U.S. POSTAL SERVICE POSTAL INSPECTION SERVICE AND POSTAL OPERATIONS

HEARING

BEFORE THE

POSTAL SERVICE SUBCOMMITTEE

OF THE

COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTH CONGRESS

FIRST SESSION

JULY 25, 1995

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U.S. POSTAL SERVICE POSTAL INSPECTION SERVICE AND POSTAL OPERATIONS

TUESDAY, JULY 25, 1995

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

The subcommittee met, pursuant to notice, at 10:10 a.m., in room 2247, Rayburn House Office Building, Hon. John M. McHugh (chair of the subcommittee), presiding.

Members present: Representatives McHugh, Gilman, McIntosh, Sanford, and Meek.

Staff present: Dan Blair, staff director; Jane Hatcherson, Robert Taub, Heea Vazirani-Fales, Steve Williams, professional staff; Meryl Cooper, clerk; and Jean Gosa, Kevin Davis, minority professional staff.

Mr. MCHUGH. Good morning, we'll call the hearing to order. We have our second member. It was not the second member we were waiting for, but it is the Honorable gentleman from South Carolina, Mr. Sanford, who also serves as the vice chair of the committee. So with that, why don't we proceed. Good morning. As I've said, we are pleased this morning to have before us the Chief Postal Inspector, Ken Hunter, who will present testimony concerning the operations of the Postal Inspection Service.

Today's hearing represents one of a series planned by this subcommittee on specific operations of the U.S. Postal Service. Postal Inspection Service supports the USPS in the discharge of its basic mission of providing uniform postal services throughout our country at uniform, reasonable rates. The Inspection Service has evolved, over the 200 years of its existence, into a highly regarded investigative organization.

What makes this organization unique is that, in addition to its civil and criminal investigative functions, it is also responsible for duties required by the Inspector General Act. The Inspection Service wears two hats. The first is that of chief law enforcement officer for the agency. The Service is empowered by Federal laws and regulations to investigate and enforce more than 200 Federal, civil and criminal statutes involving crimes against the U.S. mail.

The goal of the Inspection Service in this role is to protect the sanctity of the mail from attack and ensure the safety of postal customers, employees, and assets. The second hat the Inspection Service is required to wear is that of inspector general. The Postal Reorganization Act of 1971 required the Postal Service to provide an effective internal audit function. Accordingly, the Service performs

financial audits and independent evaluations of Postal Service programs and projects through performance and developmental audits.

The 1988 amendments to the Inspector General Act supplemented this audit and investigatory function by requiring the chief postal inspector also hold the position of inspector general for the Postal Service. This role is of critical importance to the subcommittee in our performance of our oversight role and function. Today, beyond the responsibilities I've just outlined, I hope Mr. Hunter will take this opportunity to outline his views of the Inspection Service's role in securing the workplace and ensuring the physical safety of postal employees.

Unfortunately, over the past few years, violence in the workplace has almost become synonymous with the Postal Service. While I realize that a workforce of some 850,000 full and part-time employees cannot be free of violence, I believe the situation represents a prime example of where the inspector general function and law enforcement functions merge. In its role as inspector general, the Inspection Service can investigate and issue recommendations concerning ways to avert this kind of tragic behavior.

Given the recent violence at the mail facility in City of Industry, California, the subcommittee is deeply interested in the Inspection Service's role in preventing these kinds of tragic acts. There are, of course, a wide range of other issues of interest to the subcommittee that we're looking forward to hearing from Mr. Hunter today. Among those, of course, the Service's role in the enforcement of the private express statute; the ongoing investigation involving the Unabomber; and others.

Let me take this opportunity to welcome Mr. Hunter, and I will leave the introductions of those who adjoin you at the table to you. The dual role of inspector general and chief postal law enforcement officer places a considerable amount of responsibility on you and those who work with you. And to the extent practical, we certainly hope the subcommittee can assist you in this endeavor, and we all look forward to your testimony.

As is the standard rule of procedure with the Government Reform and Oversight Committee, all those who may present testimony are required to undertake an oath. So before we begin, if you three gentlemen will rise and raise your right hands.

[Witnesses sworn.]

Mr. MCHUGH. With that, again, welcome, and Mr. Hunter, I will turn the floor over to you for your opening remarks.

STATEMENTS OF KENNETH J. HUNTER, INSPECTOR GENERAL OF THE U.S. POSTAL SERVICE AND CHIEF POSTAL INSPECTOR, U.S. POSTAL INSPECTION SERVICE, ACCOMPANIED BY KEN C. WEAVER, DEPUTY CHIEF INSPECTOR, AUDIT, AND JEFF J. DUPILKA, DEPUTY CHIEF INSPECTOR, CRIMINAL INVESTIGATIONS

Mr. HUNTER. Thank you, Mr. Chairman, Vice Chairman Sanford. With me today are Deputy Chief Postal Inspectors Jeff Dupilka and Ken Weaver. We thank you for this opportunity to share our pride in the work of the men and women of the Postal Inspection Service. I would like to offer, for the record, my written testimony. The

Postal Inspection Service is the audit and law enforcement arm of the Postal Service.

We're one of the oldest Federal law enforcement agencies, having investigated crimes against the Postal Service and its customers for over 200 years. As you indicated, under legislation passed by Congress in 1988, we also serve as the inspector general for the Postal Service. Our key roles are outlined on the cover of our semi-annual report that you receive. More detailed information on each role is provided in the testimony submitted for the record.

Since late 1992, we have refocused our criminal and our audit programs to better support the Postal Service and its customers. Our goals are directly aligned with the Postal Service goals of commitment to employees, revenue generation, and improved service to customers. We are proud of our substantial progress in balancing our efforts; focusing not only on audit findings and prosecution of defendants, but also on identifying the root causes of problems and recommending solutions.

I would like to share examples of the results of these changes for each of the three Postal Service goals. First, commitment to employees. As you indicated, a top priority of the Postal Inspection Service must be the safety of Postal Service employees. This includes addressing both workplace violence among employees and the more common violence against employees by non-employees.

Workplace violence is increasing rapidly in this nation, and the Postal Service is not immune from this trend. There is no single solution to the problem. The Postal Inspection Service is involved in many of the elements of the Postal Service's program to reduce workplace violence. Some of those elements are indicated on the chart that's the farthest from you.

Pre-employment screening is an important prevention effort. We have audited the pre-employment screening practices of the Postal Service to identify needed improvements. Postal inspectors work closely with the 85 mental health professionals the Postal Service has hired, as well as other professionals contracted by the Postal Service to address violence issues. We also actively participate in the National Committee on Workplace Behavior, and in the national postal sponsored forums on violence in the workplace.

Inspection Service employees have received training in workplace violence and conflict resolution, and also participate in the training of postal employees. We maintain a 24-hour hot-line for anyone to report concerns, threats, assaults, et cetera. We investigate all assaults and credible threats. Investigative work hours in this area have nearly quadrupled from 1991 to 1994. An assault threat reporting system has been implemented to capture data on all assaults and credible threats, not only to assist in investigations, but to help develop preventative measures.

During the last fiscal year, we investigated 475 assaults among employees, and 553 that included non-employees, as well as an additional 294 robberies. We are involved in a variety of initiatives to prevent such attacks, including increasing employee awareness, modified procedures, additional security devices, and work with mailers to reduce the attractiveness of items in the mail to would-be robbers and thieves. We also aggressively investigate all such crimes and seek stiff penalties for offenders.

The second Postal Service goal is revenue generation. One of the more fundamental changes we made in the Inspection Service was to merge some of our audit and criminal assignments into what we call the Revenue and Asset Protection Program, or RAPP, for short. And that's represented on the center chart to my left. This blend of expertise has helped us be more effective in areas such as postage meter fraud, bypass mailings, falsification of mailing documents, workers compensation fraud, embezzlements, and other frauds against the Postal Service.

We focus on problem identification, resolution, and prevention. And we include the customer in these efforts, where feasible. An example of this is our revenue protection initiative. Two years ago, we assembled a group of experienced mailers to brainstorm weaknesses in mailing equipment and procedures which would enable dishonest mailers to avoid paying proper postage. The customer group identified several ways the Postal Service could be cheated, and we embarked upon a dual program of investigations and prevention.

Besides using criminal and civil administrative actions, we are working with mailers, equipment manufacturers, foreign postal administrations, U.S. postal managers, and scientists to implement improvements. Changes to date include revised postal acceptance procedures, improved detection methods, equipment changes, and additional controls. The third goal of the Postal Service is improved service to its customers.

Another example of our customer focus and emphasis on prevention is the credit card initiative, which supports both the revenue generation goal and the service goal. In late 1992, the credit card industry angrily approached the Postal Service regarding fraud losses due to credit cards issued but never received by the intended recipient. These losses had increase 98 percent in 1992 alone, to an estimated total of $164 million.

Issuers were experimenting with alternative means of delivering cards. The Postal Service was on the verge of losing business. A review of internal records revealed arrests were increasing for such crimes. But obviously, improvement in these numbers was not an accurate measure of success. The customers wanted more. We formed a group of all the entities involved in the food chain, from creation of credit cards to delivery of the cards.

This group adopted a common goal to reduce fraud losses in measurable terms, meaning in dollar losses as suffered by the issuer. All the contributing causes were identified, and solutions were developed by the group to deter theft and other fraudulent practices. For example, today, most credit cards are mailed in an inactive state, and will only be activated after you, the intended recipient, call a 1–800 number and identify yourself appropriately. This was the idea of a postal inspector.

As a result, losses dropped 35 percent in 1993, and another 23 percent in 1994. Not only was the loss of postal revenue averted, business actually increased. The joint industry and Inspection Service group continues to function. The Inspection Service has been an obvious added value to the credit card industry—a value available only through their business partnership with the Postal Service.

Another example of how the Inspection Service helps to improve customer service is our reviews of service related conditions. Simultaneous observations of mail conditions in major metropolitan areas last year identified some areas in need of special attention, including Chicago, Philadelphia, and the Washington, DC area. Teams of postal inspectors in each area set out to identify causes of unsatisfactory conditions. Once these were identified, they worked with postal management on recommended improvements and monitored implementation of the solutions.

We are proud of our working partnerships with postal management that resulted in the dramatic service improvements shown on the third chart. Finally, Inspection Service employees work hard to protect individual postal customers from deception and other crimes utilizing the mails. Many criminals prey on the elderly, the ill, or others who are vulnerable. The results of our efforts are that people trust the sanctity of the mails and take for granted that service will be rendered.

We're proud to be a part of the team providing this essential service 580 million times each day. Thank you very much. We would be happy to respond to any questions you have.

[The prepared statement of Mr. Hunter follows:]

PREPARED STATEMENT OF KENNETH J. HUNTER, INSPECTOR GENERAL OF THE U.S. POSTAL SERVICE AND CHIEF POSTAL INSPECTOR, U.S. POSTAL INSPECTION SERVICE

INTRODUCTION

Good morning, I am Ken Hunter, Inspector General and Chief Inspector of the United States Postal Service. With me are Deputy Chief Inspectors Jeff DuPilka and Ken Weaver. We thank you for this opportunity to share our pride in the work of the men and women of the Postal Inspection Service. I would like to offer for the record my written testimony.

The Postal Inspection Service is the audit and law enforcement arm of the Postal Service. We are one of the oldest federal law enforcement agencies, having investigated crimes against the Postal Service and its customers for over 200 years. Under legislation enacted by Congress in 1988, we also serve as the Inspector General of the Postal Service. Our key roles are outlined on the cover of the Semiannual Report. More more detailed information on each is provided in the testimony submitted for the record.

Since late 1992 we have refocused our criminal and audit programs to better support the Postal Service and its customers. Our goals are directly aligned with the Postal Service goals of commitment to employees, revenue generation and improved service to customers. We are proud of our substantial progress in balancing our efforts, focusing not only on audit findings and the prosecution of defendants but also on identifying the root causes of problems and recommending solutions. I would like to share examples of the results of these changes for each of the three Postal Service goals.

COMMITMENT TO EMPLOYEES

A top priority of the Postal Inspection Service is the safety of Postal Service employees. This includes addressing both workplace violence among employees and the more common violence against employees by nonemployees.

Workplace violence is increasing rapidly in this nation. The Postal Service is not immune from this trend. There is no single solution to this problem. The Postal Inspection Service is involved in many of the elements of the Postal Service's program to reduce workplace violence.

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During the last fiscal year, we investigated 475 assaults among employees and 553 that included nonemployees, as well as 294 robberies. We are involved in a variety of initiatives to prevent such attacks including, increasing employee awareness, modified procedures, additional security devices, and work with mailers to reduce the attractiveness of items in the mail to would-be-robbers or thieves. We also aggressively investigate all such crimes and seek stiff penalties for offenders.

REVENUE GENERATION

One of the more fundamental changes we made in the Inspection Service was to merge some of our audit and criminal assignments into what we call the Revenue and Asset Protection Program or RAPP. This blend of expertise has helped us be more effective in areas such as postage meter fraud, bypass mailings, falsification of mailing documents, worker's compensation fraud, embezzlements, and other frauds against the Postal Service. We focus on problem identification, resolution, and prevention; and we include the customer in these efforts when feasible.

An example of this is our revenue protection initiative. Two years ago we assembled a group of experienced mailers to brainstorm weaknesses in mailing equipment and procedures which could enable dishonest mailers to avoid paying proper postage. The customer group identified several ways, and we embarked on a dual program of investigations and prevention. Besides using criminal and civil/administrative actions, we are working with mailers, equipment manufacturers, foreign postal administrations, U.S. postal managers, and scientists to implement improvements. Changes to date include revised postal acceptance procedures, improved detection methods, equipment changes, and additional controls.

SERVICE

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A review of internal records revealed arrests were increasing for such crimes but obviously improvement in these numbers was not an accurate measure of success. The customers wanted more. We formed a group of all the entities involved in the "food chain," from creation of credit cards to delivery to the intended recipient. This group adopted a common goal to reduce fraud losses in measurable terms, meaning in dollar losses as suffered by issuers. All the contributing causes were identified, and solutions were developed by the group to deter theft and other fraudulent practices. For example, today most credit cards are mailed in an inactive state and will only be activated after you, the recipient, call a 1–800 number and identify yourself appropriately. As a result, losses dropped 35 percent in 1993 and another 23 percent in 1994. Not only was the loss of postage revenue averted, business actually increased. The joint industry and Inspection Service group continues to function. The Inspection Service has been an obvious added value to the credit card industry—a value available only through their business partnership with the Postal Service.

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Finally, Inspection Service employees work hard to protect individual postal customers from deception and other crimes utiliziing the mails. Many criminals prey

on the elderly, the ill, or others who are vulnerable. The results of our efforts are that people trust the sanctity of the mails and take for granted that service will be rendered. We are proud to be a part of the team providing this essential service 580 million times each day!

Thank you. We would be happy to respond to any questions you may have.

Mr. MCHUGH. Thank you, Mr. Hunter. The Chair is pleased to recognize the gentleman from Indiana, Mr. McIntosh, who I understand would like to make an opening statement for the record.

Mr. MCINTOSH. Thank you, Mr. Chairman, and I appreciate your letting me do this at this time. I would like to be able to stay for even more of the hearing, because I think this is an important area, and I want to commend you for looking into this in your very thorough and comprehensive fashion. Unfortunately, I've got to head over to the floor for our first corrections day effort, and will be heading over there to try to shepherd that through, along with Brian Bilbray, a freshman from San Diego.

Mr. Chairman, at this time, I'd like to make a brief statement and then, in the next few days, submit a series of written questions for the U.S. Postal Service Inspection Service, to which I would appreciate answers. I've recently received information about a number of troubling incidents which may indicate possible abuse by the Inspection Service. I've received accounts and some preliminary information that indicates possible abusive, high-handed, and frankly, arrogant methods of investigating American citizens.

Some information suggests that there may have been selective prosecution regarding temporary restraining orders to seize promotional mailings, merchandise, and customer responses and letters. Mr. Chairman, at this time, I'd like to enter into the record a copy of two letters which I have received. In March of this year, a Federal judge ordered a settlement between the Postal Service and a direct marketing firm, Suarez Corporation Industries.

[The information referred to follows:]

SCI, SUAREZ CORPORATION INDUSTRIES,
N. Canton, OH, March 16, 1995.

THOMAS V. SOTTILE,
Inspection Service Operations,
Support Group,
P.O. Box 3000,
Bala Cynwyd, PA.

DEAR MR. SOTTILE: Thank you for your letter dated March 7, 1994(5) and for the positive-sounding telephone conversation this past Monday. It was encouraging to hear you agree that Suarez Corporation Industries (SCI) and USPS should establish a solid working relationship to lessen the likelihood of future litigation. It was also my understanding that you will seriously consider and discuss with your colleagues our proposal that USPS send us copies of any dissatisfied consumer correspondence so that the consumers' concern can be rectified including removal from our mailing list. This would be a win-win situation and is understood by SCI that if accepted by USPS, it would in no way limit USPS's enforcement powers.

Per our conversation it is my understanding that SCI's obligations as set forth at page 7, paragraph 12 of the settlement agreement will await the passing of April 15, 1995. I will arranged to receive upon my return the list of the names and addresses of consumers sent the order confirmation letter and a list of consumers who did not confirm their order. Accordingly, I propose sending you the lists by Friday, April 28, 1995.

Attached please find a copy of correspondence to Postal Inspector Denman regarding the refund request of Forrest F. Loughman.

I wish to reiterate SCI's offer to maintain open channels of communication. USPS's acceptance of the proposals described above coupled with addressing con-

cerns on an early and ongoing basis is unquestionably sensible. I look forward to your reply.

Sincerely yours,

STEVEN L. BADEN,
General Counsel.

U.S. POSTAL INSPECTION SERVICE,
OPERATIONS SUPPORT GROUP,
Bala Cynwyd, PA, March 21, 1995.

STEVEN L. BADEN,
General Counsel,
Suarez Corporation Industries,
7800 Whipple Avenue, NW,
N. Canton, OH 44720.

DEAR MR. BADEN: I am corresponding with you in response to your March 16, 1995 letter to me which I received yesterday.

Firstly, I must strongly dispute your contention that I agreed that USPS and Suarez Corporation Industries (SCI) should establish a "solid working relationship." If these words were used during our conversation then it was at best a misunderstanding between us as Postal Service policy would prohibit the type of process which I believe you envision. However, you are free to call me or communicate with me in writing with regard to mailing materials that may be questionable in light of the February 28, 1995 stipulated orders.

I know you are aware that there is no substitute for rigorous legal scrutiny of any future SCI mailings. Although the Postal Inspection Service may, from time to time, bring to your attention the names of consumers who have complained about SCI solicitations, we remain steadfast in our view that enforcement of the February 28 1995 orders is the best way to protect Postal customers.

Thank you for SCI's payment of the $2,805.78 refund to Forrest F. Loughman. Also, I look forward to receiving the consumer lists as we had discussed.

Sincerely,

THOMAS V. SOTTILE,
Inspector Attorney.

Mr. MCINTOSH. After settlement was reached, the general counsel of the firm called Mr. Sotille of the Inspection Service to establish "a solid working relationship to lessen the likelihood of future litigation." Mr. Sotille responded in a remarkable manner. Speaking to a private citizen and a representative of a company which spends millions of dollars with, and is a good customer of, the Postal Service, Mr. Sotille wrote, "I must strongly dispute your contention that I agreed that the USPS and Suarez Corporation Industries could establish a 'solid, working relationship."

Unfortunately, the subsequent conduct of the Inspection Service mirrored the unpleasant language reflected in that letter. In a few days, I will submit specific questions to the Inspection Service for a written response. In the interim, I'd like for the Inspection Service to provide me with a list of specific complaints by individuals and private companies against the Inspection Service within the last 24 months, relating to TRO's and seizures of mail.

I would also appreciate a list of temporary restraining orders issued for the detention of promotional mailings during the past 24 months. I'm also concerned about duplicative authority and functions between the FTC and the Inspection Service. And I will be submitting questions regarding the standards used by these two agencies in judging the truthfulness of promotional materials. The goal would be to reduce regulation and to save scarce taxpayer dollars; and frankly to give people some notion of the consistent standards that would be applied in judging whether these promotional materials are misleading or fraudulent in nature.

I've seen reports of several cases where, once it reached the judicial proceedings standpoint, the judges were not at all sympathetic to the claims that the promotional material might be fraudulent. And I think we have to be very careful when we start seizing materials that are the private property of citizens, that we have a very sound and clear case in front of us. So thank you very much, Mr. Chairman. I'll submit to you those questions.

Mr. MCHUGH. We also would appreciate receiving a copy of whatever response, if that's agreeable to the gentleman, to those questions.

Mr. MCINTOSH. Yes.

Mr. MCHUGH. I would defer to the gentleman from Indiana, if he has any questions on that, or if he just intends to submit the written questions.

Mr. MCINTOSH. My thought was to submit them in writing, because they're fairly extensive factual questions.

Mr. MCHUGH. That's fine. I thank the gentleman. I know he does have a very busy day on the floor, and corrections day is an important initiative. And we appreciate his being with us, and wish him well on the floor today.

Mr. MCINTOSH. Thank you, and thank you for your leadership on this issue.

Mr. MCHUGH. Thank you.

Mr. SANFORD. I have one quick question.

Mr. MCHUGH. I would defer to the gentleman from South Carolina.

Mr. SANFORD. In terms of the criminal investigations, I was sitting here doodling, looking at the 5,600 arrests. You've got 725,000 employees. I didn't know how that ratio compared with Federal Express, UPS, other private carriers, in terms of rate of instance, if you want to call it that, with criminal behavior.

Mr. HUNTER. Sure, I would be happy to respond to that. Let me first make one comment with regards to the request from the congressman from Indiana. We'll certainly comply with his request. We receive many thousands of complaints each year about offers through the mail. And of course our investigation in that case is in response to that. And the temporary restraining orders are issued by Federal judges, based upon probable cause.

So I understand that promoters at times are not happy with the decisions of the Federal judges. And we'll provide you with complete information concerning the nature of the complaints and the actions taken.

Mr. MCHUGH. I appreciate that. We may have a chance to explore that a little bit further here today—some questions on procedure that I have.

Mr. HUNTER. OK, sure. To your question, we don't know what that information is for our competitors for a number of reasons. One obviously is competitive reasons. It's not information that they choose to make public. We operate in the sunshine, so of course, we do have to make that information public. We do know, in working with private industry that serves the Postal Service, namely the airlines, that we experience some significant theft of mail while in their custody. And presumably, other couriers experience similar problems.

We find in our experience with that partner that frequently the resolution is to remove the person. And there isn't even a set of independent public statistics, like arrest records or court records, that you could look at. You're correct that we did arrest over 700 employees for theft. Of course, at the same time, we arrested over 4,300 non-employees for the theft of mail. It's attractive; it's valuable; and it's an area we spend a lot of time in.

And if we can provide you with any more information about these, we'd be happy to. Seven hundred and some out of a workforce of over 800,000, when you count casuals and temporaries, is not bad in terms of the integrity of the postal employees.

Mr. MCHUGH. I thank the gentleman. I thought, in proceeding, as you read your opening statement, you talked about how, on the cover of your semi-annual report, you have the four function areas outlined. And perhaps that's just as good a way of any of proceeding here today—working from left to right. The auditing function is what is first listed. Let's talk about that for a moment. You bring yourself, personally, a wealth of knowledge to the job that goes far beyond your current role.

You started out a few years ago—over 30.

I wish that were just my age. Well, I knew that. I would have never guessed it by looking at you, but I read it here. And obviously you have a very unique perspective. When you sit back and you think about the audits that you have conducted, what would you say is the No. 1 challenge as reflected in these audits that remains unaddressed by the Postal Service?

What are they not doing, from your perspective, as well as perhaps they should, at least as shown in your audits?

Mr. HUNTER. I don't think it's a matter of them not doing it. We've clearly identified that there is still continued room for improvement with regards to the implementation of automation. We've done a number of audits on automation, and we have a number underway. And basically, the equipment works. Our audits show that the equipment itself works, but the implementation in an organization as large as the Postal Service needs to receive continued emphasis.

Clearly, service is a major issue, as I identified in my oral remarks and on the chart. And we're continuing to monitor that. It's at record highs, as measured externally, and we wish to see it stay there and go even higher. Of course, we also spend a lot of time in the financial area to assure that the controls stay in place. We have concerns regarding revenue protection that are being addressed aggressively.

Mr. MCHUGH. What kind of follow-up or implementation powers do you have? You go out and you issue an audit that finds the Postal Service is falling short on some financial process. In fact, your statement noted that you had made recommendations that would have saved—I was looking for it—I believe, $24 million, some figure such as that. What kind of process do you have available to make sure your recommendations, particularly when we're dealing with lost moneys, are followed? Any? Or are you totally advisory?

Mr. HUNTER. No, we're not. It depends upon, first, the nature of the loss. If the nature of the loss is criminal, of course we follow

up completely, including seeking prosecution. So much of the work in the area of revenue protection or embezzlement or fraud against the Postal Service, we take all the way. Now, in other areas, where we feel perhaps controls are lacking or they're not being exercised, we report those results with audits.

The audits contain formal findings that management is required to respond to. And we're required, in our semi-annual report to you, and of course to the Postmaster General and to the Board of Governors, to report on the resolution of those findings. Have the recommendations been adopted; and if not, why not? So there's an oversight responsibility, as you would find in the back of that semi-annual report, that extends all the way to this committee.

As you would also find there, the vast majority of the recommendations are adopted quickly. Generally there are some that linger for understandable reasons.

Mr. MCHUGH. Such as what?

Mr. HUNTER. Well, it may take some expense and some effort, some time to make changes sometimes that are recommended.

Mr. WEAVER. Mr. Chairman, if I could just add a comment.

Mr. MCHUGH. Certainly, Mr. Weaver.

Mr. WEAVER. We have an extensive audit tracking system that tracks each and every one of our audit findings and recommendations posed to management. In Fiscal Year 94, we conducted 631 audits, and provided over 874 recommendations to management—most of which were implemented. And we've had a fairly successful rate of implementation by management.

One area that we've seen for improvement, that we can do a better job of, is following up to make sure that those implementations stay implemented; and that once management does something, that they're consistent with following through with it. And I think we need to do a better job at our follow-up.

Mr. HUNTER. We're going to do such an audit—audit the action on the findings of prior audits.

Mr. MCHUGH. Well, I'm going to play the role of the media here today. There may be 1,000 things right, but I'm going to talk about the one thing that may not be so right. Your recent semi-annual report noted that 271 Inspection Service reports issued, 36 remain unresolved in terms of USPS action. I supposed on a percentage basis, somewhere over 10 percent, that's not too bad, but you also noted that management has not acted on well over, as I mentioned, $24 million in Inspection Service questioned or unsupported costs or recommendations that funds could be put to better use. The issue here, it seems to me, is what powers do you have to pursue those kinds of unresolved costs. The subcommittee would be very interested to ensure that as you go about your business of identifying procedural, particularly management procedural problems, that you have some way to maximize your leverage to ensure that your recommendations are followed.

Mr. HUNTER. Part of the difference would be a timing difference. It could well be reported in one period, and the resolution occur in another. But we're fairly aggressive about that. And again, as you've noted, you have access to the information, too. So I don't feel that management is obstinate in the adoption of the recommenda-

tions. And of course, we push them periodically in that regard. I don't feel that more needs to be done than is being done.

Mr. MCHUGH. So you don't feel you need any extended powers, refined duties or responsibilities that would assist you? You're happy with the authority that you have, in this regard.

Mr. HUNTER. That's correct. The audit committee of the Board of Governors also takes an active role. I mean, we're finding a more active role being played by management; being played by the Board of Governors; and of course, as I mentioned to you before the hearing began, yourself. This is the first time in our memory that such an oversight hearing has been held, as you exercise your authority with regards to the inspector general and our findings. All of that's healthy.

Mr. MCHUGH. I would interrupt my line of questioning to gratefully acknowledge the presence of Mrs. Meek, the gentlelady from Florida, if she has any opening comments.

Mrs. MEEK. No, thank you. I'm sorry I'm late.

Mr. MCHUGH. No, we're happy you're here. Thank you. You spoke about, through the process of your audit function, you've been looking at automation. That has been an issue that has been repeatedly discussed in our first seven hearings on oversight, general oversight. What have your audits shown with respect to what most people agree is something of a unrealized expectation, with respect to automation in the Postal Service?

Why isn't it going as well as certainly most people felt it would when the process was initially taken up?

Mr. HUNTER. I think generally the reason that it hasn't achieved the ROI as quickly as had been anticipated is that the implementation is more involved than perhaps was anticipated. Our audits do not find that the techniques that were adopted are lacking. The equipment is good. The ideas look good. Implementing it in hundreds of facilities with thousands of individuals represents very complex changes.

It changes the mail flow, the requirements for the mail itself, the accuracy of the address data bases. That requires many thousands of people doing many things correctly. And we're finding that additional training is required, and that additional work needs to be done to standardize the implementation, to make sure that the various sites are implementing it the way that it was intended.

Mr. MCHUGH. Some have come before this committee arguing that the failure of automation lies directly as a result of the union activities, that it has been unreceptive to it. The actions by management that have caused them to be less than aggressive in implementation of it. Do you see any reason to suggest that a large share of the automation shortcomings are due to union involvement, the lack of cooperation?

Mr. HUNTER. First, within the plants, I don't see, in general, behavior that could be attributed to Luddites. In other words, we don't find many cases of people actually trying to sabotage it. Occasionally we do, and we investigate those and management deals with it appropriately. There has been difficulty, first within the plants, at times with regards to changes in work rules and struggles over what duties would be the responsibility of what kind of craft.

And so that has caused some friction, although not a general resistance by the organizations to automation. I think employees are far more aware today of the competitive threat and the need to make changes. The big challenge, of course, that's being tackled now is the delivery sequencing, which represents a significant change in the work practices of the carriers which heretofore have had complete responsibility for the casing of their mail before they go out on their routes.

And that's a challenge that's being worked through that is causing some of the difficulties and the need to continue to train and standardize the implementation procedures.

Mr. MCHUGH. When the automation process was first introduced, it was externalized. It was going to be done by contract, outside the Service. And then the Postmaster General changed that approach, and has now internalized it. Has that been a problem with respect to a more timely and widespread implementation?

Mr. HUNTER. That refers to a small part of the whole automation plan. That is to get on mail that machines cannot read a bar code. And it's often referred to as remote encoding, where the image is lifted and passed to a remote site. And you're right that originally it was intended to contract that out, and contract sites were established, because the work was regarded as work that would diminish over time as computers were designed to read more and as more and more customers made their mail automation compatible.

An unfavorable decision in arbitration resulted in the need for the Postal Service to make some changes, which it did in consultation with the employee organization that represents that kind of work. And that transition is taking place. Both we and GAO have reported on the state of the transition, if you will, to date, with regards to the differences between the two.

Mr. MCHUGH. Speaking of GAO, and in relation to the second bar on your semi-annual report, safeguarding postal employees, as you know, the GAO has issued a rather stark analysis of what they believe are some of the major points of conflict between management and labor throughout the nation. And in their analysis, at least, identified what they felt were root causes for the workplace violence.

I said in my opening statement, and I believe you commented on the fact that with 850,000 employees, it's unrealistic to expect that there will not be some violence. It's a fact of life. But I think it's also unrealistic to reject what is occurring within the Postal Service with respect to violence. The City of Industry, California, situation is the most recent.

This is a problem across the country. And I don't want to sound as though we're unconcerned about that potential, no matter where it may occur. But from what I have observed casually from repeated contacts that we have had through the subcommittee offices from people in the region, from a very active investigation that has just been initiated with respect to a local congressman, David Dreier, for example, it is clear that this problem is particularly troublesome in Southern California.

Have your offices had the chance to look at this situation to try to identify why, in this particular region, there are special problems or special tensions?

Mr. HUNTER. Certainly we've conducted a thorough investigation in the facility in question in City of Industry. And we do not believe that that particular incidence of workplace violence is due to the problem that you allude to. Now, that does not mean that the workplace environment in many facilities is what either management or labor would like it to be.

Violence of employees on employees is a variety of types. Some are among individuals that have a dispute, disputes for a variety of reasons. It could be personal relationships or reasons that they're angry at each other. Sometimes it's by individuals who have significant personal problems. And I outlined some of the things that the Postal Service is trying to do to address the individual needs. I agree with the GAO audit, particularly the one entitled, Labor-Management Problems Persist on the Work Room floor.

The environment in some locations is not what it should be. Now, we're involved in a part of the work in that area when the activities of the parties are of the type that we should investigate. In other words, it could be because of credible threats, because of threatening acts, or because of inappropriate behavior that requires an investigation by us. There also needs to be continued work done with regards to just the labor management atmosphere in general.

Not that it by itself drives violent acts that are hard to comprehend, but that kind of an environment can certainly contribute and in the aftermath, certainly receives continued criticism. I thought a lot about it, as a postal employee of 31 years. I was a clerk; I was a carrier; I was a supervisor; I was a union steward; and have been a manager. And clearly, the fundamental kind of changes they're calling for need to occur.

We for years had a compliance mentality. I mean, we as postal employees had rules to follow with you the customer, because we were the only game in town. And that certainly was the case in the workplace, too—that things were pretty much rules driven and it was either right or wrong. Too much of that extends to today's atmosphere where there are winners and losers and too much is taken to binding arbitration.

So I clearly support the kinds of things they're calling for—a summit, if you will, of the management and the labor organizations, and the involvement of some experienced outside help to change that environment. Because we cannot be successful without shedding some of the old rigid labor-management practices, the faults that are identified on both sides, to make a work environment where people team to fight the common enemy, which is competition.

Mr. MCHUGH. Yes. I'm interested to hear your perspective on the GAO report. Because obviously they did outline some specific things that they felt needed to be done to affect a change in that situation, that culture, within the Service itself. You mentioned the summit. The Postmaster General did call for that. Some of the union leaders who were here questioned the timing, with respect to contract negotiations—got the folks involved to re-issue the call for the summit, and I'm still optimistic enough to hope it will happen.

But there are other things in that GAO report, as you mentioned, that, it doesn't seem to me, have been addressed. What do you

think needs to be done to have some of those other remedies implemented, to pursue a change in the cultural attitude? You have outlined some of the things—the commitment to employees; the pre-employment screening; the training and all of that.

And I laud the Service and you for implementing those kinds of things. But it's clear that it's not enough. There are other problems out there that these procedures are unable or are not intended to affect. What can we do? How do we approach this?

Mr. HUNTER. Well, I agree with some of their recommendations that more of the responsibility for that relationship and even how some of the work is performed needs to be decided by a teaming effort locally. Now, in terms of the violence in the workplace, if we believe that there is an environment that is explosive that's not driven by a particular individual—I mean, we're frequently called in when an individual behaves inappropriately.

We've done a lot of work and research in that area of how to detect it and how to prevent it. But the Postal Service and most of its employee organizations have not come up with one answer. There's not a single answer. One answer is intervention teams that represent all of the parties involved go in, conduct the interviews, do an assessment, and provide recommendations. Now that, of course, is remedial when things have already gotten to the point where it's reached the attention of others and they believe outside intervention is required. Clearly, there needs to be more work there.

The current process, which can hand everything up, ultimately, to arbitration, is too easy. Arbitrators generally don't make decisions in these fundamental things we're talking about. They're more to pay and benefits. And the essential thing that needs to change here that we're talking about is that relationship in general—the adversarial nature of it. And I don't think that addressing that relationship needs to be postponed. It's too important. There are enough resources to address both the need to resolve pay and benefits and to move forward on the relationship.

Mr. MCHUGH. The GAO mentioned and was very critical about what it called an autocratic management style. Do you agree with that assessment as well?

Mr. HUNTER. There are still instances of autocratic management, yes. Would I indict the whole Postal Service with that characterization? No. There's that kind of behavior, as is indicated, by all the parties involved in some locations. It needs to continue to be worked on and diminished.

Mr. MCHUGH. I'd like to make a request of you, and this is not something that we thought about for a long time. I don't know if that's good or bad. But I think it would be important, and hopefully useful, if within the confines of your duty as IG, you take the opportunity to study the Southern California region to see whether there are any extraordinary, very unique circumstances there. Again, when we talk about violence within the postal work environment nationally, there are problems that are equally as critical.

But I personally am troubled by what seems to be a particular problem in this region. And after conversations with the congressional delegation from that area, I think it would be worth our effort to try to make that evaluation. I understand nationally, you

have certain constraints on your resources, on your abilities. But I'd ask you to seriously consider that.

Mr. HUNTER. Violence in the workplace is a top priority for us. And as I indicated previously, we're more interested in prevention than just apprehension. So we'll get more information from you and your staff and be responsive to your concerns.

Mr. MCHUGH. I mentioned Mr. Dreier. I'd be very remiss if I didn't also mention Congressman Torres. Yes, Mrs. Meek.

Mrs. MEEK. Mr. Chairman, in light of your question, would the gentleman yield?

Mr. MCHUGH. I'd be happy to yield to the gentlelady.

Mrs. MEEK. I'd like to know what kind of preventive measures that you take within your services to prevent conflicts, or to resolve them once they occur, prior to violence being a result. There must be some kinds of internal safeguards which you've instituted to help this. Has this become institutionalized, or is it just on a case by case basis?

Mr. HUNTER. Sure. And I indicated some of these previously, before you were here, and I'm happy to review them again. One obviously is right at the beginning—pre-employment screening, so that individuals are not hired who would not be suitable for employment. And one of the things we, the Inspection Service, do in that area is to audit those pre-employment procedures and practices to make sure that they're adequate; and where we find that they're not, we make recommendations.

And management of the Postal Service has continued to change their pre-employment screening practices to try and detect more individuals, to begin with, that are not suitable for the workplace. Within the workplace, if we're talking, first, employee on employee violence, the Postal Service has adopted probably the most aggressive EAP program in private or Federal industry. Any employee, for any reason, may receive up to 12 free counseling sessions, regarding any source of stress that they may have in their life.

It could be financial; it could be personal relationships. It doesn't have to be a chemical dependency or anything like that. So it's a very aggressive program to try and reduce the stress that is sometimes on the part of an individual. Likewise, they've hired 85 professionals with masters degrees in psychology or other fields to oversee that. And they've done a number of other things in that regard—retained a number of outside consultants, including a very renowned one from Florida, Dr. Dennis Johnson, who provides support throughout the Nation in that regard.

We do a number of things in terms of training of employees, and in terms of an automated system I talked about that has been built upon years of experience and analysis. So when we go out to do an investigation, it's more than just a traditional incident investigation. We gather a lot of other information, which may be indicators of what could be future occurrences. And we address a lot of those things. There are many others, but those are some examples.

Mrs. MEEK. If I may go a little further, I see that you're doing this with the employees. To what extent are you doing this with the management? I get a lot of complaints from line people who work in the post office, about the people who supersede them—their superiors. How do you choose those people? Are they chosen

the same way or in a similar way that they choose police and people who need that kind of sensitivity to work with people in the workplace?

Or are they chosen in other ways? I guess my question is, what attention are you paying to the management, the people who are providing the orders for the people down at the bottom of the work ladder?

Mr. HUNTER. Well, the attention that we the Inspection Service provide is basically the same for all categories of employees. Now, management is going to be receiving additional training in this area, in the whole area of workplace violence and conflict resolution. One of the criticisms that's frequently levied by either bargaining unit employees or non-bargaining, is that they're the victim of disparate treatment with regards to this problem.

And it's just a measure of the difficulty involved, and also the carry-over from what Chairman McHugh and I were talking about, about that adversarial relationship. This is the last thing to be having wars of blame over, as opposed to working together, adopting the resolution of the Board of Governors that says if you bring a gun in the workplace, you're fired, period, no question, whether you're the postmaster or one of the bargaining unit people.

I mean, these kinds of carry-overs of that practice into this area, to me, are just not acceptable. We clearly need to focus on what causes it—there are many causes—and what can we all do together to reduce it.

Mrs. MEEK. Thank you.

Mr. HUNTER. Thank you.

Mr. MCHUGH. I apologize, I was commiserating here on another point I wanted to make when I heard your comment about the show up with a gun, go home rule. How did you respond to that? What was your opinion of that?

Mr. HUNTER. I wholeheartedly support it. If you're an employee—and I don't care what your rank is—unless you're authorized to have a weapon in that facility, which would be a postal police officer or a postal inspector; you bring it in, you're fired, no appeal. There is no reason to have that weapon in there.

Mr. MCHUGH. The issue I was getting clear was that in relationship to the training initiatives you spoke about, when Mr. Palladino of the postal supervisors testified before this hearing a number of weeks ago, he said that there was absolutely no training being provided to the supervisors in assisting them to relate to people, helping them to hone their management and interpersonal relationship styles. Does that jive with what your understanding is, or do we have a lack of communication here, as Cool Hand Luke would say?

Mr. HUNTER. I'm not sure what all the training is that supervisors receive from employee relations and other parts of the Postal Service. We in the Inspection Service are corroborating with management in a training program that has to do with security, which of course is related, in part, to violence in the workplace of employees on employees or non-employees on employees, and the concept of a security control officer—and a number of those have been trained.

But beyond that, there is a program that I think will be training about 40,000 individuals. Jeff Dupilka is involved in that, and perhaps he can share more.

Mr. DUPILKA. The training that the supervisors are going to receive is in recognizing violent situations, being sensitive to things that may make employees less than able to cope with the stress at work, and diffusing those situations before they erupt. That's the segment of the postal supervisor training that we've been involved in developing with the human relations people.

Mr. MCHUGH. When will that occur?

Mr. DUPILKA. They've begun it. They've had one session so far. What they're doing is, they've run a session to see how it works; then they're shaking it out to make sure it's effective. It's scheduled to be continued through the summer, with full implementation in 1996—FY 96.

Mr. MCHUGH. And when we say full implementation, what do we mean by that?

Mr. DUPILKA. There are 40,000 supervisors who will get the training.

Mr. MCHUGH. Everyone will have it, over what period? A year, 2 years, 3 years?

Mr. DUPILKA. I don't know how long it's going to take. It's always a situation as to when you can schedule people in. But Mr. Runyon committed to that during the symposium on violence that was held several months ago. It's one of his top priorities and I'm sure that it's one of the top priorities of human resources.

Mr. MCHUGH. Yield to the gentlelady.

Mrs. MEEK. My question is, again, an extension of yours. If the supervisors do get into this kind of training, to what extent is that considered in the evaluation? Is that an item that's considered when they're evaluated in their performance as a supervisor or a manager? If not, it's very hard to bring about some changes in the institution.

Mr. HUNTER. One of the difficult issues the Postal Service is facing right now is how to incorporate employee opinions into the evaluations. I think that's one of the things that you're asking, not just the perception of the supervisor and manager, but of the employees they manage. And the Postal Service, of course, has gone to great expense to survey all employees on more than one occasion, with an outside firm that would do it anonymously so there's not fear of reprisal.

Recently, there's been an objection by the largest employee organization to this procedure, and a call for boycotting it in the future. It's one of the things the Postmaster General very much is trying to incorporate into the process. That is, how do you get everyone's assessment into the process in terms of evaluating the success of individuals? He's done quite a bit of that with managers higher in the organization. It's called 360 degree feedback, and the use of other measures to detect that.

Again, it's an attitude problem often on the part of all the parties involved, that adversarial relationship, that swiftness to find blame, and sometimes reluctance to look for common solutions. If you'd like, we can respond further in writing with regards to your question, because we'd really need to consult with employee rela-

tions. I know over the years there's been a variety of training programs that have included training that has to do with the kinds of sensitivities that you're talking about.

Mr. McHUGH. Right. Well, I'd appreciate that. I think Mrs. Meek is on an important point. From a certain perspective, and I'm not saying all perspectives, but from a certain perspective, there seems to be a tendency to blame all that is wrong, and particularly the violence, on the employee side of the equation; when obviously, as the GAO report suggests, management is an equal component and an important one as well.

Employee opinion surveys, do you have the opportunity to review those? If, for example, a series of those surveys would logically point toward a real problem in a particular region, are you aware of that? And if so, do you have the opportunity or is it your practice to follow up and see what may be wrong there, as a preventative measure?

Mr. HUNTER. We certainly, as the inspector general, would have access to the information. Now, the information at each level is rolled up into aggregates that are sufficiently large, so as to preserve the anonymity of the employee. So you would not be able to use that to identify individuals who are problems, or even small groups. And the reason, again, is to enable there to be some trust in the process and no fear of reprisal.

So if it's a small work group—under 10, for example—it's rolled up into the next larger group. But, yes, we have looked at the data with regards to employee concerns about a number of things. One, for example, being their concerns about the use of drugs and other chemicals in the workplace. Generally, we have not used it as the driver for our investigative attention of violence in the workplace.

There are a number of other indicators—the hot-line, other indicators of problems that erupt—that we use in that regard. It might be somewhat difficult, based upon the nature of the questions, in the regard that you're talking about. But we could take a look at it; frankly, I hadn't done that.

Mr. McHUGH. Well, I don't want to claim a great deal of familiarity with them, because that would not be truthful. But it seems to me that if you're doing a survey that is intended to ascertain individuals' opinions, that there would be a way to preserve the anonymity, which I agree is important, because people are more honest when they think they're anonymous. But at the same time, perhaps seeing signposts that there's a problem in a particular region. It's just something——

Mr. HUNTER. Let me ask Jeff to also respond.

Mr. McHUGH. Sure.

Mr. DUPILKA. There are two things that we're using that information for. There is a question specifically regarding violence, how people fear violence in their workplace, in that survey. In looking through the aggregate scores for the districts last year, we asked each of our field divisions to consider the scores when they were looking at what they could do to prevent violence.

Our measure for success in our project where we address assaults in the workplace is a reduction in that score. In other words, if the employees indicated a level of 36 percent that they're fearful, then that division's responsibility is to reduce those scores down by

a percentage over the year so that the next time we look at it, that should be lower, because we should be doing some things there.

We also, in the assault threat tracking system that we've implemented, have more of a real time view of that. We can collect data on incidents that occur, threats or assaults, on any particular tour, in any facility, in any ZIP Code. When you start to see some patterns emerging, it may not just be an employee in the craft, but it may be a supervisor who, on his or her tour in that facility, shows an inordinate number of incidents.

We then redirect our attention and go back and work with that facility, whether it's with EAP or inspectors giving stand-up talks to try to identify causes and to reinforce the fact that that's not acceptable behavior in the workplace.

Mr. MCHUGH. Well, that's good. But what you're pointing to are direct actions relating to violence—either a direct fear or the actual occurrence of violence of some type. I was thinking more of prevention—getting closer to the starting point, where those surveys show that in a particular region there's a special dislike for the working environment or a special reflection of bad relationship between the workers and the management, if these surveys do, indeed show that.

And when that occurs, take the same kind of investigatory steps and follow-up action that you're doing on violence. Because I think when violence erupts as a totally random occurrence, as may have happened in this recent incident at City of Industry, I don't know if there's a lot you can do. You had two people with sterling records, no indicators, as I understand it, that this kind of thing was likely or even remotely likely to happen.

But in other areas where you've got a continued tension on the work floor, that may be the birthplace of violence 6 months, a year, or 2 years down the road. So I am more interested or as interested in wondering if these could be used to identify those kinds of problems so that they might be circumvented.

Mr. DUPILKA. That's an interesting approach to it, and certainly something we have to work through with the human resources people, as far as the use of those scores.

Mr. MCHUGH. Something to think about.

Mr. DUPILKA. Yes.

Mr. HUNTER. We'll take a look at it. And I lament that we may lose that indicator for the largest single category of our employees, since they're being encouraged by their organization to not participate in it in the future.

Mr. MCHUGH. I understand your concerns. Speaking of employees, and the assault hot-line, et cetera, what is your opinion of it? Do you think you'd have better action—you in your Inspection Service role—if there were higher standards of whistle protection, formal standards of whistle protection for that group of postal employees who do not now enjoy that? Do you think a lot of people are—and I'm not talking, obviously, just about violence here—I'm talking about wasteful management practices, theft on the job, whatever it might be.

Do you think that employees would be more likely to come forward and identify those problems if they had permanent and equivalent whistle protection as most other Federal employees do?

Mr. HUNTER. I don't know whether it's a matter of requiring that kind of change, or continuing to work on their trust—that if issues were raised, that it would receive appropriate attention and their anonymity would be preserved. In other words, I don't lack confidence in our ability to do that, but they're frequently encouraged by their organizations to approach the Inspection Service with some caution in that regard.

Because naturally, in those situations that Congressman Sanford identified earlier, where the employee is arrested for a violation, it puts us in an adversarial position with the employee organization if they choose to try and defend them from charges of mail theft or embezzlement. So I think that the situation that exists today is safe enough, but somehow we need to continue to get the word out that that is available, and that they can use it.

Mr. MCHUGH. Let me ask it a different way. Why would we not elevate all postal employees to the level of virtually every other Federal employee, with respect to whistle-blower protection? Is there a reason not to do it?

Mr. HUNTER. I'm not aware of the specific differences. We can take a look at that.

Mr. MCHUGH. I'd appreciate it. You mention trust and how the unions are sometimes advising their employees to be cautious about you. As you know, last year, the House passed a bill that would have separated out your IG functions. That bill did not prevail, obviously. I'd like to hear your views on why, if you do think your two main functions of the Inspection Service and the IG activities can be handled, first of all, under one roof.

And second, to what extent is it a problem that many employees, and perhaps many people from the postmaster on down, really view you as management rather than an independent organization exercising very diligent oversight?

Mr. HUNTER. I think any IG has an interesting dilemma in that regard. I'm sure that there are many people in management, who as the result of audits or findings, might not regard us as a part of management upon reflection. And if they looked at the rules, they might have some question. But the reasons not to split, which thus far have prevailed, are a number. One is that clearly, in the area we were just talking about, the concern about violence in the workplace, or violent acts against employees, even by non-employees, we have an enhanced response capability by remaining one organization.

One of the things we do is require all of our inspectors to be current in minimum skills in all the disciplines. So if an audit team is the nearest to an event that occurs, they can respond. It could be a robbery, burglary, it could be a violent act in the workplace. So if you split the organization, you reduce the response capability, and vice versa. When it's necessary to conduct major service reviews, we can call upon people who traditionally would be on criminal assignments to assist.

So that versatility, that flexibility, would be diminished. Additionally, in that regard, there would clearly be a fairly significant duplication of a management and a support structure, because both of the organizations would be fairly large, unlike the IG organizations in many departments, which are much smaller. Of course, in

addition to that, you'd lose some of this combined expertise that works so well in both the law enforcement and the audit work, the enhanced coordination that exists today.

A number of these reasons were outlined in a draft report that was issued by someone that's very experienced in the area. And I know that your staff previously requested a copy of that report.

Mr. MCHUGH. Right. If you've had an opportunity to follow any of these previous hearings. We have had many and the witnesses were all sterling. We've had many people come in and discuss rate setting. Chairman Gilman of the Rate Commission indicated in no uncertain terms that he felt much of the data on allocation of classes and the justification of rate increases was less than sufficient.

Others who find themselves often in a competing position with the Postal Service have suggested that the data was less than honest. How, in your role, would you assess the Postal Service's compilation of data and their justification of the allocation of costs amongst the classes and that whole rate setting procedure? Is it sufficient, or do you feel there are shortcomings there?

Mr. HUNTER. I would classify it as good. We do some audit work that has to do with the data upon which they base some of their calculations, as opposed to an audit of their calculations. Obviously, they've made some errors, and the Postal Service regrets those errors. The rate process is a very complex process, far too complex. The only people that consistently profit from it are the attorneys that represent all the parties.

Mr. MCHUGH. My wife is taking the bar exam today, so I'm not as upset by that as I might have been a week ago.

Mr. HUNTER. As long as it's not a conflict of interest, it could be a profitable career for her in the rate process. The weapon of choice is the data. And as you know, there are thousands of pages of data. And regrettably, some errors occurred in that data. Now, my lament would be that the process is too complex, it's too lengthy, it's too costly, and the conundrum that it's getting wrapped up in is these data wars and these class wars among competing interests who are mailers.

Mr. MCHUGH. How would you fix it? Your observation about the length, the clumsiness of it, and all of the obstacles, is one that is shared by many who have sat where you are. How do you think we could achieve the balance between making the process as streamlined as practical, but at the same time, protecting the interests of those that are at stake in this—whether it be not-for-profit mailers or whether it be newspaper editors or whomever?

Mr. HUNTER. Well, I don't have a specific formula. I just have some general ideas, as you've shared. For example, I agree that you need to allow the parties that are going to be affected to continue to have involvement in expressing their reactions to the proposals, because that adds value. They clearly can sharpen that perspective. But it needs to be shorter. It's gotten to be very regulated.

Now, you've had people that know far more about it than I provide input, like Murray Comorow, who was a part of the Kappel commission, that has offered an alternative—the administrative judge alternative with the recommendations being voted upon by the Board of Governors. Clearly it's got to be shorter, and in the

case of very competitive items, it must enable the Postal Service to respond to competitive threats greater.

I mean, today, every product and service that we charge for has competition. And the process today of performing a lengthy autopsy before competitors of new ideas, for example, makes it difficult to be responsive. So it needs to be the kinds of things that you're talking about. And I think people that are thoughtful and experienced in that area need to work on that. There was an effort, at one time, to do that, that included the Rate Commission and the Postal Service—to come up with some recommendations, still leaving some oversight, still leaving the mailers involvement. I'm not advocating that all that be walked away from.

Mr. MCHUGH. Is there some scenario under which your office might play an expanded role in that? I think, for example, of going back and somehow verifying the data. There seems to be a great distrust amongst many as to the data that is being provided. As you know, everyone who competes with the Postal Service believes that first class is underwriting all the other more competitive classes. And one of the challenges that I see is that if you're going to streamline, you have to do something, I believe, very proactive, to meet the concerns of those who are on the other side of the fence, and to help generate a higher level of confidence in the data.

To do that, it seems to me, you've got to have some kind of overseer. Would you be that?

Mr. HUNTER. It would depend upon what that consists of. I mean, that's kind of like starting at the bottom with all this massive data and concerns, and trying to work up to a simplified solution that still is acceptable in terms of representing all the interests. You might want to start the other way—at the top, in terms of what are some of the goals, and what might be procedures that could achieve that, and then what data is needed to support that.

Because clearly if you start from all the data today, there are so many special interests, including competitors, not even people that are direct users of the service, but competitors that are trying to influence that. It certainly, then, gives them leeway with regards to their rates. And to start from that entire force may just simply keep you tied up where you are. For example, if you instead issued the challenge to the interested groups who want something that's more responsive, something that's shorter, et cetera, what would it take?

Certainly with regards to the accuracy of the data that's the foundation of it, we could play a role. Now, still, whatever data you use, parties will have different interpretations of it. That's an old cliche about statistics and others.

Mr. MCHUGH. Yes, thank you. Going back to your report, you third list protecting the Postal Service revenue and assets. You've had an evolution, over recent times, on how the Postal Service pursues those who might violate the private express statute. Where are you in the continuum of enforcement on that issue right now? How do you go about ensuring that first-class letter mail is the respected domain of the Postal Service?

And do you see a need for that full monopoly protection on that class, as is being done in other nations? Has the time arrived to take away that protection?

Mr. HUNTER. There are two questions. Let me start with the first—where we are in the continuum of private express statute enforcement. A lot of attention was given to that area as a result of material misrepresentations by the competition about how we were performing that role. It was to their advantage to provide editorials and things that indicated we went in with guns drawn, et cetera, and imposed all kinds of regressive penalties. Such was not the case.

We did have a role in seeking compliance. And generally what happens is, you go in by appointment and it's a business meeting. And the attorneys of the corporation realize what the laws are and that they're in violation of the laws. They choose to come within compliance in a number of ways. And that was the manner in which we performed the role. But the stigma that was attached to it as a law enforcement agency wasn't necessary.

So that initial seeking of compliance now is done by the business mail entry managers. And an appeal process has been established, which we think is a good appeal process, to the Chicago Rates and Classifications Center, and then to the general counsel and to the judicial officer. Now, if someone is just openly defiant of the law, and just pushes it to the limit, and they need investigative assistance to enforce the law, of course we would still be involved.

Your second question had to do with the monopoly, as you called it. As I indicated earlier, every product and service we charge for today has competition. No one is trying to take free mail for the blind away from us, but everything that we charge for has competition. And as a result, if the law is going to be changed to open it up even more, it would need to be something that would protect this very important service for all citizens of the nation, and give the Postal Service additional flexibility to be competitive in whatever that more competitive environment could be.

Mr. MCHUGH. Let's assume that total reform of the pricing structure, total change in liberalization of introduction of new products, restructuring of the labor-management, all of the wishes that probably the Postmaster General has on Christmas Eve, were granted. Could we do away with the private express statutes? Could the Postal Service still meet that uniform price, universal delivery standard?

Mr. HUNTER. With my perception of what the Christmas Eve dream is that you outlined, yes. But a lot of people would have different opinions about what each of those pieces should be, but, yes, with that kind of flexibility.

Mr. MCHUGH. OK. You talked about preserving the integrity of the postal system. And this last category overlaps in a couple areas I'd like to talk about. We had those folks who were involved in the postal meter business before us. And as I'm sure you're not surprised, they were interested—at least three or four were interested in having the opportunity to sell postal meters rather than rent them.

They pointed toward their experience and the experience of other nations where selling of the postal meters has been a pretty common occurrence, at least from their perspective, and has been done pretty well. What would be your view on that kind of change?

Would it be, in your judgment, fine, or would we have a real security problem?

Mr. HUNTER. My view is that it would not yet be fine; Let me explain. When we began to focus on this revenue protection initiative 2 years ago, and worked with the customers who came up with ideas on how you could defraud the Postal Service; we launched the two major revenue protection initiatives. Sticking only to the meter initiative, we found horrifying ways that we were being defrauded of large sums of money.

I'll share these with you in a more private setting, because we don't want to provide a smorgasbord for theft. But there are many ways that we were being defrauded with regards to meters. As we began to also work with the meter companies, to include them in the solution, and we tested each of their meters, we found that all mechanical meters could be compromised, and even some electronic meters. So the technology was not secure.

Now, also with our philosophy of leveraging knowledge, we formed an international revenue protection group with major European nations, New Zealand and Canada. And as they began to learn the ways we were being defrauded and explored it, they found they, too, were the victims of significant fraud. One of the things they envy is that in the United States, the customer cannot own the meter. For example, in Great Britain, they can; and there is a meter theme that is particularly vulnerable. It is ridiculously vulnerable to fraud.

And in order to outlaw that meter, it would almost require individual action against each owner. So the control we have is very envied. Likewise, the Germans, who have significant meter fraud that they've discovered. They've been very effective in investigating it. In fact, in about a month and a half, I'll brief their Postmaster General, at his request, on the dimensions of the problem internationally.

So for today, no, the devices should not be owned. Another thing we found was that the meter companies did not maintain the quality of inventory they should. Now, they're working on that. Many of the meters; they didn't know where they were or they weren't where they thought they were. And these machines print money, if you don't follow the proper procedures of control and regular examination. In the future, through the use of microprocessors, things like that, I think it would be possible for the customer to own the majority of the device.

And what would not be owned by them would be that microprocessor, which would be very small. Because a lot of these machines are very large to transport thousands of pieces of mail through them an hour and apply the indicia. Postal management has retained national experts in this area at Carnegie-Mellon, to help them develop standards for a solution that could prevent a lot of this fraud.

At that time, then I think it would be appropriate for customers to own the majority, except for whatever that device would be that would be inserted that would contain the brains and the security.

Mr. MCHUGH. With respect to one of your comments on the inability or the current situation where they're not sure what their inventory is, also the complaint we heard was that they don't up-

date their equipment. And the latest technology, although available and probably pretty good, is not always what you find. I think they would respond by saying, if you would allow the purchase of meters, the incentive to go out there and implement the latest technology increases dramatically. And everyone would do a better job.

I assume you'd just say, well, that may be true but we still have a ways to go on the technology.

Mr. HUNTER. No, I think you astutely characterized their presentation of three of the four. Clearly there are competing interests between the company that has the majority of the meters in place in the United States and the other three that would like to increase their share. And that, of course, spilled over into their testimony into patent areas, which are not appropriate for the Postal Service. They're really the province of the FTC and the Department of Justice.

So part of the logic begins to be clouded by the competitive environment there is. The same procedures should be applied to all. We found the same problems with all. And once that electronic solution is there, we certainly advocate the opportunity for ownership.

Mr. MCHUGH. Thank you. While we're waiting to introduce Mr. Gilman, let me just ask a quick question. Have you had an opportunity to look and to examine the possibility that some of your inspectors may have attended what is now known as the "Good Ol' Boy Roundup" down in Tennessee?

Mr. HUNTER. That's a quick question, and the answer is quick. Yes, we've contacted all of our installations to find out if we had any attendees. Two individuals indicated they attended back in the 1980's, back in about 1986 to 1988, and that there were none of the activities being engaged in that are receiving criticism now. In addition to that, I've talked to the top officials at Treasury and Justice.

Both of their IG's are investigating it. And rather than have many law enforcement agencies investigate it, they've agreed to provide me the results of the investigation so that if we find we did have any attendees in the 1990's, we can deal with it.

Mr. MCHUGH. I'd appreciate, when that look-see is done, if you'd just share a synopsis with us, for the record.

Mr. HUNTER. Sure.

Mr. MCHUGH. As I mentioned, we are pleased to have with us the gentleman from the great state of New York, Mr. Gilman, and I'll happily yield to him for any comments and questions he might have at this time.

Mr. GILMAN. Thank you, Mr. Chairman. I regret that we have another hearing going on at the same time. But I want to thank you for calling this eighth meeting in the series of our hearings to address the issues that the Postal Service has to confront in the coming years. And your testimony, this panel today, with regard to issues of Postal Inspection Service reviewed, including the postal automation program, development of any new electronic based services, would be important to us.

And in addition, I'm particularly interested with regard to the security provisions and the number of frequent assaults postal employees have been confronted with, and the mail bombing incidents. I recall in my tenure of service, we've had two very bad examples

of lack of proper attention to employee protection. We had one where someone was caught up in the machinery and mangled. And now we've had an assault that took place where there was some violence.

And I think both of those are indicative of the need to provide better safety and better protection, better security. And hopefully, Mr. Chairman, your subcommittee's constructive dialog will help to improve the efficiency and the service of our Postal Service. And I'm pleased that you have Chief Postal Inspector Mr. Hunter and Deputy Chief Inspector Mr. Weaver, Deputy Chief Inspector Jeff Dupilka come before our subcommittee as we look into these issues.

And I thank you for the opportunity to make an opening statement.

[The prepared statement of Hon. Benjamin A. Gilman follows:]

PREPARED STATEMENT OF HON. BENJAMIN A. GILMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. Chairman, I thank you for calling this eighth meeting in a series of hearings to address the issues that the Postal Service must confront in the coming years. Today we will hear testimony with regard to issues that the Postal Inspection Service has reviewed including, the postal automation program and the development of new electronic based services. In addition I am interested to hear testimony with regard to security, particularly in light of frequent assaults on postal employees and mail bombing incidents.

Hopefully our subcommittee's constructive dialogue will improve the efficiency and customer service of the Postal Service.

We welcome Chief Postal Inspector Kenneth Hunter, Deputy Chief Inspector Ken Weaver and Deputy Chief Inspector Jeff Dupilka to our subcommittee and we look forward to hearing their testimony and suggestions. Thank you Mr. Chairman.

Mr. MCHUGH. Well, I thank the gentleman for being here. I know that he's a very busy individual, as so many are. And I'm particularly appreciative of you and Mrs. Meek, who has shown incredible tolerance for being here. Mr. Gilman mentioned violence, mail bombs—anything new to report to us on the Unabomber?

Mr. HUNTER. Nothing new. The investigating agencies have significantly, again, increased the number of individuals dedicated to that. We have an office of a fairly large group of FBI agents, postal inspectors, and ATF, whose sole job is to find the Unabomber.

Mr. MCHUGH. I understand that you're in the midst of this, and the look-backs to evaluate it will be sometime down the road. But obviously, for the record, the subcommittee would be very interested in discussing any kind of change or additional powers or authorities that you might have needed or assessed as necessary at any time in the future. This is a very high profile case, one that is of concern to all Americans.

But it is unfortunately symptomatic of what may happen in the future. And we want to make sure that you have the reasonable tools to do your job, and we appreciate your efforts in that regard. Let me just return to the opening comments of the gentleman from Indiana, Mr. McIntosh. I don't want to presume whatever questions he might have, but as part of that process in general, one of the concerns I have heard expressed is the level of proof that the Service must bring before a Federal judge to gain the issuance of that temporary restraining order.

I am not an attorney, but I understand the burden of proof is relatively low in its probable cause standard. It has been pointed out

to us that you are unique in being granted the opportunity to secure TRO's with such a low standard; that virtually every other Federal agency has to come in and demonstrate a much higher level. How would you justify that difference? And how would you assure the subcommittee, if at all, that there are not those cases of abuse that I think the gentleman from Indiana is concerned about and will obviously ask further about in this written questions?

Mr. HUNTER. Well, we will explore the individual situation that he asked about, and provide both of you the details concerning that. The dilemma that one is faced with—and we'll share with you the statistics about that—is the prevalence of fraud through the mails, because the mails are so trusted and because people assign more credibility to the mails than other means of communication. There are many people who try and engage in frauds.

The problem with the traditional law enforcement procedures of investigation and indictment and prosecution is, the schemes can go on for an extended period of time. And many, many people—the elderly, the disadvantaged—can be victimized. As a result, procedures have been devised with a lot of thought, and they're executed with a lot of care, that are escalating in nature. For example, many schemes simply discontinue voluntarily when we confront them with the evidence that they cannot fulfill what they've represented their offer to be.

And then there are a series of escalating procedures that include other checks and balances, like administrative law judges or Federal courts. And in the case of a TRO, of course, it's not a conviction, it's a case in which there looks to be enough there that we should stop allowing people to be victimized until a further determination can be made.

I'm not conversant with what the perceived differences might be between standards that we would have to meet to get a TRO and other organizations, because clearly there are many other TRO's. Perhaps Jeff is.

Mr. DUPILKA. I believe you're referring to the probable cause standard. We've had some dialog with your staff concerning this. I think the difference clearly is that the remedy that we get from the TRO is significantly different than the remedies available to other agencies when they implement their procedures. Essentially what we're doing is freezing the mail at that point. It doesn't get returned to the sender; it doesn't get sent on to the person who was alleged to be operating the scheme.

It simply allows for a cooling off period so that person can have a hearing or that company can have a hearing to determine if it's appropriate to detain the mail any further. So the person doesn't get victimized and the company doesn't have access to the funds for that period of time when the restraining order is in place. The FTC, of course, has far-reaching ability to do other things such as seizing the business accounts and placing them into receivership.

So our remedy isn't as strong and the proof isn't as strong, either.

Mr. MCHUGH. I want to yield to Mrs. Meek in just 1 second. I want to follow up on that specific point, and then some others after. Your remedy is different. Could you operate effectively under

the same levels as the SEC or whomever, including the expanded powers that I understand they enjoy, such as subpoena power, et cetera? Would that work?

Mr. DUPILKA. Some of the difference here relate to the fact that once the mail has passed through, the scheme has come to fruition, the person has been victimized. And if we allow that to continue, then we have no power to affect refunds or adjustments. If that were put in, where the operator was then required to make refunds and adjustments as a result of that litigation, then it would be possible to do that. But right now that doesn't exist.

Mr. MCHUGH. Well, that's true. That would be changed if, for the purposes of the discussion, we were to make the responsibilities of powers and procedures the same for you as other Federal agencies. You could still get a TRO, it's just that the burden is somewhat higher, the standard is somewhat higher; true?

Mr. DUPILKA. Yes. I would agree with you, if those provisions were put in place. Ultimately, no one wants to have the innocent business victimized, but we don't want consumers victimized.

Mr. MCHUGH. No.

Mr. DUPILKA. If we could strike a balance there, certainly any compromise would be acceptable.

Mr. MCHUGH. Absolutely. The gentlelady has been very——

Mr. GILMAN. Mr. Chairman.

Mr. MCHUGH. Mr. Gilman.

Mr. GILMAN. I'm just being called back to another meeting. If the gentlelady would yield a moment, I just have two short questions.

Mrs. MEEK. Go right ahead.

Mr. GILMAN. If the current changes to the retirement laws under consideration are passed, such as a change from high three to high five, what would be the effect on your service, particularly in light of the fact of inspectors who classify in the series 18–11 criminal investigators, who with separate pay and benefits, may have more of an incentive to retire in order to retain their current benefits? Could you comment on that briefly?

Mr. HUNTER. Yes, and I presume your question assumes that 18–11's would be included in that change. Because as you know, from testimony of Louis Freeh, the head of the FBI, and others, there is also a proposal to exclude them. Were they included, our vulnerability is about 10 percent of our postal inspectors that would fall within the window. Not all would exercise it, but some have done some calculations. And a change could amount to a difference in their monthly retirement, for some, of as much as $140. So we would expect to see some leave.

Mr. GILMAN. That's quite a bit. The other question—with regard to the fraud investigations, what portion of your service is personnel devoted to fraudulent claims?

Mr. DUPILKA. Straight mail fraud or——

Mr. GILMAN. Either.

Mr. DUPILKA. We don't segregate it out. We have a lot of fraud involving the Postal Service also.

Mr. GILMAN. Well, straight mail fraud. How many of your people devote time and attention?

Mr. DUPILKA. What I'd like to do is be able to give you an exact figure on it.

Mr. GILMAN. Just roughly.

Mr. DUPILKA. I would say probably 15 percent.

Mr. GILMAN. And other fraud activities?

Mr. DUPILKA. That's fraud activities. When Postal Service fraud is combined with other areas I'd say it's probably 20 percent.

Mr. GILMAN. And do you feel you have enough independence from Postal Service to do the inspector general functions?

Mr. HUNTER. Yes.

Mr. GILMAN. Most inspector generals are a separate entity. And yet you're under the Postal Service authority.

Mr. HUNTER. Well, one of the interesting things is, we're under the same provisions of the Inspector General Act as others, but we have an additional check and balance, if you will, that they don't. And that is the Board of Governors. That's also incorporated into it. So I do, in response to your question.

Mr. GILMAN. Thank you. Thank you, Mr. Chairman. I thank the gentlelady for yielding.

Mr. MCHUGH. Thank the gentleman. Mrs. Meek.

Mrs. MEEK. Well, the gentleman asked one of my questions, in that one of them had to do with Mr. Hunter's dual role as inspector general as well as the chief postal inspector. There are many who would think that those two functions should be separate. But you addressed it from Representative Gilman's question. My other question has to do with, you received—according to your semi-annual report, you said that you'd received numerous complaints regarding drug use and drug distribution in the Postal Service, and therefore, you had taken it upon yourself to investigate these allegations.

My question is, is this within your jurisdiction, and can it be done in your jurisdiction with some degree of advocacy; in that there have been several instances where there have been some, I guess, misdirected drug raids. One was in my State of Florida, West Palm Beach. So how are you approaching that? And do you still have the facility to do that kind of thing?

Mr. HUNTER. Yes, you have a number of questions there.

Mrs. MEEK. Yes.

Mr. HUNTER. First, the concern that you're referring to stems from the employee opinion survey, where a significant number of employees expressed concern about drug use, drug dependencies in the workplace and, of course, the threat that represents to them from a safety and other standpoints. We focus on the sale of drugs in the workplace. The use of drugs in the workplace is appropriate for referral of employees to the EAP program.

Mrs. MEEK. Excuse me, if I may intervene, since the bell has rung. You have taken on the function of investigating these?

Mr. HUNTER. That's correct.

Mrs. MEEK. My question is, do you have the capacity to do so in a good manner?

Mr. HUNTER. We do. We have a memorandum of understanding with DEA, which of course is the nation's primary Federal law enforcement investigative agency for drug sales. And we do it in accordance with that. You also correctly alluded to the fact that our past procedures did include instances of abuse, which we dealt forcefully with, with regards to the individuals involved; and also

went through a very stringent process, including many outside experts to completely change.

So today we have much tighter procedures that have been developed and that are managed much more tightly so that we'll never face that kind of situation again.

Mrs. MEEK. Thank you, sir.

Mr. HUNTER. Thank you.

Mr. MCHUGH. Well, with the ringing of the bells, and we're now approaching the conclusion of our second hour, I think perhaps we'll have mercy upon you gentlemen and the audience, and call this to an end. I again deeply appreciate your being here. You have a fascinating position in the system of the post office. And as I mentioned earlier, the subcommittee certainly wants to work with you in assisting you in that very important dual role. And we look forward to that.

We will allow members to submit written questions, as Mr. McIntosh has indicated he will, and we would appreciate your responding to those in kind. So again, thank you, and with that, I would adjourn the meeting.

[Whereupon, at 11:45 a.m., the hearing was adjourned, subject to the call of the Chair.]