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The Organization and Operations of the Postal Inspection Service: Proposals to Strengthen Independence and Reporting Requirements

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Subcommittee on Postal Operations
and Services
House Committee on Post Office and
Civil Service
House of Representatives

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Mr. Chairman and Members of the Subcommittee:

We appreciate the opportunity to appear here today to discuss the results of our review of the Postal Inspection Service. This review, conducted at the request of the Committee on Post Office and Civil Service and this Subcommittee, resulted in a report which was issued earlier this month and which describes actions that the Congress may wish to consider to strengthen the Inspection Service in the areas of independence and reporting to the Congress.[1] We have also provided you with information on the Inspection Service's organization and operations.

BACKGROUND

The Inspection Service is the Postal Service's law enforcement and audit arm. Its primary responsibility is to directly support the goals of the Postal Service. It meets this responsibility by

-- conducting audits of the Postal Service's financial statements and of the effectiveness, efficiency, and results of its programs and activities;

-- conducting investigations of white collar crimes, robberies, physical attacks on employees, and other illegal acts;

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[1] U.S. Postal Service: Postal Inspection Service's Independence and Reporting Requirements (GAO/AFMD-87-24, April 16, 1987).

-- taking actions, such as installing security devices, to help prevent crimes against Postal Service assets, employees, and postal patrons; and

-- operating the postal police force.

The Inspection Service maintains a Washington, D.C., headquarters office, five regional offices, and 40 division offices. Each division has investigation teams that perform criminal investigation work in their division's geographic area. Because many divisions are located in areas with few large postal installations or other facilities that require frequent audit activity, Inspection Service management has created audit teams in only 21 of the 40 divisions.

As of September 26, 1986, the Inspection Service employed 4,416 individuals, including 1,920 inspectors, 1,745 postal police, and 751 scientific, technical, and support staff. Its fiscal year 1986 and 1985 operating budgets were $224 million and $215 million, respectively. In fiscal year 1986, Inspection Service inspectors completed 17,007 investigations and 5,249 audit projects. (Attachment I includes additional information on the Postal Inspection Service's personnel practices and its procedures for planning and conducting audits and investigations.)

SIGNIFICANT DIFFERENCES EXIST BETWEEN THE INSPECTION SERVICE AND THE STATUTORY OFFICES OF INSPECTOR GENERAL

A comparison of the Inspection Service and the statutory offices of inspector general (OIGs) reveals many differences. Six of the more significant differences follow:

-- The Inspection Service is not as independent as the OIGs because, unlike an inspector general (IG), the Chief Postal Inspector, who heads the Postal Inspection Service, is appointed and can be terminated by the head of the agency. The President has the authority to appoint IGs, with the advice and consent of the Senate, and can remove IGs only upon communicating the reasons to the Congress.

-- Other than its semiannual report on consumer protection and the annual Comprehensive Statement on Postal Operations, the Inspection Service has no legislative or other requirement that it report to agency management and the Congress on the results of its audit and investigation activities. The OIGs report semiannually to the Congress on the results of their operations.

-- The Inspection Service operates the postal police force and performs crime prevention activities, such as installing

cameras and safes in post offices. In addition, it investigates acts of violence committed against postal employees and patrons. The OIGs do not perform these type of activities.

-- The Inspection Service classifies all staff performing audit and investigation activities as inspectors and rotates staff members between audit and investigation functions. IG personnel are generally hired as either auditors or investigators and perform the duties and responsibilities normally associated with their respective job classifications.

-- In fiscal year 1986, the Inspection Service allocated approximately 390 staff years to audits and 1,300 staff years to investigations. The staffs of IGs typically consist of many more auditors than investigators.

-- All Inspection Service inspectors are eligible for retirement at age 50 after 20 years of service. IG investigators are usually eligible for the 20-year retirement benefit; however, auditors are not.

MATTERS FOR CONGRESSIONAL CONSIDERATION

Based upon the results of our work, we believe there are two areas where the Congress may wish to consider actions to strength the Inspection Service. These areas are independence and reporti to the Congress.

Independence

Before the Congress passed the Inspector General Act of 1978 the heads of many federal audit and investigation organizations i major departments and agencies reported directly to the directors of the organizational units in which they performed audits and investigations. As a result, questions arose about the independence of those conducting the audits and investigations, a well as about their ability to report accurately and fully the results of their work. To eliminate this problem, the act requir that the IGs be under the general supervision of, and report to, the head or deputy head of the department or agency. To further increase independence, the act requires that the President of the United States appoint the IG, with the advice and consent of the Senate. The act also states that only the President can remove a IG from office and that the President must communicate his reason for doing so to the Congress.

In regard to his appointment or termination, however, the Chief Postal Inspector is not as independent as the statutory IGs. The Postmaster General has the authority to appoint and terminate the Chief Postal Inspector. By order of the Board of Governors, the only Inspection Service official that the Postmaster General cannot directly fire is the Assistant Chief Inspector for Audit. Termination of this individual requires the approval of the Board.

Conducting investigations of an agency's own high-level officials also opens an investigation organization to possible questions of a lack of independence. During the past 4 years, the Inspection Service conducted about 100 investigations of Postal Career Executive Service managers, and several of these investigations resulted in removal from the Postal Service, criminal convictions, or both. For example, an investigation of criminal activity by a Vice Chairman of the Postal Service Board of Governors involved a major conspiracy to manipulate the Postal Service for personal gain. The individual was convicted and is now in federal prison. In this case, the investigation resulted in a conviction, but if it had not, even if the facts justified exonerating the official, questions could have arisen about the independence of the Inspection Service or of the investigators. This perception of a lack of independence can be as harmful to the effective operation of an audit or investigation organization as situations where a lack of independence has been established.

To strengthen the Inspection Service's actual and perceived independence, the Congress may wish to consider taking one of several actions to change the current appointment and termination authority for the position of Chief Postal Inspector. Several legislative or administrative alternatives are available to accomplish this, including

-- amending the Inspector General Act of 1978 to create a statutory OIG at the Postal Service;

-- amending the Postal Reorganization Act and placing the appointment authority with the President, with the advice and consent of the Senate, and requiring notification of the Congress by the President upon termination;

-- amending the Postal Reorganization Act to place the appointment authority with the Board of Governors and to require notification of the Congress upon termination;

-- encouraging the Postal Service to take administrative action to place the authority for appointment and termination with the Postmaster General, with the advice and consent of the Board of Governors; or

-- encouraging the Postal Service to take administrative action to place the appointment and termination authority with the Board of Governors.

If the Congress desires to give the Chief Postal Inspector the same degree of independence as that of the IGs, it should legislate presidential appointment of the head of the Inspection Service, with the advice and consent of the Senate. The Congress should also give only the President the authority to terminate the Chief Postal Inspector. The reasons for such termination should be communicated to the Congress, as is required for the termination of IGs.

Reporting Requirements

Another congressional concern addressed by the Inspector General Act of 1978 was the need by the Congress and top department officials for information they were not receiving on the results of the work performed by federal audit and investigation units. The act requires IGs to report semiannually to the Congress on the results of their operations for the 6-month periods ending March 31 and September 30 of each year. The act requires that these reports include, but not be limited to, statistical and other information in the following six areas:

-- a description of significant problems, abuses, and deficiencies relating to the administration of programs and operations during the reporting period;

-- a description of the recommendations for corrective action made by the OIG during the reporting period with respect to significant problems, abuses, or deficiencies identified;

-- an identification of each significant recommendation described in previous semiannual reports for which corrective action has not been completed;

-- a summary of matters referred to prosecutive authorities and of the prosecutions and convictions that have resulted;

-- a summary of each report made to the head of the establishment concerning instances when information or assistance requested was unreasonably refused or not provided; and

-- a listing of each audit report completed by the OIG during the reporting period.

The Inspection Service plays a key role in helping to maintain an effective and efficient Postal Service. It investigates criminal activities committed against the Postal Service or its

patrons by postal employees and others, and it audits Postal Service programs and operations. However, it is not currently required to provide detailed information on its investigation and audit activities to the Congress in semiannual or other reports.

In fiscal year 1986, the Inspection Service completed 17,007 investigations and 5,249 audit projects. Much of this work resulted in reports and in improved effectiveness or efficiency at the Postal Service. Some assignments received high exposure in the press either because of their conclusions about major postal operations or activities audited or because of the high level of the individuals investigated within the Postal Service. For example, recent work has included

-- audits of Postal Service's activities or operations, including automated mail processing, air contracting, second-class mail, control of overtime, and bulk business mail;

-- an investigation of E.F. Hutton, which resulted in a guilty plea to a 2,000-count information; and

-- an investigation of insider trading cases in New York involving Ivan Boesky and others. (The Inspection Service is the lead federal investigative agency pursuing criminal violations in this matter.)

The Congress, to ensure that it receives information on results of the Inspection Service's audits and investigations and to help evaluate the operations of the Postal Service, may wish to require that the Inspection Service prepare semiannual and other reports similar to those prepared by the OIGs. The Congress could do this in several ways, including

-- amending the Inspector General Act of 1978 to create a statutory OIG at the Postal Service and, thereby, to require these reports; or

-- amending the Postal Reorganization Act to require semiannual and other reports to the Congress.

Another alternative, which would not require congressional action, would be for the Postmaster General or the Board of Governors to require that the Inspection Service prepare reports similar to those currently required of OIGs. These reports could be sent to the Postmaster General, the Board, and the Congress.

This concludes my statement, Mr. Chairman. We will be pleased to respond to any questions you may have.

ADDITIONAL INFORMATION ON PERSONNEL, AUDITS, AND INVESTIGATIONS AT THE POSTAL INSPECTION SERVICE

PERSONNEL

The Inspection Service is headed by the Chief Postal Inspector. This individual is responsible for the operation and performance of the Inspection Service. The position is equivalent to that of a Senior Assistant Postmaster General. The Chief Postal Inspector is hired by, can be terminated by, and reports directly to the Postmaster General.

The Postal Inspection Service classifies its audit and investigation personnel as inspectors and operates under the philosophy that all inspectors should be qualified as both auditors and investigators. It rotates inspectors between audit and investigation assignments throughout their careers. Inspectors also receive training in audit and investigation related topics throughout their careers.

Although the Inspection Service hires individuals with various college majors, many staff members have accounting or legal degrees and certifications by nationally recognized professional

organizations associated with those disciplines. Specifically, 238 staff members have accounting degrees and 33 are Certified Public Accountants. In addition, 33 inspectors have been admitted to the bar.

PLANNING AND CONDUCTING AUDITS

The Inspection Service is responsible for the operation of the Postal Service's internal audit function. In meeting this responsibility, the Inspection Service conducts audits of financial records and statements and of the efficiency, effectiveness, and results of Postal Service policies, programs, activities, and operations. It conducts audits in accordance with auditing standards established by the Comptroller General of the United States, the American Institute of Certified Public Accountants, and the Institute of Internal Auditors.

All Postal Service policies, programs, and activities are subject to audit. For example, audits conducted in the last year include reviews of automated mail processing, air contracting, second-class mail, control of overtime, bulk business mail, and the Postal Service's Trial Balance. In fiscal years 1985 and 1986, the Inspection Service completed 5,240 and 5,249 audit projects, respectively.

The Inspection Service's annual audit planning process is controlled by the Chief Postal Inspector and his headquarters staff. The final annual audit plan is the result not only of meetings between the Chief Postal Inspector and Assistant and Regional Chief Inspectors but also of input from the field inspectors. Factors considered include regional concerns and priorities, major Postal Service program and policy failures, audits required by the Postal Service's external auditors for their audit of the Postal Service's financial statements, customer complaints, unfavorable trends identified on Postal Service informational reports, and requests from management, the Board of Governors, or the Congress.

The Inspection Service is decentralized in managing and controlling audits. Audit team leaders in the 64 audit teams located in regional divisions control the actual conduct of all audits. These individuals plan and direct the audit work and write, sign, and issue the audit reports.

PLANNING AND CONDUCTING INVESTIGATIONS

Inspection Service inspectors perform a wide variety of law enforcement activities. They conduct investigations of such items as burglaries and theft of mail and postal assets, physical attacks

on postal employees and patrons, and fraud against the public where the postal system was used in the conduct of an improper activity. In addition, their responsibilities include activities designed not only to protect the mail, postal facilities, and employees from criminal attack, but also the American public from mail fraud schemes, pornography, and other postal related crimes. In fiscal year 1986, the Inspection Service used approximately 1,400 staff years on crime prevention activities and investigations of internal and external crime and of mail fraud and prohibited mailings.

The Chief Postal Inspector develops the annual investigation work plan with assistance and input from other Inspection Service headquarters and regional officials. The Inspection Service's investigation activities are generally reactive in nature, meaning that they result from a reported occurrence of a criminal act. The annual work plan identifies priority investigation areas for the year and budgets staff years to each area. It does not list specific cases that inspectors will work on during the year.

Inspection Service inspectors assigned to 190 criminal investigation teams in the regional divisions identify, initiate, and conduct investigations. In each division, investigation team leaders identify specific cases based on information obtained from both external and internal sources that identify and/or report

possible criminal acts such as robberies, burglaries, and attacks against employees. These sources include Inspection Service computer checks of postal installation financial information, customer complaints, telephone tips, and data developed by the Postal Service while taking personnel actions against employees.

Upon identification of a case warranting investigation, the division team leader responsible for the case notifies the regional office of the case and assigns the investigation to a team member. The team leader controls the investigation work. This person or the team member most familiar with the assignment prepares and issues the report(s) resulting from the investigation.

In fiscal year 1986, the Inspection Service completed 17,007 criminal investigations. This figure includes both solved and unsolved cases that were closed during the period.

The Inspection Service's fiscal year 1986 and earlier efforts resulted in 6,606 convictions during fiscal year 1986. Fifty-six percent (3,722 of 6,606) of the convictions were for external crimes, 20 percent (1,336 of 6,606) were for internal crimes, and the remaining 24 percent (1,548 of 6,606) involved fraud and prohibited mailings cases. A one-to-one relationship does not exist between a criminal investigation and its resulting disposition. For example, multiple convictions can result from a single investigation.