



United States
Office of Government Ethics

1201 New York Avenue, NW., Suite 500
Washington, DC 20005-3917

May 18, 2000

Karla W. Corcoran
Inspector General
Office of Inspector General
U.S. Postal Service
1735 N. Lynn Street
Arlington, VA 22209-2020

Dear Ms. Corcoran:

As part of the Office of Government Ethics' monitoring activities, we have completed a review of the U.S. Postal Service's ethics program. This review was conducted pursuant to section 402 of the Ethics in Government Act of 1978, as amended. Our objective was to determine the ethics program's effectiveness, as measured by its compliance with applicable ethics laws and regulations.

I have enclosed a copy of the report for your information. Please call me at 202-208-8000, extension 1120, if I may be of assistance.

Sincerely,

A handwritten signature in cursive script that reads "Jack Covalleski".

Jack Covalleski
Senior Associate Director
Office of Agency Programs

Enclosure



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

May 18, 2000

Kenneth C. Weaver
Chief Postal Inspector
Postal Inspection Service
U.S. Postal Service
475 L'Enfant Plaza, SW.
Washington, DC 20260-0010

Dear Mr. Weaver:

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1201 New York Avenue, NW., Suite 500
Washington, DC 20005-3917

May 18, 2000

Mary Anne Gibbons
General Counsel
U.S. Postal Service
475 L'Enfant Plaza West, SW.
Washington, DC 20260-1100

Dear Ms. Gibbons:

The Office of Government Ethics (OGE) has completed its review of the U.S. Postal Service's (Postal Service) ethics program. The review was conducted pursuant to section 402 of the Ethics in Government Act of 1978, as amended (Ethics Act). Our objective was to determine the ethics program's effectiveness, measured by its compliance with applicable ethics laws and regulations. We also sought to determine whether improvements were made since OGE's last review in 1995. To achieve our objective, we examined the following program elements: the public and confidential financial disclosure systems, ethics education and training, counseling and advice services, the acceptance of travel payments from non-Federal sources, and coordination with investigative organizations: the Postal Inspection Service (PIS) and the Office of Inspector General (OIG). This review was conducted intermittently from December 1999 through March 2000.

Based on the results of the review, we found that Postal Service's ethics program continues to require improvement in order to be in compliance with the ethics laws and regulations. Although all the recommendations from our previous report were implemented, as evidenced by our subsequent follow-up reviews, we found that ethics officials continue to experience problems with reviewing reports within 60 days and collecting new entrant and termination reports, collecting late filing fees or obtaining fee waivers, and providing concurrent notification to OGE regarding referrals to the Department of Justice (DOJ). The ethics officials attributed the problems associated with Postal Service's ethics program to the turnover in ethics officials and Postal Service's reorganization. While the personnel and organization have stabilized, we believe that enhanced management commitment to the program's integrity and increased oversight is needed.

ADMINISTRATION OF THE ETHICS PROGRAM

As the Designated Agency Ethics Official (DAEO), you are responsible for the overall administration of the ethics program. Our review disclosed that Postal Service has a generally decentralized ethics program, with the Chief Counsel, Ethics and Federal Requirements (CCEFR), in the Civil Practice Section of the Law Department, providing coordination and direction for the daily operations of the program. The CCEFR is assisted by a number of ethics representatives within Postal Service's component organizations, both at headquarters and at field locations. Human Resources (HR) also assists the CCEFR with various elements of the program. Our review examined only headquarters components.

PUBLIC FINANCIAL DISCLOSURE

Postal Service has a centralized public financial disclosure system which is administered by CCEFR. HR provides the CCEFR with an annually updated list of filers whose positions meet the salary threshold for public disclosure. The CCEFR, assisted by a paralegal specialist and other Law Department staff, is responsible for the distribution and collection of annual, new entrant, and termination reports. Following a technical review by the paralegal specialist, the CCEFR or other ethics attorney performs a final review and certification of public financial disclosure reports. According to the CCEFR, any late filing fees collected are to be forwarded to the Postal Service's Manager, National Accounting to the U.S. Treasury.

In 1999, 866 employees were required to file public reports. Of this total, 745 were incumbent filers and 121 were new entrant or termination filers.

We examined a sample of 179 public disclosure reports, which included 151 incumbent, 15 new entrant, and 13 termination reports. Our review of these reports disclosed no substantive deficiencies. A total of 49 filers in our sample did not submit reports within 30 days of the due date and were therefore subject to the \$200 late filing fee. Of these reports, 13 were incumbent and 33 were new entrant or termination reports (more than a quarter of the total new entrant/termination reports required to be filed in 1999). In addition, three reports (two new entrants and one incumbent) had not yet been collected and will be subject to a late filing fee. You or the CCEFR should collect the three missing public reports and collect the \$200 late filing fees due, unless the filers have requested and have been granted waivers of the fee from OGE, in accordance with 5 C.F.R. § 2634.704.

During our review, we discussed with the CCEFR and the paralegal specialist the status of the three apparently missing

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public reports, and the collection of the \$200 late filing fees from the 49 late filers. When questioned about the missing and late reports, the paralegal specialist recalled that an employee had been provided a filing extension; however, this extension was not documented on the employee's report, nor was it entered in the financial disclosure tracking system. The CCEFR recalled that, for another employee, a \$200 late filing fee had been collected; however, she had difficulty finding any documentation. Receipt of the fee had not been documented on the employee's report, nor was it entered in the financial disclosure tracking system. We discussed these issues with the CCEFR, who agreed to make changes to the written procedures to reflect the process for receiving the late filing fees and forwarding them through the Manager, National Accounting to the U.S. Treasury. The CCEFR also agreed to modify the tracking system and annotate the applicable reports to reflect extended filing dates and dates of receipt and disposition of late filing fees.

We also examined the public financial disclosure report review process. We found the review process to be thorough, which resulted in our finding no substantive deficiencies.

CONFIDENTIAL FINANCIAL DISCLOSURE

Postal Service's confidential financial disclosure system is decentralized. At headquarters, covered positions are annually designated by Postal Service Vice Presidents with headquarters HR providing the revised master lists of filers. At field locations, covered positions are determined by designated occupational codes. Lists of covered field positions are revised annually by HR to reflect changes in designated occupational codes. According to the CCEFR, HR notifies ethics representatives in field locations every two weeks regarding new entrants and those who have left covered positions. However, headquarters new entrants are identified only annually. According to the CCEFR, supervisors at both headquarters and field locations generally perform an initial review of reports and ethics representatives perform a final review and certification.

We examined a total of 293 confidential reports at four headquarters components: Purchasing and Materials, Information Systems, OIG, and PIS. Of the total we reviewed, 264 were annual reports and 29 were new entrant reports. While our review disclosed that most reports were filed timely, ethics officials were reminded of the need to revise their procedures to ensure that all new entrants, including those at headquarters, are notified regarding the requirement to file reports within 30 days of their entrance into covered positions.

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Our review disclosed that reports were examined for conflicts and appropriately annotated, and that ethics officials had provided cautionary letters and certifications of no conflicts when needed. All but 10 of the reports in our sample were filed timely and, with the exception of OIG, the remaining components' reports were generally reviewed timely. We noted that 18 of the annual filers had submitted their reports before September 30. Ethics officials were reminded that annual reports should include a full and complete statement of required information for the preceding 12 months ending September 30.

As late as January 2000 when we began our visit, OIG's ethics representatives, the Deputy Director HR, and Assistant General Counsel (AGC) had not started the process of reviewing 1999 confidential financial disclosure reports. According to the AGC, this was because of the large increase in confidential filers and because of confusion between the AGC and Deputy Director HR regarding the responsibility for reviewing the reports. After our visit began, the AGC and Deputy Director HR took immediate action to review the reports. Our subsequent examination of these reports disclosed that they had all been reviewed and certified in accordance with 5 C.F.R. § 2634.605, albeit late. We furnished OIG ethics representatives with OGE's September 14, 1994 DAE0gram, subject: "Improving the confidential financial disclosure system," to assist them with future confidential disclosure filings. OIG subsequently developed written procedures to ensure a timely and effective process for reviewing confidential financial disclosure reports. OIG ethics representatives noted that they would change the review process to have supervisors perform an initial review before OIG ethics representatives conduct the final review and certification.

SPECIAL GOVERNMENT EMPLOYEES' FINANCIAL DISCLOSURE

Postal Service has a number of special Government employees who are the members of the Board of Governors. The Governors are not subject to the public reporting requirement because they work less than 61 days in each calendar year. Although the Governors are not considered public filers, Postal Service requires that they file annual reports using the public reporting form (SF 278) but are treated as confidential reports and not releasable to the public.

Our review of the nine reports of the Governors disclosed that all had been filed and reviewed timely. We found no substantive deficiencies.

EDUCATION AND TRAINING

Postal Service's education and training program is effective and in compliance with regulations at subpart G of 5 C.F.R. part 2638.

Initial ethics orientation at headquarters is provided to all new employees and includes distribution of the following: a summary of 5 C.F.R. part 2635 and Postal Service's supplemental regulation; the names, titles, office addresses, and telephone numbers of ethics officials; several OGE pamphlets (such as "Rules for the Road"); and information regarding Postal Service's Intranet and Internet Web sites. As part of the orientation, employees also view a Postal Service videotape entitled "An Ethics Nightmare," and a headquarters attorney is present to answer questions. Initial ethics orientation in the field consists of a similar training format with a qualified instructor (generally an HR specialist) present at the field location to answer questions.

Annual ethics training is generally conducted in the last quarter of the calendar year. The Postal Service's videotape "An Ethics Nightmare" was broadcast over their network three times during the 1999 training period. The videotape was also distributed to field offices. A qualified instructor was available for questions during and immediately following the annual ethics training sessions. Sign-in sheets were used at both headquarters and the field offices to track attendance. Since both filers and non-filers attended and signed, the CCEFR stated that separate sheets would be used in the future to better track those required to receive training. Contact information was provided at the end of the sessions and is available on Postal Service's Intranet. Postal Service plans to develop an agency-specific ethics training videotape for the CY 2000 annual training cycle.

COUNSELING AND ADVICE SERVICES

Postal Service provides effective ethics counseling and advice services to its employees. Our review of approximately 78 written determinations provided during the last two years, disclosed that the advice is timely, comprehensive, and consistent with ethics laws and regulations.

According to the CCEFR, advice is generally provided in written form by E-mail or letter, with some routine matters handled orally. Ethics officials maintain a log for tracking the timeliness, the type of advice, and to whom it was provided. The CCEFR noted that advice commonly concerned such issues as gifts between employees, gifts from outside sources, post employment, seeking employment, and outside activities.

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The CCEFR noted that Postal Service does not accept payments from non-Federal sources under the General Services Administration's Interim Rule 4 at 41 C.F.R. part 304-1, implementing 31 U.S.C. § 1353. Postal Service's policy is to use its own funds for all activities.

COORDINATION WITH INVESTIGATIVE ORGANIZATIONS

Postal Service's two major investigative organizations are the PIS and the more recently formed OIG. According to the CCEFR, prior to April 2000, PIS investigated criminal conflict-of-interest allegations if they concerned nonexecutive level employees while OIG investigated those pertaining to executive level employees. As of April 2000, OIG was to have exclusive authority for all ethics-related investigations.

In our discussions with the CCEFR and the PIS and OIG ethics representatives, all agreed that they have an effective working relationship. Discussions with the CCEFR disclosed three referrals to DOJ involving criminal conflict-of-interest allegations since our last review. One of these was an 18 U.S.C. § 208 issue regarding the former Postmaster General which had been concurrently reported to OGE in accordance with 5 C.F.R. § 2638.603(b). However, our review disclosed that the other two referrals to DOJ had not been concurrently reported to OGE.¹ We reminded ethics representatives of the need to concurrently notify OGE whenever there is a criminal conflict-of-interest referral to DOJ.

CONCLUSIONS AND RECOMMENDATIONS

Postal Service has established systems that provide the foundation of an effective ethics program. However, while Postal Service has undertaken a number of measures to improve its program since our last review, such as adopting written procedures and ensuring compliance with initial training requirements, many of the deficiencies cited in our last report persist.

Postal Service's public financial disclosure system continues to require improvement to ensure that reports are collected timely

¹One referral involved an acting executive level employee from the Postal Service's Finance Division who was negotiating for employment. The other referral involved a member of the Board of Governors and was recently declined by DOJ. The CCEFR stated that these cases were being investigated during a reorganization of investigative responsibilities between OIG and PIS. The CCEFR suggested that the reorganization may account for Postal Service's failure to concurrently notify OGE of the referrals to DOJ.

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and that either late filing fees are collected when needed or waivers of the fees are obtained from OGE. Notwithstanding improvements to the confidential financial disclosure system since our last review, headquarters new entrants should be identified and their reports obtained within 30 days of the employees entering covered positions. Confidential reports should be reviewed within 60 days, and OGE should be concurrently notified regarding any criminal conflict-of-interest referrals to DOJ.

We also believe that a stronger commitment on the part of management regarding the implementation of these systems and better oversight are needed to ensure full compliance with applicable laws and regulations.

Accordingly, we recommend that you:

1. Collect the delinquent public reports.
2. Collect the \$200 late filing fees due unless waivers of the late filing fees have been obtained from OGE in accordance with 5 C.F.R. § 2634.704.
3. Ensure that all new entrant confidential filers submit reports within 30 days of entering covered positions.
4. Ensure that financial disclosure reports are reviewed timely, in accordance with 5 C.F.R. § 2634.605(a).
5. Consider a system to track criminal conflict-of-interest referrals to DOJ and ensure that OGE is concurrently notified of any referrals, in accordance with 5 C.F.R. § 2638.603(b).

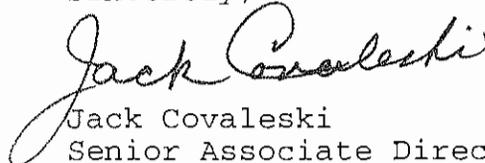
In closing, I wish to thank ethics officials for their cooperation and their efforts on behalf of the ethics program. Please advise me within 60 days of the actions you have taken or plan to take on each of our recommendations. A brief follow-up review will be scheduled within six months from the date of this report. In view of the corrective action authority vested with the

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OGE Director 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 our recommendations be implemented in a timely manner. Please contact Mike Berry at 202-208-8000, extension 1215, if we may be of further assistance.

Sincerely,

A handwritten signature in cursive script that reads "Jack Covalesski". The signature is written in black ink and is positioned above the typed name and title.

Jack Covalesski
Senior Associate Director
Office of Agency Programs

Report number 00-016