450. The Postal Service is required to obtain confidential financial disclosure reports, using Form OGE 450, from employees paid at levels below that for filing SF 278, if their positions involve substantial responsibilities in contracting, law enforcement, or certain other matters. There are currently approximately 6,400 employees in this category. Reports are to be filed upon entering such a position, and annually on October 31. Under existing practice, as codified by the Management Instruction, each Vice President determines which employees should be directed to file, from headquarters and headquarters-related units. Headquarters and headquarters-related units file their forms with their Vice President, each of whom has designated an ethics representative to receive, review, and maintain the reports, with advice and assistance from Civil Practice. If the ethics representatives themselves are required to file OGE 450, their forms are reviewed and maintained by the Civil Practice Section. By request of the Chief Operating Officer, Human Resources at headquarters maintains a standardized list of positions required to file from field organizations. For field employees, Human Resources initiates a mailing from the Minneapolis Information Systems Service Center (ISSC) notifying those required to file reports. Field employees file their reports with the assigned field counsel office, which reviews and maintains the reports.

Kit, Formats and Review Training. To assist both headquarters ethics representatives and field counsel in performing their functions, since 1993 the Law Department has annually distributed to them a detailed Kit for Collecting Confidential Financial Disclosure Forms. These kits contain: a cover letter from the DAEO; checklists showing deadlines for collection and review; a transmittal letter from the DAEO to filers; four summary report forms to return monthly to show the progress of their work, and a final report form; a sample delinquent filer letter; and other suggested strategies for following up with delinquent filers. The summary reports are used by Civil Practice to prepare the annual statistical report required by OGE each January. In the fall of 1997, all headquarters ethics representatives and field counsel are scheduled for an additional four-hour OGE training session at Postal Headquarters on the collection and review of OGE 450 forms.

C. Education and Training. OGE regulations require two types of training: (1) introductory familiarization for new employees, and (2) annual training for filers of financial disclosure reports. Each of these types of training must be at least one

hour in duration. The Postal Service also provides other supplemental ethics training.

1. Introductory Familiarization. When the current OGE training regulation took effect in 1992-1993, the Postal Service was required to make certain information available to its more than 700,000 employees, and to provide each employee with one hour of familiarization with the Standards of Ethical Conduct for Employees of the Executive Branch. This was accomplished through several actions. First, the General Counsel's office prepared a letter that was signed by the Postmaster General and mailed to all employees, providing notice of the Standards, announcing the forthcoming familiarization training, and providing the names and telephone numbers of ethics advisors. Next, with professional assistance, the General Counsel's office prepared a video training tape, "Ethics and You," which was distributed throughout the Postal Service for showing to all employees. Several thousand copies of the Standards were mailed to offices around the country to be available to employees upon request, in connection with the training.

Subsequently, the General Counsel's office assisted the Corporate Training organization to produce a new module on ethics familiarization to be included in training new employees. For the past year, course materials have included an edited version of the "Ethics and You" video, written materials for the instructor, and handouts for the employee including a summary of the Standards of Ethical Conduct, a list of USPS ethics advisors, and information about where to consult the full text of the Standards. In addition, the full text of the Standards of Ethical Conduct can be accessed and downloaded by employees on the Postal Service's Web site. Other ethics information, including a training calendar and updated reference lists, will be added to the Web site during the next few months.

2. Annual Training for Filers. Beginning in 1993, OGE regulations have required that all filers of financial disclosure statements receive at least one hour of ethics training every year. The General Counsel's office has coordinated each year's training, which has been accomplished through the production of Postal Satellite Training Network (PSTN) broadcasts for all Postal Service financial disclosure filers at headquarters and in the field. In 1993, the training featured a panel of ethics professionals answering questions in interactive call-in format. In 1994, an ethics training video produced commercially for the Department of Defense was modified for the Postal Service broadcast. In 1995, ethics counsel from the General Counsel's office served on an interagency committee which produced a Government-wide training broadcast, with an interactive call-in component. In 1996, the General Counsel's office coordinated a satellite broadcast using selections from a second government-wide broadcast earlier in the year and adding

postal material presented by the General Counsel and other Postal Service officers, including the Chief Operating Officer, the Chief Postal Inspector, the Vice President for Human Resources, and the Vice President for Purchasing.

Each year, video copies of the training are produced for use by those employees unable to participate in the broadcast. Each organization is assigned responsibility for scheduling its own filers to receive the training, and for reporting the results back to the Postal Service's Corporate Training organization. In 1996, the ethics broadcast was viewed either live or on tape by at least 7,472 employees in fulfillment of their annual ethics training requirement, a significant increase over 1995, when 4,346 employees saw the broadcast.

Since 1994, the General Counsel or her staff has provided annual ethics training to the Board of Governors at one of its regular meetings. In 1996, ethics training was provided to the Board of Governors at its December meeting.

3. Voluntary Training. The General Counsel's office and other offices in the Postal Service have sponsored numerous other ethics training sessions to focus on specific needs.

a. Ethics resource training. In 1993, following introduction of the new Standards by OGE, the General Counsel's office recommended to management that a full day of ethics training be provided to individuals throughout the field organizations who could then serve as ethics resources for their organizations to field routine questions and channel issues needing legal review to the appropriate field counsel. Field management designated about 170 employees to add the ethics resource function to their duties. Attorneys from the General Counsel's office trained them at several locations around the country. Also in 1993, about 20 headquarters ethics representatives were named by the Vice Presidents and trained by the Law Department.

In March 1997, current headquarters ethics resource people received an ethics overview training. They are also scheduled in October for specific training regarding the confidential financial disclosure report process. In addition, Law Department Headquarters and Field attorneys will receive refresher training in Ethics on May 1, 1997.

b. Procurement ethics training. Developments on several high-profile contracts have reminded the Postal Service of the need to devote special attention to ethics in the procurement context. In 1993, the Purchasing, Transportation, and Facilities organizations provided a day of specialized ethics training to all of their responsible

personnel nationwide, about 1,100 trainees. Also in 1993, procurement authority and responsibility in these areas was consolidated under one Vice President. The General Counsel's office assisted in the development of the training course, which was presented by outside trainers under contract. In 1994, the same group received 2 1/2 hours of follow-up ethics training. In 1996, working with another federal agency, Purchasing enhanced its training program by developing some interactive computerized training focusing on procurement-related issues. The computer-based training was subsequently adapted by Corporate Training and Development for use in connection with new employee orientation on a nationwide basis. Moreover, the new purchasing manual makes procedures uniform in all areas of purchasing.

c. Filer training. In 1993, when the SF 450 forms developed by OGE were first in use in the Postal Service, the Alternate DAEO provided an interactive training session called "Cover Your Assets," broadcast on PSTN, on how to understand and complete the form. The broadcast was intended for all interested filers of SF 450. "Cover Your Assets" is maintained as an ethics information resource in OGE's Ethics Information Center.

In addition, supplemental instructions are sent to SF 450 filers with their 450 forms, and to OGE 278 filers with their 278 forms; a list of ethics contacts is included with both packages.

d. Requested training. Each year attorneys from the General Counsel's office, both at headquarters and in the field, have provided several ethics training sessions for particular groups upon request. Since 1995, teams established to work on several important contracting assignments have requested and received ethics training, as has the Inspection Service's forensics section.

In 1996, a cross-functional ethics team was created in the Law Department to develop customized training programs for Postal Service departments. This year specialized ethics training has already been completed for the Marketing, Finance, and Human Resources Departments.

e. Ethics news features. Ethics counsel at headquarters distributed an ethics newsletter in 1995; another is planned for 1997. Since 1996, the Law Department has used Postal Link (an e-mail system for 20,000 postal managers) to feature various timely ethics topics and reminders, such as a reminder about gift restrictions that was featured at the beginning of the 1996 holiday season. Postal Link will be frequently utilized to inform managers about upcoming filing deadlines, raise

awareness of ethics issues, and widely disseminate information about ethics training and contacts.

f. Officer training. In 1994, after the new OGE Standards were introduced, the Alternate DAEO provided special face-to-face training sessions for the officers of the Postal Service, after providing them with a written summary in advance. While similar in content to the training for other filers of financial disclosure reports, the officer training provided an opportunity for more questions and interchange within small-group settings. This training has continued through the present, and was given in 1996 to three new Vice Presidents and the Inspector General.

D. Monitoring administrative actions and sanctions. The General Counsel's office maintains direct control over all formal divestiture actions under the ethics rules, and over late-filing fee assessment and collection for SF 278 filers. The Alternate DAEO and the Inspection Service's Independent Counsel have been meeting quarterly to review the status of any ethics matters referred by the General Counsel to the Inspection Service for investigation. Summary sheets for ethics matters are maintained by the General Counsel's Office based upon information provided by the Inspection Service. The Chief Inspector sent a letter to all inspectors in early 1997 reminding them of their obligation to notify the General Counsel and the Office of Government Ethics every time they make an ethics referral to the Department of Justice, and to provide follow-up information on the referrals. The General Counsel has sent a letter to the Inspector General, also, to coordinate the referral of matters to the Department of Justice and the Office of Government Ethics.

E. Counseling. The General Counsel's office makes ethics counseling and advice available upon request through the Alternate DAEO at headquarters and through each of the eight field legal offices. All employees have the right to request counseling. Counseling covers any matter arising under the Standards of Ethical Conduct for Employees of the Executive Branch, the Postal Service's supplemental standards, and criminal statutes pertaining to ethics. The ethics representatives for each Vice President at headquarters and about 170 specially trained ethics resource personnel in the field are available to facilitate and feed into the General Counsel's ethics counseling program. As a very large part of his daily work, the Alternate DAEO routinely provides ethics advice for the officers of the Postal Service and other headquarters personnel on such matters as OGE's "widely attended gathering" exception to the gift rule, gifts or contemplated gifts by fellow employees, gifts received from international governments, conflicts of interest, outside employment and post-employment discussions, and endorsements or recommendations for charities, non-profit groups, or the like. Several of OGE's

regulations provide for requests by employees for rulings or waivers by the DAEO or her representatives on ethics matters, as do the Postal Service's own rules on outside employment interests and spousal service as a highway transportation contractor. Such rulings are issued by the DAEO or Alternate DAEO, or by attorneys in the field offices usually in consultation with the Alternate DAEO.

Due to the critical importance of ethics compliance in procurement matters, in 1995 the General Counsel directed the formation of an Ethics Advisory Council to remain available to explore and resolve all ethics issues surfaced in connection with major procurements. This Council consists of the Alternate DAEO; the Chief Counsel, Purchasing; the Manager, Field Support and Integration; and the Manager, Headquarters Purchasing. The Ethics Advisory Council was responsible for formulating remediation strategies in connection with issues identified in several recent contracts.

F. Record keeping. OGE's requirements for maintaining financial disclosure and ethics advice files, together with its requirement for annual statistical reports on financial disclosure, training, and other program elements, define the primary record keeping need. Since the Civil Practice Section reviews all SF 278 reports, that section maintains the files and records pertaining to those reports. OGE 450 files are maintained by the reviewers on-site in their respective headquarters departments, and by the Field Legal Offices. Requirements for the security of these files are contained in the associated Privacy Act Systems of Records in the Administrative Support Manual, and are summarized in the Management Instruction that was issued in January 1997. For headquarters and related units, each Vice President and his or her designated ethics representative have review and record-keeping responsibility for OGE 450s collected within their respective organizations. For field units, the field law offices have performed these functions, dating prior to 1986 when field counsel reported directly to the former Regional Postmasters General. Both the headquarters ethics representatives and the field counsel are required to report summary statistics to the General Counsel's office for use in monitoring compliance and reporting to OGE. Report formats are in the Kits supplied in advance of each fall's OGE 450 filing cycle. Records of ethics advice and counseling are maintained by the legal office providing the advice, including the Civil Practice Section and each field legal office.

G. Periodic evaluations. The main elements of OGE's current requirements for federal agency ethics programs are a product of sweeping government-wide reform and standardization of both substantive and administrative ethics requirements introduced in 1992-1993. These changes came at a time when the Postal Service was undergoing its own restructuring. OGE's newly standardized SF 450 disclosure

requirement took effect in the fall of 1992, when the widespread staffing changes and reassignments made it impractical to determine who should file, in time to comply. Early in 1993, OGE's new substantive Standards of Ethical Conduct for Employees of the Executive Branch took effect, superseding individual agency standards. Also in 1992-1993, OGE's training rules applied for the first time, requiring one-time introductory familiarization with the new Standards for all existing employees, similar familiarization subsequently for all new employees as hired, and annual ethics training for financial disclosure filers. This entailed familiarization training for over 700,000 postal employees. Accordingly, for 1993 and the next few years, the Postal Service's administrative task was to adjust to the new generalized requirements newly applicable to all agencies. The efforts of the DAEO and her ethics staff focused on getting sufficient systems in place to accommodate these requirements.

At the time of the 1992 reorganization and shortly after, the General Counsel made several changes to the management of the ethics program. She added an intermediate level manager (then the Chief Counsel, Ethics and Information Law, and now the Managing Counsel, Civil Practice) to assist the Alternate DAEO in directing the day-to-day ethics program. She requested each headquarters Vice President to designate a permanent ethics representative to work with her ethics staff to accomplish required financial disclosure, ethics training, and ethics counseling tasks. The Chief Counsel, Ethics and Information Law, and the Alternate DAEO then met individually with each Vice President's ethics representative to explain the OGE requirements, work out with them how to achieve the requirements within their organizations, and provide written instructions. Included in these discussions was a consultation about each organization's evaluation of which positions to designate as having to file Form 450. The current ethics representatives received overview ethics training in March 1997, and will receive training on the collection and review of Forms 450 in October 1997. Both training courses will be conducted by OGE training staff at Postal Service headquarters.

Early in 1994, after the first training and filing cycle, the General Counsel provided to each Vice President an Ethics Compliance Report for the VP's organization, summarizing that organization's progress in completing training and financial disclosure requirements. Several Vice Presidents whose organizations had not completed the requirements or had not reported their statistics were provided deficiency notices, requesting further action.

From 1993-1995, the General Counsel's office organized periodic general meetings of all headquarters ethics representatives to plan for annual filing and training

cycles and to answer their questions. This will be repeated in 1997. A cross-functional Ethics Team, consisting of an attorney from each of the Law Department's sections, meets regularly to focus on ongoing ethics training activities, and to plan and develop the annual ethics broadcast for 1997.

The OGE-initiated changes and the Postal Service's internal restructuring also necessitated a review of Postal Service ethics regulations to determine what needed to be revised. A detailed "Catalog of Ethics Responsibilities" was prepared late in 1993, listing all external regulatory requirements in detail and summarizing who currently performed which tasks in the Postal Service, and what internal regulations needed revision. Afterwards, the General Counsel's office prepared a revision of the Postal Service's Supplemental Standards of Ethical Conduct, obtained the required approval from the Director of OGE, and published in the Federal Register for public comment. A final rule was published in the Federal Register on September 11, 1995, for codification at 5 C.F.R. Part 7001. At the same time, the General Counsel's office published a separate document in the Federal Register revising the Postal Service's Rules of Conduct regulations codified at 39 C.F.R. Part 447, formally repealing material superseded by OGE's Standards of Ethical Conduct for Employees of the Executive Branch, and conforming the regulations to the new Postal Service supplemental standards.

As noted in section E, above, in 1995, the General Counsel required the formation of the Ethics Advisory Council to quickly and comprehensively address any ethics issues that surface as major procurements are developed. The General Counsel's office also developed a new ethics clause for use in personal services contracts retaining individuals to work on procurement matters.

H. Coordination with the Inspector General. The General Counsel and the Inspection Service have ongoing communications, as well as documentation of the status of ethics matters referred by the General Counsel to the Inspection Service for investigation. The Alternate DAEO and other ethics attorneys meet quarterly with the Inspection Service's Independent Counsel to address those needs. In 1996, the Inspection Service's tracking system was adapted to track ethics-related offenses that are referred to the Department of Justice for possible prosecution. The tracking information is provided to the General Counsel and to OGE on a regular basis. The General Counsel will similarly coordinate communications and documents regarding ethics matters with the new Inspector General and the IG office.

Attachment III

RESOLUTION OF THE BOARD OF GOVERNORS
OF THE
UNITED STATES POSTAL SERVICE

Resolution No. 95-11

Charter of the Audit Committee

The Postal Reorganization Act provides that the Board of Governors "shall direct and control the expenditures and review the practices and policies of the Postal Service." The Board "may establish such committees of the Board, and delegate such powers to any committee, as the Board determines appropriate to carry out its functions and duties." Pursuant to this authority and to Sections 4.1 and 5.1 of the Bylaws, and to assist it in the execution of its statutory responsibility, the Board has established the following charter for its Standing Audit Committee. It is, therefore, hereby

RESOLVED:

The Audit Committee is a committee of the Board of Governors. The Committee shall be composed of at least three Governors of the Postal Service, appointed by the Chairman of the Board. The duties and responsibilities of a member of the Audit Committee are in addition to those duties set out for a member of the Board of Governors. Its primary function is to assist the Board in fulfilling its oversight responsibilities, by reviewing 1) the financial reporting process, 2) the internal audit function administered by the Inspection Service, and 3) the external audit process with the independent auditors. The Committee is responsible for ensuring the soundness of the accounting and control practices and the integrity of the financial statements of the Postal Service.

In meeting its responsibilities, the Audit Committee is expected to:

- Meet at least four times per year or more frequently as circumstances require. The committee may ask management or others to attend the meeting and provide pertinent information as necessary.
- Report committee activities to the full Board of Governors on a regular basis, with appropriate recommendations for consideration by the Board.
- Provide an open means of communication between management, the internal auditors (the Inspection Service), the independent auditors, and the Board of Governors.

- Recommend to the Board of Governors, as part of its oversight function, retention or dismissal of the independent auditors.

- Review and concur in the appointment, reassignment, or dismissal of the director of internal auditing. The senior Postal Service official immediately responsible for the internal audit function (the Deputy Chief Inspector - Audit) may be removed from that position only by action of the Board after receiving information from the Audit Committee, and that the Audit Committee will be kept advised of proposed assignments to that position.

- Inquire of management, the director of internal auditing (the Deputy Chief Inspector - Audit) and the independent auditor about significant financial risks or exposures and assess the steps management has taken to minimize such risks to the organization.

- Review with the independent auditors and the internal auditors, the Postal Service's basic accounting policies and practices, and any proposed significant changes thereto or deviations from prior practice; make recommendations to the Board with respect to these policies and practices and the scope and extent of audits to be made.

- Review with the independent auditor and the director of internal auditing their respective audit plans and scope of work. Also, review the coordination of audit effort to assure completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.

- Confirm and assure the independence of the internal auditor and the independent auditor. Include a review of management consulting services provided by the independent auditor and fees related to the services performed.

- Consider and review with the independent auditor and the director of internal auditing the adequacy of the Postal Service's internal controls including information systems controls and security and any related significant findings and recommendations together with management's responses thereto.

- Review the reported interim financial results with management, the independent auditors and the director of internal auditing, as appropriate.

- Review legal and regulatory matters that may have a material impact on the financial statements, or are of a particularly sensitive nature and related Postal Service compliance policies, and programs.

- Review with management and the independent auditor at the completion of the annual audit:
  - The Postal Service's annual financial statements and related footnotes.
  - The independent auditor's audit of the financial statements and their report thereon.
  - Any significant changes required or made in the independent auditor's audit plan during the annual audit.
  - Any serious difficulties or disputes with management encountered during the course of the audit. The Audit Committee should be advised by management where it seeks a second opinion on a significant accounting issue.
  - Other matters related to the conduct of the audit which are to be communicated to the Audit Committee under generally accepted auditing standards (GAAS) and/or generally accepted government auditing standards (GAGAS).
- Consider and review with management and the director of internal auditing:
  - The internal audit work plan, including the audit charter, budget and staffing of the internal audit function and compliance with generally accepted auditing standards.
  - Any changes required in the planned scope of the internal audit work.
  - Any difficulties encountered in the course of their audits, including any restrictions on the scope of their work or access to required information.
  - Significant findings during the year and management's responses thereto.
  - Status of corrective action on prior audit findings.
- Review policies and procedures with respect to Governors and Officers' expense accounts and consider the results of any review of this area by the internal audit department and the independent auditor.
- Meet with the director of internal auditing, the independent auditor, and management in separate executive sessions to discuss any matters that the committee or each group believes should be discussed privately with the Audit Committee.

- Review with senior management, as part of a systematic and ongoing process, various financial aspects of the Postal Service.
- Review with the director of internal auditing the results of their review of management's monitoring of compliance with the Postal Service's Code of Ethical Conduct.
- Request and review the most recent external Quality Control/Peer Review of the independent auditor and the internal auditor as required by their respective auditing standards.
- Prepare a letter for inclusion in the annual report that describes the committee's composition and responsibilities, and how they are discharged.
- Review the committee's charter annually and update it as necessary.
- Authorize investigations into any matters within the committee's scope of responsibilities as delineated by this resolution.

That in carrying out the above responsibilities, the Audit Committee shall have a continuing obligation to keep the Board fully informed of all significant matters.

This resolution supersedes Resolution 82-1, adopted February 9, 1982, and Resolution 85-2, adopted February 5, 1985.

The foregoing Resolution was adopted by the Board of Governors on August 1, 1995.

Secretary

Attachment IV

RESOLUTION OF THE BOARD OF GOVERNORS
OF THE
UNITED STATES POSTAL SERVICE

RESOLUTION NO. 95-3

Compensation Committee

RESOLVED:

Pursuant to section 5.1 of the Bylaws, the Board of Governors establishes a standing committee, the Compensation Committee, for the following purposes:

(1) to consider and make recommendations to the Board on management's proposals with respect to salaries, incentive plans, and other compensation to be paid to officers of the Postal Service at the PCES-II level.

(2) to review management's proposed new hires into positions at the PCES-II level, along with proposed salary arrangements, including commitments other than salary. Management will distribute information on new hires to the Board in a timely fashion to acquaint members with their experience and skills.

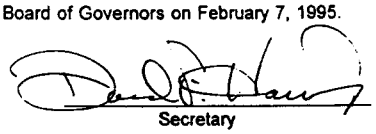
(3) to review and make recommendations to the Board on the administration of salaries, incentive plans and other compensation to be paid to managers of the Postal Service at the PCES-I level.

The committee is authorized to gather information on behalf of the Board and to submit recommendations to the Board, but is not authorized to take action on behalf of the Board.

The committee shall include a chairman and other members who shall be appointed by the Chairman of the Board in accordance with section 4.1(a)(2) of the Bylaws.

Previous Resolutions of the Board that are inconsistent with this Resoluton are hereby rescinded.

The foregoing was adopted by the Board of Governors on February 7, 1995.



Secretary

Attachment V

RESOLUTION OF THE BOARD OF GOVERNORS
OF THE
UNITED STATES POSTAL SERVICE

Resolution No. 94-2

Establishment of the Strategic Planning Committee

RESOLVED:

That the Board of Governors, recognizing that the Postal Service faces change as a result of technology advancements and growing competition from industry, establishes a special committee, the Strategic Planning Committee, pursuant to section 5.1 of the Bylaws of the Board of Governors, consisting of the Chairman of the Board, the Postmaster General and two other members of the Board, to focus on the future of the Postal Service, evaluating core policy changes that will be required for a vital Postal Service into the next century, and to advise the Board on the design of a business vision for the Postal Service and the development of new services for revenue generation; and

That it shall be within the authority of the Committee to gather information on behalf of the Board, but is not authorized to take action on behalf of the Board.

The foregoing Resolution was adopted by the Board of Governors on February 8, 1994.

Secretary

Attachment VI

RESOLUTION OF THE BOARD OF GOVERNORS
OF THE
UNITED STATES POSTAL SERVICE

Resolution No. 95-14

Establishment of the Capital Projects Committee

RESOLVED:

Pursuant to section 5.1 of the Bylaws, the Board of Governors establishes a new standing committee, the Capital Projects Committee, consisting of three members of the Board to 1) assist the Board in considering policies and issues with regard to capital programs and 2) review management's capital investment funding requests and present its findings and recommended actions thereon to the Board; and

That it shall be within the authority of the Committee to gather information on behalf of the Board, and report to the Board concerning this information, but that the committee is not otherwise authorized to take action on behalf of the Board.

The foregoing Resolution was adopted by the Board of Governors on December 5, 1995.

Secretary

Attachment VII

RESOLUTION OF THE BOARD OF GOVERNORS
OF THE
UNITED STATES POSTAL SERVICE

Resolution No. 97-3

Office of Inspector General

Section 8G(f) of the Inspector General Act of 1978, as amended, has created an Office of Inspector General for the United States Postal Service, replacing the former provisions of that Act which lodged the Inspector General function within the Postal Inspection Service. Section 662(e) of the Treasury, Postal Service and General Government Appropriation Act, 1997, and section 8G(b) of the Inspector General Act require the Governors to determine what functions, powers, and duties should be transferred to the Office of Inspector General as being related to the functions of that office and needed to further the purposes of that Act.

RESOLVED:

1. Division of functions. The Office of Inspector General shall have the functions, powers, and duties necessary for the work reflected in the attached schedule dividing responsibilities between the Inspector General and Inspection Service. The functions transferred shall not include any program operating responsibilities of the Inspection Service, within the meaning of section 8G(b) of the Inspector General Act.

2. Investigative powers. To the full extent necessary to enable the Office of Inspector General properly to perform its investigative functions consistent with the Inspector General Act, the Governors authorize the Office of Inspector General to exercise, concurrent with the Postal Inspection Service, the investigative functions, powers, and duties delegated to the Postal Inspection Service under authority of 39 U.S.C. § 404(a)(7), 18 U.S.C. § 3061, or other law.

3. Support. The Postal Service shall make available to the Office of Inspector General the facilities, space, equipment, funding, and all other support necessary for that Office to perform its functions under the Inspector General Act.

4. Audit Committee. The Inspector General, or his or her representative, shall regularly attend and participate in meetings of the Audit Committee of the Board. The Inspector General shall, in addition, have full access to the Chairman of the Board, and shall report to the Board of Governors (appointed members)

periodically but not less frequently than every six months, consistent with the Inspector General Act.

Sections 1, 2, and 4 of the foregoing Resolution were adopted by the Governors, and section 3 was adopted by the Board of Governors, on March 4, 1997.

Secretary

DESIGNATION OF FUNCTIONS

INSPECTOR GENERAL

AUDITING

- Financial Statement: Overall Opinion
- Postal-wide Performance
- Contracts, except pre-award and post-award
- All Developmental
- Facilities
  - Facilities Construction of $10M or more
  - Right of First Choice Between $5-$10M
  - Leases of $1M or more
  - Repair and Alterations of $1M or more
- Revenue Focused (International Mail)

INVESTIGATING

- Revenue
  - Bribery, Kickback, and Conflict of Interest
- Worker's Compensation
  - IG Subpoenas
  - Monitors Programs
- Embezzlements: Conduct/Partner on Cases of $100K or more
- Expenditure
  - Bribery, Kickback, and Conflict of Interest
- Conduct/Partner on Cases Involving Executives
- Inspection Service Internal Affairs
  - Executives
- Computer Forensics
- Hotline

ADDITIONAL OIG AUDITING AND INVESTIGATING FUNCTIONS

- Oversight of Inspection Service
- Rate Making Reviews
- Revenue Generation
- Labor Management
- Electronic Commerce

INSPECTION SERVICE

AUDITING

- Financial Statement: Installation and District
- Area, District and Local Performance
- Service Investigations
- Contracts, pre-award and post-award
- Facilities
  - Facilities Construction of $5M or less
  - Between $5-$10M if not done by IG
  - Leases under $1M
  - Repair and Alterations Under $1M

INVESTIGATING

- Revenue
  - Revenue Loss Detection
- Worker's Compensation
  - Primary Responsibility for Conducting
- Embezzlements: Under $100K
- Expenditure
  - As Referred by IG
  - IMPAC Cards
  - Local Purchases/Procurements
- Emergency Response on Cases Involving Executives
- Internal/External Crimes, Protection of Employees, Security, Fraud and Prohibited Mailings
- Inspection Service Internal Affairs
  - Non-Executives
- Forensic and Technical Services

Attachment VIII

POSTAL SERVICE
Request for comments on development of Strategic Plan for U.S. Postal Service, pursuant to the Government Performance and Results Act of 1993

AGENCY: Postal Service.

ACTION: Request for comments.

SUMMARY: The Government Performance and Results Act of 1993 requires that the Postal Service and Federal agencies set strategic goals, measure performance, and report on results. It requires development, no later than by the end of fiscal year 1997, of a five-year strategic plan, to include the organization's mission statement, identify its long-term strategic goals, and describe how it intends to achieve its goals. The Act also requires that in developing its Strategic Plan. the Postal Service shall solicit and consider the ideas of those potentially affected by or interested in the Strategic Plan. This notice therefore asks for public comment concerning development of the Postal Service's Strategic Plan for the years 1998-2002.

DATES: Comments must be received by June 1, 1997.

ADDRESS: Written comments should be directed to Robert A.F. Reisner, Vice President, Strategic Planning, U.S. Postal Service, 475 L'Enfant Plaza, S.W., Washington, DC 20260-1520.

FOR FURTHER INFORMATION CONTACT: Jon L. Cook, (202) 268-4099.

SUPPLEMENTARY INFORMATION

Statutory Background.

The Government Performance and Results Act of 1993, P.L. 103-62, (GPRA) was enacted to make Federal programs more effective and publicly accountable by targeting results, service quality, and customer satisfaction. Other statutory goals were to improve Congressional decisionmaking and to improve internal management of the Federal Government. P.L. 103-62, sec. 2(b), 107 Stat 285. Because of the Postal Service's role as an independent establishment of the Executive Branch of the Government of the United States, section 7 of the law establishes separate provisions which apply to the Postal Service (sections 2801-2805 of title 39, United States Code).

Section 2802 of title 39, United States Code, requires that the Postal Service submit to the President and the Congress a strategic plan for its program activities, no later than September 30, 1997. The plan is to contain:

(1) a comprehensive mission statement covering the major functions and operations of the Postal Service;
(2) general goals and objectives, including outcome-related goals and objectives, for the major functions and operations of the Postal Service;
(3) a description of how the goals and objectives are to be achieved, including a description of the operational processes, skills and technology, and the human, capital, information, and other resources required to meet those goals and objectives;
(4) a description of how the performance goals included in the plan required under section 2803 shall be related to the general goals and objectives in the strategic plan;
(5) an identification of those key factors external to the Postal Service and beyond its control that could significantly affect the achievement of the general goals and objectives; and

(6) a description of the program evaluations used in establishing or revising general goals and objectives, with a schedule for future program evaluations.

39 U.S.C. 2802(a).

The GPRA also requires the preparation of annual performance plans covering each program activity set forth in the Postal Service budget. 39 U.S.C. 2803. These plans are to link the strategic goals in the Strategic Plan with ongoing operations. In addition, the law requires preparation of program performance reports, to review and compare performance with performance goals in the annual performance plan. 39 U.S.C. 2804.

In order to involve the public in the process, GPRA requires that, as it develops its strategic plan, the Postal Service "shall solicit and consider the views and suggestions of those entities potentially affected by or interested in such a plan, and shall advise the Congress of the contents of the plan." 39 U.S.C. 2802(d).

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Discussion of the Postal Service Mission and its Strategic Planning Process.

In 1970, the Congress enacted the Postal Reorganization Act, recasting the former Post Office Department as the United States Postal Service. Its intent was that the former department evolve into a Federal entity that operates more like a business. While fulfilling its basic mission of providing universal service at a uniform price, the Postal Service would focus more clearly on the needs of all of its customers.

...The Postal Service shall have as its basic function the obligation to provide postal services to bind the Nation together through the personal, educational, literary and business correspondence of the people. It shall provide prompt, reliable, and efficient services to patrons in all areas and shall render postal services to all communities.

39 U.S.C. 101(a).

To carry out this mission of the United States Postal Service as described in section 101 of title 39, United States Code, the organic statute, a statement of mission was adopted in recent years:

> To provide every household and business across the United States with the ability to communicate and conduct business with each other and the world through prompt, reliable, secure and economic services for the collection, transportation and delivery of messages and merchandise.

A statement of vision was also developed at the same time and reads as follows:

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> Our postal products will be recognized as the best value in America. We will evolve into a provider of 21st century postal communications. We will be the most effective and productive service in the Federal Government and markets that we serve.

The Postal Service seeks comment on this interpretation of mission and vision. In addition, the Postal Service seeks comment on the management goals discussed below.

With its mandate to operate in a business-like manner, the Postal Service developed a 5-year Strategic Planning Process in the 1980's. The Postal Service also has been systematically reviewing performance and reforming processes. Since 1994, when the Postal Service applied the Malcolm Baldrige National Quality Award criteria to create a management system that is called *CustomerPerfect!*, the Postal Service has invested in a systematic revision of its management system, that is currently using process management tools to reform processes throughout the Service.

The *CustomerPerfect!* process is designed to provide structure and discipline to achieve better results for postal customers. The *CustomerPerfect!* management cycle has four distinct phases which can be described as: Establish, Deploy, Implement and Review. The "Establish" phase

involves setting organizational direction, determining long and near-term goals, and making decisions about how to measure progress. The output is a set of broad goals and subgoals for a five-year period, as well as a process prioritizing specific subgoals, targets, and indicators for the coming year.

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The "Deploy" phase involves communicating goals to the organization, to seek individual unit contributions to the achievement of targets. The "Implementation" phase requires specific, measurable targets for improvement. The "Review" phase involves a periodic check on the system and its performance, whose primary value is learning what will help improve future results.

Therefore, to comply with the requirements of GPRA to solicit and consider the views and suggestions of those entities potentially affected by or interested in such a plan, and to benefit from such guidance in the preparation of its strategic direction, the Postal Service is hereby requesting public comment on development of its Strategic Plan for the years 1998-2002.

Comments are requested in particular concerning the Postal Service's priorities in sustaining and enhancing a viable twenty-first century Postal Service, as reflected in the following goals developed as part of the *CustomerPerfect!* process:

(1) Improve customer satisfaction by offering superior customer value in each market and customer segment;

(2) 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 environment;

(3) Improve financial performance to assure our commercial viability as a service provider for the worldwide movement of messages, merchandise, and money.

Any comments pertaining to how the Postal Service can best achieve these goals, or on other aspects of strategic planning, goals or performance measurement will be appreciated.

Stanley F. Mires
Chief Counsel, Legislative.

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