United States
Office of Government Ethics
P.O. Box 14108
Washington, D.C. 20044

MAR 15 1988

Mr. Louis A. Cox
General Counsel
U.S. Postal Service
475 L'Enfant Plaza, West, S.W.
Washington, D.C. 20260-1100

Dear Mr. Cox:

As part of our agency relations program, my staff recently reviewed the U.S. Postal Service's (USPS) ethics program. While you have made progress in improving the problems we found in 1981, we found serious problems which will require more monitoring of the ethics program, more staff resources devoted to the program, and more direction from you.

The Ethics in Government Act, as amended, requires that public financial disclosure reports be reviewed within sixty days after the filing date. My staff examined the reports of 56 filers for the period of from 1983 to 1987. We found that 94 of 139 reports has not been certified by your agency. In 1987 only 25 of 52 reports filed had been certified as of November 1987. This situation is unacceptable. All outstanding reports must be properly reviewed and certified within sixty days from the date of this letter. Procedures must be established to ensure that all public disclosure reports filed in the future be reviewed and certified within sixty days.

We also noted that new entrants into positions which require a report to be filed within thirty days have not been required to file reports until the next May 15 filing date. Procedures must be established so that you are made aware of such new entrants and you collect reports from these individuals within thirty days of their assuming their position. The Director of Personnel could assist you in this effort and in developing a master log of all report filers.

Your confidential financial disclosure system has shown improvement since 1981. However, since the review of statements is performed by 26 Associate Ethical Conduct Officers, effective procedures for training them and monitoring their performance must be established. We found the reporting requirements, filing dates, and adequacy of the report review process varied among the components. Many technical reporting problems were found on the reports. Questionable interests had not been documented to show that they had been examined. Spousal employment had not been required to be reported. You must establish written procedures and training courses for your ethics officers. You should also establish a status reporting system for each ethics officer to report to you on their annual review of reports and other ethics issues. You should also require employees to file a complete report annually rather than a report that merely states "no change" from the previous year.

You are to be complimented in that your standards of conduct have been updated and that they are very specific. One addition you should consider is an approval system for outside activities by USPS employees. While the regulations outline very specific outside employment situations which should be avoided, there is no system for monitoring compliance. You were made aware by a contractor that several USPS employees were working with a company whose business interests are substantially dependent on providing goods or services to the Postal Service. A system should be developed whereby employees seek approval prior to engaging in outside activities.

As regards ethics education and training, you should take the lead in establishing a formal program for all USPS employees. This could be achieved through the development of a core program suitable to all components of USPS. We have recently produced a 19-minute ethics videotape for government-wide use in training employees. You may want to obtain a copy for your program.

In summary, many of the problems we found could be prevented by more training and direction for USPS ethics officials, monitoring of the ethics program within the organizational elements, and more staff resources to administer the program. At a minimum, I recommend that you devote at least one person in headquarters to spend full time administering and monitoring the ethics program and reviewing the public financial disclosure reports. I know these demands are onerous, but there is no alternative to compliance with the law.

In closing, I thank your staff for the cooperation and courtesy extended to Ms. Barber during this review. Please call her at 632-7642 if we can be of further assistance. I would like you to advise me in writing within sixty days of the actions taken concerning the matters discussed in this letter, especially your timetable for reviewing all outstanding financial disclosure reports. Ms. Barber will schedule a follow-up review six months from the date of this report to determine what corrective actions have been taken.

Sincerely,

Frank Q. Nebeker

Frank Q. Nebeker
Director

AGENCY REPORT

AGENCY:	U.S. Postal Service
REVIEW DATES:	November 2 - December 4, 1987
OGE STAFF:	Joann R. Barber Management Analyst
AGENCY DAEO:	Louis A. Cox General Counsel
AGENCY STAFF:	Charles W. Hawley Assistant General Counsel Brenda Collins Staff Attorney

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SUMMARY

The U.S. Postal Service (USPS) was reviewed as part of the cyclic coverage of the Federal executive branch. The review focused on the agency's compliance with the applicable ethics laws and regulations, as well as the implementation actions on prior OGE recommendations. The agency was last visited in November 1981.

The review indicated that very little progress has been made in improving the efficiency of the program. The agency needs to revise its approach in organizing and implementing the ethical components; specifically:

- Additional resources need to be devoted to the program. In addition, the DAEO needs to be more involved with the program and ascertain that all persons involved in the management of the program are familiar with the purposes and functions of an effective ethics program, as well as being able to perform their specific responsibilities.

- Effective and efficient procedures need to be established to ensure the continuity of the program as well as compliance to regulations in Executive Order 11222 and 5 C.F.R. § 734.

- A comprehensive education program needs to be developed that would systematically expose all USPS employees to the ethical elements.

These issues were discussed with the Alternate DAEO. He was advised that the program could not continue in this deficient state. If improvements are not made, it would be necessary for the Director of OGE to bring the matter to the attention of the Postmaster General. He concurred with the recommendations with the intent of implementing them to the extent possible.

BACKGROUND

The U.S. Postal Service was created as an independent establishment of the executive branch by the Postal Reorganization Act of 1970. The Service is committed to the development of efficient mail-handling systems and operates its own planning and engineering programs.

The Postal Service is probably the largest civilian agency. It employs approximately 780,000 individuals. The agency is directed by a Board of Governors, which consists of nine Presidential appointees, the Postmaster General and the Deputy Postmaster General. The Presidental appointees, who are confirmed by the Senate, appoint the Postmaster General and together they appoint the Deputy Postmaster General. The most significant factors of the Service are its size and decentralization. The agency operates at three levels of organization: National, Regional and Field. There are five regions and 74 field divisions.

The Postal Service is the only federal agency whose employment policies are governed by a process of collective bargaining. It also has its own pay schedule, the Executive and Administrative Salary Schedule (EAS). The EAS includes a pay schedule for the executive management officials, known as the Postal Career Executive Service (PCES). It is very similar to the Senior Executive Service, except that the minimum salary level is lower.

This visit was the second-full scale review of the agency's ethics program. The last review occurred in November 1981.

ORGANIZATION

The ethics program is under the direction of the General Counsel, Mr. Louis Cox. It is administered by the Assistant General Counsel, who is also the Alternate DAEO, Mr. Charles Hawley. Mr. Hawley is responsible for interpreting agency policy and its application as well as providing overall guidance on ethical issues. He is assisted in the day to day operation of the program by a Staff Attorney, Ms. Brenda Collins.

The ethics program is somewhat decentralized in that organizational heads are responsible for implementing the ethical elements in their area. These persons have been designated as Associate Ethical Conduct Officers. Currently, there are 26 officers.

STANDARDS OF CONDUCT

The agency's standards of conduct are included in 39 C.F.R. § 447. These standards were comprehensively revised in 1974. Since that time, subsequent amendments have been made; the latter being October 1984.

The regulations were current and appeared to be agency-specific. All the provisions of the criminal statutes and Executive Order have been incorporated. Additionally, specific prohibitions concerning employees' financial interests in USPS contracts and transportation and real estates entities were included. The agency has also incorporated procedures for financial disclosure and gift acceptance. The Alternate DAEO plans to expand the section on gifts to include criteria for acceptance of in-kind gifts. In addition to this area, the filing requirements for the confidential financial disclosure need to be refined. The regulations state that changes shall be reported "...; as June 30 each year [and] [i]f no changes or additions occur, a report to that effect is required". There is no deadline for the submission of reports. I advised the Alternate DAEO to specify a timeframe in which reports are to be filed. I also discussed the need for filers to fully disclose their financial interests in lieu of indicating "No Change". Negative reports normally do not receive a substantive review.

Another area of interest was outside employment. I advised the ethics officials to consider approval requirements for outside employment. Presently, there is no requirement that outside activities be approved, even though the standards outline what type of activity an employee may or may not engage in. In reviewing the ethics files, I noticed that several employees had engaged in employment that appeared to conflict with their Postal Service position. These employees were employed with a

company whose business interests are substantially dependent on providing goods or services to the Postal Service. In addition, these individuals as Postal employees may come in contact with this contractor. This type of outside employment is prohibited by the USPS regulations at § 447.23 (2) and (6). The agency became aware of the situation through allegations from another contractor. Situations of this nature will continue to be obscure if approval procedures are not established. I advised the ethics officials to develop policy whereby employees seek approval from the supervisor prior to engaging in outside activities. If the activity is sensitive to the mission of USPS, final approval should be obtained from the Associate Ethical Conduct Officer. I also discussed with the officials the need for the DAEO's office to be more aware of the various types of outside activities. At a minimum, the total questionable outside activities should be reported on a continuous basis.

The standards of conduct have been restated in an internal document known as "The Code". This document was established in June 1982. It is part of the Employee and Labor Relations Manual, which is distributed to all employees. The Code has not been updated since it was published.

The agency has also developed standards of conduct for its Board of Governors. They are included in 39 C.F.R. Parts 10 and 20. They were adopted in July 1987. Basically, these standards set forth regulations pertaining to business and financial interests, outside employment, gifts, advisory service, and post-employment activities. The standards also incorporate the filing of nonpublic financial disclosure reports.

Recommendations

1. That the standards of conduct be revised to:

   (a) specify a timeframe for the submission of confidential financial disclosure reports;

   (b) eliminate negative reporting on the confidential reports; and

   (c) include approval requirements for outside activities.

2. That all questionable outside activities be reviewed by the ethics officials. Additionally, these activities should be reported to the DAEO's office on a continuous basis.

3. That "The Code" be updated in accordance to the regulations included in 39 C.F.R.§ 447.

PUBLIC FINANCIAL DISCLOSURE SYSTEM

The public financial disclosure system was inefficient. The system is centralized and maintained by the DAEO's staff. Additional support is provided by the Personnel Division in that they furnish quarterly listings of the PCES.

The system presently includes 537 employees. The designations were made by the Alternate DAEO. They are based on the PCES and include employees with an annual salary of $63,135 or more. The financial statements are filed directly with the Alternate DAEO for review and retention.

A random sample of 56 filers' statements were examined during my visit. It appears that the system has been somewhat dormant since 1982. The majority of statements have not been certified by the ethics officials. Of the sample, the following resulted:

Year	#Statements	#Certified
1983	11	5
1984	20	4
1985	28	4
1986	28	7
1987	52	25

Of the 1987 statements that were certified, 72 percent (18 statements) were reviewed during my visit.

The financial statements for 1987 were submitted in a timely manner; only seven of the sample statements were filed after the deadline. Additionally, it appeared that most required annual statements were being collected. Of the sample, two were missing from 1987; one from 1986; four from 1985; and one from 1984. However, a problem was noted with the collection of new entrant statements. It appears that first-time filers are submitting statements at the time of the annual filing in lieu of the 30 day requirement.

The Alternate DAEO indicated that there was no central source for personnel changes, therefore, they were not always aware of those hired or promoted. It was strongly recommended that efforts be coordinated with the Personnel Director to ensure the receipt of such information.

In regards to the review of the financial statements, the regulations require that the ethics official make a determination of status of the statement within 60 days of the filing date. As illustrated in a previous paragraph, this policy is not being adhered to. The 1987 statements that were reviewed averaged a 148 day timeframe, approximately five months. The shortest review period was 68 days and the longest was 187 days. This delay deters actions for correction of potential or actual conflicts of interests.

As to the quality of the statements, the technical reporting problems were minimal. Several statements included holdings that had not been fully identified or disclosed, but these statements had not been reviewed by the ethics official.

I discussed the problems of this system with the Alternate DAEO. He attributes them to a lack of resources. Presently, he devotes approximately 45 percent of his time to the ethics program and the staff attorney devotes 33 percent. We both agreed that the program would benefit from a full-time staff; however, he doesn't foresee that in the near future. I strongly urged him to obtain at least a full-time person to technically maintain the system. In addition, I advised him to establish formal procedures to ensure the continuity of the system. In reference to the outstanding statements, it was agreed that all statements would be examined and reconciled within 120 days upon completion of this review.

Recommendations

1. That additional resources be obtained to assist in the administration of the system.

Recommendations (cont.)

2. That effective procedures be established to ensure the collecion of new entrant reports.

3. That controls be strengthened to enhance the efficiency of the system. Specifically:

   (a) a master logging of all filers needs to be prepared to assure the collection of statements; in conjunction, formal follow-up procedures need to be developed;

   (b) procedures need to be established to ensure a timely review of the statement; and

   (c) questionable interests need to be examined and documented.

4. That all financial statements for years 1982 to 1987 be reviewed and certified.

CONFIDENTIAL FINANCIAL DISCLOSURE SYSTEM

The confidential financial disclosure system needs strengthening in various areas. The system is decentralized and maintained by the Associate Ethical Conduct Officers. Presently, it is comprised of employees at the EAS 24 level (comparable to the GS 13 level) and above. The Alternate DAEO speculates that approximately 2500 employees file statements.

The system lacked consistency. The Officers used their discretion in incorporating the requirements. Three offices in headquarters were visited and each administered the system differently. For instance, the Office of the Chief Inspector allowed employees to file on an annual basis in lieu of the June 30 deadline. Also, some offices require field personnel to file directly to headquarters, whereas others report to the regional ethics official. The DAEO is not aware of the various inconsistencies in applying the requirements of the system.

In addition to the Chief Inspector's Office, the offices of Finance & Planning and Facilities & Supply were visited. Consistent with these offices was the lack of review documentation and spousal employment reporting. At present, the USPS confidential statement does not require certification of the reviewer. It was also noted that questionable holdings had not been documented to show that they had been examined. Other technical reporting errors such as no employee signature and date; blank sections; and the use of "N/A" in lieu of "None" was observed. These issues were discussed with the various reviewers. They were encouraged to certify the statements in regards to completion and conflict of interest. They were also advised to document questionable interests and apprise filer of the technical reporting problems.

I subsequently discussed these issues with the Alternate DAEO and indicated that the DAEO's staff should be more involved with the system. Interpretive guidance should be periodically provided to ensure consistent application of the requirements. A monitoring system should also be established to assure compliance.

Recommendations

1. That the DAEO provide overall instructions for the confidential system to ensure consistency within the agency.
2. That filers be apprised of common technical errors and spousal employment reporting requirements via departmental memorandum.
3. That reviewers be required to obtain the necessary information and document question interests. Additionally, they should certify that the statement is accurate and no conflicts exist.
4. That a monitoring system be established to include status reports and periodic samplings of the Conduct Officer's reviews.

EDUCATION, TRAINING AND COUNSELING

Very little has been done in the area of formal ethics education and training. Each Conduct Officer is responsible for developing and administering its education program.

Of the organizations visited, the efforts varied; however, inclusive of all was the receipt of the Employee and Labor Relations Manual by new employees and informal and formal counseling on an ad hoc basis. Headquarter managers and procurement personnel have viewed the PCIE film, "The Consent of the Governed: The Enduring Public Trust" and received training sponsored by our Office. The DAEO has also made this film available to the organizational units. The agency is discussing the possibility of developing its own film, which would be adaptable department-wide. The Facilities Division has copied the PCIE film and distributes it to its regions on a requested basis. The Assistant Postmaster General of this division also provides periodic training sessions and annually reminds employees to review the standards of conduct.

A department as widespread as USPS should take measures to assure consistent application of the ethical elements. During this visit and the previous one, we encouraged the ethics official to develop a training and education program for all employees. The most logical approach would be the development of a core program by the DAEO that could be adapted by all organizational components. Likewise, a schedule should be established for its implementation.

As previously mentioned, ethics counseling is available. Advice is normally sought from the Conduct Officers. On occasions, the DAEO's staff may get involved. All inquiries into the DAEO's office are logged and maintained. I reviewed the opinions for 1987. Most concerned outside employment and gift acceptance. I found the advice to be reasonable and in compliance to the regulations.

Senior Designations and Post-Employment

The senior employee designations in accordance to subsection 207 of 18 U.S.C. are made by the Alternate DAEO. He also notifies the employees of the designation. When these employees are leaving the Postal Service, post-employment counseling and restrictions are provided as requested. The Alternate DAEO indicated that they are not always aware of an executive impending separation, so they have encouraged employees to contact them for advice and assistance. A retirement planning seminar has been scheduled, in which senior employees will be given a formal presentation on the post-employment restrictions. Mr. Hawley indicated that the agency has not experienced any problems in this area, with the exception of a conviction three years ago; an employee falsified his financial statement by omitting an agreement for his future employment.

Recommendation

1. That the DAEO develop a comprehensive education program adaptable to all components of the Service. The program should include:
   (a) a training session;
   (b) an annual reminder to review the standards of conduct;
   (c) periodic issuance of ethics-related memoranda; and
   (d) dissemination of ethics information received from other sources to the ethics officials.

SIGNATURE PAGE

Joann R. Barber 2/11/88

Joann R. Barber

Management Analyst

Jack Covaleski 2/12/88

Jack Covaleski

Chief, Monitoring and Compliance Division

Donald E. Campbell 3/10/88

Donald E. Campbell

Deputy Director

Frank Q. Nebeker,

Director