United States
Office of Government Ethics
1201 New York Avenue, NW., Suite 500
Washington, DC 20005-3917

August 23, 1993

The Honorable Marvin Runyon
Postmaster General and Chief
Executive Officer
United States Postal Service
475 L'Enfant Plaza, SW.
Washington, DC 20260-1100

Dear Mr. Runyon:

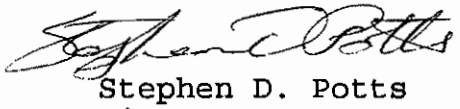
The Office of Government Ethics (OGE) has completed its fourth review of the United States Postal Service's (Postal Service) ethics program. This review was conducted pursuant to section 402 of the Ethics in Government Act of 1978, as amended. Our objectives were to determine whether the ethics program is effective and in compliance with applicable laws and regulations and whether the Postal Service had implemented the recommendations from our last report, which was issued on February 5, 1991.

Since 1981, OGE has made numerous recommendations to correct program deficiencies and strengthen the Postal Service's ethics program. Some recommendations were implemented, but many others were not. Our current review disclosed that the Postal Service recently began to correct several long-standing problems, specifically, to the public and confidential financial disclosure systems and the ethics education and training program elements. However, while the Postal Service recently took action to establish a systematic Postal Service-wide confidential disclosure system, we are concerned that the system was not administered on a fiscal year basis, pursuant to subpart I of 5 C.F.R. part 2634. We believe that the other recent improvements need continued oversight and support by the Designated Agency Ethics Official (DAEO) and senior management officials to ensure that improvement continues.

The enclosed letter report to Ms. Elcano, the DAEO, highlights the results of our review and recommends the actions necessary to improve Postal Service's ethics program. Ms. Elcano is requested to advise OGE within 60 days regarding the specific actions she has taken or plans to take concerning each of the recommendations in our report. OGE will conduct a full ethics program review in the second quarter of fiscal year 1994. At that time we expect that

actions will have been taken on all of our recommendations. I would be glad to meet with you to discuss your program. Please call me at (202) 523-5377 if I may be of assistance.

Sincerely,



Stephen D. Potts
Director

Enclosure

United States
Office of Government Ethics
1201 New York Avenue, NW., Suite 500
Washington, DC 20005-3917

August 23, 1993

Mary S. Elcano
General Counsel and Vice President
United States Postal Service
475 L'Enfant Plaza West, SW.
Room 6006
Washington, DC 20260-1100

Dear Ms. Elcano:

The Office of Government Ethics (OGE) has completed its fourth review of the United States Postal Service's (Postal Service) ethics program. This review was conducted pursuant to section 402 of the Ethics in Government Act of 1978, as amended. Our objectives were to: (1) assess the ethics program's effectiveness and compliance with applicable laws and regulations, and (2) determine whether the Postal Service had implemented the recommendations from our February 5, 1991, report. To achieve our objectives, we examined the following program elements: the ethics officials' duties and responsibilities, the public and confidential financial disclosure systems, and the ethics education and training program. This review was conducted intermittently during May and June 1993.

Overall, we found that the Postal Service does not have an effective ethics program. In addition, limited progress has been made on implementing our 1991 report's recommendations because of the Postal Service's slowness in taking corrective actions. However, we believe that the recent actions taken are the foundation steps to building an effective ethics program.

Our review disclosed that some improvements have been made to the public financial disclosure system and the education and training program. However, more improvements are needed to strengthen these elements of the program, as well as the confidential financial disclosure system. We strongly recommend that you provide consistent management oversight and support in these three areas of the ethics program to ensure that our recommendations are implemented.

BACKGROUND

The Postal Service is responsible for processing and delivering mail to individuals and businesses around the United States. In addition, the Postal Service is responsible for

protecting the mail from loss or theft and for apprehending those who violate postal laws.

Basically, the management structure of the Postal Service consists of 21 Vice Presidents or employees at a commensurate level within headquarters offices in Washington, DC. In addition, there are ten area offices around the United States. Approximately one year ago, the Postal Service began an across-the-board reorganization aimed at reducing duplication and streamlining processes. Some Postal Service offices and activities are still being reorganized.

The General Counsel serves as the Designated Agency Ethics Official (DAEO). Within the General Counsel's office, referred to as the Law Department, the Chief Counsel, Ethics and Information Law, manages the ethics program Postal Service-wide on a day-to-day basis. The Senior Counsel, Ethics and Information Law, serves as the Alternate DAEO. The Alternate DAEO is primarily responsible for providing counseling and advice services and reviewing public financial disclosure reports. Other attorneys within the Law Department perform ethics-related duties on a part-time basis. Also within the Law Department, a full-time paralegal specialist assists in administering the public financial disclosure system. The paralegal specialist's duties include collecting, reviewing, monitoring, and maintaining the public reports. In addition, the paralegal specialist notifies filers when their reports are not filed on time or when additional information is needed to complete the technical review.

PRIOR OGE REPORTS

OGE issued three prior reports--in 1982, 1988, and 1991--on the Postal Service's ethics program. The first review concluded that, although the structure for the ethics program had been developed, some basic deficiencies needed to be addressed. The second review disclosed that actions had been taken to improve the deficiencies cited in the 1982 report; however, we identified more serious problems needing attention. We recommended: (1) improving the timeliness of filing and reviewing public financial disclosure reports; (2) improving the timeliness of filing and reviewing confidential financial disclosure reports and eliminating technical reporting deficiencies; (3) developing a formal ethics education and training program; (4) establishing a program monitoring system; and (5) adding staff resources to the program.

The third review was conducted in 1990 because of the Postal Service's lack of response to our 1988 report's recommendations. Our 1991 report disclosed that there were significant deficiencies within both the public and confidential disclosure systems. In addition, we reported deficiencies in providing ethics education and training due to haphazard administration of the program. We

also found that the general long-standing problems in the ethics program were primarily attributable to the lack of strong support by senior management officials, specifically the DAEO, and insufficient staffing.

PUBLIC FINANCIAL DISCLOSURE
SYSTEM HAS IMPROVED

Ethics officials have implemented many of OGE's recommendations to improve the public financial disclosure system since our last review. Specifically, the large backlog of reports from 1989 and 1990, not previously reviewed, have now been reviewed, except for approximately 100 reports at the time of our examination. In addition, reports which had not been filed have now been collected and reviewed.

We examined 106 of the approximately 1,100 public financial disclosure reports filed by the end of 1992. Our examination disclosed that the reports were filed timely. However, 94 reports (89 percent) were not reviewed and certified in a timely manner. The untimely reviews were primarily due to the backlog of reports, from prior years, which had not been reviewed. Generally, we were impressed with the paralegal specialist's thoroughness in reviewing the public reports for completeness. Our examination of the reports disclosed that 46 reports (43 percent) had technical deficiencies which consisted mostly of format errors, such as status of filers and date of appointment boxes left blank or "N.A." used instead of checking the "None" box. We did not identify any substantive deficiencies. While we could not examine a sample of all of the public reports filed in the 1993 filing cycle, due to the time frame of our examination, it appeared that reports were being filed in a timely manner and that some reports had already been reviewed.

While many improvements have been made to the public financial disclosure system, we believe that the DAEO needs to monitor the system to ensure that reports continue to be filed and reviewed in a timely manner. In addition, management oversight is required to ensure that outstanding questions on prior years' public reports are resolved so that the review process can be completed.

CONFIDENTIAL FINANCIAL DISCLOSURE
SYSTEM NEEDS IMPROVEMENT

The Postal Service has not administered an agency-wide confidential financial disclosure system in many years, notwithstanding previous OGE recommendations to do so. However, the Postal Service recently took action to implement such a system. On November 30, 1992, the DAEO issued a memorandum which addressed the restructuring of the ethics program. In the ensuing restructuring, senior Postal Service management officials were

designated to serve as Associate Ethical Conduct Officers. These Officers subsequently appointed ethics liaisons who were to actually implement the new confidential financial disclosure system mandated by subpart I of 5 C.F.R. part 2634 along with the new confidential reporting form (SF 450).

Ethics officials anticipated that the confidential reports would be collected by the end of February 1993, covering the 12 months ending on September 30, 1992. However, according to ethics officials, due to the ongoing Postal Service-wide reorganization, ethics liaisons did not begin to identify confidential filers until March and the filing and collection of the reports did not begin until May and June. At the time of our review, ethics officials informed us that not all of the reports had been filed and collected and not all of the reports which had been collected had been reviewed. Furthermore, because of the protracted nature of the system's implementation, ethics officials allowed filers to report their financial interests for the 12 months preceding the date of filing. Ethics officials expressed concern over their ability to administer the 1993 annual filing of reports which would be due by October 31.

Section 2634.903(a) of 5 C.F.R. requires that a covered employee file an annual confidential report on or before October 31, while section 2634.908(a) requires that such an annual report covers the preceding 12 months ending on September 30. These provisions in the regulation were further explicated in two subsequent OGE DAEOgrams. In one DAEOgram, issued on April 9, 1992, entitled "Publication of new regulation on public and confidential financial disclosure and new standard form for confidential financial disclosure," DAEOs were provided the following advice:

> Agencies may choose to proceed with any planned annual confidential disclosure collections under their current system during the next few months prior to the new uniform system's effective date [October 5, 1992], in which case OGE will not object if they wish to waive the filing requirement under the new system for October 31, 1992. Alternatively, agencies may choose to suspend all future annual filings under their current confidential disclosure system, in anticipation of collecting under the new system on October 31.

In a second DAEOgram, issued on August 25, 1992, entitled "New confidential financial disclosure form (SF 450)," DAEOs were provided the following advice:

> Because [the SF 450] is a new form which will not be available for requisition until very near the [filing] due date, we recognize that some agencies may experience

> difficulty in obtaining adequate supplies and making timely distribution. Therefore, pursuant to OGE's general authority over this uniform system, we are authorizing agencies to delay the first collection deadline for both new entrant and annual filers for up to 30 days, if necessary because of form availability problems. This is in addition to your authority under § 2634.903(d) of the new regulation to grant extensions to confidential filers totaling 90 days, for good cause shown. An agency's inability to obtain and distribute adequate supplies of the SF 450 would consititute good cause to grant a blanket extension for all [of] its confidential filers under that regulatory authority, in addition to the 30-day delay which OGE has authorized herein.

We believe the Postal Service's delay in implementing the new confidential financial disclosure system, along with its use of reporting periods other than a 12-month period ending on September 30, and filing deadlines other than October 31, are contrary to the language of the regulation as well as the two DAEOgrams. Accordingly, because of the monumental delay in implementing the new system for the 1992 annual filing cycle, the Postal Service should now concentrate on implementing the system for the 1993 annual filing cycle. Furthermore, the DAEO should develop a system to monitor the status of the distribution, collection, and review of the confidential reports Postal Service-wide.

EDUCATION AND TRAINING PROGRAM
NEEDS MONITORING

Ethics officials have made some recent progress in developing a Postal Service-wide ethics education and training program. We believe, that a foundation now exists for implementing and establishing an effective program. However, ethics officials need to monitor the status of the program to ensure that the requirements of 5 C.F.R. part 2638 are satisfied.

A memorandum, dated May 3, 1993, disclosed that the Office of Employee Relations and the Law Department had developed a revised ethics training plan for the Postal Service. While a training plan was submitted to OGE on August 31, 1992, before the reorganization began, the revised plan, according to ethics officials, is now the Postal Service's basis for meeting the requirements of OGE's new training regulation at 5 C.F.R. part 2638. As required, ethics officials have met the initial ethics training requirements. According to ethics officials, and as stated in the training plan, the required annual ethics training will be completed Postal Service-wide by the end of calendar year 1993.

At the time of our review, we found that training had already taken place for employees who were being trained as "ethics resources." Numbering approximately 300, ethics resources employees are human resource, finance, and administrative support managers who are responsible for responding to routine ethical questions that arise in Postal Service field locations. In addition, we found that several training classes for contracting personnel have already taken place. Training for "all employees" has just begun.

Prior to the development of the training plan, ethics training was conducted on an ad hoc basis with no systematic formal instruction by the DAEO or other ethics officials on specific matters needing coverage in training classes. It appears that ethics officials have overcome this deficiency by developing a training plan and standardized ethics training materials. Ethics training materials include videotapes that are for use in training classes. In addition, we found that a formal feedback mechanism of requiring quarterly reports to monitor attendance at training classes is in place.

We believe that the ethics education and training program has markedly improved since our last review. However, the program needs to be monitored by ethics officials to ensure that it stays on track and that it provides accurate and consistent ethics information to all employees.

We also believe that it is important to increase ethics awareness, in general, among Postal Service employees. Ethics officials agreed that, on an occasional basis, it would be worthwhile to issue policy and informational memorandums to all employees on ethics matters on such topics as the financial disclosure systems, gift acceptance, and outside activities. This action along with publishing occasional articles on ethics matters in Postal Service newsletters, for example in FOCUS or BRIEFINGS, would be an excellent way to provide ethics information to all employees on an informal basis.

CONCLUSIONS

Ethics officials are beginning to make progress to correct the major deficiencies from the past. More work remains to be accomplished, however, before the Postal Service will have an effective ethics program that is in compliance with applicable laws and regulations. The DAEO must provide consistent oversight and strong support to ensure that the ethics program continues to improve, especially regarding the confidential disclosure system. In addition, the improvements made to the public financial disclosure system and the education and training program need consistent monitoring to ensure that improvement continues.

RECOMMENDATIONS

We recommend that you ensure the Postal Service:

1. Eliminates the remaining backlog of unreviewed public financial disclosure reports.

2. Continues to review the public financial disclosure reports filed during the 1993 filing cycle in a timely manner.

3. Implements and administers a confidential financial disclosure system for the 1993 filing cycle, as required by subpart I of 5 C.F.R. part 2634.

4. Develops a system to monitor the status of distributing, collecting, and reviewing the confidential disclosure reports Postal Service-wide.

Please advise me within 60 days of the specific actions you have taken or plan to take concerning each of the recommendations in our report. A full ethics program review of the Postal Service will be conducted during the second quarter of fiscal year 1994. At that time we expect that actions will have been taken on all of our recommendations. In view of the corrective action authority vested with the Director of the Office of Government Ethics under subsection 402(b)(9) of the Ethics Act, as implemented in subpart D of 5 C.F.R. part 2638, it is important that the Postal Service implement action to correct deficiencies in a timely manner. Please contact Ilene Cranisky at (202) 523-5757, extension 1218, if we can be of further assistance.

Sincerely,

Stephen D. Potts
Director

Report Number 93-030